

CITY OF BUFFALO, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**CITY OF BUFFALO, MINNESOTA
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YEAR ENDED DECEMBER 31, 2018**

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INTRODUCTORY SECTION

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**CITY OF BUFFALO, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2018**

Elected Officials

		<u>Term Expires</u>
Mayor	Teri Lachermeier	December 31, 2020
Council Member	Eric Anderson	December 31, 2018
Council Member	Scott Enter	December 31, 2018
Council Member	Steve Downer	December 31, 2020
Council Member	Linda Kittock	December 31, 2020

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, 2018, 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.

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, 2018, 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.

Emphasis of a Matter

During fiscal year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the City reported a restatement for a change in accounting principal (See Note 20). Our auditor's opinion was not modified with respect to the restatement.

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, 2017, and we have expressed unmodified audit opinions on those audited financial statements in our report dated May 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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, 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, schedule of changes in the City's OPEB liability and related ratios, and budgetary comparison schedule – general fund, 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.

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

Other Matters (Continued)

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.

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 May 8, 2019, 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 solely 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 the effectiveness of the City of Buffalo's 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
May 8, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018.

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 \$49,069,032 (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 \$1,943,075.
- The City's total net position increased by \$2,669,388 from 2017.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,347,708, an increase of \$404,664 in comparison with the prior year. The overall *unassigned fund balance* is \$772,910.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,968,422, or 60% of total 2018 general fund expenditures.
- The City's total bonded debt decreased by \$638,279 or 0.7% 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, 2018**

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, 2018**

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 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 37-78 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 79-87 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 88-96.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 \$49,069,032 at the close of the most recent fiscal year compared to \$46,834,502 at the end of 2017.

By far, the largest portion of the City's net position (89%) 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	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and Other Assets	\$ 14,846,668	\$ 14,882,900	\$ 9,041,512	\$ 3,921,750	\$ 23,888,180	\$ 18,804,650
Capital Assets	49,171,226	51,739,216	84,229,312	85,333,435	133,400,538	137,072,651
Total Assets	<u>64,017,894</u>	<u>66,622,116</u>	<u>93,270,824</u>	<u>89,255,185</u>	<u>157,288,718</u>	<u>155,877,301</u>
DEFERRED OUTFLOW OF RESOURCES	2,309,945	3,211,061	642,297	969,545	2,952,242	4,180,606
LIABILITIES						
Noncurrent Liabilities Outstanding	23,170,981	25,800,628	69,412,394	68,538,777	92,583,375	94,339,405
Other Liabilities	7,219,122	7,554,270	8,045,882	7,646,900	15,265,004	15,201,170
Total Liabilities	<u>30,390,103</u>	<u>33,354,898</u>	<u>77,458,276</u>	<u>76,185,677</u>	<u>107,848,379</u>	<u>109,540,575</u>
DEFERRED INFLOW OF RESOURCES	2,771,291	3,185,122	552,258	497,708	3,323,549	3,682,830
NET POSITION						
Net Investment in Capital Assets	30,006,342	27,743,024	13,849,617	17,179,822	43,855,959	44,922,846
Restricted	7,156,148	7,152,683	-	-	7,156,148	7,152,683
Unrestricted	<u>(3,996,045)</u>	<u>(1,602,550)</u>	<u>2,052,970</u>	<u>(3,638,477)</u>	<u>(1,943,075)</u>	<u>(5,241,027)</u>
Total Net Position	<u>\$ 33,166,445</u>	<u>\$ 33,293,157</u>	<u>\$ 15,902,587</u>	<u>\$ 13,541,345</u>	<u>\$ 49,069,032</u>	<u>\$ 46,834,502</u>

The remaining balance of the City's net position are *restricted net position* (15%) 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, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City's net position by \$133,712. The most significant change in governmental net position is due to an increase in property taxes.

Business-Type Activities

Business-type activities increased the City's net position by \$2,535,676. The most significant change in business-type net position is due to an increase in charges for services for electric, water & sewer utilities.

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, 2018:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues:						
Fees, Charges, Fines, and Other	\$ 4,079,854	\$ 3,935,365	\$ 28,444,708	\$ 24,994,191	\$ 32,524,562	\$ 28,929,556
Operating Grants and Contributions	654,612	645,969	173,751	142,689	828,363	788,658
Capital Grants and Contributions	74,189	57,615	541,562	488,511	615,751	546,126
General Revenues:						
Property Taxes	7,034,938	6,752,256	1,147,728	849,075	8,182,666	7,601,331
Tax Increments	96,045	62,216	-	-	96,045	62,216
Other Taxes	4,633	2,372	-	-	4,633	2,372
Grants and Contributions, Not Restricted	918,242	756,383	-	-	918,242	756,383
Unrestricted Investment Earnings	95,191	88,024	32,732	18,721	127,923	106,745
Gain on Disposal of Capital Assets	15,623	8,298	9,457	-	25,080	8,298
Miscellaneous	13,508	20,606	2,208	958	15,716	21,564
Total Revenues	12,986,835	12,329,104	30,352,146	26,494,145	43,338,981	38,823,249
EXPENSES						
General Government	1,534,471	1,291,084	-	-	1,534,471	1,291,084
Public Safety	3,681,813	3,698,554	-	-	3,681,813	3,698,554
Highways and Streets	4,133,639	4,142,942	-	-	4,133,639	4,142,942
Culture and Recreation	2,993,193	3,038,166	-	-	2,993,193	3,038,166
Sanitation	912,767	882,131	-	-	912,767	882,131
Community Development	291,164	605,787	-	-	291,164	605,787
Interest on Long-Term Debt	701,076	756,520	-	-	701,076	756,520
Electric	-	-	13,379,943	12,387,553	13,379,943	12,387,553
Water	-	-	2,858,491	2,742,449	2,858,491	2,742,449
Sewer	-	-	4,381,615	4,300,615	4,381,615	4,300,615
Liquor Store	-	-	4,830,726	4,694,375	4,830,726	4,694,375
Golf Course	-	-	970,695	983,798	970,695	983,798
Total Expenses	14,248,123	14,415,184	26,421,470	25,108,790	40,669,593	39,523,974
Change in Net Position Before Transfers	(1,261,288)	(2,086,080)	3,930,676	1,385,355	2,669,388	(700,725)
Transfers	1,395,000	1,052,611	(1,395,000)	(1,052,611)	-	-
CHANGE IN NET POSITION	133,712	(1,033,469)	2,535,676	332,744	2,669,388	(700,725)
Net Position - Beginning of Year	33,293,157	34,326,626	13,541,345	13,208,601	46,834,502	47,535,227
Prior Period Adjustment	(260,424)	-	(174,434)	-	(434,858)	-
Net Position - Beginning of Year (Restated)	33,032,733	34,326,626	13,366,911	13,208,601	46,399,644	47,535,227
NET POSITION - END OF YEAR	\$ 33,166,445	\$ 33,293,157	\$ 15,902,587	\$ 13,541,345	\$ 49,069,032	\$ 46,834,502

The beginning net position was restated by \$434,858 due to the implementation of GASB No. 75.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

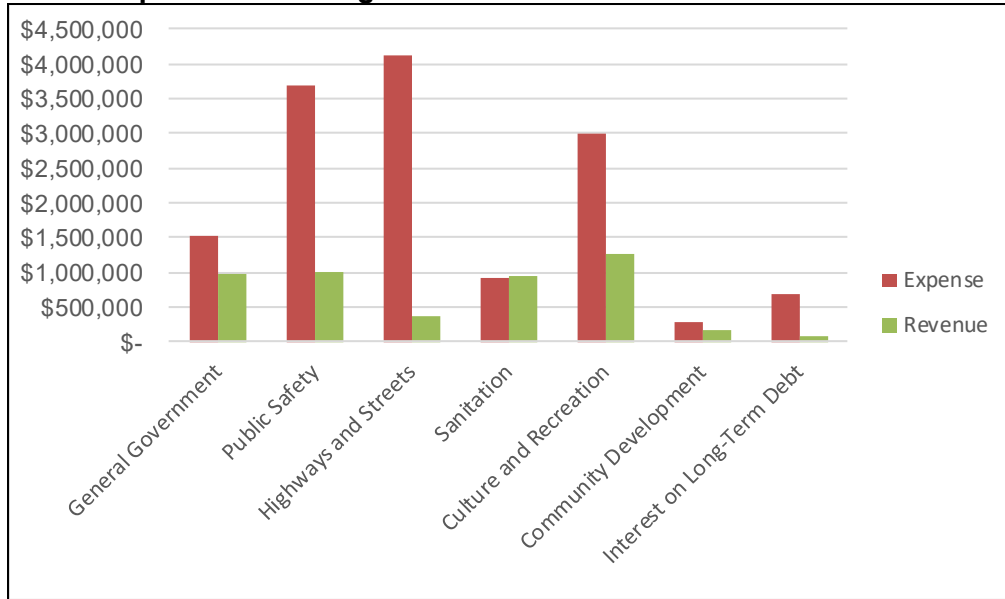
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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.

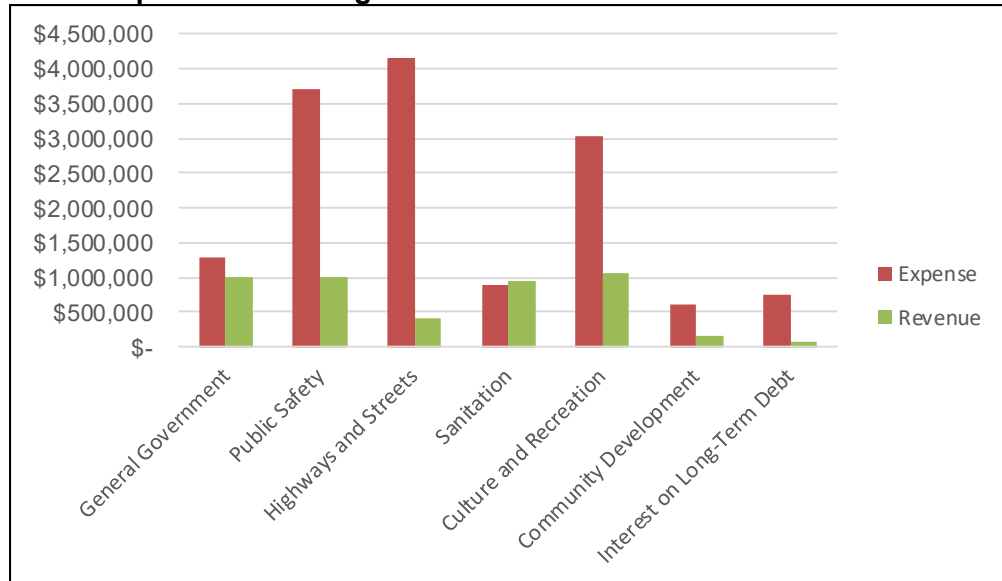
2018

Expenses and Program Revenues-Governmental Activities



2017

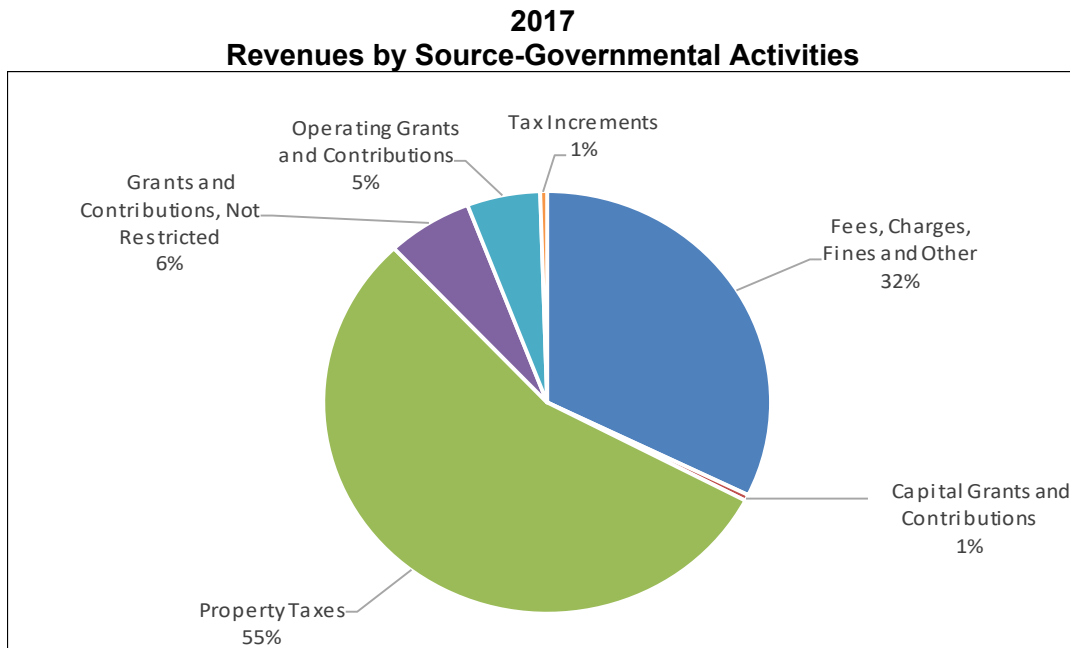
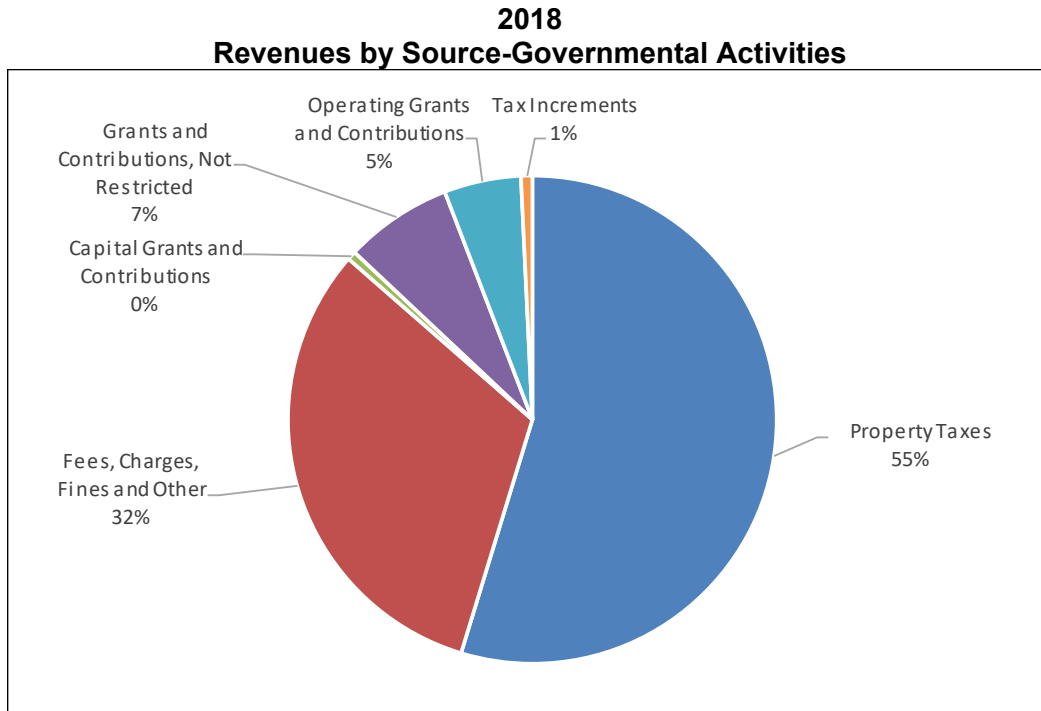
Expenses and Program Revenues-Governmental Activities



**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

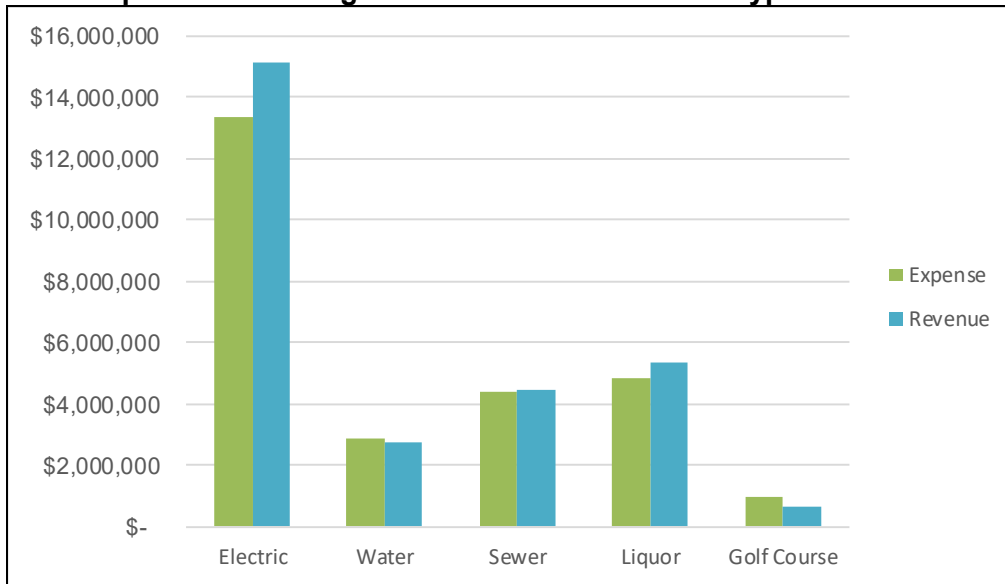
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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.

