

CITY OF ST. BONIFACIUS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

**CITY OF ST. BONIFACIUS, MINNESOTA
OFFICIALS**

Name	Position	Term Expires
Kerry Taylor	Mayor	2022
Terrill Anderson	Council Member	2024
Robert Smestad, Jr.	Council Member	2024
Sue Thompson	Council Member	2022
Tom Schufman	Council Member	2022
Brenda Fisk	Administrator/Clerk/Treasurer	

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Proprietary Funds.....	10
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	11
Statement of Cash Flows – Proprietary Funds.....	12
Notes to the Financial Statements	13

TABLE OF CONTENTS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	38
Schedule of Contributions – Public Employees General Employees Retirement Fund.....	40
Schedule of Proportionate Share of Net Pension Liability – Public Employees General Employees Retirement Fund.....	41
Notes to the Required Supplementary Information.....	42

OTHER REPORTS

Independent Auditor’s Report on Minnesota Legal Compliance.....	46
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of St. Bonifacius, Minnesota

Opinion

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, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of St. Bonifacius, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of St. Bonifacius, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of St. Bonifacius, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 required supplementary 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 discussion and analysis that accounting principles generally accepted in the United States of America require 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.

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 our report dated April 29, 2022, 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.



Fergus Falls, Minnesota
April 29, 2022

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,659,877	\$ 656,955	\$ 2,316,832
Accounts receivable	-	80,378	80,378
Taxes receivable	21,799	-	21,799
Special assessments receivable	67,661	-	67,661
Prepaid expenses	8,437	3,922	12,359
Total Current Assets	<u>1,757,774</u>	<u>741,255</u>	<u>2,499,029</u>
Noncurrent assets			
Capital assets not being depreciated	149,092	204,137	353,229
Capital assets net of accumulated depreciation	7,021,262	2,543,411	9,564,673
Total Noncurrent Assets	<u>7,170,354</u>	<u>2,747,548</u>	<u>9,917,902</u>
Total Assets	<u>8,928,128</u>	<u>3,488,803</u>	<u>12,416,931</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	93,705	-	93,705
LIABILITIES			
Current Liabilities			
Accounts payable	10,730	7,882	18,612
Accrued payroll	3,738	-	3,738
Accrued interest payable	5,587	1,914	7,501
Unearned revenue	104,264	-	104,264
Current portion of long-term debt	287,165	66,000	353,165
Total Current Liabilities	<u>411,484</u>	<u>75,796</u>	<u>487,280</u>
Long-Term Liabilities			
Compensated absences	17,233	-	17,233
Bonds and loans payable, net	1,050,358	269,000	1,319,358
Net pension liability	166,547	-	166,547
Total Long-Term Liabilities	<u>1,234,138</u>	<u>269,000</u>	<u>1,503,138</u>
Total Liabilities	<u>1,645,622</u>	<u>344,796</u>	<u>1,990,418</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	138,414	-	138,414
NET POSITION			
Net investment in capital assets	\$ 5,832,831	\$ 2,412,548	\$ 8,245,379
Restricted	306,069	-	306,069
Unrestricted	1,098,897	731,459	1,830,356
TOTAL NET POSITION	<u><u>\$ 7,237,797</u></u>	<u><u>\$ 3,144,007</u></u>	<u><u>\$ 10,381,804</u></u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 882,472	\$ 139,915	\$ 40,853	\$ 18,266	\$ (683,438)	\$ -	\$ (683,438)
Public safety	553,257	244,234	-	-	(309,023)	-	(309,023)
Public works	349,538	-	-	-	(349,538)	-	(349,538)
Sanitation	3,977	-	-	-	(3,977)	-	(3,977)
Culture and recreation	3,405	9,726	-	-	6,321	-	6,321
Interest and fiscal costs on long-term debt	45,166	-	-	-	(45,166)	-	(45,166)
Total Governmental Activities	<u>1,837,815</u>	<u>393,875</u>	<u>40,853</u>	<u>18,266</u>	<u>(1,384,821)</u>	<u>-</u>	<u>(1,384,821)</u>
Business-Type Activities							
Water	403,221	438,808	-	-	-	35,587	35,587
Sewer	327,898	328,510	125,605	-	-	126,217	126,217
Storm sewer	34,238	63,265	-	-	-	29,027	29,027
Total Business-Type Activities	<u>765,357</u>	<u>830,583</u>	<u>125,605</u>	<u>-</u>	<u>-</u>	<u>190,831</u>	<u>190,831</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,603,172</u>	<u>\$ 1,224,458</u>	<u>\$ 166,458</u>	<u>\$ 18,266</u>	(1,384,821)	190,831	(1,193,990)
General revenues							
Property taxes					732,699	-	732,699
Special assessments					351	-	351
Aids and payments from the state					435,504	-	435,504
Unrestricted net investment earnings					4,786	-	4,786
Fines and forfeitures					6,987	-	6,987
Miscellaneous							
Refunds					55,209	-	55,209
Other					6,229	3,108	9,337
Transfers					61,991	(61,991)	-
Total General Revenues					<u>1,303,756</u>	<u>(58,883)</u>	<u>1,244,873</u>
CHANGE IN NET POSITION					(81,065)	131,948	50,883
NET POSITION – BEGINNING					<u>7,318,862</u>	<u>3,012,059</u>	<u>10,330,921</u>
NET POSITION – ENDING					<u>\$ 7,237,797</u>	<u>\$ 3,144,007</u>	<u>\$ 10,381,804</u>

(The accompanying notes are an integral part of these financial statements.)

