



Financial Statements  
December 31, 2019

# City of St. Bonifacius

**INTRODUCTORY SECTION**

Officials (Unaudited) ..... I

**FINANCIAL SECTION**

Independent Auditor’s Report ..... II

**BASIC FINANCIAL STATEMENTS:**

Government-Wide Financial Statements:

Statement of Net Position ..... 1  
Statement of Activities ..... 2

Fund Financial Statements:

Balance Sheet – Governmental Funds ..... 3  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ..... 4  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds ..... 5  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 6  
Statement of Net Position – Proprietary Funds ..... 7  
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds ..... 8  
Statement of Cash Flows – Proprietary Funds ..... 9  
Notes to Financial Statements ..... 10

**REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions ..... 31  
Budgetary Comparison Schedule – General Fund ..... 32

**MINNESOTA COMPLIANCE SECTION**

Independent Auditor’s Report on Minnesota Legal Compliance ..... 33  
Schedule of Findings ..... 34

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



## 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, 2019, 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, 2019, 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.

## **Emphasis of Matter**

### *Restatement*

As discussed in Note 6 to the financial statements, the City determined that a note payable and related infrastructure asset and accumulated depreciation had been excluded on the City's financial statements. This resulted in the City's governmental activities net position being understated and has resulted in a restatement of the net position in the Governmental Activities as of January 1, 2019. Our opinions are not modified with respect to this matter.

## **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 April 22, 2020, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Mankato, Minnesota  
April 22, 2020

City of St. Bonifacius  
Statement of Net Position  
December 31, 2019

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and investments	\$ 1,486,108	\$ 352,215	\$ 1,838,323
Receivables:			
Property taxes	17,264	-	17,264
Special assessments	113,042	-	113,042
Accounts	-	86,304	86,304
Due from other governments	-	10,830	10,830
Prepaid items	8,407	3,842	12,249
Capital assets not being depreciated:			
Land	149,092	204,137	353,229
Capital assets, net of accumulated depreciation:			
Building	744,947	323,453	1,068,400
Equipment	324,319	137,070	461,389
Infrastructure	6,282,474	2,476,878	8,759,352
Vehicles	596,769	5,095	601,864
Total assets	<u>9,722,422</u>	<u>3,599,824</u>	<u>13,322,246</u>
<b>Deferred Outflows of Resources</b>			
Pension plans	<u>16,217</u>	<u>-</u>	<u>16,217</u>
<b>Liabilities</b>			
Accounts payable	10,500	17,389	27,889
Unearned revenue	112,766	-	112,766
Interest payable	4,269	3,138	7,407
Noncurrent liabilities:			
Due within one year	320,743	150,000	470,743
Due in more than one year	1,609,182	485,000	2,094,182
Net pension liability	<u>204,565</u>	<u>-</u>	<u>204,565</u>
Total liabilities	<u>2,262,025</u>	<u>655,527</u>	<u>2,917,552</u>
<b>Deferred Inflows of Resources</b>			
Pension plans	<u>56,350</u>	<u>-</u>	<u>56,350</u>
<b>Net Position</b>			
Net investment in capital assets	6,417,357	2,511,633	8,928,990
Restricted for debt service	453,252	-	453,252
Unrestricted	<u>549,655</u>	<u>432,664</u>	<u>982,319</u>
Total net position	<u>\$ 7,420,264</u>	<u>\$ 2,944,297</u>	<u>\$ 10,364,561</u>