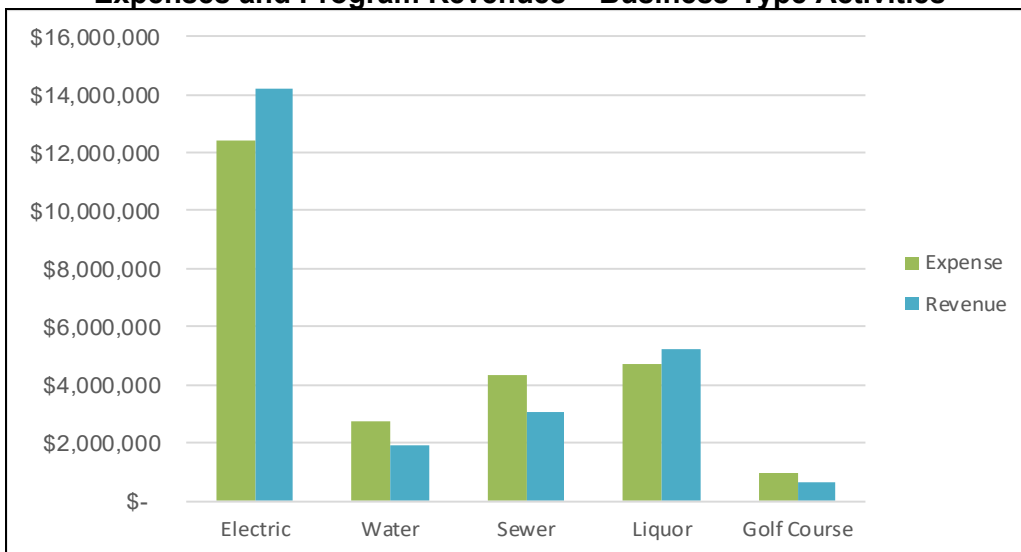
2018

Expenses and Program Revenues – Business-Type Activities



2017

Expenses and Program Revenues – Business-Type Activities

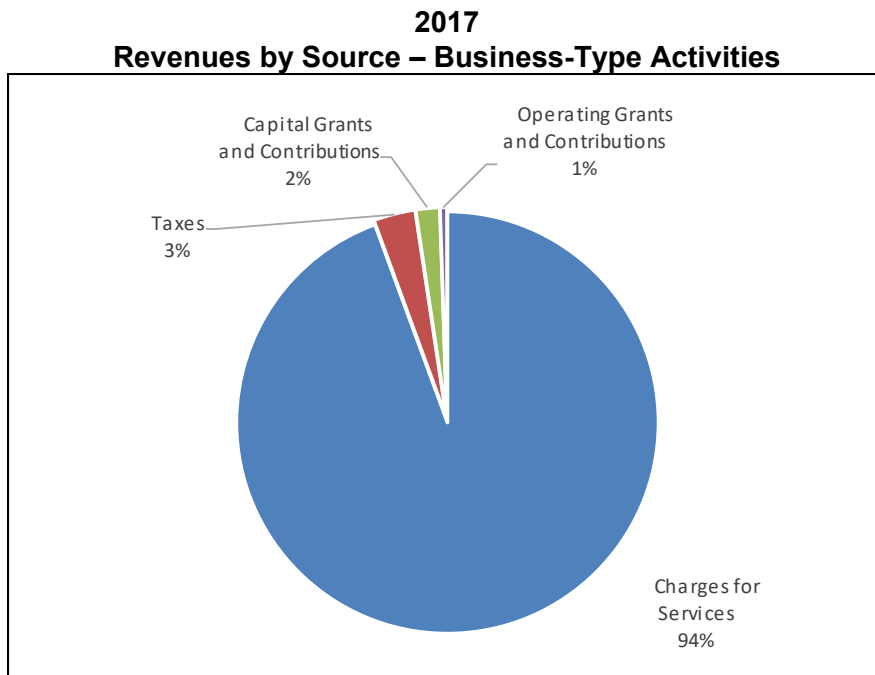
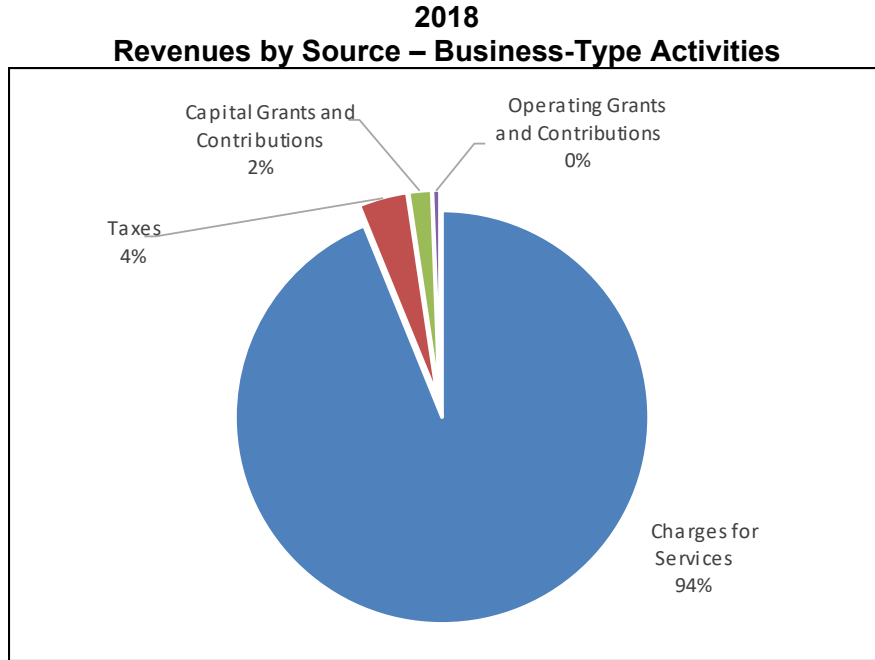


Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in program revenues in the above graphs.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

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 \$9,347,708, an increase of \$404,664 in comparison with 2017. The City reported unassigned fund balance in the amount of \$772,910. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending. At December 31, 2018 fund balances were as follows:

	Balance	Increase (Decrease) from 2017
General Fund	\$ 5,045,580	\$ 505,934
Debt Service Fund	4,980,367	14,397
Capital Project Fund	2,391,149	778,736
HRA Debt Service Fund	(1,852,570)	73,103
Other Governmental Funds	(1,216,818)	(967,506)
Total	\$ 9,347,708	\$ 404,664

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 \$4,968,422.

During the current fiscal year, the City's general fund balance increased by \$505,934. The increase was a result of revenue and transfers in exceeding expenditures.

Debt Service

The increase in the Debt Service Fund balance of \$14,397 was the result of taxes and other revenues in excess of debt payments.

Capital Project

The Capital Projects Fund balance increased \$778,736 as a result of transfers from the General Fund and Water and Sewer Fund.

HRA Debt Service

The HRA Debt Service Fund balance increased \$73,103 due to Series 2017C bond proceeds transferred to the HRA General Fund for downtown redevelopment.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 2018 was \$17,336,474 of which \$8,054,351 is unrestricted. Net position increased \$978,047 during the current year primarily due to increase in electric sales.

The Water and Sewer Fund has total net position of \$3,782,693. It has an unrestricted net position of \$151,760. The increase in net position of \$1,379,726 from 2017 was an increase in water and sewer sales.

The Liquor Fund has total net position of \$1,588,542 of which \$190,734 is unrestricted. Net position increased by \$232,022 from 2017. The net position increase is due to sales vs. cost of goods decrease in wages/benefits and lower amount transferred to the General Fund.

The City purchased Wild Marsh Golf Course in May 2004. Wild Marsh has total net position of (\$6,805,122) and unrestricted net position of (\$6,343,875) primarily due to operating losses incurred in the 14½ years of operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were \$133,019 over budget due mainly to an increase in charges for services revenues. Expenditures came in under the budgeted amounts by \$19,372 which is mainly due to Public Works (street maintenance) expenditures lower than expected.

This resulted in a net fund balance increase of \$152,391 compared to budget for the fiscal year. Refer to pages 83-87 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, 2018, amounts to \$133,400,538 (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 \$3,672,113 when compared to 2017. This decrease is a result of current year depreciation.

**CITY OF BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,313,571	\$ 4,313,571	\$ 2,636,955	\$ 2,636,955	\$ 6,950,526	\$ 6,950,526
Land Improvements	8,498,619	9,171,740	1,406,679	1,474,234	9,905,298	10,645,974
Buildings and Building Improvements	9,119,591	9,439,051	29,327,134	30,341,695	38,446,725	39,780,746
Improvements Other than Building	1,656,933	1,731,809	-	-	1,656,933	1,731,809
Vehicle	1,169,707	1,311,906	-	-	1,169,707	1,311,906
Equipment	1,007,715	1,192,230	3,080,574	3,375,986	4,088,289	4,568,216
Infrastructure	21,268,651	23,278,362	-	-	21,268,651	23,278,362
Utility Distribution Systems	-	-	46,833,623	47,211,599	46,833,623	47,211,599
Construction in Progress	2,136,439	1,300,547	944,347	292,966	3,080,786	1,593,513
Total	<u>\$ 49,171,226</u>	<u>\$ 51,739,216</u>	<u>\$ 84,229,312</u>	<u>\$ 85,333,435</u>	<u>\$ 133,400,538</u>	<u>\$ 137,072,651</u>

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$95,230,439. Of this amount, \$20,830,000 comprises tax supported debt, \$8,035,000 is tax abatement debt, \$0 is special assessment debt, and \$63,803,560 is revenue supported debt. The remaining \$2,561,879 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	
	2018	2017	2018	2017	2018	2017
G.O. Tax Supported Debt	\$ 17,790,000	\$ 19,690,000	\$ 3,040,000	\$ 3,705,000	\$ 20,830,000	\$ 23,395,000
G.O. Tax Abatement Debt	5,045,000	5,265,000	2,990,000	3,135,000	8,035,000	8,400,000
G.O. Revenue Debt	1,890,898	2,083,112	61,912,662	59,754,448	63,803,560	61,837,560
Interest Accretion on Capital Appreciation Bonds	-	-	2,561,879	2,236,158	2,561,879	2,236,158
Total	<u>\$ 24,725,898</u>	<u>\$ 27,038,112</u>	<u>\$ 70,504,541</u>	<u>\$ 68,830,606</u>	<u>\$ 95,230,439</u>	<u>\$ 95,868,718</u>

The City's total bonded debt decreased by \$638,279 or (0.7%) during the current fiscal year. There were two new bonds issued in the current fiscal year, a \$1,765,000 Electric Revenue Bond and a \$2,300,000 Electric 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, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Wright County is currently 3.0% based on U.S. Department of Labor: Bureau of Labor statistics.
- The City continues to see growth in both market value and new construction in 2018:
 - New construction permits were issued for 47 single family homes and two 8-unit apartment buildings. In 2017, 44 permits were issued for new single family homes.
 - Two new residential developments started in late 2018 with construction expected to continue into 2020. Upon completion, 232 lots with varying housing types will be added within the City limits.
 - Wright County began construction on a new courthouse facility at the new county campus located in the City of Buffalo.
 - In 2019, construction on a new 90-unit senior living facility will also begin.
- Interest rates have remained low and are reflected in the City's investment earnings. Interest rates on debt are also low and have allowed for bond refundings resulting in savings for the City. Rates are beginning to creep up and are expected to be slightly higher in 2019.
- Local Government Aid increased from \$734,952 (2017) to \$846,345 (2018) and is expected to increase an additional \$7,387 in 2019 to \$853,732. An increase is anticipated for 2020, however the amount has not yet been finalized. 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 made improvements to infrastructure including mill & overlay street maintenance as part of a pavement management program. In addition, a large project was started at the Wastewater treatment plant to improve biosolids processing in 2018. Construction is scheduled to be completed in 2019.
- A rate study was completed in 2017 for Water & Wastewater User fees as well as SAC & WAC. Results of the study led City Council to adopt rate increases for each service with implementation beginning in 2018. The rate increase was necessary to ensure adequate coverage of debt service payments and future capital improvements.

