Financial Statements
December 31, 2020

City of St. Bonifacius

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Name	Position	Term Expires
City Council		
Shawn Ruotsinoja	Mayor	2020
Terrill Anderson	Councilor	2024
Robert Smestad, Jr.	Councilor	2024
Mary Bishop	Councilor	2022
Sarah Meaghan Eiler	Councilor	2020
Administration		
Brenda Fisk	Administrator/Clerk/Treasurer	

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Honorable Mayor and City Council
City of St. Bonifacius
St. Bonifacius, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Bonifacius (the City) as of and for the year ended December 31, 2020, and the related notes to 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.

Auditor's 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. Those standards require that 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 auditor's 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 entity'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 entity'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 that 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, and each major fund of the City of St. Bonifacius as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Bonifacius' financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the *Legal Compliance Audit Guide* prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated March 22, 2021, on our consideration of the City's compliance with aspects of the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's *Minnesota Legal Compliance Audit Guide for Cities* in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Mankato, Minnesota
March 22, 2021

City of St. Bonifacius
Statement of Net Position
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	$ 1,540,611	$ 463,546	$ 2,004,157
Receivables:			
Property taxes	22,370	-	22,370
Special assessments	88,552	-	88,552
Accounts	-	82,715	82,715
Due from other governments	48,587	18,169	66,756
Prepaid items	9,118	4,236	13,354
Capital assets not being depreciated:			
Land	149,092	204,137	353,229
Construction in progress	13,478	-	13,478
Capital assets, net of accumulated depreciation:			
Building	721,699	312,300	1,033,999
Equipment	319,789	124,386	444,175
Infrastructure	5,880,634	2,327,466	8,208,100
Vehicles	549,124	3,242	552,366
Total assets	9,343,054	3,540,197	12,883,251
Deferred Outflows of Resources			
Pension plans	19,956	-	19,956
Liabilities			
Accounts payable	10,500	40,611	51,111
Due to other governments	48,587	-	48,587
Unearned revenue	108,515	-	108,515
Interest payable	3,611	2,527	6,138
Noncurrent liabilities:			
Due within one year - bonds payable, notes payable, and compensated absences	290,775	150,000	440,775
Due in more than one year - bonds payable, notes payable, and compensated absences	1,337,523	335,000	1,672,523
Net pension liability	227,827	-	227,827
Total liabilities	2,027,338	528,138	2,555,476
Deferred Inflows of Resources			
Pension plans	16,810	-	16,810
Net Position			
Net investment in capital assets	6,210,338	2,486,531	8,696,869
Restricted for debt service	418,458	-	418,458
Unrestricted	690,066	525,528	1,215,594
Total net position	$ 7,318,862	$ 3,012,059	$ 10,330,921

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Totals
Primary Government							
Governmental Activities							
General government	$ 735,270	$ 3,200	$ 234,130	$ 5,201	$ (492,739)	$ -	$ (492,739)
Public safety	667,321	236,553	-	-	(430,768)	-	(430,768)
Streets and highways	383,628	-	-	-	(383,628)	-	(383,628)
Culture and recreation	11,467	-	-	-	(11,467)	-	(11,467)
Interest and other charges on long-term debt	50,912	-	-	-	(50,912)	-	(50,912)
Total governmental activities	1,848,598	239,753	234,130	5,201	(1,369,514)	-	(1,369,514)
Business-Type Activities							
Water	311,976	430,205	-	-	-	118,229	118,229
Sewer	416,782	310,748	-	-	-	(106,034)	(106,034)
Storm sewer	46,519	60,631	-	-	-	14,112	14,112
Total business-type activities	775,277	801,584	-	-	-	26,307	26,307
Total primary government	$ 2,623,875	$ 1,041,337	$ 234,130	$ 5,201	(1,369,514)	26,307	(1,343,207)
General Revenues							
Property taxes					735,326	-	735,326
Special assessments					29,349	21,563	50,912
State and federal aid					415,187	81,883	497,070
Investment earnings					7,185	-	7,185
Miscellaneous					19,074	-	19,074
Transfers					61,991	(61,991)	-
Total general revenues and transfers					1,268,112	41,455	1,309,567
Changes in Net Position					(101,402)	67,762	(33,640)
Net Position - Beginning					7,420,264	2,944,297	10,364,561
Net Position - Ending					$ 7,318,862	$ 3,012,059	$ 10,330,921