Fund Financial Statements

CITY OF ST. BONIFACIUS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,357,832	\$ 114,317	\$ 187,728	\$ 1,659,877
Taxes receivable	14,249	3,696	3,854	21,799
Special assessments receivable	-	26,823	40,838	67,661
Prepaid expenses	8,437	-	-	8,437
TOTAL ASSETS	<u>\$ 1,380,518</u>	<u>\$ 144,836</u>	<u>\$ 232,420</u>	<u>\$ 1,757,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,730	\$ -	\$ -	\$ 10,730
Accrued payroll	3,738	-	-	3,738
Unearned revenue	104,264	-	-	104,264
Total Liabilities	118,732	-	-	118,732
Deferred Inflows of Resources				
Unavailable revenue - taxes	6,692	-	-	6,692
Unavailable revenue - special assessments	-	28,554	42,633	71,187
Total Deferred Inflows of Resources	6,692	28,554	42,633	77,879
Fund Balances				
Nonspendable	8,437	-	-	8,437
Restricted	-	116,282	189,787	306,069
Unrestricted				
Committed	915,585	-	-	915,585
Unassigned	331,072	-	-	331,072
Total Fund Balances	1,255,094	116,282	189,787	1,561,163
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,380,518</u>	<u>\$ 144,836</u>	<u>\$ 232,420</u>	<u>\$ 1,757,774</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2021

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS \$ 1,561,163

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds:

General capital assets	\$ 35,785,386	
Accumulated depreciation	<u>(28,615,032)</u>	7,170,354

Other long-term assets (delinquent taxes, special assessments) are not available to pay for current-period expenditures; therefore, they are considered deferred outflows of resources in the governmental funds until the amounts are received. Deferred outflows of resources at year-end consists of:

Unavailable revenue - taxes	6,692	
Unavailable revenue - special assessments	<u>71,187</u>	77,879

Accrued severance pay is not due and payable with current financial resources; therefore, it is not reported as a liability in the governmental funds. (17,233)

Accrued interest on bonds is not recorded as a liability in the governmental funds; however, the statement of net position records this amount. Accrued interest at year-end is: (5,587)

Long-term debt payable is not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and notes		(1,337,523)
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Some liabilities, including net pension obligations, are not due and payable in the current period; therefore, they are not reported in the governmental funds. (166,547)

Deferred outflows and inflows of resources related to pension are applicable to future periods; therefore, they are not reported in the governmental funds.

Deferred outflow of resources related to pensions of \$93,705 = \$83,018 deferred outflows of resources pension expense + \$10,687 deferred outflows of 2020 employer contributions related to pensions.		93,705
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Deferred inflows of resources related to pensions		<u>(138,414)</u>
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TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES **\$ 7,237,797**

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 491,102	\$ 118,717	\$ 123,451	\$ 733,270
Special assessments	-	13,463	7,779	21,242
Licenses and permits	139,915	-	-	139,915
Intergovernmental	524,944	-	-	524,944
Charges for services	253,960	-	-	253,960
Fines and forfeits	6,987	-	-	6,987
Net investment earnings	4,786	-	-	4,786
Contributions and donations	18,266	-	-	18,266
Refunds	55,209	-	-	55,209
Other	6,229	-	-	6,229
Total Revenues	1,501,398	132,180	131,230	1,764,808
EXPENDITURES				
Current				
General government	352,388	-	-	352,388
Public safety	568,320	-	-	568,320
Public works	349,538	-	-	349,538
Sanitation	3,977	-	-	3,977
Culture and recreation	3,405	-	-	3,405
Debt service				
Principal	26,659	140,000	105,000	271,659
Interest	4,468	10,590	28,132	43,190
Capital outlay	66,867	-	-	66,867
Total Expenditures	1,375,622	150,590	133,132	1,659,344
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,776	(18,410)	(1,902)	105,464
OTHER FINANCING SOURCES (USES)				
Transfers in	123,991	-	-	123,991
Transfers out	(62,000)	-	-	(62,000)
Net Other Financing Sources (Uses)	61,991	-	-	61,991
NET CHANGE IN FUND BALANCES	187,767	(18,410)	(1,902)	167,455
FUND BALANCES – BEGINNING	1,067,327	134,692	191,689	1,393,708
FUND BALANCES – ENDING	\$ 1,255,094	\$ 116,282	\$ 189,787	\$ 1,561,163

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 167,455

Amounts reported for the governmental activities in the statement of activities are different because:

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 66,867	
Depreciation	<u>(533,904)</u>	\$ (467,037)

Interest on long-term debt is not recognized until due in the governmental funds. In the statement of activities, interest is recognized as it accrues. This adjustment is the difference in accrued interest payable between the prior year and the current year.

