

CITY OF BUFFALO, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2016

**CITY OF BUFFALO, MINNESOTA
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YEAR ENDED DECEMBER 31, 2016**

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INTRODUCTORY SECTION

**CITY OF BUFFALO, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2016**

Elected Officials

		<u>Term Expires</u>
Mayor	Brad Nauman	December 31, 2016
Council Member	Eric Anderson	December 31, 2018
Council Member	Scott Enter	December 31, 2018
Council Member	Teri Lachermeier	December 31, 2016
Council Member	Paul Olson	December 31, 2016

Appointed Officials

Administrator and Clerk-Treasurer	Merton Auger
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Buffalo
Buffalo, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo (the City), Minnesota as of and for the year ended December 31, 2016, and the related notes of the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and
Members of the City Council
City of Buffalo, Minnesota

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo, Minnesota as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of as and for the year ended December 31, 2015, and we have expressed unmodified audit opinions on those audited financial statements in our report dated June 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of the City's proportionate share of the net pension asset, and schedule of City contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, computation of legal debt margin, tax levies to retire bonded indebtedness and property valuations, levies and collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and
Members of the City Council
City of Buffalo, Minnesota

Other Matters (Continued)


Other Information (Continued)

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Computation of Legal Debt Margin, Tax Levies to Retire Bonded Indebtedness and Property Valuations, Levies and Collections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017, on our consideration of the City of Buffalo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Buffalo's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Buffalo, Minnesota
June 14, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

As management of the City of Buffalo (the City), Minnesota, we offer readers of the City of Buffalo's financial statements this narrative overview and analysis of the financial activities of the City of Buffalo for the fiscal year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$47,535,227 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is a deficit of \$5,208,364.
- The City's total net position decreased by \$1,381,386 from 2015.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,107,397, an increase of \$715,549 in comparison with the prior year. The overall *unassigned fund balance* is a deficit \$321,978.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,531,376, or 59% of total 2016 general fund expenditures.
- The City's total bonded debt increased by \$959,206 or 1.0% during the current fiscal period.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, culture and recreation, and community development. The business-type activities of the City include water and sewer utilities, electric utility, liquor stores, and a municipal golf course (Wild Marsh).

The government-wide financial statements can be found on pages 18-20 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, Capital Project Fund, and HRA Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

Proprietary Funds

The City maintains five proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utilities, electric utilities, liquor store operations, and golf course operations. The City uses an *internal service fund* to account for the City's self-insurance program for health insurance.

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the electric fund, liquor fund, and golf course fund which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 27-36 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 37-77 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* demonstrating the City's compliance with its adopted budget for the General Fund and information regarding defined benefit pension plans that the City participates in. The RSI and related notes can be found on pages 81-85 of this report.

The combining statements referred to earlier in conjunction with nonmajor governmental funds are presented immediately following the required supplementary information on the General Fund budgetary comparison. Combining and individual fund statements can be found on pages 86-93.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows by \$47,535,227 at the close of the most recent fiscal year compared to \$48,916,613 at the end of 2015.

By far, the largest portion of the City's net position (82%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BUFFALO'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and Other Assets	\$ 16,067,023	\$ 17,790,575	\$ 2,903,323	\$ (587,686)	\$ 18,970,346	\$ 17,202,889
Capital Assets	56,141,814	57,879,038	84,825,655	84,224,842	140,967,469	142,103,880
Total Assets	<u>72,208,837</u>	<u>75,669,613</u>	<u>87,728,978</u>	<u>83,637,156</u>	<u>159,937,815</u>	<u>159,306,769</u>
DEFERRED OUTFLOW OF RESOURCES						
Loss on Refunding of Bonds	31,678	36,348	377,428	343,480	409,106	379,828
Pension Related	4,727,801	606,657	1,184,364	262,118	5,912,165	868,775
Total Deferred Outflow of Resources	<u>4,759,479</u>	<u>643,005</u>	<u>1,561,792</u>	<u>605,598</u>	<u>6,321,271</u>	<u>1,248,603</u>
LIABILITIES						
Noncurrent Liabilities Outstanding	28,056,282	30,976,923	67,677,965	65,865,853	95,734,247	96,842,776
Other Liabilities	13,728,401	7,606,776	7,998,548	6,522,210	21,726,949	14,128,986
Total Liabilities	<u>41,784,683</u>	<u>38,583,699</u>	<u>75,676,513</u>	<u>72,388,063</u>	<u>117,461,196</u>	<u>110,971,762</u>
DEFERRED INFLOW OF RESOURCES						
Pension Related	<u>857,007</u>	<u>400,320</u>	<u>405,656</u>	<u>266,677</u>	<u>1,262,663</u>	<u>666,997</u>
Net Position:						
Net Investment in Capital Assets	28,396,065	35,513,483	14,764,051	13,257,732	43,160,116	48,771,215
Restricted	9,583,475	9,540,087	-	-	9,583,475	9,540,087
Unrestricted	<u>(3,652,914)</u>	<u>(7,724,971)</u>	<u>(1,555,450)</u>	<u>(1,669,718)</u>	<u>(5,208,364)</u>	<u>(9,394,689)</u>
Total Net Position	<u>\$ 34,326,626</u>	<u>\$ 37,328,599</u>	<u>\$ 13,208,601</u>	<u>\$ 11,588,014</u>	<u>\$ 47,535,227</u>	<u>\$ 48,916,613</u>

The remaining balance of the City's net position are *restricted net position* (18%) that can be used only for debt service or other purposes. The City reports a deficit for *unrestricted net position* that may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities decreased the City's net position by \$3,001,973. The most significant change in governmental net position is due to the contribution of capital assets to the business-type activities and City expenses for state and county owned road projects.

Business-Type Activities

Business-type activities increased the City's net position by \$1,620,587. The most significant change in business-type net position is due to Electric Fund operations.

City of Buffalo's Changes in Net Position

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2016:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Fees, Charges, Fines, and Other	\$ 3,579,062	\$ 3,734,157	\$ 24,105,028	\$ 23,122,046	\$ 27,684,090	\$ 26,856,203
Operating Grants and Contributions	633,031	536,123	149,866	144,008	782,897	680,131
Capital Grants and Contributions	1,019,331	6,660,393	363,838	369,510	1,383,169	7,029,903
General Revenues:						
Property Taxes	5,907,924	5,306,826	611,370	572,899	6,519,294	5,879,725
Tax Increments	263,658	264,026	-	-	263,658	264,026
Other Taxes	2,199	2,144	-	-	2,199	2,144
Grants and Contributions, Not Restricted	868,995	834,909	-	-	868,995	834,909
Unrestricted Investment Earnings	12,076	9,366	25,766	20,188	37,842	29,554
Gain on Disposal of Capital Assets	5,770	26,276	-	-	5,770	26,276
Miscellaneous	12,638	27,748	6,137	16,347	18,775	44,095
Total Revenues	12,304,684	17,401,968	25,262,005	24,244,998	37,566,689	41,646,966
EXPENSES						
General Government	1,151,021	1,125,873	-	-	1,151,021	1,125,873
Public Safety	2,961,898	3,123,618	-	-	2,961,898	3,123,618
Highways and Streets	6,514,018	6,139,374	-	-	6,514,018	6,139,374
Culture and Recreation	2,848,075	2,961,901	-	-	2,848,075	2,961,901
Sanitation	761,236	781,798	-	-	761,236	781,798
Community Development	146,380	198,414	-	-	146,380	198,414
Interest on Long-Term Debt	488,283	737,836	-	-	488,283	737,836
Electric	-	-	12,130,203	11,525,954	12,130,203	11,525,954
Water	-	-	2,717,375	2,718,563	2,717,375	2,718,563
Sewer	-	-	3,776,268	4,090,073	3,776,268	4,090,073
Liquor Store	-	-	4,595,069	4,493,031	4,595,069	4,493,031
Golf Course	-	-	858,249	1,370,055	858,249	1,370,055
Total Expenses	14,870,911	15,068,814	24,077,164	24,197,676	38,948,075	39,266,490
Change in Net Position Before Transfers	(2,566,227)	2,333,154	1,184,841	47,322	(1,381,386)	2,380,476
Transfers	(435,746)	476,931	435,746	(476,931)	-	-
CHANGE IN NET POSITION	(3,001,973)	2,810,085	1,620,587	(429,609)	(1,381,386)	2,380,476
Net Position - Beginning of Year	37,328,599	36,783,096	11,588,014	13,937,442	48,916,613	50,720,538
Prior Period Adjustment	-	(2,264,582)	-	(1,919,819)	-	(4,184,401)
Net Position - Beginning of Year (Restated)	37,328,599	34,518,514	11,588,014	12,017,623	48,916,613	46,536,137
NET POSITION - END OF YEAR	\$ 34,326,626	\$ 37,328,599	\$ 13,208,601	\$ 11,588,014	\$ 47,535,227	\$ 48,916,613

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

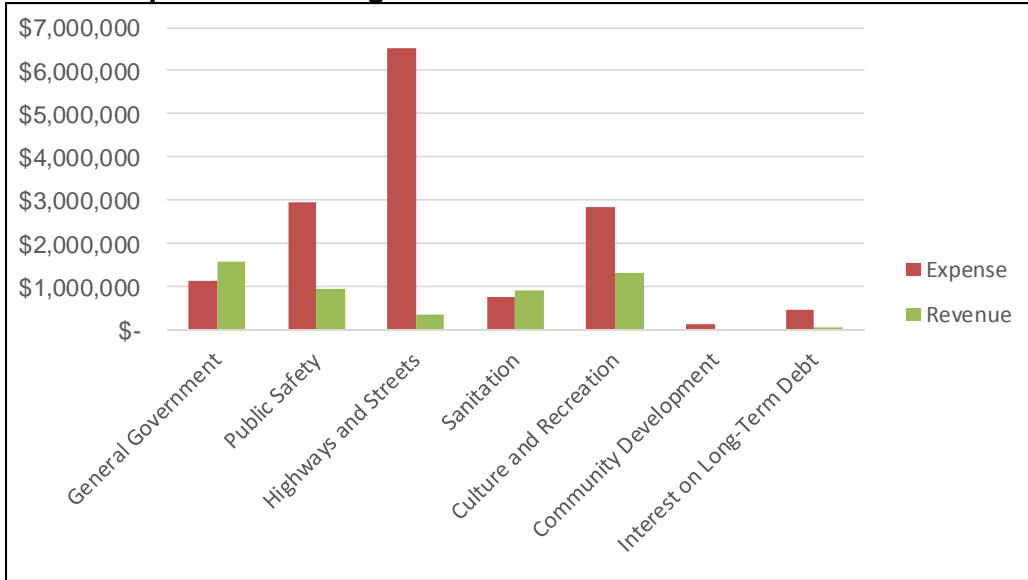
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Buffalo's Changes in Net Position (Continued)

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

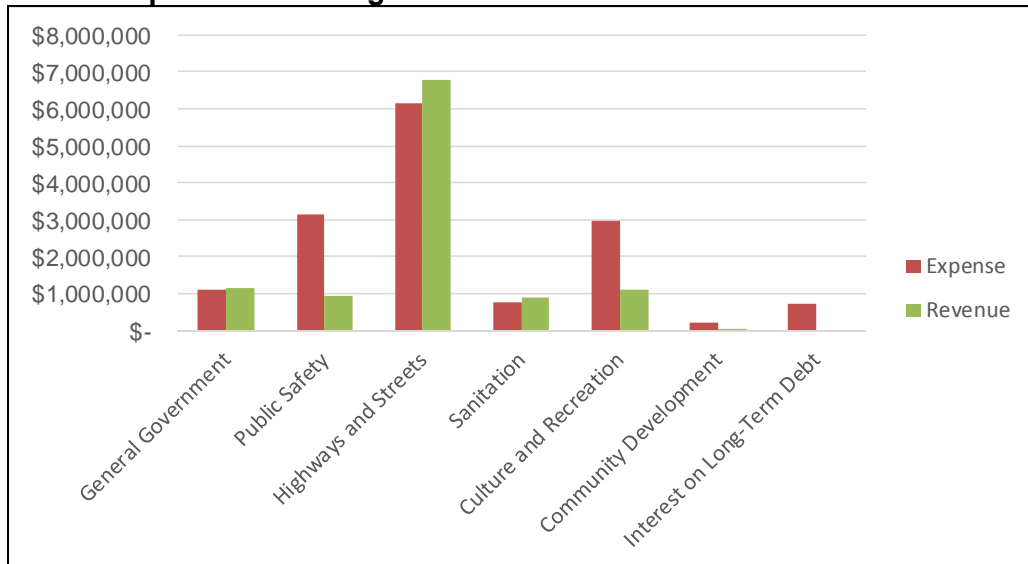
2016

Expenses and Program Revenues-Governmental Activities



2015

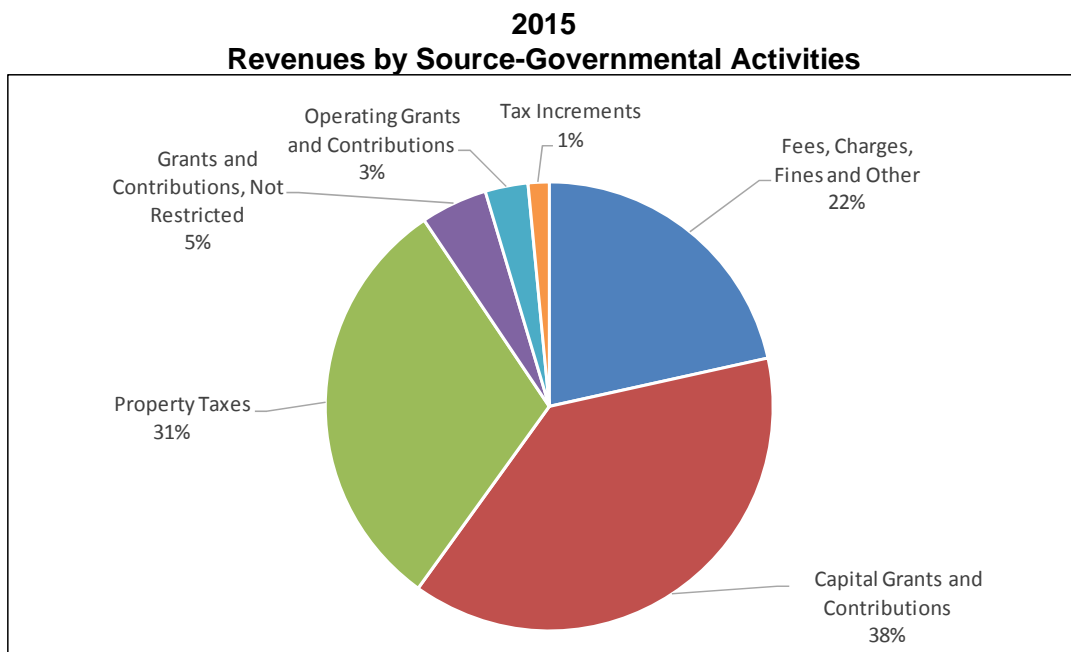
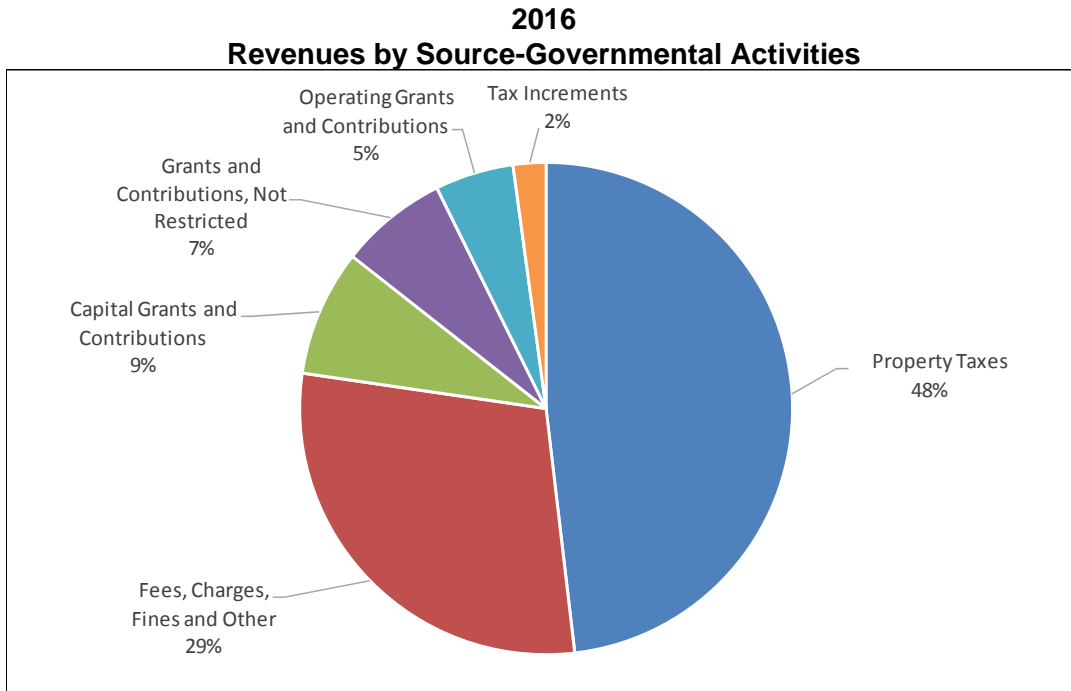
Expenses and Program Revenues-Governmental Activities



