

## PRELIMINARY OFFICIAL STATEMENT DATED JULY 26, 2024

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

**New Issue**

**Rating Application Made: S&P Global Ratings**

### CITY OF BUFFALO, MINNESOTA (Wright County)

## \$2,500,000\* GENERAL OBLIGATION STREET RECONSTRUCTION AND EQUIPMENT BONDS, SERIES 2024B

**PROPOSAL OPENING:** August 5, 2024, 10:00 A.M., C.T.

**CONSIDERATION:** August 5, 2024, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$2,500,000\* General Obligation Street Reconstruction and Equipment Bonds, Series 2024B (the "Bonds") are being issued pursuant to Minnesota Statutes, Sections 412.301 and 475.58, subd. 3b and Chapter 475, as amended, by the City of Buffalo, Minnesota (the "City"), for the purposes of financing certain street reconstruction projects described in the City's Five-Year Street Reconstruction and Overlay Plan, dated June 17, 2024, and the acquisition of capital equipment. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** August 22, 2024

**MATURITY:** February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2026        | \$170,000      | 2030        | \$250,000      | 2034        | \$290,000      |
| 2027        | 220,000        | 2031        | 260,000        | 2035        | 300,000        |
| 2028        | 230,000        | 2032        | 265,000        |             |                |
| 2029        | 240,000        | 2033        | 275,000        |             |                |

**\*MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** August 1, 2025 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2034 and thereafter are subject to call for prior optional redemption on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$2,470,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$50,000 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Taft Stettinius & Hollister LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



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## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## **CITY OF BUFFALO CITY COUNCIL**

|                  |                | <u>Term Expires</u> |
|------------------|----------------|---------------------|
| Teri Lachermeier | Mayor          | January 2025        |
| Brad Dahl        | Council Member | January 2027        |
| Steve Downer     | Council Member | January 2025        |
| George Fantauzza | Council Member | January 2025        |
| Paul Olson       | Council Member | January 2025        |

## **ADMINISTRATION**

Taylor Gronau, City Administrator

Kelly Horn, Finance Director

## **PROFESSIONAL SERVICES**

Jovanovich, Dege & Athmann, PA, City Attorney, St. Cloud, Minnesota

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota  
*(Other office located in Waukesha, Wisconsin)*

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Buffalo, Minnesota (the "City") and the issuance of its \$2,500,000\* General Obligation Street Reconstruction and Equipment Bonds, Series 2024B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on August 5, 2024.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of August 22, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC") to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

\*Preliminary, subject to change.

# OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

# AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 412.301 and 475.58, subd. 3b and Chapter 475, as amended, by the City, for the purposes of financing certain street reconstruction projects described in the City's Five-Year Street Reconstruction and Overlay Plan, dated June 17, 2024 (the "Street Reconstruction Portion"), and the acquisition of capital equipment (the "Equipment Portion").

All equipment has an expected useful life at least as long as the term of the Equipment Portion of the Bonds. Pursuant to Minnesota Statutes, Section 412.301, if the Equipment Portion of the Bonds exceeds 0.25% of the estimated market value of taxable property in the City they shall not be issued until after publication of the council resolution determining to issue the Bonds and the issuance is subject to petition. The estimated market value of the City for taxes payable in 2024 is \$2,156,866,700. The Equipment Portion of the Bonds does not exceed 0.25%, or \$5,392,166.75, and is therefore not subject to the limitation.

# ESTIMATED SOURCES AND USES\*

| Sources                               | Street<br>Reconstruction<br>Portion | Equipment<br>Portion | Total Bond<br>Issue |
|---------------------------------------|-------------------------------------|----------------------|---------------------|
| Par Amount of Bonds                   | <u>\$1,500,000</u>                  | <u>\$1,000,000</u>   | <u>\$2,500,000</u>  |
| <b>Total Sources</b>                  | <b>\$1,500,000</b>                  | <b>\$1,000,000</b>   | <b>\$2,500,000</b>  |
|                                       |                                     |                      |                     |
| Uses                                  |                                     |                      |                     |
| Total Underwriter's Discount (1.200%) | \$18,000                            | \$12,000             | \$30,000            |
| Costs of Issuance                     | 63,000                              | -                    | 63,000              |
| Deposit to Construction Fund          | <u>1,419,000</u>                    | <u>988,000</u>       | <u>2,407,000</u>    |
| <b>Total Uses</b>                     | <b>\$1,500,000</b>                  | <b>\$1,000,000</b>   | <b>\$2,500,000</b>  |

\*Preliminary, subject to change.

**Breakdown of Principal Payments\*:**

| <b>Payment Date</b> | <b>Street Reconstruction Portion</b> | <b>Equipment Portion</b> | <b>Total Bond Issue</b> |
|---------------------|--------------------------------------|--------------------------|-------------------------|
| 2/01/2026           | \$100,000                            | \$70,000                 | \$170,000               |
| 2/01/2027           | 130,000                              | 90,000                   | 220,000                 |
| 2/01/2028           | 140,000                              | 90,000                   | 230,000                 |
| 2/01/2029           | 145,000                              | 95,000                   | 240,000                 |
| 2/01/2030           | 150,000                              | 100,000                  | 250,000                 |
| 2/01/2031           | 155,000                              | 105,000                  | 260,000                 |
| 2/01/2032           | 160,000                              | 105,000                  | 265,000                 |
| 2/01/2033           | 165,000                              | 110,000                  | 275,000                 |
| 2/01/2034           | 175,000                              | 115,000                  | 290,000                 |
| 2/01/2035           | <u>180,000</u>                       | <u>120,000</u>           | <u>300,000</u>          |
| <b>Total</b>        | <b>\$1,500,000</b>                   | <b>\$1,000,000</b>       | <b>\$2,500,000</b>      |

\*Preliminary, subject to change.

**SECURITY**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and taxing powers. The City anticipates that the debt service on the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

**RATING**

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB ") through its Electronic Municipal Market Access ("EMMA ") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

## **STATEMENT REGARDING BOND COUNSEL PARTICIPATION**

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."



## **TAX EXEMPTION**

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

### **Other Federal and State Tax Considerations**

#### *Other Tax Considerations*

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

#### *Original Issue Discount*

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

#### *Original Issue Premium*

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

## *Proposed Changes in Federal and State Tax Law*

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2023 have been audited by CliftonLarsonAllen LLP, Alexandria, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Levy Limits:** The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

**Cybersecurity:** The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

| Type of Property                           | 2021/22  | 2022/23  | 2023/24  |
|--|--|--|--|
| Residential homestead <sup>1</sup>         | First \$500,000 - 1.00%<br>Over \$500,000 - 1.25%  | First \$500,000 - 1.00%<br>Over \$500,000 - 1.25%  | First \$500,000 - 1.00%<br>Over \$500,000 - 1.25%  |
| Agricultural homestead <sup>1</sup>        | First \$500,000 HGA - 1.00%<br>Over \$500,000 HGA - 1.25%<br>First \$1,900,000 - 0.50% <sup>2</sup><br>Over \$1,900,000 - 1.00% <sup>2</sup>   | First \$500,000 HGA - 1.00%<br>Over \$500,000 HGA - 1.25%<br>First \$1,890,000 - 0.50% <sup>2</sup><br>Over \$1,890,000 - 1.00% <sup>2</sup>   | First \$500,000 HGA - 1.00%<br>Over \$500,000 HGA - 1.25%<br>First \$2,150,000 - 0.50% <sup>2</sup><br>Over \$2,150,000 - 1.00% <sup>2</sup>   |
| Agricultural non-homestead                 | Land - 1.00% <sup>2</sup>  | Land - 1.00% <sup>2</sup>  | Land - 1.00% <sup>2</sup>  |
| Seasonal recreational residential          | First \$500,000 - 1.00% <sup>3</sup><br>Over \$500,000 - 1.25% <sup>3</sup>  | First \$500,000 - 1.00% <sup>3</sup><br>Over \$500,000 - 1.25% <sup>3</sup>  | First \$500,000 - 1.00% <sup>3</sup><br>Over \$500,000 - 1.25% <sup>3</sup>  |
| Residential non-homestead:                 | 1 unit - 1st \$500,000 - 1.00%<br>Over \$500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City <sup>4</sup> - 1.25%<br>Affordable Rental:<br>First \$174,000 - .75%<br>Over \$174,000 - .25% | 1 unit - 1st \$500,000 - 1.00%<br>Over \$500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City <sup>4</sup> - 1.25%<br>Affordable Rental:<br>First \$100,000 - .75%<br>Over \$100,000 - .25% | 1 unit - 1st \$500,000 - 1.00%<br>Over \$500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City <sup>4</sup> - 1.25%<br>Affordable Rental:<br>First \$100,000 - .75%<br>Over \$100,000 - .25% |
| Industrial/Commercial/Utility <sup>5</sup> | First \$150,000 - 1.50%<br>Over \$150,000 - 2.00%  | First \$150,000 - 1.50%<br>Over \$150,000 - 2.00%  | First \$150,000 - 1.50%<br>Over \$150,000 - 2.00%  |

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

|  |   |
|--|---|
| <b>2023/24 Economic Market Value</b>                   | <u><u>\$2,252,223,668<sup>1</sup></u></u> |
| <b>2023/24 Assessor's Estimated Market Value</b>       |   |
| Real Estate  | \$2,145,805,000                           |
| Personal Property                                      | <u>11,061,700</u>                         |
| Total Valuation  | <u><u>\$2,156,866,700</u></u>             |
| <b>2023/24 Net Tax Capacity</b>                        |   |
| Real Estate  | \$23,503,997                              |
| Personal Property                                      | <u>199,858</u>                            |
| Net Tax Capacity                                       | \$23,703,855                              |
| Less: Captured Tax Increment Tax Capacity <sup>2</sup> | <u>(203,546)</u>                          |
| Taxable Net Tax Capacity                               | <u><u>\$23,500,309</u></u>                |

## 2023/24 NET TAX CAPACITY BY CLASSIFICATION

|  | <b>2023/24<br/>Net Tax Capacity</b> | <b>Percent of Total<br/>Net Tax Capacity</b> |
|--|-------------------------------------|--|
| Residential homestead                  | \$14,674,251                        | 61.91%                                       |
| Agricultural                           | 62,534                              | 0.26%  |
| Commercial/industrial                  | 4,895,628                           | 20.65%                                       |
| Railroad operating property            | 27,194                              | 0.11%  |
| Non-homestead residential              | 3,496,298                           | 14.75%                                       |
| Commercial & residential seasonal/rec. | 348,092                             | 1.47%  |
| Personal property                      | <u>199,858</u>                      | <u>0.84%</u>                                 |
| Total                                  | <u><u>\$23,703,855</u></u>          | <u><u>100.00%</u></u>                        |

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 95.82% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$2,252,223,668.

<sup>2</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

## TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity <sup>1</sup> | Taxable Net Tax Capacity <sup>2</sup> | Percent Increase/Decrease in Estimated Market Value |
|-----------|-----------------------------------|---------------------------------|-------------------------------|---------------------------------------|---|
| 2019/20   | \$1,415,768,400                   | \$1,331,989,000                 | \$15,208,581                  | \$15,121,110                          | 7.71%   |
| 2020/21   | 1,527,280,600                     | 1,447,284,400                   | 16,471,893                    | 16,328,095                            | 7.88%   |
| 2021/22   | 1,612,106,000                     | 1,534,039,050                   | 17,405,072                    | 17,119,136                            | 5.55%   |
| 2022/23   | 1,887,768,400                     | 1,816,467,046                   | 20,424,224                    | 20,239,865                            | 17.10%  |
| 2023/24   | 2,156,866,700                     | 2,095,027,337                   | 23,703,855                    | 23,500,309                            | 14.25%  |

## LARGEST TAXPAYERS

| Taxpayer                            | Type of Property      | 2023/24 Net Tax Capacity | Percent of City's Total Net Tax Capacity |
|-------------------------------------|-----------------------|--------------------------|--|
| Pfeifer Property Management, LLC    | Apartments/Commercial | \$338,732                | 1.43%                                    |
| TKG Wright County Center, LLC       | Commercial            | 247,230                  | 1.04%                                    |
| Menard, Inc.                        | Commercial            | 188,368                  | 0.79%                                    |
| Buffalo Clinic Building Partnership | Commercial            | 166,854                  | 0.70%                                    |
| Gopher (Buffalo), LLC               | Apartments            | 152,703                  | 0.64%                                    |
| Ryan Buffalo Land Company, LLC      | Commercial            | 134,006                  | 0.57%                                    |
| Target                              | Commercial            | 131,774                  | 0.56%                                    |
| Crossings of Buffalo, LLC           | Apartments            | 127,219                  | 0.54%                                    |
| Coborn Realty Company, LP           | Commercial            | 125,812                  | 0.53%                                    |
| Centerpoint Energy                  | Utility               | 117,800                  | 0.50%                                    |
| Total                               |                       | \$1,730,498              | 7.30%                                    |

City's Total 2023/24 Net Tax Capacity \$23,703,855

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Wright County.

<sup>1</sup> Net Tax Capacity includes tax increment values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment values.

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

|  |                     |
|--|---------------------|
| Total G.O. debt secured by tax abatement revenues      | \$5,740,000         |
| Total G.O. debt secured by taxes (includes the Bonds)* | 17,995,000          |
| Total G.O. debt secured by utility revenues            | 44,860,000          |
| Total General Obligation Debt*                         | <u>\$68,595,000</u> |

\*Preliminary, subject to change.

#### Revenue Debt (see schedules following)

|   |                    |
|---|--------------------|
| Total revenue debt secured by electric revenues | <u>\$6,335,000</u> |
|---|--------------------|

#### Other Debt

| Issue Date | Original Amount | Purpose                | Final Maturity | Principal Outstanding |
|------------|-----------------|------------------------|----------------|-----------------------|
| 12/30/19   | \$424,540       | Equipment lease        | 12/30/24       | \$37,196              |
| 12/16/20   | \$305,585       | Equipment lease        | 12/01/25       | \$83,979              |
| 8/20/21    | \$540,650       | Equipment lease        | 8/20/25        | \$253,241             |
| 12/12/22   | \$658,808       | Vehicles and equipment | 1/11/27        | \$399,207             |

### DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

### FUTURE FINANCING

The City plans to issue approximately \$6,250,000 in General Obligation Bonds for street reconstruction, fiber improvements and capital equipment in the next 12 months.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.



**DEBT LIMIT**

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

|  |                            |
|--|----------------------------|
| 2023/24 Assessor's Estimated Market Value  | \$2,156,866,700            |
| Multiply by 3%   | 0.03                       |
| Statutory Debt Limit   | <u>\$64,706,001</u>        |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes<br>(includes the Bonds)* | <u>(17,995,000)</u>        |
| Unused Debt Limit*   | <u><u>\$46,711,001</u></u> |

\*Preliminary, subject to change.

City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Tax Abatement Revenues  
(As of 08/22/2024)

| Tax Abatement Bonds 1)<br>Series 2015A |                         | Tax Abatement Bonds<br>Series 2016A |           | Tax Abatement Bonds 2)<br>Series 2020B |           | Tax Abatement<br>Refunding Bonds 3)<br>Series 2022A |           | Tax Abatement Bonds 4)<br>Series 2023B |           |           |                 |                |             |                          |         |                            |
|--|-------------------------|-------------------------------------|-----------|--|-----------|---|-----------|--|-----------|-----------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated<br>Amount                        | 02/12/2015<br>\$735,000 | 01/07/2016<br>\$3,250,000           |           | 11/12/2020<br>\$1,205,000              |           | 03/03/2022<br>\$1,230,000                           |           | 11/30/2023<br>\$2,910,000              |           |           |                 |                |             |                          |         |                            |
| Maturity                               | 02/01                   | 05/01                               |           | 02/01                                  |           | 02/01   |           | 02/01                                  |           |           |                 |                |             |                          |         |                            |
|  |                         |                                     |           |  |           |   |           |  |           |           |                 |                |             |                          |         |                            |
| Calendar<br>Year Ending                | Principal               | Interest                            | Principal | Interest                               | Principal | Interest  | Principal | Interest                               | Principal | Interest  | Total Principal | Total Interest | Total P & I | Principal<br>Outstanding | % Paid  | Calendar<br>Year<br>Ending |
| 2024                                   | 0                       | 0                                   | 0         | 11,006                                 | 0         | 0   | 0         | 0                                      | 0         | 0         | 0               | 11,006         | 11,006      | 5,740,000                | .00%    | 2024                       |
| 2025                                   | 50,000                  | 8,873                               | 65,000    | 21,346                                 | 205,000   | 10,450  | 105,000   | 25,425                                 | 0         | 130,038   | 425,000         | 196,131        | 621,131     | 5,315,000                | 7.40%   | 2025                       |
| 2026                                   | 55,000                  | 7,823                               | 65,000    | 19,949                                 | 210,000   | 6,300   | 110,000   | 22,200                                 | 150,000   | 126,288   | 590,000         | 182,559        | 772,559     | 4,725,000                | 17.68%  | 2026                       |
| 2027                                   | 55,000                  | 6,668                               | 65,000    | 18,438                                 | 210,000   | 2,100   | 110,000   | 18,900                                 | 160,000   | 118,538   | 600,000         | 164,643        | 764,643     | 4,125,000                | 28.14%  | 2027                       |
| 2028                                   | 55,000                  | 5,375                               | 70,000    | 16,765                                 |           |   | 110,000   | 15,600                                 | 165,000   | 110,413   | 400,000         | 148,153        | 548,153     | 3,725,000                | 35.10%  | 2028                       |
| 2029                                   | 55,000                  | 4,000                               | 70,000    | 14,928                                 |           |   | 110,000   | 12,300                                 | 175,000   | 101,913   | 410,000         | 133,140        | 543,140     | 3,315,000                | 42.25%  | 2029                       |
| 2030                                   | 55,000                  | 2,556                               | 70,000    | 13,003                                 |           |   | 115,000   | 8,925                                  | 185,000   | 92,913    | 425,000         | 117,396        | 542,396     | 2,890,000                | 49.65%  | 2030                       |
| 2031                                   | 60,000                  | 900                                 | 75,000    | 10,935                                 |           |   | 115,000   | 6,050                                  | 195,000   | 83,413    | 445,000         | 101,298        | 546,298     | 2,445,000                | 57.40%  | 2031                       |
| 2032                                   |                         |                                     | 75,000    | 8,723                                  |           |   | 120,000   | 3,700                                  | 200,000   | 73,538    | 395,000         | 85,960         | 480,960     | 2,050,000                | 64.29%  | 2032                       |
| 2033                                   |                         |                                     | 80,000    | 6,378                                  |           |   | 125,000   | 1,250                                  | 210,000   | 64,338    | 415,000         | 71,965         | 486,965     | 1,635,000                | 71.52%  | 2033                       |
| 2034                                   |                         |                                     | 80,000    | 3,918                                  |           |   |           |  | 220,000   | 55,738    | 300,000         | 59,655         | 359,655     | 1,335,000                | 76.74%  | 2034                       |
| 2035                                   |                         |                                     | 85,000    | 1,339                                  |           |   |           |  | 230,000   | 46,738    | 315,000         | 48,076         | 363,076     | 1,020,000                | 82.23%  | 2035                       |
| 2036                                   |                         |                                     |           |  |           |   |           |  | 240,000   | 37,338    | 240,000         | 37,338         | 277,338     | 780,000                  | 86.41%  | 2036                       |
| 2037                                   |                         |                                     |           |  |           |   |           |  | 250,000   | 27,538    | 250,000         | 27,538         | 277,538     | 530,000                  | 90.77%  | 2037                       |
| 2038                                   |                         |                                     |           |  |           |   |           |  | 260,000   | 17,175    | 260,000         | 17,175         | 277,175     | 270,000                  | 95.30%  | 2038                       |
| 2039                                   |                         |                                     |           |  |           |   |           |  | 270,000   | 5,906     | 270,000         | 5,906          | 275,906     | 0                        | 100.00% | 2039                       |
|  | 385,000                 | 36,194                              | 800,000   | 146,725                                | 625,000   | 18,850  | 1,020,000 | 114,350                                | 2,910,000 | 1,091,819 | 5,740,000       | 1,407,938      | 7,147,938   |                          |         |                            |

- 1) This represents the \$735,000 Tax Abatement portion of the \$4,045,000 General Obligation Bonds, Series 2015A.
- 2) This represents the \$1,205,000 Tax Abatement portion of the \$3,185,000 General Obligation Tax Abatement and Refunding Bonds, Series 2020B.
- 3) This represents the \$1,230,000 Tax Abatement Refunding portion of the \$1,745,000 General Obligation Refunding Bonds, Series 2022A.
- 4) This represents the \$2,910,000 Tax Abatement portion of the \$6,310,000 General Obligation Tax Abatement and Utility Refunding Bonds, Series 2023B.

City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 08/22/2024)

|                         | Street Reconstruction Bonds 1)<br>Series 2015A |          | Street Reconstruction Bonds<br>Series 2016C |          | Street Reconstruction<br>and CIP Bonds<br>Series 2019B |           | Street Rec. and<br>CIP Refunding Bonds 2)<br>Series 2019C |          | CIP, Equipment and<br>CIP Ref Bonds 3)<br>Series 2020A |          |
|-------------------------|--|----------|---|----------|--|-----------|---|----------|--|----------|
| Dated                   | 02/12/2015                                     |          | 04/14/2016                                  |          | 06/13/2019   |           | 06/13/2019  |          | 04/30/2020   |          |
| Amount                  | \$3,310,000                                    |          | \$2,565,000                                 |          | \$6,710,000  |           | \$2,760,000   |          | \$4,635,000  |          |
| Maturity                | 02/01  |          | 02/01                                       |          | 02/01  |           | 08/01   |          | 02/01  |          |
| Calendar<br>Year Ending | Principal                                      | Interest | Principal                                   | Interest | Principal  | Interest  | Principal   | Interest | Principal  | Interest |
| 2025                    | 230,000  | 39,095   | 170,000                                     | 34,088   | 325,000  | 186,425   | 965,000   | 48,250   | 395,000  | 84,745   |
| 2026                    | 235,000  | 34,445   | 175,000                                     | 30,638   | 345,000  | 169,675   |   |          | 475,000  | 71,695   |
| 2027                    | 235,000  | 29,510   | 175,000                                     | 27,050   | 360,000  | 152,050   |   |          | 350,000  | 59,320   |
| 2028                    | 245,000  | 23,863   | 180,000                                     | 22,963   | 380,000  | 133,550   |   |          | 360,000  | 48,670   |
| 2029                    | 245,000  | 17,738   | 185,000                                     | 18,400   | 395,000  | 118,125   |   |          | 135,000  | 41,245   |
| 2030                    | 250,000  | 11,238   | 190,000                                     | 13,475   | 410,000  | 106,050   |   |          | 140,000  | 37,820   |
| 2031                    | 260,000  | 3,900    | 195,000                                     | 8,181    | 420,000  | 93,600    |   |          | 140,000  | 34,950   |
| 2032                    |  |          | 200,000                                     | 2,750    | 435,000  | 80,775    |   |          | 145,000  | 31,921   |
| 2033                    |  |          |   |          | 445,000  | 67,575    |   |          | 145,000  | 28,768   |
| 2034                    |  |          |   |          | 465,000  | 53,925    |   |          | 150,000  | 25,485   |
| 2035                    |  |          |   |          | 480,000  | 39,750    |   |          | 155,000  | 22,054   |
| 2036                    |  |          |   |          | 205,000  | 29,475    |   |          | 155,000  | 18,450   |
| 2037                    |  |          |   |          | 210,000  | 23,250    |   |          | 160,000  | 14,670   |
| 2038                    |  |          |   |          | 215,000  | 16,875    |   |          | 165,000  | 10,688   |
| 2039                    |  |          |   |          | 225,000  | 10,275    |   |          | 170,000  | 6,500    |
| 2040                    |  |          |   |          | 230,000  | 3,450     |   |          | 175,000  | 2,188    |
|                         | 1,700,000                                      | 159,788  | 1,470,000                                   | 157,544  | 5,545,000  | 1,284,825 | 965,000   | 48,250   | 3,415,000  | 539,168  |

- 1) This represents the \$3,310,000 Street Reconstruction portion of the \$4,045,000 General Obligation Bonds, Series 2015A.
- 2) This represents the \$2,760,000 Street Reconstruction and CIP Refunding portions of the \$3,960,000 General Obligation Refunding Bonds, Series 2019C.
- 3) This represents the \$4,635,000 CIP, Equipment and CIP Refunding portions of the \$5,930,000 General Obligation Bonds, Series 2020A.

