

CITY OF STACY  
STACY, MINNESOTA

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF STACY, MINNESOTA  
CONTENTS

PAGE

SECTION I  
INTRODUCTORY SECTION

Elected and Appointed Officials	1
---------------------------------	---

SECTION II  
FINANCIAL SECTION

Independent Auditors' Report	2 - 4
Management's Discussion and Analysis	5 - 13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Proprietary Funds	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Fund Net Position	21
Statement of Cash Flows	22 - 23
Notes to the Basic Financial Statements	24 - 43
Required Supplemental Information Section	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)	
General Fund	44 - 46
Schedule of Proportionate Share of the Net Pension Liability	47
Schedule of Contributions	48
Notes to Required Supplementary Information	49 - 50

SECTION III  
SUPPLEMENTAL SECTION

Combining Fund Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	52
Nonmajor Special Revenue Funds	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	54
Nonmajor Debt Service Funds	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	56

CITY OF STACY, MINNESOTA  
CONTENTS

PAGE

Nonmajor Capital Project Funds	
Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	58
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	59

SECTION IV

OTHER REQUIRED REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60 - 61
Schedule of Findings and Responses	62
Independent Auditors' Report on Minnesota Legal Compliance	63

SECTION I

INTRODUCTORY SECTION

CITY OF STACY  
STACY, MINNESOTA  
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

2019

MAYOR	Mark Utecht
COUNCIL MEMBER	Mark Ness
COUNCIL MEMBER	Dennis Thieling
COUNCIL MEMBER	Paul Authier
COUNCIL MEMBER	Tony Olivolo
CITY CLERK	Sharon Payne
CITY ATTORNEY	James Mongé

2020

MAYOR	Mark Utecht
COUNCIL MEMBER	Mark Ness
COUNCIL MEMBER	Dennis Thieling
COUNCIL MEMBER	Paul Authier
COUNCIL MEMBER	Tony Olivolo
CITY CLERK	Sharon Payne
FINANCE DIRECTOR	Michelle Hayes - appointed May 18, 2020
CITY ATTORNEY	James Mongé

SECTION II  
FINANCIAL SECTION

Dennis E. Oberloh, CPA  
Sara J. Oberloh, CPA



P.O. Box 186  
530 West Park Road  
Redwood Falls, MN 56283  
507-644-6400  
[www.oberlohcpa.com](http://www.oberlohcpa.com)

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Stacy, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Stacy, Minnesota as of December 31, 2019, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 5 through 13 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stacy, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and summary financial report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020 on our consideration of City of Stacy, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Stacy, Minnesota's internal control over financial reporting and compliance.

*Oberloh & Oberloh, Ltd.*  
Oberloh & Oberloh, Ltd.

July 14, 2020

CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

### FINANCIAL HIGHLIGHTS

As Management of the City of Stacy (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,938,977 (net position). Of this amount \$4,033,756 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$504,116 compared to an increase of \$1,031,411 in the previous year. The governmental activities net position increased during 2019 by \$50,308 and the business-type activities net position increased during 2019 by \$453,808.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,583,035, an increase of \$126,399 in comparison with the previous year. Approximately 77.4 percent of this total amount, \$1,225,291, is available for spending at the City's discretion, but \$126,172 has been assigned for specific purposes.

### USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

#### Government-wide Financial Statements

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

The Statement of Net Position (on page 14) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 15) provides information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and miscellaneous. The business-type activities of the City include municipal liquor, water, sewer and storm sewer.

CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 16) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 18) provide a reconciliation (on pages 17 and 19) to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund; which is considered a major fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

*Proprietary Funds:* The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, water, sewer and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Municipal Liquor, Water, and Sewer; all of which are considered to be major funds of the City. The Storm Sewer fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 24 through 43 of this report.

CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis, the General Fund Budgetary Comparison, and Pension Schedules (on pages 44 - 50) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 51) includes optional financial information such as combining nonmajor governmental fund statements (which are added together and shown in the fund financial statements in a single column) and summary financial report. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 1,609,775	\$ 1,483,127	\$ 3,657,240	\$ 3,378,101	\$ 5,267,015	\$ 4,861,228
Capital Assets	<u>2,166,545</u>	<u>2,350,330</u>	<u>9,792,964</u>	<u>10,068,233</u>	<u>11,959,509</u>	<u>12,418,563</u>
Total Assets	<u>3,776,320</u>	<u>3,833,457</u>	<u>13,450,204</u>	<u>13,446,334</u>	<u>17,226,524</u>	<u>17,279,791</u>
Deferred Outflows of						
Resources	<u>16,454</u>	<u>31,062</u>	<u>49,426</u>	<u>103,386</u>	<u>65,880</u>	<u>134,448</u>
Current Liabilities	<u>172,520</u>	<u>180,282</u>	<u>726,767</u>	<u>685,464</u>	<u>899,287</u>	<u>865,746</u>
Long-term Liabilities	<u>1,790,296</u>	<u>1,893,846</u>	<u>4,502,974</u>	<u>5,054,868</u>	<u>6,293,270</u>	<u>6,948,714</u>
Total Liabilities	<u>1,962,816</u>	<u>2,074,128</u>	<u>5,229,741</u>	<u>5,740,332</u>	<u>7,192,557</u>	<u>7,814,460</u>
Deferred Inflows of						
Resources	<u>24,850</u>	<u>35,591</u>	<u>136,020</u>	<u>129,327</u>	<u>160,870</u>	<u>164,918</u>
Net Position						
Net Investment in						
Capital Assets	<u>341,545</u>	<u>416,330</u>	<u>5,190,319</u>	<u>4,709,733</u>	<u>5,531,864</u>	<u>5,126,063</u>
Restricted	<u>357,744</u>	<u>368,923</u>	<u>15,613</u>	<u>-</u>	<u>373,357</u>	<u>368,923</u>
Unrestricted	<u>1,105,819</u>	<u>969,547</u>	<u>2,927,937</u>	<u>2,970,328</u>	<u>4,033,756</u>	<u>3,939,875</u>
Total Net Position	<u>\$ 1,805,108</u>	<u>\$ 1,754,800</u>	<u>\$ 8,133,869</u>	<u>\$ 7,680,061</u>	<u>\$ 9,938,977</u>	<u>\$ 9,434,861</u>

A large portion of the City's net position (55.7 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

An additional portion of the City's net position (3.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (40.6 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

Changes in Net Position

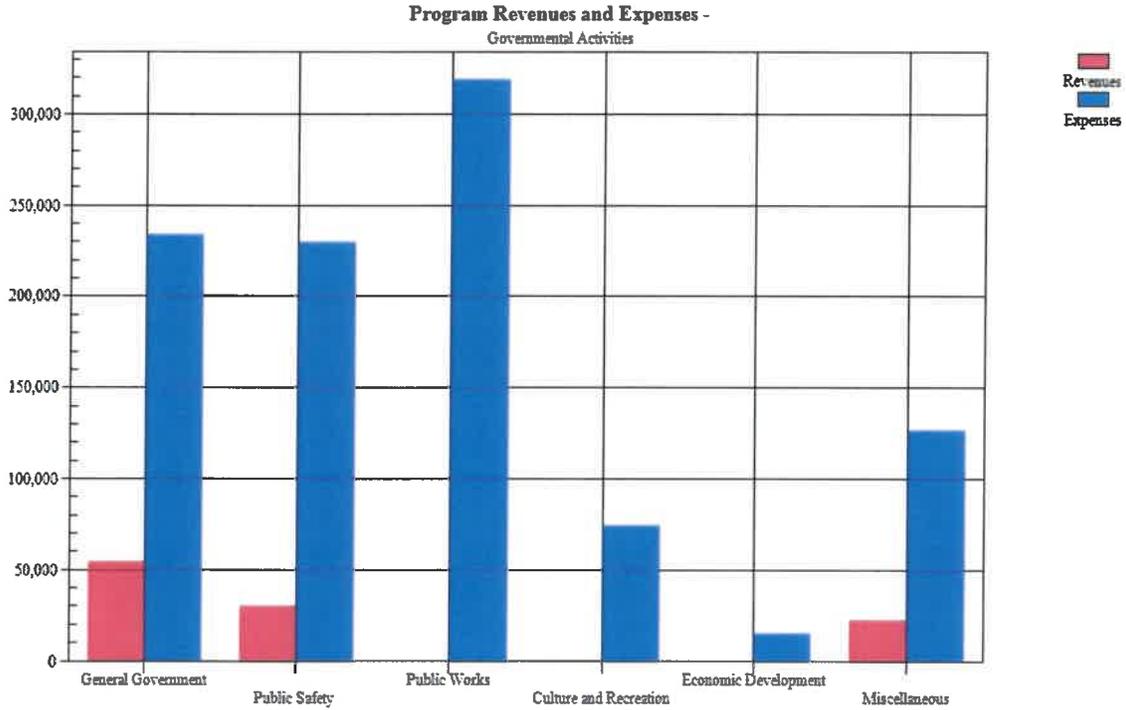
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 80,412	\$ 43,333	\$ 781,375	\$ 683,652	\$ 861,787	\$ 726,985
Contributions	26,506	37,581	-	-	26,506	37,581
Capital Grants and Contributions	-	-	71,568	438,071	71,568	438,071
Sales	-	-	3,388,950	3,173,468	3,388,950	3,173,468
General Revenues:						
Taxes and Assessments	437,757	431,210	108,018	126,794	545,775	558,004
Intergovernmental Revenue	307,574	307,080	-	-	307,574	307,080
Interest Income	12,030	4,380	21,360	9,860	33,390	14,240
Miscellaneous Income	<u>85,160</u>	<u>72,540</u>	<u>64,771</u>	<u>38,213</u>	<u>149,931</u>	<u>110,753</u>
Total Revenues	<u>949,439</u>	<u>896,124</u>	<u>4,436,042</u>	<u>4,470,058</u>	<u>5,385,481</u>	<u>5,366,182</u>
<u>Expenses</u>						
General Government	233,996	213,722	-	-	233,996	213,722
Public Safety	229,281	207,232	-	-	229,281	207,232
Public Works	318,516	230,213	-	-	318,516	230,213
Culture and Recreation	74,545	60,240	-	-	74,545	60,240
Economic Development	15,231	24,818	-	-	15,231	24,818
Miscellaneous	126,642	14,567	-	-	126,642	14,567
Municipal Liquor Store	-	-	3,123,865	2,950,806	3,123,865	2,950,806
Water	-	-	332,221	301,465	332,221	301,465
Sewer	-	-	413,089	324,411	413,089	324,411
Storm Sewer	-	-	13,979	7,297	13,979	7,297
Total Expenses	<u>998,211</u>	<u>750,792</u>	<u>3,883,154</u>	<u>3,583,979</u>	<u>4,881,365</u>	<u>4,334,771</u>
Transfers and Contributions	<u>99,080</u>	<u>70,000</u>	<u>(99,080)</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	50,308	215,332	453,808	816,079	504,116	1,031,411
Net Position Beginning	<u>1,754,800</u>	<u>1,539,468</u>	<u>7,680,061</u>	<u>6,863,982</u>	<u>9,434,861</u>	<u>8,403,450</u>
Net Position Ending	<u>\$ 1,805,108</u>	<u>\$ 1,754,800</u>	<u>\$ 8,133,869</u>	<u>\$ 7,680,061</u>	<u>\$ 9,938,977</u>	<u>\$ 9,434,861</u>