City of St. Bonifacius  
Statement of Activities  
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 636,866	\$ 7,140	\$ 110,318	\$ 2,400	\$ (517,008)	\$ -	\$ (517,008)
Public safety	767,701	237,962	-	-	(529,739)	-	(529,739)
Streets and highways	362,431	-	-	-	(362,431)	-	(362,431)
Culture and recreation	10,902	-	-	-	(10,902)	-	(10,902)
Interest and other charges on long-term debt	56,990	-	-	-	(56,990)	-	(56,990)
Total governmental activities	<u>1,834,890</u>	<u>245,102</u>	<u>110,318</u>	<u>2,400</u>	<u>(1,477,070)</u>	<u>-</u>	<u>(1,477,070)</u>
<b>Business-Type Activities</b>							
Water	273,986	373,163	-	-	-	99,177	99,177
Sewer	300,778	270,443	-	-	-	(30,335)	(30,335)
Storm sewer	27,428	61,099	-	-	-	33,671	33,671
Total business-type activities	<u>602,192</u>	<u>704,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,513</u>	<u>102,513</u>
Total primary government	<u>\$ 2,437,082</u>	<u>\$ 949,807</u>	<u>\$ 110,318</u>	<u>\$ 2,400</u>	<u>(1,477,070)</u>	<u>102,513</u>	<u>(1,374,557)</u>
<b>General Revenues</b>							
Property taxes					665,364	-	665,364
Special assessments					31,651	15,414	47,065
State aid					439,886	-	439,886
Investment earnings					34,975	-	34,975
Miscellaneous					24,880	-	24,880
Transfers					59,115	(59,115)	-
Total general revenues and transfers					<u>1,255,871</u>	<u>(43,701)</u>	<u>1,212,170</u>
Changes in Net Position					(221,199)	58,812	(162,387)
Net Position - Beginning, as restated (Note 6)					<u>7,641,463</u>	<u>2,885,485</u>	<u>10,526,948</u>
Net Position - Ending					<u>\$ 7,420,264</u>	<u>\$ 2,944,297</u>	<u>\$ 10,364,561</u>

The notes to the financial statements are an integral part of the financial statements



City of St. Bonifacius  
Balance Sheet – Governmental Funds  
December 31, 2019

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,151,746	\$ 149,905	\$ 184,457	\$ 1,486,108
Receivables:				
Property taxes	11,416	2,861	2,987	17,264
Special assessments	-	54,346	58,696	113,042
Prepaid items	8,407	-	-	8,407
<b>Total assets</b>	<b>\$ 1,171,569</b>	<b>\$ 207,112</b>	<b>\$ 246,140</b>	<b>\$ 1,624,821</b>
<b>Liabilities</b>				
Accounts payable	\$ 10,500	\$ -	\$ -	\$ 10,500
Unearned revenue	112,766	-	-	112,766
<b>Total liabilities</b>	<b>123,266</b>	<b>-</b>	<b>-</b>	<b>123,266</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	-	54,346	58,696	113,042
<b>Fund Balances</b>				
Nonspendable	8,407	-	-	8,407
Restricted for debt service	-	152,766	187,444	340,210
Committed	726,254	-	-	726,254
Unassigned	313,642	-	-	313,642
<b>Total fund balances</b>	<b>1,048,303</b>	<b>152,766</b>	<b>187,444</b>	<b>1,388,513</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,171,569</b>	<b>\$ 207,112</b>	<b>\$ 246,140</b>	<b>\$ 1,624,821</b>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2019

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Total Fund Balances for Governmental Funds:		\$ 1,388,513
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.		8,097,601
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.		113,042
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(40,133)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(4,269)
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	\$ 1,645,000	
Direct borrowing - capital lease payable	35,244	
Notes payable	225,395	
Compensated absences	24,286	
Net pension liability	204,565	
		(2,134,490)
Total Net Position for Governmental Activities		\$ 7,420,264