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City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 08/22/2024)

| Street Reconstruction & Equipment Bonds 4)<br>Series 2023A |             |          | Street Reconstruction & Equipment Bonds<br>Series 2024B |                       |                 |                |             |                          |         |                            |
|--|-------------|----------|---|-----------------------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated  | 06/29/2023  |          | 08/22/2024  |                       |                 |                |             |                          |         |                            |
| Amount   | \$2,400,000 |          | \$2,500,000*  |                       |                 |                |             |                          |         |                            |
| Maturity   | 02/01       |          | 02/01   |                       |                 |                |             |                          |         |                            |
| Calendar<br>Year Ending                                    | Principal   | Interest | Principal   | Estimated<br>Interest | Total Principal | Total Interest | Total P & I | Principal<br>Outstanding | % Paid  | Calendar<br>Year<br>Ending |
| 2025   | 135,000     | 111,625  | 0   | 94,864                | 2,220,000       | 599,091        | 2,819,091   | 15,775,000               | 12.34%  | 2025                       |
| 2026   | 140,000     | 104,750  | 170,000   | 97,213                | 1,540,000       | 508,415        | 2,048,415   | 14,235,000               | 20.89%  | 2026                       |
| 2027   | 145,000     | 97,625   | 220,000   | 89,175                | 1,485,000       | 454,730        | 1,939,730   | 12,750,000               | 29.15%  | 2027                       |
| 2028   | 155,000     | 90,125   | 230,000   | 80,008                | 1,550,000       | 399,178        | 1,949,178   | 11,200,000               | 37.76%  | 2028                       |
| 2029   | 160,000     | 82,250   | 240,000   | 70,550                | 1,360,000       | 348,308        | 1,708,308   | 9,840,000                | 45.32%  | 2029                       |
| 2030   | 170,000     | 74,000   | 250,000   | 60,750                | 1,410,000       | 303,333        | 1,713,333   | 8,430,000                | 53.15%  | 2030                       |
| 2031   | 180,000     | 65,250   | 260,000   | 50,550                | 1,455,000       | 256,431        | 1,711,431   | 6,975,000                | 61.24%  | 2031                       |
| 2032   | 185,000     | 56,125   | 265,000   | 40,050                | 1,230,000       | 211,621        | 1,441,621   | 5,745,000                | 68.07%  | 2032                       |
| 2033   | 195,000     | 46,625   | 275,000   | 29,250                | 1,060,000       | 172,218        | 1,232,218   | 4,685,000                | 73.96%  | 2033                       |
| 2034   | 140,000     | 38,250   | 290,000   | 17,950                | 1,045,000       | 135,610        | 1,180,610   | 3,640,000                | 79.77%  | 2034                       |
| 2035   | 145,000     | 31,125   | 300,000   | 6,075                 | 1,080,000       | 99,004         | 1,179,004   | 2,560,000                | 85.77%  | 2035                       |
| 2036   | 150,000     | 23,750   |   |                       | 510,000         | 71,675         | 581,675     | 2,050,000                | 88.61%  | 2036                       |
| 2037   | 160,000     | 16,800   |   |                       | 530,000         | 54,720         | 584,720     | 1,520,000                | 91.55%  | 2037                       |
| 2038   | 165,000     | 10,300   |   |                       | 545,000         | 37,863         | 582,863     | 975,000                  | 94.58%  | 2038                       |
| 2039   | 175,000     | 3,500    |   |                       | 570,000         | 20,275         | 590,275     | 405,000                  | 97.75%  | 2039                       |
| 2040   |             |          |   |                       | 405,000         | 5,638          | 410,638     | 0                        | 100.00% | 2040                       |
|  | 2,400,000   | 852,100  | 2,500,000   | 636,434               | 17,995,000      | 3,678,107      | 21,673,107  |                          |         |                            |

\* Preliminary, subject to change.

4) This represents the \$2,400,000 Street Reconstruction and Equipment portions of the \$5,760,000 General Obligation Bonds, Series 2023A.

City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Utility Revenues  
(As of 08/22/2024)

|                                 | Utility Revenue Bonds<br>Series 2012A |                 | Utility Revenue Refunding Bonds<br>Series 2014A |                 | Utility Revenue Refunding Bonds<br>Series 2017A |                 | Utility Revenue Bonds<br>Series 2017B |                 | Utility Revenue<br>Refunding Bonds<br>Series 2019A |                 |
|---------------------------------|---------------------------------------|-----------------|---|-----------------|---|-----------------|---------------------------------------|-----------------|--|-----------------|
| <b>Dated</b>                    | 03/28/2012                            |                 | 08/05/2014                                      |                 | 04/18/2017                                      |                 | 10/12/2017                            |                 | 02/28/2019   |                 |
| <b>Amount</b>                   | \$5,610,000                           |                 | \$30,860,000                                    |                 | \$6,840,000                                     |                 | \$3,160,000                           |                 | \$8,295,000  |                 |
| <b>Maturity</b>                 | 09/01                                 |                 | 11/01   |                 | 06/01   |                 | 04/01                                 |                 | 08/01  |                 |
| <b>Calendar<br/>Year Ending</b> | <b>Principal</b>                      | <b>Interest</b> | <b>Principal</b>                                | <b>Interest</b> | <b>Principal</b>                                | <b>Interest</b> | <b>Principal</b>                      | <b>Interest</b> | <b>Principal</b>                                   | <b>Interest</b> |
| 2024                            | 0                                     | 78,746          | 0   | 325,148         | 0   | 107,994         | 0                                     | 24,625          | 0  | 0               |
| 2025                            | 0                                     | 157,493         | 3,965,000                                       | 650,295         | 0   | 215,988         | 205,000                               | 47,200          | 580,000  | 17,400          |
| 2026                            | 0                                     | 157,493         | 5,085,000                                       | 531,345         | 0   | 215,988         | 210,000                               | 43,050          |  |                 |
| 2027                            | 0                                     | 157,493         | 5,245,000                                       | 378,795         | 0   | 215,988         | 215,000                               | 38,800          |  |                 |
| 2028                            | 0                                     | 157,493         | 5,405,000                                       | 216,200         | 0   | 215,988         | 220,000                               | 34,313          |  |                 |
| 2029                            | 1,005,000                             | 157,493         |   |                 | 1,290,000                                       | 196,638         | 225,000                               | 29,444          |  |                 |
| 2030                            | 1,035,000                             | 131,865         |   |                 | 1,325,000                                       | 157,413         | 230,000                               | 24,038          |  |                 |
| 2031                            | 1,065,000                             | 104,438         |   |                 | 1,365,000                                       | 117,063         | 235,000                               | 17,931          |  |                 |
| 2032                            | 1,105,000                             | 75,150          |   |                 | 1,405,000                                       | 73,756          | 240,000                               | 11,100          |  |                 |
| 2033                            | 1,400,000                             | 42,000          |   |                 | 1,455,000                                       | 25,463          | 250,000                               | 3,750           |  |                 |
| 2034                            |                                       |                 |   |                 |   |                 |                                       |                 |  |                 |
| 2035                            |                                       |                 |   |                 |   |                 |                                       |                 |  |                 |
| 2036                            |                                       |                 |   |                 |   |                 |                                       |                 |  |                 |
| 2037                            |                                       |                 |   |                 |   |                 |                                       |                 |  |                 |
| 2038                            |                                       |                 |   |                 |   |                 |                                       |                 |  |                 |
| 2039                            |                                       |                 |   |                 |   |                 |                                       |                 |  |                 |
|                                 | 5,610,000                             | 1,219,661       | 19,700,000                                      | 2,101,783       | 6,840,000                                       | 1,542,275       | 2,030,000                             | 274,250         | 580,000  | 17,400          |

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City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Utility Revenues  
(As of 08/22/2024)

|                                 | Utility Revenue<br>Refunding Bonds 1)<br>Series 2019C |                 | Utility Revenue Bonds 2)<br>Series 2020A |                 | Sewer and Water Revenue<br>Refunding Bonds<br>Series 2021A |                 | Utility Revenue<br>Refunding Bonds 3)<br>Series 2022A |                 | Utility Revenue Bonds 4)<br>Series 2023A |                 |
|---------------------------------|---|-----------------|--|-----------------|--|-----------------|---|-----------------|--|-----------------|
| <b>Dated</b>                    | 06/13/2019  |                 | 04/30/2020                               |                 | 05/06/2021   |                 | 03/03/2022  |                 | 06/29/2023                               |                 |
| <b>Amount</b>                   | \$1,200,000   |                 | \$1,295,000                              |                 | \$2,260,000  |                 | \$515,000   |                 | \$3,360,000                              |                 |
| <b>Maturity</b>                 | 08/01   |                 | 02/01                                    |                 | 08/01  |                 | 02/01   |                 | 02/01                                    |                 |
| <b>Calendar<br/>Year Ending</b> | <b>Principal</b>                                      | <b>Interest</b> | <b>Principal</b>                         | <b>Interest</b> | <b>Principal</b>   | <b>Interest</b> | <b>Principal</b>                                      | <b>Interest</b> | <b>Principal</b>                         | <b>Interest</b> |
| <b>2024</b>                     | 0   | 0               | 0  | 0               | 0  | 0               | 0   | 0               | 0  | 0               |
| <b>2025</b>                     | 210,000   | 13,750          | 100,000                                  | 24,700          | 165,000  | 24,265          | 70,000  | 10,200          | 155,000                                  | 155,325         |
| <b>2026</b>                     | 65,000  | 3,250           | 105,000                                  | 21,625          | 165,000  | 20,965          | 75,000  | 8,025           | 165,000                                  | 147,325         |
| <b>2027</b>                     |   |                 | 105,000                                  | 18,475          | 170,000  | 17,665          | 75,000  | 5,775           | 175,000                                  | 138,825         |
| <b>2028</b>                     |   |                 | 110,000                                  | 15,250          | 175,000  | 14,265          | 75,000  | 3,525           | 180,000                                  | 129,950         |
| <b>2029</b>                     |   |                 | 115,000                                  | 11,875          | 245,000  | 12,515          | 80,000  | 1,200           | 190,000                                  | 120,700         |
| <b>2030</b>                     |   |                 | 115,000                                  | 9,000           | 250,000  | 9,820           |   |                 | 200,000                                  | 110,950         |
| <b>2031</b>                     |   |                 | 120,000                                  | 6,590           | 250,000  | 6,820           |   |                 | 205,000                                  | 100,825         |
| <b>2032</b>                     |   |                 | 120,000                                  | 4,040           | 255,000  | 3,570           |   |                 | 220,000                                  | 90,200          |
| <b>2033</b>                     |   |                 | 125,000                                  | 1,375           |  |                 |   |                 | 230,000                                  | 78,950          |
| <b>2034</b>                     |   |                 |  |                 |  |                 |   |                 | 240,000                                  | 67,200          |
| <b>2035</b>                     |   |                 |  |                 |  |                 |   |                 | 255,000                                  | 54,825          |
| <b>2036</b>                     |   |                 |  |                 |  |                 |   |                 | 265,000                                  | 41,825          |
| <b>2037</b>                     |   |                 |  |                 |  |                 |   |                 | 280,000                                  | 29,600          |
| <b>2038</b>                     |   |                 |  |                 |  |                 |   |                 | 295,000                                  | 18,100          |
| <b>2039</b>                     |   |                 |  |                 |  |                 |   |                 | 305,000                                  | 6,100           |
|                                 | 275,000   | 17,000          | 1,015,000                                | 112,930         | 1,675,000  | 109,885         | 375,000   | 28,725          | 3,360,000                                | 1,290,700       |

1) This represents the \$1,200,000 Utility Revenue Refunding portion of the \$3,960,000 General Obligation Refunding Bonds, Series 2019C.

2) This represents the \$1,295,000 Utility Revenue portion of the \$5,930,000 General Obligation Bonds, Series 2020A.

3) This represents the \$515,000 Utility Revenue Refunding portion of the \$1,745,000 General Obligation Refunding Bonds, Series 2022A.

4) This represents the \$3,360,000 Utility Revenue portion of the \$5,760,000 General Obligation Bonds, Series 2023A.

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City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Utility Revenues  
(As of 08/22/2024)

| Utility Revenue<br>Refunding Bonds 5)<br>Series 2023B |             |           |                 |                |             |                          |         |                            |
|---|-------------|-----------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated   | 11/30/2023  |           |                 |                |             |                          |         |                            |
| Amount  | \$3,400,000 |           |                 |                |             |                          |         |                            |
| Maturity  | 02/01       |           |                 |                |             |                          |         |                            |
| Calendar<br>Year Ending                               | Principal   | Interest  | Total Principal | Total Interest | Total P & I | Principal<br>Outstanding | % Paid  | Calendar<br>Year<br>Ending |
| 2024  | 0           | 0         | 0               | 536,513        | 536,513     | 44,860,000               | .00%    | 2024                       |
| 2025  | 0           | 146,706   | 5,450,000       | 1,463,321      | 6,913,321   | 39,410,000               | 12.15%  | 2025                       |
| 2026  | 0           | 146,706   | 5,870,000       | 1,295,771      | 7,165,771   | 33,540,000               | 25.23%  | 2026                       |
| 2027  | 0           | 146,706   | 5,985,000       | 1,118,521      | 7,103,521   | 27,555,000               | 38.58%  | 2027                       |
| 2028  | 0           | 146,706   | 6,165,000       | 933,689        | 7,098,689   | 21,390,000               | 52.32%  | 2028                       |
| 2029  | 0           | 146,706   | 3,150,000       | 676,570        | 3,826,570   | 18,240,000               | 59.34%  | 2029                       |
| 2030  | 275,000     | 139,831   | 3,430,000       | 582,916        | 4,012,916   | 14,810,000               | 66.99%  | 2030                       |
| 2031  | 290,000     | 125,706   | 3,530,000       | 479,373        | 4,009,373   | 11,280,000               | 74.86%  | 2031                       |
| 2032  | 305,000     | 110,831   | 3,650,000       | 368,648        | 4,018,648   | 7,630,000                | 82.99%  | 2032                       |
| 2033  | 320,000     | 96,806    | 3,780,000       | 248,344        | 4,028,344   | 3,850,000                | 91.42%  | 2033                       |
| 2034  | 335,000     | 83,706    | 575,000         | 150,906        | 725,906     | 3,275,000                | 92.70%  | 2034                       |
| 2035  | 345,000     | 70,106    | 600,000         | 124,931        | 724,931     | 2,675,000                | 94.04%  | 2035                       |
| 2036  | 360,000     | 56,006    | 625,000         | 97,831         | 722,831     | 2,050,000                | 95.43%  | 2036                       |
| 2037  | 375,000     | 41,306    | 655,000         | 70,906         | 725,906     | 1,395,000                | 96.89%  | 2037                       |
| 2038  | 390,000     | 25,763    | 685,000         | 43,863         | 728,863     | 710,000                  | 98.42%  | 2038                       |
| 2039  | 405,000     | 8,859     | 710,000         | 14,959         | 724,959     | 0                        | 100.00% | 2039                       |
|   | 3,400,000   | 1,492,453 | 44,860,000      | 8,207,062      | 53,067,062  |                          |         |                            |

5) This represents the \$3,400,000 Utility Revenue Refunding portion of the \$6,310,000 General Obligation Tax Abatement and Utility Refunding Bonds, Series 2023B.

City of Buffalo, Minnesota  
Schedule of Bonded Indebtedness  
Revenue Debt Secured by Electric Revenues  
(As of 08/22/2024)

|                         | Electric Revenue Bonds<br>Series 2014B |          | Electric Revenue Bonds<br>Series 2016B |          | Electric Revenue Bonds<br>Series 2018A |          | Electric Revenue Bonds<br>Series 2018B |          | Electric Revenue Bonds<br>Series 2024A |           |                 |                |             |                          |         |                            |
|-------------------------|--|----------|--|----------|--|----------|--|----------|--|-----------|-----------------|----------------|-------------|--------------------------|---------|----------------------------|
| Dated                   | 09/16/2014                             |          | 04/14/2016                             |          | 03/29/2018                             |          | 11/08/2018                             |          | 07/11/2024                             |           |                 |                |             |                          |         |                            |
| Amount                  | \$1,880,000                            |          | \$1,140,000                            |          | \$1,765,000                            |          | \$2,300,000                            |          | \$3,460,000                            |           |                 |                |             |                          |         |                            |
| Maturity                | 02/01                                  |          | 02/01                                  |          | 02/01                                  |          | 02/01                                  |          | 02/01                                  |           |                 |                |             |                          |         |                            |
|                         |  |          |  |          |  |          |  |          |  |           |                 |                |             |                          |         |                            |
| Calendar<br>Year Ending | Principal                              | Interest | Principal                              | Interest | Principal                              | Interest | Principal                              | Interest | Principal                              | Interest  | Total Principal | Total Interest | Total P & I | Principal<br>Outstanding | % Paid  | Calendar<br>Year<br>Ending |
| 2025                    | 615,000                                | 9,225    | 125,000                                | 4,469    | 180,000                                | 20,250   | 235,000                                | 35,438   | 0                                      | 182,611   | 1,155,000       | 251,992        | 1,406,992   | 5,180,000                | 18.23%  | 2025                       |
| 2026                    |  |          | 125,000                                | 1,531    | 190,000                                | 14,700   | 240,000                                | 28,313   | 190,000                                | 168,250   | 745,000         | 212,794        | 957,794     | 4,435,000                | 29.99%  | 2026                       |
| 2027                    |  |          |  |          | 195,000                                | 8,925    | 250,000                                | 20,806   | 295,000                                | 156,125   | 740,000         | 185,856        | 925,856     | 3,695,000                | 41.67%  | 2027                       |
| 2028                    |  |          |  |          | 200,000                                | 3,000    | 255,000                                | 12,756   | 310,000                                | 141,000   | 765,000         | 156,756        | 921,756     | 2,930,000                | 53.75%  | 2028                       |
| 2029                    |  |          |  |          |  |          | 265,000                                | 4,306    | 325,000                                | 125,125   | 590,000         | 129,431        | 719,431     | 2,340,000                | 63.06%  | 2029                       |
| 2030                    |  |          |  |          |  |          |  |          | 345,000                                | 108,375   | 345,000         | 108,375        | 453,375     | 1,995,000                | 68.51%  | 2030                       |
| 2031                    |  |          |  |          |  |          |  |          | 360,000                                | 90,750    | 360,000         | 90,750         | 450,750     | 1,635,000                | 74.19%  | 2031                       |
| 2032                    |  |          |  |          |  |          |  |          | 380,000                                | 72,250    | 380,000         | 72,250         | 452,250     | 1,255,000                | 80.19%  | 2032                       |
| 2033                    |  |          |  |          |  |          |  |          | 400,000                                | 52,750    | 400,000         | 52,750         | 452,750     | 855,000                  | 86.50%  | 2033                       |
| 2034                    |  |          |  |          |  |          |  |          | 415,000                                | 32,375    | 415,000         | 32,375         | 447,375     | 440,000                  | 93.05%  | 2034                       |
| 2035                    |  |          |  |          |  |          |  |          | 440,000                                | 11,000    | 440,000         | 11,000         | 451,000     | 0                        | 100.00% | 2035                       |
|                         | 615,000                                | 9,225    | 250,000                                | 6,000    | 765,000                                | 46,875   | 1,245,000                              | 101,619  | 3,460,000                              | 1,140,611 | 6,335,000       | 1,304,330      | 7,639,330   |                          |         |                            |



## OVERLAPPING DEBT<sup>1</sup>

| Taxing District                           | 2023/24<br>Taxable Net<br>Tax Capacity | % In City | Total<br>G.O. Debt <sup>2</sup> | City's<br>Proportionate<br>Share |
|---|--|-----------|---------------------------------|----------------------------------|
| Wright County                             | \$281,065,244                          | 8.3612%   | \$75,065,000                    | \$6,276,335                      |
| I.S.D. No. 877 (Buffalo-Hanover-Montrose) | 61,636,555                             | 38.1272%  | 74,120,000 <sup>3</sup>         | <u>28,259,881</u>                |
| City's Share of Total Overlapping Debt    |  |           |                                 | <u><u>\$34,536,215</u></u>       |

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does **not** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

## DEBT RATIOS

|  | <b>G.O. Debt</b>           | <b>Debt/Economic<br/>Market Value<br/>\$2,252,223,668</b> | <b>Debt/<br/>Per Capita<br/>16,884<sup>1</sup></b> |
|--|----------------------------|---|--|
| Direct G.O. Debt Secured By:                             |                            |   |  |
| Tax Abatement Revenues                                   | \$5,740,000                |   |  |
| Taxes*   | 17,995,000                 |   |  |
| Utility Revenues   | 44,860,000                 |   |  |
| Total General Obligation Debt*                           | <u>\$68,595,000</u>        |   |  |
| Less: G.O. Debt Paid Entirely from Revenues <sup>2</sup> | <u>(44,860,000)</u>        |   |  |
| Tax Supported General Obligation Debt*                   | \$23,735,000               | 1.05%   | \$1,405.77   |
| City's Share of Total Overlapping Debt                   | <u>\$34,536,215</u>        | <u>1.53%</u>  | <u>\$2,045.50</u>                                  |
| Total*   | <u><u>\$58,271,215</u></u> | <u><u>2.59%</u></u>                                       | <u><u>\$3,451.27</u></u>                           |

\*Preliminary, subject to change.

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<sup>1</sup> Estimated 2022 population.

<sup>2</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

## TAX LEVIES, COLLECTIONS AND RATES

### TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy <sup>1</sup> | Total Collected Following Year | Collected to Date | % Collected |
|----------|---------------------------|--------------------------------|-------------------|-------------|
| 2019/20  | \$8,438,384               | \$8,394,935                    | \$8,436,779       | 99.98%      |
| 2020/21  | 8,858,209                 | 8,810,672                      | 8,855,612         | 99.97%      |
| 2021/22  | 9,419,870                 | 9,355,835                      | 9,403,891         | 99.83%      |
| 2022/23  | 10,231,767                | 10,114,374                     | 10,114,374        | 98.85%      |
| 2023/24  | 11,248,499                | In process of collection       |                   |             |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>2</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

### TAX CAPACITY RATES<sup>3</sup>

|   | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---------|---------|---------|---------|---------|
| Wright County                             | 44.421% | 43.719% | 43.751% | 37.848% | 33.737% |
| City of Buffalo                           | 55.811% | 54.256% | 55.034% | 50.562% | 47.867% |
| I.S.D. No. 877 (Buffalo-Hanover-Montrose) | 29.184% | 27.200% | 26.546% | 21.575% | 20.928% |
| Buffalo HRA                               | 1.731%  | 1.731%  | 1.730%  | 1.724%  | 1.690%  |
| Pulaski Lake Improvement District         | 9.354%  | 8.528%  | 7.571%  | 8.539%  | 7.608%  |

#### *Referendum Market Value Rates:*

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| I.S.D. No. 877 (Buffalo-Hanover-Montrose) | 0.24315% | 0.23260% | 0.20332% | 0.19297% | 0.16867% |
|---|----------|----------|----------|----------|----------|

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Wright County.

<sup>1</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>2</sup> Second half tax payments on agricultural property are due on November 15th of each year.

<sup>3</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

# THE ISSUER

## CITY GOVERNMENT

The City was organized as a municipality in 1887. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS; UNIONS

The City currently has 96 full-time, 39 part-time, and five (5) seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

### Recognized and Certified Bargaining Units

| <b>Bargaining Unit</b>                 | <b>Expiration Date of Current Contract</b> |
|--|--|
| LELS Local No. 234 - Patrol Officers   | December 31, 2025                          |
| LELS Local No. 337 - Sergeant Officers | December 31, 2025                          |

## POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$1,528,437 as of December 31, 2023. The City has been funding these obligations on a pay-as-you-go basis.