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

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CITY OF BUFFALO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

	2018			2017
	Governmental Activities	Business-Type Activities	Total	Total
ASSETS				
Cash and Investments	\$ 9,386,837	\$ 4,331,761	\$ 13,718,598	\$ 9,547,077
Cash with Fiscal Agent	-	922,500	922,500	-
Taxes Receivable	48,747	6,228	54,975	422,130
Special Assessments Receivable	744,387	-	744,387	799,639
Accounts Receivable	301,274	2,176,053	2,477,327	2,050,691
Hook-up Fees Receivable - Current	-	3,510	3,510	3,510
Due from Other Governments	285,966	8,466	294,432	315,180
Internal Balances	177,027	(177,027)	-	-
Lease Receivable	3,006,250	-	3,006,250	3,140,855
Inventory	12,534	1,625,067	1,637,601	1,623,765
Prepaid Items	73,195	67,591	140,786	138,955
Hook-up Fees Receivable - Noncurrent	-	77,363	77,363	77,435
Loans Receivable	45,840	-	45,840	94,596
Land Held for Resale	238,059	-	238,059	316,816
Net Pension Asset	526,552	-	526,552	274,001
Capital Assets:				
Land and Construction in Progress	6,450,010	3,581,302	10,031,312	8,544,039
Other Capital Assets, Net of Depreciation	42,721,216	80,648,010	123,369,226	128,528,612
Total Assets	<u>64,017,894</u>	<u>93,270,824</u>	<u>157,288,718</u>	<u>155,877,301</u>
DEFERRED OUTFLOW OF RESOURCES				
Refunding Loss on Bonds	22,339	243,452	265,791	336,675
Pension Related	2,284,031	396,451	2,680,482	3,843,931
OPEB Related	3,575	2,394	5,969	-
Total Deferred Outflow of Resources	<u>2,309,945</u>	<u>642,297</u>	<u>2,952,242</u>	<u>4,180,606</u>
LIABILITIES				
Accounts and Contracts Payable	624,643	1,243,394	1,868,037	1,988,048
Other Accrued Liabilities	183,280	241,755	425,035	406,999
Accrued Interest Payable	262,574	448,568	711,142	698,163
Due to Other Governmental Units	48,197	8,895	57,092	16,674
Escrow Deposits	232,578	-	232,578	75,549
Unearned Revenue	35,120	24,793	59,913	57,260
Net Pension Liability	2,641,640	2,045,065	4,686,705	5,593,451
OPEB Liability	299,234	200,429	499,663	-
Long-Term Liabilities:				
Due within One Year	2,891,856	3,832,983	6,724,839	6,365,026
Due in More than One Year	23,170,981	69,412,394	92,583,375	94,339,405
Total Liabilities	<u>30,390,103</u>	<u>77,458,276</u>	<u>107,848,379</u>	<u>109,540,575</u>
DEFERRED INFLOW OF RESOURCES				
Property Taxes Levied for Subsequent Year	-	-	-	347,868
Pension Related	2,771,291	552,258	3,323,549	3,334,962
Total Deferred Inflow of Resources	<u>2,771,291</u>	<u>552,258</u>	<u>3,323,549</u>	<u>3,682,830</u>
NET POSITION				
Net Investment in Capital Assets	30,006,342	13,849,617	43,855,959	44,922,846
Restricted for:				
Debt Service	6,750,541	-	6,750,541	6,803,376
Fire Relief Pension	388,884	-	388,884	312,287
Federal Loan Programs	16,723	-	16,723	37,020
Unrestricted	<u>(3,996,045)</u>	<u>2,052,970</u>	<u>(1,943,075)</u>	<u>(5,241,027)</u>
Total Net Position	<u>\$ 33,166,445</u>	<u>\$ 15,902,587</u>	<u>\$ 49,069,032</u>	<u>\$ 46,834,502</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BUFFALO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

Functions/Programs	2018			
	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,534,471	\$ 1,042,374	\$ -	\$ (58,513)
Public Safety	3,681,813	708,271	287,703	-
Highways and Streets	4,133,639	5,534	284,274	73,367
Sanitation	912,767	952,871	-	-
Culture and Recreation	2,993,193	1,114,543	82,635	59,335
Community Development	291,164	178,211	-	-
Interest on Long-Term Debt	701,076	78,050	-	-
Total Governmental Activities	<u>14,248,123</u>	<u>4,079,854</u>	<u>654,612</u>	<u>74,189</u>
Business-Type Activities:				
Electric	13,379,943	15,145,456	161,735	2,134
Water	2,858,491	2,765,158	6,670	109,183
Sewer	4,381,615	4,490,531	-	430,245
Liquor	4,830,726	5,371,883	2,879	-
Golf Course	970,695	671,680	2,467	-
Total Business-Type Activities	<u>26,421,470</u>	<u>28,444,708</u>	<u>173,751</u>	<u>541,562</u>
Total	<u><u>\$ 40,669,593</u></u>	<u><u>\$ 32,524,562</u></u>	<u><u>\$ 828,363</u></u>	<u><u>\$ 615,751</u></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

Gain on Disposal of Capital Assets

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

Change in Accounting Principle

Net Position - Beginning of Year, as Restated

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

2018			
Net (Expense) Revenue and Changes in Net Position			2017
Governmental Activities	Business-Type Activities	Total	Total
\$ (550,610)	\$ -	\$ (550,610)	\$ (287,329)
(2,685,839)	-	(2,685,839)	(2,700,151)
(3,770,464)	-	(3,770,464)	(3,732,682)
40,104	-	40,104	56,974
(1,736,680)	-	(1,736,680)	(1,990,659)
(112,953)	-	(112,953)	(445,787)
(623,026)	-	(623,026)	(676,601)
<u>(9,439,468)</u>	<u>-</u>	<u>(9,439,468)</u>	<u>(9,776,235)</u>
-	1,929,382	1,929,382	1,932,586
-	22,520	22,520	(713,931)
-	539,161	539,161	(878,332)
-	544,036	544,036	499,729
<u>-</u>	<u>(296,548)</u>	<u>(296,548)</u>	<u>(323,451)</u>
<u>-</u>	<u>2,738,551</u>	<u>2,738,551</u>	<u>516,601</u>
(9,439,468)	2,738,551	(6,700,917)	(9,259,634)
7,034,938	1,147,728	8,182,666	7,601,331
96,045	-	96,045	62,216
4,633	-	4,633	2,372
918,242	-	918,242	756,383
95,191	32,732	127,923	106,745
15,623	9,457	25,080	8,298
13,508	2,208	15,716	21,564
<u>1,395,000</u>	<u>(1,395,000)</u>	<u>-</u>	<u>-</u>
<u>9,573,180</u>	<u>(202,875)</u>	<u>9,370,305</u>	<u>8,558,909</u>
133,712	2,535,676	2,669,388	(700,725)
33,293,157	13,541,345	46,834,502	47,535,227
<u>(260,424)</u>	<u>(174,434)</u>	<u>(434,858)</u>	<u>-</u>
<u>33,032,733</u>	<u>13,366,911</u>	<u>46,399,644</u>	<u>47,535,227</u>
<u>\$ 33,166,445</u>	<u>\$ 15,902,587</u>	<u>\$ 49,069,032</u>	<u>\$ 46,834,502</u>

CITY OF BUFFALO, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

	2018			
	General Fund	Debt Service Fund	Capital Project Fund	HRA Debt Service Fund
ASSETS				
Cash and Investments	\$ 2,906,521	\$ 3,058,678	\$ 2,419,198	\$ 52,920
Taxes Receivable				
Current	-	-	-	-
Delinquent	29,624	16,774	-	-
Special Assessments Receivable:				
Current	-	1,419	-	-
Delinquent	-	-	-	-
Noncurrent	29,501	713,467	-	-
Accounts Receivable	224,679	2,408	958	-
Due from Other Governmental Units	68,917	17,624	110,000	-
Due from Other Funds	2,549,249	-	-	-
Advances to Other Funds	-	1,905,015	-	-
Lease Receivable	-	3,006,250	-	-
Inventory	-	-	-	-
Prepaid Expenses	69,358	-	-	-
Loans Receivable, Net of Allowance	-	-	-	-
Land Held for Resale	7,800	-	-	-
	<u>\$ 5,885,649</u>	<u>\$ 8,721,635</u>	<u>\$ 2,530,156</u>	<u>\$ 52,920</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts and Contracts Payable	\$ 361,751	\$ 950	\$ 138,049	\$ 475
Other Accrued Liabilities	141,989	-	-	-
Due to Other Governmental Units	48,197	-	-	-
Due to Other Funds	-	-	-	-
Advances From Other Funds	-	-	-	1,905,015
Unearned Revenue	-	-	-	-
Escrow Deposits	229,007	-	-	-
Total Liabilities	<u>780,944</u>	<u>950</u>	<u>138,049</u>	<u>1,905,490</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable Taxes	29,624	16,774	-	-
Unavailable Special Assessments	29,501	713,467	-	-
Unavailable Revenues	-	3,827	958	-
Unavailable Lease Receivables	-	3,006,250	-	-
Unavailable Loans and Interest Receivables	-	-	-	-
Property Taxes Levied for Subsequent Year	-	-	-	-
Total Deferred Inflow of Resources	<u>59,125</u>	<u>3,740,318</u>	<u>958</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	77,158	-	-	-
Restricted	-	4,980,367	502,454	-
Committed	-	-	1,888,695	-
Unassigned	4,968,422	-	-	(1,852,570)
Total Fund Balances (Deficits)	<u>5,045,580</u>	<u>4,980,367</u>	<u>2,391,149</u>	<u>(1,852,570)</u>
	<u>\$ 5,885,649</u>	<u>\$ 8,721,635</u>	<u>\$ 2,530,156</u>	<u>\$ 52,920</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 5,885,649</u>	<u>\$ 8,721,635</u>	<u>\$ 2,530,156</u>	<u>\$ 52,920</u>

See accompanying Notes to Basic Financial Statements.

2018		2017	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 949,520	\$ 9,386,837	\$ 9,017,556	
-	-	347,868	
2,349	48,747	54,807	
-	1,419	1,419	
-	-	23,165	
-	742,968	775,055	
73,229	301,274	272,569	
89,425	285,966	308,155	
-	2,549,249	2,838,861	
-	1,905,015	1,980,015	
-	3,006,250	3,140,855	
12,534	12,534	9,996	
3,837	73,195	75,222	
45,840	45,840	94,596	
230,259	238,059	316,816	
<u>\$ 1,406,993</u>	<u>\$ 18,597,353</u>	<u>\$ 19,256,955</u>	

\$ 123,418	\$ 624,643	\$ 939,399
41,291	183,280	183,786
-	48,197	1,846
2,372,222	2,372,222	2,668,041
-	1,905,015	1,980,015
35,120	35,120	15,073
3,571	232,578	75,549
<u>2,575,622</u>	<u>5,401,055</u>	<u>5,863,709</u>
2,349	48,747	54,807
-	742,968	798,221
-	4,785	13,855
-	3,006,250	3,140,855
45,840	45,840	94,596
-	-	347,868
<u>48,189</u>	<u>3,848,590</u>	<u>4,450,202</u>
246,630	323,788	402,034
-	5,482,821	5,728,671
879,494	2,768,189	2,911,900
(2,342,942)	772,910	(99,561)
<u>(1,216,818)</u>	<u>9,347,708</u>	<u>8,943,044</u>
<u>\$ 1,406,993</u>	<u>\$ 18,597,353</u>	<u>\$ 19,256,955</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, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)**

	2018	2017
Total Fund Balance for Governmental Funds	\$ 9,347,708	\$ 8,943,044
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	4,313,571
Construction in Progress	2,136,439	1,300,547
Land Improvements	15,891,701	15,884,187
Buildings and Improvements	17,571,532	17,470,863
Improvements Other than Buildings	3,661,253	3,574,903
Vehicles	3,809,750	3,755,330
Equipment	6,294,549	6,414,868
Infrastructure	81,029,246	80,859,730
Less: Accumulated Depreciation	(85,536,815)	(81,834,783)
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	526,552	274,001
Net Pension Liability	(2,641,640)	(3,179,303)
Deferred Inflows of Resources - Pension Related	(2,771,291)	(2,837,254)
Deferred Outflows of Resources - Pension Related	2,284,031	3,184,053
The City's other postemployment benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Liability	(299,234)	-
Deferred Outflows of Resources - OPEB Related	3,575	-
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.	3,848,590	4,102,334
The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.	22,339	27,008
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.	(262,574)	(278,372)
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	(24,725,898)	(27,038,112)
Unamortized Bond Premiums	(341,684)	(389,165)
Note Payable	-	(20,464)
Obligations Under Capital Leases	(527,443)	(792,305)
Compensated Absences Payable	(467,812)	(441,524)
Total Net Position of Governmental Activities	\$ 33,166,445	\$ 33,293,157

See accompanying Notes to Basic Financial Statements.

CITY OF BUFFALO, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018			
	General Fund	Debt Service Fund	Capital Project Fund	HRA Debt Service Fund
REVENUES				
General Property Taxes	\$ 4,415,756	\$ 2,315,549	\$ -	\$ -
Tax Increments	-	-	-	-
Other Taxes	4,633	-	-	-
Licenses and Permits	432,679	-	-	-
Intergovernmental	1,280,003	-	69,777	-
Special Assessments	5,810	42,817	5,761	-
Charges for Services	1,687,838	223,050	-	-
Fines and Forfeits	33,563	-	-	-
Investment Earnings (Loss)	12,381	6,331	4,569	74,846
Refunds and Reimbursements	173,373	-	-	160,000
Grants and Contributions	48,806	-	25,000	-
Miscellaneous	11,404	-	7,000	-
Total Revenues	<u>8,106,246</u>	<u>2,587,747</u>	<u>112,107</u>	<u>234,846</u>
EXPENDITURES				
Current:				
General Government	1,675,908	-	-	-
Public Safety	2,637,459	-	-	-
Public Works	1,375,594	-	-	-
Sanitation	912,767	-	-	-
Culture and Recreation	1,049,361	-	-	-
Community Development	-	-	-	-
Capital Outlay:				
General Government	6,831	-	-	-
Public Safety	56,092	-	-	-
Public Works	79,942	-	993,697	-
Culture and Recreation	150,730	-	-	-
Community Development	-	-	-	-
Capital Leases:				
Principal	251,745	-	-	-
Interest and Fiscal Charges	9,437	-	-	-
Debt Service:				
Principal	20,464	2,133,214	-	179,000
Interest and Fiscal Charges	440	667,882	-	79,177
Total Expenditures	<u>8,226,770</u>	<u>2,801,096</u>	<u>993,697</u>	<u>258,177</u>
Revenue Over (Under) Expenditures	(120,524)	(213,349)	(881,590)	(23,331)
OTHER FINANCING SOURCES (USES)				
Transfer In	1,325,305	228,051	1,660,326	140,513
Transfer Out	(779,010)	(305)	-	(44,079)
Bond Proceeds	-	-	-	-
Proceeds from Sale of Capital Assets	15,623	-	-	-
Capital Lease Proceeds	64,540	-	-	-
Bond Premium	-	-	-	-
Total Other Financing Sources	<u>626,458</u>	<u>227,746</u>	<u>1,660,326</u>	<u>96,434</u>
NET CHANGE IN FUND BALANCES	505,934	14,397	778,736	73,103
Fund Balances (Deficit) - Beginning of Year	4,539,646	4,965,970	1,612,413	(1,925,673)
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 5,045,580</u>	<u>\$ 4,980,367</u>	<u>\$ 2,391,149</u>	<u>\$ (1,852,570)</u>

See accompanying Notes to Basic Financial Statements.

2018		2017	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 309,693	\$ 7,040,998	\$ 6,776,326	
96,045	96,045	62,216	
-	4,633	2,372	
-	432,679	357,042	
171,578	1,521,358	1,326,692	
-	54,388	63,217	
1,514,636	3,425,524	3,339,483	
-	33,563	38,814	
(2,002)	96,125	90,074	
20,319	353,692	371,179	
50,510	124,316	123,900	
1,814	20,218	20,615	
<u>2,162,593</u>	<u>13,203,539</u>	<u>12,571,930</u>	
-	1,675,908	1,356,240	
415,089	3,052,548	2,906,096	
-	1,375,594	1,385,884	
-	912,767	882,131	
1,120,584	2,169,945	2,151,808	
190,395	190,395	108,271	
-	6,831	-	
-	56,092	98,441	
-	1,073,639	329,177	
107,351	258,081	192,102	
80,472	80,472	58,574	
77,657	329,402	408,830	
2,750	12,187	17,560	
-	2,332,678	4,536,855	
-	747,499	847,277	
<u>1,994,298</u>	<u>14,274,038</u>	<u>15,279,246</u>	
168,295	(1,070,499)	(2,707,316)	
535,000	3,889,195	3,978,894	
(1,670,801)	(2,494,195)	(1,892,393)	
-	-	330,000	
-	15,623	8,298	
-	64,540	118,164	
-	-	-	
<u>(1,135,801)</u>	<u>1,475,163</u>	<u>2,542,963</u>	
(967,506)	404,664	(164,353)	
(249,312)	8,943,044	9,107,397	
<u>\$ (1,216,818)</u>	<u>\$ 9,347,708</u>	<u>\$ 8,943,044</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, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018	2017
Net Change in Fund Balances-Total Governmental Funds	\$ 404,664	\$ (164,353)
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	1,370,050	1,785,275
Capital Assets Contributed to Business-Type Funds	-	(2,233,890)
Depreciation Expense	(3,938,040)	(3,953,983)
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	(64,540)	(118,164)
Principal Payments for Capital Leases	329,402	408,830
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	-	(330,000)
Repayment of Bond Principal and Note Payable	2,332,678	4,536,855
Change in Accrued Interest Expense for General Obligation Bonds	15,798	58,353
Amortization of Refunding Loss on Bonds	(4,669)	(4,670)
Amortization of Bond Premium	47,481	54,612
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.		
	(253,744)	(657,116)
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.		
	(43,845)	(384,931)
OPEB expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
	(35,235)	-
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).		
	(26,288)	(30,287)
Change in Net Position of Governmental Activities	\$ 133,712	\$ (1,033,469)

See accompanying Notes to the Basic Financial Statements.