**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Buffalo's Changes in Net Position (Continued)



**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

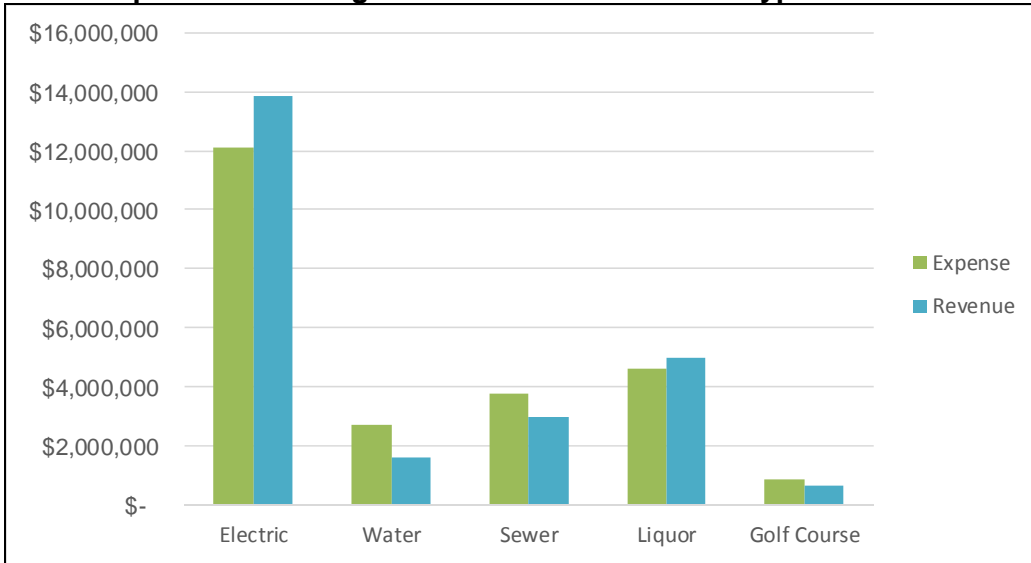
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Buffalo's Changes in Net Position (Continued)

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

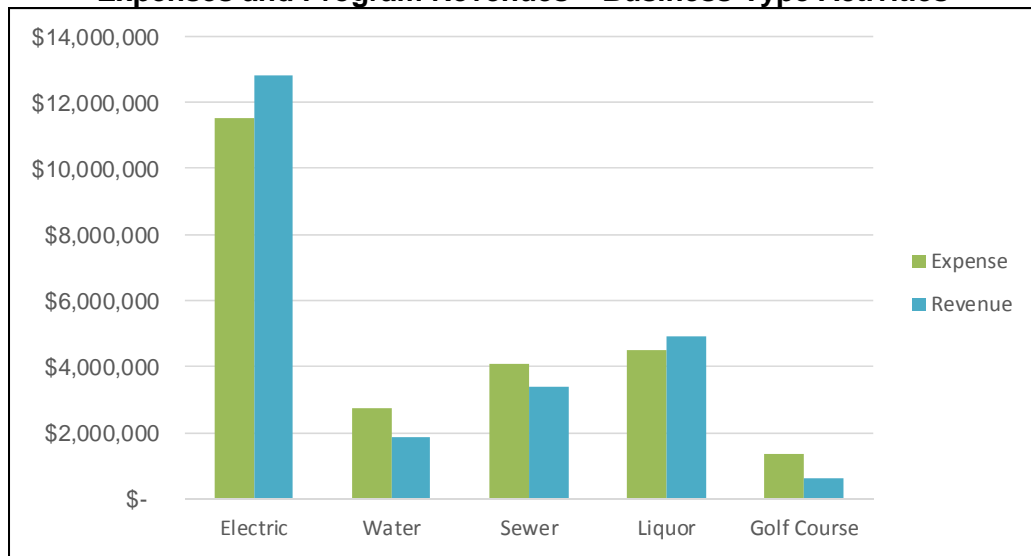
2016

Expenses and Program Revenues – Business-Type Activities



2015

Expenses and Program Revenues – Business-Type Activities

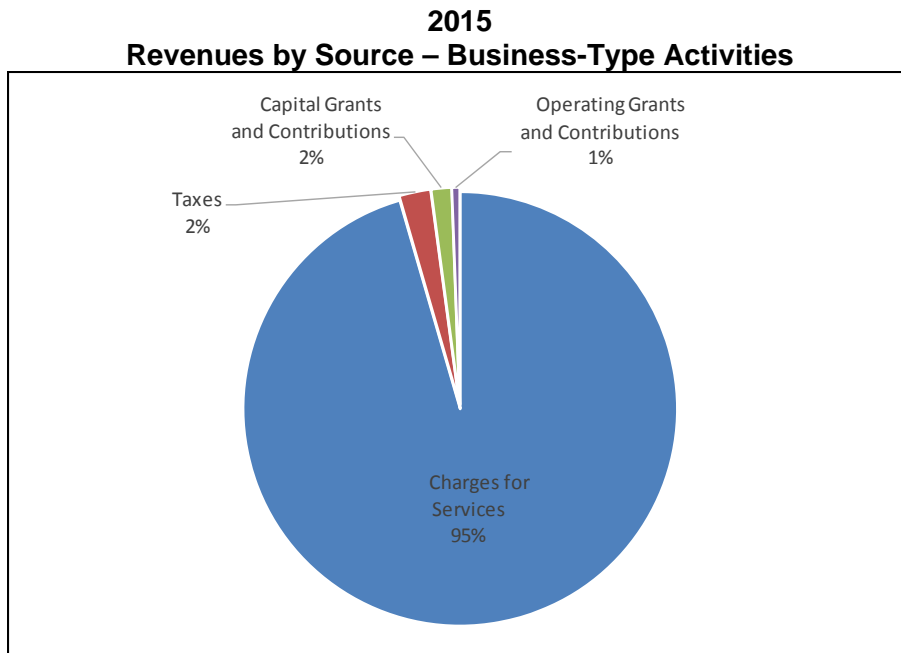
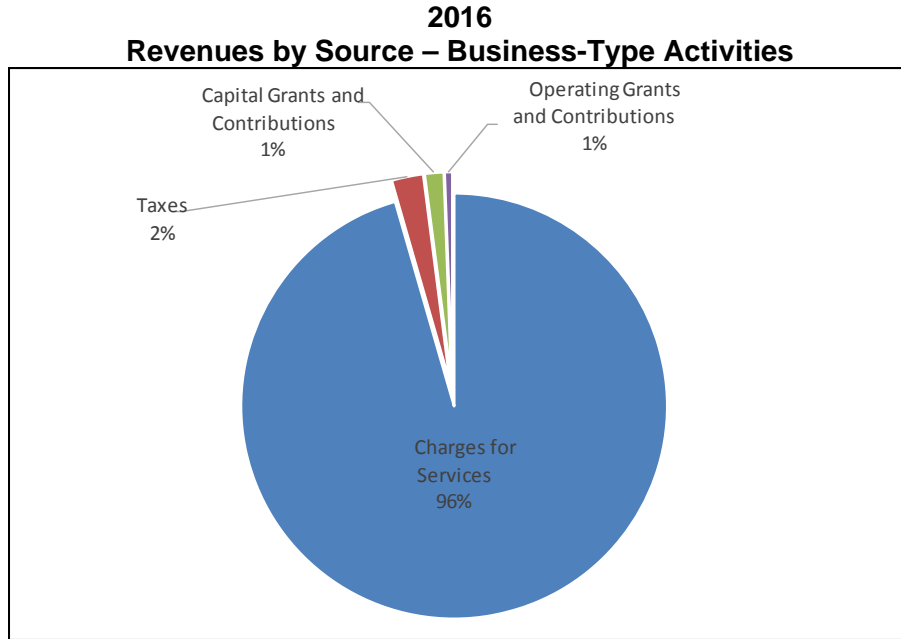


Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in program revenues in the above graphs.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Buffalo's Changes in Net Position (Continued)



Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in revenues in the above charts.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,107,397, an increase of \$715,549 in comparison with 2015. The City reported deficit unassigned fund balance in the amount of \$321,978. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending. At December 31, 2016 fund balances were as follows:

	Balance	Increase (Decrease) from 2015
General Fund	\$ 4,549,739	\$ 490,892
Debt Service Fund	7,077,336	2,498,991
Capital Project Fund	525,515	(2,550,143)
HRA Debt Service Fund	(1,690,243)	124,992
Other Governmental Funds	(1,354,950)	150,817
Total	\$ 9,107,397	\$ 715,549

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,531,376.

During the current fiscal year, the City's general fund balance increased by \$490,892. The increase was a result of transfers in from the Electric and Liquor Funds, sale of property, and additional building permits issued.

Debt Service

The increase in the Debt Service Fund balance of \$2,498,991 was the result of scheduled principal and interest payments as well as an increase in property tax revenue.

Capital Project

The Capital Projects Fund balance decreased \$2,550,143 as a result of spend down of unspent bond proceeds from the previous year and City expenses for county and state projects.

HRA Debt Service

The increase in the HRA Debt Service Fund balance was due to transfers in from the Golf Course Fund and HRA Fund for debt payments.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the Electric Fund at the end of 2016 was \$14,749,159, of which \$3,393,138 is unrestricted. Net position increased \$1,443,659 during the current year primarily due to an increase in operating revenue.

The Water and Sewer Fund has total net position of \$3,910,850, of which \$980,276 is unrestricted. The increase in net position of \$367,414 from 2015 was due to a decrease in interest expense related to outstanding bonds and a decrease in operating expenses.

The Liquor Fund has total net position of \$1,199,279. It has deficit unrestricted net position of \$92,692. Net position increased by \$54,215 from 2015. The net position increase is consistent with prior years and includes an annual transfer to the General Fund (see Note 9).

The City purchased Wild Marsh Golf Course in May 2004. Wild Marsh has total net position of \$(6,650,687) and unrestricted net position of \$(5,836,172) primarily due to operating losses incurred in the 12½ years of operations.

Net Position in the Internal Service Fund at the end of 2016 was \$-0-. This fund was closed out in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were \$80,467 over budget due mainly to an increase in charges for services items. Expenditures came in under the budgeted amounts by \$601,766 which is mainly due to street maintenance and police expenses being under budget. This resulted in a net fund balance increase of \$756,986 compared to budget for the fiscal year. Refer to pages 81-84 of the required supplementary information for additional information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$140,967,469 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment and furniture, vehicles, machinery and equipment, other capital assets, and infrastructure. The total decrease in the City's investment in capital assets (net of accumulated depreciation) was \$1,136,411 when compared to 2015. This decrease is a result of current year depreciation.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

**CITY OF BUFFALO'S CAPITAL ASSETS
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,313,571	\$ 1,751,284	\$ 2,636,955	\$ 2,636,955	\$ 6,950,526	\$ 4,388,239
Land Improvements	9,688,783	9,245,819	1,525,830	1,594,209	11,214,613	10,840,028
Buildings and Building Improvements	9,809,319	10,233,228	31,391,624	32,314,196	41,200,943	42,547,424
Improvements Other than Building	1,858,920	1,824,031	-	-	1,858,920	1,824,031
Vehicle	1,491,226	1,182,703	-	-	1,491,226	1,182,703
Equipment	1,289,363	1,314,869	2,885,076	2,774,771	4,174,439	4,089,640
Infrastructure	23,437,122	24,625,009	-	-	23,437,122	24,625,009
Utility Distribution Systems	-	-	46,386,170	44,883,482	46,386,170	44,883,482
Construction in Progress	4,253,510	7,702,095	-	21,229	4,253,510	7,723,324
Total	<u>\$ 56,141,814</u>	<u>\$ 57,879,038</u>	<u>\$ 84,825,655</u>	<u>\$ 84,224,842</u>	<u>\$ 140,967,469</u>	<u>\$ 142,103,880</u>

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$99,456,582. Of this amount, \$28,675,000 comprises tax supported debt, \$3,250,000 is tax abatement debt, \$5,145,000 is special assessment debt, and \$60,461,560 is revenue supported debt. The remaining \$1,925,022 is interest accretion on capital appreciation bonds. All outstanding debt carries the general obligation backing for which the City is liable in the event of default by the property owners subject to the specific taxes, special assessments, or revenues pledged to the retirement of the debt.

**CITY OF BUFFALO'S OUTSTANDING DEBT
(General Obligation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
G.O. Tax Supported Debt	\$ 23,785,000	\$ 21,010,000	\$ 4,890,000	\$ 5,895,000	\$ 28,675,000	\$ 26,905,000
G.O. Tax Abatement Debt	-	-	3,250,000	-	3,250,000	-
G.O. Special Assessment Debt	5,145,000	5,230,000	-	-	5,145,000	5,230,000
G.O. Revenue Debt	2,275,326	6,016,540	58,186,234	58,718,019	60,461,560	64,734,559
Interest Accretion on Capital Appreciation Bonds	-	-	1,925,022	1,627,817	1,925,022	1,627,817
Total	<u>\$ 31,205,326</u>	<u>\$ 32,256,540</u>	<u>\$ 68,251,256</u>	<u>\$ 66,240,836</u>	<u>\$ 99,456,582</u>	<u>\$ 98,497,376</u>

The City's total bonded debt increased by \$959,206 or (1.0%) during the current fiscal year. There were four new bonds issued in the current fiscal year, a \$2,565,000 General Obligation Bond, as well as a \$2,075,000 General Obligation Bond, a \$1,140,000 Electric Revenue Bond and a \$3,250,000 General Obligation Tax Abatement Revenue Bond.

The City maintained an "A+/Stable" rating from Standard & Poor's for general obligation debt. Refer to Notes 4 and 5 for detailed information on capital assets and long-term debt.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Wright County is currently 3.7%, based on U.S. Department of Labor: Bureau of Labor statistics.
- The City continues to see increased commercial/industrial construction growth. Residential growth and home values are somewhat higher. 42 permits were issued for new home construction in 2016 compared to 38 in 2015.
- Interest rates have remained low and are reflected in the City's investment earnings. Interest rates on debt are also low and have resulted in bond refundings allowing savings for the City.
- Local government aid increased from \$724,949 (2016) to \$734,952 (2017) and is anticipated to increase an additional \$111,388 in 2018. Although it has increased the past few years, it is still down significantly from a high of \$1,415,301 received in 2001.
- The City has two major projects in 2016 (TH25 Reconstruction, both North and South). Major projects scheduled for 2017/2018 include the WWTP Upgrades and Lift Stations.
- There were slight increases in water, wastewater, and electric rates in 2016 as established by the City Council. Water and wastewater rates as well as a SAC and WAC fee study is currently underway for potential 2017/2018 implementation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Buffalo's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Buffalo, 212 Central Ave., Buffalo, Minnesota, 55313.

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BASIC FINANCIAL STATEMENTS

CITY OF BUFFALO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

	2016			2015
	Governmental Activities	Business-Type Activities	Total	Total
ASSETS				
Cash and Investments	\$ 9,835,849	\$ 42,815	\$ 9,878,664	\$ 8,591,314
Cash with Fiscal Agent	-	1,837	1,837	-
Restricted Cash and Investments	-	-	-	402,325
Taxes Receivable	78,877	6,770	85,647	89,932
Special Assessments Receivable	816,494	-	816,494	843,152
Accounts Receivable	282,782	1,685,114	1,967,896	1,782,710
Hook-up Fees Receivable - Current	-	5,700	5,700	6,700
Due from Other Governments	519,096	4,529	523,625	761,904
Accrued Interest Receivable	193,183	713	193,896	167,830
Internal Balances	373,557	(373,557)	-	-
Lease Receivable	3,277,793	-	3,277,793	2,379,861
Inventory	10,479	1,441,569	1,452,048	1,442,125
Prepaid Items	11,042	448	11,490	68,196
Hook-up Fees Receivable - Noncurrent	-	87,385	87,385	99,880
Loans Receivable	370,211	-	370,211	421,312
Land Held for Resale	23,659	-	23,659	23,659
Net Pension Asset	274,001	-	274,001	121,989
Capital Assets:				
Land and Construction in Progress	8,567,081	2,636,955	11,204,036	12,111,563
Other Capital Assets, Net of Depreciation	47,574,733	82,188,700	129,763,433	129,992,317
Total Assets	<u>72,208,837</u>	<u>87,728,978</u>	<u>159,937,815</u>	<u>159,306,769</u>
DEFERRED OUTFLOW OF RESOURCES				
Refunding Loss on Bonds	31,678	377,428	409,106	379,828
Pension Related	4,727,801	1,184,364	5,912,165	868,775
Total Deferred Outflow of Resources	<u>4,759,479</u>	<u>1,561,792</u>	<u>6,321,271</u>	<u>1,248,603</u>
LIABILITIES				
Accounts and Contracts Payable	1,475,454	1,007,826	2,483,280	2,310,853
Other Accrued Liabilities	178,980	211,712	390,692	326,126
Accrued Interest Payable	336,725	322,680	659,405	633,591
Due to Other Governmental Units	160,811	3,829	164,640	93,369
Escrow Deposits	71,284	-	71,284	78,858
Unearned Revenue	39,646	21,782	61,428	32,855
Net Pension Liability	6,318,367	2,849,296	9,167,663	4,600,953
Long-Term Liabilities:				
Due within One Year	5,147,134	3,581,423	8,728,557	6,052,381
Due in More than One Year	28,056,282	67,677,965	95,734,247	96,842,776
Total Liabilities	<u>41,784,683</u>	<u>75,676,513</u>	<u>117,461,196</u>	<u>110,971,762</u>
DEFERRED INFLOW OF RESOURCES				
Pension Related	857,007	405,656	1,262,663	666,997
NET POSITION				
Net Investment in Capital Assets	28,396,065	14,764,051	43,160,116	48,771,215
Restricted for:				
Debt Service	9,259,032	-	9,259,032	9,233,387
Fire Relief Pension	274,001	-	274,001	242,211
Federal Loan Programs	50,442	-	50,442	64,489
Unrestricted	<u>(3,652,914)</u>	<u>(1,555,450)</u>	<u>(5,208,364)</u>	<u>(9,394,689)</u>
Total Net Position	<u>\$ 34,326,626</u>	<u>\$ 13,208,601</u>	<u>\$ 47,535,227</u>	<u>\$ 48,916,613</u>

See accompanying Notes to Financial Statements.