**Source:** The City's most recent Audit.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

# MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

## FUNDS ON HAND (as of June 30, 2024)

| Fund                   | Total Cash<br>and Investments |
|------------------------|-------------------------------|
| General                | \$7,219,842                   |
| Special Revenue - City | (1,454,729)                   |
| Special Revenue - HRA  | 579,407                       |
| Debt Service - City    | 3,081,509                     |
| Debt Service - HRA     | (10,809)                      |
| Capital Projects       | 5,927,843                     |
| Enterprise Funds       | 9,947,504                     |
| Internal Service       | (19,926)                      |
|                        | <hr/>                         |
| Total Funds on Hand    | <u><u>\$25,270,639</u></u>    |

## ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

|                                     | 2021<br>Audited           | 2022<br>Audited           | 2023<br>Audited           |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Electric</b>                     |                           |                           |                           |
| Total Operating Revenues            | \$17,196,019              | \$19,193,515              | \$19,205,221              |
| Less: Operating Expenses            | <u>(14,639,848)</u>       | <u>(16,589,576)</u>       | <u>(17,170,048)</u>       |
| Operating Income                    | \$2,556,171               | \$2,603,939               | \$2,035,173               |
| Plus: Depreciation                  | <u>1,438,388</u>          | <u>1,359,886</u>          | <u>1,427,160</u>          |
| Revenues Available for Debt Service | <u><u>\$3,994,559</u></u> | <u><u>\$3,963,825</u></u> | <u><u>\$3,462,333</u></u> |
| <b>Water and Sewer<sup>1</sup></b>  |                           |                           |                           |
| Total Operating Revenues            | \$8,875,554               | \$9,633,344               | \$10,572,533              |
| Less: Operating Expenses            | <u>(6,267,618)</u>        | <u>(5,958,085)</u>        | <u>(6,607,722)</u>        |
| Operating Income                    | \$2,607,936               | \$3,675,259               | \$3,964,811               |
| Plus: Depreciation                  | <u>2,226,151</u>          | <u>2,235,851</u>          | <u>2,381,064</u>          |
| Revenues Available for Debt Service | <u><u>\$4,834,087</u></u> | <u><u>\$5,911,110</u></u> | <u><u>\$6,345,875</u></u> |
| <b>Municipal Liquor Store</b>       |                           |                           |                           |
| Total Operating Revenues            | \$1,862,422               | \$1,913,232               | \$2,076,860               |
| Less: Operating Expenses            | <u>(1,361,093)</u>        | <u>(1,373,796)</u>        | <u>(1,433,760)</u>        |
| Operating Income                    | \$501,329                 | \$539,436                 | \$643,100                 |
| Plus: Depreciation                  | <u>55,499</u>             | <u>60,344</u>             | <u>53,476</u>             |
| Revenues Available for Debt Service | <u><u>\$556,828</u></u>   | <u><u>\$599,780</u></u>   | <u><u>\$696,576</u></u>   |
| <b>Golf Course<sup>2</sup></b>      |                           |                           |                           |
| Total Operating Revenues            | \$1,270,747               | \$7,463                   | N/A                       |
| Less: Operating Expenses            | <u>(1,054,329)</u>        | <u>(196,850)</u>          | <u>N/A</u>                |
| Operating Income                    | \$216,418                 | (\$189,387)               | N/A                       |
| Plus: Depreciation                  | <u>135,140</u>            | <u>74,234</u>             | <u>N/A</u>                |
| Revenues Available for Debt Service | <u><u>\$351,558</u></u>   | <u><u>(\$115,153)</u></u> | <u><u>N/A</u></u>         |

<sup>1</sup> The City established separate funds for Water and Sewer starting in 2022.

<sup>2</sup> The City sold its Wild Marsh Golf Course in July 2022 and closed the fund as of December 31, 2022.

## SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2023 audited financial statements.

| FISCAL YEAR ENDING DECEMBER 31                      |                    |                    |                     |                      |  |
|---|--------------------|--------------------|---------------------|----------------------|--|
| COMBINED STATEMENT                                  | 2020<br>Audited    | 2021<br>Audited    | 2022<br>Audited     | 2023<br>Audited      | 2024<br>Adopted<br>Budget <sup>1</sup> |
| <b>Revenues</b>                                     |                    |                    |                     |                      |  |
| General property taxes                              | \$4,790,249        | \$4,963,569        | \$5,661,522         | \$6,078,791          | \$7,317,054                            |
| Other taxes   | 1,931              | 2,435              | 3,013               | 6,668                | 3,090                                  |
| Licenses and permits                                | 458,071            | 543,102            | 473,301             | 716,821              | 560,250                                |
| Intergovernmental                                   | 2,146,534          | 1,459,898          | 1,551,648           | 1,686,258            | 2,103,000                              |
| Special assessments                                 | 4,924              | 5,508              | 4,826               | 4,989                | 5,000                                  |
| Charges for services                                | 1,619,222          | 1,768,407          | 1,933,560           | 2,073,073            | 2,025,250                              |
| Fines and forfeits                                  | 39,538             | 45,751             | 46,360              | 40,528               | 46,000                                 |
| Investment earnings                                 | 12,218             | 5,043              | 14,610              | 98,938               | 40,000                                 |
| Refunds and reimbursements                          | 118,234            | 228,388            | 146,065             | 312,039              | 21,300                                 |
| Contributions and donations                         | 31,344             | 38,790             | 42,038              | 51,170               | 46,500                                 |
| Miscellaneous                                       | 51,760             | 5,549              | 194,547             | 60,891               | 51,500                                 |
| <b>Total Revenues</b>                               | <b>\$9,274,025</b> | <b>\$9,066,440</b> | <b>\$10,071,490</b> | <b>\$11,130,166</b>  | <b>\$12,218,944</b>                    |
| <b>Expenditures</b>                                 |                    |                    |                     |                      |  |
| Current:  |                    |                    |                     |                      |  |
| General government                                  | \$1,562,710        | \$1,496,297        | \$1,775,986         | \$1,647,321          | \$2,430,399                            |
| Public safety                                       | 3,824,678          | 3,738,146          | 3,815,195           | 4,314,975            | 4,262,723                              |
| Public works  | 1,425,410          | 1,426,471          | 1,469,958           | 1,769,528            | 2,162,263                              |
| Sanitation  | 945,738            | 989,178            | 1,114,590           | 1,149,325            | 1,204,850                              |
| Culture and recreation                              | 1,135,125          | 1,378,243          | 1,692,287           | 2,024,274            | 2,060,839                              |
| Capital outlay                                      | 674,761            | 92,126             | 389,985             | 842,498              | 683,000                                |
| Debt service  | 214,953            | 227,997            | 235,291             | 408,735              | 374,870                                |
| <b>Total Expenditures</b>                           | <b>\$9,783,375</b> | <b>\$9,348,458</b> | <b>\$10,493,292</b> | <b>\$12,156,656</b>  | <b>\$13,178,944</b>                    |
| <b>Excess of revenues over (under) expenditures</b> | <b>(\$509,350)</b> | <b>(\$282,018)</b> | <b>(\$421,802)</b>  | <b>(\$1,026,490)</b> | <b>(\$960,000)</b>                     |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                     |                      |  |
| Lease financing                                     | \$90,151           | \$0                | \$0                 | \$35,993             | \$0                                    |
| Proceeds from sale of capital assets                | 107,447            | 228,349            | 20,920              | 52,357               | 0                                      |
| Insurance proceeds                                  | 0                  | 0                  | 71,630              | 10,504               | 0                                      |
| Bond premium  | 14,048             | 0                  | 0                   | 0                    | 0                                      |
| Bond proceeds                                       | 428,400            | 0                  | 0                   | 0                    | 0                                      |
| Transfers in  | 1,454,985          | 1,400,000          | 1,379,096           | 1,250,000            | 1,150,000                              |
| Transfers (out)                                     | (1,364,965)        | (1,153,395)        | (402,507)           | (66,125)             | (190,000)                              |
| <b>Total Other Financing Sources (Uses)</b>         | <b>730,066</b>     | <b>474,954</b>     | <b>1,069,139</b>    | <b>1,282,729</b>     | <b>960,000</b>                         |
| <b>Net changes in Fund Balances</b>                 | <b>\$220,716</b>   | <b>\$192,936</b>   | <b>\$647,337</b>    | <b>\$256,239</b>     | <b>\$0</b>                             |
| General Fund Balance January 1                      | \$5,247,811        | \$5,568,040        | \$5,760,976         | \$6,408,313          |  |
| Correction of an Error                              | 99,513             | 0                  | 0                   | 0                    |  |
| Residual Equity Transfer in (out)                   | 0                  | 0                  | 0                   | 0                    |  |
| General Fund Balance December 31                    | \$5,568,040        | \$5,760,976        | \$6,408,313         | \$6,664,552          |  |
| <b>DETAILS OF DECEMBER 31 FUND BALANCE</b>          |                    |                    |                     |                      |  |
| Nonspendable  | \$2,506,536        | \$2,396,958        | \$2,198,522         | \$2,049,972          |  |
| Committed   | 0                  | 0                  | 120,000             | 0                    |  |
| Unassigned  | 3,061,504          | 3,364,018          | 4,089,791           | 4,614,580            |  |
| <b>Total</b>  | <b>\$5,568,040</b> | <b>\$5,760,976</b> | <b>\$6,408,313</b>  | <b>\$6,664,552</b>   |  |

<sup>1</sup> The 2024 budget was adopted on December 18, 2023.

## GENERAL INFORMATION

### LOCATION

The City, with a 2020 U.S. Census population of 16,168 and a 2022 population estimate of 16,884, and comprising an area of 9.03 square miles, is located approximately 35 miles northwest of St. Paul, Minnesota. The City is the county seat of Wright County, Minnesota.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

| <b>Firm</b>                               | <b>Type of Business/Product</b>    | <b>Estimated No. of Employees</b> |
|---|------------------------------------|-----------------------------------|
| I.S.D. No. 877 (Buffalo-Hanover-Montrose) | Elementary and secondary education | 980                               |
| Wright County                             | County government and services     | 947                               |
| Walmart Supercenter                       | Discount retail and grocery store  | 350                               |
| Buffalo Hospital                          | Hospital                           | 326                               |
| Functional Industries, Inc.               | Rehabilitation center              | 285                               |
| Park View Care Center                     | Nursing home                       | 200                               |
| Cub Foods                                 | Grocery store                      | 195                               |
| The City                                  | Local government and services      | 140                               |
| Menards                                   | Home improvement retail store      | 140                               |
| Stellis Health-Buffalo Clinic             | Medical services                   | 130                               |

**Source:** Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.



**BUILDING PERMITS** (as of May 21, 2024)

|  | <b>2020</b>  | <b>2021</b>  | <b>2022</b>  | <b>2023</b>  | <b>2024</b>  |
|--|--------------|--------------|--------------|--------------|--------------|
| <u>New Single Family Homes</u>               |              |              |              |              |              |
| No. of building permits                      | 85           | 78           | 37           | 69           | 34           |
| Valuation                                    | \$22,872,507 | \$23,458,170 | \$12,066,312 | \$20,853,205 | \$10,379,972 |
| <u>New Multiple Family Buildings</u>         |              |              |              |              |              |
| No. of building permits                      | 0            | 0            | 0            | 1            | 0            |
| Valuation                                    | \$0          | \$0          | \$0          | \$9,910,000  | \$0          |
| <u>New Commercial/Industrial</u>             |              |              |              |              |              |
| No. of building permits                      | 3            | 6            | 1            | 3            | 4            |
| Valuation                                    | \$6,808,900  | \$6,000,000  | \$1,000,000  | \$924,400    | \$1,967,031  |
| <u>All Building Permits</u>                  |              |              |              |              |              |
| <i>(including additions and remodelings)</i> |              |              |              |              |              |
| No. of building permits                      | 1,245        | 1,437        | 878          | 1,087        | 294          |
| Valuation                                    | \$54,587,171 | \$60,280,845 | \$31,832,452 | \$50,549,940 | \$21,692,151 |

**Source:** The City.

## U.S. CENSUS DATA

### Population Trend: The City

|                               |        |
|-------------------------------|--------|
| 2010 U.S. Census population   | 15,453 |
| 2020 U.S. Census population   | 16,168 |
| Percent of Change 2010 - 2020 | 4.63%  |

|  |        |
|--|--------|
| 2022 State Demographer Population Estimate | 16,884 |
|--|--------|

### Income and Age Statistics

|  | <b>The City</b> | <b>Wright County</b> | <b>State of Minnesota</b> | <b>United States</b> |
|--|-----------------|----------------------|---------------------------|----------------------|
| 2022 per capita income                 | \$40,148        | \$43,067             | \$44,947                  | \$41,261             |
| 2022 median household income           | \$81,868        | \$102,980            | \$74,313                  | \$75,149             |
| 2022 median family income              | \$98,698        | \$118,209            | \$107,072                 | \$92,646             |
| 2022 median gross rent                 | \$1,037         | \$1,149              | \$1,178                   | \$1,268              |
| 2022 median value owner occupied units | \$260,500       | \$310,900            | \$286,800                 | \$281,900            |
| 2022 median age                        | 39.2 yrs.       | 37.4 yrs.            | 38.5 yrs.                 | 38.5 yrs.            |

|                                     | <b>State of Minnesota</b> | <b>United States</b> |
|-------------------------------------|---------------------------|----------------------|
| City % of 2022 per capita income    | 89.32%                    | 97.30%               |
| City % of 2022 median family income | 92.18%                    | 106.53%              |

### Housing Statistics

|                   | <b><u>The City</u></b> |             |                          |
|-------------------|------------------------|-------------|--------------------------|
|                   | <b>2020</b>            | <b>2022</b> | <b>Percent of Change</b> |
| All Housing Units | 6,069                  | 6,285       | 3.56%                    |

**Source:** 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

|             | <b><u>Average Employment</u></b> | <b><u>Average Unemployment</u></b> |                           |
|-------------|----------------------------------|------------------------------------|---------------------------|
| <b>Year</b> | <b>Wright County</b>             | <b>Wright County</b>               | <b>State of Minnesota</b> |
| 2020        | 72,792                           | 5.6%                               | 6.3%                      |
| 2021        | 72,728                           | 3.4%                               | 3.7%                      |
| 2022        | 74,427                           | 2.5%                               | 2.7%                      |
| 2023        | 74,968                           | 2.9%                               | 2.8%                      |
| 2024, June  | 86,958                           | 3.8%                               | 2.7%                      |

**Source:** Minnesota Department of Employment and Economic Development.

### **FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse changes in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**CITY OF BUFFALO, MINNESOTA**

# ANNUAL COMPREHENSIVE FINANCIAL REPORT



For the Fiscal Year Ended  
December 31, 2023

*Buffalo*

CITY OF BUFFALO, MINNESOTA

**CITY OF BUFFALO, MINNESOTA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2023**

**PREPARED BY: FINANCE DEPARTMENT**

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## INTRODUCTORY SECTION



June 7, 2024

To the Honorable Mayor, Members of City Council, and the Residents of the City of Buffalo:

Minnesota Statutes require all cities to issue an annual report on the City's financial position and activity prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, the City hereby issues the Annual Comprehensive Financial Report (ACFR) of the City of Buffalo, Minnesota (the City) for the year ended December 31, 2023. The organization, form, and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants (AICPA), the Minnesota Office of the State Auditor, and the City Code.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules, statistical tables, etc., rests with the management of the City of Buffalo. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any misstatements. To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by CliftonLarsonAllen, LLP and an unmodified ("clean") opinion has been issued. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditors' report.

## Profile of the City

The City is situated in a prime location on State Highways 55 & 25 just outside the Twin Cities Metro area about 42 miles northwest of downtown Minneapolis and is also a convenient drive to the Saint Cloud Metro area. The City is a freestanding urban fringe community encompassing approximately 9 square miles and a population of 16,884. Buffalo is the county seat of the growing Wright County and provides a mix of small community charm and suburban amenities as a regional destination for shopping, services, and leisure.

The City was founded by second-generation Americans who migrated west in the mid-1800s. Incorporated in 1887, the City grew with the arrival of the railroad bringing life and energy to the area. Buffalo owes its existence to the two lakes, Buffalo, and Pulaski. The lakes attracted the earliest settlers, provided food, ice, and recreation for the past 150 years, drew tourists in our resort days, and still today contribute greatly to our quality-of-life, pride and even “notoriety” as a community.

The City is categorized as a 501(a) entity by IRS Code and operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected mayor and four elected City council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. Council members serve four-year terms, with two members elected every two years. The mayor is elected for a two-year term. The mayor and members of the City Council are elected at large.

The City provides a full range of services including police protection, a volunteer fire department, street and park maintenance and construction, protection of environmental resources, recreation opportunities, City planning, licensing, permits, inspections, and code enforcement. The City operates an electric utility, a fiber utility, a water utility, a sanitary sewer utility, a storm sewer utility, a sidewalk/trail snowplowing system, a street lighting system, a municipal airport, a community center, an ice arena, and two off-sale liquor stores. The City is committed to delivering quality services at an affordable price. The City Council has directed the City staff to provide services to the community through a clearly defined goal, or Mega End Statement (Vision) that states:

***Buffalo will continue to grow by fostering an environment of superior services, innovation in all areas, and a safe environment to live, work and play. Every citizen will accept responsibility and will be accountable for success!***

In accordance with GASB pronouncements, the City’s financial statements include all funds, departments of the City (the primary government), and its component unit. The component unit, included in the City’s reporting entity, the Buffalo Housing & Redevelopment Authority (HRA), has been included because the City has financial and operational responsibility of the HRA. As a result of applying the entity definition criteria of the GASB, the HRA has been included in the City’s financial statements as a blended component unit.

The City's budget process begins with a review of the City's financial management plan which is the document that provides the framework for financial decision making. The Finance Department prepares estimates for an annual budget and submits them to the City Council for approval. The budget is prepared by fund, function (e.g., public works), and department (e.g., streets).

The City prepares annually appropriated budgets for both governmental and proprietary funds. Budgetary comparison schedules for the General Fund and applicable special revenue funds can be found in the required and supplementary information sections of this report. For the City's governmental funds, annual appropriations include the City's General Fund, Library Fund, Airport Fund, Fire Fund, and Civic Center Fund. The City does not annually appropriate a budget for the HRA of Buffalo Fund, a blended component unit, as such a budget, is not legally required by the City. Annually appropriated proprietary funds include the City's Electric Utility, Fiber Utility, Water Utility, Sanitary Sewer (Wastewater Reclamation) Utility, and Liquor Fund. The City maintains an Internal Service Fund for its Management Information Services (MIS), which also is budgeted on an annual basis.

The City Council is required to adopt a final budget by late December for the subsequent year. After the budget is adopted, the City Administrator has the authority to reallocate resources between departments within funds; however, changes to the total budgeted expenditures require approval by the City Council. The legal level of budgetary control is the department level in the General Fund and fund level in all other funds. Budget amendments require City Council approval.

## Local Economy

The City is recovering from economic woes that affected many communities in Wright County and throughout the State of Minnesota in the late 2000s, and recently, the COVID-19 pandemic. During the economic downturn, the City lost very few of its local businesses, although some reduced their workforce and scaled back operations. New commercial development came to a virtual standstill and growth remains conservative but is increasing. Residential growth has increased greatly from a decade ago when the economic downturn was still causing slow development, but still has not reached pre-economic downturn levels.

The City's tax base is primarily residential and approximately 21% commercial property. Total market value has grown over the past ten years consistent with the statewide and nationwide trends in the housing market. Property value growth consists of both growth from valuation increases on existing properties and growth due to new construction and remodeling.

The local economy has continued to grow as indicated by the building permits, with a construction value of \$50,549,940, being issued in 2023. New construction accounts for \$31,727,605 and additions/remodels make up the remaining \$18,822,335 balance. In 2023, the City issued 69 new housing permits compared to 37 in 2022. Single family homes accounted for over 60% of the new housing unit permits, while the remaining new housing units are multi-family. The average value of a newly constructed home is about \$459,820 compared to \$326,117 in 2022. There has been continued interest in both affordable and market rate multi-family housing projects. The City is proactively addressing the needs for redevelopment and housing maintenance as the City ages to continue to maintain the City's healthy property value growth.

Many of Buffalo's largest employers reported stable or steady growth of employment levels between 2022 and 2023. This is largely due to a thriving manufacturing base and a successful, fast-growing business community within the region. The commercial/industrial sector has experienced modest growth, expansion, and reinvestment in 2023. The outlook in this region looks promising with commercial industrial activity and the recent single-family residential development projects.

In 2023, the City spent the remainder of its American Rescue Plan (ARPA) funding on eligible street improvements and the Pre-treatment Building Improvements of the City's Water Reclamation utility. The City received Federal and State funds to partially finance the reconstruction of Highway 25 in downtown Buffalo in 2023 and 2024.

### Long-term Financial Planning

The City faces the financial and redevelopment challenges associated with an established yet growing City. Protecting property values of an aging housing stock will become increasingly important to City homeowners as well as maintaining the tax base of the City. The City's property maintenance code enforcement is helping to improve the quality of residences and businesses throughout the community.

Inflation and reduced state government aid have kept pressure on City budgets. Fortunately, the City is well positioned to deal with these challenges because of the broad diversification of the tax base and long-term financial planning.

The City has developed a financial management plan (FMP) that clearly establishes low tax rates, infrastructure investment, and good standing within the financial community as top priorities. The Financial Management Plan provides a long-range forecast that brings together future expenditures, revenues, and development of the City. The City Council has been diligent in maintaining a level tax rate. The City has experienced a decrease in the tax rate from 57.2% of net tax capacity in 2019 to 47.9% for 2024. This plan provides the information needed to develop in a manner that will sustain or expand City services while keeping the property taxes stable. Department heads take part in this process to estimate staff additions, service levels, and capital needs for the next ten years. The financial management plan is updated and reviewed annually as part of the annual budget and five-year comprehensive Capital Improvement Plan (CIP) process. The CIP is a five-year planning tool that forecasts the City's capital needs based on the City's long-range plans, goals, and policies. Furthermore, the City has forged partnerships throughout the community that will ensure a coordinated community-wide approach to addressing the challenges and opportunities of the future.

Infrastructure replacement costs will likely consume an increasing portion of the budget as the City's infrastructure ages. The combination of limited new tax base and increased demand for enhanced maintenance and replacement of infrastructure (roads, water and sewer utilities and additional storm water improvements) presents the most significant set of financial challenges for the City of Buffalo. Numerous strategic steps have been taken to improve the City government's responsiveness to these and other anticipated community needs.

Among the most significant steps taken to date has been the commitment by the City Council to allocate a portion of the general property tax levy to fund the City's pavement management program. In addition, the City Council made a commitment to set utility rates to fund system depreciation for adequate maintenance and replacement of the Water and Water Reclamation utilities and Storm Water improvements. These steps have placed the City in a proactive stance for preserving the value of the community's more than \$115 million capital asset investment. The City prepares an annual 5-year capital improvements plan for addition and replacement of the City's infrastructure.

The City Council approved a 2024 budget that called for a total increase in tax levy of 9.9%. The adopted 2024 budget addresses fundamental community needs, including maintaining established basic service levels and long-term infrastructure replacement.

## Relevant Financial Policies

The City is currently in the process of reviewing and establishing a comprehensive set of Financial Management Policies that provide the basic framework for the overall fiscal management of the City. Current policies cover investments, purchasing, federal awards, fund balance, and post-issuance debt compliance policies. It is important for the financial stability of the City to maintain reserve funds for unanticipated expenditures or unforeseen emergencies, as well as to provide adequate working capital for current operating needs to avoid short-term borrowing. The City's recently updated its financial management plan to state that the fund balances in the General and Special Revenue Funds will be maintained at a minimum target level of fifty percent of the following year's operating budgeted expenditures or a six-months minimum of those expenditures. The targeted level of fund balance maintained by the City, however, can fluctuate with each year's budget objectives and appropriations such as large capital expenditures and variation in the collection of revenues. The City is currently working on financial strategies to have the General Fund's unassigned balance reach the targeted level directed by the financial management plan. This financial management plan also directs that the use of one-time revenues be used for one-time expenditures.