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)**

	2018	
ASSETS	Electric	Water and Sewer
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,612,396	\$ 1,594,915
Cash and Investments with Fiscal Agent	922,500	-
Accounts Receivable, Net of Allowance	1,449,662	715,459
Taxes Receivable:		
Current	-	-
Delinquent	-	4,165
Sewer and Water Hook-up Fees Receivable - Current Portion	-	3,510
Due from Other Governments	1	5,883
Due from Other Funds	4,643,789	1,221,064
Inventory	893,251	8,335
Prepaid Expenses	24,317	29,451
Total Current Assets	10,545,916	3,582,782
LONG-TERM ASSETS		
Sewer and Water Hook-up Fees Receivable - Long-Term	-	77,363
Advance to Other Funds	-	-
Capital Assets:		
Land, Buildings, Infrastructure, and Improvements	30,822,119	98,470,746
Equipment	6,843,239	1,702,043
Construction in Progress	532,666	370,258
Total Capital Assets	38,198,024	100,543,047
Less: Allowance for Depreciation	(19,382,653)	(39,260,036)
Total Net Capital Assets	18,815,371	61,283,011
Total Long-Term Assets	18,815,371	61,360,374
 Total Assets	 29,361,287	 64,943,156
DEFERRED OUTFLOW OF RESOURCES		
Refunding Loss on Bonds	-	157,525
Pension Related	161,746	124,579
OPEB Related	1,087	691
Total Deferred Outflow of Resources	162,833	282,795
 Total Assets and Deferred Outflow of Resources	 \$ 29,524,120	 \$ 65,225,951

See accompanying Notes to the Basic Financial Statements.

2018			2017
Liquor	Golf Course	Total	Total
\$ 124,450	\$ -	\$ 4,331,761	\$ 529,521
-	-	922,500	-
3,957	6,975	2,176,053	1,778,122
-	-	-	13,633
790	1,273	6,228	5,822
-	-	3,510	3,510
834	1,748	8,466	7,025
-	-	5,864,853	5,667,059
694,186	29,295	1,625,067	1,613,769
8,810	5,013	67,591	63,733
833,027	44,304	15,006,029	9,682,194
-	-	77,363	77,435
-	-	-	50,000
2,036,817	3,340,210	134,669,892	133,034,062
494,274	1,129,333	10,168,889	9,992,582
-	41,423	944,347	292,966
2,531,091	4,510,966	145,783,128	143,319,610
(1,040,021)	(1,871,106)	(61,553,816)	(57,986,175)
1,491,070	2,639,860	84,229,312	85,333,435
1,491,070	2,639,860	84,306,675	85,460,870
2,324,097	2,684,164	99,312,704	95,143,064
-	85,927	243,452	309,667
72,958	37,168	396,451	659,878
404	212	2,394	-
73,362	123,307	642,297	969,545
<u>\$ 2,397,459</u>	<u>\$ 2,807,471</u>	<u>\$ 99,955,001</u>	<u>\$ 96,112,609</u>

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)**

LIABILITIES	2018	
	Electric	Water and Sewer
CURRENT LIABILITIES		
Accounts and Contracts Payable	\$ 966,362	\$ 168,559
Accrued Expenses	109,433	36,066
Due to Other Governments	4,364	200
Due to Other Funds	-	-
Accrued Interest	100,164	335,346
Unearned Revenue	-	-
Compensated Absences - Current Portion	79,393	68,079
Capital Lease Obligation - Current Portion	243,179	110,216
Bonds Payable - Current Portion	760,000	2,225,585
Total Current Liabilities	2,262,895	2,944,051
LONG-TERM LIABILITIES		
Compensated Absences - Long-Term	77,348	26,357
Capital Lease Obligation - Long-Term	446,529	144,823
Bonds Payable - Long-Term	8,250,176	57,454,010
Advance from Other Funds	-	-
Net Pension Liability	834,358	642,633
OPEB Liability	91,027	57,844
Total Long-Term Liabilities	9,699,438	58,325,667
Total Liabilities	11,962,333	61,269,718
DEFERRED INFLOW OF RESOURCES		
Property Taxes Levied for Subsequent Year	-	-
Pension Related	225,313	173,540
Total Deferred Inflow of Resources	225,313	173,540
NET POSITION		
Net Investment in Capital Assets	9,282,123	3,630,933
Unrestricted	8,054,351	151,760
Total Net Position	17,336,474	3,782,693
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 29,524,120	\$ 65,225,951

See accompanying Notes to Basic Financial Statements.

2018			2017
Liquor	Golf Course	Total	Total
\$ 69,926	\$ 38,547	\$ 1,243,394	\$ 1,048,649
80,332	15,924	241,755	223,213
2,844	1,487	8,895	14,828
-	6,041,880	6,041,880	5,837,879
507	12,551	448,568	419,791
-	24,793	24,793	28,554
22,425	16,617	186,514	184,180
64,087	98,402	515,884	583,118
-	145,000	3,130,585	2,716,786
<u>240,121</u>	<u>6,395,201</u>	<u>11,842,268</u>	<u>11,056,998</u>
27,830	12,514	144,049	127,207
29,175	75,393	695,920	1,009,007
-	2,868,239	68,572,425	67,402,563
-	-	-	50,000
376,349	191,725	2,045,065	2,414,148
<u>33,811</u>	<u>17,747</u>	<u>200,429</u>	<u>-</u>
<u>467,165</u>	<u>3,165,618</u>	<u>71,657,888</u>	<u>71,002,925</u>
707,286	9,560,819	83,500,156	82,059,923
-	-	-	13,633
<u>101,631</u>	<u>51,774</u>	<u>552,258</u>	<u>497,708</u>
101,631	51,774	552,258	511,341
1,397,808	(461,247)	13,849,617	17,179,822
<u>190,734</u>	<u>(6,343,875)</u>	<u>2,052,970</u>	<u>(3,638,477)</u>
<u>1,588,542</u>	<u>(6,805,122)</u>	<u>15,902,587</u>	<u>13,541,345</u>
<u>\$ 2,397,459</u>	<u>\$ 2,807,471</u>	<u>\$ 99,955,001</u>	<u>\$ 96,112,609</u>

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018	
	Electric	Water and Sewer
GROSS PROFIT AND OPERATING REVENUES		
Sales	\$ -	\$ -
Costs of Goods Sold	-	-
Charges for Services	15,014,074	7,223,198
Total Gross Profit and Operating Revenues	<u>15,014,074</u>	<u>7,223,198</u>
OPERATING EXPENSES		
Cost of Sales and Services	10,258,377	2,093,648
Compensation and Employee Benefits	1,344,251	1,031,889
Depreciation	1,444,450	2,079,570
Total Operating Expenses	<u>13,047,078</u>	<u>5,205,107</u>
OPERATING INCOME (LOSS)	1,966,996	2,018,091
OTHER INCOME (EXPENSE)		
Interest Income (Loss)	18,665	5,676
Interest Expense	(177,885)	(2,033,897)
Taxes and Special Assessments	-	804,086
Intergovernmental Revenues	6,382	6,670
Access Fees	20,000	559,907
Refunds and Reimbursements	107,568	-
Miscellaneous Revenue	4,187	9,760
Gain (Loss) on Sale of Capital Assets	-	-
Total Other Expense	<u>(21,083)</u>	<u>(647,798)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,945,913	1,370,293
CONTRIBUTIONS AND TRANSFERS		
Transfers In	-	-
Transfers Out	(970,000)	-
Capital Contributions	2,134	9,433
Total Contributions and Transfers	<u>(967,866)</u>	<u>9,433</u>
CHANGE IN NET POSITION	978,047	1,379,726
Net Position - Beginning of Year	16,437,648	2,453,309
Change in Accounting Principle	(79,221)	(50,342)
Net Position - Beginning of Year, as Restated	<u>16,358,427</u>	<u>2,402,967</u>
NET POSITION - END OF YEAR	<u>\$ 17,336,474</u>	<u>\$ 3,782,693</u>

See accompanying Notes to Basic Financial Statements.

	2018		2017	
Liquor	Golf Course	Total	Total	
\$ 5,371,774	\$ 64,946	\$ 5,436,720	\$ 5,255,499	
(3,865,918)	(40,755)	(3,906,673)	(3,795,973)	
-	645,414	22,882,686	19,697,623	
1,505,856	669,605	24,412,733	21,157,149	
294,483	301,924	12,948,432	11,461,595	
604,491	416,948	3,397,579	3,449,326	
58,650	149,662	3,732,332	3,643,915	
957,624	868,534	20,078,343	18,554,836	
548,232	(198,929)	4,334,390	2,602,313	
468	(18,140)	6,669	(1,976)	
(7,184)	(82,654)	(2,301,620)	(2,646,827)	
112,037	231,605	1,147,728	849,075	
2,879	1,467	17,398	-	
-	-	579,907	416,695	
-	2,075	109,643	58,249	
590	10,457	24,994	20,673	
-	-	-	837	
108,790	144,810	(415,281)	(1,303,274)	
657,022	(54,119)	3,919,109	1,299,039	
-	-	-	201,027	
(425,000)	-	(1,395,000)	(2,287,528)	
-	-	11,567	1,120,206	
(425,000)	-	(1,383,433)	(966,295)	
232,022	(54,119)	2,535,676	332,744	
1,385,946	(6,735,558)	13,541,345	13,208,601	
(29,426)	(15,445)	(174,434)	-	
1,356,520	(6,751,003)	13,366,911	13,208,601	
\$ 1,588,542	\$ (6,805,122)	\$ 15,902,587	\$ 13,541,345	

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018		
	Electric	Water and Sewer	Liquor
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 14,846,967	\$ 6,993,157	\$ 5,372,008
Cash Paid to Suppliers	(10,089,102)	(2,044,107)	(4,223,522)
Cash Paid to Employees	(1,324,983)	(1,034,251)	(610,865)
Net Cash Provided (Used) by Operating Activities	<u>3,432,882</u>	<u>3,914,799</u>	<u>537,621</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Borrowing	(970,000)	-	(425,000)
Interfund Note Receivable	-	50,000	-
Advance To/From Other Funds	(156,677)	(41,117)	(50,000)
Property Tax Receipts	2	801,926	112,123
Water and Sewer Hook-up Fee Receipts	-	72	-
Miscellaneous Receipts	111,755	9,759	590
Intergovernmental Receipts	6,382	6,670	2,879
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,008,538)</u>	<u>827,310</u>	<u>(359,408)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Bonds	4,065,000	-	-
Proceeds from Bond Premium	27,924	-	-
Access Fees	20,000	559,907	-
Acquisition and Construction of Capital Assets	(2,115,485)	(380,153)	(46,792)
Interest Paid on Bonds	(128,996)	(1,762,222)	(2,588)
Interest Paid on Capital Lease Obligations	(15,881)	(4,592)	(5,583)
Proceeds from Capital Lease	60,161	89,730	45,769
Principal Payments on Capital Lease Obligation	(245,836)	(124,473)	(108,839)
Principal Payments on Bonds	(575,000)	(1,996,786)	-
Net Cash Used by Capital and Related Financing Activities	<u>1,091,887</u>	<u>(3,618,589)</u>	<u>(118,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income (Loss)	18,665	5,676	468
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,534,896</u>	<u>1,129,196</u>	<u>60,648</u>
Cash and Cash Equivalents - Beginning of Year	-	465,719	63,802
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,534,896</u>	<u>\$ 1,594,915</u>	<u>\$ 124,450</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash	\$ 2,612,396	\$ 1,594,915	\$ 124,450
Cash and Investments with Fiscal Agent	922,500	-	-
Total Cash and Cash Equivalents	<u>\$ 3,534,896</u>	<u>\$ 1,594,915</u>	<u>\$ 124,450</u>
NONCASH TRANSACTIONS			
Capital Lease Proceeds	\$ -	\$ -	\$ 45,769
Capital Contributed to Governmental Activities	2,134	9,433	-
Interest Accretion on Capital Appreciation Bonds	-	325,721	-
Amortization of Premiums and Refunding Loss	(13,343)	(43,900)	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ (11,209)</u>	<u>\$ 291,254</u>	<u>\$ 45,769</u>

See accompanying Notes to Basic Financial Statements.

2018		2017	
Golf Course	Total	Total	
\$ 705,782	\$ 27,917,914	\$ 24,866,883	
(319,988)	(16,676,719)	(15,441,562)	
(422,197)	(3,392,296)	(3,241,582)	
(36,403)	7,848,899	6,183,739	
204,001	(1,190,999)	(1,941,897)	
-	50,000	50,000	
-	(247,794)	(397,341)	
231,809	1,145,860	849,296	
-	72	12,140	
12,534	134,638	79,763	
1,488	17,419	(1,769)	
449,832	(90,804)	(1,349,808)	
-	4,065,000	10,000,000	
-	27,924	-	
-	579,907	416,695	
(74,212)	(2,616,642)	(3,031,491)	
(74,922)	(1,968,728)	(2,102,912)	
(4,322)	(30,378)	(34,797)	
32,787	228,447	673,287	
(129,620)	(608,768)	(536,795)	
(145,000)	(2,716,786)	(9,731,786)	
(395,289)	(3,040,024)	(4,347,799)	
(18,140)	6,669	(1,263)	
-	4,724,740	484,869	
-	529,521	44,652	
\$ -	\$ 5,254,261	\$ 529,521	
\$ -	\$ 4,331,761	\$ 529,521	
-	922,500	-	
\$ -	\$ 5,254,261	\$ 529,521	
\$ -	\$ 45,769	\$ -	
-	11,567	1,120,206	
-	325,721	311,136	
5,260	(51,983)	96,977	
\$ 5,260	\$ 331,074	\$ 1,528,319	

**CITY OF BUFFALO, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018		
	Electric	Water and Sewer	Liquor
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 1,966,996	\$ 2,018,091	\$ 548,232
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,444,450	2,079,570	58,650
Changes in Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources:			
(Increase) Decrease in Accounts Receivable	(166,010)	(230,241)	234
(Increase) Decrease in Prepaid Items	2,607	(4,150)	(286)
(Increase) Decrease in Inventory	64,319	-	(70,434)
(Increase) Decrease in Deferred Outflow of Resources - Pension	101,067	80,211	52,192
(Increase) Decrease in Deferred Outflow of Resources - OPEB	(1,087)	(691)	(404)
Increase (Decrease) in Accounts and Contracts Payable	102,791	48,836	13,215
Increase (Decrease) in Accrued Expenses	1,396	4,855	4,947
Increase (Decrease) in Due to Other Governments	(442)	200	(5,616)
Increase (Decrease) in Unearned Revenue	(1,097)	-	-
Increase (Decrease) in Net Pension Liability	(127,139)	(106,585)	(81,507)
Increase (Decrease) in OPEB Liability	11,806	7,502	4,385
Increase (Decrease) in Deferred Inflow of Resources - Pension	27,088	19,079	7,238
Increase (Decrease) in Accrued Compensated Absences	6,137	(1,878)	6,775
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,432,882</u>	<u>\$ 3,914,799</u>	<u>\$ 537,621</u>

See accompanying Notes to Basic Financial Statements.