CITY OF BUFFALO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

Functions/Programs	2016			
	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,151,021	\$ 981,992	\$ -	\$ 620,566
Public Safety	2,961,898	701,239	263,633	-
Highways and Streets	6,514,018	27,954	231,099	88,985
Sanitation	761,236	912,988	-	-
Culture and Recreation	2,848,075	867,766	138,299	309,780
Community Development	146,380	26,720	-	-
Interest on Long-Term Debt	488,283	60,403	-	-
Total Governmental Activities	<u>14,870,911</u>	<u>3,579,062</u>	<u>633,031</u>	<u>1,019,331</u>
Business-Type Activities:				
Electric	12,130,203	13,859,778	143,279	-
Water	2,717,375	1,604,724	3,254	39,750
Sewer	3,776,268	2,991,350	-	324,088
Liquor	4,595,069	4,982,675	2,235	-
Golf Course	858,249	666,501	1,098	-
Total Business-Type Activities	<u>24,077,164</u>	<u>24,105,028</u>	<u>149,866</u>	<u>363,838</u>
Total	<u>\$ 38,948,075</u>	<u>\$ 27,684,090</u>	<u>\$ 782,897</u>	<u>\$ 1,383,169</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purpose

Tax Increments

Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings (Loss)

Insurance Proceeds

Gain on Disposal of Capital Assets

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

Prior Period Adjustment

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

2016				
Net (Expense) Revenue and Changes in Net Position			2015	
Governmental Activities	Business-Type Activities	Total	Total	
\$ 451,537	\$ -	\$ 451,537	\$ 44,010	
(1,997,026)	-	(1,997,026)	(2,183,183)	
(6,165,980)	-	(6,165,980)	636,715	
151,752	-	151,752	113,914	
(1,532,230)	-	(1,532,230)	(1,871,505)	
(119,660)	-	(119,660)	(140,256)	
(427,880)	-	(427,880)	(737,836)	
<u>(9,639,487)</u>	<u>-</u>	<u>(9,639,487)</u>	<u>(4,138,141)</u>	
-	1,872,854	1,872,854	1,278,886	
-	(1,069,647)	(1,069,647)	(833,941)	
-	(460,830)	(460,830)	(705,118)	
-	389,841	389,841	438,505	
-	(190,650)	(190,650)	(740,444)	
<u>-</u>	<u>541,568</u>	<u>541,568</u>	<u>(562,112)</u>	
(9,639,487)	541,568	(9,097,919)	(4,700,253)	
5,907,924	611,370	6,519,294	5,879,725	
263,658	-	263,658	264,026	
2,199	-	2,199	2,144	
868,995	-	868,995	834,909	
12,076	25,766	37,842	29,554	
-	-	-	5,501	
5,770	-	5,770	26,276	
12,638	6,137	18,775	38,594	
<u>(435,746)</u>	<u>435,746</u>	<u>-</u>	<u>-</u>	
<u>6,637,514</u>	<u>1,079,019</u>	<u>7,716,533</u>	<u>7,080,729</u>	
(3,001,973)	1,620,587	(1,381,386)	2,380,476	
37,328,599	11,588,014	48,916,613	50,720,538	
-	-	-	(4,184,401)	
<u>37,328,599</u>	<u>11,588,014</u>	<u>48,916,613</u>	<u>46,536,137</u>	
<u>\$ 34,326,626</u>	<u>\$ 13,208,601</u>	<u>\$ 47,535,227</u>	<u>\$ 48,916,613</u>	

CITY OF BUFFALO, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

	2016			
	General Fund	Debt Service Fund	Capital Project Fund	HRA Debt Service Fund
ASSETS				
Cash and Investments	\$ 181,713	\$ 5,318,689	\$ 2,442,332	\$ 54,757
Restricted Cash and Investments	-	-	-	-
Taxes Receivable Delinquent	43,005	31,584	-	-
Special Assessments Receivable:				
Delinquent	426	15,646	-	-
Noncurrent	32,667	767,755	-	-
Accounts Receivable	191,644	10,886	12,007	-
Due from Other Governmental Units	72,597	13,647	120,279	-
Accrued Interest Receivable	-	-	-	-
Due from Other Funds	4,774,042	-	-	-
Advances to Other Funds	-	1,745,000	-	-
Interfund Lease Receivable	-	-	-	-
Lease Receivable	-	3,277,793	-	-
Inventory	-	-	-	-
Prepaid Expenses	10,563	-	-	-
Loans Receivable, Net of Allowance	-	-	-	-
Land Held for Resale	7,800	-	-	-
	<u>\$ 5,314,457</u>	<u>\$ 11,181,000</u>	<u>\$ 2,574,618</u>	<u>\$ 54,757</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts and Contracts Payable	\$ 314,184	\$ -	\$ 812,757	\$ -
Other Accrued Liabilities	133,092	-	-	-
Due to Other Governmental Units	136,472	-	24,339	-
Due to Other Funds	3,851	-	1,200,000	-
Advances From Other Funds	-	-	-	1,745,000
Unearned Revenue	36,336	-	-	-
Escrow Deposits	64,686	-	-	-
Total Liabilities	<u>688,621</u>	<u>-</u>	<u>2,037,096</u>	<u>1,745,000</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable Taxes	43,005	31,584	-	-
Unavailable Special Assessments	33,092	783,401	-	-
Unavailable Revenues	-	10,886	12,007	-
Unavailable Lease Receivables	-	3,277,793	-	-
Unavailable Loans and Interest Receivables	-	-	-	-
Total Deferred Inflow of Resources	<u>76,097</u>	<u>4,103,664</u>	<u>12,007</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	18,363	-	-	-
Restricted	-	7,077,336	525,515	-
Committed	-	-	-	-
Unassigned	4,531,376	-	-	(1,690,243)
Total Fund Balances (Deficits)	<u>4,549,739</u>	<u>7,077,336</u>	<u>525,515</u>	<u>(1,690,243)</u>
	<u>\$ 5,314,457</u>	<u>\$ 11,181,000</u>	<u>\$ 2,574,618</u>	<u>\$ 54,757</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances				

See accompanying Notes to Financial Statements.

2016		2015	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 1,838,358	\$ 9,835,849	\$ 8,393,152	
-	-	402,325	
4,288	78,877	84,125	
-	16,072	7,925	
-	800,422	835,227	
68,245	282,782	282,667	
312,573	519,096	758,740	
193,183	193,183	167,183	
3,851	4,777,893	5,072,820	
-	1,745,000	1,835,000	
-	-	3,555,000	
-	3,277,793	2,379,861	
10,479	10,479	9,183	
479	11,042	39,425	
370,211	370,211	421,312	
15,859	23,659	23,659	
<u>\$ 2,817,526</u>	<u>\$ 21,942,358</u>	<u>\$ 24,267,604</u>	

\$ 348,513	\$ 1,475,454	\$ 1,334,629	
45,888	178,980	135,122	
-	160,811	89,189	
3,200,485	4,404,336	4,352,681	
-	1,745,000	2,402,134	
3,310	39,646	3,588	
6,598	71,284	78,858	
<u>3,604,794</u>	<u>8,075,511</u>	<u>8,396,201</u>	
4,288	78,877	84,125	
-	816,493	843,152	
-	22,893	-	
-	3,277,793	5,963,783	
563,394	563,394	588,495	
<u>567,682</u>	<u>4,759,450</u>	<u>7,479,555</u>	
26,817	45,180	99,767	
-	7,602,851	7,654,003	
1,781,344	1,781,344	1,489,497	
(3,163,111)	(321,978)	(851,419)	
<u>(1,354,950)</u>	<u>9,107,397</u>	<u>8,391,848</u>	
<u>\$ 2,817,526</u>	<u>\$ 21,942,358</u>	<u>\$ 24,267,604</u>	

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**CITY OF BUFFALO, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
Total Fund Balance for Governmental Funds	\$ 9,107,397	\$ 8,391,848
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	4,313,571	1,751,284
Construction in Progress	4,253,510	7,702,095
Land Improvements	15,734,835	14,696,115
Buildings and Improvements	17,424,272	17,429,962
Improvements Other than Buildings	3,543,126	3,360,962
Vehicles	3,717,470	3,392,015
Equipment	6,260,550	6,477,384
Infrastructure	78,829,456	77,632,449
Less: Accumulated Depreciation	(77,934,976)	(74,563,228)
The City's net pension asset and liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Asset	274,001	121,989
Net Pension Liability	(6,318,367)	(2,640,765)
Deferred Inflows of Resources - Pension Related	(857,007)	(400,320)
Deferred Outflows of Resources - Pension Related	4,727,801	606,657
Some of the City's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
	4,759,450	7,479,555
The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.		
	31,678	36,348
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.		
	(336,725)	(332,716)
The City uses an internal service fund to charge the cost of self-insurance to other funds. The adjustment is the net position of the internal service fund that relates to governmental activities.		
	-	72,869
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(31,205,326)	(32,256,540)
Unamortized Bond Premiums	(443,777)	(429,827)
Note Payable	(60,105)	(98,080)
Obligations Under Capital Leases	(1,082,971)	(727,542)
Compensated Absences Payable	(411,237)	(373,915)
Total Net Position of Governmental Activities	<u>\$ 34,326,626</u>	<u>\$ 37,328,599</u>

See accompanying Notes to the Financial Statements.

CITY OF BUFFALO, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	2016			
	General Fund	Debt Service Fund	Capital Project Fund	HRA Debt Service Fund
REVENUES				
General Property Taxes	\$ 3,231,238	\$ 2,598,032	\$ -	\$ -
Tax Increments	-	-	-	-
Other Taxes	2,199	-	-	-
Licenses and Permits	361,151	-	-	-
Intergovernmental	1,125,733	106,575	15,057	-
Special Assessments	6,666	35,265	5,459	-
Charges for Services	1,582,999	165,403	-	-
Fines and Forfeits	37,156	-	-	-
Investment Earnings (Loss)	4,034	2,447	6,982	122,195
Refunds and Reimbursements	140,720	-	22,998	3,710,000
Grants and Contributions	57,545	-	25,000	-
Miscellaneous	4,488	-	6,600	-
Total Revenues	<u>6,553,929</u>	<u>2,907,722</u>	<u>82,096</u>	<u>3,832,195</u>
EXPENDITURES				
Current:				
General Government	1,285,726	-	-	-
Public Safety	2,364,845	-	-	-
Public Works	1,297,438	-	-	-
Sanitation	761,236	-	-	-
Culture and Recreation	985,900	-	-	-
Community Development	-	-	-	450
Capital Outlay:				
General Government	-	-	-	-
Public Safety	68,279	-	-	-
Public Works	494,917	-	5,694,537	-
Culture and Recreation	164,124	-	-	-
Community Development	-	-	-	-
Capital Leases:				
Principal	221,343	-	-	-
Interest and Fiscal Charges	9,662	-	-	-
Debt Service:				
Principal	37,975	1,963,214	-	3,728,000
Interest and Fiscal Charges	3,832	735,222	63,664	126,415
Total Expenditures	<u>7,695,277</u>	<u>2,698,436</u>	<u>5,758,201</u>	<u>3,854,865</u>
Revenue Over (Under) Expenditures	(1,141,348)	209,286	(5,676,105)	(22,670)
OTHER FINANCING SOURCES (USES)				
Transfer In	1,350,000	147,322	547,641	193,297
Transfer Out	(391,517)	-	-	(45,635)
Bond Proceeds	-	2,120,990	2,519,010	-
Proceeds from Sale of Capital Assets	189,779	-	-	-
Capital Lease Proceeds	483,978	-	-	-
Bond Premium	-	21,393	59,311	-
Total Other Financing Sources	<u>1,632,240</u>	<u>2,289,705</u>	<u>3,125,962</u>	<u>147,662</u>
NET CHANGE IN FUND BALANCE	490,892	2,498,991	(2,550,143)	124,992
Fund Balance (Deficit) - Beginning of Year	4,058,847	4,578,345	3,075,658	(1,815,235)
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 4,549,739</u>	<u>\$ 7,077,336</u>	<u>\$ 525,515</u>	<u>\$ (1,690,243)</u>

See accompanying Notes to the Financial Statements.

2016		2015
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 289,456	\$ 6,118,726	\$ 5,505,941
58,002	58,002	69,085
-	2,199	2,144
-	361,151	382,675
426,733	1,674,098	7,793,225
-	47,390	90,361
1,440,082	3,188,484	3,177,048
-	37,156	31,465
5,515	141,173	261,440
11,652	3,885,370	558,919
59,218	141,763	99,144
1,701	12,789	27,768
<u>2,292,359</u>	<u>15,668,301</u>	<u>17,999,215</u>
-	1,285,726	1,090,367
395,609	2,760,454	2,801,127
-	1,297,438	1,365,774
-	761,236	781,798
1,110,287	2,096,187	2,103,394
131,883	132,333	174,510
-	-	16,120
198,230	266,509	186,584
-	6,189,454	11,602,490
297,065	461,189	153,382
9,981	9,981	133,242
177,765	399,108	288,728
6,300	15,962	14,872
-	5,729,189	2,446,615
-	929,133	1,116,163
<u>2,327,120</u>	<u>22,333,899</u>	<u>24,275,166</u>
(34,761)	(6,665,598)	(6,275,951)
115,000	2,353,260	2,747,381
(219,402)	(656,554)	(709,851)
-	4,640,000	7,445,000
5,000	194,779	35,651
284,980	768,958	149,624
-	80,704	199,451
<u>185,578</u>	<u>7,381,147</u>	<u>9,867,256</u>
150,817	715,549	3,591,305
<u>(1,505,767)</u>	<u>8,391,848</u>	<u>4,800,543</u>
<u>\$ (1,354,950)</u>	<u>\$ 9,107,397</u>	<u>\$ 8,391,848</u>

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CITY OF BUFFALO, MINNESOTA
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016	2015
Net Change in Fund Balances-Total Governmental Funds	\$ 715,549	\$ 3,591,305
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlays	4,458,950	8,001,375
Gain (Loss) on Disposal of Capital Assets	(10,764)	-
Capital Assets Contributed to Business-Type Funds	(2,132,452)	(1,560,599)
Depreciation Expense	(4,052,958)	(4,286,756)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Capital Lease Proceeds	(768,958)	(149,624)
Principal Payments for Capital Leases	413,529	288,728
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect on these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	(4,640,000)	(7,445,000)
Bond Discount/Premium	(80,704)	(199,451)
Repayment of Bond Principal and Note Payable	5,729,189	2,446,615
Change in Accrued Interest Expense for General Obligation Bonds	(4,009)	(52,031)
Amortization of Refunding Loss on Bonds	(4,670)	(4,669)
Amortization of Bond Premium	66,754	50,385
Change in delinquent and noncurrent property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.		
	(2,720,105)	2,124,833
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflow and outflow of resources.		
	138,867	(47,857)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	(37,322)	(1,075)
The net revenue of certain activities of the internal service fund is reported with governmental activities.		
	(72,869)	53,906
Change in Net Position of Governmental Activities	\$ (3,001,973)	\$ 2,810,085

See accompanying Notes to the Financial Statements.

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

ASSETS	2016	
	Electric	Water and Sewer
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-
Accounts Receivable, Net of Allowance	1,217,962	449,160
Accrued Interest Receivable	713	-
Taxes Receivable	-	5,305
Sewer and Water Hook-up Fees Receivable - Current Portion	-	5,700
Due from Other Governments	-	2,580
Due from Other Funds	3,950,176	1,369,542
Inventory	808,748	8,335
Prepaid Expenses	-	-
Total Current Assets	5,977,599	1,840,622
LONG-TERM ASSETS		
Sewer and Water Hook-up Fees Receivable - Long-Term	-	87,385
Advance to Other Funds	-	100,000
Capital Assets:		
Land, Buildings, Infrastructure, and Improvements	28,245,479	96,613,130
Equipment	5,781,026	1,636,024
Construction in Progress	-	-
Total Capital Assets	34,026,505	98,249,154
Less: Allowance for Depreciation	(16,724,477)	(35,072,631)
Total Net Capital Assets	17,302,028	63,176,523
Total Long-Term Assets	17,302,028	63,363,908
Total Assets	23,279,627	65,204,530
DEFERRED OUTFLOW OF RESOURCES		
Refunding Loss on Bonds	-	280,980
Pension Related	481,278	347,358
Total Deferred Outflow of Resources	481,278	628,338
Total Assets and Deferred Outflow of Resources	\$ 23,760,905	\$ 65,832,868

See accompanying Notes to the Financial Statements.

	2016		2015	2016
	Golf			Internal
Liquor	Course	Total	Total	Service Fund
\$ 42,815	\$ -	\$ 42,815	\$ 52,004	\$ -
-	1,837	1,837	-	-
4,809	13,183	1,685,114	1,490,404	-
-	-	713	647	-
1,465	-	6,770	5,807	-
-	-	5,700	6,700	-
1,949	-	4,529	3,164	-
-	-	5,319,718	4,803,989	-
604,428	20,058	1,441,569	1,432,942	-
-	448	448	28,771	-
<u>655,466</u>	<u>35,526</u>	<u>8,509,213</u>	<u>7,824,428</u>	<u>-</u>
-	-	87,385	99,880	-
-	-	100,000	717,134	-
2,021,557	3,345,586	130,225,752	126,642,923	-
461,501	1,090,058	8,968,609	8,675,710	-
-	-	-	21,229	-
<u>2,483,058</u>	<u>4,435,644</u>	<u>139,194,361</u>	<u>135,339,862</u>	<u>-</u>
<u>(935,299)</u>	<u>(1,636,299)</u>	<u>(54,368,706)</u>	<u>(51,115,020)</u>	<u>-</u>
<u>1,547,759</u>	<u>2,799,345</u>	<u>84,825,655</u>	<u>84,224,842</u>	<u>-</u>
<u>1,547,759</u>	<u>2,799,345</u>	<u>85,013,040</u>	<u>85,041,856</u>	<u>-</u>
2,203,225	2,834,871	93,522,253	92,866,284	-
-	96,448	377,428	343,480	-
238,547	117,181	1,184,364	262,118	-
<u>238,547</u>	<u>213,629</u>	<u>1,561,792</u>	<u>605,598</u>	<u>-</u>
<u>\$ 2,441,772</u>	<u>\$ 3,048,500</u>	<u>\$ 95,084,045</u>	<u>\$ 93,471,882</u>	<u>\$ -</u>

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

	2016	
LIABILITIES	Electric	Water and Sewer
CURRENT LIABILITIES		
Accounts and Contracts Payable	\$ 795,460	\$ 99,410
Accrued Expenses	101,214	30,691
Due to Other Governments	2,939	-
Due to Other Funds	-	-
Accrued Interest	48,436	258,383
Unearned Revenue	830	-
Compensated Absences - Current Portion	67,982	75,154
Capital Lease Obligation - Current Portion	130,632	107,441
Bonds Payable - Current Portion	575,000	2,251,786
Total Current Liabilities	1,722,493	2,822,865
LONG-TERM LIABILITIES		
Compensated Absences - Long-Term	66,855	16,220
Capital Lease Obligation - Long-Term	382,624	241,261
Bonds Payable - Long-Term	5,517,091	57,887,040
Interfund Lease Payable - Long-Term	-	-
Advance from Other Funds	-	-
Net Pension Liability	1,157,841	835,659
Total Long-Term Liabilities	7,124,411	58,980,180
Total Liabilities	8,846,904	61,803,045
DEFERRED INFLOW OF RESOURCES		
Pension Related	164,842	118,973
NET POSITION		
Net Investment in Capital Assets	11,356,021	2,930,574
Unrestricted	3,393,138	980,276
Total Net Position	14,749,159	3,910,850
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 23,760,905	\$ 65,832,868

See accompanying Notes to Financial Statements.