## Major Initiatives

The City began the first phase in updating the Comprehensive Plan in 2020 with downtown revitalization as a priority focus through 2040. Actions taken in 2022 included the rollout of the Small Cities Development Program (SCDP) funded through the City's HRA and the Minnesota Department of Employment and Economic Development (DEED). The Downtown Plan serves as an element of the Comprehensive plan and acts as a guiding policy document for keeping historic downtown vibrant. Goals of the update include supporting commercial development opportunities, maintaining focus on downtown revitalization and viability, and maintaining/increasing focus on diversified housing. The challenge moving forward will be the implementation of the plan and creating development opportunities within the downtown area for new and existing businesses as well as diversified housing.

The City continues to develop and implement the Financial Management Plan as a long-term planning tool to identify sustainable funding mechanisms for future facilities, streets, equipment, and other infrastructure improvements. This tool is now a part of the annual budget and five-year capital improvement plan development process.

The City continues the process of updating the entire City Code, incorporating all statute changes and best practice recommendations. Ordinances have been updated from time to time as necessary but the last time the City Code was updated was in 1985.

The City had \$12.4 million of capital asset additions, and \$20.7 million in construction-in progress for the year-ended 2023. Several City streets saw work during the year, including the TH 25 South Street Reconstruction project, which will be completed in 2024, as well as improvements made to the Downtown Division Street project, and the mill and overlay for streets included for the 2023 Street Maintenance Project. Additionally, the Electric fund purchased land for a second substation, the Fiber utility began planning its Phase 1 of the Fiber Expansion project, and the City's Wastewater Treatment Facility benefited from continued improvements to its pre-treatment process.

## Awards & Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program (COA) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have the information they need to do so themselves.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Financial Report for the year ended December 31, 2022. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one-year only. The City believes the current Financial Report conforms to the Certificate of Achievement program requirements, and the City will be submitting the report to the GFOA to determine its eligibility for a certificate.

The 2023 Financial Report meets the highest professional standards and was prepared in a timely and cost-effective manner. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department, other City department heads, and through the helpful guidance and assistance from our audit firm, CLA. Credit also must be given to the Mayor and City Council for their support in maintaining high standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Kelly M Horn', with a stylized flourish at the end.

Kelly M Horn, CPA  
Finance Director





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Buffalo  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

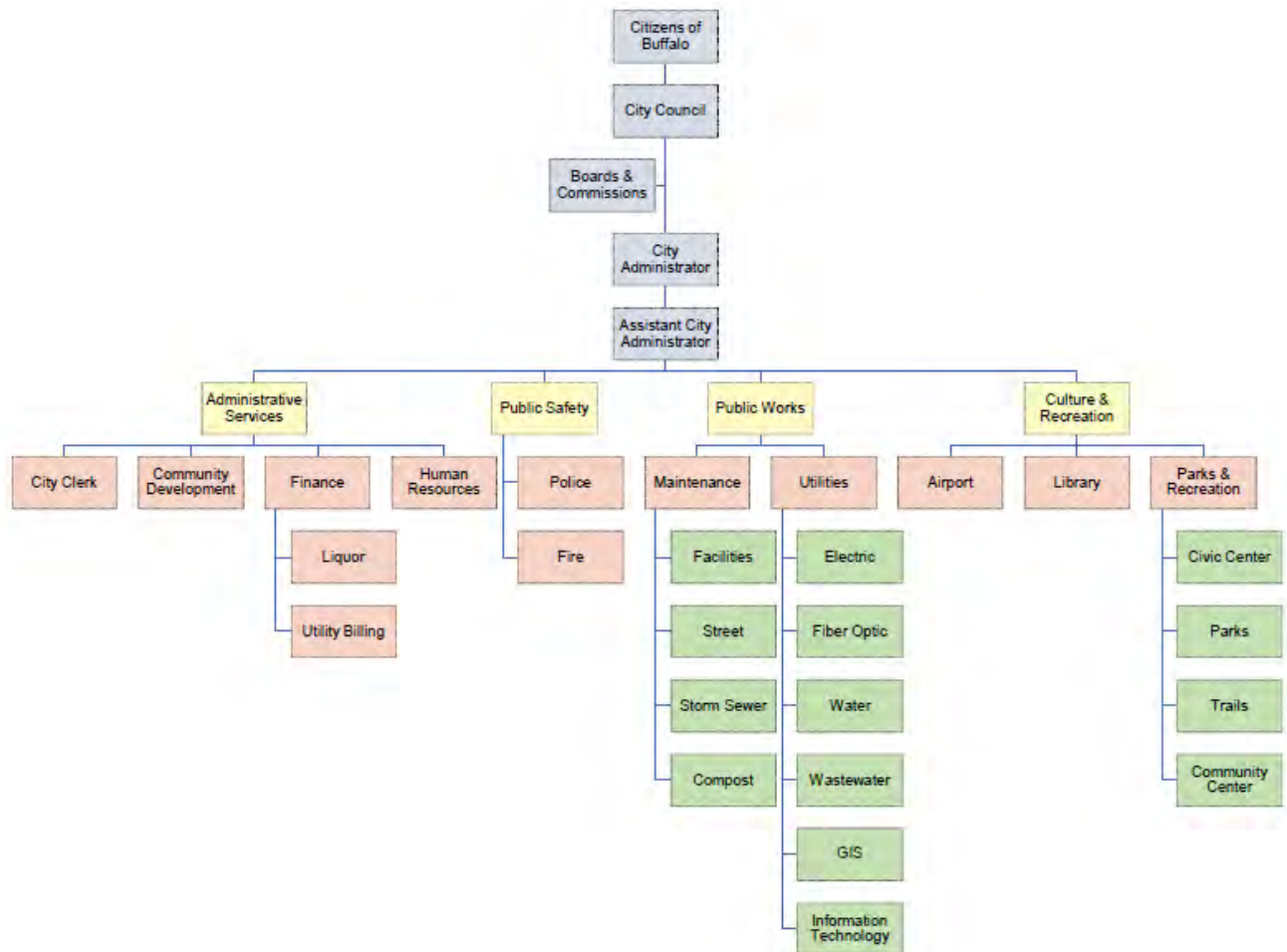
December 31, 2022

*Christopher P. Morill*

Executive Director/CEO



**CITY OF BUFFALO, MINNESOTA  
ORGANIZATIONAL CHART  
DECEMBER 31, 2023**



**CITY OF BUFFALO, MINNESOTA  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2023**

Elected Officials

|                |                   |                   |
|----------------|-------------------|-------------------|
| Mayor          | Teri Lachermeier  | December 31, 2024 |
| Council Member | George Fantauzza  | December 31, 2024 |
| Council Member | Steve Downer      | December 31, 2024 |
| Council Member | Jameson Wakefield | December 31, 2026 |
| Council Member | Brad Dahl         | December 31, 2026 |

Term Expires

Appointed Officials

|  |                  |
|--|------------------|
| Administrator                                  | Taylor Gronau    |
| Utilities and IT Director                      | Jason Meusburger |
| Finance Director                               | Kelly Horn       |
| Police Chief                                   | Pat Budke        |
| Fire Chief                                     | John Harnois     |
| Parks and Recreation Director                  | Lee Ryan         |
| Community and Economic<br>Development Director | David Kelly      |
| Community Center Manager                       | Adam Leiferman   |
| Director of Liquor Operations                  | Jason Swanson    |
| Human Resources Manager                        | Carmen Merrill   |

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes of the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the City's proportionate share of the net pension liability, the schedule of the City's proportionate share of the net pension asset, the schedule of the City's pension contributions, the schedule of changes in the City's total OPEB liability and related ratios, and the budgetary comparison schedule – general fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor governmental fund financial statements and schedules, the debt service fund by bond issue financial statements, the capital project fund by project financial statements and the HRA of Buffalo Fund by TIF district financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor governmental fund financial statements and schedules, the Debt Service Fund by Bond Issue financial schedules, the Capital Project Fund by Project financial schedules and the HRA of Buffalo Fund by TIF District financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
June 7, 2024

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

As management of the City of Buffalo, Minnesota (the City), we offer readers of the City of Buffalo's financial statements this narrative overview and analysis of the financial activities of the City of Buffalo for the fiscal year ended December 31, 2023.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$98,698,834 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$12,734,170.
- The City's total net position increased by \$16,979,108 from 2022 mainly due to receiving federal construction grants and aids.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,393,109, an increase of \$7,684,995 in comparison with the prior year. The overall unassigned fund balance is \$696,234.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,614,580, or 38% of total 2023 General Fund expenditures.
- The City's total bonded debt increased by \$990,000 or 1.3% during the current fiscal period.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensated absences). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, culture and recreation, and community development. The business-type activities of the City include water, sewer, electric and fiber utilities, and liquor stores.

The government-wide financial statements can be found on pages 28 to 30 of this report.

**Fund Financial Statements**

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

***Governmental Funds***

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

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Project Fund, and HRA Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 31 to 36 of this report.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

***Proprietary Funds***

The City maintains four proprietary fund types. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utilities, electric utilities, and liquor store operations.

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Electric Fund, and Liquor Fund which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 37 to 46 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 47 to 98 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* demonstrating the City's compliance with its adopted budget for the General Fund and information regarding defined benefit pension plans and other postemployment benefits that the City participates in. The RSI and related notes can be found on pages 99 to 118 of this report.

**Supplementary Information**

The combining statements referred to earlier in conjunction with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual nonmajor governmental fund statements and schedules can be found on pages 119 to 126. The Debt Service Fund by Bond Issue financial schedules, the Capital Project Fund by Project financial schedules and the HRA of Buffalo Fund by TIF District financial schedules can be found on pages 127 to 146.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows by \$98,698,834 at the close of the most recent fiscal year compared to \$81,719,726 at the end of 2022.

By far, the largest portion of the City's net position (79%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF BUFFALO'S NET POSITION**

|                                       | Governmental Activities |               | Business-Type Activities |               | Total         |               |
|---------------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|                                       | 2023                    | 2022          | 2023                     | 2022          | 2023          | 2022          |
| <b>ASSETS</b>                         |                         |               |                          |               |               |               |
| Current and Other Assets              | \$ 24,265,124           | \$ 16,323,037 | \$ 16,868,532            | \$ 13,777,867 | \$ 41,133,656 | \$ 30,100,904 |
| Capital Assets                        | 66,709,357              | 62,054,843    | 84,150,777               | 82,095,089    | 150,860,134   | 144,149,932   |
| Total Assets                          | 90,974,481              | 78,377,880    | 101,019,309              | 95,872,956    | 191,993,790   | 174,250,836   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                         |               |                          |               |               |               |
|                                       | 4,842,491               | 5,491,185     | 1,067,807                | 1,369,802     | 5,910,298     | 6,860,987     |
| <b>LIABILITIES</b>                    |                         |               |                          |               |               |               |
| Noncurrent Liabilities Outstanding    | 28,261,046              | 30,312,933    | 51,751,362               | 51,510,757    | 80,012,408    | 81,823,690    |
| Other Liabilities                     | 6,420,970               | 6,508,445     | 4,939,972                | 7,478,336     | 11,360,942    | 13,986,781    |
| Total Liabilities                     | 34,682,016              | 36,821,378    | 56,691,334               | 58,989,093    | 91,373,350    | 95,810,471    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                         |               |                          |               |               |               |
|                                       | 6,870,946               | 3,363,041     | 960,958                  | 218,585       | 7,831,904     | 3,581,626     |
| <b>NET POSITION</b>                   |                         |               |                          |               |               |               |
| Net Investment in Capital Assets      | 44,143,859              | 37,828,804    | 33,876,029               | 30,349,338    | 78,019,888    | 68,178,142    |
| Restricted                            | 7,944,776               | 6,437,317     | -                        | -             | 7,944,776     | 6,437,317     |
| Unrestricted                          | 2,175,375               | (581,475)     | 10,558,795               | 7,685,742     | 12,734,170    | 7,104,267     |
| Total Net Position                    | \$ 54,264,010           | \$ 43,684,646 | \$ 44,434,824            | \$ 38,035,080 | \$ 98,698,834 | \$ 81,719,726 |

The City's restricted net position (8%) can be used only for debt service, transportation or other restricted purposes. The remaining balance represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

Governmental activities increased the City's net position by \$10,579,364. The most significant change in governmental net position is due to the following:

A \$5,676,043 increase in capital grants and contributions, a \$1,143,368 increase in fees, charges, fines, and other, and a \$1,028,125 increase in taxes from prior year. The increase in capital grants and contributions were related to federal and state grants received and expended on street improvements. The increase in tax revenues were in line with the budgeted increase in the property tax levy set for 2023. The increase in fees, charges, fines, and other increased due to increased building permit purchases, sanitation revenues, and reimbursements to the City.

**Business-Type Activities**

Business-type activities increased the City's net position by \$6,399,744. The most significant change in business-type net position is due to the following:

A \$1,048,061 increase in fees, charges, fines, and other mainly due to an increase in electric, water, and sewer charges. All proprietary funds, had increased charges over the prior year, primarily related to utility rate increases, and increased consumption/usages in the utility funds, while the Liquor Fund also saw higher sales than the prior year, as well.

**City of Buffalo's Changes in Net Position**

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2023:

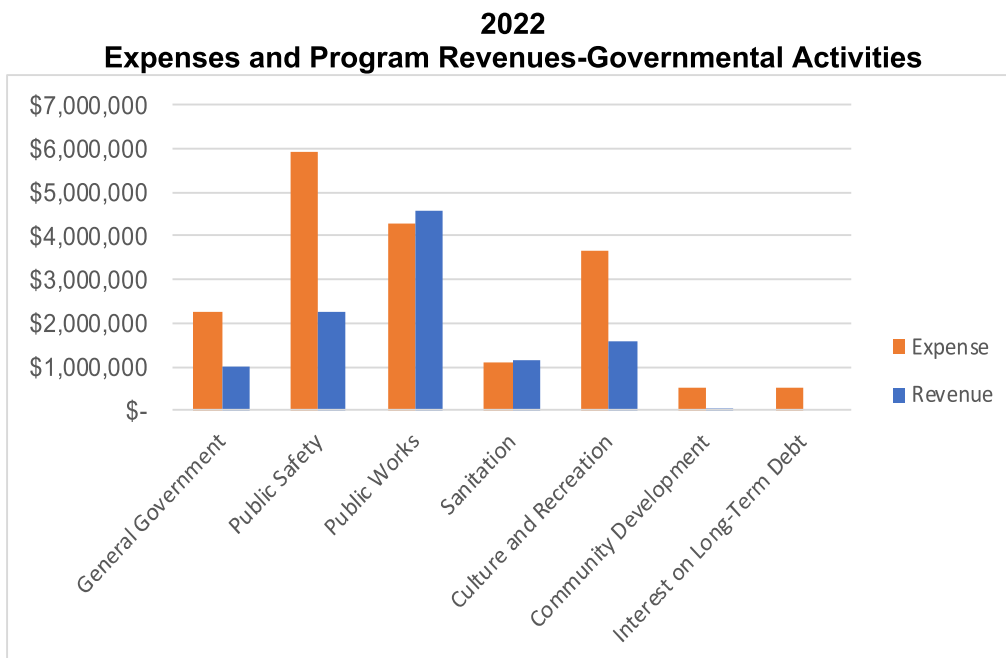
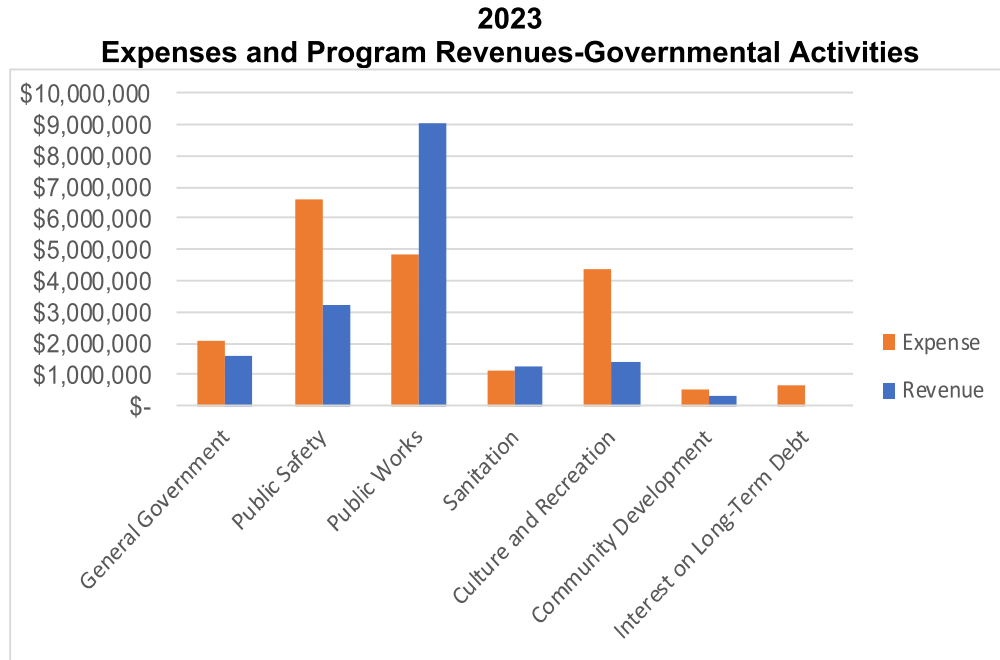
|  | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2023                    | 2022                 | 2023                     | 2022                 | 2023                 | 2022                 |
| <b>REVENUES</b>  |                         |                      |                          |                      |                      |                      |
| Program Revenues:  |                         |                      |                          |                      |                      |                      |
| Fees, Charges, Fines, and Other  | \$ 6,712,912            | \$ 5,601,744         | \$ 36,950,596            | \$ 35,906,838        | \$ 43,663,508        | \$ 41,508,582        |
| Operating Grants and Contributions                                       | 1,715,530               | 2,232,408            | 1,049,549                | 609,180              | 2,765,079            | 2,841,588            |
| Capital Grants and Contributions   | 8,463,229               | 2,768,137            | 1,013,228                | 718,841              | 9,476,457            | 3,486,978            |
| General Revenues:  |                         |                      |                          |                      |                      |                      |
| Property Taxes   | 10,178,174              | 9,150,049            | 501,978                  | 851,981              | 10,680,152           | 10,002,030           |
| Tax Increments   | 137,052                 | 145,766              | -                        | -                    | 137,052              | 145,766              |
| Other Taxes  | 6,668                   | 3,013                | -                        | -                    | 6,668                | 3,013                |
| Grants and Contributions, Not Restricted                                 | 1,339,492               | 1,222,419            | -                        | 14,890               | 1,339,492            | 1,237,309            |
| Unrestricted Investment Earnings   | 330,736                 | 31,398               | 229,704                  | 20,055               | 560,440              | 51,453               |
| Gain on Disposal of Capital Assets                                       | 52,121                  | 20,920               | 18,270                   | 13,761               | 70,391               | 34,681               |
| Miscellaneous  | 131,192                 | 307,788              | 352,638                  | 228,992              | 483,830              | 536,780              |
| Total Revenues   | 29,067,106              | 21,483,642           | 40,115,963               | 38,364,538           | 69,183,069           | 59,848,180           |
| <b>EXPENSES</b>  |                         |                      |                          |                      |                      |                      |
| General Government   | 2,083,945               | 2,240,135            | -                        | -                    | 2,083,945            | 2,240,135            |
| Public Safety  | 6,578,892               | 5,910,279            | -                        | -                    | 6,578,892            | 5,910,279            |
| Public Works   | 4,825,615               | 4,271,957            | -                        | -                    | 4,825,615            | 4,271,957            |
| Culture and Recreation   | 4,354,913               | 3,656,654            | -                        | -                    | 4,354,913            | 3,656,654            |
| Sanitation   | 1,150,918               | 1,113,625            | -                        | -                    | 1,150,918            | 1,113,625            |
| Community Development  | 517,943                 | 519,705              | -                        | -                    | 517,943              | 519,705              |
| Interest on Long-Term Debt   | 653,288                 | 510,865              | -                        | -                    | 653,288              | 510,865              |
| Electric   | -                       | -                    | 17,470,951               | 16,731,752           | 17,470,951           | 16,731,752           |
| Water  | -                       | -                    | 3,324,046                | 3,119,414            | 3,324,046            | 3,119,414            |
| Sewer  | -                       | -                    | 4,720,679                | 4,209,360            | 4,720,679            | 4,209,360            |
| Liquor Store   | -                       | -                    | 6,522,771                | 6,534,322            | 6,522,771            | 6,534,322            |
| Golf Course  | -                       | -                    | -                        | 282,543              | -                    | 282,543              |
| Total Expenses   | 20,165,514              | 18,223,220           | 32,038,447               | 30,877,391           | 52,203,961           | 49,100,611           |
| Increase (Decrease) in Net Position<br>Before Transfers and Special Item | 8,901,592               | 3,260,422            | 8,077,516                | 7,487,147            | 16,979,108           | 10,747,569           |
| Transfers  | 1,677,772               | (888,073)            | (1,677,772)              | 888,073              | -                    | -                    |
| Special Item - Loss on Sale of Golf Course Assets                        | -                       | -                    | -                        | (900,294)            | -                    | (900,294)            |
| <b>CHANGE IN NET POSITION</b>  | 10,579,364              | 2,372,349            | 6,399,744                | 7,474,926            | 16,979,108           | 9,847,275            |
| Net Position - Beginning of Year   | 43,684,646              | 41,312,297           | 38,035,080               | 30,560,154           | 81,719,726           | 71,872,451           |
| <b>NET POSITION - END OF YEAR</b>  | <u>\$ 54,264,010</u>    | <u>\$ 43,684,646</u> | <u>\$ 44,434,824</u>     | <u>\$ 38,035,080</u> | <u>\$ 98,698,834</u> | <u>\$ 81,719,726</u> |

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**

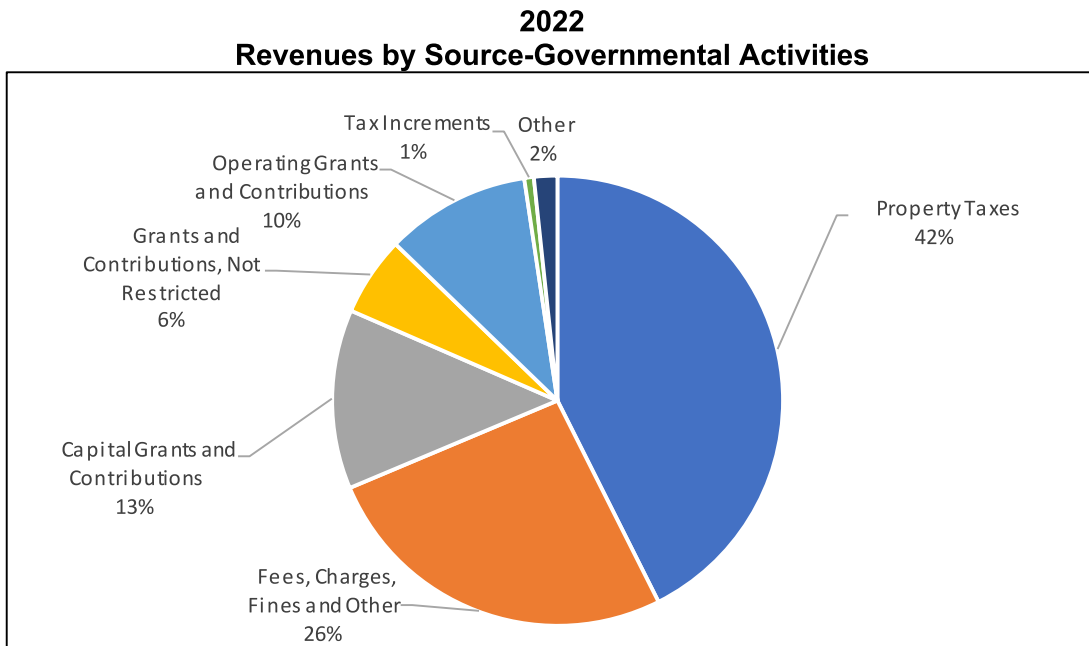
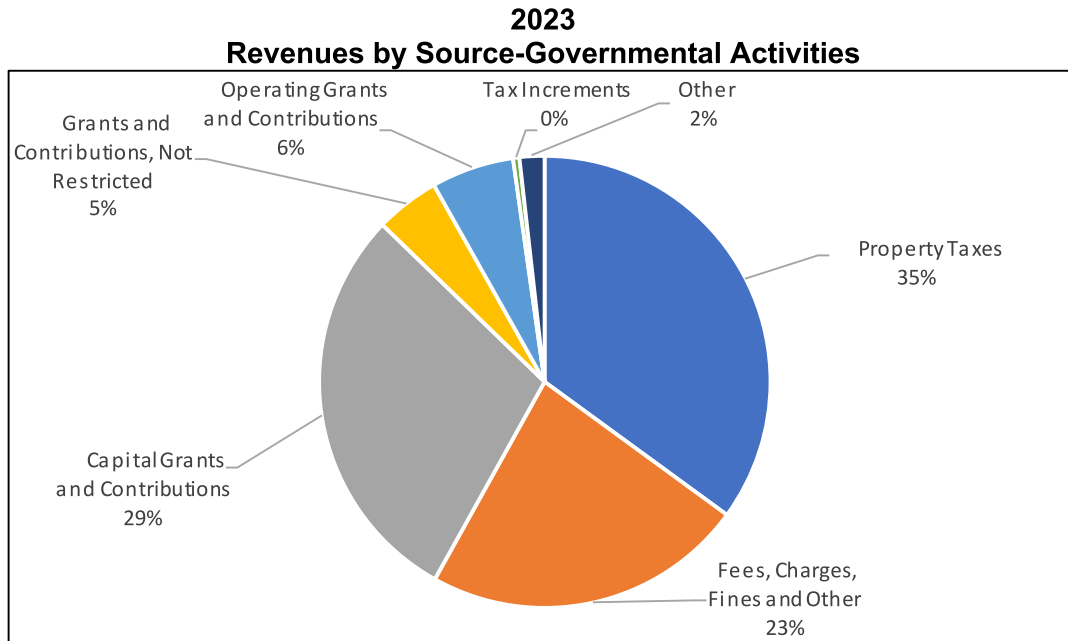
Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.