City of St. Bonifacius

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended December 31, 2019

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 458,662	\$ 114,514	\$ 119,695	\$ 692,871
Special assessments	-	16,512	15,139	31,651
Fees and fines	12,733	-	-	12,733
Licenses and permits	110,318	-	-	110,318
Intergovernmental	418,409	-	-	418,409
Charges for services	245,102	-	-	245,102
Investment earnings	34,975	-	-	34,975
Miscellaneous	36,020	-	-	36,020
<b>Total revenues</b>	<b>1,316,219</b>	<b>131,026</b>	<b>134,834</b>	<b>1,582,079</b>
<b>Expenditures</b>				
General government	326,878	-	-	326,878
Public safety	687,426	-	-	687,426
Public works	308,559	-	-	308,559
Sanitation	4,315	-	-	4,315
Miscellaneous	-	3,958	1,454	5,412
<b>Debt Service</b>				
Principal	59,879	130,000	100,000	289,879
Interest and other charges	7,314	15,890	32,132	55,336
<b>Total expenditures</b>	<b>1,394,371</b>	<b>149,848</b>	<b>133,586</b>	<b>1,677,805</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(78,152)</b>	<b>(18,822)</b>	<b>1,248</b>	<b>(95,726)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	121,115	-	-	121,115
Transfers to other funds	(62,000)	-	-	(62,000)
<b>Total Other Financing Sources</b>	<b>59,115</b>	<b>-</b>	<b>-</b>	<b>59,115</b>
<b>Net Change in Fund Balances</b>	<b>(19,037)</b>	<b>(18,822)</b>	<b>1,248</b>	<b>(36,611)</b>
<b>Fund Balances - Beginning</b>	<b>1,067,340</b>	<b>171,588</b>	<b>186,196</b>	<b>1,425,124</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,048,303</b>	<b>\$ 152,766</b>	<b>\$ 187,444</b>	<b>\$ 1,388,513</b>

City of St. Bonifacius

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended December 31, 2019

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Total Net Change in Fund Balances - Governmental Funds \$ (36,611)

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	(530,825)
Capital outlay	87,399

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.

(27,507)

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.

(2,247)

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.

366

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.

(1,653)

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.

289,879

Change in Net Position of Governmental Activities

\$ (221,199)

City of St. Bonifacius  
Statement of Net Position – Proprietary Funds  
December 31, 2019

	Water	Sewer	Storm Sewer	Proprietary Funds Total
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 68,161	\$ 181,307	\$ 102,747	\$ 352,215
<b>Receivables:</b>				
Accounts	47,010	30,364	8,930	86,304
Due from other governments	-	10,830	-	10,830
Prepaid items	1,921	1,921	-	3,842
<b>Total current assets</b>	<b>117,092</b>	<b>224,422</b>	<b>111,677</b>	<b>453,191</b>
<b>Noncurrent Assets:</b>				
<b>Capital assets not being depreciated:</b>				
Land	89,745	89,669	24,723	204,137
<b>Capital assets, net of accumulated depreciation:</b>				
Building	161,727	161,726	-	323,453
Equipment	104,307	32,763	-	137,070
Infrastructure	1,721,775	389,391	365,712	2,476,878
Vehicles	5,095	-	-	5,095
<b>Total noncurrent assets</b>	<b>2,082,649</b>	<b>673,549</b>	<b>390,435</b>	<b>3,146,633</b>
<b>Total assets</b>	<b>2,199,741</b>	<b>897,971</b>	<b>502,112</b>	<b>3,599,824</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	17,389	-	-	17,389
Interest payable	3,061	-	77	3,138
Bonds and notes payable - current	125,000	-	25,000	150,000
<b>Total current liabilities</b>	<b>145,450</b>	<b>-</b>	<b>25,077</b>	<b>170,527</b>
<b>Noncurrent Liabilities:</b>				
Bonds and notes payable	430,000	-	55,000	485,000
<b>Total liabilities</b>	<b>575,450</b>	<b>-</b>	<b>80,077</b>	<b>655,527</b>
<b>Net Position</b>				
Net investment in capital assets	1,527,649	673,549	310,435	2,511,633
Unrestricted	96,642	224,422	111,600	432,664
<b>Total net position</b>	<b>\$ 1,624,291</b>	<b>\$ 897,971</b>	<b>\$ 422,035</b>	<b>\$ 2,944,297</b>

City of St. Bonifacius  
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
Year Ended December 31, 2019