	2016		2015	2016
Liquor	Golf Course	Total	Total	Internal Service Fund
\$ 104,922	\$ 8,034	\$ 1,007,826	\$ 893,296	\$ -
72,999	6,808	211,712	191,004	-
179	711	3,829	4,180	-
-	5,693,275	5,693,275	5,524,128	-
2,443	13,418	322,680	300,875	-
-	20,952	21,782	29,267	-
22,412	12,491	178,039	150,675	-
99,443	124,082	461,598	315,939	-
-	115,000	2,941,786	2,676,786	-
302,398	5,994,771	10,842,527	10,086,150	-
28,158	7,593	118,826	103,067	-
156,345	213,805	994,035	835,841	-
-	3,160,973	66,565,104	64,926,945	-
-	-	-	3,555,000	-
100,000	-	100,000	150,000	-
573,887	281,909	2,849,296	1,960,188	-
858,390	3,664,280	70,627,261	71,531,041	-
1,160,788	9,659,051	81,469,788	81,617,191	-
81,705	40,136	405,656	266,677	-
1,291,971	(814,515)	14,764,051	13,257,732	-
(92,692)	(5,836,172)	(1,555,450)	(1,669,718)	-
1,199,279	(6,650,687)	13,208,601	11,588,014	-
\$ 2,441,772	\$ 3,048,500	\$ 95,084,045	\$ 93,471,882	\$ -

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016	
	Electric	Water and Sewer
GROSS PROFIT AND OPERATING REVENUES		
Sales	\$ -	\$ -
Costs of Goods Sold	-	-
Charges for Services	13,769,965	4,598,885
Premiums	-	-
Total Gross Profit and Operating Revenues	<u>13,769,965</u>	<u>4,598,885</u>
OPERATING EXPENSES		
Cost of Sales and Services	9,390,708	1,321,450
Compensation and Employee Benefits	1,246,876	907,416
Claims Paid	-	-
Depreciation	1,226,118	2,156,132
Total Operating Expenses	<u>11,863,702</u>	<u>4,384,998</u>
OPERATING INCOME (LOSS)	1,906,263	213,887
OTHER INCOME (EXPENSE)		
Interest Income (Loss)	4,908	1,718
Interest Expense	(127,863)	(2,108,645)
Taxes and Special Assessments	33	499,322
Intergovernmental Revenues	4,508	3,254
Access Fees	12,500	363,838
Refunds and Reimbursements	73,294	-
Miscellaneous Revenue	4,152	18,737
Total Other Expense	<u>(28,468)</u>	<u>(1,221,776)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,877,795	(1,007,889)
CONTRIBUTIONS AND TRANSFERS		
Transfers Out	(950,000)	(241,285)
Capital Contributions to Other Funds	-	-
Capital Contributed from Other Funds	515,864	1,616,588
Total Contributions and Transfers	<u>(434,136)</u>	<u>1,375,303</u>
CHANGE IN NET POSITION	1,443,659	367,414
Net Position - Beginning of Year	13,305,500	3,543,436
Prior Period Adjustment	-	-
Restated Net Position - Beginning of Year	<u>13,305,500</u>	<u>3,543,436</u>
NET POSITION - END OF YEAR	<u>\$ 14,749,159</u>	<u>\$ 3,910,850</u>

See accompanying Notes to Financial Statements.

	2016		2015	2016
	Liquor	Golf Course	Total	Internal Service Fund
\$	4,978,926	\$ 60,620	\$ 5,039,546	\$ -
	(3,603,417)	(39,525)	(3,642,942)	-
	-	643,477	19,012,327	-
	-	-	-	631
	<u>1,375,509</u>	<u>664,572</u>	<u>20,408,931</u>	<u>631</u>
	269,391	243,706	11,225,255	-
	642,734	383,923	3,180,949	-
	-	-	-	73,578
	<u>60,288</u>	<u>139,270</u>	<u>3,581,808</u>	<u>-</u>
	<u>972,413</u>	<u>766,899</u>	<u>17,988,012</u>	<u>73,578</u>
	403,096	(102,327)	2,420,919	(72,947)
	90	2	6,718	78
	(19,365)	(89,983)	(2,345,856)	-
	112,015	-	611,370	-
	2,235	1,098	11,095	-
	-	-	376,338	-
	-	1,929	75,223	-
	<u>6,145</u>	<u>-</u>	<u>29,034</u>	<u>-</u>
	<u>101,120</u>	<u>(86,954)</u>	<u>(1,236,078)</u>	<u>78</u>
	504,216	(189,281)	1,184,841	(72,869)
	(450,001)	(55,420)	(1,696,706)	-
	-	-	-	(5,562)
	-	-	2,132,452	-
	<u>(450,001)</u>	<u>(55,420)</u>	<u>435,746</u>	<u>-</u>
	54,215	(244,701)	1,620,587	(72,869)
	1,145,064	(6,405,986)	11,588,014	72,869
	-	-	-	(1,919,819)
	<u>1,145,064</u>	<u>(6,405,986)</u>	<u>11,588,014</u>	<u>72,869</u>
<u>\$</u>	<u>1,199,279</u>	<u>\$ (6,650,687)</u>	<u>\$ 13,208,601</u>	<u>\$ -</u>

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		
	Electric	Water and Sewer	Liquor
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 13,633,652	\$ 4,551,199	\$ 4,974,152
Cash Received from Internal Services Provided	-	-	-
Cash Paid to Suppliers	(9,223,691)	(1,352,719)	(3,850,284)
Cash Paid to Employees	(1,169,798)	(867,785)	(585,037)
Net Cash Provided (Used) by Operating Activities	<u>3,240,163</u>	<u>2,330,695</u>	<u>538,831</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Borrowing	(950,000)	(241,285)	(450,001)
Interfund Note Receivable	-	50,000	-
Advance To/From Other Funds	(1,495,078)	1,085,918	(50,000)
Property Tax Receipts	57	498,915	110,070
Water and Sewer Hook-up Fee Receipts	-	13,495	-
Miscellaneous Receipts	77,447	18,732	6,145
Intergovernmental Receipts	4,508	3,254	2,235
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,363,066)</u>	<u>1,429,029</u>	<u>(381,551)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Bonds	1,140,000	-	-
Proceeds from Bond Premium	9,702	-	-
Interfund Lease Payment	-	-	-
Access Fees	12,500	363,838	-
Acquisition and Construction of Capital Assets	(1,737,754)	(200,860)	(50,655)
Interest Paid on Bonds	(116,708)	(1,885,286)	(7,549)
Interest Paid on Capital Lease Obligations	(3,840)	(4,586)	(12,747)
Proceeds from Capital Lease	474,175	127,159	-
Principal Payments on Capital Lease Obligation	(60,014)	(84,922)	(95,608)
Principal Payments on Bonds	(600,000)	(2,076,785)	-
Net Cash Used by Capital and Related Financing Activities	<u>(881,939)</u>	<u>(3,761,442)</u>	<u>(166,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income (Loss)	4,842	1,718	90
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	(9,189)
Cash and Cash Equivalents - Beginning of Year	-	-	52,004
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,815</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Reconciliation of Cash and Cash Equivalents to Statement of Net Position			
Cash	\$ -	\$ -	\$ 42,815
Cash and Investments with Fiscal Agent	-	-	-
Total Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,815</u>
NONCASH TRANSACTIONS			
Capital Lease Proceeds	\$ -	\$ -	\$ -
Capital Contributed From Other Funds	515,864	1,616,588	-
Capital Contributed to Governmental Activities	-	-	-
Interest Accretion on Capital Appreciation Bonds	-	297,205	-
Refunding of 2005 Public Facility Refunding Bonds	-	-	-
Amortization of Premiums and Refunding Loss	(10,971)	(69,464)	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 504,893</u>	<u>\$ 1,844,329</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

2016		2015	2016
Golf Course	Total	Total	Internal Services Fund
\$ 688,645	\$ 23,847,648	\$ 23,084,530	\$ -
-	-	-	10,270
(310,615)	(14,737,309)	(15,401,750)	(156,506)
(383,637)	(3,006,257)	(2,921,114)	-
(5,607)	6,104,082	4,761,666	(146,236)
116,546	(1,524,740)	(1,333,426)	-
-	50,000	50,000	-
457,746	(1,414)	1,200,895	-
-	609,042	570,236	-
-	13,495	(14,028)	-
1,929	104,253	91,781	-
1,098	11,095	5,157	-
577,319	(738,269)	570,615	-
-	1,140,000	1,185,000	-
-	9,702	62,497	-
(280,000)	(280,000)	(220,000)	-
-	376,338	388,510	-
(59,927)	(2,049,196)	(2,253,560)	-
(166,267)	(2,175,810)	(2,343,033)	-
(6,746)	(27,919)	(192,119)	-
65,000	666,334	472,622	-
(121,937)	(362,481)	(263,450)	-
-	(2,676,785)	(3,711,786)	-
(569,877)	(5,379,817)	(6,875,319)	-
2	6,652	5,799	78
1,837	(7,352)	(1,537,239)	(146,158)
-	52,004	1,589,243	146,158
\$ 1,837	\$ 44,652	\$ 52,004	\$ -
\$ -	\$ 42,815	\$ 52,004	\$ -
1,837	1,837	-	-
\$ 1,837	\$ 44,652	\$ 52,004	\$ -
\$ -	\$ -	\$ 472,622	\$ -
-	2,132,452	1,566,161	-
-	-	(5,562)	-
-	297,205	283,898	-
3,275,973	-	283,898	-
-	(80,435)	(475,444)	-
\$ 3,275,973	\$ 2,349,222	\$ 2,125,573	\$ -

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		
	Electric	Water and Sewer	Liquor
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 1,906,263	\$ 213,887	\$ 403,096
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,226,118	2,156,132	60,288
Changes in Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources:			
(Increase) Decrease in Accounts Receivable	(137,080)	(45,653)	(4,774)
(Increase) Decrease in Prepaid Items	12,289	8,120	6,302
(Increase) Decrease in Inventory	22,222	-	(30,626)
(Increase) Decrease in Deferred Outflow of Resources	(374,806)	(268,407)	(188,921)
Increase (Decrease) in Accounts and Contracts Payable	129,567	(32,933)	46,669
Increase (Decrease) in Accrued Expenses	20,467	(6,456)	5,936
Increase (Decrease) in Due to Other Governments	2,939	(2,033)	179
Increase (Decrease) in Unearned Revenue	767	-	-
Increase (Decrease) in Escrow Deposits	-	-	-
Increase (Decrease) in Net Pension Liability	361,620	245,241	202,767
Increase (Decrease) in Deferred Inflow of Resources	56,519	38,649	31,215
Increase (Decrease) in Accrued Compensated Absences	13,278	24,148	6,700
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,240,163</u>	<u>\$ 2,330,695</u>	<u>\$ 538,831</u>

See accompanying Notes to the Financial Statements.

2016		2015	2016
Golf Course	Total	Total	Internal Service Fund
\$ (102,327)	\$ 2,420,919	\$ 1,586,208	\$ (72,947)
139,270	3,581,808	3,426,766	-
(7,200)	(194,707)	113,245	9,639
1,612	28,323	(25,434)	-
(223)	(8,627)	59,175	-
(90,112)	(922,246)	(262,118)	-
(28,773)	114,530	(333,307)	(82,928)
761	20,708	11,643	-
(1,436)	(351)	(14,683)	-
(8,252)	(7,485)	1,421	-
-	-	(111,480)	-
79,480	889,108	40,369	-
12,596	138,979	266,677	-
(1,003)	43,123	3,184	-
<u>\$ (5,607)</u>	<u>\$ 6,104,082</u>	<u>\$ 4,761,666</u>	<u>\$ (146,236)</u>

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NOTES TO FINANCIAL STATEMENTS

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Buffalo (the City), located in Wright County in Minnesota, conforms to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

A. Financial Reporting Entity

As required by GAAP, the financial statements of the reporting entity include those of the City and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The Housing and Redevelopment Authority (HRA) of Buffalo is an entity legally separate from the City. However, for financial reporting purposes, the HRA is reported as if it were part of the City's operations (blended component unit) because the HRA provides services primarily to the City and the City council appoints the commission board members.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The City reports all proprietary funds as major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, interest, principal, and related costs on general long-term debt.

Capital Project Fund

The Capital Project Fund accounts for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

HRA Debt Service Fund

The HRA Debt Service Fund accounts for the accumulation of resources for, and the payment of, interest, principal, and related costs on general long-term debt for the HRA.

The City reports the following major proprietary funds:

Electric Fund

The Electric Fund accounts for customer electric service charges that are used to finance electric operating expenses.

Water and Sewer Fund

The Water and Sewer Fund accounts for customer water and sewer service charges which are used to finance water and sewer operating expenses.

Liquor Fund

The Liquor Fund accounts for customer sales that are used to finance liquor store operating expenses and provide funds for general operations of the City.

Golf Course Fund

The Golf Course Fund accounts for customer sales that are used to finance golf course operating expenses.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water and sewer, liquor stores and golf course funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets

Annual appropriation budgets are adopted for the following funds: General, Fire, Library, Airport, and Civic Center.

The General Fund budget does not include activity related to the community center or parks. Therefore, the budgetary basis for the General Fund differs from GAAP. Budgets for the Fire, Library, Airport, and Civic Center are adopted on a basis consistent with GAAP.

Budgeted amounts are reported as originally adopted, or as amended by the City council. Budgeted expenditure appropriations lapse at year-end.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets (Continued)

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the administrator submits to the City council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.
3. The City administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with GAAP except for the General Fund, as previously described, and enterprise funds where capital expenditures are budgeted for as an operating expense. Budgeted amounts presented are as originally adopted. The City does not budget for some special revenue funds that have minimal transactions nor is an annual budget prepared for the HRA.

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances

1. Cash and Investments

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

2. Property Tax Revenue Recognition

Property tax levies are set by the City council in December of each year, and are certified to the county auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to cities and other taxing entities three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources in the governmental funds because it is not available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements.

3. Special Assessment Revenue Recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the county auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year.

Special assessments are collected by the county and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent assessments receivable in governmental funds are completely offset by deferred inflows of resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

3. Special Assessment Revenue Recognition (Continued)

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

4. Utility Billing

The City bills customers monthly for the following utility services: electric, sewer and water, sanitation, recycling, storm sewer, and internet. The City bills and recognizes the electric, sewer and water services revenue at mid-month, when the meters are read.

5. Inventories

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Inventories in the City's utility funds and liquor store funds are reflected at average cost.

6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as "due from other funds", "interfund lease receivable", "interfund note receivable", or "advances to other funds" on the balance sheets of the fund financial statements.

7. Loans Receivable and Allowance for Uncollectible Accounts

The City records loans receivable for a revolving loan program that assists residents in the rehabilitation of homes. Also, the HRA issues loans to local businesses. An allowance for uncollectible accounts is established with City management believes that some portion of the receivable will not be collected. The City estimates the allowance based on the specific identification method. The estimated allowance as of December 31, 2016 for the HRA loans is \$-0- and the estimated allowance for the revolving loan program is \$161,733.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

8. Property Held for Resale

These assets are recorded at the lower of original cost or current net realizable value in the governmental fund, which purchased them.

9. Capital Assets

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated fair market value at the time received. In the case of the initial capitalization of infrastructure, the City retroactively implemented the reporting of this item when GASB 34 was implemented. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Capital assets are defined by the City as assets with an original unit cost over \$5,000 and an estimated useful life in excess of two years.

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 10 years for office furnishings, office and computer equipment, vehicles and large equipment; 20 to 50 years for infrastructure and 40 to 50 years for buildings and plants. Capital assets not being depreciated include land and construction in progress.

Property, plant, and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received.

10. Compensated Absences

Vacation

City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized as it is used in the governmental funds and is recognized as it is earned in the proprietary funds. Accrued vacation (unused) is recorded in the proprietary fund level statements and in the government-wide statements as compensated absences.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

10. Compensated Absences (Continued)

Sick Leave

Employees are entitled to paid sick leave at various rates for each month of full-time service. Sick pay is recorded as an expenditure when payment is made.

Severance

Regular employees who retire from active service receive pay for a percentage of their unused sick leave as severance. The percentage of sick leave varies from 25% to 40% based on years of service. The estimated severance liability is recorded in the fund level statements of the proprietary funds as compensated absences payable and in the government-wide financial statements as a component of long-term debt.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issue costs are expensed in the year of issuance.

In the governmental fund financial statements, bond premiums, and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as other financing source. Premiums and discounts received on debt issuances are reported as other financing sources and uses, respectively. Bond issuance costs are reported as debt service expenditures.