**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**



**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

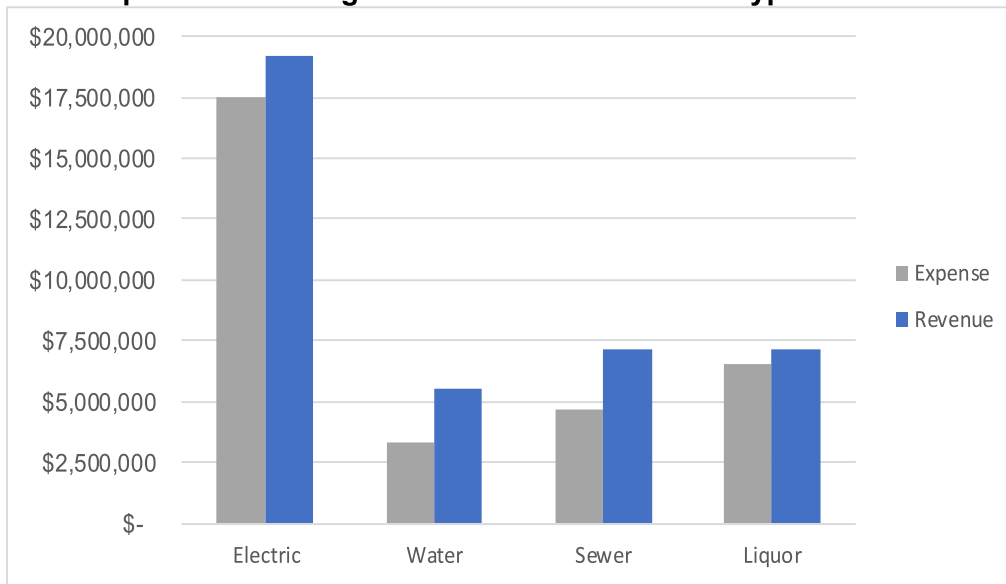
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

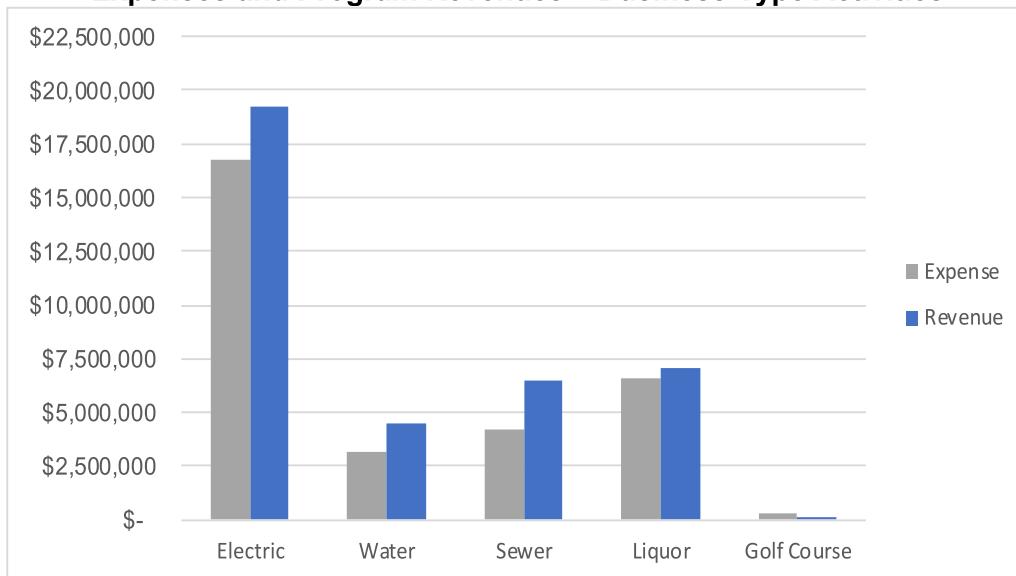
**2023**

**Expenses and Program Revenues – Business-Type Activities**



**2022**

**Expenses and Program Revenues – Business-Type Activities**



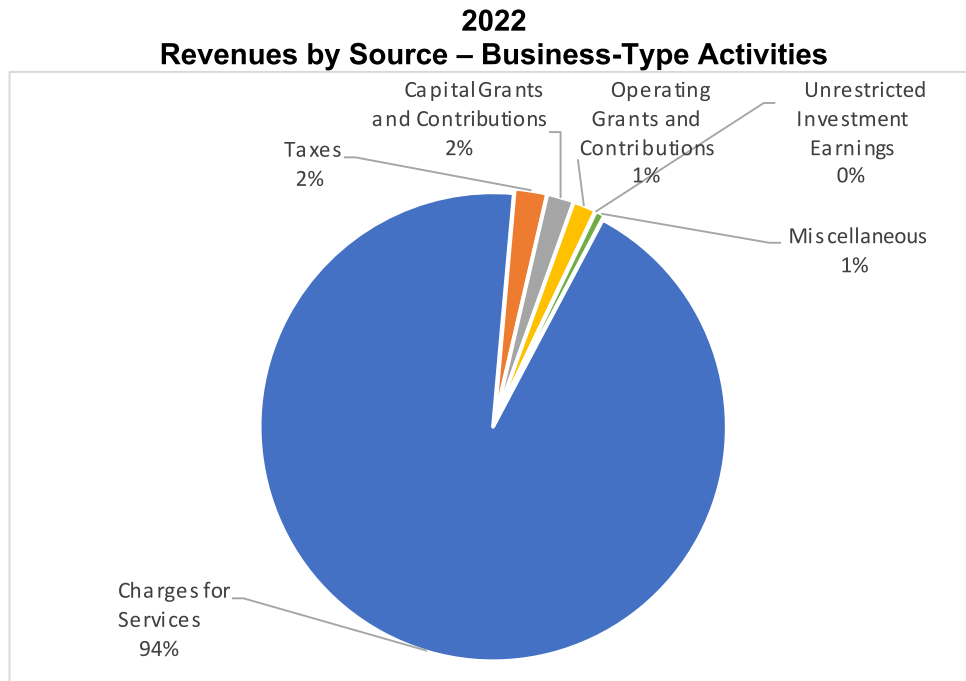
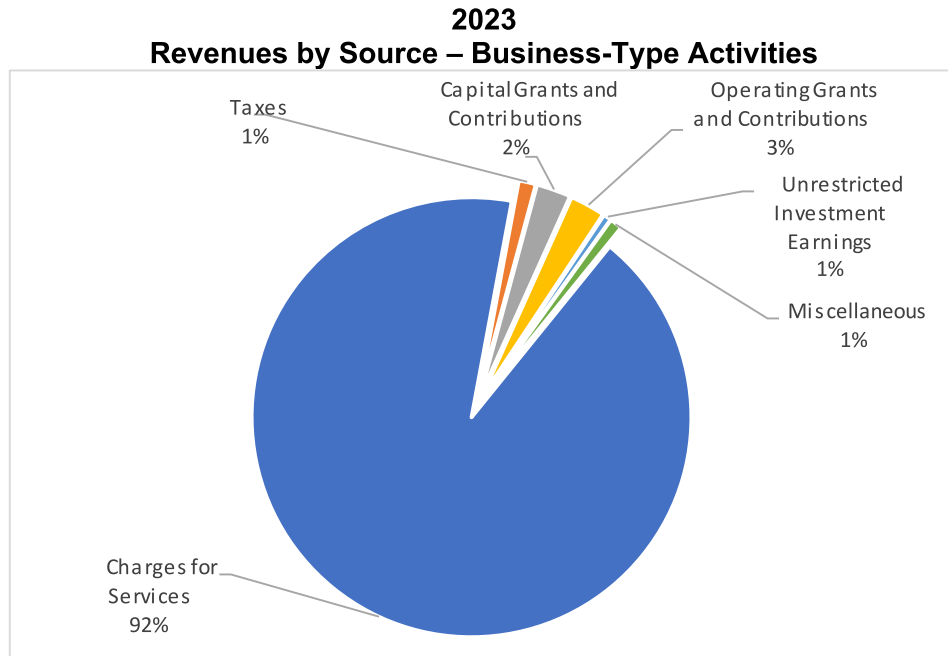
Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in program revenues in the above graphs.



**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**



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

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,393,109, an increase of \$7,684,995 in comparison with 2022. The City reported unassigned fund balance in the amount of \$696,234. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending. At December 31, 2023 fund balances were as follows:

|                          | Balance              | Increase<br>(Decrease)<br>from 2022 |
|--------------------------|----------------------|-------------------------------------|
| General Fund             | \$ 6,664,552         | \$ 256,239                          |
| Debt Service Fund        | 5,611,521            | 245,715                             |
| Capital Project Fund     | 5,662,153            | 6,757,969                           |
| HRA Debt Service Fund    | (1,200,806)          | 169,858                             |
| Other Governmental Funds | (344,311)            | 255,214                             |
| Total                    | <u>\$ 16,393,109</u> | <u>\$ 7,684,995</u>                 |

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,614,580.

During the current fiscal year, the City's General Fund balance increased by \$256,239. The increase was a result of revenues, transfers in, and proceeds from sale of capital assets exceeding expenditures and transfers out. The revenues that exceeded budget include property tax collections of \$76,000, building permit fees of \$190,000, and Police and Local Government aids totaling \$143,000, which were offset by significant capital expenditures paid by the General Fund in the current year.

**Debt Service**

The increase in the Debt Service Fund balance of \$245,715 was the result of revenues in excess of debt service payments, and the collection of property taxes and deferred special assessments totaling over \$348,000 in the current year.

**Capital Project**

The Capital Projects Fund balance increased \$6,757,969 as a result of revenues, other financing sources exceeding expenditures. This is mainly due to an increase in the receipt of capital grants and contributions and other financing sources in the current year, and issuance of bonds.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

**HRA Debt Service**

The HRA Debt Service Fund balance increased \$169,858 mainly due to the transfer from the HRA of Buffalo Fund to service the Series 2017C bond payments for a downtown redevelopment project.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the Electric Fund at the end of 2023 was \$20,787,674 of which \$4,828,887 is unrestricted. Net position increased \$977,864 during the current year primarily due to an increase in operating revenues resulting from increase in utility rates and an increase in interest income.

The Water Fund has total net position of \$5,082,692 of which \$587,971 is unrestricted. The increase in net position of \$2,265,500 from 2022 was due to an increase in sales.

The Sewer Fund has total net position of \$16,320,861. It has an unrestricted net position of \$4,187,952. The increase in net position of \$2,846,806 from 2022 was due to an increase in sales and access fees.

The Liquor Fund has total net position of \$2,196,467 of which \$906,855 is unrestricted. Net position increased by \$260,505 from 2022. The net position increase is due to an increase in sales and a decrease in costs of sales and services.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were \$1,065,806 over budget due mainly to strong licenses and permit activity, federal and state grants, and charges for services related to sanitation. In addition, the increase was caused by an increase in refunds and reimbursements due to a reimbursement related to the Lake Pulaski Pump Screen Project. The City also experienced an increase in license and permit revenue of \$198,000 compared to budget, and an aggregate increase in the number of permits issued in 2023 of 209 compared to the prior year. Expenditures exceeded budget by \$907,296 primarily due to excess expenditures in capital outlay, interest, and other services and charges. Expenditures that were greater than budgeted include Building Inspection fees of \$87,000, Public Works supply costs of \$70,000 and Parks personnel expenditures of \$179,000. Capital outlay expenditures that exceeded budgeted amounts include Parks improvements of \$13,000, Police vehicle purchases of \$13,000, and unbudgeted purchases of nearly \$90,000 for Police equipment, Parks boat launch improvements, and Public Works vehicle engine replacements.

This resulted in a net fund balance increase of \$158,510 compared to budget for the fiscal year. Refer to pages 105-108 of the required supplementary information for additional information.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**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, 2023, amounts to \$150,860,134 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, office equipment and furniture, vehicles, machinery and equipment, other capital assets, and infrastructure. The total increase in the City's investment in capital assets (net of accumulated depreciation) was \$6,520,765 when compared to 2022. This increase is a result of current year capital asset additions.

Major capital asset events during the current year include the following:

- \$1.617 million increase in governmental activities construction in progress mainly due to the TH25 South reconstruction project.
- \$5.242 million increase in governmental activities infrastructure mainly due to the completion of the Dague Avenue and 30<sup>th</sup> Reconstruction project.

**CITY OF BUFFALO'S CAPITAL ASSETS  
(Net of Accumulated Depreciation)**

|                                     | Governmental Activities |                      | Business-Type Activities |                      | Total                 |                       |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                     | 2023                    | 2022                 | 2023                     | 2022                 | 2023                  | 2022                  |
| Land                                | \$ 3,027,988            | \$ 2,807,439         | \$ 6,772,563             | \$ 6,614,052         | \$ 9,800,551          | \$ 9,421,491          |
| Land Improvements                   | 7,885,694               | 7,578,409            | 446,713                  | 462,580              | 8,332,407             | 8,040,989             |
| Buildings and Building Improvements | 7,186,751               | 7,613,681            | 26,379,066               | 27,520,160           | 33,565,817            | 35,133,841            |
| Improvements Other than Building    | 1,197,570               | 1,232,396            | -                        | -                    | 1,197,570             | 1,232,396             |
| Vehicles                            | 2,248,089               | 2,085,594            | -                        | -                    | 2,248,089             | 2,085,594             |
| Equipment                           | 1,606,231               | 1,727,534            | 1,259,904                | 4,034,179            | 2,866,135             | 5,761,713             |
| Infrastructure                      | 25,202,474              | 19,960,264           | -                        | -                    | 25,202,474            | 19,960,264            |
| Utility Distribution Systems        | -                       | -                    | 44,865,878               | 42,446,294           | 44,865,878            | 42,446,294            |
| Construction in Progress            | 18,079,576              | 19,049,526           | 4,426,653                | 1,017,824            | 22,506,229            | 20,067,350            |
| Right-to-Use Asset                  | 37,412                  | -                    | -                        | -                    | 37,412                | -                     |
| Subscription Asset                  | 237,572                 | 189,437              | -                        | -                    | 237,572               | 189,437               |
| Total                               | <u>\$ 66,709,357</u>    | <u>\$ 62,244,280</u> | <u>\$ 84,150,777</u>     | <u>\$ 82,095,089</u> | <u>\$ 150,860,134</u> | <u>\$ 144,339,369</u> |

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$74,424,998. Of this amount, \$18,950,000 comprises tax supported debt, \$6,160,000 is tax abatement debt, and \$49,314,998 is revenue supported debt. All outstanding debt carries the general obligation backing for which the City is liable in the event of default by the property owners subject to the specific taxes, special assessments, or revenues pledged to the retirement of the debt.

**CITY OF BUFFALO'S OUTSTANDING DEBT  
(General Obligation)**

|                         | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|-------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                         | 2023                    | 2022                 | 2023                     | 2022                 | 2023                 | 2022                 |
| G.O. Tax Supported Debt | \$ 18,160,200           | \$ 18,221,800        | \$ 789,800               | \$ 1,048,200         | \$ 18,950,000        | \$ 19,270,000        |
| G.O. Tax Abatement Debt | 6,160,000               | 3,660,000            | -                        | -                    | 6,160,000            | 3,660,000            |
| G.O. Revenue Debt       | 15,928                  | 31,534               | 49,299,070               | 50,473,464           | 49,314,998           | 50,504,998           |
| Total                   | <u>\$ 24,336,128</u>    | <u>\$ 21,913,334</u> | <u>\$ 50,088,870</u>     | <u>\$ 51,521,664</u> | <u>\$ 74,424,998</u> | <u>\$ 73,434,998</u> |

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Debt (Continued)**

The City's total bonded debt increased by \$990,000 or (1.3%) during the current fiscal year. There were two new bonds issued in the current fiscal year, a \$5,760,000 General Obligation Bond and a \$6,310,000 General Obligation Tax Abatement and Utility Refunding Bond.

The City has an "AA-/Positive" rating from Standard & Poor's for general obligation debt. Refer to Notes 3 and 5 for detailed information on capital assets and long-term debt.

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

- \* The unemployment rate for Wright County is currently 3.60% based on Minnesota Department of Employment and Economic Development.
- \* The local economy has continued to grow as indicated by the building permits, with a construction value of \$50,549,940 being issued in 2023, an increase of \$18,717,488 compared to 2022. New construction accounts for \$31,687,605 and additions/remodels make up the remaining \$18,862,335 balance.
- \* In 2023, the City issued a total of 1,087 building permits compared to 878 in 2022, an increase of 209 permits. Of the building permits issued, 69 were for new housing compared to 37 in 2022. The increase in residential housing permits is due in large part to the availability of platted residential lots. Single family homes accounted for the majority of the new housing permits. The average value of a new home within the City is about \$302,220 compared to \$326,117 in 2022.
- \* The City's Local Government Aid (LGA) increased from \$1,085,873 in 2022 to \$1,113,720 in 2023 and is expected to increase an additional \$313,408 in 2024 to \$1,427,128. This increase in LGA has surpassed the high of \$1,415,301 the City received in 2001. The amount for 2025 has not yet been finalized.
- \* During 2023, the City received legislative approved funding consisting of public safety aid totaling \$716,706 for use for towards eligible City public safety improvements, equipment, and services. The City also received statewide affordable housing aid of \$84,884 for use towards qualifying financial or housing assistance within the City's municipal boundaries.
- \* The City continued to make improvements to infrastructure in 2023:
  - Mill and overlay street maintenance projects were started in 2023 in the City as part of the City's annual pavement management program, with expected completion in 2024.
  - Work commenced on the City's TH 25 South street reconstruction, utility, and pedestrian improvements project along Buffalo Lake, partially funded by congressional grants and State cost-share reimbursements.
  - The City started several utility projects for improvements to City-wide Electric, Fiber and Sewer infrastructure, which includes the lining of Sanitary Sewer piping, the buildout of the City's Fiber network and an additional Electric substation, and the rollout of wireless Water and Electric usage metering, with expected completion in fiscal years 2024 and 2025.
  - Work also continued on a pretreatment project at the City's Water reclamation treatment plant to improve biosolids processing that began in 2018.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Buffalo's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Buffalo, 212 Central Ave., Buffalo, Minnesota 55313.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF BUFFALO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

|  | 2023          |               |               |
|--|---------------|---------------|---------------|
|  | Governmental  | Business-Type | Total         |
|  | Activities    | Activities    |               |
| <b>ASSETS</b>  |               |               |               |
| Cash and Investments                                   | \$ 17,271,535 | \$ 7,899,866  | \$ 25,171,401 |
| Cash with Fiscal Agent                                 | -             | 708,500       | 708,500       |
| Taxes Receivable                                       | 166,249       | 8,391         | 174,640       |
| Special Assessments Receivable                         | 974,409       | -             | 974,409       |
| Accounts Receivable                                    | 599,762       | 4,792,116     | 5,391,878     |
| Due from Other Governments                             | 1,296,209     | 16,866        | 1,313,075     |
| Accrued Interest Receivable                            | 52,696        | 30,068        | 82,764        |
| Internal Balances                                      | (112,127)     | 112,127       | -             |
| Lease Receivable                                       | 2,932,654     | 106,609       | 3,039,263     |
| Inventory  | 11,066        | 1,187,462     | 1,198,528     |
| Prepaid Items  | 164,158       | 1,989,123     | 2,153,281     |
| Hook-Up Fees Receivable - Noncurrent                   | -             | 17,404        | 17,404        |
| Loans Receivable                                       | 252,841       | -             | 252,841       |
| Land Held for Resale                                   | 214,400       | -             | 214,400       |
| Net Pension Asset                                      | 441,272       | -             | 441,272       |
| Capital Assets:  |               |               |               |
| Land and Construction in Progress                      | 21,107,564    | 11,199,216    | 32,306,780    |
| Other Capital Assets, Net of Depreciation/Amortization | 45,601,793    | 72,951,561    | 118,553,354   |
| Total Capital Assets                                   | 66,709,357    | 84,150,777    | 150,860,134   |
| Total Assets   | 90,974,481    | 101,019,309   | 191,993,790   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |               |               |               |
| Refunding Loss on Bonds                                | 34,132        | 41,097        | 75,229        |
| Pension Related  | 4,223,998     | 714,255       | 4,938,253     |
| Other Postemployment Benefits Related                  | 584,361       | 312,455       | 896,816       |
| Total Deferred Outflows of Resources                   | 4,842,491     | 1,067,807     | 5,910,298     |
| <b>LIABILITIES</b>                                     |               |               |               |
| Accounts and Contracts Payable                         | 1,425,862     | 1,546,095     | 2,971,957     |
| Other Accrued Liabilities                              | 144,623       | 232,060       | 376,683       |
| Accrued Interest Payable                               | 302,906       | 386,848       | 689,754       |
| Due to Other Governmental Units                        | 14,201        | 9,344         | 23,545        |
| Escrow Deposits  | 587,648       | 3,255         | 590,903       |
| Unearned Revenue                                       | 11,394        | 1,670         | 13,064        |
| Noncurrent Liabilities Due Within One Year:            |               |               |               |
| Other Postemployment Benefits Liability                | 60,415        | 32,689        | 93,104        |
| Lease Liability  | 8,178         | -             | 8,178         |
| Subscription Liability                                 | 93,764        | -             | 93,764        |
| Compensated Absences                                   | 357,068       | 243,942       | 601,010       |
| Long-Term Debt   | 3,414,911     | 2,484,069     | 5,898,980     |
| Noncurrent Liabilities Due in More Than One Year:      |               |               |               |
| Net Pension Liability                                  | 4,011,619     | 2,508,722     | 6,520,341     |
| Other Postemployment Benefits Liability                | 901,340       | 533,993       | 1,435,333     |
| Lease Liability  | 29,409        | -             | 29,409        |
| Subscription Liability                                 | 96,907        | -             | 96,907        |
| Compensated Absences                                   | 221,157       | 171,844       | 393,001       |
| Long-Term Debt   | 23,000,614    | 48,536,803    | 71,537,417    |
| Total Liabilities                                      | 34,682,016    | 56,691,334    | 91,373,350    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |               |               |               |
| Lease Related  | 2,843,261     | 103,096       | 2,946,357     |
| Refunding Gain on Bonds                                | 3,839         | 2,048         | 5,887         |
| Pension Related  | 3,920,356     | 800,478       | 4,720,834     |
| Other Postemployment Benefits Related                  | 103,490       | 55,336        | 158,826       |
| Total Deferred Inflows of Resources                    | 6,870,946     | 960,958       | 7,831,904     |
| <b>NET POSITION</b>                                    |               |               |               |
| Net Investment in Capital Assets                       | 44,143,859    | 33,876,029    | 78,019,888    |
| Restricted for:  |               |               |               |
| Debt Service   | 5,682,563     | -             | 5,682,563     |
| Public Safety  | 707,709       | -             | 707,709       |
| Capital Projects                                       | 1,026,280     | -             | 1,026,280     |
| Housing and Economic Development                       | 86,952        | -             | 86,952        |
| Fire Relief Pension                                    | 441,272       | -             | 441,272       |
| Unrestricted   | 2,175,375     | 10,558,795    | 12,734,170    |
| Total Net Position                                     | \$ 54,264,010 | \$ 44,434,824 | \$ 98,698,834 |

See accompanying Notes to Financial Statements.