CITY OF STACY, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2019

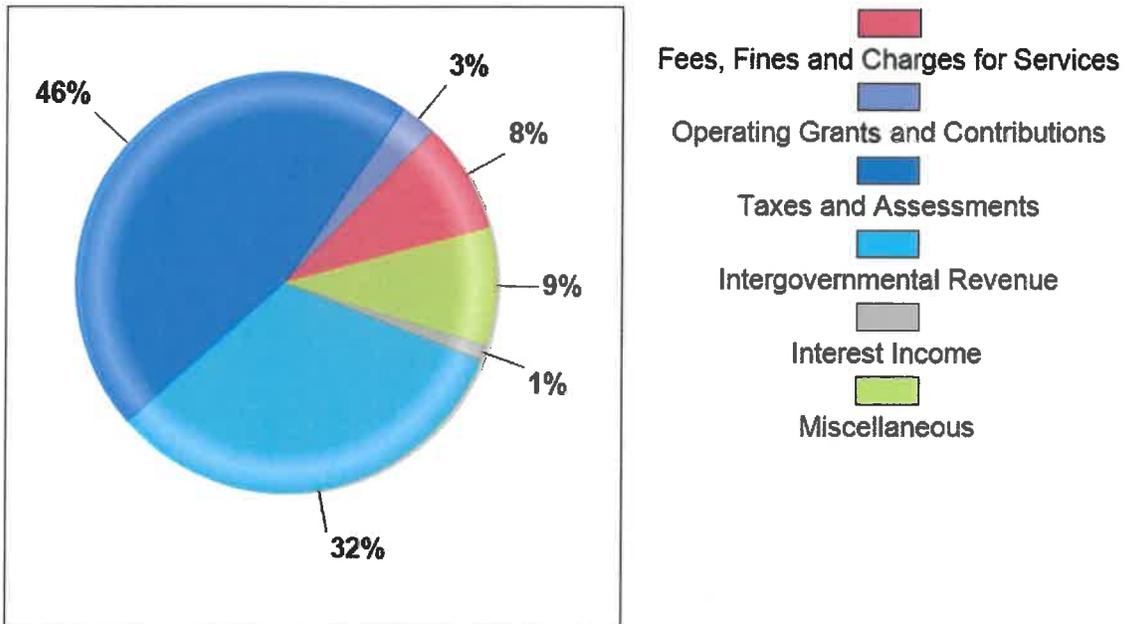
THE CITY AS A WHOLE (Cont.)

Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



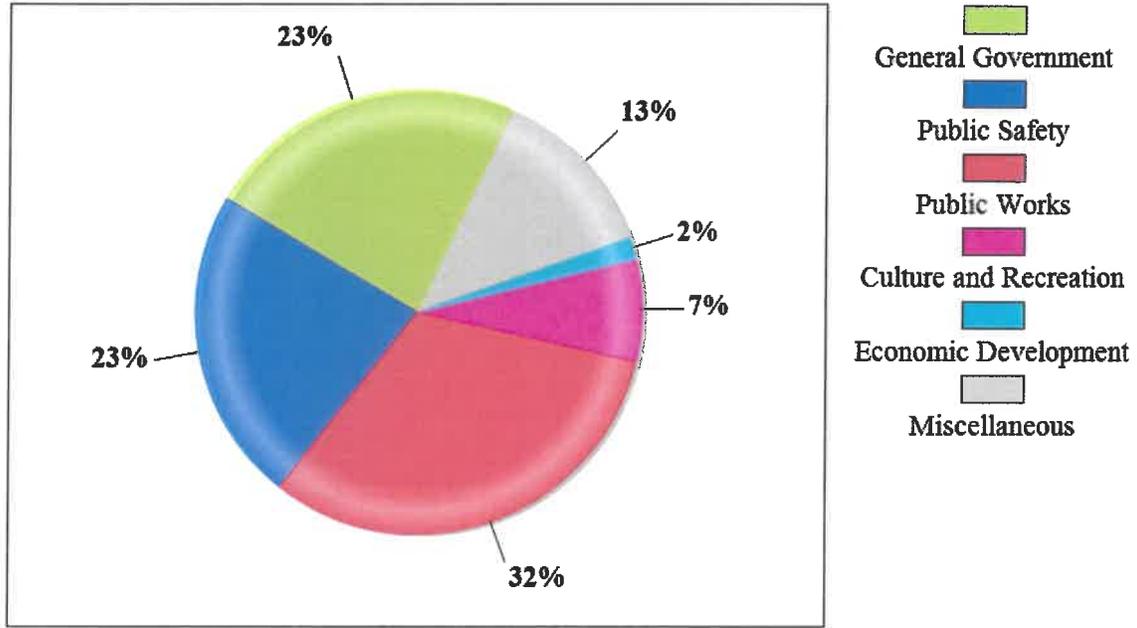
**Sources of Funds in Governmental Activities**



CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

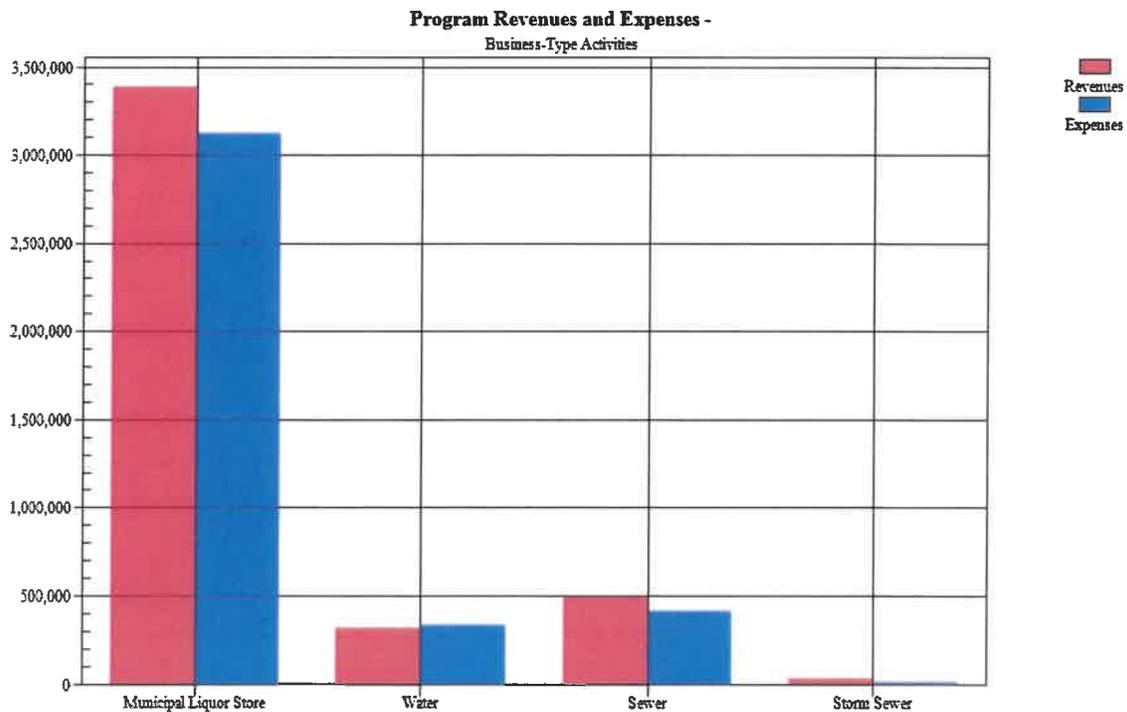
THE CITY AS A WHOLE (Cont.)  
Governmental Activities (Cont.)