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	Total Governmental Funds
Assets				
Cash and investments	$ 1,218,255	$ 132,727	$ 189,629	$ 1,540,611
Receivables:				
Property taxes	14,820	3,696	3,854	22,370
Special assessments	-	40,716	47,836	88,552
Due from other governments	48,587	-	-	48,587
Prepaid items	9,118	-	-	9,118
Total assets	$ 1,290,780	$ 177,139	$ 241,319	$ 1,709,238
Liabilities				
Accounts payable	$ 10,500	$ -	$ -	$ 10,500
Due to other governments	48,587	-	-	48,587
Unearned revenue	108,515	-	-	108,515
Total liabilities	167,602	-	-	167,602
Deferred Inflows of Resources				
Unavailable revenue	55,851	42,447	49,630	147,928
Fund Balances				
Nonspendable	9,118	-	-	9,118
Restricted for debt service	-	134,692	191,689	326,381
Committed	793,457	-	-	793,457
Unassigned	264,752	-	-	264,752
Total fund balances	1,067,327	134,692	191,689	1,393,708
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,290,780	$ 177,139	$ 241,319	$ 1,709,238

Total Fund Balances for Governmental Funds:		$ 1,393,708
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		7,633,816
Some of the City's 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 unavailable revenue in the funds.		147,928
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		3,146
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(3,611)
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	$ 1,410,000	
Notes payable	199,182	
Compensated absences	19,116	
Net pension liability	227,827	
		(1,856,125)
Total Net Position for Governmental Activities		$ 7,318,862

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	Total Governmental Funds
Revenues				
Property taxes	$ 465,194	$ 113,311	$ 121,934	$ 700,439
Special assessments	-	16,905	12,444	29,349
Fees and fines	7,666	-	-	7,666
Licenses and permits	139,257	-	-	139,257
Intergovernmental	483,366	-	-	483,366
Charges for services	240,033	-	-	240,033
Investment earnings	7,185	-	-	7,185
Miscellaneous	35,715	-	-	35,715
Total revenues	1,378,416	130,216	134,378	1,643,010
Expenditures				
General government	431,124	-	-	431,124
Public safety	574,516	-	-	574,516
Public works	341,023	-	-	341,023
Sanitation	4,185	-	-	4,185
Debt Service				
Principal	61,457	135,000	100,000	296,457
Interest and other charges	9,078	13,290	30,133	52,501
Total expenditures	1,421,383	148,290	130,133	1,699,806
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,967)	(18,074)	4,245	(56,796)
Other Financing Sources (Uses)				
Transfers from other funds	123,991	-	-	123,991
Transfers to other funds	(62,000)	-	-	(62,000)
Total Other Financing Sources	61,991	-	-	61,991
Net Change in Fund Balances	19,024	(18,074)	4,245	5,195
Fund Balances - Beginning	1,048,303	152,766	187,444	1,388,513
Fund Balances - Ending	$ 1,067,327	$ 134,692	$ 191,689	$ 1,393,708

Total Net Change in Fund Balances - Governmental Funds	$	5,195
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation		(532,862)
Capital outlay		69,077
Some revenues will not be collected for several months after the City's fiscal year end, they are considered unavailable revenues in the governmental funds.		34,886
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.		5,170
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		20,017
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.		658
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		296,457
Change in Net Position of Governmental Activities	$	(101,402)