12. Pension Asset/Liability

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Buffalo Firefighters Relief Association plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of contributions) are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

13. Deferred Outflow of Resources

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflow of resources. This separate financial statement element reflects a decrease in net position or fund balance, that relate to future periods. The City will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflow of resources can be found in Note 6 to the financial statements.

14. Deferred Inflow of Resources

The City's financial statements report a separate section for deferred inflow of resources. This separate financial statement element reflects an increase in fund balance/net position that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has two types of items which are reported as deferred inflow of resources. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The second type of deferred inflow of resources relate to pension liabilities as described in Note 6 to the financial statements.

15. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statements of net position and statements of activities.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

16. Net Position

In the government-wide financial statements and in the proprietary fund level statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the City reports all capital assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

17. Fund Balance

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the City council, which is the highest level of decision-making authority within the City. Only the City council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City council has authorized the City administrator and the assistant administrator for business and operations to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

17. Fund Balance (Continued)

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 DEPOSITS

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016, based on market prices. Investment earnings on cash and pooled investments are credited to all funds based on their cash balances each month. In addition, some funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were \$8,872.

A. Deposits

In accordance with applicable Minnesota state statutes, the City maintains deposits at financial institutions authorized by the City council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota state statutes. At year-end, the carrying amount of the City's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 DEPOSITS (CONTINUED)

A. Deposits (Continued)

The deposits are presented in the financial statements as follows:

Cash	\$ 8,297,479
Non-Negotiable Certificates of Deposit	1,583,022
Total Cash and Cash Equivalents	<u>\$ 9,880,501</u>
Cash and Cash Equivalents	\$ 9,878,664
Cash with Fiscal Agent	1,837
Total Cash and Cash Equivalents	<u>\$ 9,880,501</u>

NOTE 3 LEASE RECEIVABLE

On April 1, 2015, the City entered into a lease and purchase option agreement with the Trailblazer Joint Powers Board for the purchase and construction of a new transportation facility. The Trailblazer Joint Powers Board will make monthly payments ranging from \$18,378 to \$18,463 to the City in order to meet the annual debt requirements on the 2015C bonds issued by the City. These monthly payments will began upon completion of the facility during 2016. The total loan receivable outstanding as of December 31, 2016 is \$3,277,793. It has an interest rate of 2.87% and is set to mature in 2036.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,751,284	\$ 2,733,187	\$ (170,900)	\$ -	\$ 4,313,571
Construction in Progress	7,702,095	3,157,981	(4,474,114)	(2,132,452)	4,253,510
Total Capital Assets, Not Being Depreciated	<u>9,453,379</u>	<u>5,891,168</u>	<u>(4,645,014)</u>	<u>(2,132,452)</u>	<u>8,567,081</u>
Capital Assets, Being Depreciated:					
Land Improvements	14,696,115	1,442,638	-	(403,918)	15,734,835
Buildings and Building Improvements	17,429,962	-	(5,690)	-	17,424,272
Improvements Other than Buildings	3,360,962	183,963	(1,799)	-	3,543,126
Vehicles	3,392,015	504,749	(179,294)	-	3,717,470
Equipment	6,477,384	288,357	(505,191)	-	6,260,550
Infrastructure	77,632,449	793,089	-	403,918	78,829,456
Total Capital Assets, Being Depreciated	<u>122,988,887</u>	<u>3,212,796</u>	<u>(691,974)</u>	<u>-</u>	<u>125,509,709</u>
Accumulated Depreciation for:					
Land Improvements	(5,450,296)	(597,439)	-	1,683	(6,046,052)
Buildings and Building Improvements	(7,196,734)	(420,909)	2,690	-	(7,614,953)
Improvements Other than Buildings	(1,536,931)	(149,074)	1,799	-	(1,684,206)
Vehicles	(2,209,312)	(196,226)	179,294	-	(2,226,244)
Equipment	(5,162,515)	(306,099)	497,427	-	(4,971,187)
Infrastructure	(53,007,440)	(2,383,211)	-	(1,683)	(55,392,334)
Total Accumulated Depreciation	<u>(74,563,228)</u>	<u>(4,052,958)</u>	<u>681,210</u>	<u>-</u>	<u>(77,934,976)</u>
Total Capital Assets, Being Depreciated, Net	<u>48,425,659</u>	<u>(840,162)</u>	<u>(10,764)</u>	<u>-</u>	<u>47,574,733</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,879,038</u>	<u>\$ 5,051,006</u>	<u>\$ (4,655,778)</u>	<u>\$ (2,132,452)</u>	<u>\$ 56,141,814</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 91,900
Public Safety	303,915
Public Works	2,881,461
Parks, Culture and Recreation	775,682
Total Depreciation Expense, Governmental Activities	<u>\$ 4,052,958</u>

In 2016, \$2,132,452 (net) of infrastructure assets were contributed from governmental activities to business-type activities.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,636,955	\$ -	\$ -	\$ -	\$ 2,636,955
Construction in Progress	21,229	795,824	(817,053)	-	-
Total Capital Assets, Not Being Depreciated	<u>2,658,184</u>	<u>795,824</u>	<u>(817,053)</u>	<u>-</u>	<u>2,636,955</u>
Capital Assets, Being Depreciated:					
Land Improvements	2,667,457	-	-	-	2,667,457
Buildings and Building Improvements	50,026,234	126,109	(6,144)	-	50,146,199
Utility Distributions Systems	71,312,277	1,365,639	-	2,096,581	74,774,497
Machinery and Shop Equipment	8,675,710	579,650	(321,978)	35,871	8,969,253
Total Capital Assets, Being Depreciated	<u>132,681,678</u>	<u>2,071,398</u>	<u>(328,122)</u>	<u>2,132,452</u>	<u>136,557,406</u>
Accumulated Depreciation for:					
Land Improvements	(1,073,248)	(68,379)	-	-	(1,141,627)
Buildings and Building Improvements	(17,712,038)	(1,048,681)	6,144	-	(18,754,575)
Utility Distributions Systems	(26,428,795)	(1,959,532)	-	-	(28,388,327)
Machinery and Shop Equipment	(5,900,939)	(505,216)	321,978	-	(6,084,177)
Total Accumulated Depreciation	<u>(51,115,020)</u>	<u>(3,581,808)</u>	<u>328,122</u>	<u>-</u>	<u>(54,368,706)</u>
Total Capital Assets, Being Depreciated, Net	<u>81,566,658</u>	<u>(1,510,410)</u>	<u>-</u>	<u>2,132,452</u>	<u>82,188,700</u>
Business-Type Activities Capital Assets, Net	<u>\$ 84,224,842</u>	<u>\$ (714,586)</u>	<u>\$ (817,053)</u>	<u>\$ 2,132,452</u>	<u>\$ 84,825,655</u>

Depreciation expense was charged to business-type activities as follows:

Business-Type Activities:	
Electric Fund	\$ 1,226,118
Water and Sewer Fund	2,156,132
Liquor Fund	60,288
Golf Course Fund	139,270
Total Depreciation Expense, Business-Type Activities	<u>\$ 3,581,808</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CITY INDEBTEDNESS

City indebtedness at December 31, 2016 is composed of the following:

Description	Initial Amount Issued	Maturity Date	Interest Rate	Outstanding Principal
General Obligation Bonds:				
Governmental Activities:				
2008 G.O. Street Reconstruction Bonds #2008D	\$ 1,715,000	2019	3.50-4.50%	\$ 635,000
2009 G.O. Bonds #2009D	3,685,000	2025	3.00-4.00	3,095,000
2010 G.O. Bonds #2010A	1,070,000	2021	2.00-4.00	235,000
2010 G.O. Refunding Bonds #2010C	2,145,000	2028	2.00-3.80	1,730,000
2010 G.O. Bonds #2010C	425,000	2028	2.00-3.80	350,000
2011 G.O. Capital Improvement Refunding #2011A	5,925,000	2024	0.40-3.15	5,010,000
2012 G.O. Refunding #2012B	1,555,000	2020	2.00	680,000
2013 G.O. Bonds #2013A	3,575,000	2024	2.00	2,885,000
2013 G.O. Bonds #2013B	585,000	2028	3.00-3.40	480,000
2015 G.O. Bonds #2015A	4,045,000	2031	2.00-3.00	4,045,000
2016 G.O. Street Reconstruction Bonds #2016C	2,565,000	2032	2.00-2.75	2,565,000
2016 G.O. Temporary Street Reconstruction Bonds #2016D	2,075,000	2017	2.00	2,075,000
Total Governmental Activities - G.O. Bonds	<u>29,365,000</u>			<u>23,785,000</u>
Business-Type Activities:				
2010 G.O. Bonds #2010A	2,385,000	2026	2.00-4.00	1,805,000
2010 G.O. Bonds #2010C	1,320,000	2019	2.00-3.80	720,000
2013 G.O. Equipment Certificates #2013A	1,455,000	2022	2.00	1,175,000
2013 G.O. Bonds #2013B	440,000	2028	3.00-3.40	365,000
2013 G.O. Bonds #2013B	2,675,000	2017	3.00	825,000
Total Business-Type Activities - G.O. Bonds	<u>8,275,000</u>			<u>4,890,000</u>
Total General Obligation Bonds	<u>\$ 37,640,000</u>			<u>\$ 28,675,000</u>
Special Assessments and Tax Abatement Bonds:				
Governmental Activities:				
2012 G.O. Tax Abatement Bonds #2012C	\$ 1,955,000	2033	0.65-3.20%	\$ 1,745,000
2015 G.O. Tax Abatement Bonds #2015C	3,400,000	2036	1.00-3.05	3,400,000
Total Special Assessment and Tax Abatement Bonds	<u>5,355,000</u>			<u>5,145,000</u>
Business-Type Activities:				
2016 G.O. Tax Abatement Bonds #2016A	3,250,000	2035	2.00-3.15%	3,250,000
Total Special Assessment and Tax Abatement Bonds:	<u>\$ 8,605,000</u>			<u>\$ 8,395,000</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
Capital Lease Obligations:				
Governmental Activities:				
2012 Fire and Street Equipment	\$ 821,044	2017	2.03%	\$ 85,654
2013 MIS, Police, Garbage Equipment	178,894	2018	2.19	61,964
2014 MIS, Police, Street Equipment	319,565	2019	1.57	152,235
2015 Police, Street, Park, Civic Center Vehicles and Equipment	149,624	2020	0.02	104,590
2016 Police, Parks, Street, Fire, Electric, Golf Course Equipment	560,602	2020	0.02	470,173
2016 Police, Parks, Electric, Water Equipment	208,356	2021	1.97	208,355
Total General Obligation Capital Lease Purchase Obligations	<u>\$ 2,238,085</u>			<u>\$ 1,082,971</u>
Note Payable:				
Governmental Activities:				
Note Payable - ISD 877	<u>\$ 250,000</u>	2018	4.25%	<u>\$ 60,105</u>
General Obligation Revenue Bonds:				
Business-Type Activities:				
2007 G.O. Wastewater Revenue Bonds #2007A	\$ 10,915,000	2023	4.00-4.25	\$ 7,485,000
2009 G.O. Water and Sewer Refunding Rev. Bonds #2009B	4,712,560	2025	4.35-4.94	4,712,560
2009 G.O. Utility Revenue Bonds #2009E	3,004,194	2024	2.00-3.75	1,753,674
2010 Electric Revenue Bonds #2010B	955,000	2021	2.50-3.70	770,000
2011 G.O. Water and Sewer Revenue Bonds, #2011B	3,575,000	2032	0.65-4.30	3,010,000
2012 G.O. Water and Sewer Revenue Bonds #2012A	5,610,000	2033	2.55-3.00	5,610,000
2014 G.O. Water and Sewer Revenue Refunding Bonds #2014A	30,860,000	2028	3.00-4.00	30,760,000
2014 Electric Revenue Bonds #2014B	1,880,000	2025	2.75-3.00	1,880,000
2015 Electric Revenue Refunding Bonds #2015B	1,185,000	2022	2.00-2.15	1,065,000
2016 Electric Revenue Bonds #2016B	1,140,000	2026	2.00-2.45	1,140,000
Total Business-Type Activities Revenue Bonds	63,836,754			58,186,234
Governmental Activities:				
2009 G.O. Utility Revenue Bonds #2009E	220,806	2024	2.00-3.75	121,326
2009 HRA Revenue Bond	178,000	2020	4.82	79,000
2011 Public Facility Lease Revenue Bonds #2011A	2,865,000	2027	0.65-4.60	2,075,000
Total Governmental Activities Revenue Bonds	<u>3,263,806</u>			<u>2,275,326</u>
Total Revenue Bonds	<u>\$ 67,100,560</u>			<u>\$ 60,461,560</u>
Revenue Lease Purchase Obligations:				
Business-Type Activities:				
2004 Liquor Store Purchase/Remodel	\$ 1,195,000	2019	3.85%	\$ 251,250
2012 Golf Course Equipment	37,479	2017	2.03	4,702
2013 Wild Marsh, Electric, Water, Wastewater Equipment	214,238	2018	2.19	74,205
2014 Wild Marsh, Electric, Liquor, Wastewater Equipment	368,815	2019	1.57	175,699
2015 Wild Marsh, Water, and Wastewater Equipment	472,622	2020	1.51	330,375
2016 Electric, Golf Course Equipment	290,897	2020	1.89	243,966
2016 Electric, Water Equipment	375,436	2021	1.97	375,436
Total Revenue Lease Purchase Obligations	<u>\$ 2,954,487</u>			<u>\$ 1,455,633</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2016:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 21,010,000	\$ 4,640,000	\$ 1,865,000	\$ 23,785,000	\$ 4,095,000
Special Assessment Debt with Governmental Commitments	5,230,000	-	85,000	5,145,000	210,000
General Obligation Revenue Bond	6,016,540	-	3,741,214	2,275,326	192,214
Bond Subtotal	<u>32,256,540</u>	<u>4,640,000</u>	<u>5,691,214</u>	<u>31,205,326</u>	<u>4,497,214</u>
Bond Premium	429,827	80,704	66,754	443,777	-
Net Bond Subtotal	<u>32,686,367</u>	<u>4,720,704</u>	<u>5,757,968</u>	<u>31,649,103</u>	<u>4,497,214</u>
Capital Lease Obligations	727,542	768,958	413,529	1,082,971	395,715
Note Payable	98,080	-	37,975	60,105	39,641
Compensated Absences	373,915	238,565	201,243	411,237	214,564
Total Governmental Activities	<u>33,885,904</u>	<u>5,728,227</u>	<u>6,410,715</u>	<u>33,203,416</u>	<u>5,147,134</u>
Business-Type Activities:					
General Obligation Bonds	5,895,000	-	1,005,000	4,890,000	1,185,000
General Obligation Tax Abatement Bonds	-	3,250,000	-	3,250,000	115,000
General Obligation Revenue Bonds	54,548,019	-	1,216,785	53,331,234	1,211,786
Electric Revenue Bonds	4,170,000	1,140,000	455,000	4,855,000	430,000
Bond Subtotal	<u>64,613,019</u>	<u>4,390,000</u>	<u>2,676,785</u>	<u>66,326,234</u>	<u>2,941,786</u>
Interest Accretion on Capital Appreciation Bonds	1,627,817	297,205	-	1,925,022	-
Bond Premium	1,362,895	37,042	144,303	1,255,634	-
Net Bond Subtotal	<u>67,603,731</u>	<u>4,724,247</u>	<u>2,821,088</u>	<u>69,506,890</u>	<u>2,941,786</u>
Revenue Lease Purchase Obligations	1,151,780	666,334	362,481	1,455,633	461,598
Compensated Absences	253,742	188,273	145,150	296,865	178,039
Total Business-Type Activities	<u>69,009,253</u>	<u>5,578,854</u>	<u>3,328,719</u>	<u>71,259,388</u>	<u>3,581,423</u>
Total Debt	<u>\$ 102,895,157</u>	<u>\$ 11,307,081</u>	<u>\$ 9,739,434</u>	<u>\$ 104,462,804</u>	<u>\$ 8,728,557</u>

Assets acquired through capital leases are as follows:

Asset:	Governmental Activities	Business-Type Activities
Land	\$ -	\$ 2,347,908
Buildings and Improvements	-	2,476,044
Vehicles and Equipment	<u>2,360,257</u>	<u>2,865,937</u>
Subtotal	<u>2,360,257</u>	<u>7,689,889</u>
Less: Accumulated Depreciation	<u>(592,785)</u>	<u>(1,764,014)</u>
Total	<u>\$ 1,767,472</u>	<u>\$ 5,925,875</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending December 31,	Governmental Activities				
	Long-Term Debt		Notes and Capital Leases		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 4,497,214	\$ 830,152	\$ 435,356	\$ 18,369	\$ 5,781,091
2018	2,312,214	725,308	323,799	10,446	3,371,767
2019	2,364,415	668,183	238,523	5,012	3,276,133
2020	2,370,415	612,312	102,074	1,539	3,086,340
2021	2,435,616	552,278	43,324	462	3,031,680
2022-2026	11,065,452	1,727,455	-	-	12,792,907
2027-2031	4,690,000	527,582	-	-	5,217,582
2032-2036	1,470,000	89,916	-	-	1,559,916
Totals	\$ 31,205,326	\$ 5,733,186	\$ 1,143,076	\$ 35,828	\$ 38,117,416

Year Ending December 31,	Business-Type Activities				
	Long-Term Debt		Capital Leases		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 2,941,786	\$ 2,062,857	\$ 461,598	\$ 27,538	\$ 5,493,779
2018	3,716,787	1,962,990	452,146	17,063	6,148,986
2019	3,850,585	1,838,461	327,057	7,517	6,023,620
2020	4,718,980	2,414,066	136,764	2,573	7,272,383
2021	4,891,161	2,350,969	78,068	833	7,321,031
2022-2026	26,796,935	8,203,696	-	-	35,000,631
2027-2031	15,830,000	1,690,380	-	-	17,520,380
2032-2035	3,580,000	180,181	-	-	3,760,181
Totals	\$ 66,326,234	\$ 20,703,600	\$ 1,455,633	\$ 55,524	\$ 88,540,991

The annual requirements to amortize all long-term debt outstanding as of December 31, 2016, including interest of \$26,528,138 are as follows:

Year Ending December 31,	Amount
2017	\$ 11,274,870
2018	9,520,753
2019	9,299,753
2020	10,358,723
2021	10,352,711
2022-2026	47,793,538
2027-2031	22,737,962
2032-2036	5,320,097
Total	\$ 126,658,407

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

In 2016, the City issued \$3,250,000 General Obligation Tax Abatement Bonds (Series 2016A) for the current refunding of the Series 2005 Public Facility Lease Revenue Bonds maturing in 2027. The additional cash flow needs of the City attributable to the refunding of these bonds was \$34,989.