**Uses of Funds in Governmental Activities**



Business-Type Activities

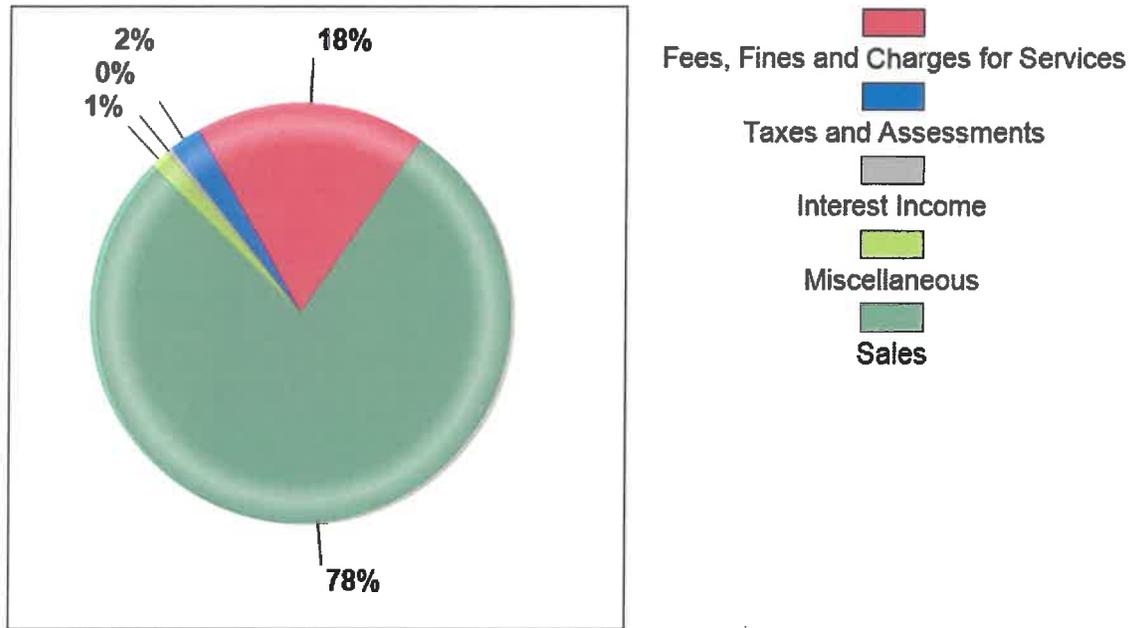
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

THE CITY AS A WHOLE (Cont.)  
Business-Type Activities (Cont.)

**Sources of Funds in Business-Type Activities**



**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,583,035, an increase of \$126,399 in comparison with the prior year. Approximately 77.4% of this total amount, \$1,225,291, constitutes unrestricted fund balance, which is available for spending at the City's discretion, although \$126,172 has been assigned for specific purposes. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted to pay debt service in the amount of \$357,744.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$1,099,119, all of which is unassigned. The unassigned fund balance is 177.5% of total General Fund expenditures.

*Proprietary Funds* - The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,927,937. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues under expenditures in the amount of \$1,329 for the year ending in 2019. Revenues and other financing sources exceeded expectations by \$121,653 and expenditures came in under budget by \$3,162 in 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$12,017,449 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 3.7 percent (an 7.8 percent decrease for governmental activities and a 2.7 percent decrease for business-type activities). The decrease was due to depreciation exceeding capital outlay.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 420,639	\$ 420,639	\$ -	\$ -	\$ 420,639	\$ 420,639
Improvements Building, Plant and Equipment	301,838	301,838	-	-	301,838	301,838
Infrastructure and Improvements	962,616	962,616	13,020,572	13,014,125	13,983,188	13,976,741
Subtotal	<u>3,603,862</u>	<u>3,603,862</u>	<u>-</u>	<u>-</u>	<u>3,603,862</u>	<u>3,603,862</u>
Less: Accumulated Depreciation	5,288,955	5,288,955	13,020,572	13,014,125	18,309,527	18,303,080
Total	<u>\$ 3,122,410</u>	<u>\$ 2,938,625</u>	<u>\$ 3,227,608</u>	<u>\$ 2,945,892</u>	<u>\$ 6,350,018</u>	<u>\$ 5,884,517</u>
	<u>\$ 2,166,545</u>	<u>\$ 2,350,330</u>	<u>\$ 9,792,964</u>	<u>\$10,068,233</u>	<u>\$11,959,509</u>	<u>\$12,418,563</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$6,427,645.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
G.O. Improvement Bonds	\$1,750,000	\$1,815,000	\$ 545,000	\$ 580,000	\$2,295,000	\$2,395,000
G.O. Revenue Bonds	-	-	1,848,145	1,873,000	1,848,145	1,873,000
Revenue Bonds	-	-	865,500	1,096,500	865,500	1,096,500
Other Long-Term Debt	-	9,000	1,344,000	1,560,000	1,344,000	1,569,000
Tax Increment Bonds	<u>75,000</u>	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>110,000</u>
Total	<u>\$1,825,000</u>	<u>\$1,934,000</u>	<u>\$4,602,645</u>	<u>\$5,109,500</u>	<u>\$6,427,645</u>	<u>\$7,043,500</u>

CITY OF STACY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City will continue to monitor the budget and ensure spending is held to a means sustainable through current Local Government Aid (LGA) and property tax amounts. The City had an increase of 0.04% in the 2020 levy from the 2019 levy. The City anticipates the levy increase in 2021 to be around 2% from the 2020 levy amount. The City is currently expecting to purchase new computer software in 2020 and the expense is expected to spread through 2022, about \$50,000. This expense will be split between the General Fund, Liquor Fund, Water Fund and Sewer Fund. In addition, the City is looking at street repairs in the next year or two.

The City's 2020 water rate was increased by 5% and the sewer rate was increased 2.5% over the 2019 rate. The rate increase was approved in March, but has been delayed due to the COVID-19 pandemic. The City continues to monitor the need for additional future rate increases for the Water Fund and Sewer Fund.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Stacy, 30955 Forest Blvd, Stacy, MN 55079, phone 651-462-4486, email: [cityclerk@stacymn.org](mailto:cityclerk@stacymn.org).

CITY OF STACY, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled Cash and Equivalents	\$ 1,534,713	\$ 1,712,963	\$ 3,247,676
Non Pooled Cash and Equivelants	-	1,386,672	1,386,672
Receivables:			
Accounts Receivable	40,242	94,192	134,434
Property Taxes Receivable	34,820	1,714	36,534
Prepaid Expense	-	17,021	17,021
Inventory	-	440,987	440,987
Capital Assets:			
Nondepreciable:			
Land	420,639	-	420,639
Depreciable, Net of Accumulated Depreciation:			
Improvements	41,342	-	41,342
Building, Plant and Equipment	444,054	9,792,964	10,237,018
Infrastructure and Improvements	1,260,510	-	1,260,510
Bond Discount, Net	-	3,691	3,691
<b>TOTAL ASSETS</b>	<b>3,776,320</b>	<b>13,450,204</b>	<b>17,226,524</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	16,454	49,426	65,880
<b>LIABILITIES</b>			
Accounts Payable	13,210	175,091	188,301
Accrued Liabilities	6,544	33,461	40,005
Accrued Interest	18,124	19,174	37,298
Accrued Wages Payable	9,642	42,442	52,084
Due to Other Governmental Units	-	115,498	115,498
Noncurrent liabilities:			
Due within one year	125,000	341,101	466,101
Net Pension Liability	90,296	241,430	331,726
Due in more than one year	1,700,000	4,261,544	5,961,544
<b>TOTAL LIABILITIES</b>	<b>1,962,816</b>	<b>5,229,741</b>	<b>7,192,557</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	24,850	136,020	160,870
<b>NET POSITION</b>			
Net Investment in Capital Assets	341,545	5,190,319	5,531,864
Restricted	357,744	15,613	373,357
Unrestricted	1,105,819	2,927,937	4,033,756
<b>TOTAL NET POSITION</b>	<b>\$ 1,805,108</b>	<b>\$ 8,133,869</b>	<b>\$ 9,938,977</b>

CITY OF STACY, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs Primary Government	Program Revenues				Net Sources (Uses) and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants	Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
General Government	\$ 233,996	\$ 54,366	\$ -	\$ -	\$ -	\$ (179,630)	\$ -	\$ (179,630)
Public Safety	229,281	3,709	26,506	-	-	(199,066)	-	(199,066)
Public Works	318,516	-	-	-	-	(318,516)	-	(318,516)
Culture and Recreation	74,545	-	-	-	-	(74,545)	-	(74,545)
Economic Development	15,231	-	-	-	-	(15,231)	-	(15,231)
Miscellaneous	126,642	22,337	-	-	-	(104,305)	-	(104,305)
Total Governmental Activities	998,211	80,412	26,506	-	-	(891,293)	-	(891,293)
Business-Type Activities:								
Municipal Liquor Store	3,123,865	-	-	-	3,388,950	-	265,085	265,085
Water	332,221	248,658	-	71,568	-	-	(11,995)	(11,995)
Sewer	413,089	502,867	-	-	-	-	89,778	89,778
Storm Sewer	13,979	29,850	-	-	-	-	15,871	15,871
Total Business-Type Activities:	3,883,154	781,375	-	71,568	3,388,950	-	358,739	358,739
Total Primary Government	\$ 4,881,365	\$ 861,787	\$ 26,506	\$ 71,568	\$ 3,388,950	\$ (891,293)	\$ 358,739	\$ (532,554)
General Revenues:								
		Taxes and Assessments				437,757	108,018	545,775
		Intergovernmental Revenue				307,574	-	307,574
		Interest Income				12,030	21,360	33,390
		Miscellaneous				85,160	64,771	149,931
		Transfers				99,080	(99,080)	-
		Total General Revenues				941,601	95,069	1,036,670
		Changes in Net Position				50,308	453,808	504,116
		Net Position - January 1				1,754,800	7,680,061	9,434,861
		Net Position - December 31				\$ 1,805,108	\$ 8,133,869	\$ 9,938,977

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Pooled Cash and Equivalents	\$ 1,052,299	\$ 482,414	\$ 1,534,713
Accounts Receivable	40,242	-	40,242
Property Taxes Receivable	31,970	2,850	34,820
Total Assets	<u>\$ 1,124,511</u>	<u>\$ 485,264</u>	<u>\$ 1,609,775</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 13,210	\$ -	\$ 13,210
Accrued Liabilities	6,544	-	6,544
Accrued Wages Payable	3,622	-	3,622
Total Liabilities	<u>23,376</u>	<u>-</u>	<u>23,376</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	2,016	1,348	3,364
Total Deferred Inflows of Resources	<u>2,016</u>	<u>1,348</u>	<u>3,364</u>
<b>FUND BALANCES</b>			
Restricted	-	357,744	357,744
Assigned	-	126,172	126,172
Unassigned	1,099,119	-	1,099,119
Total Fund Balances	<u>1,099,119</u>	<u>483,916</u>	<u>1,583,035</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,124,511</u>	<u>\$ 485,264</u>	<u>\$ 1,609,775</u>