2018		2017
Golf Course	Total	Total
\$ (198,929)	\$ 4,334,390	\$ 2,602,313
149,662	3,732,332	3,643,915
(1,914)	(397,931)	(93,011)
(2,029)	(3,858)	(63,285)
(5,183)	(11,298)	(172,200)
29,957	263,427	524,486
(212)	(2,394)	-
29,903	194,745	40,823
7,344	18,542	11,501
(75)	(5,933)	10,999
(2,664)	(3,761)	6,772
(53,852)	(369,083)	(435,148)
2,302	25,995	-
1,145	54,550	92,052
8,142	19,176	14,522
<u>\$ (36,403)</u>	<u>\$ 7,848,899</u>	<u>\$ 6,183,739</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 for the HRA loans is \$0 as this loan was approved to be written off during 2018 and the estimated allowance for the revolving loan program is \$89,997.

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 acquisition 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 acquisition 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. OPEB

For purposes of measuring the OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms.

14. 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 and OPEB related deferred outflows of resources can be found in Note 6 and Note 8, respectively, to the financial statements.

15. 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 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 and OPEB liabilities, when applicable, as described in Note 6 and Note 8, respectively, to the financial statements.

16. 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. 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.

18. 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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)

18. 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, 2018, 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 2018 were \$26,780.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 DEPOSITS (CONTINUED)

A. Deposits (Continued)

The deposits are presented in the financial statements as follows:

Cash and Cash Equivalents	\$ 13,718,598
Cash and Investments with Fiscal Agent	922,500
Total Cash and Cash Equivalents	<u>\$ 14,641,098</u>
Governmental Activities	\$ 9,386,837
Business-Type Activities	5,254,261
Total Cash and Cash Equivalents	<u>\$ 14,641,098</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 began upon completion of the facility during 2016. The total loan receivable outstanding as of December 31, 2018 is \$3,006,250. It has an interest rate of 2.87% and is set to mature in 2036.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,313,571	\$ -	\$ -	\$ -	\$ 4,313,571
Construction in Progress	1,300,547	916,648	(80,756)	-	2,136,439
Total Capital Assets, Not Being Depreciated	5,614,118	916,648	(80,756)	-	6,450,010
Capital Assets, Being Depreciated:					
Land Improvements	15,884,187	7,514	-	-	15,891,701
Buildings and Building Improvements	17,470,863	100,669	-	-	17,571,532
Improvements Other than Buildings	3,574,903	86,350	-	-	3,661,253
Vehicles	3,755,330	92,405	(37,985)	-	3,809,750
Equipment	6,414,868	77,704	(198,023)	-	6,294,549
Infrastructure	80,859,730	169,516	-	-	81,029,246
Total Capital Assets, Being Depreciated	127,959,881	534,158	(236,008)	-	128,258,031
Accumulated Depreciation for:					
Land Improvements	(6,712,447)	(680,635)	-	-	(7,393,082)
Buildings and Building Improvements	(8,031,812)	(420,129)	-	-	(8,451,941)
Improvements Other than Buildings	(1,843,094)	(161,226)	-	-	(2,004,320)
Vehicles	(2,443,424)	(234,604)	37,985	-	(2,640,043)
Equipment	(5,222,638)	(262,219)	198,023	-	(5,286,834)
Infrastructure	(57,581,368)	(2,179,227)	-	-	(59,760,595)
Total Accumulated Depreciation	(81,834,783)	(3,938,040)	236,008	-	(85,536,815)
Total Capital Assets, Being Depreciated, Net	46,125,098	(3,403,882)	-	-	42,721,216
Governmental Activities Capital Assets, Net	\$ 51,739,216	\$ (2,487,234)	\$ (80,756)	\$ -	\$ 49,171,226

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 65,168
Public Safety	297,203
Public Works	2,757,317
Parks, Culture and Recreation	818,352
Total Depreciation Expense, Governmental Activities	<u>\$ 3,938,040</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	292,966	828,206	(176,825)	-	944,347
Total Capital Assets, Not Being Depreciated	<u>2,929,921</u>	<u>828,206</u>	<u>(176,825)</u>	<u>-</u>	<u>3,581,302</u>
Capital Assets, Being Depreciated:					
Land Improvements	2,682,717	-	-	-	2,682,717
Buildings and Building Improvements	50,152,502	38,335	(5,377)	-	50,185,460
Utility Distributions Systems	77,561,243	1,603,517	-	-	79,164,760
Machinery and Shop Equipment	9,993,227	334,976	(159,314)	-	10,168,889
Total Capital Assets, Being Depreciated	<u>140,389,689</u>	<u>1,976,828</u>	<u>(164,691)</u>	<u>-</u>	<u>142,201,826</u>
Accumulated Depreciation for:					
Land Improvements	(1,208,483)	(67,555)	-	-	(1,276,038)
Buildings and Building Improvements	(19,810,807)	(1,052,896)	5,377	-	(20,858,326)
Utility Distributions Systems	(30,349,644)	(1,981,493)	-	-	(32,331,137)
Machinery and Shop Equipment	(6,617,241)	(630,388)	159,314	-	(7,088,315)
Total Accumulated Depreciation	<u>(57,986,175)</u>	<u>(3,732,332)</u>	<u>164,691</u>	<u>-</u>	<u>(61,553,816)</u>
Total Capital Assets, Being Depreciated, Net	<u>82,403,514</u>	<u>(1,755,504)</u>	<u>-</u>	<u>-</u>	<u>80,648,010</u>
Business-Type Activities Capital Assets, Net	<u>\$ 85,333,435</u>	<u>\$ (927,298)</u>	<u>\$ (176,825)</u>	<u>\$ -</u>	<u>\$ 84,229,312</u>

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

Business-Type Activities:	
Electric Fund	\$ 1,444,450
Water and Sewer Fund	2,079,570
Liquor Fund	58,650
Golf Course Fund	149,662
Total Depreciation Expense, Business-Type Activities	<u>\$ 3,732,332</u>

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 CITY INDEBTEDNESS

City indebtedness at December 31, 2018 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%	\$ 220,000
2009 G.O. Bonds #2009D	3,685,000	2025	3.00-4.00	3,075,000
2010 G.O. Bonds #2010A	1,070,000	2021	2.00-4.00	145,000
2010 G.O. Refunding Bonds #2010C	2,145,000	2028	2.00-3.80	1,355,000
2010 G.O. Bonds #2010C	425,000	2028	2.00-3.80	275,000
2011 G.O. Capital Improvement Refunding #2011A	5,925,000	2024	0.40-3.15	3,845,000
2012 G.O. Refunding #2012B	1,555,000	2020	2.00	270,000
2013 G.O. Bonds #2013A	3,575,000	2024	2.00	2,180,000
2013 G.O. Bonds #2013B	585,000	2028	3.00-3.40	410,000
2015 G.O. Bonds #2015A	4,045,000	2031	2.00-3.00	3,600,000
2016 G.O. Street Reconstruction Bonds #2016C	<u>2,565,000</u>	2032	2.00-2.75	<u>2,415,000</u>
Total Governmental Activities - G.O. Bonds	<u>27,290,000</u>			<u>17,790,000</u>
Business-Type Activities:				
2010 G.O. Bonds #2010A	2,385,000	2026	2.00-4.00	1,490,000
2010 G.O. Bonds #2010C	1,320,000	2019	2.00-3.80	350,000
2013 G.O. Equipment Certificates #2013A	1,455,000	2022	2.00	885,000
2013 G.O. Bonds #2013B	<u>440,000</u>	2028	3.00-3.40	<u>315,000</u>
Total Business-Type Activities - G.O. Bonds	<u>5,600,000</u>			<u>3,040,000</u>
Total General Obligation Bonds	<u>\$ 32,890,000</u>			<u>\$ 20,830,000</u>
Tax Abatement Bonds:				
Governmental Activities:				
2012 G.O. Tax Abatement Bonds #2012C	\$ 1,955,000	2033	0.65-3.20%	\$ 1,600,000
2015 G.O. Tax Abatement Bonds #2015C	3,400,000	2036	1.00-3.05	3,115,000
2017 G.O. Tax Abatement Bonds #2017C	<u>330,000</u>	2020	3.09	<u>330,000</u>
Total Tax Abatement Bonds	<u>5,685,000</u>			<u>5,045,000</u>
Business-Type Activities:				
2016 G.O. Tax Abatement Bonds #2016A	<u>3,250,000</u>	2035	2.00-3.15%	<u>2,990,000</u>
Total Tax Abatement Bonds:	<u>\$ 8,935,000</u>			<u>\$ 8,035,000</u>

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
Capital Lease Obligations:				
Governmental Activities:				
2014 MIS, Police, Street Equipment	\$ 319,565	2019	1.57%	\$ 22,050
2015 Police, Street, Park, Civic Center Vehicles and Equipment	149,624	2020	0.02	42,702
2016 Police, Parks, Street, Fire, Electric, Golf Course Equipment	560,602	2020	0.02	191,821
2016 Police, Parks, Electric, Water Equipment	208,356	2021	1.97	127,462
2017 Police, Parks Equipment	118,164	2022	1.94	82,026
2018 Street Equipment	31,308	2022	0.00	28,150
2018 Police Equipment	33,232	2022	0.00	33,232
Total General Obligation Capital Lease Purchase Obligations	<u>\$ 1,420,851</u>			<u>\$ 527,443</u>
General Obligation Revenue Bonds:				
Business-Type Activities:				
2009 G.O. Water and Sewer Refunding Rev. Bonds #2009B	\$ 4,712,560	2025	4.35-4.94	\$ 4,712,561
2009 G.O. Utility Revenue Bonds #2009E	3,004,194	2024	2.00-3.75	1,365,101
2010 Electric Revenue Bonds #2010B	955,000	2021	2.50-3.70	515,000
2011 G.O. Water and Sewer Revenue Bonds, #2011B	3,575,000	2032	0.65-4.30	2,715,000
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	29,450,000
2014 Electric Revenue Bonds #2014B	1,880,000	2025	2.75-3.00	1,825,000
2015 Electric Revenue Refunding Bonds #2015B	1,185,000	2022	2.00-2.15	730,000
2016 Electric Revenue Bonds #2016B	1,140,000	2026	2.00-2.45	925,000
2017 G.O. Wastewater Revenue Refunding Bonds #2017A	6,840,000	2033	3.00-3.50	6,840,000
2017 G.O. Water and Sewer Revenue Bonds #2017B	3,160,000	2033	1.35-3.00	3,160,000
2018 Electric Revenue Bonds #2018A	1,765,000	2028	3.00	1,765,000
2018 Electric Revenue Bonds #2018B	2,300,000	2029	3.00-3.25	2,300,000
Total Business-Type Activities Revenue Bonds	66,986,754			61,912,662
Governmental Activities:				
2009 G.O. Utility Revenue Bonds #2009E	220,806	2024	2.00-3.75	94,898
2009 HRA Revenue Bond	178,000	2020	4.82	41,000
2011 Public Facility Lease Revenue Bonds #2011A	2,865,000	2027	0.65-4.60	1,755,000
Total Governmental Activities Revenue Bonds	<u>3,263,806</u>			<u>1,890,898</u>
Total Revenue Bonds	<u>\$ 70,250,560</u>			<u>\$ 63,803,560</u>
Revenue Lease Purchase Obligations:				
Business-Type Activities:				
2004 Liquor Store Purchase/Remodel	\$ 1,195,000	2019	3.85	\$ 52,360
2013 Wild Marsh, Electric, Water, Wastewater Equipment	214,238	2018	2.19	-
2014 Wild Marsh, Electric, Liquor, Wastewater Equipment	368,815	2019	1.57	25,451
2015 Wild Marsh, Water, and Wastewater Equipment	472,622	2020	1.51	134,888
2016 Electric, Golf Course Equipment	290,897	2020	1.89	99,536
2016 Electric, Water Equipment	375,436	2021	1.97	229,675
2017 Electric, Water, Golf Equipment	673,287	2022	1.94	467,372
2018 Electric, Golf Equipment	92,948	2022	0.00	78,059
2018 Liquor Store Equipment	45,769	2022	0.00	40,251
2018 Water and Wastewater Equipment	89,730	2022	0.00	84,212
Total Revenue Lease Purchase Obligations	<u>\$ 3,818,742</u>			<u>\$ 1,211,804</u>

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 CITY INDEBTEDNESS (CONTINUED)

The following is a schedule of changes in City indebtedness for the year ended December 31, 2018:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 19,690,000	\$ -	\$ 1,900,000	\$ 17,790,000	\$ 1,945,000
General Obligation Tax Abatement Bonds	5,265,000	-	220,000	5,045,000	220,000
General Obligation Revenue Bond	2,083,112	-	192,214	1,890,898	199,415
Bond Subtotal	27,038,112	-	2,312,214	24,725,898	2,364,415
Bond Premium	389,165	-	47,481	341,684	-
Net Bond Subtotal	27,427,277	-	2,359,695	25,067,582	2,364,415
Capital Lease Obligations	792,305	64,540	329,402	527,443	277,558
Note Payable	20,464	-	20,464	-	-
Compensated Absences	441,524	271,025	244,737	467,812	249,883
Total Governmental Activities	28,681,570	335,565	2,954,298	26,062,837	2,891,856
Business-Type Activities:					
General Obligation Bonds	3,705,000	-	665,000	3,040,000	695,000
General Obligation Tax Abatement Bonds	3,135,000	-	145,000	2,990,000	145,000
General Obligation Revenue Bonds	55,329,448	-	1,476,786	53,852,662	1,680,585
Electric Revenue Bonds	4,425,000	4,065,000	430,000	8,060,000	610,000
Bond Subtotal	66,594,448	4,065,000	2,716,786	67,942,662	3,130,585
Interest Accretion on Capital Appreciation Bonds	2,236,158	325,721	-	2,561,879	-
Bond Premium	1,288,743	27,924	118,198	1,198,469	-
Net Bond Subtotal	70,119,349	4,418,645	2,834,984	71,703,010	3,130,585
Revenue Lease Purchase Obligations	1,592,125	228,447	608,768	1,211,804	515,884
Compensated Absences	311,387	183,336	164,160	330,563	186,514
Total Business-Type Activities	72,022,861	4,830,428	3,607,912	73,245,377	3,832,983
Total Debt	<u>\$ 100,704,431</u>	<u>\$ 5,165,993</u>	<u>\$ 6,562,210</u>	<u>\$ 99,308,214</u>	<u>\$ 6,724,839</u>

Assets acquired through capital leases are as follows:

Asset:	Governmental Activities	Business-Type Activities
Land	\$ -	\$ 2,265,045
Buildings and Improvements	-	2,476,044
Vehicles and Equipment	1,659,779	2,690,260
Subtotal	1,659,779	7,431,349
Less: Accumulated Depreciation	(727,926)	(1,934,466)
Total	<u>\$ 931,853</u>	<u>\$ 5,496,883</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	
2019	\$ 2,364,415	\$ 678,380	\$ 277,558	\$ 7,954	\$ 3,328,307
2020	2,700,415	617,410	141,966	3,635	3,463,426
2021	2,435,616	552,278	84,121	1,597	3,073,612
2022	2,445,616	486,509	23,798	242	2,956,165
2023	2,506,818	417,101	-	-	2,923,919
2024-2028	8,413,018	1,113,847	-	-	9,526,865
2029-2033	3,230,000	298,420	-	-	3,528,420
2034-2036	630,000	29,076	-	-	659,076
Totals	\$ 24,725,898	\$ 4,193,021	\$ 527,443	\$ 13,428	\$ 29,459,790

Year Ending December 31,	Business-Type Activities				
	Long-Term Debt		Capital Leases		Totals
	Principal	Interest	Principal	Interest	
2019	\$ 3,130,585	\$ 2,004,321	\$ 515,884	\$ 20,753	\$ 5,671,543
2020	4,183,980	2,611,358	329,769	11,521	7,136,628
2021	4,336,161	2,577,531	275,524	5,407	7,194,623
2022	4,668,125	2,532,752	90,627	611	7,292,115
2023	4,156,534	2,482,254	-	-	6,638,788
2024-2028	31,252,277	6,251,176	-	-	37,503,453
2029-2033	15,790,000	1,411,743	-	-	17,201,743
2034-2035	425,000	13,413	-	-	438,413
Totals	\$ 67,942,662	\$ 19,884,548	\$ 1,211,804	\$ 38,292	\$ 89,077,306

The annual requirements to amortize all long-term debt outstanding as of December 31, 2018, including interest of \$24,129,289 are as follows:

Year Ending December 31,	Amount
2019	\$ 8,999,850
2020	10,600,054
2021	10,268,235
2022	10,248,280
2023	9,562,707
2024-2028	47,030,318
2029-2033	20,730,163
2034-2036	1,097,489
Total	\$ 118,537,096

In 2018, the City issued \$1,765,000 in Electric Revenue Bonds (Series 2018A) for the purpose of financing the acquisition of a new service territory and improvements to electric utilities. The bonds carry an interest rate of 3.0% and will mature in 2028.