	Water	Sewer	Storm Sewer	Proprietary Funds Total
Assets				
Current Assets:				
Cash and investments	$ 175,979	$ 194,055	$ 93,512	$ 463,546
Receivables:				
Accounts	45,832	29,424	7,459	82,715
Due from other governments	-	18,169	-	18,169
Prepaid items	2,118	2,118	-	4,236
Total current assets	223,929	243,766	100,971	568,666
Noncurrent Assets:				
Capital assets not being depreciated:				
Land	89,745	89,669	24,723	204,137
Capital assets, net of accumulated depreciation:				
Building	156,150	156,150	-	312,300
Equipment	93,868	30,518	-	124,386
Infrastructure	1,619,810	359,144	348,512	2,327,466
Vehicles	3,242	-	-	3,242
Total noncurrent assets	1,962,815	635,481	373,235	2,971,531
Total assets	2,186,744	879,247	474,206	3,540,197
Liabilities				
Current Liabilities:				
Accounts payable	40,611	-	-	40,611
Interest payable	2,471	-	56	2,527
Bonds and notes payable - current	125,000	-	25,000	150,000
Total current liabilities	168,082	-	25,056	193,138
Noncurrent Liabilities:				
Bonds and notes payable	305,000	-	30,000	335,000
Total liabilities	473,082	-	55,056	528,138
Net Position				
Net investment in capital assets	1,532,815	635,481	318,235	2,486,531
Unrestricted	180,847	243,766	100,915	525,528
Total net position	$ 1,713,662	$ 879,247	$ 419,150	$ 3,012,059

	Water	Sewer	Storm Sewer	Proprietary Funds Total
Operating Revenues				
Sales and service	$ 428,915	$ 310,171	$ 60,631	$ 799,717
Miscellaneous	1,290	577	-	1,867
Total operating revenues	430,205	310,748	60,631	801,584
Operating Expenses				
Supplies	47,128	15,574	-	62,702
Other services and charges	71,769	352,295	17,661	441,725
Repairs and maintenance	17,389	4,050	9,420	30,859
Depreciation	161,355	44,863	17,200	223,418
Miscellaneous	4,692	-	-	4,692
Total operating expenses	302,333	416,782	44,281	763,396
Operating income (loss)	127,872	(106,034)	16,350	38,188
Nonoperating Revenues (Expenses)				
Special assessments	12,107	8,339	1,117	21,563
Other state and federal grants	-	81,883	-	81,883
Interest expense	(9,643)	-	(2,238)	(11,881)
Total nonoperating revenues (expenses)	2,464	90,222	(1,121)	91,565
Income (loss) before other financing sources (uses)	130,336	(15,812)	15,229	129,753
Other Financing Sources (Uses)				
Transfers in	32,000	30,000	-	62,000
Transfers out	(72,965)	(32,912)	(18,114)	(123,991)
Total other financing uses	(40,965)	(2,912)	(18,114)	(61,991)
Change in net position	89,371	(18,724)	(2,885)	67,762
Net Position - Beginning	1,624,291	897,971	422,035	2,944,297
Net Position - Ending	$ 1,713,662	$ 879,247	$ 419,150	$ 3,012,059

	Water	Sewer	Storm Sewer	Total
Cash Flows from (used for) Operating Activities				
Receipts from customers	$ 454,408	$ 304,152	$ 62,102	$ 820,662
Payments to suppliers	(140,978)	(371,919)	(27,081)	(539,978)
Net cash from (used for) operating activities	313,430	(67,767)	35,021	280,684
Cash Flows from (used for) Noncapital Financing Activities				
Other state and federal grants	-	81,883	-	81,883
Transfers from other funds	32,000	30,000	-	62,000
Transfers to other funds	(72,965)	(32,912)	(18,114)	(123,991)
Net cash from (used for) noncapital financing activities	(40,965)	78,971	(18,114)	19,892
Cash Flows from (used for) Capital and Related Financing Activities				
Principal paid on bonds	(125,000)	-	(25,000)	(150,000)
Interest paid on bonds	(10,233)	-	(2,259)	(12,492)
Proceeds from special assessments	12,107	8,339	1,117	21,563
Acquisition of capital assets	(41,521)	(6,795)	-	(48,316)
Net cash from (used for) capital and related financing activities	(164,647)	1,544	(26,142)	(189,245)
Net increase (decrease) in cash and investments	107,818	12,748	(9,235)	111,331
Cash and Investments - Beginning	68,161	181,307	102,747	352,215
Cash and Investments - Ending	$ 175,979	$ 194,055	$ 93,512	$ 463,546
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:				
Operating income (loss)	$ 127,872	$ (106,034)	$ 16,350	$ 38,188
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation expense	161,355	44,863	17,200	223,418
Change in assets and liabilities:				
Accounts receivable	1,179	941	1,471	3,591
Due from other governments	-	(7,339)	-	(7,339)
Prepaid expenses	(198)	(198)	-	(396)
Accounts payable	23,222	-	-	23,222
Net Cash from (used for) Operating Activities	$ 313,430	$ (67,767)	$ 35,021	$ 280,684