CITY OF STACY, MINNESOTA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019

Total Governmental Fund Balances	\$ 1,583,035
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,166,545
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	3,364
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,849,144)
Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in governmental activities is not current financial resources and therefore not reported in the governmental funds.	<u>(98,692)</u>
Net Position of Governmental Activities	\$ <u>1,805,108</u>

CITY OF STACY, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 225,884	\$ 210,743	\$ 436,627
Licenses and Permits	48,566	-	48,566
Intergovernmental Revenue	333,889	-	333,889
Charges for Services	30,517	-	30,517
Fines and Forfeits	1,329	-	1,329
Interest Income	9,221	2,809	12,030
Miscellaneous	(8,584)	93,744	85,160
Total Revenues	640,822	307,296	948,118
EXPENDITURES			
Current Operations:			
General Government	221,775	-	221,775
Public Safety	228,717	-	228,717
Public Works	113,847	-	113,847
Culture and Recreation	39,882	14,584	54,466
Economic Development	-	15,231	15,231
Miscellaneous	15,133	111,509	126,642
Debt Service:			
Principal Payments	-	109,000	109,000
Interest Payments	-	49,797	49,797
Miscellaneous	-	1,325	1,325
Total Expenditures	619,354	301,446	920,800
EXCESS REVENUES OVER EXPENDITURES	21,468	5,850	27,318
OTHER FINANCING SOURCES (USES)			
Transfer In	102,018	2,208	104,226
Transfer Out	(982)	(4,163)	(5,145)
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	122,504	3,895	126,399
FUND BALANCES - January 1	976,615	480,021	1,456,636
FUND BALANCES - December 31	\$ 1,099,119	\$ 483,916	\$ 1,583,035

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 126,399
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense	(183,784)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	1,140
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	1,681
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.	
Principal Repayments	109,000
Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(317)
Compensated Absences do not require the use of current financial resources and, therefore are not accrued in the fund statements.	<u>(3,811)</u>
Change in Net Position of Governmental Activities	<u>\$ 50,308</u>

CITY OF STACY, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2019

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
<b>CURRENT ASSETS</b>					
Pooled Cash and Equivalents	\$ -	\$ 624,909	\$ 868,941	\$ 219,113	\$ 1,712,963
Non Pooled Cash and Equivelants	938,685	447,987	-	-	1,386,672
Accounts Receivable	26,702	21,388	44,386	1,716	94,192
Property Taxes Receivable	-	32	1,682	-	1,714
Prepaid Expense	17,021	-	-	-	17,021
Inventory	440,987	-	-	-	440,987
Total Current Assets	<u>1,423,395</u>	<u>1,094,316</u>	<u>915,009</u>	<u>220,829</u>	<u>3,653,549</u>
<b>NONCURRENT ASSETS</b>					
Capital Assets:					
Building, Plant and Equipment	2,479,890	4,741,583	5,281,657	517,442	13,020,572
Total Capital Assets	2,479,890	4,741,583	5,281,657	517,442	13,020,572
Less: Accumulated Depreciation	1,091,404	514,717	1,503,335	118,152	3,227,608
Net Capital Assets	1,388,486	4,226,866	3,778,322	399,290	9,792,964
Bond Discount, Net	2,283	-	1,408	-	3,691
Total Noncurrent Assets	<u>1,390,769</u>	<u>4,226,866</u>	<u>3,779,730</u>	<u>399,290</u>	<u>9,796,655</u>
<b>TOTAL ASSETS</b>	<u>2,814,164</u>	<u>5,321,182</u>	<u>4,694,739</u>	<u>620,119</u>	<u>13,450,204</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to Pensions	43,186	2,976	3,264	-	49,426
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 2,857,350</u>	<u>\$ 5,324,158</u>	<u>\$ 4,698,003</u>	<u>\$ 620,119</u>	<u>\$ 13,499,630</u>
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 142,027	\$ 28,715	\$ 4,349	\$ -	\$ 175,091
Accrued Liabilities	28,705	4,756	-	-	33,461
Accrued Interest	9,196	4,383	5,595	-	19,174
Accrued Wages Payable	30,525	6,031	5,886	-	42,442
Due to Other Governmental Units	-	-	115,498	-	115,498
Current Amount of Long-Term Debt	62,500	60,601	218,000	-	341,101
Total Current Liabilities	<u>272,953</u>	<u>104,486</u>	<u>349,328</u>	<u>-</u>	<u>726,767</u>
<b>LONG-TERM LIABILITIES</b>					
Net Pension Liability	187,978	28,718	24,734	-	241,430
Bonds and Notes Payable	803,000	2,332,544	1,126,000	-	4,261,544
Total Long-Term Liabilities	<u>990,978</u>	<u>2,361,262</u>	<u>1,150,734</u>	<u>-</u>	<u>4,502,974</u>
<b>TOTAL LIABILITIES</b>	<u>1,263,931</u>	<u>2,465,748</u>	<u>1,500,062</u>	<u>-</u>	<u>5,229,741</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to Pensions	121,055	7,855	7,110	-	136,020
<b>NET POSITION</b>					
Net Investment in Capital Assets	522,986	1,833,721	2,434,322	399,290	5,190,319
Restricted for Infrastructure Replacement	-	15,613	-	-	15,613
Unrestricted	949,378	1,001,221	756,509	220,829	2,927,937
Total Net Position	<u>1,472,364</u>	<u>2,850,555</u>	<u>3,190,831</u>	<u>620,119</u>	<u>8,133,869</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 2,857,350</u>	<u>\$ 5,324,158</u>	<u>\$ 4,698,003</u>	<u>\$ 620,119</u>	<u>\$ 13,499,630</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
<b>OPERATING REVENUES</b>					
Sales	\$3,388,950	\$ -	\$ -	\$ -	\$ 3,388,950
Charges for Services	-	248,658	502,867	29,850	781,375
Total Operating Revenues	3,388,950	248,658	502,867	29,850	4,170,325
<b>COST OF SALES</b>	<u>2,250,418</u>	-	-	-	<u>2,250,418</u>
<b>GROSS PROFIT</b>	<u>1,138,532</u>	<u>248,658</u>	<u>502,867</u>	<u>29,850</u>	<u>1,919,907</u>
<b>OPERATING EXPENSES</b>					
Personnel Services and Benefits	500,782	63,100	54,293	-	618,175
Advertising	11,663	-	-	-	11,663
Depreciation	65,913	94,294	113,552	7,961	281,720
Bank Fees	53,313	-	-	-	53,313
Insurance	27,895	9,623	6,116	-	43,634
Rent	7,497	-	-	-	7,497
Professional Services	33,312	14,117	154,776	388	202,593
Repairs and Maintenance	21,248	43	356	5,630	27,277
Supplies and Chemicals	45,517	41,352	48,328	-	135,197
Telephone	6,864	4,045	3,711	-	14,620
Training and Travel	1,439	1,016	659	-	3,114
Utilities	49,339	18,104	991	-	68,434
Miscellaneous	13,533	14,113	13,289	-	40,935
Entertainment	9,237	-	-	-	9,237
Total Operating Expenses	<u>847,552</u>	<u>259,807</u>	<u>396,071</u>	<u>13,979</u>	<u>1,517,409</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>290,980</u>	<u>(11,149)</u>	<u>106,796</u>	<u>15,871</u>	<u>402,498</u>
<b>NON OPERATING INCOME AND EXPENSE:</b>					
Interest Income	3,156	8,511	7,629	2,064	21,360
Taxes and Special Assessments	-	6,561	100,123	1,334	108,018
Grant Income	-	71,568	-	-	71,568
Miscellaneous Income	32,279	31,717	775	-	64,771
Interest Expense	(25,564)	(66,914)	(17,018)	-	(109,496)
Bad Debt Expense	(331)	-	-	-	(331)
Bond Issuance Costs	-	(5,500)	-	-	(5,500)
Net Non Operating Income and Expense	<u>9,540</u>	<u>45,943</u>	<u>91,509</u>	<u>3,398</u>	<u>150,390</u>
<b>NET INCOME BEFORE TRANSFERS</b>	300,520	34,794	198,305	19,269	552,888
Transfer In	-	30,000	8,380	-	38,380
Transfer Out	<u>(114,223)</u>	<u>(23,237)</u>	-	-	<u>(137,460)</u>
<b>CHANGE IN NET POSITION</b>	186,297	41,557	206,685	19,269	453,808
<b>NET POSITION - January 1</b>	<u>1,286,067</u>	<u>2,808,998</u>	<u>2,984,146</u>	<u>600,850</u>	<u>7,680,061</u>
<b>NET POSITION - December 31</b>	<u>\$1,472,364</u>	<u>\$2,850,555</u>	<u>\$ 3,190,831</u>	<u>\$ 620,119</u>	<u>\$ 8,133,869</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Municipal Liquor Store</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Storm Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers	\$ 3,388,638	\$ 254,401	\$ 514,119	\$ 32,062	\$ 4,189,220
Payments to Vendors	(2,512,033)	(84,135)	(239,979)	(6,018)	(2,842,165)
Payments to Employees	(515,027)	(60,212)	(51,587)	-	(626,826)
Other Receipts and Payments	<u>31,948</u>	<u>31,717</u>	<u>775</u>	<u>-</u>	<u>64,440</u>
Net Cash Provided By Operating Activities	<u>393,526</u>	<u>141,771</u>	<u>223,328</u>	<u>26,044</u>	<u>784,669</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfer to Other Funds	(114,223)	(23,237)	-	-	(137,460)
Transfer from Other Funds	-	30,000	8,380	-	38,380
Change in Due from Other Funds	<u>-</u>	<u>-</u>	<u>54,380</u>	<u>-</u>	<u>54,380</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(114,223)</u>	<u>6,763</u>	<u>62,760</u>	<u>-</u>	<u>(44,700)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of Capital Assets	(6,447)	-	-	-	(6,447)
Bond Issuance Costs	-	(5,500)	-	-	(5,500)
Grant Income	-	71,568	-	-	71,568
Property Taxes Collected	-	8,336	101,712	1,334	111,382
Principal Paid on Capital Debt	(231,000)	(59,855)	(216,000)	-	(506,855)
Interest Paid on Capital Debt	<u>(29,387)</u>	<u>(67,060)</u>	<u>(19,029)</u>	<u>-</u>	<u>(115,476)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(266,834)</u>	<u>(52,511)</u>	<u>(133,317)</u>	<u>1,334</u>	<u>(451,328)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest Received	<u>3,156</u>	<u>8,511</u>	<u>7,629</u>	<u>2,064</u>	<u>21,360</u>
Net Cash Provided By Investing Activities	<u>3,156</u>	<u>8,511</u>	<u>7,629</u>	<u>2,064</u>	<u>21,360</u>
<b>NET INCREASE IN CASH</b>	15,625	104,534	160,400	29,442	310,001
<b>CASH AND CASH EQUIVALENTS - January 1</b>	<u>923,060</u>	<u>968,362</u>	<u>708,541</u>	<u>189,671</u>	<u>2,789,634</u>
<b>CASH AND CASH EQUIVALENTS - December 31</b>	<u>\$ 938,685</u>	<u>\$ 1,072,896</u>	<u>\$ 868,941</u>	<u>\$ 219,113</u>	<u>\$ 3,099,635</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Municipal		<u>Nonmajor</u>		<u>Total</u>
	<u>Liquor Store</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Sewer Fund</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities					
Operating Income (Loss)	\$ 290,980	\$ (11,149)	\$ 106,796	\$ 15,871	\$ 402,498
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities					
Depreciation	65,913	94,294	113,552	7,961	281,720
Noncash Cash Pension Related Expenses	(20,500)	241	119	-	(20,140)
Changes in Assets and Liabilities					
Accounts Receivable	(312)	5,743	11,252	2,212	18,895
Inventory	2,897	-	-	-	2,897
Prepaid Items	5,278	-	-	-	5,278
Accounts Payable	11,067	18,278	(11,753)	-	17,592
Accrued Liabilities	562	94	-	-	656
Accrued Wages Payable	5,693	2,553	2,587	-	10,833
Other Revenues and Expenses	<u>31,948</u>	<u>31,717</u>	<u>775</u>	<u>-</u>	<u>64,440</u>
Net Cash Provided By Operating Activities	<u>\$ 393,526</u>	<u>\$ 141,771</u>	<u>\$ 223,328</u>	<u>\$ 26,044</u>	<u>\$ 784,669</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stacy (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: general government, public safety, public works, public health and welfare, culture, recreation, municipal liquor, waterworks, sanitary sewer and storm sewer services.