The City also issued \$2,300,000 in Electric Revenue Bonds (Series 2018B) for the purpose of financing improvements and extensions to electric utilities. The bonds carry an interest rate between 3.0% and 3.25% and will mature in 2029.

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 Plan

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 the Coordinated Plan. Coordinated Plan members are covered by Social.

2. Public Employees Police and Fire Plan

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.

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. 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 services.

1. General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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 reduced Social Security benefits capped at 66.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded or have fallen below 80%, benefit recipients are given a 1.0% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increase to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to 1.0%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014 the first increase will be delayed two years.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2018. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2018. The City contributions to the General Employees Fund for the year ended December 31, 2018 were \$328,752. The City contributions were equal to the required contributions as set by state statute.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2018. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2018. The City contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$183,432. 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, 2018, the City reported a liability of \$3,550,459 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 \$16 million to the fund in 2018. 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 \$116,463. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.064% which was a decrease of 0.0012% from its proportionate share measured as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$ 3,550,459
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>116,463</u>
Total Proportionate Share of the Net Pension Liability Associated with the City	<u><u>\$ 3,666,922</u></u>

For the year ended December 31, 2018, the City recognized pension expense of \$279,026 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$27,159 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2018, 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	\$ 93,974	\$ 103,552
Changes in Actuarial Assumptions	339,158	398,932
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	362,801
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	90,371	93,495
City Contributions Subsequent to the Measurement Date	164,780	-
Total	<u>\$ 688,283</u>	<u>\$ 958,780</u>

\$164,780 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, 2019. 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>	Expenses Amount
2019	\$ 110,502
2020	(165,214)
2021	(306,459)
2022	(74,106)
Total	<u>\$ (435,277)</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$1,136,246 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.1066% which was an increase of 0.0006% from its proportionate share measured as of June 30, 2017. The City also recognized \$9,594 for the year ended December 31, 2018, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contribution to the Police and Fire fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$323,105 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, 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	\$ 45,797	\$ 278,750
Changes in Actuarial Assumptions	1,412,636	1,672,703
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	237,990
Changes in Proportion and Differences Between		
City Contributions and Proportionate		
Share of Contributions	430,922	28,063
City Contributions Subsequent to the		
Measurement Date	93,249	-
Total	<u>\$ 1,982,604</u>	<u>\$ 2,217,506</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$93,249 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, 2019. 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>
2019	\$ 167,556
2020	114,797
2021	(163,972)
2022	(444,597)
2023	(1,935)
Total	<u>\$ (328,151)</u>

The total pension expense for all plans recognized by the City for the year ended December 31, 2018 was \$629,290.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	
Inflation	2.75% per Year
Active Member Payroll Growth	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 for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 to 2.5% per year thereafter to 1.0% for all years, with no trigger.

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	36 %	5.10 %
International Stocks	17	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	-
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the 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.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLANS (CONTINUED)

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%	\$ 5,769,948	6.50%	\$ 2,436,183
Current	7.50%	3,550,459	7.50%	1,136,246
1% Increase	8.50%	1,718,332	8.50%	61,252

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.

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, 2018, membership includes 32 active participants and 7 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.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

B. Benefits Provided (Continued)

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).

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

Normal Cost	\$	133,654
Amortization Payment on Unfunded Accrued Liability Prior to Any Change		7,454
Administrative Expenses		11,772
Anticipated State Aid		(115,295)
Projected Investment Earnings		(37,585)
Total Contribution Required	<u>\$</u>	<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 \$122,781 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2018. 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, 2018 was \$-0-.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

D. Pension Costs

At December 31, 2018, the City reported an asset of \$526,552 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2017, 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 \$(177,676) for the year ended December 31, 2018. At December 31, 2018, 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
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 43,730
Changes in Actuarial Assumptions	-	22,124
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	81,409
City Contributions Subsequent to the Measurement Date	9,595	-
Total	<u>\$ 9,595</u>	<u>\$ 147,263</u>

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
2019	\$ (17,704)
2020	(17,704)
2021	(47,759)
2022	(38,565)
2023	(10,081)
Thereafter	(15,450)
Total	<u>\$ (147,263)</u>

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2016. The measurement period for year ended December 31, 2018 is December 31, 2017. The following actuarial assumptions were used to calculate the total pension liability, 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	3.31%
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.

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, 2017 are summarized in the following table:

Asset Class	Portfolio Weight	Expected Nominal Rate of Return
Cash	5.0 %	3.54 %
Domestic Equity	60.0	8.14
International Equity	-	7.95
Fixed Income	35.0	4.73
Real Estate and Alternatives	-	7.00
Total	100.0 %	

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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)	\$ (490,122)	\$ (526,552)	\$ (562,044)
Discount Rate	5.00%	6.00%	7.00%

H. Plan's Fiduciary Net Position

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

Assets

Cash	\$	104,089
Cash Position of Mutual Funds		61,481
Investments		1,689,422
Contributions Receivable		1,000
Total Assets		1,855,992

Liabilities

Pension Benefits Payable		5,000
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Net Position

Unrestricted	\$	1,850,992
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**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

H. Plan's Fiduciary Net Position (Continued)

Information about changes in the Plan's net pension asset is as follows:

	Measurement Date
	December 31, 2018
<u>Total Pension Liability</u>	
Service Cost	\$ 73,848
Interest	80,258
Changes in Experience	(50,068)
Changes in Assumptions	(881)
Benefit Payments, Including Member Refunds	(85,000)
NET CHANGE IN TOTAL PENSION LIABILITY	18,157
Total Pension Liability - Beginning of Year	1,306,283
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,324,440
<u>Plan Fiduciary Net Position</u>	
Municipal Contributions	9,884
State Contributions	117,197
Net Investment Income	237,287
Benefit Payments	(85,000)
Administrative Expenses	(10,141)
Other Changes	1,481
NET CHANGE IN FIDUCIARY NET POSITION	270,708
Fiduciary Net Position - Beginning of Year	1,580,284
FIDUCIARY NET POSITION - END OF YEAR (b)	1,850,992
ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)	\$ (526,552)

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the City's health insurance plan. There are 79 active participants and no retired participants. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

B. Funding Policy

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the City and the City's employees. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For the year ended December 31, 2018, the City did not contribute to the plan.

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Medical Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality Rates were based on the RP-2014 mortality tables with projected monthly improvements based on Scale MP-2017, and other adjustments.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.30%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent actuarial valuation, the following changes have been made:

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 4.00% to 3.30%.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances at December 31, 2017	\$ 434,858
Changes for the Year:	
Service Cost	48,843
Interest Cost	15,962
Net Change in Total OPEB Liability	64,805
Balances at December 31, 2018	\$ 499,663

The following presents the OPEB liability of the City, as well as what the City's OPEB 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:

	1% Decrease (2.30%)	Discount Rate (3.30%)	1% Increase (4.30%)
OPEB Liability	\$ 540,289	\$ 499,663	\$ 461,410

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% decreasing to 4% over six years) or 1% higher (7.5% decreasing to 6% over six years) than the current healthcare cost trend rates:

	1% Decrease (5.5% Decreasing to 4%)	Current Trend Rates (6.5% Decreasing to 5%)	1% Increase (7.5% Decreasing to 6%)
OPEB Liability	\$ 442,077	\$ 499,663	\$ 567,479

For the year ended December 31, 2018, the City recognized OPEB Expense of \$64,805. At December 31, 2018, the City reported no deferred inflow of resources, and \$5,969 in deferred outflows of resources resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2019.

CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2018 as follows:

Governmental Funds:	
HRA Debt Service	\$ (1,852,570)
Other Governmental Funds:	
Civic Center Fund	(2,339,128)
Proprietary Funds:	
Golf Course Fund	(6,805,122)

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, 2018, expenditures exceeded budget in the Civic Center Special Revenue fund by \$25,206. These expenditures were funded by current year transfers from the General Fund.

NOTE 10 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, 2018 because they have not yet been levied against the properties by the county.

Future scheduled tax levies for all bonds outstanding at December 31, 2018 totaled \$22,618,757.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

A. Due To/From Other Funds

Individual fund receivable and payable balances at December 31, 2018 are as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds	Description
General Fund	\$ 2,549,249	\$ -	Eliminate Deficit Cash
Other Governmental Funds	-	2,372,222	Eliminate Deficit Cash
Proprietary Funds:			
Electric Fund	4,643,789	-	Eliminate Deficit Cash
Water and Sewer Fund	1,221,064	-	Eliminate Deficit Cash
Golf Course Fund	-	6,041,880	Eliminate Deficit Cash
Total Due To/From	<u>\$ 8,414,102</u>	<u>\$ 8,414,102</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	\$ 1,905,015	\$ -
HRA Debt Service Fund	-	1,905,015
Total Advances	<u>\$ 1,905,015</u>	<u>\$ 1,905,015</u>

The Debt Service Fund advanced \$1,905,015 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS
(CONTINUED)**

C. Transfers

Transfers between funds during 2018 are as follows:

	Amount	Description
<u>Major Governmental Funds</u>		
Transfers to General Fund from:		
Debt Service Fund	\$ 305	Close-Out Bond
Electric Fund	900,000	Annual Contribution
Liquor Fund	425,000	Annual Park Contribution
Total Transfers to General Fund	1,325,305	
Transfers to Debt Service Fund from:		
General Fund	103,684	Transfer of Debt Payment
HRA Fund	80,288	Transfer of Debt Payment
HRA Debt Service Fund	44,079	Transfer of Debt Payment
Total Transfers to Debt Service Fund	228,051	
Transfers to Capital Projects Fund from:		
General Fund	210,326	Street Improvements
Fire Fund	1,450,000	Street Improvements
Total Transfers to Capital Projects Fund	1,660,326	
Transfers to HRA Debt Service Fund from:		
HRA Fund	140,513	Transfer of Debt Payment
Total Transfers to Major Governmental Funds	3,354,195	
<u>Nonmajor Governmental Funds</u>		
Transfers to Library Fund from:		
General Fund	15,000	Annual Contribution
Transfers to Civic Center Fund from:		
General Fund	400,000	Annual Contribution
Electric Fund	70,000	Annual Contribution
Total Transfers to Civic Center Fund	470,000	
Transfers to Airport Fund from:		
General Fund	50,000	Annual Contribution
Total Transfers to Nonmajor Governmental Funds	535,000	
Total Interfund Transfers	\$ 3,889,195	

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 FUND BALANCE CLASSIFICATIONS

The fund balance classifications of the governmental funds as of December 31, 2018 were as follows:

	General Fund	Debt Service Fund	Capital Project Fund	HRA Debt Service Fund	Other Governmental Funds	Governmental Funds Total
Nonspendable:						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 12,534	\$ 12,534
Prepaid Expenses	69,358	-	-	-	3,837	73,195
Land Held for Resale	7,800	-	-	-	230,259	238,059
Total Nonspendable	<u>77,158</u>	-	-	-	246,630	323,788
Restricted:						
Debt Service	-	4,980,367	-	-	-	4,980,367
Capital Projects	-	-	502,454	-	-	502,454
Total Restricted	<u>-</u>	<u>4,980,367</u>	<u>502,454</u>	<u>-</u>	<u>-</u>	<u>5,482,821</u>
Committed:						
Library	-	-	-	-	160,098	160,098
Mill/Overlay Projects	-	-	1,888,695	-	-	1,888,695
Fire Operations	-	-	-	-	310,125	310,125
The Buffalo HRA	-	-	-	-	189,926	189,926
Airport	-	-	-	-	219,345	219,345
Total Committed	<u>-</u>	<u>-</u>	<u>1,888,695</u>	<u>-</u>	<u>879,494</u>	<u>2,768,189</u>
Unassigned	<u>4,968,422</u>	<u>-</u>	<u>-</u>	<u>(1,852,570)</u>	<u>(2,342,942)</u>	<u>772,910</u>
Total Fund Balance	<u>\$ 5,045,580</u>	<u>\$ 4,980,367</u>	<u>\$ 2,391,149</u>	<u>\$ (1,852,570)</u>	<u>\$ (1,216,818)</u>	<u>\$ 9,347,708</u>

NOTE 13 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 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.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 14 TAX ABATEMENTS

The City has five pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City as authorized under Minnesota Statutes §469.17. 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.

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, 2018, the City paid excess tax increment in the amount of \$46,302.

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, 2018, the City paid excess tax increment in the amount of \$680.

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, 2018, the City paid excess tax increment in the amount of \$15,728.

The fourth 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, 2018, the City paid excess tax increment in the amount of \$5,445.

The fifth district is an economic development district to facilitate the construction of a 20,000 square foot expansion to a manufacturing facility in the City. The district will stop collections as of the earlier of December 31, 2015 or when the plan is satisfied. For the year ended December 31, 2018, the City paid excess tax increment in the amount of \$22,727.

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 TAX ABATEMENTS (CONTINUED)

The City participates in a ten-year tax abatement program with Buffalo Healthcare Investors, LLC under Minnesota Statutes, Sections 469.1813 through 469.1815. Under these statutes, the City is able to grant tax abatements for development purposes including general economic development, such as increasing the property tax base or the number of jobs in the area, and providing access to services for residents such as healthcare. The assessed value attributable to land at Lot 2, Block 1, Kaysons Third Addition, Wright County, Minnesota shall be abated from property taxes for ten years. The abatement shall not apply to any special assessments that are levied against the property. For the year ended December 31, 2018, the City abated property taxes totaling \$1,707. No other commitments were made by the City as part of these agreements.

NOTE 15 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.

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, 2018:

Project	Contract Cost	Estimated Project Costs Incurred to Date*	Remaining Committed
Street Maintenance 2017	\$ 835,310	\$ 796,878	\$ 38,432
Records System	33,232	26,586	6,646
Retaining Walls	132,383	25,351	107,032
Street Maintenance 2018	421,388	420,536	852
Water Towel 4 Overcoat	135,500	128,725	6,775
Biosolids Processing Improvements	1,782,100	-	1,782,100
Total	<u>\$ 3,339,913</u>	<u>\$ 1,398,076</u>	<u>\$ 1,941,837</u>

* Includes Contracts Payable Amount

**CITY OF BUFFALO, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 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.

As of December 31, 2018, the City had the following revenue bonds outstanding:

Description of Issue	Original Issue Date	Maturity	Outstanding December 31, 2017
Health Care Refunding Revenue Bonds Series 2006 (Central Minnesota Senior Housing LLC Project)	9/12/2006	9/1/2033	\$ 14,670,000

NOTE 17 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 18 SUBSEQUENT EVENT

On February 28, 2019, the City authorized issuance of \$8,295,000 in General Obligation Water & Sewer Revenue Refunding Bonds, Series 2019A. General Obligation Bonds were issued to refund certain outstanding general obligations of the City. The interest rate on this bond is 3.0% to 5.0% and it is set to mature in 2025.

On March 25, 2019, the City entered into a lease for vehicles and equipment in the amount of \$733,055. The interest rate on the lease is 3.79% and is set to mature in 2024.