	Water	Sewer	Storm Sewer	Proprietary Funds Total
Operating Revenues				
Sales and service	\$ 372,773	\$ 270,054	\$ 61,099	\$ 703,926
Miscellaneous	390	389	-	779
Total operating revenues	<u>373,163</u>	<u>270,443</u>	<u>61,099</u>	<u>704,705</u>
Operating Expenses				
Supplies	19,305	10,012	-	29,317
Other services and charges	66,121	247,616	7,490	321,227
Repairs and maintenance	17,389	-	-	17,389
Depreciation	157,725	43,007	17,200	217,932
Miscellaneous	2,291	143	-	2,434
Total operating expenses	<u>262,831</u>	<u>300,778</u>	<u>24,690</u>	<u>588,299</u>
Operating income (loss)	110,332	(30,335)	36,409	116,406
Nonoperating Revenues (Expenses)				
Special assessments	8,464	6,011	939	15,414
Interest expense	(11,155)	-	(2,738)	(13,893)
Total nonoperating revenues (expenses)	<u>(2,691)</u>	<u>6,011</u>	<u>(1,799)</u>	<u>1,521</u>
Income (loss) before other financing sources (uses)	107,641	(24,324)	34,610	117,927
Other Financing Sources (Uses)				
Transfers in	32,000	30,000	-	62,000
Transfers out	(71,260)	(32,185)	(17,670)	(121,115)
Total other financing uses	<u>(39,260)</u>	<u>(2,185)</u>	<u>(17,670)</u>	<u>(59,115)</u>
Change in net position	68,381	(26,509)	16,940	58,812
Net Position - Beginning	<u>1,555,910</u>	<u>924,480</u>	<u>405,095</u>	<u>2,885,485</u>
Net Position - Ending	<u>\$ 1,624,291</u>	<u>\$ 897,971</u>	<u>\$ 422,035</u>	<u>\$ 2,944,297</u>

City of St. Bonifacius  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2019

	Water	Sewer	Storm Sewer	Total
Cash Flows from (used for) Operating Activities				
Receipts from customers	\$ 376,606	\$ 276,944	\$ 56,781	\$ 710,331
Payments to suppliers	(105,106)	(257,771)	(7,490)	(370,367)
Net cash from operating activities	<u>271,500</u>	<u>19,173</u>	<u>49,291</u>	<u>339,964</u>
Cash Flows from (used for) Noncapital Financing Activities				
Transfers from other funds	32,000	30,000	-	62,000
Transfers to other funds	(71,260)	(32,185)	(17,670)	(121,115)
Net cash used for noncapital financing activities	<u>(39,260)</u>	<u>(2,185)</u>	<u>(17,670)</u>	<u>(59,115)</u>
Cash Flows from (used for) Capital and Related Financing Activities				
Principal paid on bonds	(124,000)	-	(25,000)	(149,000)
Interest paid on bonds	(11,670)	-	(2,761)	(14,431)
Proceeds from special assessments	8,464	6,011	939	15,414
Acquisition of capital assets	(200,639)	(52,397)	-	(253,036)
Net cash used for capital and related financing activities	<u>(327,845)</u>	<u>(46,386)</u>	<u>(26,822)</u>	<u>(401,053)</u>
Net increase (decrease) in cash and investments	(95,605)	(29,398)	4,799	(120,204)
Cash and investments - Beginning	<u>163,766</u>	<u>210,705</u>	<u>97,948</u>	<u>472,419</u>
Cash and investments - Ending	<u>\$ 68,161</u>	<u>\$ 181,307</u>	<u>\$ 102,747</u>	<u>\$ 352,215</u>
Reconciliation of Operating Income to Net Cash from (used for) Operating Activities:				
Cash from (used for) Operating Activities:				
Operating income (loss)	\$ 110,332	\$ (30,335)	\$ 36,409	\$ 116,406
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	157,725	43,007	17,200	217,932
Change in assets and liabilities:				
Accounts receivable	3,596	1,927	(172)	5,351
Due from other governments	-	4,727	-	4,727
Prepaid expenses	(153)	(153)	-	(306)
Accounts payable	-	-	(4,146)	(4,146)
Net Cash from Operating Activities	<u>\$ 271,500</u>	<u>\$ 19,173</u>	<u>\$ 49,291</u>	<u>\$ 339,964</u>

## 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 includes 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 estimated fair market value at the date of donation.