The financial statements of the City of Stacy, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on this criteria, the City of Stacy has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) sales. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year which the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources not required to be accounted for in another fund.

The City reports the following major proprietary funds:

- Municipal Liquor Fund - To account for the costs associated with the City's municipal liquor store and insures that sales are sufficient to pay for these costs.
- Water Fund - To account for the costs associated with the City's water system and insures that sales are sufficient to pay for these costs.
- Sewer Fund - To account for the costs associated with the City's sewer system and insures that sales are sufficient to pay for these costs.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

D. 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 and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from some funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

G. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

I. Inventories

Inventories of the Municipal Liquor Store are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

J. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Prepaid Items

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

L. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and proprietary fund types in the fund financial statements.. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 7 to 20 years for improvements other than building; 7 to 40 years for buildings and improvements; and 3 to 20 years for machinery and equipment.

M. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred. The total amount of compensated absences accrued at December 31, 2019 was \$13,584.

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Long-term Obligations (Cont.)

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

O. 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. 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.

P. 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.

Q. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. Fund Balance (Cont.)

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

R. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

S. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2019.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 188,664	\$ 228,717	\$ (40,053)
Culture and Recreation	\$ 39,382	\$ 39,882	\$ (500)

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$4,634,348 and the bank balance was \$4,739,985. Of the bank balance, \$250,000 was covered by federal depository insurance. Of the remaining balance, \$4,489,985 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts.

C. Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Total Deposits	\$	<u>4,634,348</u>
	\$	<u><u>4,634,348</u></u>
Statement of Net Position		
Pooled Cash and Equivalents	\$	3,247,676
Non Pooled Cash and Equivalents		<u>1,386,672</u>
	\$	<u><u>4,634,348</u></u>

4. UNAVAILABLE/UNEARNED REVENUE

The City reports unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent taxes receivable	\$ 2,016	\$ -
Nonmajor Governmental Funds		
Delinquent taxes receivable	<u>1,348</u>	<u>-</u>
Total	<u><u>\$ 3,364</u></u>	<u><u>\$ -</u></u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

5. TRANSFERS

Transfers to and from other funds at December 31, 2019, follows:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 982	\$ 102,018
Nonmajor Governmental Funds	4,164	2,208
Water Fund	23,237	30,000
Sewer Fund	-	8,380
Municipal Liquor Store Fund	<u>114,223</u>	<u>-</u>
	<u>\$ 142,606</u>	<u>\$ 142,606</u>

- The Municipal Liquor Store Fund transferred \$90,000 to the General Fund and \$30,000 to the Water Fund for operating purposes.
- The Water Fund transferred \$9,080 to the General Fund, \$8,380 to the Sewer Fund and \$5,777 to close out the Radium Project.
- The General Fund transferred \$1,855 to Nonmajor Governmental Funds to close funds for inactivity.
- The Nonmajor Governmental Funds transferred \$2,208 to other Nonmajor Governmental Funds to close funds for inactivity.

6. CHANGES IN CAPITAL ASSETS

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance December 31</u>
Not Being Depreciated:				
Land	\$ 420,639	\$ -	\$ -	\$ 420,639
Subtotal	<u>420,639</u>	<u>-</u>	<u>-</u>	<u>420,639</u>
Other Capital Assets:				
Land Improvements	301,838	-	-	301,838
Buildings, Plant, equipment Infrastructure and Improvements	962,616	-	-	962,616
Subtotal	<u>3,603,862</u>	<u>-</u>	<u>-</u>	<u>3,603,862</u>
Subtotal	<u>4,868,316</u>	<u>-</u>	<u>-</u>	<u>4,868,316</u>
Less: Accumulated Depreciation				
Land Improvements	252,609	7,887	-	260,496
Buildings, Plant, Equipment Infrastructure and Improvements	468,802	49,760	-	518,562
Subtotal	<u>2,217,215</u>	<u>126,137</u>	<u>-</u>	<u>2,343,352</u>
Subtotal	<u>2,938,626</u>	<u>183,784</u>	<u>-</u>	<u>3,122,410</u>
Net Other Capital Assets	<u>1,929,690</u>	<u>(183,784)</u>	<u>-</u>	<u>1,745,906</u>
Net Capital Assets	<u>\$ 2,350,329</u>	<u>\$ (183,784)</u>	<u>\$ -</u>	<u>\$ 2,166,545</u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

6. CHANGES IN CAPITAL ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2019.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Other Capital Assets:				
Plant and Equipment	\$ 13,014,125	\$ 6,447	\$ -	\$ 13,020,572
Subtotal	<u>13,014,125</u>	<u>6,447</u>	<u>-</u>	<u>13,020,572</u>
Less: Accumulated Depreciation				
Plant and Equipment	<u>2,945,888</u>	<u>281,720</u>	<u>-</u>	<u>3,227,608</u>
Subtotal	<u>2,945,888</u>	<u>281,720</u>	<u>-</u>	<u>3,227,608</u>
Net Capital Assets	<u>\$ 10,068,237</u>	<u>\$ (275,273)</u>	<u>\$ -</u>	<u>\$ 9,792,964</u>

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

Governmental Activities:

General Government	\$ 9,029
Public Safety	564
Public Works	154,157
Culture and Recreation	<u>20,034</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 183,784</u>

Business-Type Activities:

Municipal Liquor Store	\$ 65,913
Water	94,294
Sewer	113,552
Storm Sewer	<u>7,961</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 281,720</u>

7. FUND BALANCE

A. Classifications

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:			
Special Revenue Park	\$ -	\$ 24,221	\$ 24,221
Tax Increment Funds	-	12,841	12,841
Debt Service	-	<u>320,682</u>	<u>320,682</u>
Total Restricted	<u>-</u>	<u>357,744</u>	<u>357,744</u>
Assigned to:			
Economic Development	-	24,458	24,458
Park Projects	-	<u>101,714</u>	<u>101,714</u>
Total Assigned	<u>-</u>	<u>126,172</u>	<u>126,172</u>
Unassigned	<u>1,099,119</u>	<u>-</u>	<u>1,099,119</u>
Total	<u>\$ 1,099,119</u>	<u>\$ 483,916</u>	<u>\$ 1,583,035</u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

7. FUND BALANCE (Cont.)

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2019, the unassigned fund balance of the General Fund was 175.8% of the subsequent year's budgeted expenditures

8. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2019.

	<u>Balance</u> <u>January 1</u>	<u>Debt Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
G.O. Improvement Bonds	\$ 2,395,000	\$ -	\$ 100,000	\$ 2,295,000	\$ 125,000
G.O. Revenue Bonds	1,873,000	-	24,855	1,848,145	25,601
G.O. Refunding Bonds					
Tax Abatement Portion	110,000	-	35,000	75,000	35,000
EDA Public Project Lease	926,500	-	61,000	865,500	62,500
Revenue Bonds	170,000	-	170,000	-	-
Note Payable	1,560,000	-	216,000	1,344,000	218,000
Property Financing	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 7,043,500</u>	<u>\$ -</u>	<u>\$ 615,855</u>	<u>\$ 6,427,645</u>	<u>\$ 466,101</u>

General Obligation bonds and refunding bonds issued by the governmental activities are liquidated by the debt service funds. The general obligation bonds, revenue bonds, note payable and EDA public project lease issued by the business-type activities are expected to be liquidated by those activities.