In addition, the City issued \$1,140,000 in Electric Revenue Bonds (Series 2016B) for financing improvements and extensions to the City's electric utility including conduit and wiring related to the City's trunk highway 25 north reconstruction project. The bonds carry an interest rate between 2.00% and 2.45% and will mature in 2026.

Finally, the City issued Series 2016C and 2016D General Obligation Bonds for the purpose of financing street reconstruction projects. Series 2016C General Obligation Bonds were issued at a par of \$2,565,000, with an interest rate between 2.0% and 2.75% that will mature in 2032. Series 2016D General Obligation Bonds were issued at a par of \$2,075,000, with an interest rate of 2.0% which will mature on 2017.

NOTE 6 PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Plan (Police and Fire Plan Accounted for in the Police and Fire Fund))

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (method 1) or a level accrual formula (method 2). Under method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Governmental Activities and Business-type Activities recognized pension expense of \$1,124,851 and \$167,660, respectively, for all plans for the year ended December 31, 2016.

1. General Employees Plan Contributions

Basic plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City contributions to the General Employees Fund for the year ended December 31, 2016 were \$300,006. The City contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2016. The City contributions to the Police and Fire Fund for the year ended December 31, 2016 were \$168,059. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$5,034,092 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$65,737. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0620%, a decrease of 0.0031% from the prior year.

For the year ended December 31, 2016, the City recognized pension expense of \$276,618 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$19,601 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At December 31, 2016, the City reported its proportionate share of the General Employees Plan's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 408,945
Changes in Actuarial Assumptions	985,680	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	955,492	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	307,761
City Contributions Subsequent to the Measurement Date	151,344	-
Total	<u>\$ 2,092,516</u>	<u>\$ 716,706</u>

\$151,344 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expenses
2017	\$ 297,443
2018	297,443
2019	447,741
2020	181,839
Total	<u>\$ 1,224,466</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$4,133,569 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.1030%, a decrease of 0.0050% from the prior year.

For the year ended December 31, 2016, the City recognized pension expense of \$888,279 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$9,270 for the year ended December 31, 2016, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of the Police and Fire Fund's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 474,199
Changes in Actuarial Assumptions	2,274,884	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	630,811	-
Changes in Proportion and Differences Between		
City Contributions and Proportionate		
Share of Contributions	777,630	46,772
City Contributions Subsequent to the		
Measurement Date	82,936	-
Total	<u>\$ 3,766,261</u>	<u>\$ 520,971</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$82,936 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 708,046
2018	708,046
2019	708,046
2020	657,068
2021	381,148
Total	<u>\$ 3,162,354</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	
Inflation	2.75% per year
Salary Increases	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan and the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004, through June 30, 2009.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%
- Other assumptions were changed pursuant to the experience study dated June 30, 2016. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45 %	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Total	<u>100 %</u>	

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate specified in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ending June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 7,149,903	4.60%	\$ 5,786,448
Current	7.50%	5,034,092	5.60%	4,133,569
1% Increase	8.50%	3,291,240	6.60%	2,783,041

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN

A. Plan Description

Firefighters of the City are members of the Buffalo Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2016, membership includes 36 active participants and 5 terminated employees entitled to benefits, but not yet receiving them.

B. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the fire department, has served at least 20 years of active service with such department before retirement, shall be entitled to a lump sum service pension in the amount of \$4,000 for each year of active fire department service, but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$4,000 for each year the member was an active member of the Buffalo Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

C. Contributions (Continued)

The minimum contribution from the City and state aid is determined as follows:

Normal Cost	\$ 151,139
Amortization Payment on Unfunded Accrued Liability Prior to Any Change	(11,335)
Administrative Expenses	3,457
Anticipated State Aid	(107,043)
Projected Investment Earnings	(36,218)
Total Contribution Required	<u>\$ -</u>

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$119,295 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2016. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2016 was \$-0-.

D. Pension Costs

At December 31, 2016, the City reported an asset of \$274,001 for the Association's net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$98,743 for the year ended December 31, 2016. At December 31, 2016, the City reported deferred outflow of resources and deferred inflow of resources from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in Actuarial Assumptions	\$ -	\$ 24,986
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	53,388	-
City Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 53,388</u>	<u>\$ 24,986</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

D. Pension Costs (Continued)

Amounts reported as deferred outflow and inflow of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2017	\$ 17,228
2018	17,228
2019	17,230
2020	(12,825)
2021	(3,632)
Thereafter	(6,827)
Total	\$ 28,402

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	December 31, 2016
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar

Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.00%
20-Year Municipal Bond Yield	3.78%
Age of Service Retirement	50

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

E. Actuarial Assumptions (Continued)

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Portfolio Weight	Expected Nominal Rate of Return
Cash	5.0 %	3.59 %
Domestic Equity	60.0	8.33
Fixed Income	35.0	5.02
Total	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Asset Sensitivity

The following presents the City of Buffalo's proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.00%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (235,759)	\$ (274,001)	\$ (311,457)
Discount Rate	5.00%	6.00%	7.00%

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN
(CONTINUED)**

H. Plan's Fiduciary Net Position (Continued)

Information about the Plan's fiduciary net position is as follows:

Assets

Cash	\$ 172,365
Cash Position of Mutual Funds	33,397
Investments	1,369,522
Contributions Receivable	5,000
Total Assets	<u>\$ 1,580,284</u>

Net Position

Unrestricted	<u>\$ 1,580,284</u>
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Information about changes in the Plan's net pension asset is as follows:

	<u>Measurement Date</u> December 31, 2016
<u>Total Pension Liability</u>	2016
Service Cost	\$ 82,609
Interest	71,998
Changes in Assumptions	(28,618)
Benefit Payments, Including Member Refunds	<u>(216,977)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(90,988)
Total Pension Liability - Beginning of Year	<u>1,397,271</u>
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,306,283
<u>Plan Fiduciary Net Position</u>	
Municipal Contributions	2,500
State Contributions	119,295
Net Investment Income	121,906
Benefit Payments	(216,977)
Administrative Expenses	(11,374)
Other Changes	<u>8,534</u>
NET CHANGE IN FIDUCIARY NET POSITION	23,884
Fiduciary Net Position - Beginning of Year	<u>1,556,400</u>
FIDUCIARY NET POSITION - END OF YEAR (b)	<u>1,580,284</u>
ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)	<u>\$ (274,001)</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2016 as follows:

Governmental Funds:	
HRA Debt Service	\$ (1,690,243)
Other Governmental Funds:	
Civic Center Fund	(3,162,632)
Proprietary Funds:	
Golf Course Fund	(6,650,687)

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, transfers from other funds, and various other sources.

B. Expenditures in Excess of Budget

For the year ended December 31, 2016, expenditures exceeded budget in the Fire Special Revenue fund by \$38,774. These expenditures were funded by current year lease proceeds. Additionally, expenditures exceeded budget in the Library Special Revenue fund by \$3,486. These expenditures were funded by current year transfers from the General Fund.

NOTE 9 DEFERRED AD VALOREM TAX LEVIES – BONDED DEBT

General obligation bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the county auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2016 because they have not yet been levied against the properties by the county.

Future scheduled tax levies for all bonds outstanding at December 31, 2016 totaled \$28,377,342.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

A. Due To/From Other Funds

Individual fund receivable and payable balances at December 31, 2016 are as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds	Description
General Fund	\$ 4,774,042	\$ 3,851	Eliminate Deficit Cash/HRA Deposit
Capital Project Fund	-	1,200,000	Project Costs
HRA Debt Service Fund	3,851	-	Lease Purchase Funding
Other Governmental Funds	-	3,200,485	Eliminate Deficit Cash
Proprietary Funds:			
Electric Fund	3,950,176	-	Eliminate Deficit Cash
Water and Sewer Fund	1,369,542	-	Deficit Cash/Current Portion of Project
Golf Course Fund	-	5,693,275	Lease Purchase/Deficit Cash
Total Due To/From	<u>\$ 10,097,611</u>	<u>\$ 10,097,611</u>	

All of the Due from/Due to Other Funds balances are expected to be repaid in the following year.

B. Advances To/From Other Funds

Fund	Advances to Other Funds	Advances from Other Funds
Debt Service Fund	\$ 1,745,000	\$ -
HRA Debt Service Fund	-	1,745,000
Proprietary Funds:		
Water and Sewer Fund	100,000	-
Liquor Fund	-	100,000
Total Advances	<u>\$ 1,845,000</u>	<u>\$ 1,845,000</u>

The advance in the amount of \$100,000 represents remodeling expense incurred by the Liquor Fund payable to the Water and Sewer Fund. The Debt Service Fund advanced \$1,745,000 to the HRA Debt Service Fund as the City issued debt for the downtown enhancement project for which the HRA spent the proceeds.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 10 INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS
(CONTINUED)**

C. Transfers

Transfers between funds during 2016 are as follows:

	Amount	Description
<u>Major Governmental Funds</u>		
Transfers to General Fund from:		
Electric Fund	\$ 900,000	Annual Contribution
Liquor Fund	450,000	Annual Park Contribution
Total Transfers to General Fund	1,350,000	
Transfers to Debt Service Fund from:		
General Fund	20,162	Transfer of Debt Payment
HRA Fund	81,525	Transfer of Debt Payment
HRA Debt Service Fund	45,635	Transfer of Debt Payment
Total Transfers to Debt Service Fund	147,322	
Transfers to Capital Projects Fund from:		
General Fund	306,356	Close Project Funds
Electric Fund	241,285	Electric and Fiber Share
Total Transfers to Capital Projects Fund	547,641	
Transfers to HRA Debt Service Fund from:		
HRA Fund	137,877	Transfer of Debt Payment
Golf Course	55,420	Debt Refunding Adjustment
Total Transfer to HRA Debt Service Fund	193,297	
Total Transfers to Major Governmental Funds	2,238,260	
<u>Nonmajor Governmental Funds</u>		
Transfers to Library Fund from:		
General Fund	15,000	Annual Contribution
Transfers to Civic Center Fund from:		
Electric Fund	50,000	Annual Contribution
Transfers to Airport Fund from:		
General Fund	50,000	Annual Contribution
Total Transfers to Nonmajor Governmental Funds	115,000	
Total Interfund Transfers	\$ 2,353,260	

Also reported on the government-wide statement of activities are capital asset transfers of \$2,132,452 from the governmental activities to the business-type activities. These are transfers of capital assets between the two opinion units.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 FUND BALANCE CLASSIFICATIONS

The fund balance classifications of the governmental funds as of December 31, 2016 were as follows:

	General Fund	Debt Service Fund	Capital Project Fund	HRA Debt Service Fund	Other Governmental Funds	Governmental Funds Total
Nonspendable:						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 10,479	\$ 10,479
Prepaid Expenses	10,563	-	-	-	479	11,042
Land Held for Resale	7,800	-	-	-	15,859	23,659
Total Nonspendable	18,363	-	-	-	26,817	45,180
Restricted:						
Debt Service	-	7,077,336	-	-	-	7,077,336
Capital Projects	-	-	525,515	-	-	525,515
Total Restricted	-	7,077,336	525,515	-	-	7,602,851
Committed:						
Library	-	-	-	-	176,123	176,123
Fire Operations	-	-	-	-	1,319,208	1,319,208
The Buffalo HRA	-	-	-	-	207,114	207,114
Airport	-	-	-	-	78,899	78,899
Total Committed	-	-	-	-	1,781,344	1,781,344
Unassigned:						
	4,531,376	-	-	(1,690,243)	(3,163,111)	(321,978)
Total Fund Balance	<u>\$ 4,549,739</u>	<u>\$ 7,077,336</u>	<u>\$ 525,515</u>	<u>\$ (1,690,243)</u>	<u>\$ (1,354,950)</u>	<u>\$ 9,107,397</u>

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by law. For workers' compensation, the City is not subject to a deductible. The City's workers' compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 RISK MANAGEMENT (CONTINUED)

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

The City entered into a program to self-insure group medical benefits for its employees. This program was funded through “premiums” charged each pay period to participants in the plan. The city portion of the monthly premium was charged to various departments based on actual participation by employees. Health Partners administered the plan for a monthly fee based on number of participating individuals. Claims were paid by Health Partners and reimbursed by the City on a weekly basis. Reinsurance for stop-loss covered aggregate stop-loss coverage. The aggregate stop-loss insurance puts a ceiling on the amount of claim liability during the two-year contract that the City began with Health Partners effective January 1, 2014. This stop-loss contract is based on a 24/30 contract period (24 months of incurred claims paid over 30 months). The aggregate claims liability is determined by the aggregate claim factors by plan and number of enrolled contracts by coverage level. During the current year, unpaid claims were paid and the fund was closed.

Changes in the balance of claim liabilities were as follows:

	December 31,	
	2016	2015
Unpaid Claims - Beginning of Year	\$ 82,928	\$ 44,832
Incurred Claims	-	513,008
Claim Payments	(82,928)	(474,912)
Unpaid Claims - End of Year	\$ -	\$ 82,928

NOTE 13 TAX ABATEMENTS

The City has four pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City. The City is currently collecting tax increments that are paid through the property tax collection process. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 13 TAX ABATEMENTS (CONTINUED)

The first district is a qualified housing tax increment financing district to facilitate construction of senior rental housing development within the City. The district will stop collections as of the earlier of December 31, 2027 or when the plan is satisfied. For the year ended December 31, 2016, the City paid excess tax increment in the amount of \$39,542.

The second district is to facilitate the reconstruction of a local business which was destroyed by a fire within the City. The district will stop collections as of the earlier of December 31, 2028 or when the plan is satisfied. For the year ended December 31, 2016, the City paid excess tax increment in the amount of \$2,167.

The third district is created to facilitate development of 24 affordable rental town home units within the City. The district will stop collections as of the earlier of December 31, 2037 or when the plan is satisfied. For the year ended December 31, 2016, the City paid excess tax increment in the amount of \$4,239.

The final district is a redevelopment tax increment financing district that was created to facilitate the renovation of one substandard structure and the construction of two new commercial buildings within the City. The district will stop collections as of the earlier of December 31, 2041 or when the plan is satisfied. For the year ended December 31, 2016, the City paid excess tax increment in the amount of \$15,151.

NOTE 14 COMMITMENTS AND CONTINGENCIES

A. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time.

During 2010, the City received federal funding for an airport project. As part of that grant agreement the City is required to operate the airport as a licensed, municipally-owned public airport at all times of the year for a period of 20 years.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Electric Power Purchase Agreement

The City has entered into a contract with Minnesota Municipal Power Agency (MMPA) for the purchase of electric power and energy. The rates vary depending on numerous factors as outlined in the contract. The contract became effective January 1, 2006 and remains in effect through October 31, 2040. If not then terminated by five years written notice by either party, the contract continues in full force until so terminated.

C. Construction Commitments

The City entered into construction contracts for various construction projects started during the year. The following contracts had been entered into and were at various stages of completion at December 31, 2016:

Project	Contract Cost	Estimated Project Costs Incurred to Date*	Remaining Committed
Airport Entrance Road and Parking Lot	\$ 203,039	\$ 192,887	\$ 10,152
SE Area Reconstruction Phase II	1,689,082	1,509,133	179,949
DT Enhancement Project	427,916	334,966	92,950
Highway 25 Electric and Fiber	599,930	569,933	29,997
Highway 25 Reconstruction	6,121,907	5,691,223	430,684
Total	<u>\$ 9,041,874</u>	<u>\$ 8,298,142</u>	<u>\$ 743,732</u>

* Includes Contracts Payable Amount

NOTE 15 CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds and other similar type Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 15 CONDUIT DEBT OBLIGATIONS (CONTINUED)

As of December 31, 2016, there were 14 series of Industrial Revenue Bonds and other similar type Revenue Bonds outstanding. The aggregate principal amount payable for the eight (8) series issued prior to January 4, 1997, could not be determined; however, their original issue amounts totaled \$26.165 million. An Industrial Revenue Note totaling \$2,750,000 and maturing in March, 2030 was issued in 2000. Three Health Care Facility Revenue Notes totaling \$20,130,000 and maturing in March 2033 were issued in 2003. Two conduit debt issues were issued during 2006: (1) Health Care Refunding Revenue Bond, Series 2006 totaling \$19,965,000 and (2) Educational Facilities Revenue Note, Series 2005A totaling \$5,500,000.

NOTE 16 JOINT POWERS AGREEMENT

The Wright County Area Transportation (WCAT) Joint Powers Board was established in 2014 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes § 471.59, and includes the cities of Albertville, Annandale, Buffalo, Cokato, Delano, Hanover, Howard Lake, Maple Lake, Montrose, Rockford, St. Michael, and Waverly. WCAT's objectives are to provide affordable public transportation to their local communities which would assist people with mobility and access to employment, community resources, medical care, and recreational opportunities while reducing the impact of road congestion, travel times, air pollution, and cost of road maintenance and repair in the communities.

Control is vested in the WCAT Board, which consists of a designee from each of the member cities. There are no term specifications on the board members.

Financing is provided by state and federal funding as available toward the costs of providing public transportation services for the cities. Each City has agreed to pay a proportionate share of WCAT's remaining unfunded operating expenses and capital expenditures based upon the number of rides originating in the City during the prior year as compared to the total number of rides in all cities during the prior year. Each City is also required to pay an annual fee to provide for the proper operations of the WCAT Board. The City of Buffalo was not requested to contribute any funds to WCAT during 2015, as enough federal and state funding was received to cover operations.