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:

	<u>Years</u>
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
Office Equipment Furniture and Fixtures	10
Vehicles	10
Machinery, Equipment, Radios, Phones	10
Computer Equipment and Software	5
Land	Not Depreciated

#### **6. Compensated Absences**

Vacation and sick leave is 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, 2019, \$24,286 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-fund 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. 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, 2019, 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.

### **B. Excess of Expenditures over Appropriations**

For the year ended December 31, 2019, expenditures exceeded appropriations in the general fund by \$74,300. These over expenditures were funded by greater than anticipated revenues and available fund balance.

**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, 2019, 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, 2019:

Demand deposits (interest bearing)	\$ 1,193,772
Money market savings	27,593
Certificates of deposit	413,486
Municipal bond	203,472
	\$ 1,838,323

Cash is included in the basic financial statements as follows:

Cash and investments - Governmental funds	\$ 1,486,108
Cash and investments - Proprietary funds	352,215
	\$ 1,838,323

## 2. Investments

The following table presents the City's investment balances at December 31, 2019:

Investment Type:	Fair Value	Investment Maturities (in Years)		
		Not Applicable	< 1	1 - 5
Certificates of deposit	\$ 413,486	\$ -	\$ 166,254	\$ 247,232
Municipal bond	203,472	-	203,472	-
<b>Total investments</b>	<b>\$ 616,958</b>	<b>\$ -</b>	<b>\$ 369,726</b>	<b>\$ 247,232</b>

As of December 31, 2019, the City had the following investments.

Investment Type:	Total	( Level 1)	(Level 2)	(Level 3)
Certificates of deposit	\$ 413,486	\$ 413,486	\$ -	\$ -
Municipal bond	203,472	-	203,472	-
<b>Total Fair Value</b>	<b>\$ 616,958</b>	<b>\$ 413,486</b>	<b>\$ 203,472</b>	<b>\$ -</b>

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 HSBC Bank USA (40.1%), Morgan Stanley (26.9%), and the City of Kaukauna, WI (33.0%).

**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, 2019, none of the City's investments were exposed to custodial credit risk.



**B. Receivables**

Governmental funds report unavailable revenue in connection with receivables for revenues that have been earned but not received. These receivables are not considered to be available to liquidate liabilities of the current period (collected within 60 days of year-end). The City reports \$113,042 of special assessments not yet due in the debt service funds as of December 31, 2019, of which \$93,720 is not expected to be collected within one year.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balances (Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 149,092	\$ -	\$ -	\$ 149,092
Capital Assets, Being Depreciated:				
Building	1,446,907	-	-	1,446,907
Equipment	954,518	87,399	-	1,041,917
Infrastructure	27,809,905	-	-	27,809,905
Vehicles	1,514,576	-	-	1,514,576
Total Capital Assets, Being Depreciated	<u>31,725,906</u>	<u>87,399</u>	<u>-</u>	<u>31,813,305</u>
Accumulated Depreciation:				
Building	659,227	42,733	-	701,960
Equipment	681,914	35,684	-	717,598
Infrastructure	21,122,667	404,764	-	21,527,431
Vehicles	870,163	47,644	-	917,807
Total Accumulated Depreciation	<u>23,333,971</u>	<u>530,825</u>	<u>-</u>	<u>23,864,796</u>
Total Capital Assets, Being Depreciated, Net	<u>8,391,935</u>	<u>(443,426)</u>	<u>-</u>	<u>7,948,509</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,541,027</u>	<u>\$ (443,426)</u>	<u>\$ -</u>	<u>\$ 8,097,601</u>

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

Governmental Activities:	
General government	\$ 319,205
Public safety	83,761
Culture and recreation	10,902
Public works	47,309
Highways and streets, including general infrastructure assets	69,648
	<u>\$ 530,825</u>