**CITY OF BUFFALO, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

| Functions/Programs             | 2023          |                                    |                                       |                                     |
|--------------------------------|---------------|------------------------------------|---------------------------------------|-------------------------------------|
|                                | Expenses      | Program Revenues                   |                                       |                                     |
|                                |               | Fees, Charges,<br>Fines, and Other | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |
| Governmental Activities:       |               |                                    |                                       |                                     |
| General Government             | \$ 2,083,945  | \$ 1,600,777                       | \$ -                                  | \$ -                                |
| Public Safety                  | 6,578,892     | 2,061,411                          | 1,127,760                             | 32,200                              |
| Public Works                   | 4,825,615     | 292,281                            | 364,184                               | 8,410,677                           |
| Sanitation                     | 1,150,918     | 1,270,428                          | -                                     | -                                   |
| Culture and Recreation         | 4,354,913     | 1,228,038                          | 138,702                               | 20,352                              |
| Community Development          | 517,943       | 259,977                            | 84,884                                | -                                   |
| Interest on Long-Term Debt     | 653,288       | -                                  | -                                     | -                                   |
| Total Governmental Activities  | 20,165,514    | 6,712,912                          | 1,715,530                             | 8,463,229                           |
| Business-Type Activities:      |               |                                    |                                       |                                     |
| Electric                       | 17,470,951    | 19,205,221                         | 125                                   | 16,609                              |
| Water                          | 3,324,046     | 4,860,919                          | 218,001                               | 432,329                             |
| Sewer                          | 4,720,679     | 5,711,614                          | 831,370                               | 564,290                             |
| Liquor                         | 6,522,771     | 7,172,842                          | 53                                    | -                                   |
| Total Business-Type Activities | 32,038,447    | 36,950,596                         | 1,049,549                             | 1,013,228                           |
| Total                          | \$ 52,203,961 | \$ 43,663,508                      | \$ 2,765,079                          | \$ 9,476,457                        |

**General Revenues**

Taxes:  
Property Taxes, Levied for General Purpose  
Tax Increments  
Other Taxes  
Grants and Contributions not Restricted to Specific Programs  
Unrestricted Investment Earnings  
Gain on Sale of Capital Assets  
Miscellaneous  
Transfers  
Total General Revenues and Transfers

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023  |                             |               |
|---|-----------------------------|---------------|
| Net Revenue (Expense) and Changes in Net Position |                             |               |
| Governmental<br>Activities                        | Business-Type<br>Activities | Total         |
| \$ (483,168)                                      | \$ -                        | \$ (483,168)  |
| (3,357,521)                                       | -                           | (3,357,521)   |
| 4,241,527   | -                           | 4,241,527     |
| 119,510   | -                           | 119,510       |
| (2,967,821)                                       | -                           | (2,967,821)   |
| (173,082)   | -                           | (173,082)     |
| (653,288)   | -                           | (653,288)     |
| (3,273,843)                                       | -                           | (3,273,843)   |
| -   | 1,751,004                   | 1,751,004     |
| -   | 2,187,203                   | 2,187,203     |
| -   | 2,386,595                   | 2,386,595     |
| -   | 650,124                     | 650,124       |
| -   | 6,974,926                   | 6,974,926     |
| (3,273,843)                                       | 6,974,926                   | 3,701,083     |
| 10,178,174  | 501,978                     | 10,680,152    |
| 137,052   | -                           | 137,052       |
| 6,668   | -                           | 6,668         |
| 1,339,492   | -                           | 1,339,492     |
| 330,736   | 229,704                     | 560,440       |
| 52,121  | 18,270                      | 70,391        |
| 131,192   | 352,638                     | 483,830       |
| 1,677,772   | (1,677,772)                 | -             |
| 13,853,207  | (575,182)                   | 13,278,025    |
| 10,579,364  | 6,399,744                   | 16,979,108    |
| 43,684,646  | 38,035,080                  | 81,719,726    |
| \$ 54,264,010                                     | \$ 44,434,824               | \$ 98,698,834 |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2023**

|   | 2023                 |                         |                            |                             |
|---|----------------------|-------------------------|----------------------------|-----------------------------|
|   | General<br>Fund      | Debt<br>Service<br>Fund | Capital<br>Project<br>Fund | HRA Debt<br>Service<br>Fund |
| <b>ASSETS</b>   |                      |                         |                            |                             |
| Cash and Investments  | \$ 5,248,916         | \$ 4,472,497            | \$ 6,170,503               | \$ -                        |
| Taxes Receivable:   |                      |                         |                            |                             |
| Current   | 17,347               | 8,564                   | 1,122                      | -                           |
| Delinquent  | 89,915               | 42,340                  | -                          | -                           |
| Special Assessments Receivable:   |                      |                         |                            |                             |
| Delinquent  | 78,227               | -                       | -                          | -                           |
| Noncurrent  | 76,529               | 548,749                 | 270,904                    | -                           |
| Accounts Receivable   | 344,742              | -                       | 112,032                    | -                           |
| Due from Other Governments  | 100,760              | -                       | 1,014,682                  | -                           |
| Accrued Interest Receivable   | 14,737               | 6,963                   | 18,087                     | -                           |
| Due from Other Funds  | -                    | -                       | -                          | -                           |
| Advances to Other Funds   | 2,031,081            | 1,125,000               | -                          | -                           |
| Lease Receivable  | 2,228,864            | -                       | -                          | -                           |
| Inventory   | -                    | -                       | -                          | -                           |
| Prepaid Items   | 18,891               | -                       | 8,997                      | -                           |
| Loans Receivable, Net of Allowance  | -                    | -                       | -                          | -                           |
| Land Held for Resale  | -                    | -                       | -                          | -                           |
|   | <u>-</u>             | <u>-</u>                | <u>-</u>                   | <u>-</u>                    |
| Total Assets  | <u>\$ 10,250,009</u> | <u>\$ 6,204,113</u>     | <u>\$ 7,596,327</u>        | <u>\$ -</u>                 |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES (DEFICITS)</b> |                      |                         |                            |                             |
| <b>LIABILITIES</b>  |                      |                         |                            |                             |
| Accounts and Contracts Payable  | \$ 532,203           | \$ 1,503                | \$ 763,465                 | \$ -                        |
| Other Accrued Liabilities   | 103,657              | -                       | -                          | -                           |
| Due to Other Governments  | 7,968                | -                       | 6,233                      | -                           |
| Due to Other Funds  | -                    | -                       | -                          | 10,809                      |
| Advances from Other Funds   | -                    | -                       | -                          | 1,189,997                   |
| Unearned Revenue  | -                    | -                       | 1,202                      | -                           |
| Escrow Deposits   | 577,077              | -                       | -                          | -                           |
| Total Liabilities   | <u>1,220,905</u>     | <u>1,503</u>            | <u>770,900</u>             | <u>1,200,806</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                         |                            |                             |
| Unavailable Taxes   | 89,915               | 42,340                  | -                          | -                           |
| Unavailable Special Assessments   | 120,298              | 548,749                 | 270,904                    | -                           |
| Unavailable Grants and Other  | 40,351               | -                       | 892,370                    | -                           |
| Lease Related   | 2,113,988            | -                       | -                          | -                           |
| Unavailable Loans and Interest Receivables  | -                    | -                       | -                          | -                           |
| Total Deferred Inflows of Resources   | <u>2,364,552</u>     | <u>591,089</u>          | <u>1,163,274</u>           | <u>-</u>                    |
| <b>FUND BALANCES (DEFICITS)</b>   |                      |                         |                            |                             |
| Nonspendable  | 2,049,972            | -                       | 8,997                      | -                           |
| Restricted  | -                    | 5,611,521               | 6,127,788                  | -                           |
| Committed   | -                    | -                       | -                          | -                           |
| Assigned  | -                    | -                       | 266,394                    | -                           |
| Unassigned  | 4,614,580            | -                       | (741,026)                  | (1,200,806)                 |
| Total Fund Balances (Deficits)  | <u>6,664,552</u>     | <u>5,611,521</u>        | <u>5,662,153</u>           | <u>(1,200,806)</u>          |
|   | <u>-</u>             | <u>-</u>                | <u>-</u>                   | <u>-</u>                    |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances              | <u>\$ 10,250,009</u> | <u>\$ 6,204,113</u>     | <u>\$ 7,596,327</u>        | <u>\$ -</u>                 |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2023**

| 2023                              |                                |
|-----------------------------------|--------------------------------|
| Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| \$ 1,296,995                      | \$ 17,188,911                  |
| 1,286                             | 28,319                         |
| 5,675                             | 137,930                        |
| -                                 | 78,227                         |
| -                                 | 896,182                        |
| 142,988                           | 599,762                        |
| 180,767                           | 1,296,209                      |
| 4,039                             | 43,826                         |
| 10,809                            | 10,809                         |
| -                                 | 3,156,081                      |
| 712,377                           | 2,941,241                      |
| 11,066                            | 11,066                         |
| 61,449                            | 89,337                         |
| 252,841                           | 252,841                        |
| 214,400                           | 214,400                        |
| <u>\$ 2,894,692</u>               | <u>\$ 26,945,141</u>           |
| <br>                              |                                |
| \$ 121,059                        | \$ 1,418,230                   |
| 35,751                            | 139,408                        |
| -                                 | 14,201                         |
| -                                 | 10,809                         |
| 2,031,081                         | 3,221,078                      |
| 10,192                            | 11,394                         |
| 10,571                            | 587,648                        |
| <u>2,208,654</u>                  | <u>5,402,768</u>               |
| <br>                              |                                |
| 5,675                             | 137,930                        |
| -                                 | 939,951                        |
| 42,560                            | 975,281                        |
| 729,273                           | 2,843,261                      |
| <u>252,841</u>                    | <u>252,841</u>                 |
| 1,030,349                         | 5,149,264                      |
| <br>                              |                                |
| 72,515                            | 2,131,484                      |
| 86,952                            | 11,826,261                     |
| 1,472,736                         | 1,472,736                      |
| -                                 | 266,394                        |
| <u>(1,976,514)</u>                | <u>696,234</u>                 |
| <u>(344,311)</u>                  | <u>16,393,109</u>              |
| <br>                              |                                |
| <u>\$ 2,894,692</u>               | <u>\$ 26,945,141</u>           |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION — GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2023**

|   | 2023          |
|---|---------------|
| Total Fund Balance for Governmental Funds   | \$ 16,393,109 |
| Total net position reported for governmental activities in the Statement of Net Position is different because:  |               |
| Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:   |               |
| Land  | 3,027,988     |
| Construction in Progress  | 18,079,576    |
| Land Improvements   | 18,666,948    |
| Buildings and Improvements  | 17,598,033    |
| Improvements Other than Buildings   | 3,941,461     |
| Vehicles  | 5,852,936     |
| Equipment   | 6,156,904     |
| Infrastructure  | 95,549,427    |
| Right-to-Use Assets   | 42,353        |
| Less: Accumulated Depreciation/Amortization   | (102,533,701) |
| The City's net pension asset and liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:  |               |
| Net Pension Asset   | 441,272       |
| Net Pension Liability   | (3,848,446)   |
| Deferred Inflows of Resources - Pension Related   | (3,868,291)   |
| Deferred Outflows of Resources - Pension Related  | 4,177,541     |
| The City's other postemployment benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:   |               |
| Other Postemployment Benefits Liability   | (941,035)     |
| Deferred Inflows of Resources - OPEB Related  | (100,055)     |
| Deferred Outflows of Resources - OPEB Related   | 564,963       |
| Some of the City's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.   | 2,306,003     |
| The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.  | 34,132        |
| The gain on refunding is reported as a deferred inflow on the statement of net position and amortized over the life of the bonds.   | (3,839)       |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.   | (300,253)     |
| Internal service funds are used by the City to charge the costs of certain activities to individual funds. The portion of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service fund that are used by the governmental funds are included in the governmental activities in the statement of net position. | 49,545        |
| Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year-end are:  |               |
| Bonds Payable   | (24,336,128)  |
| Unamortized Bond Premiums   | (1,006,971)   |
| Note Payable  | (37,587)      |
| Finance Purchase Obligations  | (1,072,426)   |
| Compensated Absences Payable  | (569,449)     |
| Total Net Position of Governmental Activities   | \$ 54,264,010 |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2023**

|   | 2023                |                         |                            |                             |
|---|---------------------|-------------------------|----------------------------|-----------------------------|
|   | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Project<br>Fund | HRA Debt<br>Service<br>Fund |
| <b>REVENUES</b>                                   |                     |                         |                            |                             |
| General Property Taxes                            | \$ 6,078,791        | \$ 3,050,497            | \$ 399,928                 | \$ -                        |
| Tax Increments                                    | -                   | -                       | -                          | -                           |
| Other Taxes                                       | 6,668               | -                       | -                          | -                           |
| Licenses and Permits                              | 716,821             | -                       | -                          | -                           |
| Intergovernmental                                 | 1,686,258           | -                       | 7,058,773                  | -                           |
| Special Assessments                               | 4,989               | 349,109                 | 23,158                     | -                           |
| Charges for Services                              | 2,073,073           | -                       | 90,278                     | -                           |
| Fines and Forfeits                                | 40,528              | -                       | -                          | -                           |
| Investment Earnings                               | 98,938              | 47,192                  | 158,775                    | -                           |
| Refunds and Reimbursements                        | 312,039             | -                       | 10,593                     | -                           |
| Contributions and Donations                       | 51,170              | -                       | -                          | -                           |
| Miscellaneous                                     | 60,891              | -                       | 17,890                     | -                           |
| Total Revenues                                    | 11,130,166          | 3,446,798               | 7,759,395                  | -                           |
| <b>EXPENDITURES</b>                               |                     |                         |                            |                             |
| Current:  |                     |                         |                            |                             |
| General Government                                | 1,647,321           | -                       | -                          | -                           |
| Public Safety                                     | 4,314,975           | -                       | -                          | -                           |
| Public Works                                      | 1,769,528           | -                       | -                          | -                           |
| Sanitation  | 1,149,325           | -                       | -                          | -                           |
| Culture and Recreation                            | 2,024,274           | -                       | -                          | -                           |
| Community Development                             | -                   | -                       | -                          | -                           |
| Capital Outlay:                                   |                     |                         |                            |                             |
| General Government                                | 26,835              | -                       | -                          | -                           |
| Public Safety                                     | 90,316              | -                       | 61,973                     | -                           |
| Public Works                                      | 449,729             | -                       | 6,761,004                  | -                           |
| Culture and Recreation                            | 275,618             | -                       | 130,590                    | -                           |
| Community Development                             | -                   | -                       | -                          | -                           |
| Debt Service:                                     |                     |                         |                            |                             |
| Finance Purchase Obligations and Lease Liability: |                     |                         |                            |                             |
| Principal   | 369,666             | -                       | -                          | -                           |
| Interest and Fiscal Charges                       | 39,069              | -                       | -                          | -                           |
| Bonds:  |                     |                         |                            |                             |
| Principal   | -                   | 2,887,206               | -                          | -                           |
| Interest and Fiscal Charges                       | -                   | 631,521                 | 118,319                    | 714                         |
| Total Expenditures                                | 12,156,656          | 3,518,727               | 7,071,886                  | 714                         |
| <b>REVENUE OVER (UNDER) EXPENDITURES</b>          | (1,026,490)         | (71,929)                | 687,509                    | (714)                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                         |                            |                             |
| Transfer In                                       | 1,250,000           | 97,850                  | 659,753                    | 202,297                     |
| Transfer Out                                      | (66,125)            | -                       | -                          | (31,725)                    |
| Issuance of Bonds                                 | -                   | 219,794                 | 5,090,206                  | -                           |
| Proceeds from Sale of Capital Assets              | 52,357              | -                       | -                          | -                           |
| Insurance Proceeds                                | 10,504              | -                       | -                          | -                           |
| Lease Proceeds                                    | 35,993              | -                       | -                          | -                           |
| Bond Premium                                      | -                   | -                       | 320,501                    | -                           |
| Total Other Financing Sources (Uses)              | 1,282,729           | 317,644                 | 6,070,460                  | 170,572                     |
| <b>NET CHANGE IN FUND BALANCES</b>                | 256,239             | 245,715                 | 6,757,969                  | 169,858                     |
| Fund Balances (Deficit) - Beginning of Year       | 6,408,313           | 5,365,806               | (1,095,816)                | (1,370,664)                 |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>      | <u>\$ 6,664,552</u> | <u>\$ 5,611,521</u>     | <u>\$ 5,662,153</u>        | <u>\$ (1,200,806)</u>       |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                              |                                |
|-----------------------------------|--------------------------------|
| Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| \$ 522,452                        | \$ 10,051,668                  |
| 204,156                           | 204,156                        |
| -                                 | 6,668                          |
| -                                 | 716,821                        |
| 573,846                           | 9,318,877                      |
| -                                 | 377,256                        |
| 1,929,909                         | 4,093,260                      |
| -                                 | 40,528                         |
| 24,522                            | 329,427                        |
| 26,373                            | 349,005                        |
| 54,052                            | 105,222                        |
| 17,078                            | 95,859                         |
| <u>3,352,388</u>                  | <u>25,688,747</u>              |
| -                                 | 1,647,321                      |
| 829,650                           | 5,144,625                      |
| -                                 | 1,769,528                      |
| -                                 | 1,149,325                      |
| 1,339,688                         | 3,363,962                      |
| 517,943                           | 517,943                        |
| -                                 | 26,835                         |
| 6,360                             | 158,649                        |
| -                                 | 7,210,733                      |
| 96,928                            | 503,136                        |
| 110,009                           | 110,009                        |
| 194,129                           | 563,795                        |
| 6,576                             | 45,645                         |
| -                                 | 2,887,206                      |
| -                                 | 750,554                        |
| <u>3,101,283</u>                  | <u>25,849,266</u>              |
| 251,105                           | (160,519)                      |
| 200,000                           | 2,409,900                      |
| (202,297)                         | (300,147)                      |
| -                                 | 5,310,000                      |
| 46                                | 52,403                         |
| -                                 | 10,504                         |
| 6,360                             | 42,353                         |
| -                                 | 320,501                        |
| <u>4,109</u>                      | <u>7,845,514</u>               |
| 255,214                           | 7,684,995                      |
| <u>(599,525)</u>                  | <u>8,708,114</u>               |
| <u>\$ (344,311)</u>               | <u>\$ 16,393,109</u>           |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA**  
**RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

|  |                      |
|--|----------------------|
| Net Change in Fund Balances -Total Governmental Funds  | 2023<br>\$ 7,684,995 |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                      |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.  |                      |
| Capital Outlays  | 7,753,259            |
| Assets Contributed by Developer  | 1,286,486            |
| Disposal of Capital Assets   | (640)                |
| Capital Assets Contributed to Business-Type Funds  | (431,981)            |
| Depreciation/Amortization Expense  | (4,138,038)          |
| Some capital asset additions are financed through finance purchase obligations. In governmental funds, a finance purchase obligation arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of finance purchase obligation principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.  |                      |
| Principal Payments for Finance Purchase Obligations  | 559,029              |
| The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect on these differences in the treatment of general obligation bonds and related items is as follows: |                      |
| General Obligation Bond Proceeds   | (5,310,000)          |
| Lease Liability Proceeds   | (42,353)             |
| Bond Discount/Premium  | (320,501)            |
| Repayment of Bond Principal and Lease Liability  | 2,891,972            |
| Change in Accrued Interest Expense for General Obligation Bonds  | (34,620)             |
| Amortization of Refunding Loss on Bonds  | (9,517)              |
| Amortization of Refunding Gain on Bonds  | 3,399                |
| Amortization of Bond Premium   | 188,548              |
| Change in delinquent and noncurrent property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.   |                      |
|  | 922,810              |
| Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflow and outflow of resources.  |                      |
|  | (446,705)            |
| OPEB expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.  |                      |
|  | (36,034)             |
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).   |                      |
|  | 7,386                |
| Internal service funds are used by the City to charge costs of certain activities to individual funds. The portion of net revenues of the internal service fund that are received for governmental funds is reported within governmental activities.   |                      |
|  | 51,869               |
| Change in Net Position of Governmental Activities  | \$ 10,579,364        |

See accompanying Notes to Financial Statements.