Note 1 - Summary of Significant Accounting Policies

The City of St. Bonifacius (City) is a municipal corporation governed by a mayor and a four member council elected by eligible voters of the City. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant GASB pronouncements. The significant City accounting policies are described below.

Financial Reporting Entity

The City is the basic level of government which has oversight responsibility and control over all activities related to the government in the City's area. The City receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since mayor and council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City at present does not have any component units

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 of 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.

The City reports the following major governmental funds:

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

- *2012A G.O. improvement fund* accounts for the sources of revenue for and the payment for the 2012A General Obligation Improvement Refunding Bonds.

- *2013 Street Project Debt Service fund* accounts for the sources of revenue for and the payment for the 2013C Bonds.

The City reports the following major proprietary funds:

- *Water fund* accounts for the activities of the City's water distribution operations.

- *Sewer fund* accounts for the activities of the City's sewage pumping stations and collection systems.

- *Storm Sewer fund* accounts for the activities of the City's storm sewer systems.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 water, sewer, and storm sewer enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue recycling charges, refunds and reimbursements, and penalties. Operating expenses for enterprise 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.

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance

1. **Cash and Investments**

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the investment earnings according to its average cash and investments balance. Cash and investments include amounts in demand deposits and certificates of deposit, as well as short term investments with an original maturity date within three months of the date acquired by the City. For the purposes of the statement of cash flows, cash for each fund includes demand deposit and savings account balances and certificates of deposit.

Investments are reported at fair value for investments with quoted market prices. All investment income, including changes in the fair value of investments, is reported as revenue in the statement of revenues, expenditures, and changes in fund balances.

2. **Receivables**

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, special assessments, and state and federal aids.

Interest and certain receivables are recorded as revenue in the year that it is earned and is available to pay liabilities of the current period.

On or before September 15th of each year, the City Council certifies to the county auditor the dates that it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All cities must hold public hearings on their proposed property tax levies.

Beginning on November 29th and through December 20th of each year, the City is required by State Law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the City Council certifies its final adopted property taxes payable the following year to the county auditor. If the City has not certified its final property tax by this time, its property tax shall be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year, in January, June, and November.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position or fund balance that applies to a future period and so will *not* be recognized as an outflow (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position or the governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position or fund balance that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The city has two items that qualifies for reporting in this category, *unavailable revenue,* which arises only under the modified accrual basis of accounting. Accordingly, *unavailable revenue* is only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. The City does not have a formal policy stating the aforementioned amount. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Streets	40
Lift Station	40
Sanitary Sewer Mains	40
Water Mains	40
Storm Sewer Mains	40
Sump Pump Lines	40
Buildings	40
Concrete Curb and Gutter	30
Sidewalks	30
Park Restrooms and Shelters	20
Wells and Pump Houses	20 - 25
Office Equipment Furniture and Fixtures	10
Vehicles	10
Machinery, Equipment, Radios, Phones	10 - 20
Computer Equipment and Software	5
Land	Not Depreciated

6. Compensated Absences

Vacation and sick leave are accrued as a liability and recorded as an expense for those funds as the benefits are earned by the employees. Eighty hours of vacation can be carried over into the new year. The City allows employees to accumulate unused sick leave with a maximum of 480 hours accrued. The benefit is paid in accordance with the employee agreement. As of December 31, 2020, $19,116 has been accrued and is included in noncurrent liabilities.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan 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.