Accrued interest payable - December 31, 2021	(5,587)	
Accrued interest payable - December 31, 2020	<u>3,611</u>	(1,976)

Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources. This amount represents the change in deferred inflows of resources in the current period.

Unavailable taxes - December 31, 2021	6,692	
Unavailable taxes - December 31, 2020	<u>(55,851)</u>	(49,159)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unearned revenue in the current period.

Unavailable taxes - special assessments - December 31, 2021	71,187	
Unavailable taxes - special assessments - December 31, 2020	<u>(88,502)</u>	(17,315)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt		271,659
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In the statement of activities, accrued 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 paid during the year:

Compensated absences - December 31, 2021	(17,233)	
Compensated absences - December 31, 2020	<u>19,116</u>	1,883

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Net pension liability - December 31, 2021	(166,547)	
Net pension liability - December 31, 2020	227,827	
Deferred outflows of resources - December 31, 2021	93,705	
Deferred outflows of resources - December 31, 2020	(19,956)	
Deferred inflows of resources - December 31, 2021	(138,414)	
Deferred inflows of resources - December 31, 2020	<u>16,810</u>	<u>13,425</u>

CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES **\$ (81,065)**

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 171,994	\$ 388,233	\$ 96,728	\$ 656,955
Accounts receivable	42,127	30,427	7,824	80,378
Prepaid expenses	1,961	1,961	-	3,922
Total Current Assets	<u>216,082</u>	<u>420,621</u>	<u>104,552</u>	<u>741,255</u>
Noncurrent Assets				
Capital assets not being depreciated	89,745	89,669	24,723	204,137
Capital assets being depreciated, net	1,711,284	500,816	331,311	2,543,411
Total Noncurrent Assets	<u>1,801,029</u>	<u>590,485</u>	<u>356,034</u>	<u>2,747,548</u>
Total Assets	<u>2,017,111</u>	<u>1,011,106</u>	<u>460,586</u>	<u>3,488,803</u>
LIABILITIES				
Current Liabilities				
Accounts payable	389	7,000	493	7,882
Accrued interest payable	1,884	-	30	1,914
Current portion of long-term debt	36,000	-	30,000	66,000
Total Current Liabilities	<u>38,273</u>	<u>7,000</u>	<u>30,523</u>	<u>75,796</u>
Noncurrent Liabilities				
Bonds and loans payable, net	269,000	-	-	269,000
Total Noncurrent Liabilities	<u>269,000</u>	<u>-</u>	<u>-</u>	<u>269,000</u>
Total Liabilities	<u>307,273</u>	<u>7,000</u>	<u>30,523</u>	<u>344,796</u>
NET POSITION				
Net investment in capital assets	1,496,029	590,485	326,034	2,412,548
Unrestricted	<u>213,809</u>	<u>413,621</u>	<u>104,029</u>	<u>731,459</u>
TOTAL NET POSITION	<u>\$ 1,709,838</u>	<u>\$ 1,004,106</u>	<u>\$ 430,063</u>	<u>\$ 3,144,007</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
OPERATING REVENUES				
Charges for services	\$ 430,222	\$ 321,813	\$ 61,376	\$ 813,411
OPERATING EXPENSES				
Repairs and maintenance	-	6,338	2,830	9,168
Insurance	8,650	8,650	-	17,300
Utilities	36,149	243,596	-	279,745
Supplies	132,192	8,740	-	140,932
Office expense	6,792	1,745	-	8,537
Professional fees	32,721	8,690	12,968	54,379
Testing	8,564	-	-	8,564
Depreciation	161,786	44,996	17,200	223,982
Miscellaneous	8,983	5,143	-	14,126
Total Operating Expenses	<u>395,837</u>	<u>327,898</u>	<u>32,998</u>	<u>756,733</u>
OPERATING INCOME (LOSS)	34,385	(6,085)	28,378	56,678
NONOPERATING REVENUES (EXPENSES)				
Special assessments	8,586	6,697	1,889	17,172
Federal grants	-	125,605	-	125,605
Other income	1,554	1,554	-	3,108
Interest expense	(7,384)	-	(1,240)	(8,624)
Net Nonoperating Revenues (Expenses)	<u>2,756</u>	<u>133,856</u>	<u>649</u>	<u>137,261</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	37,141	127,771	29,027	193,939
TRANSFERS				
Transfers in	32,000	30,000	-	62,000
Transfers out	(72,965)	(32,912)	(18,114)	(123,991)
Net Transfers	<u>(40,965)</u>	<u>(2,912)</u>	<u>(18,114)</u>	<u>(61,991)</u>
CHANGE IN NET POSITION	(3,824)	124,859	10,913	131,948
TOTAL NET POSITION – BEGINNING	<u>1,713,662</u>	<u>879,247</u>	<u>419,150</u>	<u>3,012,059</u>
TOTAL NET POSITION – ENDING	<u>\$ 1,709,838</u>	<u>\$ 1,004,106</u>	<u>\$ 430,063</u>	<u>\$ 3,144,007</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 433,926	\$ 338,979	\$ 61,011	\$ 833,916
Payments for supplies and services	(265,133)	(270,602)	(15,305)	(551,040)
Other receipts	1,554	1,554	-	3,108
Other payments	(8,983)	(5,143)	-	(14,126)
Net Cash Provided by Operating Activities	<u>161,364</u>	<u>64,788</u>	<u>45,706</u>	<u>271,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(72,965)	(32,912)	(18,114)	(123,991)
Transfers from other funds	32,000	30,000	-	62,000
Special assessments	8,586	6,697	1,889	17,172
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(32,379)</u>	<u>3,785</u>	<u>(16,225)</u>	<u>(44,819)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Federal grants	-	125,605	-	125,605
Principal paid on capital debt	(125,000)	-	(25,000)	(150,000)
Interest paid on capital debt	(7,970)	-	(1,265)	(9,235)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(132,970)</u>	<u>125,605</u>	<u>(26,265)</u>	<u>(33,630)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,985)	194,178	3,216	193,409
CASH AND CASH EQUIVALENTS – BEGINNING	<u>175,979</u>	<u>194,055</u>	<u>93,512</u>	<u>463,546</u>
CASH AND CASH EQUIVALENTS – ENDING	<u>\$ 171,994</u>	<u>\$ 388,233</u>	<u>\$ 96,728</u>	<u>\$ 656,955</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 34,385	\$ (6,085)	\$ 28,378	\$ 56,678
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	161,786	44,996	17,200	223,982
Other income related to operations	1,554	1,554	-	3,108
Net operating changes in				
Accounts receivable	3,704	(1,003)	(365)	2,336
Due from other governmental units	-	18,169	-	18,169
Prepaid items	157	157	-	314
Accounts payable	(40,222)	7,000	493	(32,729)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 161,364</u>	<u>\$ 64,788</u>	<u>\$ 45,706</u>	<u>\$ 271,858</u>