Bonds outstanding at December 31, 2019 are comprised of the following issues:

Governmental Activities

\$1,430,000 General Obligation Improvements Bonds of 2013A, due in annual installments of \$60,000 to \$85,000 through February 1, 2033, plus interest at 0.4-2.35%, due in semi-annual installments. \$ 1,055,000

\$440,000 General Obligation Tax Abatement Revenue Bonds of 2006, due in annual installments of \$25,000 to \$35,000 through February 1, 2011, plus interest at 3.5 - 4.375%, due in semi-annual installments. 75,000

\$695,000 General Obligation Improvement Bonds of 2018A, due in annual installments of \$25,000 to \$50,000 through February 1, 2039, plus interest at 3.0-4.0%. 695,000

Total Governmental Activities 1,825,000

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT (Cont.)

Business-Type Activities

\$745,000 General Obligation Improvement Bonds of 2013A, due in annual installments of \$25,000 to \$45,000 through February 1, 2033, plus interest at 0.4-2.35%, due in semi-annual installments. 545,000

\$4,498,000 Note Payable due to CLJSTC in connection with their General Obligation Wastewater Revenue Notes, Series 2006A, due in annual installments of \$100,317 to \$243,000 through January 20, 2027, plus interest at 1%, due in semi-annual installments. 1,344,000

\$1,460,000 Public Project Lease Revenue Bonds, due in annual installments of \$35,000 to \$100,000 through February 1, 2031, plus interest at 4.25 - 4.9%, due in semi-annual installments. 865,500

\$1,873,000 General Obligation Water Revenue Bond of 2018B, due in annual installments of \$24,855 thru \$77,583, plus interest due in annual installments at 3.0% through December 28, 2058. 1,848,145

Total Business-Type Activities 4,602,645

Total Long-Term Debt \$ 6,427,645

The annual requirements to maturity for long-term liabilities are as follows:

	G.O. Improvement Bonds Governmental Activities			G.O. Improvement Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 125,000	\$ 46,438	\$ 171,438	\$ 35,000	\$ 10,520	\$ 45,520
2021	130,000	43,266	173,266	35,000	10,100	45,100
2022	95,000	40,764	135,764	35,000	9,628	44,628
2023	95,000	38,964	133,964	35,000	9,102	44,102
2024	105,000	36,984	141,984	35,000	8,525	43,525
2025-2029	525,000	150,792	675,792	200,000	31,783	231,783
2030-2034	530,000	81,808	611,808	170,000	10,015	180,015
2035-2039	220,000	23,000	243,000	-	-	-
2040-2044	-	-	-	-	-	-
2045-2049	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-
2055-2059	-	-	-	-	-	-
Total	<u>\$1,825,000</u>	<u>\$ 462,016</u>	<u>\$2,287,016</u>	<u>\$ 545,000</u>	<u>\$ 89,673</u>	<u>\$ 634,673</u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT (Cont.)

	Note Payable			Revenue Bonds		
	Business-Type Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 218,000	\$ 13,440	\$ 231,440	\$ 62,500	\$ 21,273	\$ 83,773
2021	221,000	11,260	232,260	64,000	19,660	83,660
2022	223,000	9,050	232,050	66,000	18,003	84,003
2023	225,000	6,820	231,820	67,500	16,301	83,801
2024	227,000	4,570	231,570	69,000	14,560	83,560
2025-2029	230,000	2,300	232,300	373,500	45,064	418,564
2030-2034	-	-	-	163,000	99,226	262,226
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
2045-2049	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-
2055-2059	-	-	-	-	-	-
Total	<u>\$1,344,000</u>	<u>\$ 47,440</u>	<u>\$1,391,440</u>	<u>\$ 865,500</u>	<u>\$ 234,087</u>	<u>\$1,099,587</u>

	G.O. Revenue Bonds		
	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 25,601	\$ 55,444	\$ 81,045
2021	26,369	54,676	81,045
2022	27,160	53,885	81,045
2023	27,975	53,070	81,045
2024	28,814	52,231	81,045
2025-2029	157,569	247,656	405,225
2030-2034	182,665	222,560	405,225
2035-2039	211,759	193,466	405,225
2040-2044	245,487	159,738	405,225
2045-2049	284,587	120,638	405,225
2050-2054	329,914	75,311	405,225
2055-2059	<u>300,245</u>	<u>22,800</u>	<u>323,045</u>
Total	<u>\$1,848,145</u>	<u>\$1,311,475</u>	<u>\$3,159,620</u>

Interest expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 96
Public Works	48,030
Total Interest Expense - Governmental Activities	<u>\$ 48,126</u>
Business-Type Activities:	
Water Fund	\$ 66,914
Sewer Fund	17,018
Municipal Liquor Store	25,564
Total Interest Expense - Business-Type Activities	<u>\$ 109,496</u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

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

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contributions

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

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

C. Contributions (Cont.)

**1. General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City of Stacy, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Stacy, Minnesota contributions to the General Employees Fund for the year ended December 31, 2019, were \$39,159. The City of Stacy, Minnesota contributions were equal to the required contributions as set by state statute.

D. Pension Costs

**1. General Employees Fund Pension Costs**

At December 31, 2019, the City of Stacy, Minnesota reported a liability of \$331,726 for its proportionate share of the General Employees Fund's net pension liability. The City of Stacy, Minnesota's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a 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 of Stacy, Minnesota totaled \$10,166. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Stacy, Minnesota proportion of the net pension liability was based on the City of Stacy, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Stacy, Minnesota proportionate share was 0.0060% which was an decrease of 0.0015% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City of Stacy, Minnesota recognized pension expense of \$8,501 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Stacy, Minnesota recognized an additional \$762 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City of Stacy, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 12,770	\$ -
Changes in actuarial assumptions	-	30,814
Difference between projected and actual investment earnings	-	42,068
Changes in proportion	8,414	64,441
Contributions paid to PERA subsequent to the measurement date	21,149	-
Total	<u>\$ 42,333</u>	<u>\$ 137,323</u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

\$21,149 reported as deferred outflows of resources related to pensions resulting from City of Stacy, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ (41,284)
2021	\$ (47,117)
2022	\$ (29,451)
2023	\$ 1,713
2024	\$ -
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

**General Employees Fund**

- The mortality projection scale was changed from MP-2015 to MP-2017
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	<u>2%</u>	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City of Stacy, Minnesota 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 of Stacy, Minnesota proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
General Employees Fund:	\$ 545,340	\$ 331,726	\$ 155,347

H. Pension Plan Fiduciary Net Position

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

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

10. DEFINED CONTRIBUTION PLAN

Members of the City Council are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer.

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Stacy, Minnesota during fiscal year 2019 were:

<u>Contribution Amount</u>		<u>Required Percentage of Covered Payroll</u>	
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
\$ 325	\$ 326	5.0 %	5.0 %

11. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2019.

12. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

13. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES (Cont.)

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable funds. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

14. JOINT POWERS AGREEMENT

The City is a member of the Chisago Lake Joint Sewage Treatment Commission (CLJSTC) along with five other communities. The purpose of the CLJSTC is to provide administration and operation of the disposal system serving all six communities. Each community owns a percentage of the assets of the CLJSTC and is responsible for a proportionate share of expenses and debt. The City costs are reflected in the Sewer enterprise fund and totaled \$132,833 for the year ended December 31, 2019. Totals from the most recently issued condensed combined financial statements of the CLJSTC are as follows:

Statement of Net Position  
December 31, 2019

Assets	
Current and Other Assets	\$ 2,558,796
Capital Assets	<u>12,551,771</u>
Total Assets	<u>15,110,567</u>
Deferred Outflows of Resources	
Related to Pensions	<u>24,282</u>
Liabilities	
Long-Term Liabilities	1,037,662
Other Liabilities	<u>4,945,141</u>
Total Liabilities	<u>5,982,803</u>
Deferred Inflows of Resources	
Related to Pensions	<u>55,451</u>
Net Position	
Net Investment in Capital Assets	6,121,047
Restricted	942,644
Unrestricted	<u>2,032,904</u>
Total Net Position	<u>\$ 9,096,595</u>

CITY OF STACY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

14. JOINT POWERS AGREEMENT (Cont.)

Statement of Activities  
December 31, 2019

Operating Revenue	\$	2,183,763
Operating Expenses		<u>1,927,874</u>
Operating Income		255,889
Nonoperating Revenue (Expense)		<u>(93,401)</u>
Change in Net Position		162,488
Net Position - January 1		<u>8,934,107</u>
Net Position - December 31	\$	<u><u>9,096,595</u></u>

Separately issued financial statements can be obtained by contacting Chisago Lakes Joint Sewage Treatment Commission.