City of St. Bonifacius  
Notes to Financial Statements  
December 31, 2019

	Beginning Balances	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 204,137	\$ -	\$ -	\$ 204,137
Construction in progress	4,565	192,689	197,254	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>208,702</b>	<b>192,689</b>	<b>197,254</b>	<b>204,137</b>
Capital Assets, Being Depreciated:				
Buildings	446,143	-	-	446,143
Equipment	328,153	7,950	-	336,103
Infrastructure	5,109,821	249,651	-	5,359,472
Vehicles	36,849	-	-	36,849
<b>Total Capital Assets, Being Depreciated</b>	<b>5,920,966</b>	<b>257,601</b>	<b>-</b>	<b>6,178,567</b>
Accumulated Depreciation:				
Buildings	111,536	11,154	-	122,690
Equipment	176,441	22,592	-	199,033
Infrastructure	2,700,261	182,333	-	2,882,594
Vehicles	29,901	1,853	-	31,754
<b>Total Accumulated Depreciation</b>	<b>3,018,139</b>	<b>217,932</b>	<b>-</b>	<b>3,236,071</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>2,902,827</b>	<b>39,669</b>	<b>-</b>	<b>2,942,496</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 3,111,529</b>	<b>\$ 232,358</b>	<b>\$ 197,254</b>	<b>\$ 3,146,633</b>

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

Water	\$ 157,725
Sewer	43,007
Storm sewer	17,200
	<u>\$ 217,932</u>

**D. Direct Borrowing, Capital Lease**

The City has an outstanding lease for the financing of a plow truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is payable in one final annual installment of \$36,007 in December 2020 at 3.45% interest rate and payments are made from the general fund.

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset - Plow truck	\$ 200,400
Less: accumulated depreciation	(41,750)
Total	\$ 158,650

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

2020	\$ 36,007
Less: amount representing interest	(763)
Present value of capital lease payments	\$ 35,244

### E. 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, 2019
<u>Governmental Activities:</u>		
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%	\$ 580,000
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%	1,065,000
Total governmental activities		<u>1,645,000</u>
<u>Business-Type Activities:</u>		
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%	180,000
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%	80,000
Total business-type activities		<u>260,000</u>
General Obligation Bonds Payable		<u>\$ 1,905,000</u>

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, 2019, the water fund operating income was \$110,332 and related principal and interest payments for the revenue notes were \$34,000 and \$6,990 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 20<sup>th</sup> of each year through August 20, 2029. The amount currently outstanding at December 31, 2019 is \$375,000.

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, 2019 is \$225,395.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 261,213	\$ 42,492	\$ 150,000	\$ 11,504
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
2025-2029	614,276	42,763	195,000	10,100
<b>Total</b>	<b>\$ 1,870,395</b>	<b>\$ 202,196</b>	<b>\$ 635,000</b>	<b>\$ 44,809</b>

Changes in Long-Term Liabilities. During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Balance January 1 (Restated)	Additions	Reductions	Balance December 31	Due Within One Year
<b>Governmental Activities:</b>					
<b>Debt Payable:</b>					
Direct borrowing, Capital lease	\$ 69,297	\$ -	\$ 34,053	\$ 35,244	\$ 35,244
General obligation bonds	1,875,000	-	230,000	1,645,000	235,000
Note payable	251,221	-	25,826	225,395	26,213
Compensated absences	22,039	31,261	29,014	24,286	24,286
<b>Total bonds outstanding</b>	<b>\$ 2,217,557</b>	<b>\$ 31,261</b>	<b>\$ 318,893</b>	<b>\$ 1,929,925</b>	<b>\$ 320,743</b>
<b>Business-Type Activities:</b>					
<b>Debt Payable:</b>					
Drinking water revenue notes	\$ 409,000	\$ -	\$ 34,000	\$ 375,000	\$ 35,000
General obligation bonds	375,000	-	115,000	260,000	115,000
<b>Total bonds outstanding</b>	<b>\$ 784,000</b>	<b>\$ -</b>	<b>\$ 149,000</b>	<b>\$ 635,000</b>	<b>\$ 150,000</b>

Legal Debt Margin. The legal debt limitation based on market value of taxable property in the municipality is equal to \$6,304,358.