(The accompanying notes are an integral part of these financial statements.)

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Bonifacius, Minnesota was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and four council members are elected by the 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 following represents the significant accounting policies used by the City:

Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or the potential component unit is fiscally dependent on the City.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. The City has no blended component units.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City has no discretely presented component units.

Government-Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position and the statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities, which are supported mostly by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges. The financial data of the City's component units is discretely presented in a separate column in the combined financial statements to emphasize that they are legally separate from the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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.

Fund Financial Statements

The financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities is controlled.

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

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following funds:

Governmental Funds

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources and transactions, except those required to be accounted for in another fund. The general fund is a major fund.

Special Revenue Funds – used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specific purposes. The City has no major special revenue funds.

Debt Service Funds – used to account for the accumulation of, resources for, and the payment of, long-term debt principal, interest, and related costs. The City’s major debt service funds are as follows:

2012A G.O. Improvement Bonds – accounts for the sources of revenue for and the payment of the 2012A general obligation improvement refunding bonds.

2013 Street Project Debt Service – accounts for the sources of revenue for and the payment of the 2013C bonds.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Proprietary Funds

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. In addition, the general property taxes and special assessments levied to retire the bonded indebtedness relating to the construction of the water and sewer systems are accounted for in these funds. The City’s major enterprise funds and their purposes are as follows:

Water – accounts for the activities of the City’s water distribution operations.

Sewer – accounts for the activities of the City’s sewage pumping stations and collection systems.

Storm Sewer – accounts for the activities of the City’s storm sewer systems.

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 recognized 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. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 for the current period. For this purpose, the City 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 the related fund 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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. Sales tax collected and held by vendors at year end on behalf of the City is also recognized as revenue if collected within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt, or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received.

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. 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. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Investments (Including Cash Equivalents)

Available cash balances from all funds are pooled and invested in accordance with Minnesota Statutes. Each fund's share of the pool is shown on the financial statements as "cash and cash equivalents." For reporting purposes, petty cash and change funds are also considered cash and cash equivalents. For the purposes of the proprietary fund-type statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are valued at cost plus reinvested dividends, and other investments are stated at fair value.

Receivables

In the government-wide financial statements, accounts receivable consist of all revenues earned at year-end and not yet received. These amounts include charges for services rendered or for goods and material provided by the City, including amounts for unbilled services. No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary. Receivables are also recognized for property taxes, assessments, accrued interest, and intergovernmental grants. In the governmental fund financial statements, receivables are recorded when they are both measurable and available.