NOTE 19 RELATED PARTY TRANSACTION

During 2018, the City purchased services from a business where a Council Member is the vice president for the association in the amount of approximately \$42,207. The City also purchased services from a business owned by a Council Member in the amount of approximately \$12,903.

NOTE 20 RESTATEMENT FOR CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the December 31, 2017 net position of the governmental activities and business-type activities as follows:

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017, as Previously Reported	\$ 33,293,157	\$ 13,541,345
Affect of Application of GASB 75	(260,424)	(174,434)
Net Position, December 31, 2017, as Restated	<u>\$ 33,032,733</u>	<u>\$ 13,366,911</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
GENERAL EMPLOYEES RETIREMENT PLAN				
City's Proportion of the Net Pension Liability	0.0640%	0.0652%	0.0620%	0.0651%
City's Proportionate Share of the Net Pension Liability	\$ 3,550,459	\$ 4,162,325	\$ 5,034,092	\$ 3,373,820
State's Proportionate Share of the Net Pension Liability Associated with the City of Buffalo	\$ 116,463	\$ 52,338	\$ 65,737	\$ -
Total Proportionate Share of the Net Pension Liability Associated with the City of Buffalo	\$ 3,666,922	\$ 4,214,663	\$ 5,099,829	\$ 3,373,820
City's Covered Payroll	\$ 4,305,175	\$ 4,195,877	\$ 3,841,975	\$ 3,794,647
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	82%	99%	131%	89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.90%	78.75%
	Measurement Date			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
PUBLIC EMPLOYEES POLICE AND FIRE PLAN				
City's Proportion of the Net Pension Liability	0.1066%	0.1060%	0.1030%	0.1080%
City's Proportionate Share of the Net Pension Liability	\$ 1,136,246	\$ 1,431,126	\$ 4,133,569	\$ 1,227,133
City's Covered Payroll	\$ 1,123,750	\$ 1,089,355	\$ 996,175	\$ 1,002,211
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	101%	131%	415%	122%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.80%	85.40%	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,		
	2017	2016	2015
<u>Total Pension Liability</u>			
Service Cost	\$ 73,848	\$ 82,609	\$ 76,388
Interest	80,258	71,998	70,260
Changes in Experience	(50,068)	-	-
Changes in Assumptions	(881)	(28,618)	-
Benefit Payments, Including Member Refunds	<u>(85,000)</u>	<u>(216,977)</u>	<u>(22,551)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	18,157	(90,988)	124,097
Total Pension Liability - Beginning of Year	<u>1,306,283</u>	<u>1,397,271</u>	<u>1,273,174</u>
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,324,440	1,306,283	1,397,271
<u>Plan Fiduciary Net Position</u>			
Municipal Contributions	9,884	2,500	2,500
State Contributions	117,197	119,295	114,407
Net Investment Income	237,287	121,906	(69,541)
Benefit Payments	(85,000)	(216,977)	(22,551)
Administrative Expenses	(10,141)	(11,374)	(4,990)
Other Changes	<u>1,481</u>	<u>8,534</u>	<u>2,232</u>
NET CHANGE IN FIDUCIARY NET POSITION	270,708	23,884	22,057
Fiduciary Net Position - Beginning of Year	<u>1,580,284</u>	<u>1,556,400</u>	<u>1,534,343</u>
FIDUCIARY NET POSITION - END OF YEAR (b)	<u>1,850,992</u>	<u>1,580,284</u>	<u>1,556,400</u>
ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)	<u>\$ (526,552)</u>	<u>\$ (274,001)</u>	<u>\$ (159,129)</u>
Fiduciary Net Position as a Percentage of the Total Net Pension Asset	139.76%	120.98%	111.39%
Covered-Employee Payroll	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GENERAL EMPLOYEES RETIREMENT PLAN					
Contractually Required Contribution	\$ 328,752	\$ 320,722	\$ 300,006	\$ 284,732	\$ 265,184
Contributions in Relation to the Contractually Required Contribution	<u>(328,752)</u>	<u>(320,722)</u>	<u>(300,006)</u>	<u>(284,732)</u>	<u>(265,184)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 4,382,887	\$ 4,276,293	\$ 4,000,083	\$ 3,794,647	\$ 3,870,990
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	6.85%
PUBLIC EMPLOYEES POLICE AND FIRE PLAN					
Contractually Required Contribution	\$ 183,432	\$ 181,013	\$ 168,059	\$ 162,358	\$ 158,513
Contributions in Relation to the Contractually Required Contribution	<u>(183,432)</u>	<u>(181,013)</u>	<u>(168,059)</u>	<u>(162,358)</u>	<u>(158,513)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,132,298	\$ 1,117,364	\$ 1,037,404	\$ 1,002,211	\$ 975,188
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	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>	<u>-</u>	<u>-</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Additional information will be added as it becomes available

**CITY OF BUFFALO, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S OPEB
LIABILITY AND RELATED RATIOS**

	Measurement Date January 1, 2018
Total OPEB Liability	
Service Cost	\$ 48,843
Interest Cost	15,962
Net Change in Total OPEB Liability	64,805
Total OPEB Liability - Beginning	434,858
Total OPEB Liability - Ending (a)	\$ 499,663
Covered-Employee Payroll	\$ 4,999,935
 Agency's OPEB Liability as a Percentage of Covered Payroll	 9.99%

Note 1: The City implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to ten years of information as the information becomes available.

Note 2: No assets are accumulated in a trust and there are no required contributions.

**CITY OF BUFFALO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			Variance from Final Budget	2017
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes:					
General Property Taxes	\$ 4,344,426	\$ 4,315,277	\$ 4,325,210	\$ 9,933	\$ 3,915,773
Other Taxes	2,200	2,200	4,633	2,433	2,372
Total Taxes	<u>4,346,626</u>	<u>4,317,477</u>	<u>4,329,843</u>	<u>12,366</u>	<u>3,918,145</u>
Licenses and Permits	295,580	425,520	432,679	7,159	357,042
Intergovernmental:					
Federal Grants	2,300	2,300	2,011	(289)	3,253
State:					
Local Government Aid	846,345	846,345	846,345	-	734,952
PERA Aid	9,187	9,187	9,187	-	9,187
Market Value Credit	-	-	287	287	204
State Police Aid	135,000	147,500	147,589	89	138,758
State Highway Aid	193,000	207,800	207,892	92	192,675
Other	5,000	-	66,220	66,220	14,627
Total Intergovernmental	<u>1,190,832</u>	<u>1,213,132</u>	<u>1,279,531</u>	<u>66,399</u>	<u>1,093,656</u>
Special Assessments	5,000	5,000	5,810	810	43,305
Charges for Services:					
General Government	166,250	166,150	187,466	21,316	165,429
Public Safety	74,641	71,750	72,786	1,036	73,364
Streets	-	-	484	484	803
Culture and Recreation	-	-	131,968	131,968	-
Sanitation	938,500	933,500	952,871	19,371	939,105
Storm Sewer	410,000	418,800	415,826	(2,974)	404,108
Total Charges for Services	<u>1,589,391</u>	<u>1,590,200</u>	<u>1,761,401</u>	<u>171,201</u>	<u>1,582,809</u>
Fines and Forfeits	33,000	33,000	33,563	563	38,814
Investment Earnings	4,500	11,000	14,887	3,887	6,382
Refunds/Reimbursements	-	140,000	11,433	(128,567)	63,736
Grants and Contributions	9,000	6,500	6,615	115	10,860
Miscellaneous	1,000	5,375	4,461	(914)	7,714
Total Revenues	<u>7,474,929</u>	<u>7,747,204</u>	<u>7,880,223</u>	<u>133,019</u>	<u>7,122,463</u>

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

**CITY OF BUFFALO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES					
General Government:					
Mayor and Council:					
Current:					
Personal Services	\$ 56,086	\$ 21,086	\$ 57,501	\$ (36,415)	\$ 43,069
Capital Outlay	32,200	-	-	-	-
Capital Lease Payments:					
Principal	1,230	1,230	1,232	(2)	1,212
Interest	17	17	17	-	37
Total Mayor and Council	<u>89,533</u>	<u>22,333</u>	<u>58,750</u>	<u>(36,417)</u>	<u>44,318</u>
Financial Administration:					
Current:					
Salaries	280,618	298,000	296,898	1,102	288,693
Employee Benefits	73,843	63,647	59,456	4,191	66,365
Other Expenses:					
Audit / Accounting	10,000	9,200	10,945	(1,745)	9,261
Building Permits, Surcharges	12,600	14,500	12,520	1,980	13,558
Insurance	12,000	12,000	11,065	935	10,831
Planning and Zoning	168,782	193,932	194,259	(327)	155,254
Assessor	70,500	81,575	81,571	4	64,061
City Attorney	20,500	17,000	12,348	4,652	16,386
Professional Services	2,250	28,500	29,173	(673)	7,538
Elections	14,000	27,921	20,502	7,419	2,396
Other Expense	196,921	264,911	261,081	3,830	197,596
Total Financial Administration	<u>862,014</u>	<u>1,011,186</u>	<u>989,818</u>	<u>21,368</u>	<u>831,939</u>
MIS:					
Current:					
Salaries	87,827	101,500	101,408	92	86,433
Employee Benefits	35,549	38,003	36,672	1,331	33,015
Other Services and Charges	66,100	94,800	120,706	(25,906)	83,469
Capital Outlay	25,000	-	6,831	(6,831)	-
Capital Lease Payments:					
Principal	29,883	29,883	29,992	(109)	36,359
Interest	332	332	341	(9)	1,038
Total MIS	<u>244,691</u>	<u>264,518</u>	<u>295,950</u>	<u>(31,432)</u>	<u>240,314</u>
Community Development					
Current:					
Other	15,000	50,000	-	50,000	58,487
Engineering:					
Current:					
Salaries	67,044	67,044	65,731	1,313	62,177
Employee Benefits	10,573	10,563	10,339	224	9,826
Other Services and Charges	19,100	15,650	13,291	2,359	16,081
Total Engineering	<u>96,717</u>	<u>93,257</u>	<u>89,361</u>	<u>3,896</u>	<u>88,084</u>
Transportation:					
Current:					
Salaries	14,554	820	820	-	14,483
Employee Benefits	2,205	108	108	-	1,760
Other Services and Charges	102,900	71,200	64,467	6,733	43,929
Total Transportation	<u>119,659</u>	<u>72,128</u>	<u>65,395</u>	<u>6,733</u>	<u>60,172</u>
Total General Government	<u>1,427,614</u>	<u>1,513,422</u>	<u>1,499,274</u>	<u>14,148</u>	<u>1,323,314</u>

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

**CITY OF BUFFALO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	2018			Variance from Final Budget	2017
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection:					
Current:					
Office Wages and Benefits	\$ 249,324	\$ 255,346	\$ 255,441	\$ (95)	\$ 225,520
Officer Wages and Benefits	1,637,233	1,601,070	1,607,097	(6,027)	1,543,094
Training	10,300	11,550	11,010	540	10,321
Legal Fees	65,000	65,000	63,770	1,230	64,182
Other Services and Charges	266,450	314,000	303,170	10,830	256,201
Capital Outlay	77,632	34,674	56,092	(21,418)	98,441
Capital Lease Payments:					
Principal	62,884	62,884	63,231	(347)	63,321
Interest	1,087	857	1,025	(168)	1,965
Total Police	<u>2,369,910</u>	<u>2,345,381</u>	<u>2,360,836</u>	<u>(15,455)</u>	<u>2,263,045</u>
Fire Protection	400,000	393,500	393,129	371	397,095
Civil Defense	350	3,885	3,842	43	275
Building Inspections	160,000	155,000	215,047	(60,047)	130,059
Total Public Safety	<u>2,930,260</u>	<u>2,897,766</u>	<u>2,972,854</u>	<u>(75,088)</u>	<u>2,790,474</u>
Public Works:					
Street Department:					
Current:					
Employee Benefits	139,292	120,000	119,179	821	120,098
Street Maintenance	924,608	614,608	553,676	60,932	639,002
Storm Sewer Maintenance	110,108	96,908	81,092	15,816	79,013
Snow and Ice Removal	74,848	86,363	87,059	(696)	40,100
Other	574,823	545,840	520,463	25,377	507,671
Capital Outlay - Equipment	-	34,530	44,166	(9,636)	-
Capital Outlay - Streets	35,000	35,776	49,901	(14,125)	28,178
Capital Lease Payments:					
Principal	106,822	104,964	106,970	(2,006)	131,741
Interest	4,150	9,466	7,600	1,866	6,201
Total Public Works	<u>1,969,651</u>	<u>1,648,455</u>	<u>1,570,106</u>	<u>78,349</u>	<u>1,552,004</u>
Sanitation:					
Current	885,920	914,700	912,767	1,933	882,131
Capital Lease Payments:					
Principal	907	907	877	30	1,283
Interest	7	7	7	-	35
Total Sanitation	<u>886,834</u>	<u>915,614</u>	<u>913,651</u>	<u>1,963</u>	<u>883,449</u>
Total Public Works	<u>2,856,485</u>	<u>2,564,069</u>	<u>2,483,757</u>	<u>80,312</u>	<u>2,435,453</u>
Total Expenditures	<u>7,214,359</u>	<u>6,975,257</u>	<u>6,955,885</u>	<u>19,372</u>	<u>6,549,241</u>
REVENUES OVER (UNDER) EXPENDITURES	260,570	771,947	924,338	152,391	573,222
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	-	-	14,417	14,417	8,298
Capital Lease Proceeds	68,332	64,540	64,540	-	44,712
Transfer In	900,000	900,000	900,305	305	972,107
Transfer Out	(1,227,175)	(1,523,989)	(779,010)	744,979	(1,633,125)
Total Other Financing Sources (Uses)	<u>(258,843)</u>	<u>(559,449)</u>	<u>200,252</u>	<u>759,701</u>	<u>(608,008)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,727</u>	<u>\$ 212,498</u>	<u>1,124,590</u>	<u>\$ 912,092</u>	<u>(34,786)</u>
Fund Balance - Beginning of Year			<u>4,986,993</u>		<u>5,021,779</u>
FUND BALANCE - END OF YEAR			<u>\$ 6,111,583</u>		<u>\$ 4,986,993</u>

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

CITY OF BUFFALO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

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 2018.
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, 2018

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	\$ 8,106,246	\$ 8,226,770	\$ 626,458	\$ 4,539,646	\$ 5,045,580
Funds Included in General Fund for GASB Statement No. 54 Purposes:					
Park Fund	(193,062)	(1,056,197)	(426,206)	484,501	921,430
Community Center Fund	(32,961)	(214,688)	-	(37,154)	144,573
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	<u>\$ 7,880,223</u>	<u>\$ 6,955,885</u>	<u>\$ 200,252</u>	<u>\$ 4,986,993</u>	<u>\$ 6,111,583</u>

NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

General Employees Fund
2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

2016

- 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, 2015. 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.

CITY OF BUFFALO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2018

NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 to 2.5% per year thereafter to 1.0% for all years, with no trigger.

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% 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 changed from 7.9% to 5.6%.

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.