**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

|   | 2023                |                     |
|---|---------------------|---------------------|
|   | Electric Fund       | Water Fund          |
| <b>ASSETS</b>                                       |                     |                     |
| <b>CURRENT ASSETS</b>                               |                     |                     |
| Cash and Cash Equivalents                           | \$ 1,516,877        | \$ 754,589          |
| Cash and Investments with Fiscal Agent              | 708,500             | -                   |
| Accounts Receivable, Net of Allowance               | 3,064,077           | 689,716             |
| Accrued Interest Receivable                         | 6,248               | 4,014               |
| Taxes Receivable:                                   |                     |                     |
| Delinquent  | -                   | -                   |
| Due from Other Governments                          | 12,501              | -                   |
| Lease Receivable                                    | 17,276              | -                   |
| Inventory   | -                   | 8,335               |
| Supplies  | 1,976,542           | -                   |
| Prepaid Items                                       | 2,774               | 661                 |
| Total Current Assets                                | <u>7,304,795</u>    | <u>1,457,315</u>    |
| <b>LONG-TERM ASSETS</b>                             |                     |                     |
| Sewer and Water Hook-up Fees Receivable - Long Term | -                   | 8,702               |
| Advance to Other Funds                              | 64,997              | -                   |
| Capital Assets:                                     |                     |                     |
| Land, Buildings, Infrastructure, and Improvements   | 36,438,884          | 40,038,517          |
| Equipment   | 6,886,013           | 911,178             |
| Construction in Progress                            | 217,225             | 923,016             |
| Subscription Assets                                 | -                   | -                   |
| Total Capital Assets                                | <u>43,542,122</u>   | <u>41,872,711</u>   |
| Less: Allowance for Depreciation/Amortization       | <u>(23,765,071)</u> | <u>(19,485,610)</u> |
| Total Net Capital Assets                            | <u>19,777,051</u>   | <u>22,387,101</u>   |
| Total Long-Term Assets                              | <u>19,842,048</u>   | <u>22,395,803</u>   |
| Total Assets  | 27,146,843          | 23,853,118          |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                     |                     |
| Refunding Loss on Bonds                             | -                   | 16,850              |
| Pension Related                                     | 287,235             | 141,271             |
| Other Postemployment Benefits Related               | 142,030             | 56,429              |
| Total Deferred Outflows of Resources                | <u>429,265</u>      | <u>214,550</u>      |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2023**

| 2023         |             |              | 2023                     |
|--------------|-------------|--------------|--------------------------|
| Sewer Fund   | Liquor Fund | Total        | Internal<br>Service Fund |
| \$ 5,047,978 | \$ 580,422  | \$ 7,899,866 | \$ 82,624                |
| -            | -           | 708,500      | -                        |
| 1,038,236    | 87          | 4,792,116    | -                        |
| 18,531       | 1,205       | 29,998       | 283                      |
| 8,391        | -           | 8,391        | -                        |
| 4,365        | -           | 16,866       | -                        |
| -            | 89,403      | 106,679      | -                        |
| -            | 1,187,462   | 1,195,797    | -                        |
| -            | -           | 1,976,542    | -                        |
| 55           | 756         | 4,246        | 74,821                   |
| 6,117,556    | 1,859,335   | 16,739,001   | 157,728                  |
| 8,702        | -           | 17,404       | -                        |
| -            | -           | 64,997       | -                        |
| 66,043,977   | 2,075,663   | 144,597,041  | 30,917                   |
| 1,166,254    | 525,336     | 9,488,781    | 608,706                  |
| 3,286,412    | -           | 4,426,653    | -                        |
| -            | -           | -            | 314,056                  |
| 70,496,643   | 2,600,999   | 158,512,475  | 953,679                  |
| (29,799,630) | (1,311,387) | (74,361,698) | (626,247)                |
| 40,697,013   | 1,289,612   | 84,150,777   | 327,432                  |
| 40,705,715   | 1,289,612   | 84,233,178   | 327,432                  |
| 46,823,271   | 3,148,947   | 100,972,179  | 485,160                  |
| 24,247       | -           | 41,097       | -                        |
| 163,571      | 122,178     | 714,255      | 46,457                   |
| 58,309       | 55,687      | 312,455      | 19,398                   |
| 246,127      | 177,865     | 1,067,807    | 65,855                   |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2023**

|  | 2023                 |                     |
|--|----------------------|---------------------|
|  | Electric Fund        | Water Fund          |
| <b>LIABILITIES</b>   |                      |                     |
| <b>CURRENT LIABILITIES</b>   |                      |                     |
| Accounts and Contracts Payable   | \$ 1,022,096         | \$ 53,454           |
| Accrued Expenses   | 101,896              | 17,201              |
| Due to Other Governments   | 5,687                | -                   |
| Accrued Interest   | 46,979               | 140,306             |
| Unearned Revenue   | 1,670                | -                   |
| Compensated Absences - Current Portion   | 83,197               | 58,947              |
| Subscriptions Payable - Current Portion  | -                    | -                   |
| Bonds Payable - Current Portion  | 935,000              | 632,998             |
| Other Postemployment Benefits Liability - Current Portion  | 14,859               | 5,904               |
| Total Current Liabilities  | <u>2,211,384</u>     | <u>908,810</u>      |
| <b>LONG-TERM LIABILITIES</b>   |                      |                     |
| Escrow Deposits  | -                    | 3,255               |
| Compensated Absences - Long Term   | 70,494               | 43,537              |
| Subscriptions Payable - Long Term  | -                    | -                   |
| Bonds Payable - Long Term  | 2,883,477            | 17,274,208          |
| Net Pension Liability  | 1,008,874            | 496,194             |
| Other Postemployment Benefits Liability  | 249,930              | 88,630              |
| Total Long-Term Liabilities  | <u>4,212,775</u>     | <u>17,905,824</u>   |
| Total Liabilities  | 6,424,159            | 18,814,634          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                     |
| Refunding Gain on Bonds  | -                    | 2,024               |
| Lease Related  | 17,212               | -                   |
| Pension Related  | 321,909              | 158,325             |
| Other Postemployment Benefits Related  | 25,154               | 9,993               |
| Total Deferred Inflows of Resources  | <u>364,275</u>       | <u>170,342</u>      |
| <b>NET POSITION</b>  |                      |                     |
| Net Investment in Capital Assets   | 15,958,787           | 4,494,721           |
| Unrestricted   | <u>4,828,887</u>     | <u>587,971</u>      |
| Total Net Position   | <u>\$ 20,787,674</u> | <u>\$ 5,082,692</u> |
| Adjustment to Reflect the Consolidation of Internal Service Fund<br>Activities Related to the Enterprise Funds<br>Total Net Position of Business-Type Activities |                      |                     |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2023**

| 2023                 |                     |                      | 2023                     |
|----------------------|---------------------|----------------------|--------------------------|
| Sewer Fund           | Liquor Fund         | Total                | Internal<br>Service Fund |
| \$ 273,070           | \$ 197,475          | \$ 1,546,095         | \$ 7,632                 |
| 18,819               | 94,144              | 232,060              | 5,215                    |
| -                    | 3,657               | 9,344                | -                        |
| 199,563              | -                   | 386,848              | 2,653                    |
| -                    | -                   | 1,670                | -                        |
| 71,708               | 30,090              | 243,942              | 6,644                    |
| -                    | -                   | -                    | 93,764                   |
| 916,071              | -                   | 2,484,069            | -                        |
| 6,100                | 5,826               | 32,689               | 2,029                    |
| <u>1,485,331</u>     | <u>331,192</u>      | <u>4,936,717</u>     | <u>117,937</u>           |
| -                    | -                   | 3,255                | -                        |
| 15,329               | 42,484              | 171,844              | 2,132                    |
| -                    | -                   | -                    | 96,907                   |
| 28,379,118           | -                   | 48,536,803           | -                        |
| 574,521              | 429,133             | 2,508,722            | 163,173                  |
| 100,571              | 94,862              | 533,993              | 18,691                   |
| <u>29,069,539</u>    | <u>566,479</u>      | <u>51,754,617</u>    | <u>280,903</u>           |
| 30,554,870           | 897,671             | 56,691,334           | 398,840                  |
| 24                   | -                   | 2,048                | -                        |
| -                    | 85,884              | 103,096              | -                        |
| 183,317              | 136,927             | 800,478              | 52,065                   |
| 10,326               | 9,863               | 55,336               | 3,435                    |
| <u>193,667</u>       | <u>232,674</u>      | <u>960,958</u>       | <u>55,500</u>            |
| 12,132,909           | 1,289,612           | 33,876,029           | 136,761                  |
| <u>4,187,952</u>     | <u>906,855</u>      | <u>10,511,665</u>    | <u>(40,086)</u>          |
| <u>\$ 16,320,861</u> | <u>\$ 2,196,467</u> | <u>44,387,694</u>    | <u>\$ 96,675</u>         |
|                      |                     | 47,130               |                          |
|                      |                     | <u>\$ 44,434,824</u> |                          |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023                 |                     |
|--|----------------------|---------------------|
|  | Electric Fund        | Water Fund          |
| <b>GROSS PROFIT AND OPERATING REVENUES</b>   |                      |                     |
| Sales  | \$ -                 | \$ -                |
| Costs of Goods Sold  | -                    | -                   |
| Charges for Services   | 19,205,221           | 4,860,919           |
| Total Gross Profit and Operating Revenues  | 19,205,221           | 4,860,919           |
| <b>OPERATING EXPENSES</b>  |                      |                     |
| Cost of Sales and Services   | 13,563,256           | 864,573             |
| Compensation and Employee Benefits   | 2,179,632            | 970,921             |
| Depreciation   | 1,427,160            | 916,002             |
| Total Operating Expenses   | 17,170,048           | 2,751,496           |
| <b>OPERATING INCOME (LOSS)</b>   | 2,035,173            | 2,109,423           |
| <b>OTHER INCOME (EXPENSE)</b>  |                      |                     |
| Interest Income  | 56,052               | 29,995              |
| Interest Expense   | (110,153)            | (528,935)           |
| Taxes and Special Assessments  | -                    | -                   |
| Intergovernmental Revenues   | 16,734               | 61                  |
| Access Fees  | 34,000               | 267,566             |
| Refunds and Reimbursements   | 152,024              | -                   |
| Miscellaneous Revenue  | 683                  | 55                  |
| Bond Issuance Costs  | -                    | (50,559)            |
| Lease Revenue  | 4,303                | -                   |
| Gain (Loss) on Sale of Capital Assets  | (210,952)            | 5,564               |
| Total Other Income (Expense)   | (57,309)             | (276,253)           |
| <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>   | 1,977,864            | 1,833,170           |
| <b>CONTRIBUTIONS AND TRANSFERS</b>   |                      |                     |
| Transfers Out  | (1,000,000)          | (376,296)           |
| Capital Contributions  | -                    | 808,626             |
| Total Contributions and Transfers  | (1,000,000)          | 432,330             |
| <b>CHANGE IN NET POSITION</b>  | 977,864              | 2,265,500           |
| Net Position - Beginning of Year   | 19,809,810           | 2,817,192           |
| <b>NET POSITION - END OF YEAR</b>  | <u>\$ 20,787,674</u> | <u>\$ 5,082,692</u> |
| Adjustment to Reflect the Consolidation of Internal Service Fund<br>Activities Related to the Enterprise Funds<br>Change in Net Position of Business-Type Activities |                      |                     |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023          |              |              | 2023                     |
|---------------|--------------|--------------|--------------------------|
| Sewer Fund    | Liquor Fund  | Total        | Internal<br>Service Fund |
| \$ -          | \$ 7,172,842 | \$ 7,172,842 | \$ -                     |
| -             | (5,095,982)  | (5,095,982)  | -                        |
| 5,711,614     | -            | 29,777,754   | 1,121,693                |
| 5,711,614     | 2,076,860    | 31,854,614   | 1,121,693                |
| 1,170,763     | 511,169      | 16,109,761   | 548,259                  |
| 1,220,401     | 869,115      | 5,240,069    | 321,153                  |
| 1,465,062     | 53,476       | 3,861,700    | 148,347                  |
| 3,856,226     | 1,433,760    | 25,211,530   | 1,017,759                |
| 1,855,388     | 643,100      | 6,643,084    | 103,934                  |
| 135,482       | 8,175        | 229,704      | 2,122                    |
| (772,283)     | -            | (1,411,371)  | (5,138)                  |
| 501,978       | -            | 501,978      | -                        |
| 181,431       | 53           | 198,279      | 20                       |
| 858,984       | -            | 1,160,550    | -                        |
| -             | -            | 152,024      | -                        |
| 25,085        | 14,368       | 40,191       | -                        |
| (100,944)     | -            | (151,503)    | -                        |
| -             | 44,809       | 49,112       | -                        |
| 6,528         | -            | (198,860)    | -                        |
| 836,261       | 67,405       | 570,104      | (2,996)                  |
| 2,691,649     | 710,505      | 7,213,188    | 100,938                  |
| (283,457)     | (450,000)    | (2,109,753)  | -                        |
| 438,614       | -            | 1,247,240    | -                        |
| 155,157       | (450,000)    | (862,513)    | -                        |
| 2,846,806     | 260,505      | 6,350,675    | 100,938                  |
| 13,474,055    | 1,935,962    | 38,037,019   | (4,263)                  |
| \$ 16,320,861 | \$ 2,196,467 | 44,387,694   | \$ 96,675                |
|               |              | 49,069       |                          |
|               |              | \$ 6,399,744 |                          |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2023**

|   | 2023                |                   |
|---|---------------------|-------------------|
|   | Electric Fund       | Water Fund        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |                     |                   |
| Cash Received from Customers and Service Users                                  | \$ 19,172,024       | \$ 4,763,074      |
| Cash Paid to Suppliers  | (13,702,457)        | (889,214)         |
| Cash Paid to Employees  | (1,993,552)         | (941,565)         |
| Net Cash Provided by Operating Activities                                       | 3,476,015           | 2,932,295         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                          |                     |                   |
| Interfund Borrowing/Transfers   | (1,000,000)         | (376,296)         |
| Advance To/From Other Funds   | 64,858              | -                 |
| Property Tax Receipts   | -                   | -                 |
| Intergovernmental Receipts  | 16,734              | 61                |
| Net Cash Provided (Used) by Noncapital Financing Activities                     | (918,408)           | (376,235)         |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                 |                     |                   |
| Net Proceeds from Bonds Issued for Capital                                      | -                   | 2,229,000         |
| Issuance of Bond Premium  | -                   | 113,451           |
| Payments on Bond Issuance Costs   | -                   | (50,559)          |
| Access Fees   | 88,131              | 274,826           |
| Lease Revenue   | 4,239               | -                 |
| Acquisition and Construction of Capital Assets                                  | (1,361,296)         | (1,021,369)       |
| Proceeds from Sale of Capital Assets  | 6,179               | 5,564             |
| Interest Paid on Bonds  | (125,254)           | (580,701)         |
| Interest Paid on Subscription Liability   | -                   | -                 |
| Cash Paid to Escrow Agent   | -                   | (1,401,789)       |
| Principal Payments on Subscription Liability                                    | -                   | -                 |
| Principal Payments on Bonds   | (905,000)           | (1,471,676)       |
| Net Cash Provided (Used) by Capital and Related Financing Activities            | (2,293,001)         | (1,903,253)       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |                     |                   |
| Investment Income   | 60,262              | 28,165            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                | 324,868             | 680,972           |
| Cash and Cash Equivalents - Beginning of Year                                   | 1,900,509           | 73,617            |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                  | <u>\$ 2,225,377</u> | <u>\$ 754,589</u> |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b> |                     |                   |
| Cash and Cash Equivalents   | \$ 1,516,877        | \$ 754,589        |
| Cash and Investments with Fiscal Agent  | 708,500             | -                 |
| Total Cash and Cash Equivalents   | <u>\$ 2,225,377</u> | <u>\$ 754,589</u> |
| <b>NONCASH TRANSACTIONS</b>   |                     |                   |
| Contribution of Capital Assets - Governmental Funds                             | \$ -                | \$ 376,297        |
| Contribution of Capital Assets - Developer                                      | -                   | 432,329           |
| Amortization of Premiums and Refundings   | (4,685)             | (52,991)          |
| Purchase of Capital Assets through Contracts and Retainage Payable              | 213                 | -                 |
| Total Noncash Investing, Capital, and Financing Activities                      | <u>\$ (4,472)</u>   | <u>\$ 755,635</u> |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                |                   |                     | 2023                     |
|---------------------|-------------------|---------------------|--------------------------|
| Sewer Fund          | Liquor Fund       | Total               | Internal<br>Service Fund |
| \$ 5,491,139        | \$ 7,187,983      | \$ 36,614,220       | \$ 1,122,449             |
| (1,234,422)         | (5,833,883)       | (21,659,976)        | (589,465)                |
| (1,109,684)         | (867,954)         | (4,912,755)         | (318,544)                |
| 3,147,033           | 486,146           | 10,041,489          | 214,440                  |
| (283,457)           | (450,000)         | (2,109,753)         | -                        |
| -                   | -                 | 64,858              | -                        |
| 601,125             | 25                | 601,150             | -                        |
| 181,431             | 53                | 198,279             | 20                       |
| 499,099             | (449,922)         | (1,245,466)         | 20                       |
| 4,531,000           | -                 | 6,760,000           | -                        |
| 285,466             | -                 | 398,917             | -                        |
| (100,944)           | -                 | (151,503)           | -                        |
| 866,244             | -                 | 1,229,201           | -                        |
| -                   | 46,357            | 50,596              | -                        |
| (2,480,576)         | -                 | (4,863,241)         | (333,775)                |
| 6,528               | -                 | 18,271              | -                        |
| (926,294)           | -                 | (1,632,249)         | -                        |
| -                   | -                 | -                   | (2,485)                  |
| (2,017,209)         | -                 | (3,418,998)         | 310,658                  |
| -                   | -                 | -                   | (119,987)                |
| (2,411,118)         | -                 | (4,787,794)         | -                        |
| (2,246,903)         | 46,357            | (6,396,800)         | (145,589)                |
| 126,782             | 7,842             | 223,051             | 1,839                    |
| 1,526,011           | 90,423            | 2,622,274           | 70,710                   |
| 3,521,967           | 489,999           | 5,986,092           | 11,914                   |
| <u>\$ 5,047,978</u> | <u>\$ 580,422</u> | <u>\$ 8,608,366</u> | <u>\$ 82,624</u>         |
| \$ 5,047,978        | \$ 580,422        | \$ 7,899,866        | \$ 82,624                |
| -                   | -                 | 708,500             | -                        |
| <u>\$ 5,047,978</u> | <u>\$ 580,422</u> | <u>\$ 8,608,366</u> | <u>\$ 82,624</u>         |
| \$ 55,684           | \$ -              | \$ 431,981          | \$ -                     |
| 382,930             | -                 | 815,259             | -                        |
| (182,308)           | -                 | (239,984)           | -                        |
| 55,265              | -                 | -                   | -                        |
| <u>\$ 256,306</u>   | <u>\$ -</u>       | <u>\$ 1,007,256</u> | <u>\$ -</u>              |

See accompanying Notes to Financial Statements.



**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|   | 2023                |                     |
|---|---------------------|---------------------|
|   | Electric Fund       | Water Fund          |
| <b>RECONCILIATION OF OPERATING INCOME TO NET<br/>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                     |                     |
| Operating Income  | \$ 2,035,173        | \$ 2,109,423        |
| Adjustments to Reconcile Operating Income to Net Cash<br>Provided (Used) by Operating Activities: |                     |                     |
| Depreciation and Amortization   | 1,427,160           | 916,002             |
| Miscellaneous - Nonoperating  | 152,707             | 54                  |
| Changes in Assets, Deferred Outflows of Resources, Liabilities,<br>Deferred Inflows of Resources: |                     |                     |
| (Increase) Decrease in Accounts Receivable  | (187,574)           | (97,899)            |
| (Increase) Decrease in Prepaid Items  | 88,127              | 10,852              |
| (Increase) Decrease in Supplies   | (184,357)           | -                   |
| (Increase) Decrease in Inventory  | -                   | -                   |
| (Increase) Decrease in Deferred Outflows of Resources - Pension                                   | 142,872             | 95,737              |
| (Increase) Decrease in Deferred Outflows of Resources - Other<br>Postemployment Benefits          | (44,362)            | (14,810)            |
| Increase (Decrease) in Accounts and Contracts Payable   | (48,658)            | (35,082)            |
| Increase (Decrease) in Accrued Expenses   | 2,309               | 1,234               |
| Increase (Decrease) in Due to Other Governments   | 5,687               | (411)               |
| Increase (Decrease) in Unearned Revenue   | 1,670               | -                   |
| Increase (Decrease) in Net Pension Liability  | (276,041)           | (211,850)           |
| Increase (Decrease) in OPEB Liability   | 36,977              | 14,691              |
| Increase (Decrease) in Deferred Inflows of Resources - Pension                                    | 301,664             | 147,169             |
| Increase (Decrease) in Deferred Inflows of Resources - Other<br>Postemployment Benefits           | 22,266              | 8,763               |
| Increase (Decrease) in Accrued Compensated Absences   | 395                 | (11,578)            |
| Net Cash Provided by Operating Activities   | <u>\$ 3,476,015</u> | <u>\$ 2,932,295</u> |

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                |                   |                      | 2023                     |
|---------------------|-------------------|----------------------|--------------------------|
| Sewer Fund          | Liquor Fund       | Total                | Internal<br>Service Fund |
| \$ 1,855,388        | \$ 643,100        | \$ 6,643,084         | \$ 103,934               |
| 1,465,062           | 53,476            | 3,861,700            | 148,347                  |
| 25,085              | 14,368            | 192,214              | -                        |
| (114,994)           | 773               | (399,694)            | 756                      |
| 8,293               | 8,592             | 115,864              | 7,681                    |
| -                   | -                 | (184,357)            | -                        |
| -                   | (227,762)         | (227,762)            | -                        |
| 83,534              | 100,569           | 422,712              | 37,811                   |
| (15,956)            | (18,757)          | (93,885)             | (6,494)                  |
| (71,952)            | (7,246)           | (162,938)            | (48,887)                 |
| 3,853               | 290               | 7,686                | 353                      |
| -                   | (316)             | 4,960                | -                        |
| (130,566)           | -                 | (128,896)            | -                        |
| (163,689)           | (236,309)         | (887,889)            | (88,573)                 |
| 15,180              | 14,498            | 81,346               | 5,050                    |
| 171,686             | 126,442           | 746,961              | 48,098                   |
| 9,074               | 8,771             | 48,874               | 3,054                    |
| 7,035               | 5,657             | 1,509                | 3,310                    |
| <u>\$ 3,147,033</u> | <u>\$ 486,146</u> | <u>\$ 10,041,489</u> | <u>\$ 214,440</u>        |

See accompanying Notes to Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Buffalo (the City), located in Wright County in Minnesota, conforms to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

**A. Financial Reporting Entity**

As required by GAAP, the financial statements of the reporting entity include those of the City and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The Housing and Redevelopment Authority (HRA) of Buffalo is an entity legally separate from the City. However, for financial reporting purposes, the HRA is a blended component unit and is reported as a Special Revenue Fund of the City. The determination as a blended component unit is supported by the fact the HRA's financial obligations, including outstanding debt issues, are expected to be satisfied almost entirely with the resources of the City. Additionally, the City Council determines the resources, including the property tax levy, that are to be made available to the HRA each year. The governing board is appointed by the City Council and it provides services almost entirely to the City. The HRA does not issue separate financial statements.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall City government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support. Interfund services provided and used are not eliminated in the process of consolidation.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements (Continued)**

**1. Government-Wide Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The City reports all proprietary funds as major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

**General Fund**

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

**Debt Service Fund**

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, interest, principal, and related costs on general long-term debt.

**Capital Project Fund**

The Capital Project Fund accounts for financial resources to be used for acquisition or construction of major capital equipment or facilities (other than those financed by proprietary funds).

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements (Continued)**

**2. Fund Financial Statements (Continued)**

**HRA Debt Service Fund**

The HRA Debt Service Fund accounts for the accumulation of resources for, and the payment of, interest, principal, and related costs on general long-term debt for the HRA.

The City reports the following major proprietary funds:

**Electric Fund**

The Electric Fund accounts for customer electric service charges that are used to finance electric operating expenses.

**Water Fund**

The Water Fund accounts for customer water service charges which are used to finance water operating expenses.

**Sewer Fund**

The Sewer Fund accounts for customer sewer service charges which are used to finance sewer operating expenses.

**Liquor Fund**

The Liquor Fund accounts for customer sales that are used to finance liquor store operating expenses and provide funds for general operations of the City.

Additionally, the City reports the following funds as well as other governmental nonmajor funds aggregated in the fund financial statements:

**Internal Service Fund**

The Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments of the City or to other entities, on a cost-reimbursement basis. The City maintains one internal service fund. The Central IT Services Fund is used to account for the maintenance and purchase of technology equipment and services of the City.

**Other Nonmajor Funds**

The nonmajor Special Revenue Funds account for funds received by the City that are intended to be used for specific purposes, other than debt service or capital projects, and consist of the Fire, Library, Civic Center, the HRA of Buffalo, and the Airport Funds of the City.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Electric, Water, Sewer, and Liquor Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgets**

Annual appropriation budgets are adopted for the following funds: General, Fire, Library, Airport, and Civic Center.

Budgets for the General Fund and certain special revenue funds are adopted on a basis consistent with GAAP.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets (Continued)**

Budgeted amounts are reported as originally adopted, or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and some Proprietary Funds. Formal budgetary integration is not employed for the Capital Project and Debt Service funds.
5. Budgets are adopted on a basis consistent with GAAP except for the General Fund, as previously described, and enterprise funds where capital expenditures are budgeted for as an operating expense. Budgeted amounts presented are as originally adopted. The City does not budget for some Special Revenue Funds that have minimal transactions nor is an annual budget prepared for the HRA.

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances**

**1. Cash and Investments**

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.



**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**2. Property Tax Revenue Recognition**

Property tax levies are set by the City Council in December of each year and are certified to the county auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing entities three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources in the governmental funds because it is not available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**3. Special Assessment Revenue Recognition**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the county auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year.

Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent assessments receivable in governmental funds are completely offset by deferred inflows of resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**3. Special Assessment Revenue Recognition (Continued)**

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**4. Utility Billing**

The City bills customers monthly for the following utility services: electric, sewer and water, sanitation, recycling, storm sewer, and internet. The City bills and recognizes the electric, sewer and water services revenue in the month the service is provided.