Taxes and tax increments receivable consist of uncollected taxes levied and payable in prior years. In the governmental fund financial statements, these receivables are deferred to indicate they are not available to finance expenditures of the current fiscal period.

Prepaid Items

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

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. 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 City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. All capital 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.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 40 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

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, 2021, \$17,233 has been accrued and is included in noncurrent liabilities.

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed when incurred.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt obligations is reported as other financing sources and payments of principal and interest are reported as expenditures. 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. The accounting in proprietary funds is the same as it is in the government-wide statements.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, unavailable revenue, which arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments earned but not yet available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the government-wide financial statements, components of pension expense that are recognized over a period of time are classified as either deferred outflows of resources (using plan assets that are applicable to a future reporting period) or deferred inflows of resources (acquiring plan assets that are applicable to a future reporting period). Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows/inflows of resources are also recognized for certain differences between actual experience in pension demographic and economic factors compared to assumptions used in the actuarial analyses.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
2. Restricted – consists of net position with constraints placed on their use by either external groups such as creditors, grantors or contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Financial Statements (Continued)

3. Unrestricted – consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”, the City classifies governmental fund balance as follows:

- Nonspendable – amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements mandate funds be maintained intact.
- Restricted – amounts with constraints placed on their use by either external groups such as creditors, grantors or contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted
 - Committed – amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitments by resolution.
 - Assigned – amounts assessed for specific purposes that are internally imposed. In governmental funds other than the general fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates authority.
 - Unassigned – residual positive fund balance amounts within the general fund which have not been classified within the other above mentioned categories. Unassigned fund balance amounts may also include negative balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Financial Statements (Continued)

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. Proprietary fund equity is classified the same as in the government-wide statements.

Interfund Transactions

Interfund services provided and used are accounted for as revenues and expenditures. 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. Interfund loans are reported as due to/due from other funds, offsetting the movement of cash between funds. All other interfund transactions are reported as transfers.

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

No funds had a deficit fund balance as of December 31, 2021.

Budgetary Information

GASB Statement No. 34 requires that budget vs. actual information be presented for the general fund and all major special revenue funds that have legally adopted budgets. Budget vs. actual information and related notes can be found in the required supplementary information following this report.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Minnesota Statutes authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. Deposits in each local area bank are insured by the FDIC up to specified limits. All financial institutions acting as a depository for the City are required to pledge collateral to secure all City funds over and above amounts guaranteed by the FDIC. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – the risk that in the event of a financial institution failure the City’s deposits may not be returned to the City. The City’s deposit policy for custodial credit risk follows Minnesota Statutes for deposits, which states the City will obtain collateral or bonds for all uninsured amounts. All of the bank balance was covered by federal depository insurance or by collateral held by the City’s agent in the City’s name; therefore, as of year-end, the City is not exposed to custodial credit risk.

The deposits are presented in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Demand deposits & money market savings	\$ 1,659,877	\$ 656,955	\$ 2,316,832
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,659,877</u>	<u>\$ 656,955</u>	<u>\$ 2,316,832</u>

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Minnesota Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

The City had no investments as of December 31, 2021.

NOTE 4 – PROPERTY TAXES AND SPECIAL ASSESSMENTS

Property Taxes

Property tax levies are set by the Council by December 28 of each year and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agencies for all property taxes. 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.

Property taxes must be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. In the fund financial statements, taxes which remain unpaid at year-end are delinquent and are fully offset by deferred inflows of resources because they are not available to finance current expenditures. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 – INTERFUND TRANSFERS

The City transferred cash between funds as follows:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>
General	Sewer	\$ 30,000
General	Water	32,000
Water	General	72,965
Sewer	General	32,912
Storm Sewer	General	18,114

The transfers from the General Fund to the Sewer and Water Funds were to avoid or reduce the need to raise utility rates. The transfers from the Water, Sewer and Storm Sewer Funds to the General Fund were for each enterprise fund’s portion of public works labor, public safety, city hall utilities, and staff wages.

NOTE 6 – CAPITAL ASSETS

Activity in capital assets for the City was as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>2021</u>
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	162,570	-	13,478	149,092
Capital assets being depreciated				
Buildings	\$ 1,466,318	\$ -	\$ -	\$ 1,466,318
Equipment	1,078,105	23,441	-	1,101,546
Infrastructure	27,809,905	-	-	27,809,905
Vehicles	1,514,576	60,479	-	1,575,055
Total capital assets being depreciated	31,868,904	83,920	-	31,952,824
Accumulated depreciation for				
Buildings	(744,619)	(40,565)	-	(785,184)
Equipment	(758,316)	(40,545)	-	(798,861)
Infrastructure	(21,929,271)	(401,114)	-	(22,330,385)
Vehicles	(965,452)	(51,680)	-	(1,017,132)
Total accumulated depreciation	(24,397,658)	(533,904)	-	(24,931,562)
Total capital assets being depreciated, net	7,471,246	(449,984)	-	7,021,262
GOVERNMENTAL ACTIVITIES, NET	<u>\$ 7,633,816</u>	<u>\$ (449,984)</u>	<u>\$ 13,478</u>	<u>\$ 7,170,354</u>