9. Net Position and Fund Balances

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the City's policy to spend restricted net position before unrestricted net position. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City did not approve a specific amount to maintain as a minimum unassigned general fund balance. If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fun transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.

Note 2 - Stewardship, Compliance and Accountability

A. Excess of Expenditures over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in the general fund by $139,929. These over expenditures were funded by greater than anticipated revenues.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, none of the City's bank balances were exposed to custodial credit risk. The pledged collateral is held in safekeeping in a financial institution other than that furnishing the collateral.

The following table presents the City's deposit and investment balances at December 31, 2020:

Demand deposits & money market savings	$ 1,369,607
Certificates of deposit	634,550
	$ 2,004,157
Cash and investments - Governmental funds	$ 1,540,611
Cash and investments - Proprietary funds	463,546
	$ 2,004,157

2. Investments

The following table presents the City's investment balances at December 31, 2020:

	Total	(Level 1)	(Level 2)	(Level 3)
Investment Type:				
Certificates of deposit	$ 634,550	$ 634,550	$ -	$ -

As of December 31, 2020, the City had the following investments.

		Investment Maturities (in Years)		
	Fair Value	Not Applicable	< 1	1 - 5
Investment Type:				
Certificates of deposit	$ 634,550	$ -	$ 634,550	$ -

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City may invest funds as authorized by Minnesota Statutes Section 118A.04. The Certificates of Deposit have a Moody rating of AAA and an S & P rating of AA-. The Municipal Bond has an S & P Rating of AA-.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in Bank OZK (39.2%), Bankwell Bank (32.3%), and the Beal Bank (28.5%).

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure by the counterparty, the City's investments may not be returned to it. The City does not have an investment policy for custodial credit risk. As of December 31, 2020, none of the City's investments were exposed to custodial credit risk.

B. Receivables

Governmental funds report unearned revenue in connection with revenues that have been received but unearned and report unavailable revenue in connection with revenue that have been earned but not received. Both items are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes (general fund)	$ 7,264
2020 fire relief aid (general fund)	48,587
Delinquent property taxes (debt service funds)	3,700
Special assessments not yet due (debt service funds)	88,377
Total unavailable revenue for governmental funds	$ 147,928

	Unearned
Prepayments for use of parking spaces	$ 108,515

C. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 149,092	$ -	$ -	$ 149,092
Construction in progress	-	13,478	-	13,478
Total Capital Assets, Not Being Depreciated	149,092	13,478	-	162,570
Capital Assets, Being Depreciated:				
Building	1,446,907	19,411	-	1,466,318
Equipment	1,041,917	36,188	-	1,078,105
Infrastructure	27,809,905	-	-	27,809,905
Vehicles	1,514,576	-	-	1,514,576
Total Capital Assets, Being Depreciated	31,813,305	55,599	-	31,868,904
Accumulated Depreciation:				
Building	701,960	42,659	-	744,619
Equipment	717,598	40,718	-	758,316
Infrastructure	21,527,431	401,840	-	21,929,271
Vehicles	917,807	47,645	-	965,452
Total Accumulated Depreciation	23,864,796	532,862	-	24,397,658
Total Capital Assets, Being Depreciated, Net	7,948,509	(477,263)	-	7,471,246
Governmental Activities Capital Assets, Net	$ 8,097,601	$ (463,785)	$ -	$ 7,633,816

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities:	
General government	$ 319,207
Public safety	87,299
Culture and recreation	11,467
Public works	47,723
Highways and streets, including general infrastructure assets	67,166
	$ 532,862

	Beginning Balances	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 204,137	$ -	$ -	$ 204,137
Capital Assets, Being Depreciated:				
Buildings	446,143	-	-	446,143
Equipment	336,103	10,928	-	347,031
Infrastructure	5,359,472	37,388	-	5,396,860
Vehicles	36,849	-	-	36,849
Total Capital Assets, Being Depreciated	6,178,567	48,316	-	6,226,883
Accumulated Depreciation:				
Buildings	122,690	11,153	-	133,843
Equipment	199,033	23,612	-	222,645
Infrastructure	2,882,594	186,800	-	3,069,394
Vehicles	31,754	1,853	-	33,607
Total Accumulated Depreciation	3,236,071	223,418	-	3,459,489
Total Capital Assets, Being Depreciated, Net	2,942,496	(175,102)	-	2,767,394
Business-Type Activities Capital Assets, Net	$ 3,146,633	$ (175,102)	$ -	$ 2,971,531