15. TAX INCREMENT FINANCING DISTRICT

The City of Stacy is the administrating authority for the following tax increment financing district:

Authorizing Law	TIF 1-1
Type of District	Minnesota Statute 469.174 Redevelopment
Year Established	2005
Duration of District	25
Tax Capacity	
Original	2,339
Current	15,358
Captured - retained	13,019

16. SUBSEQUENT EVENTS

Management evaluated all activity of City of Stacy through July 14, 2020 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STACY, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
REVENUES:					
TAXES:					
General Property Taxes	\$ 172,091	\$ 172,091	\$ 220,369	\$ 48,278	\$ 215,243
Cable Franchise Tax	<u>2,500</u>	<u>2,500</u>	<u>5,515</u>	<u>3,015</u>	<u>5,740</u>
Total Taxes	<u>174,591</u>	<u>174,591</u>	<u>225,884</u>	<u>51,293</u>	<u>220,983</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>12,300</u>	<u>12,300</u>	<u>48,566</u>	<u>36,266</u>	<u>29,188</u>
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	306,356	306,356	306,351	(5)	305,449
Market Value Credit	-	-	259	259	195
PERA Rate Increase Aid	387	387	773	386	773
State Fire Aid	-	-	26,506	26,506	25,548
Small Cities Street Aid	-	-	-	-	12,033
Total Intergovernmental Revenue	<u>306,743</u>	<u>306,743</u>	<u>333,889</u>	<u>27,146</u>	<u>343,998</u>
CHARGES FOR SERVICES:					
General Government	3,900	3,900	5,800	1,900	5,983
Public Safety	2,000	2,000	2,380	380	-
Other Charges for Services	<u>7,050</u>	<u>7,050</u>	<u>22,337</u>	<u>15,287</u>	<u>7,432</u>
Total Charges for Services	<u>12,950</u>	<u>12,950</u>	<u>30,517</u>	<u>17,567</u>	<u>13,415</u>
FINES AND FORFEITS	<u>500</u>	<u>500</u>	<u>1,329</u>	<u>829</u>	<u>730</u>
INTEREST INCOME	<u>2,000</u>	<u>2,000</u>	<u>9,221</u>	<u>7,221</u>	<u>3,471</u>
MISCELLANEOUS:					
Miscellaneous Income	<u>22,103</u>	<u>22,103</u>	<u>(8,584)</u>	<u>(30,687)</u>	<u>16,400</u>
Total Miscellaneous	<u>22,103</u>	<u>22,103</u>	<u>(8,584)</u>	<u>(30,687)</u>	<u>16,400</u>
TOTAL REVENUES	<u>531,187</u>	<u>531,187</u>	<u>640,822</u>	<u>109,635</u>	<u>628,185</u>
OTHER FINANCING SOURCES					
Transfer In	<u>90,000</u>	<u>90,000</u>	<u>102,018</u>	<u>12,018</u>	<u>79,121</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>621,187</u>	<u>621,187</u>	<u>742,840</u>	<u>121,653</u>	<u>707,306</u>

CITY OF STACY, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 9,104	\$ 9,104	\$ 8,742	\$ 362	\$ 8,396
Other Current Expenditures	8,286	8,286	4,994	3,292	3,926
Election:					
Current Expenditures	-	-	(96)	96	1,969
Administrative and Finance:					
Personnel Services	60,418	60,418	61,197	(779)	58,925
Other Current Expenditures	12,200	12,200	14,697	(2,497)	9,391
Other General Government:					
Personnel Services	56,061	56,061	36,699	19,362	46,332
Other Current Expenditures	52,990	52,990	49,335	3,655	46,110
Planning and Zoning:					
Personnel Services	1,615	1,615	1,050	565	867
Other Current Expenditures	2,300	2,300	9,413	(7,113)	3,658
Independent Auditing					
Current Expenditures	4,000	4,000	2,950	1,050	2,900
Legal					
Current Expenditures	<u>22,400</u>	<u>22,400</u>	<u>32,794</u>	<u>(10,394)</u>	<u>23,582</u>
Total General Government	<u>229,374</u>	<u>229,374</u>	<u>221,775</u>	<u>7,599</u>	<u>206,056</u>
PUBLIC SAFETY:					
Police Protection:					
Services and Charges	60,164	60,164	60,184	(20)	60,164
Building Inspection:					
Current Expenditures	12,900	12,900	58,274	(45,374)	42,362
Fire Protection:					
Services and Charges	<u>115,600</u>	<u>115,600</u>	<u>110,259</u>	<u>5,341</u>	<u>104,142</u>
Total Public Safety	<u>188,664</u>	<u>188,664</u>	<u>228,717</u>	<u>(40,053)</u>	<u>206,668</u>

CITY OF STACY, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019  
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES:					
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	\$ 16,782	\$ 16,782	\$ 14,270	\$ 2,512	\$ 9,528
Other Current Expenditures	56,600	56,600	58,888	(2,288)	7,232
Capital Outlay	35,600	35,600	-	35,600	-
Ice and Snow Removal:					
Personnel Services	10,645	10,645	19,263	(8,618)	11,006
Other Current Expenditures	12,500	12,500	11,717	783	12,250
Street Lighting:					
Current Expenditures	<u>13,400</u>	<u>13,400</u>	<u>9,709</u>	<u>3,691</u>	<u>12,245</u>
Total Public Works	<u>145,527</u>	<u>145,527</u>	<u>113,847</u>	<u>31,680</u>	<u>52,261</u>
CULTURE AND RECREATION:					
Other Services and Charges:					
Personnel Services	17,282	17,282	15,846	1,436	11,347
Other Current Expenditures	<u>22,100</u>	<u>22,100</u>	<u>24,036</u>	<u>(1,936)</u>	<u>25,653</u>
Total Culture and Recreation	<u>39,382</u>	<u>39,382</u>	<u>39,882</u>	<u>(500)</u>	<u>37,000</u>
MISCELLANEOUS:					
Insurance	18,569	18,569	15,133	3,436	13,358
Other Current Expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total Miscellaneous	<u>19,569</u>	<u>19,569</u>	<u>15,133</u>	<u>4,436</u>	<u>13,358</u>
TOTAL EXPENDITURES	<u>622,516</u>	<u>622,516</u>	<u>619,354</u>	<u>3,162</u>	<u>515,343</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(1,329)	(1,329)	123,486	124,815	191,963
OTHER FINANCING USES:					
Transfer to Other Funds	<u>-</u>	<u>-</u>	<u>(982)</u>	<u>(982)</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,329)	(1,329)	122,504	(125,797)	191,963
FUND BALANCES - January 1	<u>976,615</u>	<u>976,615</u>	<u>976,615</u>	<u>-</u>	<u>784,652</u>
FUND BALANCES - December 31	<u>\$ 975,286</u>	<u>\$ 975,286</u>	<u>\$ 1,099,119</u>	<u>\$ 125,797</u>	<u>\$ 976,615</u>

CITY OF STACY, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2019

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0060 %	331,726	473,253	70.09 %	80.20 %
June 30, 2018	0.0075 %	416,069	498,227	83.51 %	79.50 %
June 30, 2017	0.0073 %	466,027	469,320	99.30 %	75.90 %
June 30, 2016	0.0073 %	592,724	452,613	130.96 %	68.90 %
June 30, 2015	0.0080 %	414,602	495,000	83.76 %	78.19 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.  
Information for prior years is not available.

CITY OF STACY, MINNESOTA

SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2019

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2019	\$ 39,159	\$ 39,159	-	\$ 522,120	7.50 %
December 31, 2018	\$ 36,085	\$ 36,085	-	\$ 481,133	7.50 %
December 31, 2017	\$ 36,101	\$ 36,101	-	\$ 481,347	7.50 %
December 31, 2016	\$ 34,514	\$ 34,514	-	\$ 460,187	7.50 %
December 31, 2015	\$ 34,075	\$ 34,075	-	\$ 454,333	7.50 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.  
Information for prior years is not available.

CITY OF STACY, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**General Employees Fund**

2019 Changes

*Change in Actuarial Assumptions*

- The morality projection scale was changed from MP-2017 to MP-2018

*Changes in Plan Provisions*

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

2018 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and no more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

CITY OF STACY, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

SECTION III

SUPPLEMENTAL SECTION

CITY OF STACY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<b>ASSETS</b>				
Pooled Cash and Equivalents	\$ 163,234	\$ 319,180	\$ -	\$ 482,414
Property Taxes Receivable	<u>5</u>	<u>2,845</u>	<u>-</u>	<u>2,850</u>
<b>TOTAL ASSETS</b>	<u>\$ 163,239</u>	<u>\$ 322,025</u>	<u>\$ -</u>	<u>\$ 485,264</u>
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	<u>5</u>	<u>1,343</u>	<u>-</u>	<u>1,348</u>
Total Deferred Inflows of Resources	<u>5</u>	<u>1,343</u>	<u>-</u>	<u>1,348</u>
<b>FUND BALANCES</b>				
Restricted	37,062	320,682	-	357,744
Assigned	<u>126,172</u>	<u>-</u>	<u>-</u>	<u>126,172</u>
Total Fund Balances	<u>163,234</u>	<u>320,682</u>	<u>-</u>	<u>483,916</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 163,239</u>	<u>\$ 322,025</u>	<u>\$ -</u>	<u>\$ 485,264</u>

CITY OF STACY, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<b>REVENUES</b>				
Taxes	\$ 18,527	\$ 192,216	\$ -	\$ 210,743
Interest Income	1,114	1,695	-	2,809
Miscellaneous	48,283	45,461	-	93,744
Total Revenues	67,924	239,372	-	307,296
<b>EXPENDITURES</b>				
Culture and Recreation	14,584	-	-	14,584
Economic Development	15,231	-	-	15,231
Miscellaneous	110,560	949	-	111,509
Principal Payments	-	109,000	-	109,000
Interest Payments	-	49,797	-	49,797
Miscellaneous	-	1,325	-	1,325
Total Expenditures	140,375	161,071	-	301,446
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(72,451)	78,301	-	5,850
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	2,208	-	2,208
Transfer Out	(770)	(1,185)	(2,208)	(4,163)
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(73,221)	79,324	(2,208)	3,895
<b>FUND BALANCES - January 1</b>	236,455	241,358	2,208	480,021
<b>FUND BALANCES - December 31</b>	\$ 163,234	\$ 320,682	\$ -	\$ 483,916