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions or programs as follows:

Governmental Activities

General government	\$ 316,283
Public safety	81,927
Culture and recreation	23,954
Public works	25,377
Highways and streets, including general infrastructure assets	<u>86,363</u>

TOTAL **\$ 533,904**

	Balance 2020	Additions	Removals	Balance 2021
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 204,137	\$ -	\$ -	\$ 204,137
Capital assets being depreciated				
Buildings	446,143	-	-	446,143
Equipment	347,031	-	-	347,031
Infrastructure	5,396,860	-	-	5,396,860
Vehicles	<u>36,849</u>	<u>-</u>	<u>-</u>	<u>36,849</u>
Total capital assets being depreciated	6,226,883	-	-	6,226,883
Accumulated depreciation for				
Buildings	(133,843)	(11,154)	-	(144,997)
Equipment	(222,645)	(23,150)	-	(245,795)
Infrastructure	(3,069,394)	(187,826)	-	(3,257,220)
Vehicles	<u>(33,607)</u>	<u>(1,853)</u>	<u>-</u>	<u>(35,460)</u>
Total accumulated depreciation	<u>(3,459,489)</u>	<u>(223,983)</u>	<u>-</u>	<u>(3,683,472)</u>
Total capital assets being depreciated, net	<u>2,767,394</u>	<u>(223,983)</u>	<u>-</u>	<u>2,543,411</u>
BUSINESS-TYPE ACTIVITIES, NET	<u><u>\$ 2,971,531</u></u>	<u><u>\$ (223,983)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,747,548</u></u>

Depreciation expense was charged to the following functions or programs as follows:

Business-Type Activities

Water	\$ 161,786
Sewer	44,997
Storm sewer	<u>17,200</u>

TOTAL **\$ 223,983**

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – LONG-TERM OBLIGATIONS

Bonds and notes payable outstanding as of December 31, 2021, consisted of the following issues:

<u>Bond Issue and Purpose</u>	<u>Interest Rate</u>	<u>Balance 2021</u>
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	2.0-2.3%	\$ 305,000
G.O. refunding bonds of 2013C of \$1,620,000, due in annual installments of \$100,000 to \$140,000 through December 15, 2028	2.0-3.25%	860,000
Note payable to City of Minnetrista, due in annual installments through 2027	0.5-2.8%	<u>172,523</u>
TOTAL GOVERNMENTAL ACTIVITIES		<u>\$ 1,337,523</u>
Business-Type Activities		
General Obligation Bonds		
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%	\$ 30,000
General Obligation Revenue Notes		
G.O. drinking water revenue note of \$664,864, due in annual installments \$34,000 to \$40,000 through August 20, 2029	1.709%	<u>305,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES		<u>\$ 335,000</u>

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

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.

Drinking Water Revenue Notes. The City issued \$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 operations.

Note Payable. In 2012, the City entered into an agreement with the City of Minnetrista to fund a road project. Payments are made to the City of Minnetrista from the City’s General Fund.

Changes in long-term obligations for the year ended December 31, 2021, are as follows:

	<u>Balance</u> <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>2021</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
General obligation bonds	\$ 1,410,000	\$ -	\$ 245,000	\$ 1,165,000	\$ 260,000
Note payable	199,182	-	26,659	172,523	27,165
Total Bonds and Notes	<u>1,609,182</u>	-	<u>271,659</u>	<u>1,337,523</u>	<u>287,165</u>
Other Long-Term Liabilities					
Compensated absences	19,116	-	1,883	17,233	-
Net pension liability	227,827	-	61,280	166,547	-
Total Other Long-Term Liabilities	<u>246,943</u>	-	<u>63,163</u>	<u>183,780</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,856,125</u>	<u>\$ -</u>	<u>\$ 334,822</u>	<u>\$ 1,521,303</u>	<u>\$ 287,165</u>
Business-Type Activities					
General obligation notes	\$ 145,000	\$ -	\$ 115,000	\$ 30,000	\$ 30,000
General obligation bonds	340,000	-	35,000	305,000	36,000
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 485,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 335,000</u>	<u>\$ 66,000</u>

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Debt service requirements on long-term debt at December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 287,165	\$ 36,438	\$ 66,000	\$ 5,902
2023	292,736	30,092	37,000	4,598
2024	143,346	22,589	37,000	3,964
2025	149,012	18,443	38,000	3,332
2026	159,738	14,087	38,000	2,684
2027 - 2031	305,526	13,915	119,000	4,086
TOTAL	<u>\$ 1,337,523</u>	<u>\$ 135,564</u>	<u>\$ 335,000</u>	<u>\$ 24,566</u>

NOTE 8 – 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, 2021, there was one revenue bond outstanding with a principal amount payable of approximately \$6,427,520.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2021, consisted of the following:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>
General	Sewer	\$ 30,000
General	Water	32,000
Water	General	72,965
Sewer	General	32,912
Storm Sewer	General	18,114

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.