#### F. 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, 2019, there was one revenue bond outstanding, with a principal amount payable of approximately \$7,255,512.

**G. Inter-Fund Balances and Transfers**

Inter-fund transfers for the year ended December 31, 2019, consisted of the following:

Transferred From	Transferred To			
	General	Sewer	Water	Total
General Fund	\$ -	\$ 30,000	\$ 32,000	\$ 62,000
Water Fund	71,260	-	-	71,260
Sewer Fund	32,185	-	-	32,185
Storm Sewer Fund	17,670	-	-	17,670
Total	\$ 121,115	\$ 30,000	\$ 32,000	\$ 183,115

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.

**H. Committed Fund Balances**

Balances in Committed Fund Balances as of December 31, 2019:

Committed for Fire Service	\$ 27,057
Committed for Parks and Public Works	48,372
Committed for Park Improvement	6,300
Committed for Fire Capital Outlay	407,278
Committed for Fire Contract Reserve	18,865
Committed for FD Thermal Equipment	11,289
Committed for Public Safety	19,947
Committed for Park Capital Outlay	14,772
Committed for Capital Outlay	14,021
Committed for Hyland Road Bonni-View	82,285
Committed for WAFTA	76,068
Total	\$ 726,254

#### **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 Fund (GERF). GERF 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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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 unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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 2019. The City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2019, were \$20,133. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At December 31, 2019, the City reported a liability of \$204,565 for its proportionate share of the GERF'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 2019. 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 \$6,500. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0037%, which was a decrease of 0.0001% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$	204,565
State of Minnesota's proportionate share of the net pension liability associated with the City		6,500
Total		\$ 211,065

For the year ended December 31, 2019, the City recognized pension expense of \$16,684 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$487 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2019, the City reported its proportionate share of the GERF'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	\$ 5,954	\$ -
Changes in actuarial assumptions	-	17,062
Difference between projected and actual investment earnings	-	21,491
Change in proportion and differences between contributions made and City's proportionate share of contributions	-	17,797
City's contributions to GERF subsequent to the measurement date	10,263	-
Total	\$ 16,217	\$ 56,350



\$10,263 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, 2020. 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
2020	\$ (21,224)
2021	(23,904)
2022	(5,598)
2023	330
2024	-
	\$ (50,396)

#### E. Actuarial Assumptions

The total pension liability in the June 30, 2019 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, 2019 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. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions to the General Employees Fund occurred in 2019:

##### 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.

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 Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
	100%	

#### F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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
GERF discount rate	6.50%	7.50%	8.50%
City's proportionate share of the GERF net pension liability	\$ 336,293	\$ 204,565	\$ 95,797

#### 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](http://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.

**B. Subsequent Events**

Subsequent to year-end, the City has been impacted by the effects of the world-wide coronavirus pandemic. The City is closely monitoring its operations and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the City's management does not expect the pandemic to have a significant impact on operations and reserves.

**Note 6 - Restatement of Beginning Net Position**

During 2019, the City determined that the Governmental Activities Net Position was understated as a result of a note payable with the City of Minnetrista and related capital asset for infrastructure and accumulated depreciation not being reported in the City's financial statements. Beginning net position was restated as follows:

	Governmental Activities
Net Position - Beginning, as previously reported	\$ 7,557,175
Restatement	
Addition of infrastructure asset	402,611
Addition of accumulated depreciation	(67,102)
Addition of note payable	(251,221)
Net Position - Beginning, as restated	\$ 7,641,463

### **Note 7 - 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 June 30, 2021.

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 June 30, 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 June 30, 2022.