SUPPLEMENTARY INFORMATION

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

CITY OF BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

	2018			
	Revolving Grant Fund	Fire Fund	Library Fund	Civic Center Fund
ASSETS				
Cash and Investments	\$ -	\$ 368,452	\$ 164,097	\$ -
Taxes Receivable				
Current	-	-	-	-
Delinquent	-	-	578	-
Accounts Receivable	-	157	-	68,764
Due from Other Governmental Units	-	125	623	76,518
Inventory	-	-	-	-
Prepaid Items	-	23	-	3,814
Loans Receivable, Net of Allowance	16,723	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 16,723</u>	<u>\$ 368,757</u>	<u>\$ 165,298</u>	<u>\$ 149,096</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE (DEFICIT)				
LIABILITIES				
Accounts and Contracts Payable	\$ -	\$ 28,015	\$ 4,622	\$ 71,472
Other Accrued Liabilities	-	30,594	-	9,410
Due to Other Funds	-	-	-	2,372,222
Unearned Revenue	-	-	-	35,120
Deposits - Escrow	-	-	-	-
Total Liabilities	<u>-</u>	<u>58,609</u>	<u>4,622</u>	<u>2,488,224</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable Taxes	-	-	578	-
Property Taxes Levied for Subsequent Year	-	-	-	-
Unavailable Loans Receivables	16,723	-	-	-
Total Deferred Inflow of Resources	<u>16,723</u>	<u>-</u>	<u>578</u>	<u>-</u>
FUND BALANCES (DEFICIT)				
Nonspendable	-	23	-	3,814
Committed	-	310,125	160,098	-
Unassigned	-	-	-	(2,342,942)
Total Fund Balances (Deficit)	<u>-</u>	<u>310,148</u>	<u>160,098</u>	<u>(2,339,128)</u>
	<u>\$ 16,723</u>	<u>\$ 368,757</u>	<u>\$ 165,298</u>	<u>\$ 149,096</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances (Deficit)	<u>\$ 16,723</u>	<u>\$ 368,757</u>	<u>\$ 165,298</u>	<u>\$ 149,096</u>

The HRA of Buffalo Fund	Airport Fund	2018 Total	2017 Total
\$ 189,501	\$ 227,470	\$ 949,520	\$ 2,094,479
-	-	-	5,994
1,590	181	2,349	2,737
3,375	933	73,229	73,197
1,741	10,418	89,425	61,582
-	12,534	12,534	9,996
-	-	3,837	4,407
29,117	-	45,840	94,596
230,259	-	230,259	309,016
<u>\$ 455,583</u>	<u>\$ 251,536</u>	<u>\$ 1,406,993</u>	<u>\$ 2,656,004</u>

\$ 1,120	\$ 18,189	\$ 123,418	\$ 84,941
-	1,287	41,291	44,236
-	-	2,372,222	2,668,041
-	-	35,120	1,200
3,571	-	3,571	3,571
<u>4,691</u>	<u>19,476</u>	<u>2,575,622</u>	<u>2,801,989</u>

1,590	181	2,349	2,737
-	-	-	5,994
29,117	-	45,840	94,596
<u>30,707</u>	<u>181</u>	<u>48,189</u>	<u>103,327</u>

230,259	12,534	246,630	323,419
189,926	219,345	879,494	2,062,188
-	-	(2,342,942)	(2,634,919)
<u>420,185</u>	<u>231,879</u>	<u>(1,216,818)</u>	<u>(249,312)</u>

<u>\$ 455,583</u>	<u>\$ 251,536</u>	<u>\$ 1,406,993</u>	<u>\$ 2,656,004</u>
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**CITY OF BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			
	Revolving Grant Fund	Fire Fund	Library Fund	Civic Center Fund
REVENUE				
General Property Taxes	\$ -	\$ -	\$ 81,056	\$ -
Tax Increments	-	-	-	-
Intergovernmental	-	122,781	-	-
Charges for Services	-	601,922	-	608,898
Investment Earnings (Loss)	-	3,965	449	(8,224)
Refunds and Reimbursements	-	-	863	13,456
Grants and Contributions	-	10	-	50,500
Miscellaneous	-	-	-	1,814
Total Revenue	<u>-</u>	<u>728,678</u>	<u>82,368</u>	<u>666,444</u>
EXPENDITURES				
Current:				
Public Safety:				
Culture and Recreation	-	415,089	-	-
Community Development	-	-	82,955	754,557
Capital Outlay:				
Culture and Recreation	-	-	-	84,060
Community Development	-	-	-	-
Capital Leases:				
Principal	-	71,416	-	6,241
Interest and Fiscal Charges	-	2,571	-	179
Total Expenditures	<u>-</u>	<u>489,076</u>	<u>82,955</u>	<u>845,037</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	239,602	(587)	(178,593)
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	15,000	470,000
Transfer Out	-	(1,450,000)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,450,000)</u>	<u>15,000</u>	<u>470,000</u>
NET CHANGE IN FUND BALANCE	-	(1,210,398)	14,413	291,407
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>1,520,546</u>	<u>145,685</u>	<u>(2,630,535)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 310,148</u>	<u>\$ 160,098</u>	<u>\$ (2,339,128)</u>

The HRA of Buffalo Fund	Airport Fund	2018 Total	2017 Total
\$ 228,637	\$ -	\$ 309,693	\$ 323,016
96,045	-	96,045	62,216
-	48,797	171,578	137,534
38,459	265,357	1,514,636	1,497,166
1,340	468	(2,002)	(156)
6,000	-	20,319	5,606
-	-	50,510	51,010
-	-	1,814	4,809
<u>370,481</u>	<u>314,622</u>	<u>2,162,593</u>	<u>2,081,201</u>
-	-	415,089	409,408
-	283,072	1,120,584	1,126,098
190,395	-	190,395	107,821
-	23,291	107,351	46,591
80,472	-	80,472	87
-	-	77,657	135,209
-	-	2,750	4,529
<u>270,867</u>	<u>306,363</u>	<u>1,994,298</u>	<u>1,829,743</u>
99,614	8,259	168,295	251,458
-	50,000	535,000	1,070,015
(220,801)	-	(1,670,801)	(215,835)
<u>(220,801)</u>	<u>50,000</u>	<u>(1,135,801)</u>	<u>854,180</u>
(121,187)	58,259	(967,506)	1,105,638
<u>541,372</u>	<u>173,620</u>	<u>(249,312)</u>	<u>(1,354,950)</u>
<u>\$ 420,185</u>	<u>\$ 231,879</u>	<u>\$ (1,216,818)</u>	<u>\$ (249,312)</u>

**CITY OF BUFFALO, MINNESOTA
FIRE SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance with Budget	Actual
REVENUES					
Fire Contracts and Charges	\$ 610,122	\$ 602,000	\$ 601,922	\$ (78)	\$ 610,836
Intergovernmental:					
State Aid and Grants	119,000	122,081	122,781	700	126,072
Grants and Contributions	-	-	10	10	1,010
Investment Earnings	1,500	3,400	3,965	565	2,087
Refunds and Reimbursements	-	-	-	-	3,709
Miscellaneous	-	-	-	-	349
Total Revenues	<u>730,622</u>	<u>727,481</u>	<u>728,678</u>	<u>1,197</u>	<u>744,063</u>
EXPENDITURES					
Public Safety:					
Fire Relief	115,000	120,581	120,581	-	121,196
Wages and Benefits	124,965	124,965	105,242	19,723	115,297
Truck Expense	10,000	10,000	3,608	6,392	2,831
Supplies	36,725	26,725	33,440	(6,715)	36,211
Repairs and Maintenance	43,990	43,990	37,462	6,528	36,164
Radio and Telephone	10,500	13,000	12,307	693	16,239
Utilities	17,000	19,000	19,694	(694)	15,009
Insurance	47,000	48,700	53,073	(4,373)	40,457
Training	9,000	9,000	9,167	(167)	7,093
Other	23,250	24,600	20,515	4,085	18,911
Capital Outlay	659,000	-	-	-	-
Capital Lease Payments:					
Principal	71,422	71,422	71,416	6	129,064
Interest	2,570	2,570	2,571	(1)	4,253
Total Expenditures	<u>1,170,422</u>	<u>514,553</u>	<u>489,076</u>	<u>25,477</u>	<u>542,725</u>
EXCESS (DEFICIENCY) OF REVENUE AND OVER (UNDER) EXPENDITURES	(439,800)	212,928	239,602	26,674	201,338
OTHER FINANCING SOURCES					
Transfer Out	-	(1,450,000)	(1,450,000)	-	-
Capital Lease Proceeds	500,000	-	-	-	-
Total Other Financing Sources	<u>500,000</u>	<u>(1,450,000)</u>	<u>(1,450,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 60,200</u>	<u>\$(1,237,072)</u>	<u>(1,210,398)</u>	<u>\$ 26,674</u>	<u>201,338</u>
Fund Balance - Beginning of Year			<u>1,520,546</u>		<u>1,319,208</u>
FUND BALANCE - END OF YEAR			<u>\$ 310,148</u>		<u>\$ 1,520,546</u>

**CITY OF BUFFALO, MINNESOTA
LIBRARY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
General Property Taxes	\$ 80,628	\$ 80,628	\$ 81,056	\$ 428	\$ 81,068
Investment Earnings	200	200	449	249	247
Refunds and Reimbursements	-	-	863	863	184
Total Revenues	<u>80,828</u>	<u>80,828</u>	<u>82,368</u>	<u>1,540</u>	<u>81,499</u>
EXPENDITURES					
Culture and Recreation:					
Wages and Benefits	2,328	2,328	1,905	423	2,179
Supplies and Maintenance	39,500	44,500	46,009	(1,509)	43,750
Insurance	1,150	1,200	1,139	61	979
Telephone	750	750	548	202	593
Utilities	32,000	30,000	29,144	856	28,687
Other	4,950	4,500	4,210	290	4,158
Capital Outlay - Equipment	62,000	-	-	-	46,591
Total Expenditures	<u>142,678</u>	<u>83,278</u>	<u>82,955</u>	<u>323</u>	<u>126,937</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(61,850)	(2,450)	(587)	1,863	(45,438)
OTHER FINANCING SOURCES					
Transfers in from General Fund	15,000	15,000	15,000	-	15,000
NET CHANGE IN FUND BALANCE	<u>\$ (46,850)</u>	<u>\$ 12,550</u>	14,413	<u>\$ 1,863</u>	(30,438)
Fund Balance - Beginning of Year			<u>145,685</u>		<u>176,123</u>
FUND BALANCE - END OF YEAR			<u>\$ 160,098</u>		<u>\$ 145,685</u>

**CITY OF BUFFALO, MINNESOTA
CIVIC CENTER SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Charges for Services:					
Ice Time	\$ 425,000	\$ 450,000	\$ 518,520	\$ 68,520	\$ 467,036
Building Rent	25,000	25,000	27,704	2,704	26,941
Lease Payment	40,000	40,000	40,000	-	40,000
Gate Receipts and Concessions	17,000	13,000	10,249	(2,751)	11,911
Other	13,000	13,000	12,425	(575)	9,477
Grants and Contributions	50,000	50,000	50,500	500	50,000
Investment Earnings (Loss)	(4,500)	(7,100)	(8,224)	(1,124)	(5,075)
Refunds and Reimbursements	-	13,456	13,456	-	1,544
Miscellaneous	1,000	1,000	1,814	814	1,433
Total Revenues	<u>566,500</u>	<u>598,356</u>	<u>666,444</u>	<u>68,088</u>	<u>603,267</u>
EXPENDITURES					
Culture and Recreation:					
Wages and Benefits	223,664	240,223	239,896	(327)	224,185
Maintenance and Repair	48,000	45,000	32,932	(12,068)	66,281
Utilities	175,000	187,000	199,801	12,801	189,357
Other	38,625	39,225	36,077	(3,148)	34,659
Insurance	12,000	11,000	10,126	(874)	10,819
Lease Rent Payments	234,768	234,768	235,725	957	239,448
Capital Outlay	7,000	56,345	84,060	27,715	-
Capital Lease Payments:					
Principal	6,072	6,072	6,241	169	6,145
Interest	198	198	179	(19)	276
Total Expenditures	<u>745,327</u>	<u>819,831</u>	<u>845,037</u>	<u>25,206</u>	<u>771,170</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(178,827)	(221,475)	(178,593)	42,882	(167,903)
OTHER FINANCING SOURCES					
Transfer In	<u>470,000</u>	<u>470,000</u>	<u>470,000</u>	<u>-</u>	<u>700,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 291,173</u>	<u>\$ 248,525</u>	<u>291,407</u>	<u>\$ 42,882</u>	<u>532,097</u>
Fund Deficit - Beginning of Year			<u>(2,630,535)</u>		<u>(3,162,632)</u>
FUND DEFICIT - END OF YEAR			<u>\$ (2,339,128)</u>		<u>\$ (2,630,535)</u>

**CITY OF BUFFALO, MINNESOTA
AIRPORT SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Intergovernmental:					
Federal Grants	\$ -	\$ -	\$ 326	\$ 326	\$ 51
State Aid and Grants	21,382	21,382	48,471	27,089	11,411
Total Intergovernmental	<u>21,382</u>	<u>21,382</u>	<u>48,797</u>	<u>27,415</u>	<u>11,462</u>
Charges for Services	305,509	271,800	265,357	(6,443)	303,572
Investment Earnings (Loss)	50	325	468	143	42
Refunds and Reimbursement	-	-	-	-	169
Total Revenues	<u>326,941</u>	<u>293,507</u>	<u>314,622</u>	<u>21,115</u>	<u>315,245</u>
EXPENDITURES					
Culture and Recreation:					
Wages and Benefits	32,078	38,550	37,655	895	29,804
Other	248,900	250,530	245,417	5,113	251,199
Capital Outlay	-	19,000	23,291	(4,291)	-
Total Expenditures	<u>280,978</u>	<u>308,080</u>	<u>306,363</u>	<u>1,717</u>	<u>281,003</u>
EXCESS OF REVENUES OVER EXPENDITURES	45,963	(14,573)	8,259	22,832	34,242
OTHER FINANCING SOURCES					
Transfer In	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 95,963</u>	<u>\$ 35,427</u>	58,259	<u>\$ 22,832</u>	84,242
Fund Balance - Beginning of Year			<u>173,620</u>		<u>89,378</u>
FUND BALANCE - END OF YEAR			<u>\$ 231,879</u>		<u>\$ 173,620</u>

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**OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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**CITY OF BUFFALO, MINNESOTA
 COMPUTATION OF LEGAL DEBT MARGIN
 DECEMBER 31, 2018
 (UNAUDITED)**

Market Valuation		<u>\$ 1,150,973,300</u>
Debt Limit - 3% of Market Valuation		\$ 34,529,199
Total Indebtedness	<u>\$ 92,668,560</u>	
Less:		
Other Deductions Allowed by Law:		
(1) Obligations Payable Wholly or Partly from Special Assessments	8,035,000	
(2) Obligations Issued for Acquisition and Improvement of Public Utilities and Conveniences from Which Revenue may be Derived	61,912,662	
(3) Obligations Payable Wholly from the Income from Revenue Producing Conveniences	<u>1,890,898</u>	
Total Deductions	<u>71,838,560</u>	
Total Amount of Debt Applied Against Debt Limit		<u>20,830,000</u>
Legal Debt Margin		<u>\$ 13,699,199</u>

CITY OF BUFFALO, MINNESOTA
TAX LEVIES TO RETIRE BONDED INDEBTEDNESS
DECEMBER 31, 2018
(UNAUDITED)

Year of Levy for Collection in the Following Year	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
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	\$ 3,338,488	\$ 54,206	\$ 1,720,425	\$ 2,975,426	\$ -

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
\$ 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>\$ 1,615,635</u>	<u>\$ 3,099,354</u>	<u>\$ 3,732,667</u>	<u>\$ 3,498,624</u>	<u>\$ 2,583,932</u>	<u>\$ 22,618,757</u>

CITY OF BUFFALO, MINNESOTA
PROPERTY TAX VALUATIONS, LEVIES, AND COLLECTIONS
DECEMBER 31, 2018
(UNAUDITED)

Fiscal Year	Rates*	Valuations*	Total Certified Tax Levy	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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
2017	59.61	12,307,915	7,548,874	7,388,362	97.87
2018	60.08	13,160,639	8,134,719	6,812,361	83.74

* 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, 2018, 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 May 8, 2019.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Buffalo, Minnesota
May 8, 2019