NOTE 10 – NET POSITION/FUND BALANCES

Governmental Activities Net Position

Governmental activities net investment in capital assets and restricted net position reported on the government-wide statement of net position includes the following:

Capital assets being depreciated, net	7,021,262
Long-term debt outstanding	<u>(1,337,523)</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 5,832,831</u>
RESTRICTED FOR DEBT SERVICE	<u>\$ 306,069</u>

None of the net position is restricted by enabling legislation.

Business-Type Activities Net Position

Business-type activities net investment in capital assets and restricted net position reported on the government-wide statement of net position includes the following:

Capital assets not being depreciated	\$ 204,137
Capital assets being depreciated, net	2,543,411
Long-term debt outstanding	<u>(335,000)</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 2,412,548</u>

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 – NET POSITION/FUND BALANCES (Continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements are nonspendable, restricted and assigned for the following purposes:

Not in spendable form

PREPAID EXPENSES	\$ 8,437
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RESTRICTED FOR DEBT SERVICE	\$ 306,069
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Committed for

Fire service	\$ 28,162
Parks and public works	54,364
Park improvement	17,740
Fire capital outlay	593,345
Fire contract reserve	4,611
Fire department thermal equipment	2,810
Public safety	23,359
Park capital outlay	25,984
General capital outlay	970
City decorations	3,794
City landscaping	3,987
Hyland Road Bonni-View	71,391
WAFTA	86,068

TOTAL COMMITTED	\$ 916,585
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NOTE 11 – DEFINED BENEFIT PENSION PLANS

Plan Description

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

General Employees Retirement Plan

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

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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. The postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

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 calendar year 2021 and 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, 2021, were \$20,803. The City's contributions were equal to the required contributions as set by state statute.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs

At December 31, 2021, the City reported a liability of \$166,547 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 contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,062. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0039% at the end of the measurement period and 0.0038% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 166,547
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>5,062</u>
TOTAL	<u><u>\$ 171,609</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$8,201 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$408 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,350	\$ 3,955
Changes in actuarial assumptions	76,269	5,590
Net collective difference between projected and actual investment earnings	-	123,827
Changes in proportion	6,136	5,042
Contributions paid to PERA subsequent to the measurement date	9,950	-
TOTAL	\$ 93,705	\$ 138,414

\$9,950 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:

	Pension Expense Amount
Year Ended December 31:	
2022	\$ (8,567)
2023	(8,567)
2024	(6,053)
2025	(31,472)
TOTAL	\$ (54,659)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2021 was \$8,201.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Long-Term Expected Return on Investment

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 Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.50%	5.10%
International stocks	16.50%	5.30%
Bonds (fixed income)	25.00%	0.75%
Alternative assets (private markets)	25.00%	5.90%
Cash	0.00%	0.00%
TOTAL	100.00%	

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50%. 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.

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 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis			
Net Pension Liability (Asset) at Different Discount Rates			
	General Employees Fund		
1% lower	6.50%	\$	339,672
Current discount rate	7.50%		166,547
1% higher	8.50%		24,488

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. LMCIT can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. BONIFACIUS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property taxes	\$ 487,203	\$ 487,203	\$ 491,102	\$ 3,899
Licenses and permits	111,054	111,054	139,915	28,861
Intergovernmental				
State				
Local government aid	376,599	376,599	376,599	-
Fire relief aid	40,000	40,000	99,893	59,893
Other	-	-	40,853	40,853
County				
Highway aid	5,000	5,000	-	(5,000)
Recycling grants	7,500	7,500	7,599	99
Total Intergovernmental	<u>429,099</u>	<u>429,099</u>	<u>524,944</u>	<u>95,845</u>
Charges for Services				
General government fees	6,300	6,300	9,726	3,426
Fire services	240,760	240,760	244,234	3,474
Total Charges for Services	<u>247,060</u>	<u>247,060</u>	<u>253,960</u>	<u>6,900</u>
Fines and Forfeitures	12,000	12,000	6,987	(5,013)
Investment Earnings	10,000	10,000	4,786	(5,214)
Contributions and Donations	-	-	18,266	18,266
Refunds and Reimbursements	10,000	10,000	55,209	45,209
Other	500	500	6,229	5,729
Total Revenues	<u>1,306,916</u>	<u>1,306,916</u>	<u>1,501,398</u>	<u>194,482</u>