CITY OF STACY, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2019

	Special Rev Park	Economic Development Authority	Lions Club Park Fund	Tax Increment 1-1	Tax Increment 1-2	Total
<b>ASSETS</b>						
Pooled Cash and Equivalents	\$ 24,221	\$ 24,458	\$101,714	\$ 12,841	\$ -	\$ 163,234
Property Taxes Receivable	-	5	-	-	-	5
<b>TOTAL ASSETS</b>	<u>\$ 24,221</u>	<u>\$ 24,463</u>	<u>\$101,714</u>	<u>\$ 12,841</u>	<u>\$ -</u>	<u>\$ 163,239</u>
<b>LIABILITIES</b>						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	-	5	-	-	-	5
Total Deferred Inflows of Resources	-	5	-	-	-	5
<b>FUND BALANCES</b>						
Restricted	24,221	-	-	12,841	-	37,062
Assigned	-	24,458	101,714	-	-	126,172
Total Fund Balances	<u>24,221</u>	<u>24,458</u>	<u>101,714</u>	<u>12,841</u>	<u>-</u>	<u>163,234</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 24,221</u>	<u>\$ 24,463</u>	<u>\$101,714</u>	<u>\$ 12,841</u>	<u>\$ -</u>	<u>\$ 163,239</u>

CITY OF STACY, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES	Special Rev Park	Economic Development Authority	Lions Club Park Fund	Tax Increment 1-1	Tax Increment 1-2	Total
Taxes	\$ -	\$ 2,081	\$ -	\$ 16,446	\$ -	\$ 18,527
Interest Income	169	14	931	-	-	1,114
Miscellaneous	<u>20,783</u>	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>48,283</u>
Total Revenues	<u>20,952</u>	<u>2,095</u>	<u>28,431</u>	<u>16,446</u>	<u>-</u>	<u>67,924</u>
EXPENDITURES						
Culture and Recreation	-	-	14,584	-	-	14,584
Economic Development	-	-	-	15,231	-	15,231
Miscellaneous	<u>-</u>	<u>868</u>	<u>-</u>	<u>-</u>	<u>109,692</u>	<u>110,560</u>
Total Expenditures	<u>-</u>	<u>868</u>	<u>14,584</u>	<u>15,231</u>	<u>109,692</u>	<u>140,375</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	20,952	1,227	13,847	1,215	(109,692)	(72,451)
OTHER FINANCING SOURCES (USES)						
Transfer Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(770)</u>	<u>(770)</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	20,952	1,227	13,847	1,215	(110,462)	(73,221)
FUND BALANCES - January 1	<u>3,269</u>	<u>23,231</u>	<u>87,867</u>	<u>11,626</u>	<u>110,462</u>	<u>236,455</u>
FUND BALANCES - December 31	<u>\$ 24,221</u>	<u>\$ 24,458</u>	<u>\$101,714</u>	<u>\$ 12,841</u>	<u>\$ -</u>	<u>\$ 163,234</u>

CITY OF STACY, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2019

	Tax Abatement Woodsman 2004	2018 Street Project	2008 Lease Purchase	Road Improvement Project	Stacy Ponds Business Park	Total
<b>ASSETS</b>						
Pooled Cash and Equivalents	\$ 41,616	\$ 85,228	\$ -	\$ -	\$ 192,336	\$ 319,180
Property Taxes Receivable	<u>777</u>	<u>526</u>	-	-	<u>1,542</u>	<u>2,845</u>
<b>TOTAL ASSETS</b>	<u>\$ 42,393</u>	<u>\$ 85,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,878</u>	<u>\$ 322,025</u>
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue	<u>450</u>	-	-	-	<u>893</u>	<u>1,343</u>
Total Deferred Inflows of Resources	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>893</u>	<u>1,343</u>
<b>FUND BALANCES</b>						
Restricted	<u>41,943</u>	<u>85,754</u>	-	-	<u>192,985</u>	<u>320,682</u>
Total Fund Balances	<u>41,943</u>	<u>85,754</u>	<u>-</u>	<u>-</u>	<u>192,985</u>	<u>320,682</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 42,393</u>	<u>\$ 85,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,878</u>	<u>\$ 322,025</u>

CITY OF STACY, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Tax Abatement	2018 Street Project	2008 Lease Purchase	Road Improvement Project	Stacy Ponds Business Park	Total
REVENUES						
Taxes	\$ 46,156	\$ 57,926	\$ 143	\$ -	\$ 87,991	\$ 192,216
Interest Income	-	522	1	-	1,172	1,695
Miscellaneous	-	-	-	-	45,461	45,461
Total Revenues	<u>46,156</u>	<u>58,448</u>	<u>144</u>	<u>-</u>	<u>134,624</u>	<u>239,372</u>
EXPENDITURES						
Miscellaneous	-	-	-	-	949	949
Principal Payments	35,000	-	9,000	-	65,000	109,000
Interest Payments	4,047	24,757	191	-	20,802	49,797
Miscellaneous	1,075	-	-	-	250	1,325
Total Expenditures	<u>40,122</u>	<u>24,757</u>	<u>9,191</u>	<u>-</u>	<u>87,001</u>	<u>161,071</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	6,034	33,691	(9,047)	-	47,623	78,301
OTHER FINANCING SOURCES (USES)						
Transfer In	-	2,208	-	-	-	2,208
Transfer Out	-	-	(1,020)	(165)	-	(1,185)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	6,034	35,899	(10,067)	(165)	47,623	79,324
FUND BALANCES - January 1	<u>35,909</u>	<u>49,855</u>	<u>10,067</u>	<u>165</u>	<u>145,362</u>	<u>241,358</u>
FUND BALANCES - December 31	<u>\$ 41,943</u>	<u>\$ 85,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,985</u>	<u>\$ 320,682</u>

CITY OF STACY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
DECEMBER 31, 2019

	<u>2018 Street Project CIP</u>	<u>Total</u>
ASSETS	\$ <u>-</u>	\$ <u>-</u>
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>-</u>	\$ <u>-</u>

CITY OF STACY, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	2018 Street Project CIP	Total
REVENUES	\$ -	\$ -
EXPENDITURES	-	-
OTHER FINANCING SOURCES (USES):		
Transfer Out	(2,208)	(2,208)
EXCESS EXPENDITURES AND OTHER USES UNDER REVENUES AND OTHER SOURCES	(2,208)	(2,208)
FUND BALANCE - January 1	2,208	2,208
FUND BALANCE - December 31	\$ -	\$ -

CITY OF STACY, MINNESOTA  
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

The purpose of this report is to provide a summary of financial information concerning the City of Stacy to interested citizens. The complete financial statements may be examined at the City Hall, 30955 Forest Blvd Stacy, MN Questions about this report should be directed to Sharon Payne, City Clerk, at 651-462-4486

	<u>Total</u> 2019	<u>Total</u> 2018	Percent Increase <u>(Decrease)</u>
<b>REVENUES:</b>			
Taxes and Assessments	\$ 436,627	\$ 441,669	(1.14)%
Licenses and Permits	48,566	29,188	66.39 %
Intergovernmental	333,889	343,998	(2.94)%
Charges for Services	30,517	13,415	127.48 %
Fines	1,329	730	82.05 %
Investment Earnings	12,030	4,382	174.53 %
Miscellaneous	85,160	66,800	27.49 %
Transfer In	104,226	79,121	31.73 %
Issuance of Debt	-	<u>695,000</u>	<u>100.00 %</u>
Total Revenues	<u>\$ 1,052,344</u>	<u>\$ 1,674,303</u>	<u>(37.15)%</u>
Per Capita	<u>698</u>	<u>1,111</u>	
<b>EXPENDITURES:</b>			
Current			
General Government	\$ 221,775	\$ 206,056	7.63 %
Public Safety	228,717	206,668	10.67 %
Public Works	113,847	52,261	117.84 %
Culture and Recreation	54,466	40,133	35.71 %
Economic Development	15,231	24,818	(38.63)%
Miscellaneous	126,642	14,567	769.38 %
Debt Service:			
Principal Payments	109,000	108,000	0.93 %
Interest Payments	49,797	27,270	82.61 %
Other Charges	1,325	2,369	(44.07)%
Capital Outlay	-	22,449	(100.00)%
Transfer Out	<u>5,145</u>	<u>9,121</u>	<u>100.00 %</u>
Total Expenditures	<u>\$ 925,945</u>	<u>\$ 1,379,303</u>	<u>(32.87)%</u>
Per Capita	<u>614</u>	<u>915</u>	
Governmental Activities Long-term Indebtedness	<u>\$ 1,825,000</u>	<u>\$ 1,934,000</u>	<u>(5.64)%</u>
Per Capita	<u>1,211</u>	<u>1,314</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 1,099,119</u>	<u>\$ 976,615</u>	<u>12.54 %</u>
Per Capita	<u>729</u>	<u>663</u>	

SECTION IV

ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA  
Sara J. Oberloh, CPA



P.O. Box 186  
530 West Park Road  
Redwood Falls, MN 56283  
507-644-6400  
www.oberlohcpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Stacy, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Stacy, Minnesota's basic financial statements, and have issued our report thereon dated July 14, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Stacy, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Stacy, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Stacy, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2019-001 and 2019-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Stacy, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **City of Stacy, Minnesota's Response to Findings**

City of Stacy, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Stacy, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Oberloh & Oberloh, Ltd.*  
Oberloh & Oberloh, Ltd.

July 14, 2020

CITY OF STACY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2019

INTERNAL CONTROL FINDINGS

Audit Finding 2019-001

*Criteria:* The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

*Condition:* The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

*Cause:* The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

*Effect:* The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

*Recommendations:* For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2019-002

*Criteria:* Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

*Condition:* The City does not have adequate segregation of accounting duties.

*Cause:* There are a limited number of office employees.

*Effect:* The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

*Recommendations:* For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

Dennis E. Oberloh, CPA  
Sara J. Oberloh, CPA



P.O. Box 186  
530 West Park Road  
Redwood Falls, MN 56283  
507-644-6400  
www.oberlohcpa.com

## AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the basic financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Stacy, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2020.

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

In connection with our audit, nothing came to our attention that caused us to believe that City of Stacy, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Stacy, Minnesota's noncompliance with the above reference provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Oberloh & Oberloh, Ltd.*  
Oberloh & Oberloh, Ltd.

July 14, 2020