Financial information can be obtained from the WCAT treasurer at the City of Annandale.

**CITY OF BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 17 SUBSEQUENT EVENTS

On March 20, 2017, the City authorized issuance of \$6,840,000 in General Obligation Wastewater Revenue Refunding Bonds (Series 2017A). The General Obligation Refunding bonds were issued to provide a current refunding for the General Obligation Wastewater Revenue Bonds, Series 2007A. The interest rate on this bond is 3.0% to 3.5% and it is set to mature in 2035. The estimated present value cash savings as a result of this refunding bond is \$71,022.

On April 17, 2017, the City authorized issuance of \$791,451 lease purchase agreement for the purchase of various police, MIS, street and utility vehicles and equipment. The lease has a 60 month term at an interest rate of 1.94%.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFFALO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

	Measurement Date	
	June 30, 2016	June 30, 2015
GENERAL EMPLOYEES RETIREMENT PLAN		
City's Proportion of the Net Pension Liability	0.0620%	0.0651%
City's Proportionate Share of the Net Pension Liability	\$ 5,034,092	\$ 3,373,820
State's Proportionate Share of the Net Pension Liability Associated with the City of Buffalo	\$ 65,737	N/A
City's Covered-Employee Payroll	\$ 3,841,975	\$ 3,794,647
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	131%	89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.75%
PUBLIC EMPLOYEES POLICE AND FIRE PLAN		
City's Proportion of the Net Pension Liability	0.1030%	0.1080%
City's Proportionate Share of the Net Pension Liability	\$ 4,133,569	\$ 1,227,133
City's Covered-Employee Payroll	\$ 996,175	\$ 1,002,211
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	415%	122%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.90%	78.75%

*Additional information will be added as it becomes available

**CITY OF BUFFALO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
FIREFIGHTERS RELIEF ASSOCIATION PLAN
LAST TEN YEARS**

	Measurement Date	
	December 31,	
	2016	2015
<u>Total Pension Liability</u>		
Service Cost	\$ 82,609	\$ 76,388
Interest	71,998	70,260
Changes in Assumptions	(28,618)	-
Benefit Payments, Including Member Refunds	(216,977)	(22,551)
NET CHANGE IN TOTAL PENSION LIABILITY	(90,988)	124,097
Total Pension Liability - Beginning of Year	1,397,271	1,273,174
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,306,283	1,397,271
<u>Plan Fiduciary Net Position</u>		
Municipal Contributions	2,500	2,500
State Contributions	119,295	114,407
Net Investment Income	121,906	(69,541)
Benefit Payments	(216,977)	(22,551)
Administrative Expenses	(11,374)	(4,990)
Other Changes	8,534	2,232
NET CHANGE IN FIDUCIARY NET POSITION	23,884	22,057
Fiduciary Net Position - Beginning of Year	1,556,400	1,534,343
FIDUCIARY NET POSITION - END OF YEAR (b)	1,580,284	1,556,400
ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)	\$ (274,001)	\$ (159,129)
Fiduciary Net Position as a Percentage of the Total Net Pension Asset	120.98%	111.39%
Covered-Employee Payroll	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A	N/A

*Additional information will be added as it becomes available

**CITY OF BUFFALO, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
GENERAL EMPLOYEES RETIREMENT PLAN			
Contractually Required Contribution	\$ 300,006	\$ 284,732	\$ 265,184
Contributions in Relation to the Contractually Required Contribution	<u>(300,006)</u>	<u>(284,732)</u>	<u>(265,184)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 4,000,083	 \$ 3,794,647	 \$ 3,870,990
 Contributions as a Percentage of Covered-Employee Payroll	 7.50%	 7.50%	 6.85%
PUBLIC EMPLOYEES POLICE AND FIRE PLAN			
Contractually Required Contribution	\$ 168,059	\$ 162,358	\$ 158,513
Contributions in Relation to the Contractually Required Contribution	<u>(168,059)</u>	<u>(162,358)</u>	<u>(158,513)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 1,037,404	 \$ 1,002,211	 \$ 975,188
 Contributions as a Percentage of Covered-Employee Payroll	 16.20%	 16.20%	 16.25%
FIRE RELIEF ASSOCIATION PLAN			
Statutorily Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Additional information will be added as it becomes available

**CITY OF BUFFALO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016				2015
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Taxes:					
General Property Taxes	\$ 3,194,696	\$ 3,172,022	\$ 3,182,022	\$ 10,000	\$ 3,214,586
Other Taxes	2,000	2,122	2,199	77	2,144
Total Taxes	<u>3,196,696</u>	<u>3,174,144</u>	<u>3,184,221</u>	<u>10,077</u>	<u>3,216,730</u>
Licenses and Permits	276,185	360,834	361,151	317	382,675
Intergovernmental:					
Federal Grants	-	-	29,478	29,478	2,158
State:					
Local Government Aid	724,949	724,949	724,949	-	703,609
PERA Aid	9,188	-	9,187	9,187	-
Market Value Credit	-	170	175	5	168
State Police Aid	120,000	139,461	139,461	-	121,304
State Highway Aid	200,000	197,290	197,290	-	200,266
Other	5,000	44,827	25,193	(19,634)	23,905
County/Regional:					
Other	-	-	-	-	3,398
Total Intergovernmental	<u>1,059,137</u>	<u>1,106,697</u>	<u>1,125,733</u>	<u>19,036</u>	<u>1,054,808</u>
Special Assessments	-	8,193	6,666	(1,527)	9,482
Charges for Services:					
General Government	136,350	160,880	165,104	4,224	225,742
Public Safety	65,210	64,608	62,455	(2,153)	59,590
Streets	-	5,450	7,750	2,300	2,410
Sanitation	903,000	891,751	912,988	21,237	895,712
Storm Sewer	410,000	401,984	402,097	113	458,005
Total Charges for Services	<u>1,514,560</u>	<u>1,524,673</u>	<u>1,550,394</u>	<u>25,721</u>	<u>1,641,459</u>
Fines and Forfeits	30,000	34,552	37,156	2,604	31,465
Investment Earnings	5,000	4,500	5,349	849	4,217
Refunds/Reimbursements	-	96,090	123,171	27,081	88,009
Grants and Contributions	9,500	8,964	8,859	(105)	9,450
Miscellaneous	1,010	4,427	841	(3,586)	18,689
Total Revenues	<u>6,092,088</u>	<u>6,323,074</u>	<u>6,403,541</u>	<u>80,467</u>	<u>6,456,984</u>

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF BUFFALO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016				2015
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES					
General Government:					
Mayor and Council:					
Current:					
Personal Services	\$ 50,460	\$ 112,497	\$ 27,164	\$ 85,333	\$ 26,939
Capital Lease Payments:					
Principal	1,192	1,192	1,193	(1)	1,174
Interest	55	55	56	(1)	75
Total Mayor and Council	<u>51,707</u>	<u>113,744</u>	<u>28,413</u>	<u>85,333</u>	<u>28,188</u>
Financial Administration:					
Current:					
Salaries	274,385	282,094	282,640	(546)	248,492
Employee Benefits	73,329	70,237	66,842	3,395	62,658
Other Expenses:					
Audit / Accounting	9,000	10,000	10,000	-	9,000
Building Permits, Surcharges	12,000	12,000	14,871	(2,871)	16,781
Insurance	13,500	10,817	5,522	5,295	7,918
Planning and Zoning	182,507	151,472	137,034	14,438	154,558
Assessor	65,000	64,130	64,130	-	64,093
City Attorney	18,500	21,713	23,664	(1,951)	19,456
Professional Services	1,500	1,500	1,489	11	5,916
Elections	13,000	12,138	14,017	(1,879)	1,146
Other Expense	176,415	207,136	216,874	(9,738)	163,953
Capital Outlay	10,500	-	-	-	10,775
Total Financial Administration	<u>849,636</u>	<u>843,237</u>	<u>837,083</u>	<u>6,154</u>	<u>764,746</u>
MIS:					
Current:					
Salaries	65,472	68,000	65,438	2,562	58,155
Employee Benefits	20,906	22,877	21,057	1,820	18,481
Other Services and Charges	26,425	57,033	57,573	(540)	32,105
Capital Outlay	30,000	-	-	-	-
Capital Lease Payments:					
Principal	35,642	35,642	35,651	(9)	34,821
Interest	1,717	1,717	1,746	(29)	2,576
Total MIS	<u>180,162</u>	<u>185,269</u>	<u>181,465</u>	<u>3,804</u>	<u>146,138</u>
Engineering:					
Current:					
Salaries	119,944	64,000	63,085	915	116,951
Employee Benefits	29,590	12,755	12,378	377	25,462
Other Services and Charges	18,550	12,754	10,784	1,970	17,735
Capital Outlay	-	-	-	-	5,345
Total Engineering	<u>168,084</u>	<u>89,509</u>	<u>86,247</u>	<u>3,262</u>	<u>165,493</u>
Transportation:					
Current:					
Salaries	3,356	14,192	14,166	26	13,568
Employee Benefits	509	2,150	1,691	459	1,616
Other Services and Charges	6,548	22,296	20,456	1,840	25,384
Total Transportation	<u>10,413</u>	<u>38,638</u>	<u>36,313</u>	<u>2,325</u>	<u>40,568</u>
Total General Government	<u>1,260,002</u>	<u>1,270,397</u>	<u>1,169,521</u>	<u>100,878</u>	<u>1,145,133</u>

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF BUFFALO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			2015	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection:					
Current:					
Office Wages and Benefits	\$ 217,634	\$ 213,968	\$ 224,262	\$ (10,294)	\$ 212,423
Officer Wages and Benefits	1,548,444	1,534,850	1,448,990	85,860	1,402,124
Training	10,350	7,850	7,613	237	7,164
Legal Fees	68,000	68,000	64,126	3,874	59,991
Other Services and Charges	265,057	257,670	232,003	25,667	213,587
Capital Outlay	108,000	66,583	68,279	(1,696)	87,634
Capital Lease Payments:					
Principal	43,538	47,943	48,382	(439)	35,004
Interest	-	2,571	2,661	(90)	2,404
Total Police	<u>2,261,023</u>	<u>2,199,435</u>	<u>2,096,316</u>	<u>103,119</u>	<u>2,020,331</u>
Fire Protection	405,733	387,698	387,698	-	386,412
Civil Defense	350	325	153	172	218
Building Inspections	120,000	160,000	154,851	5,149	158,119
Total Public Safety	<u>2,787,106</u>	<u>2,747,458</u>	<u>2,639,018</u>	<u>108,440</u>	<u>2,565,080</u>
Public Works:					
Street Department:					
Current:					
Employee Benefits	101,705	99,500	97,695	1,805	103,282
Street Maintenance	909,721	916,728	617,863	298,865	640,860
Storm Sewer Maintenance	111,085	74,862	57,075	17,787	104,431
Snow and Ice Removal	120,908	74,848	41,712	33,136	42,312
Other	570,922	572,622	483,093	89,529	474,889
Capital Outlay - Streets	263,000	418,619	468,138	(49,519)	118,395
Capital Lease Payments:					
Principal	96,778	114,566	125,156	(10,590)	94,783
Interest	3,151	6,125	5,093	1,032	4,663
Total Public Works	<u>2,177,270</u>	<u>2,277,870</u>	<u>1,922,604</u>	<u>355,266</u>	<u>1,583,615</u>
Sanitation:					
Current	837,800	798,364	761,236	37,128	781,798
Capital Lease Payments:					
Principal	1,306	1,306	1,255	51	1,227
Interest	65	65	62	3	90
Total Sanitation	<u>839,171</u>	<u>799,735</u>	<u>762,553</u>	<u>37,182</u>	<u>783,115</u>
Total Public Works	<u>3,016,441</u>	<u>3,077,605</u>	<u>2,685,157</u>	<u>392,448</u>	<u>2,366,730</u>
Total Expenditures	<u>7,063,549</u>	<u>7,095,460</u>	<u>6,493,696</u>	<u>601,766</u>	<u>6,076,943</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(971,461)	(772,386)	(90,155)	682,233	380,041
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	-	183,257	183,257	-	35,651
Capital Lease Proceeds	362,400	363,570	363,570	-	97,982
Transfer In	900,000	900,000	900,000	-	900,000
Transfer Out	(615,000)	(891,270)	(816,517)	74,753	(870,566)
Total Other Financing Sources (Uses)	<u>647,400</u>	<u>555,557</u>	<u>630,310</u>	<u>74,753</u>	<u>163,067</u>
NET CHANGE IN FUND BALANCE	<u>\$ (324,061)</u>	<u>\$ (216,829)</u>	<u>540,155</u>	<u>\$ 756,986</u>	<u>543,108</u>
Fund Balance - Beginning of Year			<u>4,631,628</u>		<u>4,088,520</u>
FUND BALANCE - END OF YEAR			<u>\$ 5,171,783</u>		<u>\$ 4,631,628</u>

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

CITY OF BUFFALO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2016

NOTE 1 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule is prepared on a budgetary basis of accounting. See Note 3 of the Notes to Required Supplementary Information for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 2 BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City administrator submits to the City council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the council chambers at City Hall to obtain taxpayer comments, and the final budget is adopted and the tax levy certified.
3. The City administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City council. Reported budget amounts are final, as amended by the City council in 2016.
4. The City has legally adopted budgets for the general fund, certain special revenue funds, and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, capital outlay, etc.) within each program. All amounts over budget have been approved by the City council through the disbursement process. The City is not legally required to adopt an annual budget for the capital projects or debt service funds.
5. Budgeted amounts are as originally adopted, or as amended by the City council. All annual appropriations lapse at fiscal year-end.
6. The City did not have any departments that were over budget in the current year.

CITY OF BUFFALO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2016

NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION

For external reporting purposes, the general fund includes revenues, expenditures, other financing sources and uses, and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore, the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

	General Fund				
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Beginning Fund Balance	Ending Fund Balance
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 6,553,929	\$ 7,695,277	\$ 1,632,240	\$ 4,058,847	\$ 4,549,739
Funds Included in General Fund for GASB Statement No. 54 Purposes:					
Park Fund	(105,972)	(1,022,865)	(876,930)	286,744	326,707
Community Center Fund	(44,416)	(178,716)	(125,000)	286,037	295,337
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	<u>\$ 6,403,541</u>	<u>\$ 6,493,696</u>	<u>\$ 630,310</u>	<u>\$ 4,631,628</u>	<u>\$ 5,171,783</u>

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL NONMAJOR GOVERNMENTAL
FUND FINANCIAL STATEMENTS**

**CITY OF BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

	2016			
	Revolving Grant Fund	Fire Fund	Library Fund	Civic Center Fund
ASSETS				
Cash and Investments	\$ -	\$ 1,377,269	\$ 180,628	\$ -
Delinquent Taxes Receivable	-	-	1,096	-
Accounts Receivable	-	-	-	66,661
Due from Other Governmental Units	-	-	440	19,643
Accrued Interest Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Advances to Other Funds	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	-	-	-	479
Loans Receivable, Net of Allowance	50,442	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 50,442</u>	<u>\$ 1,377,269</u>	<u>\$ 182,164</u>	<u>\$ 86,783</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE (DEFICIT)				
LIABILITIES				
Accounts and Contracts Payable	\$ -	\$ 20,879	\$ 4,900	\$ 38,530
Other Accrued Liabilities	-	37,182	45	7,090
Due to Other Funds	-	-	-	3,200,485
Advances from Other Funds	-	-	-	-
Unearned Revenue	-	-	-	3,310
Deposits - Escrow	-	-	-	-
Total Liabilities	<u>-</u>	<u>58,061</u>	<u>4,945</u>	<u>3,249,415</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable Taxes	-	-	1,096	-
Unavailable Loans Receivables	50,442	-	-	-
Total Deferred Inflow of Resources	<u>50,442</u>	<u>-</u>	<u>1,096</u>	<u>-</u>
FUND BALANCE (DEFICIT)				
Nonspendable	-	-	-	479
Committed	-	1,319,208	176,123	-
Unassigned	-	-	-	(3,163,111)
Total Fund Balance (Deficit)	<u>-</u>	<u>1,319,208</u>	<u>176,123</u>	<u>(3,162,632)</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance (Deficit)	<u>\$ 50,442</u>	<u>\$ 1,377,269</u>	<u>\$ 182,164</u>	<u>\$ 86,783</u>

<u>The HRA of Buffalo Fund</u>	<u>Airport Fund</u>	<u>2016 Total</u>	<u>2015 Total</u>
\$ 242,570	\$ 37,891	\$ 1,838,358	\$ 723,307
2,635	557	4,288	1,886
-	1,584	68,245	75,737
906	291,584	312,573	323,094
193,183	-	193,183	167,183
3,851	-	3,851	770,441
-	-	-	20,000
-	10,479	10,479	9,183
-	-	479	4,019
319,769	-	370,211	421,312
15,859	-	15,859	15,859
<u>\$ 778,773</u>	<u>\$ 342,095</u>	<u>\$ 2,817,526</u>	<u>\$ 2,532,021</u>
\$ 33,615	\$ 250,589	\$ 348,513	\$ 120,842
-	1,571	45,888	34,789
-	-	3,200,485	3,152,681
-	-	-	129,388
-	-	3,310	3,109
6,598	-	6,598	6,598
<u>40,213</u>	<u>252,160</u>	<u>3,604,794</u>	<u>3,447,407</u>
2,635	557	4,288	1,886
512,952	-	563,394	588,495
<u>515,587</u>	<u>557</u>	<u>567,682</u>	<u>590,381</u>
15,859	10,479	26,817	56,561
207,114	78,899	1,781,344	1,489,497
-	-	(3,163,111)	(3,051,825)
<u>222,973</u>	<u>89,378</u>	<u>(1,354,950)</u>	<u>(1,505,767)</u>
<u>\$ 778,773</u>	<u>\$ 342,095</u>	<u>\$ 2,817,526</u>	<u>\$ 2,532,021</u>