CITY OF ST. BONIFACIUS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current				
General Government				
Mayor and council	\$ 13,800	\$ 13,800	\$ 14,360	\$ 560
Clerk/finance and administration	227,172	227,172	229,138	1,966
Elections	800	800	743	(57)
Professional fees (legal, audit, etc.)	51,800	51,800	102,346	50,546
Other - unclassified	4,700	4,700	5,801	1,101
Total General Government	<u>298,272</u>	<u>298,272</u>	<u>352,388</u>	<u>54,116</u>
Public Safety				
Fire	256,417	256,417	282,526	26,109
Building inspection	6,500	6,500	15,063	8,563
Other public safety	273,778	273,778	270,731	(3,047)
Total Public Safety	<u>536,695</u>	<u>536,695</u>	<u>568,320</u>	<u>23,062</u>
Public Works				
Street maintenance	292,209	292,209	313,644	21,435
Street lighting	36,000	36,000	35,894	(106)
Total Public Works	<u>328,209</u>	<u>328,209</u>	<u>349,538</u>	<u>21,329</u>
Sanitation	5,000	5,000	3,977	(1,023)
Culture and Recreation				
Parks and recreation	2,500	2,500	3,405	905
Debt Service				
Principal	26,659	26,659	26,659	-
Interest	4,467	4,467	4,468	1
Total Debt Service	<u>31,126</u>	<u>31,126</u>	<u>31,127</u>	<u>1</u>
Capital Outlay				
General government	300	300	3,575	3,275
Public safety	-	-	47,001	47,001
Streets and highways	40,000	40,000	16,291	(23,709)
Culture and recreation	10,100	10,100	-	(10,100)
Total Capital Outlay	<u>50,400</u>	<u>50,400</u>	<u>66,867</u>	<u>16,467</u>
Total Expenditures	<u>1,252,202</u>	<u>1,252,202</u>	<u>1,375,622</u>	<u>114,857</u>
EXCESS OF REVENUES OVER EXPENDITURES	54,714	54,714	125,776	71,062
OTHER FINANCING SOURCES (USES)				
Transfers in	254,991	254,991	123,991	(131,000)
Transfers out	(193,000)	(193,000)	(62,000)	131,000
Net Other Financing Sources (Uses)	<u>61,991</u>	<u>61,991</u>	<u>61,991</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	116,705	116,705	187,767	71,062
FUND BALANCES – BEGINNING	<u>1,067,327</u>	<u>1,067,327</u>	<u>1,067,327</u>	<u>-</u>
FUND BALANCES – ENDING	<u>\$ 1,184,032</u>	<u>\$ 1,184,032</u>	<u>\$ 1,255,094</u>	<u>\$ 71,062</u>

CITY OF ST. BONIFACIUS, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
(Last Ten Years*)

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
December 31, 2021	\$ 20,511	\$ 20,511	\$ -	\$ 273,480	7.5%
December 31, 2020	20,878	20,878	-	278,368	7.5%
December 31, 2019	20,133	20,133	-	268,709	7.5%
December 31, 2018	19,842	19,842	-	264,749	7.5%
December 31, 2017	18,965	18,965	-	252,867	7.5%
December 31, 2016	20,318	20,318	-	270,902	7.5%
December 31, 2015	18,696	18,696	-	249,276	7.5%

* Schedule is provided prospectively beginning with the employer's fiscal year ended June 30, 2015, until ten years of data is available.

CITY OF ST. BONIFACIUS, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
(Last Ten Years*)

Fiscal Year Ending **	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0039%	\$ 166,547	\$ 5,062	\$ 171,609	\$ 273,480	60.9%	87.0%
June 30, 2020	0.0038%	227,827	6,995	234,822	271,215	84.0%	79.1%
June 30, 2019	0.0037%	204,565	6,500	211,065	265,831	77.0%	80.2%
June 30, 2018	0.0038%	210,808	6,871	217,679	241,033	87.5%	79.5%
June 30, 2017	0.0041%	261,741	3,302	265,043	264,973	98.8%	75.9%
June 30, 2016	0.0043%	349,139	4,501	353,640	264,237	132.1%	68.9%
June 30, 2015	0.0042%	217,666	-	217,666	255,209	85.3%	78.2%

* Schedule is provided prospectively beginning with the employer's fiscal year ended June 30, 2015, until ten years of data is available.

** The year reported for this schedule coincides with the measurement date used for the net pension liability.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 1 – BUDGETARY INFORMATION

Budgetary Data

An operating budget is adopted each year for the general fund and is prepared on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements. Budgeted amounts are as originally adopted or as amended by the 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.

Compliance

The General Fund's disbursements exceeded budget appropriations by \$114,857 for the year ended December 31, 2021. The overage, considered by City management to be a result of necessary disbursements critical to operation, were approved by City Council.

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

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%.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions: (Continued)

- 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 million due per year through 2031.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

General Employees Fund (Continued)

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% 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% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0%, 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% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1% and not more than 1.50%, 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 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)

General Employees Fund (Continued)

2017 Changes (Continued)

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 post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% 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 increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

OTHER REPORTS



INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor and Members of the City Council
City of 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, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2022.

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.

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

Carlson SV LLP

Fergus Falls, Minnesota
April 29, 2021