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

Water	$ 161,355
Sewer	44,863
Storm sewer	17,200
	$ 223,418

D. Long-Term Liabilities

General Obligation Bonds: The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities and are direct obligations and pledge the full faith and credit of the City. General Obligation Bonds are paid from the 2012A G.O. Improvement Bonds Fund, 2013 Street Project Debt Service Fund, Water Fund, and the Storm Sewer Funds. General obligation bonds currently outstanding are as follows:

Bond Issue and Purpose	Interest Rates	Outstanding as of December 31, 2020
Governmental Activities:		
G.O. Refunding bonds of 2012A of $1,170,000, due in annual installments of $135,000 to $155,000 through December 1, 2023.	2.00% to 2.30%	$ 445,000
G.O. Refunding bonds of 2013C of $1,620,000, due in annual installments of $100,000 to $140,000 through December 15, 2028.	2.00% to 3.25%	965,000
Total governmental activities		1,410,000
Business-Type Activities:		
G.O. Refunding bonds of 2012B of $775,000, due in annual installments of $90,000 through December 1, 2021.	0.40% to 1.85%	90,000
G.O. Storm Sewer Refunding bonds of 2013C of $200,000, due in annual installments of $25,000 to $30,000 through December 15, 2022.	2.00% to 2.30%	55,000
Total business-type activities		145,000
General Obligation Bonds Payable		$ 1,555,000

Drinking Water Revenue Notes: The City issued a $664,864 general obligation revenue note for the construction of a well that serves all the residents and businesses within the City. The bonds are covered by the revenue resulting from water fund operating revenues. For the year ended December 31, 2020, the water fund operating income was $127,872 and related principal and interest payments for the revenue notes were $35,000 and $6,409 respectively. The note has a stated interest rate of 1.709% and is payable in annual installments of principal and semiannual installments of interest. The note is financed by the Water Fund. The annual principal installments of $34,000 to $40,000 are due on August 20th of each year through August 20, 2029. The amount currently outstanding at December 31, 2020 is $340,000.

Note Payable: In 2012 the City entered into an agreement with the City of Minnetrista to fund a road project. This was issued with interest rates ranging from .5% - 2.8% and is due in annual installments through 2027. Payments are made to the City of Minnetrista from the City's General Fund. The amount currently outstanding at December 31, 2020 is $191,182.

Annual debt service requirements to maturity for long-term bonds and note payable are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
December 31	Principal	Interest	Principal	Interest
2021	$ 271,659	$ 37,792	$ 150,000	$ 8,741
2022	287,165	32,508	66,000	5,902
2023	292,736	26,753	37,000	4,597
2024	143,346	19,888	37,000	3,965
2025	149,012	16,437	38,000	10,101
2026-2029	465,264	26,325	157,000	
Total	$ 1,609,182	$ 159,703	$ 485,000	$ 33,306

Changes in Long-Term Liabilities. During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:					
Debt Payable:					
Direct borrowing, Capital lease	$ 35,244	$ -	$ 35,244	$ -	$ -
General obligation bonds	1,645,000	-	235,000	1,410,000	245,000
Note payable	225,395	-	26,213	199,182	26,659
Compensated absences	24,286	25,952	31,122	19,116	19,116
Total bonds outstanding	$ 1,929,925	$ 25,952	$ 327,579	$ 1,628,298	$ 290,775
Business-Type Activities:					
Debt Payable:					
Drinking water revenue notes	$ 375,000	$ -	$ 35,000	$ 340,000	$ 35,000
General obligation bonds	260,000	-	115,000	145,000	115,000
Total bonds outstanding	$ 635,000	$ -	$ 150,000	$ 485,000	$ 150,000

Legal Debt Margin. The legal debt limitation based on market value of taxable property in the municipality is equal to $6,896,762.