**CITY OF BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016			
	Revolving Grant Fund	Fire Fund	Library Fund	Civic Center Fund
REVENUE				
General Property Taxes	\$ -	\$ -	\$ 80,742	\$ -
Tax Increments	-	-	-	-
Intergovernmental	-	117,290	-	-
Charges for Services	-	594,408	-	524,069
Investment Earnings (Loss)	-	1,481	208	-
Refunds and Reimbursements	-	2,220	-	2,976
Grants and Contributions	-	718	-	58,500
Miscellaneous	-	5	-	1,696
Total Revenue	-	716,122	80,950	587,241
EXPENDITURES				
Current:				
Public Safety:	-	395,609	-	-
Culture and Recreation	-	-	88,416	738,645
Community Development	-	-	-	-
Capital Outlay:				
Public Safety	-	198,230	-	-
Culture and Recreation	-	-	-	10,688
Community Development	-	-	-	-
Capital Leases:				
Principal	-	171,712	-	6,053
Interest and Fiscal Charges	-	5,933	-	367
Total Expenditures	-	771,484	88,416	755,753
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	(55,362)	(7,466)	(168,512)
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	15,000	50,000
Transfer Out	-	-	-	-
Proceeds from Sale of Capital Assets	-	5,000	-	-
Capital Lease Proceeds	-	284,980	-	-
Total Other Financing Sources (Uses)	-	289,980	15,000	50,000
NET CHANGE IN FUND BALANCE	-	234,618	7,534	(118,512)
Fund Balance (Deficit) - Beginning of Year	-	1,084,590	168,589	(3,044,120)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ 1,319,208	\$ 176,123	\$ (3,162,632)

The HRA of Buffalo Fund	Airport Fund	2016 Total	2015 Total
\$ 208,714	\$ -	\$ 289,456	\$ 276,134
58,002	-	58,002	69,085
-	309,443	426,733	196,998
28,337	293,268	1,440,082	1,501,435
3,687	139	5,515	5,439
5,822	634	11,652	1,750
-	-	59,218	60,160
-	-	1,701	1,080
<u>304,562</u>	<u>603,484</u>	<u>2,292,359</u>	<u>2,112,081</u>
-	-	395,609	361,089
-	283,226	1,110,287	1,143,174
131,883	-	131,883	173,611
-	-	198,230	98,950
-	286,377	297,065	55,765
9,981	-	9,981	133,242
-	-	177,765	107,195
-	-	6,300	4,702
<u>141,864</u>	<u>569,603</u>	<u>2,327,120</u>	<u>2,077,728</u>
162,698	33,881	(34,761)	34,353
-	50,000	115,000	115,000
(219,402)	-	(219,402)	(217,522)
-	-	5,000	-
-	-	284,980	29,945
<u>(219,402)</u>	<u>50,000</u>	<u>185,578</u>	<u>(72,577)</u>
(56,704)	83,881	150,817	(38,224)
<u>279,677</u>	<u>5,497</u>	<u>(1,505,767)</u>	<u>(1,467,543)</u>
<u>\$ 222,973</u>	<u>\$ 89,378</u>	<u>\$ (1,354,950)</u>	<u>\$ (1,505,767)</u>

CITY OF BUFFALO, MINNESOTA
FIRE SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

	2016			Variance with Budget	2015
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Fire Contracts and Charges	\$ 600,000	\$ 594,408	\$ 594,408	\$ -	\$ 597,968
Intergovernmental:					
State Aid and Grants	116,500	117,290	117,290	-	120,719
Grants and Contributions	-	718	718	-	760
Investment Earnings	1,250	1,000	1,481	481	1,022
Refunds and Reimbursements	-	2,220	2,220	-	575
Miscellaneous	-	5	5	-	-
Total Revenues	<u>717,750</u>	<u>715,641</u>	<u>716,122</u>	<u>481</u>	<u>721,044</u>
EXPENDITURES					
Public Safety:					
Fire Relief	113,000	116,295	116,295	-	113,407
Wages and Benefits	130,848	125,777	118,646	7,131	100,538
Truck Expense	12,000	8,000	7,478	522	4,946
Supplies	12,725	14,100	14,819	(719)	33,735
Repairs and Maintenance	44,000	28,490	20,412	8,078	24,969
Radio and Telephone	9,900	11,454	11,532	(78)	7,465
Utilities	20,500	16,000	15,360	640	13,966
Insurance	45,000	38,473	32,703	5,770	35,353
Training	8,500	6,500	6,501	(1)	8,382
Other	16,888	26,049	51,863	(25,814)	18,328
Capital Outlay	29,000	186,030	198,230	(12,200)	98,950
Capital Lease Payments:					
Principal	115,874	150,730	171,712	(20,982)	104,235
Interest	2,672	4,812	5,933	(1,121)	4,498
Total Expenditures	<u>560,907</u>	<u>732,710</u>	<u>771,484</u>	<u>(38,774)</u>	<u>568,772</u>
EXCESS (DEFICIENCY) OF REVENUE AND OVER (UNDER) EXPENDITURES	156,843	(17,069)	(55,362)	(38,293)	152,272
OTHER FINANCING SOURCES					
Transfer In					
Capital Lease Proceeds	-	284,980	284,980	-	-
Proceeds on Sale of Assets	-	5,000	5,000	-	-
Total Other Financing Sources	<u>-</u>	<u>289,980</u>	<u>289,980</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 156,843</u>	<u>\$ 272,911</u>	234,618	<u>\$ (39,255)</u>	152,272
Fund Balance - Beginning of Year			<u>1,084,590</u>		<u>932,318</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,319,208</u>		<u>\$ 1,084,590</u>

**CITY OF BUFFALO, MINNESOTA
LIBRARY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016			2015	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
General Property Taxes	\$ 80,628	\$ 80,628	\$ 80,742	\$ 114	\$ 80,932
Investment Earnings	200	200	208	8	160
Total Revenues	<u>80,828</u>	<u>80,828</u>	<u>80,950</u>	<u>122</u>	<u>81,092</u>
EXPENDITURES					
Culture and Recreation:					
Wages and Benefits	2,418	1,842	1,591	251	2,740
Supplies and Maintenance	34,250	44,000	46,157	(2,157)	40,965
Insurance	1,200	1,133	557	576	782
Telephone	500	1,036	1,034	2	485
Utilities	31,500	31,000	32,625	(1,625)	25,474
Other	3,850	5,919	6,452	(533)	3,900
Total Expenditures	<u>73,718</u>	<u>84,930</u>	<u>88,416</u>	<u>(3,486)</u>	<u>74,346</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,110	(4,102)	(7,466)	(3,364)	6,746
OTHER FINANCING SOURCES					
Transfers in from General Fund	15,000	15,000	15,000	-	15,000
NET CHANGE IN FUND BALANCE	<u>\$ 22,110</u>	<u>\$ 10,898</u>	7,534	<u>\$ (3,364)</u>	21,746
Fund Balance - Beginning of Year			<u>168,589</u>		<u>146,843</u>
FUND BALANCE - END OF YEAR			<u>\$ 176,123</u>		<u>\$ 168,589</u>

**CITY OF BUFFALO, MINNESOTA
CIVIC CENTER SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016				2015
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Charges for Services:					
Ice Time	\$ 460,000	\$ 463,926	\$ 426,044	\$ (37,882)	\$ 442,564
Building Rent	12,000	16,130	16,130	-	10,433
Lease Payment	55,000	40,000	25,000	(15,000)	55,000
Gate Receipts and Concessions	37,000	45,567	44,570	(997)	63,886
Other	13,000	12,825	12,325	(500)	14,115
Grants and Contributions	50,000	49,100	58,500	9,400	59,400
Refunds and Reimbursements	-	508	2,976	2,468	1,175
Miscellaneous	1,000	1,216	1,696	480	1,080
Total Revenues	<u>628,000</u>	<u>629,272</u>	<u>587,241</u>	<u>(42,031)</u>	<u>647,653</u>
EXPENDITURES					
Culture and Recreation:					
Wages and Benefits	238,437	239,858	229,685	10,173	236,156
Maintenance and Repair	32,000	43,000	40,798	2,202	46,201
Utilities	175,000	150,000	160,638	(10,638)	153,470
Other	29,775	61,456	57,211	4,245	56,847
Insurance	13,000	12,472	7,609	4,863	10,072
Interest Expense	3,500	3,800	4,313	(513)	3,559
Lease Rent Payments	238,391	238,391	238,391	-	241,453
Capital Outlay	58,629	10,688	10,688	-	55,765
Capital Lease Payments:					
Principal	5,890	5,890	6,053	163	2,960
Interest	380	380	367	(13)	204
Total Expenditures	<u>795,002</u>	<u>765,935</u>	<u>755,753</u>	<u>10,482</u>	<u>806,687</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(167,002)	(136,663)	(168,512)	(31,849)	(159,034)
OTHER FINANCING SOURCES					
Transfer In	50,000	50,000	50,000	-	50,000
Capital Lease Proceeds	58,629	-	-	-	29,945
Total Other Financing Sources	<u>108,629</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>79,945</u>
NET CHANGE IN FUND BALANCE	<u>\$ (58,373)</u>	<u>\$ (86,663)</u>	(118,512)	<u>\$ (31,849)</u>	(79,089)
Fund Deficit - Beginning of Year			<u>(3,044,120)</u>		<u>(2,965,031)</u>
FUND DEFICIT - END OF YEAR			<u>\$ (3,162,632)</u>		<u>\$ (3,044,120)</u>

**CITY OF BUFFALO, MINNESOTA
 AIRPORT SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016			Variance from Final Budget	2015
	Original Budget	Final Budget	Actual		Actual
REVENUES					
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 261
Intergovernmental:					
Federal Grants	-	220,449	217,536	(2,913)	51,144
State Aid and Grants	65,028	75,382	91,907	16,525	25,135
Total Intergovernmental	65,028	295,831	309,443	13,612	76,279
Charges for Services	309,848	301,984	293,268	(8,716)	285,968
Investment Earnings (Loss)	(75)	70	139	69	(35)
Refunds and Reimbursement	-	634	634	-	-
Total Revenues	374,801	598,519	603,484	4,965	362,473
EXPENDITURES					
Culture and Recreation:					
Wages and Benefits	32,773	37,616	36,001	1,615	29,695
Other	270,825	242,492	247,225	(4,733)	291,375
Capital Outlay	70,000	294,944	286,377	8,567	-
Total Expenditures	373,598	575,052	569,603	5,449	321,070
EXCESS OF REVENUES OVER EXPENDITURES	1,203	23,467	33,881	10,414	41,403
OTHER FINANCING SOURCES					
Transfer In	50,000	50,000	50,000	-	50,000
NET CHANGE IN FUND BALANCE	<u>\$ 51,203</u>	<u>\$ 73,467</u>	83,881	<u>\$ 10,414</u>	91,403
Fund Balance - Beginning of Year			5,497		(85,906)
FUND BALANCE - END OF YEAR			<u>\$ 89,378</u>		<u>\$ 5,497</u>

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**OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF BUFFALO, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2016
(UNAUDITED)

Market Valuation		<u>\$ 1,054,687,600</u>
Debt Limit - 3% of Market Valuation		\$ 31,640,628
Total Indebtedness	<u>\$ 97,531,560</u>	
Less:		
Other Deductions Allowed by Law:		
(1) Obligations Payable Wholly or Partly from Special Assessments	8,395,000	
(2) Obligations Issued for Acquisition and Improvement of Public Utilities and Conveniences from Which Revenue may be Derived	58,186,234	
(3) Obligations Payable Wholly from the Income from Revenue Producing Conveniences	<u>2,275,326</u>	
Total Deductions	<u>68,856,560</u>	
Total Amount of Debt Applied Against Debt Limit		<u>28,675,000</u>
Legal Debt Margin		<u>\$ 2,965,628</u>

CITY OF BUFFALO, MINNESOTA
TAX LEVIES TO RETIRE BONDED INDEBTEDNESS
DECEMBER 31, 2016
(UNAUDITED)

Year of Levy for Collection in the Following Year	General Obligation Street Reconstruction Bonds of 2008 Series 2008D	General Obligation Refunding Bonds of 2009 Series 2009D	General Obligation Improvement Bonds of 2010 Series 2010A	General Obligation Improvement Bonds of 2010 Series 2010C	General Obligation Capital Improvement Refunding Bonds of 2011 Series 2011A	General Obligation Refunding Bonds of 2012 Series 2012B
2017	\$ 241,395	\$ 152,234	\$ 51,949	\$ 178,516	\$ 738,646	\$ 141,313
2018	-	387,476	55,781	191,127	735,601	117,810
2019	-	510,024	54,206	187,168	741,229	-
2020	-	507,058	-	188,322	745,030	-
2021	-	513,726	-	178,679	747,261	-
2022	-	519,120	-	179,492	741,906	-
2023	-	1,288,560	-	190,423	-	-
2024	-	-	-	263,660	-	-
2025	-	-	-	265,655	-	-
2026	-	-	-	267,026	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
Total	\$ 241,395	\$ 3,878,198	\$ 161,936	\$ 2,090,068	\$ 4,449,673	\$ 259,123

General Obligation Bonds of 2013 Series 2013A	General Obligation Bonds of 2015 Series 2015A	General Obligation Bonds of 2015 Series 2015C	General Obligation Tax Abatement Bonds Series 2016A	General Obligation Street Reconstruction Bonds Series 2016C	Total
\$ 418,530	\$ 285,122	\$ 233,822	\$ 231,320	\$ 214,922	\$ 2,887,769
416,325	284,230	231,919	233,525	217,022	2,870,816
408,765	283,180	235,266	235,625	213,766	2,869,229
406,455	281,972	232,903	232,371	215,762	2,809,873
398,790	280,607	235,791	234,365	212,402	2,801,621
401,625	279,085	232,536	231,005	214,292	2,799,061
-	284,965	234,531	232,895	216,077	2,447,451
-	285,385	235,581	234,594	217,756	1,236,976
-	280,450	231,249	235,827	214,082	1,227,263
-	285,521	232,168	231,417	215,473	1,231,605
-	279,090	232,956	231,982	215,998	960,026
-	277,909	232,693	232,129	216,392	959,123
-	281,190	232,273	231,940	216,156	961,559
-	-	231,696	231,404	215,776	678,876
-	-	230,961	235,762	-	466,723
-	-	235,318	234,447	-	469,765
-	-	234,110	232,861	-	466,971
-	-	232,635	-	-	232,635
<u>\$ 2,450,490</u>	<u>\$ 3,668,706</u>	<u>\$ 4,198,408</u>	<u>\$ 3,963,469</u>	<u>\$ 3,015,876</u>	<u>\$ 28,377,342</u>

CITY OF BUFFALO, MINNESOTA
PROPERTY TAX VALUATIONS, LEVIES, AND COLLECTIONS
DECEMBER 31, 2016
(UNAUDITED)

Fiscal Year	Rates*	Valuations*	Total Certified Tax Levy	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1979	10.79	\$ 11,576,236	\$ 124,965	\$ 127,813	102.28 %
1980	12.37	13,819,727	170,964	171,623	100.39
1981	13.75	16,142,519	222,028	216,132	97.34
1982	13.48	18,498,138	249,384	237,056	95.06
1983	21.40	20,013,461	428,288	426,538	99.59
1984	30.28	19,549,847	592,002	574,495	97.04
1985	30.29	19,875,866	601,578	626,693	104.17
1986	28.36	21,284,079	603,732	616,448	102.11
1987	28.46	21,224,993	604,000	607,569	100.59
1988	29.86	22,242,558	664,241	651,950	98.15
1989	21.25	2,153,956	619,264	619,661	100.06
1990	18.48	2,233,832	706,246	695,092	98.42
1991	19.05	2,497,205	757,899	763,959	100.80
1992	21.04	2,565,265	838,848	849,162	101.23
1993	22.96	2,648,066	924,195	935,044	101.17
1994	22.08	2,735,764	924,125	929,228	100.55
1995	19.25	3,220,130	940,099	937,697	99.74
1996	18.95	3,680,238	1,007,952	1,009,108	100.11
1997	19.34	4,252,834	1,136,543	1,151,823	101.34
1998	28.60	4,246,436	1,214,359	1,240,000	102.11
1999	30.11	4,423,493	1,331,844	1,424,922	106.99
2000	26.91	5,019,161	1,350,600	1,395,899	103.35
2001	22.39	5,672,315	1,269,863	1,342,795	105.74
2002	24.62	5,287,909	1,302,028	1,351,822	103.82
2003	24.18	6,244,335	1,510,102	1,570,238	103.98
2004	28.22	7,344,065	2,072,633	2,121,480	102.36
2005	24.46	8,585,484	2,100,000	2,123,057	101.10
2006	23.68	11,518,870	2,727,940	2,704,890	99.16
2007	23.61	13,380,144	3,159,243	3,289,327	104.12
2008	25.40	14,500,710	3,648,829	3,785,027	103.73
2009	28.77	14,520,075	4,412,674	4,370,571	99.05
2010	35.99	13,522,253	5,303,837	4,978,294	93.86
2011	38.45	12,379,321	5,283,937	5,025,618	95.11
2012	47.08	11,075,696	5,731,862	5,670,074	98.92
2013	51.81	10,280,667	5,811,712	5,621,583	96.73
2014	49.89	10,624,202	5,812,783	5,878,026	101.12
2015	51.77	11,280,273	6,034,293	6,078,840	100.74
2016	54.84	11,881,132	6,720,639	6,730,096	100.14

* Amounts from Wright County's Auditors office.

Note: Total tax collections is total levy collected by the City minus the tax increment dollars collected.

All other amounts are from the county confirmation.

OTHER REPORT SECTION



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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Buffalo
Buffalo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo (the City), Minnesota, as of December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated June 14, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the state auditor pursuant to Minnesota Statutes §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and miscellaneous provisions.

In connection with our audit, nothing came to our attention that caused us to believe the City of Buffalo, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the state auditor pursuant to Minnesota Statutes §6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Buffalo, Minnesota's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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Buffalo, Minnesota
June 14, 2017

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