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



Required Supplementary Information  
December 31, 2019

## City of St. Bonifacius

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions  
Year Ended December 31, 2019

**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)	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
GERF	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)
GERF	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**

**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.

City of St. Bonifacius  
 Budgetary Comparison Schedule – General Fund  
 Year Ended December 31, 2019

	Budget Amount		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 455,023	\$ 455,023	\$ 458,662	\$ 3,639
Licenses and permits	103,040	103,040	110,318	7,278
Intergovernmental				
Local government aid	358,770	358,770	359,307	537
Other state grants and aids	54,000	54,000	59,102	5,102
Charges for services				
General government	6,150	6,150	7,140	990
Police and fire contracts	237,893	237,893	237,962	69
Fees and fines	13,300	13,300	12,733	(567)
Interest earnings	12,000	12,000	34,975	22,975
Miscellaneous				
Donations	-	-	14,229	14,229
Miscellaneous	2,500	2,500	7,785	5,285
Refunds and reimbursements	8,000	8,000	14,006	6,006
Total revenues	<u>1,250,676</u>	<u>1,250,676</u>	<u>1,316,219</u>	<u>65,543</u>
<b>Expenditures</b>				
General Government				
Mayor and council	13,800	13,800	14,694	(894)
Administration and finance	233,330	233,330	226,516	6,814
Other general government	56,400	56,400	69,256	(12,856)
Capital outlay	50,300	50,300	16,412	33,888
Public Safety				
Police - current expenditures	261,065	261,065	258,986	2,079
Fire - current expenditures	249,546	249,546	254,561	(5,015)
Fire - capital outlay	118,000	118,000	167,204	(49,204)
Other public safety	6,700	6,700	6,675	25
Streets and Highways				
Street maintenance	252,650	252,650	264,436	(11,786)
Snow and ice removal	9,900	9,900	8,088	1,812
Street lighting	34,000	34,000	36,035	(2,035)
Sanitation - current expenditures	3,000	3,000	4,315	(1,315)
Debt Service				
Principal retirement	25,826	25,826	59,879	(34,053)
Interest and fiscal charges	5,554	5,554	7,314	(1,760)
Total expenditures	<u>1,320,071</u>	<u>1,320,071</u>	<u>1,394,371</u>	<u>(74,300)</u>
Deficiency of Revenues				
Under Expenditures	<u>(69,395)</u>	<u>(69,395)</u>	<u>(78,152)</u>	<u>(8,757)</u>
Other Financing Sources (Uses)				
Transfers from other funds	243,015	243,015	121,115	(121,900)
Transfers to other funds	(62,000)	(62,000)	(62,000)	-
Total other financing sources (uses)	<u>181,015</u>	<u>181,015</u>	<u>59,115</u>	<u>(121,900)</u>
Net Change in Fund Balance	<u>\$ 111,620</u>	<u>\$ 111,620</u>	(19,037)	<u>\$ (130,657)</u>
Fund Balance - Beginning			<u>1,067,340</u>	
Fund Balance - Ending			<u>\$ 1,048,303</u>	



Supplemental Schedule  
December 31, 2019

# 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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, one item came to our attention that caused us to believe the City of St. Bonifacius failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. This item is listed as item 2019-001 in the attached Schedule of Findings. 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.

The City's responses to the finding identified in our audit is described in the Schedule of Findings below. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance and management of the City of St. Bonifacius and the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Mankato, Minnesota  
April 22, 2020

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**Section I – Minnesota Legal Compliance Findings**

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**2019-001      No Out-of-State Travel Policy**

*Criteria* – A good system of internal accounting control contemplates an adequate system for ensuring the City approves policies in accordance with Minnesota State Statutes.

*Condition* – Minnesota statute 471.661 requires that municipalities approve and have on file a policy that details the City's requirements around travel when out-of-state.

*Cause* – The City does not have an internal control system designed to ensure they are in accordance with State Statutes for policies approved.

*Effect* – This deficiency could result in disbursements outside of Statute requirements.

*Recommendation* – A thorough review of Minnesota State Statutes should be completed to ensure the City is in compliance.

*Views of Responsible Officials* – The City will make an effort to review Minnesota State Statutes to ensure the City is in compliance.