E. Conduit Debt

From time to time, the City has issued Revenue Bonds and Notes 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, 2020, there was one revenue bond outstanding, with a principal amount payable of approximately $6,848,105.

F. Inter-Fund Balances and Transfers

Inter-fund transfers for the year ended December 31, 2020, consisted of the following:

Transferred From	Transferred To			
	General	Sewer	Water	Total
General Fund	$ -	$ 30,000	$ 32,000	$ 62,000
Water Fund	72,965	-	-	72,965
Sewer Fund	32,912	-	-	32,912
Storm Sewer Fund	18,114	-	-	18,114
Total	$ 123,991	$ 30,000	$ 32,000	$ 185,991

Purpose for Inter-Fund Transfers:

The enterprise sewer and water funds transferred to the general fund for public works labor, public safety, city hall utilities, and staff wages.

The general fund transferred to the water and sewer enterprise funds to avoid or reduce the need to raise utility rates.

G. Committed Fund Balances

Balances in Committed Fund Balances as of December 31, 2020:

Committed for Fire Service	$ 27,599
Committed for Parks and Public Works	30,111
Committed for Park Improvement	3,215
Committed for Fire Capital Outlay	513,347
Committed for Fire Contract Reserve	4,455
Committed for FD Thermal Equipment	2,518
Committed for Public Safety	24,124
Committed for Park Capital Outlay	18,926
Committed for Capital Outlay	10,972
Committed for Hyland Road Bonni-View	77,122
Committed for WAFTA	81,068
Total	$ 793,457

Note 4 - Defined Benefit 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.

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employee Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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 service.

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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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 unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020. The City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were $20,878. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2020, the City reported a liability of $227,827 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. The State of Minnesota is considered a non-employer contributing entity and the state's contributions 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 $6,995. The net pension liability was measured as of June 30, 2020, 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 proportionate of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0038%, which was an increase of 0.0001% from its proportionate share measured as of June 30, 2019.

City's proportionate share of the net pension liability	$	227,827
State of Minnesota's proportionate share of the net pension liability associated with the City		6,995
Total	$	234,822

For the year ended December 31, 2020, the City recognized pension expense of $21,614 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $609 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.

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,025	$ 862
Changes in actuarial assumptions	-	8,386
Difference between projected and actual investment earnings	3,097	-
Change in proportion and differences between contributions made and City's proportionate share of contributions	4,147	7,562
City's contributions to GERF subsequent to the measurement date	10,687	-
Total	$ 19,956	$ 16,810

$10,687 reported as deferred outflows 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Pension Expense Amount
2021	$ (18,529)
2022	(222)
2023	5,705
2024	5,505
2025	-
	$ (7,541)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

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 after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions to the General Employees Fund occurred in 2020:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 position of the General Employees 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.

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employee Plan discount rate	6.50%	7.50%	8.50%
City's proportionate share of the General Employee Plan net pension liability	$ 365,128	$ 227,827	$ 114,565

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 5 - Other Information

A. 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. The City accounts for and reports risk management activities in the general fund within the constraints of the modified accrual basis of accounting.

The City continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 6 - Issued but Non-Effective Accounting Pronouncements

The first statement issued but not yet implemented that will significantly affect the City is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the City in the year ended December 31, 2022.

The second statement issued but not yet implemented that will significantly affect the City is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the City in the year ended December 31, 2021.

The final statement issued, but not yet implemented that will significantly affect the City is Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required noted disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognized assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. This statement will be implemented at the City in the year ended December 31, 2022.

Management has not yet determined the effect these pronouncements will have on the City's financial statements.

Required Supplementary Information
December 31, 2020

City of St. Bonifacius

Schedule of Employer’s Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	City's Proportion (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (d) (a+b)	City's Covered Payroll (e)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Plan	06/30/20	0.0038%	$ 227,827	$ 6,995	$ 234,822	$ 271,215	84.0%	79.1%
	06/30/19	0.0037%	204,565	6,500	211,065	265,831	77.0%	80.2%
	06/30/18	0.0038%	210,808	6,871	217,679	241,033	87.5%	79.5%
	06/30/17	0.0041%	261,741	3,302	265,043	264,973	98.8%	75.9%
	06/30/16	0.0043%	349,139	4,501	353,640	264,237	132.1%	68.9%
	06/30/15	0.0042%	217,666	N/A	217,666	255,209	85.3%	78.2%

Schedule of Employer’s Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
General Plan	12/31/20	$ 20,878	$ 20,878	$ -	$ 278,368	7.5%
	12/31/19	20,133	20,133	-	268,709	7.5%
	12/31/18	19,842	19,842	-	264,749	7.5%
	12/31/17	18,965	18,965	-	252,867	7.5%
	12/31/16	20,318	20,318	-	270,902	7.5%
	12/31/15	18,696	18,696	-	249,276	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	$ 465,240	$ 465,240	$ 465,194	$ (46)
Licenses and permits	124,790	124,790	139,257	14,467
Intergovernmental				
Federal Aid	-	-	94,873	94,873
Local government aid	370,290	370,290	371,214	924
Other state grants and aids	7,000	7,000	17,279	10,279
Charges for services				
General government	6,300	6,300	3,480	(2,820)
Police and fire contracts	236,553	236,553	236,553	-
Fees and fines	13,000	13,000	7,666	(5,334)
Interest earnings	4,000	4,000	7,185	3,185
Miscellaneous				
Donations	3,000	3,000	7,701	4,701
Miscellaneous	-	-	1,320	1,320
Refunds and reimbursements	10,500	10,500	26,694	16,194
Total revenues	1,240,673	1,240,673	1,378,416	137,743
Expenditures				
General Government				
Mayor and council	13,800	13,800	14,941	(1,141)
Administration and finance	236,082	236,082	233,261	2,821
Other general government	58,300	58,300	182,922	(124,622)
Capital outlay	6,200	6,200	-	6,200
Public Safety				
Police - current expenditures	259,600	259,600	259,565	35
Fire - current expenditures	206,546	206,546	250,383	(43,837)
Fire - capital outlay	122,000	122,000	51,466	70,534
Other public safety	12,000	12,000	13,102	(1,102)
Streets and Highways				
Street maintenance	239,201	239,201	279,864	(40,663)
Snow and ice removal	11,000	11,000	21,019	(10,019)
Street lighting	35,000	35,000	36,007	(1,007)
Street - other capital outlay	-	-	4,133	(4,133)
Sanitation - current expenditures	5,000	5,000	4,185	815
Debt Service				
Principal retirement	64,800	64,800	61,457	3,343
Interest and fiscal charges	11,925	11,925	9,078	2,847
Total expenditures	1,281,454	1,281,454	1,421,383	(139,929)
Deficiency of Revenues Under Expenditures	(40,781)	(40,781)	(42,967)	(2,186)
Other Financing Sources (Uses)				
Transfers from other funds	249,891	249,891	123,991	(125,900)
Transfers to other funds	(62,000)	(62,000)	(62,000)	-
Total other financing sources (uses)	187,891	187,891	61,991	(125,900)
Net Change in Fund Balance	$ 147,110	$ 147,110	19,024	$ (128,086)
Fund Balance - Beginning			1,048,303	
Fund Balance - Ending			$ 1,067,327	

A. Budgetary Information

Annual budgets are adopted. All annual appropriations lapse at year end. The actual receipts, disbursements, and transfers for the year ended December 31, 2020, have been compared to the City's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate receipts are less than budget or disbursements are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year end.

Supplemental Schedule
December 31, 2020

City of St. Bonifacius

Independent Auditor's Report on Minnesota Legal Compliance

Honorable Mayor and City Council
City of St. Bonifacius
St. Bonifacius, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Bonifacius (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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'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 and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Mankato, Minnesota
March 22, 2021

Section I – Minnesota Legal Compliance Findings

None reported