**5. Inventories and Prepaid Items**

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Inventories in the City's utility funds and liquor store funds are reflected at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. In the governmental funds, reported prepaid items are classified as nonspendable fund balance.

**6. Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as "due from other funds", "interfund lease receivable", "interfund note receivable", or "advances to other funds" on the balance sheets of the fund financial statements.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**7. Loans Receivable and Allowance for Uncollectible Accounts**

The City records loans receivable for a revolving loan program that assists residents in the rehabilitation of homes. Also, the HRA issues loans to local businesses. An allowance for uncollectible accounts is established with City management believes that some portion of the receivable will not be collected. The City estimates the allowance based on the specific identification method. The estimated allowance as of December 31, 2023 for the revolving loan program is \$-0-.

**8. Property Held for Resale**

These assets are recorded at the lower of original cost or current net realizable value in the governmental fund, which purchased them.

**9. Capital Assets**

Capital assets, 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. Such assets are capitalized at historical cost, estimated historical cost for assets where actual historical cost is not available, or in the case of donated capital assets, their estimated acquisition value at the date of donation. Capital assets are defined by the City as assets with an estimated useful life of more than one year and an initial individual cost of more than the following:

| <u>Assets</u>                       | <u>Cost</u>     |
|-------------------------------------|-----------------|
| Intangible Assets                   | \$25,000        |
| Land                                | \$25,000        |
| Land Improvements                   | \$25,000        |
| Buildings and Building Improvements | \$50,000        |
| Improvements Other Than Buildings   | \$25,000        |
| Vehicles                            | \$25,000        |
| Equipment                           | \$15,000        |
| Infrastructure and Utility          |                 |
| Distribution Systems                | \$75,000        |
| All Other Assets                    | \$15,000        |
| Construction In Progress            | Capitalize Only |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**9. Capital Assets (Continued)**

In the case of the initial capitalization of infrastructure, the City retroactively implemented the reporting of this item when GASB 34 was implemented. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes.

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

| <u>Assets</u>                       | <u>Useful Life (Years)</u> |
|-------------------------------------|----------------------------|
| Land                                | Indefinite                 |
| Intangible Assets                   | Indefinite                 |
| Land Improvements                   | 5 - 40                     |
| Buildings and Building Improvements | 5 - 40                     |
| Improvements Other Than Buildings   | 5 - 25                     |
| Vehicles and Equipment              | 5 - 25                     |
| Infrastructure and Utility          |                            |
| Distribution Systems                | 5 - 50                     |

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Balances (Continued)**

**10. Compensated Absences**

**Vacation**

City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized as it is used in the governmental funds and is recognized as it is earned in the proprietary funds. Accrued vacation (unused) is recorded in the proprietary fund level statements and in the government-wide statements as compensated absences.

**Sick Leave**

Employees are entitled to paid sick leave at various rates for each month of full-time service. Sick pay is recorded as an expenditure when payment is made.

**Severance**

Regular employees who retire from active service receive pay for a percentage of their unused sick leave as severance. The percentage of sick leave varies from 25% to 40% based on years of service. The estimated severance liability is recorded in the fund level statements of the proprietary funds as compensated absences payable and in the government-wide financial statements as a component of long-term debt.

**11. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issue costs are expensed in the year of issuance.

In the governmental fund financial statements, bond premiums, and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as other financing source. Premiums and discounts received on debt issuances are reported as other financing sources and uses, respectively. Bond issuance costs are reported as debt service expenditures.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**12. Pension Asset/Liability**

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Buffalo Firefighters Relief Association plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of contributions) are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**13. OPEB**

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

**14. Deferred Outflows of Resources**

The City's financial statements report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period. The City will not recognize the related outflow until a future event occurs. The City has two types of items which are reported as deferred outflows of resources. The first type of deferred outflow of resources relate to pension liabilities and OPEB liabilities, as described in Notes 6-8 to the financial statements. The second type of deferred outflow of resources relate to refunding of bonds.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**15. Deferred Inflows of Resources**

The City's financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has four types of items which are reported as deferred inflow of resources. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The second type of deferred inflow of resources relate to pension liabilities and OPEB liabilities, when applicable, as described in Notes 6-8 to the financial statements. The third type of deferred inflow of resources relate to refunding of bonds. The statement of net position and the governmental funds balance sheet also report a deferred inflow of resources related to leases, which is the fourth type of deferred inflows. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

**16. Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures/ expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statements of net position and statements of activities.

**17. Net Position**

In the government-wide financial statements and in the proprietary fund level statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the City reports all capital assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**18. Fund Balance**

In the fund financial statements, governmental funds fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are defined as follows:

**Nonspendable** - Amounts that cannot be spent because they are either not in spendable form, such as prepaid items, inventory, and other long-term assets that are legally or contractually required to be maintained intact.

**Restricted** - Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

**Committed** - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) by the City Council, which is the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

**Assigned** - Amounts constrained for specific purposes that are internally imposed. These constraints are intended to be used by the City but do not meet the criteria to be classified as restricted nor committed. In the governmental funds, assigned amounts represent the remaining amounts that are not classified as nonspendable, restricted or committed. In the General Fund, assigned amounts represent the intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator and the Finance Director to establish assignments of fund balance based on intended use.

**Unassigned** - The residual classification for the General Fund which also reflects negative residual amounts in other governmental funds.

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

The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of the next year's budgeted expenditures for cash-flow timing needs, with a minimum of six months.



**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)**

**19. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**20. Adoption of New Accounting Standards**

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption.

**NOTE 2 DEPOSITS AND INVESTMENTS**

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2023, based on market prices. Investment earnings on cash and pooled investments are credited to all funds based on their cash balances each month. In addition, some funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2023 were \$561,253.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments**

In accordance with applicable Minnesota Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota Statutes.

At December 31, 2023, the deposits were fully insured and collateralized as required by Minnesota Statutes §118A.03.

**Investments**

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- a) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04 subd. 6;
- b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- c) general obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- d) bankers' acceptances of United States banks;

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments (Continued)**

**Investments (Continued)**

e) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and with certain restrictions, repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts. The deposits are presented in the financial statements as follows:

Credit Risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City investment policy requires that commercial paper is rated A1/P1 or better, otherwise rating is not applicable.

| Investment Type                    | Credit Rating | Amount               |
|------------------------------------|---------------|----------------------|
| Money Market                       | Not Rated     | \$ 7,850,800         |
| Negotiable Certificates of Deposit | Not Rated     | 1,862,266            |
| Federal Home Loan Bank             | Aaa, AA+      | 748,220              |
| U.S. Treasury Bills                | Not Rated     | 2,950,637            |
| Total                              |               | <u>\$ 13,411,923</u> |

Concentration of Credit Risk – The City investment policy places a limit on the amount that the City may invest in commercial paper to \$500,000 and brokered certificates of deposits to \$250,000. The City had no investments at December 31, 2023 which individually comprised more than 5% of total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City's investment policy limits the maturities of investments to 10 years for U.S. Treasuries, federal agencies, and brokered certificates of deposit. The City limits the maturities to 270 days for commercial paper.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments (Continued)**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City investment policy does not address custodial credit risk.

| Investment Type                    | Total                | 12 Months<br>or Less | 13 to 24<br>Months | 25 to 60<br>Months |
|------------------------------------|----------------------|----------------------|--------------------|--------------------|
| Money Market                       | \$ 7,850,800         | \$ 7,850,800         | \$ -               | \$ -               |
| Negotiable Certificates of Deposit | 1,862,266            | 1,380,296            | 481,970            | -                  |
| Federal Home Loan Bank             | 748,220              | 748,220              | -                  | -                  |
| U.S. Treasury Bills                | 2,950,637            | 2,950,637            | -                  | -                  |
| Total                              | <u>\$ 13,411,923</u> | <u>\$ 12,929,953</u> | <u>\$ 481,970</u>  | <u>\$ -</u>        |

The deposits and investments are presented in these financial statements:

|  |                      |
|--|----------------------|
| Deposits                               | \$ 12,467,978        |
| Investments                            | 13,411,923           |
| Total Cash and Cash Equivalents        | <u>\$ 25,879,901</u> |
| Cash and Cash Equivalents              | \$ 25,171,401        |
| Cash and Investments with Fiscal Agent | 708,500              |
| Total Cash and Cash Equivalents        | <u>\$ 25,879,901</u> |
| Governmental Activities                | \$ 17,271,535        |
| Business-Type Activities               | 8,608,366            |
| Total Cash and Cash Equivalents        | <u>\$ 25,879,901</u> |

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments (Continued)**

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

| Investment Type                        | Level 1     | Level 2             | Level 3     | Total                |
|--|-------------|---------------------|-------------|----------------------|
| Negotiable Certificates of Deposit     | \$ -        | \$ 1,862,266        | \$ -        | \$ 1,862,266         |
| Federal Home Loan Bank                 | -           | 748,220             | -           | 748,220              |
| U.S. Treasury Bills                    | -           | 2,950,637           | -           | 2,950,637            |
| Subtotal                               | <u>\$ -</u> | <u>\$ 5,561,123</u> | <u>\$ -</u> | <u>5,561,123</u>     |
| Investments Measured at Amortized Cost |             |                     |             |                      |
| Money Market                           |             |                     |             | 7,850,800            |
| Total                                  |             |                     |             | <u>\$ 13,411,923</u> |

Negotiable certificates of deposit are valued using a matrix pricing based on the securities' relationship to benchmark quoted prices.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 was as follows:

|  | Beginning<br>Balance,<br>As Restated | Increases     | Decreases      | Transfers    | Ending<br>Balance |
|--|--------------------------------------|---------------|----------------|--------------|-------------------|
| <b>Governmental Activities:</b>  |                                      |               |                |              |                   |
| Capital Assets, Not Being Depreciated:   |                                      |               |                |              |                   |
| Land   | \$ 2,807,439                         | \$ 220,549    | \$ -           | \$ -         | \$ 3,027,988      |
| Construction in Progress   | 19,049,526                           | 6,910,957     | (7,448,926)    | (431,981)    | 18,079,576        |
| Total Capital Assets, Not Being Depreciated  | 21,856,965                           | 7,131,506     | (7,448,926)    | (431,981)    | 21,107,564        |
| Capital Assets, Being Depreciated:   |                                      |               |                |              |                   |
| Land Improvements  | 17,645,041                           | 1,022,907     | (1,000)        | -            | 18,666,948        |
| Buildings and Building Improvements  | 17,628,950                           | -             | -              | -            | 17,628,950        |
| Improvements Other than Buildings  | 3,812,859                            | 128,602       | -              | -            | 3,941,461         |
| Vehicles   | 5,321,292                            | 558,277       | (26,633)       | -            | 5,852,936         |
| Equipment  | 6,987,608                            | 206,153       | (428,151)      | -            | 6,765,610         |
| Infrastructure   | 88,130,554                           | 7,418,873     | -              | -            | 95,549,427        |
| Total Capital Assets, Being Depreciated  | 139,526,304                          | 9,334,812     | (455,784)      | -            | 148,405,332       |
| Accumulated Depreciation for:  |                                      |               |                |              |                   |
| Land Improvements  | (10,066,632)                         | (714,982)     | 360            | -            | (10,781,254)      |
| Buildings and Building Improvements  | (10,015,269)                         | (426,930)     | -              | -            | (10,442,199)      |
| Improvements Other than Buildings  | (2,580,463)                          | (163,428)     | -              | -            | (2,743,891)       |
| Vehicles   | (3,235,698)                          | (395,782)     | 26,633         | -            | (3,604,847)       |
| Equipment  | (5,260,074)                          | (327,175)     | 427,870        | -            | (5,159,379)       |
| Infrastructure   | (68,170,290)                         | (2,176,663)   | -              | -            | (70,346,953)      |
| Total Accumulated Depreciation   | (99,328,426)                         | (4,204,960)   | 454,863        | -            | (103,078,523)     |
| Total Capital Assets, Being Depreciated, Net   | 40,197,878                           | 5,129,852     | (921)          | -            | 45,326,809        |
| Right-to-Use Assets:   |                                      |               |                |              |                   |
| Equipment  | -                                    | 42,353        | -              | -            | 42,353            |
| Accumulated Amortization for:  |                                      |               |                |              |                   |
| Equipment  | -                                    | (4,941)       | -              | -            | (4,941)           |
| Total Right-to-Use Assets, Being Amortized, Net  | -                                    | 37,412        | -              | -            | 37,412            |
| Subscription Based Information Technology<br>Arrangement Assets:                         |                                      |               |                |              |                   |
| Subscription Based Information Technology<br>Arrangements                                | * 189,437                            | 124,619       | -              | -            | 314,056           |
| Accumulated Amortization for:  |                                      |               |                |              |                   |
| Subscription Based Information Technology<br>Arrangements                                | -                                    | (76,484)      | -              | -            | (76,484)          |
| Total Subscription Based Information<br>Technology Arrangements,<br>Being Amortized, Net | 189,437                              | 48,135        | -              | -            | 237,572           |
| Governmental Activities Capital Assets, Net  | \$ 62,244,280                        | \$ 12,346,905 | \$ (7,449,847) | \$ (431,981) | \$ 66,709,357     |

\*The beginning balance was restated due to the implementation of GASB Statement No. 96.

Depreciation/amortization expense was charged to governmental functions as follows:

|   |                     |
|---|---------------------|
| <b>Governmental Activities:</b>                     |                     |
| General Government                                  | \$ 164,097          |
| Public Safety                                       | 444,928             |
| Public Works  | 2,834,591           |
| Parks, Culture, and Recreation                      | 842,769             |
| Total Depreciation Expense, Governmental Activities | <u>\$ 4,286,385</u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

|  | Beginning<br>Balance | Increases    | Decreases    | Transfers   | Ending<br>Balance |
|--|----------------------|--------------|--------------|-------------|-------------------|
| <b>Business-Type Activities:</b>             |                      |              |              |             |                   |
| Capital Assets, Not Being Depreciated:       |                      |              |              |             |                   |
| Land and Intangible Assets                   | \$ 6,614,052         | \$ 158,511   | \$ -         | \$ -        | \$ 6,772,563      |
| Construction in Progress                     | 1,017,824            | 3,512,941    | (104,112)    | -           | 4,426,653         |
| Total Capital Assets, Not Being Depreciated  | 7,631,876            | 3,671,452    | (104,112)    | -           | 11,199,216        |
| Capital Assets, Being Depreciated:           |                      |              |              |             |                   |
| Land Improvements                            | 1,405,193            | -            | -            | 16,752      | 1,421,945         |
| Buildings and Building Improvements          | 51,519,196           | -            | -            | -           | 51,519,196        |
| Equipment                                    | 11,269,054           | 326,695      | (151,073)    | (5,965,325) | 5,479,351         |
| Utility Distributions Systems                | 83,052,254           | 1,808,503    | (2,348,544)  | 6,380,554   | 88,892,767        |
| Total Capital Assets, Being Depreciated      | 147,245,697          | 2,135,198    | (2,499,617)  | 431,981     | 147,313,259       |
| Accumulated Depreciation for:                |                      |              |              |             |                   |
| Land Improvements                            | (942,613)            | (32,619)     | -            | -           | (975,232)         |
| Buildings and Building Improvements          | (23,999,036)         | (1,141,094)  | -            | -           | (25,140,130)      |
| Equipment                                    | (7,234,875)          | (403,273)    | 151,073      | 3,267,628   | (4,219,447)       |
| Utility Distributions Systems                | (40,605,960)         | (2,284,714)  | 2,131,413    | (3,267,628) | (44,026,889)      |
| Total Accumulated Depreciation               | (72,782,484)         | (3,861,700)  | 2,282,486    | -           | (74,361,698)      |
| Total Capital Assets, Being Depreciated, Net | 74,463,213           | (1,726,502)  | (217,131)    | 431,981     | 72,951,561        |
| Business-Type Activities Capital Assets, Net | \$ 82,095,089        | \$ 1,944,950 | \$ (321,243) | \$ 431,981  | \$ 84,150,777     |

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

|  |                     |
|--|---------------------|
| <b>Business-Type Activities:</b>                     |                     |
| Electric Fund  | \$ 1,427,160        |
| Water Fund   | 916,002             |
| Sewer Fund   | 1,465,062           |
| Liquor Fund  | 53,476              |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 3,861,700</u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 LONG-TERM LEASE RECEIVABLE**

The City, acting as lessor, leases infrastructure, land, and building space under long-term, noncancelable lease agreements. These leases expire at various dates through 2053 bearing implicit interest rates ranging from 0.25%-3.73%. During the year ended December 31, 2023, the City recognized \$416,557 and \$17,094 in lease revenue and interest revenue, respectively, pursuant the contracts.

Principal and interest requirements to maturity under the lease agreements are as follows:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> |                   | <u>Business-Type Activities</u> |                 |
|---------------------------------|--------------------------------|-------------------|---------------------------------|-----------------|
|                                 | <u>Principal</u>               | <u>Interest</u>   | <u>Principal</u>                | <u>Interest</u> |
| 2024                            | \$ 258,888                     | \$ 18,214         | \$ 50,846                       | \$ 289          |
| 2025                            | 268,018                        | 15,790            | 47,125                          | 110             |
| 2026                            | 237,503                        | 13,231            | 4,314                           | 21              |
| 2027                            | 241,805                        | 11,750            | 4,324                           | 11              |
| 2028                            | 241,831                        | 10,243            | -                               | -               |
| 2029-2033                       | 725,179                        | 34,361            | -                               | -               |
| 2034-2038                       | 720,355                        | 19,272            | -                               | -               |
| 2039-2043                       | 195,484                        | 8,342             | -                               | -               |
| 2044-2048                       | 32,205                         | 3,675             | -                               | -               |
| 2049-2053                       | 11,386                         | 853               | -                               | -               |
| Total                           | <u>\$ 2,932,654</u>            | <u>\$ 135,731</u> | <u>\$ 106,609</u>               | <u>\$ 431</u>   |

Changes in the lease receivable for the year is as follows:

|   | <u>Beginning<br/>of Year</u> | <u>Additions</u>  | <u>Retirements</u> | <u>End of Year</u>  |
|---|------------------------------|-------------------|--------------------|---------------------|
| Governmental Activities:<br>Lease Receivable  | <u>\$ 3,150,432</u>          | <u>\$ 148,111</u> | <u>\$ 365,889</u>  | <u>\$ 2,932,654</u> |
| Business-Type Activities:<br>Lease Receivable | <u>\$ 157,277</u>            | <u>\$ -</u>       | <u>\$ 50,668</u>   | <u>\$ 106,609</u>   |



**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 CITY INDEBTEDNESS**

City indebtedness at December 31, 2023 is composed of the following:

| Description  | Initial<br>Amount<br>Issued | Maturity<br>Date | Interest<br>Rate | Outstanding<br>Principal |
|--|-----------------------------|------------------|------------------|--------------------------|
| <b>General Obligation Bonds:</b>                             |                             |                  |                  |                          |
| Governmental Activities:                                     |                             |                  |                  |                          |
| G.O. Bonds, Series 2013A                                     | \$ 3,575,000                | 2024             | 2.00%            | \$ 375,000               |
| G.O. Bonds, Series 2015A                                     | 3,310,000                   | 2031             | 2.00-3.00        | 1,920,000                |
| G.O. Street Reconstruction Bonds, Series 2016C               | 2,565,000                   | 2032             | 2.00-2.75        | 1,635,000                |
| G.O. Bonds, Series 2019B                                     | 6,710,000                   | 2040             | 3.00-5.00        | 5,855,000                |
| G.O. Refunding Bonds, Series 2019C                           | 2,760,000                   | 2025             | 5.00             | 1,385,000                |
| G.O. Bonds, Series 2020A                                     | 4,433,400                   | 2040             | 2.00-3.00        | 3,660,200                |
| G.O. Tax Abatement and Refunding Bonds, Series 2020B         | 1,980,000                   | 2027             | 2.00             | 675,000                  |
| G.O. Refunding Bonds, Series 2022A                           | 295,000                     | 2033             | 2.00-3.00        | 255,000                  |
| G.O. Bonds, Series 2023A                                     | 2,400,000                   | 2039             | 4.00-5.00        | 2,400,000                |
| Total Governmental Activities - G.O. Bonds                   | 28,028,400                  |                  |                  | 18,160,200               |
| Business-Type Activities:                                    |                             |                  |                  |                          |
| G.O. Refunding Bonds, Series 2019C                           | 1,200,000                   | 2026             | 5.00             | 475,000                  |
| G.O. Bonds, Series 2020A                                     | 201,600                     | 2026             | 3.00             | 124,800                  |
| G.O. Refunding Bonds, Series 2022A                           | 220,000                     | 2029             | 3.00             | 190,000                  |
| Total Business-Type Activities - G.O. Bonds                  | 1,621,600                   |                  |                  | 789,800                  |
| Total General Obligation Bonds                               | \$ 29,650,000               |                  |                  | \$ 18,950,000            |
| <b>Tax Abatement Bonds:</b>                                  |                             |                  |                  |                          |
| Governmental Activities:                                     |                             |                  |                  |                          |
| G.O. Bonds, Series 2015A                                     | \$ 735,000                  | 2031             | 2.00-3.00%       | \$ 435,000               |
| G.O. Tax Abatement Bonds, Series 2016A                       | 925,000                     | 2035             | 2.00-3.15        | 865,000                  |
| G.O. Tax Abatement and Refunding Bonds, Series 2020B         | 1,205,000                   | 2027             | 2.00             | 825,000                  |
| G.O. Refunding Bonds, Series 2022A                           | 1,230,000                   | 2033             | 2.00-3.00        | 1,125,000                |
| G.O. Tax Abatement and Utility Refunding Bonds, Series 2023B | 2,910,000                   | 2039             | 4.00-5.00        | 2,910,000                |
| Total Tax Abatement Bonds                                    | \$ 7,005,000                |                  |                  | \$ 6,160,000             |
| <b>Finance Purchase Obligations:</b>                         |                             |                  |                  |                          |
| Governmental Activities:                                     |                             |                  |                  |                          |
| 2019 Police, Fire Equipment                                  | \$ 733,055                  | 2024             | 3.79%            | \$ 39,842                |
| 2019 Police, Street, Park Equipment                          | 424,540                     | 2024             | 2.21             | 88,700                   |
| 2020 Police, Streets, Fire Equipment                         | 305,585                     | 2025             | 1.74             | 120,117                  |
| 2021 Police, Civil Defense, Streets, Fire Equipment          | 540,650                     | 2025             | 1.57             | 318,283                  |
| 2022 Police, Civil Defense, Streets, Parks Equipment         | 658,808                     | 2026             | 4.69             | 505,484                  |
| Total Finance Purchase Obligations                           | \$ 2,662,638                |                  |                  | \$ 1,072,426             |
| <b>General Obligation Revenue Bonds:</b>                     |                             |                  |                  |                          |
| Governmental Activities:                                     |                             |                  |                  |                          |
| G.O. Water and Sewer Revenue Refunding Bonds, Series 2019A   | \$ 89,700                   | 2024             | 3.00-5.00%       | \$ 15,928                |
| Business-Type Activities:                                    |                             |                  |                  |                          |
| G.O. Water and Sewer Revenue Bonds, Series 2012A             | 5,610,000                   | 2033             | 2.55-3.00        | 5,610,000                |
| G.O. Water and Sewer Revenue Refunding Bonds, Series 2014A   | 30,860,000                  | 2028             | 3.00-4.00        | 19,700,000               |
| Electric Revenue Bonds, Series 2014B                         | 1,880,000                   | 2025             | 2.75-3.00        | 1,030,000                |
| Electric Revenue Bonds, Series 2016B                         | 1,140,000                   | 2026             | 2.00-2.45        | 370,000                  |
| G.O. Wastewater Revenue Refunding Bonds, Series 2017A        | 6,840,000                   | 2033             | 3.00-3.50        | 6,840,000                |
| G.O. Water and Sewer Revenue Bonds, Series 2017B             | 3,160,000                   | 2033             | 2.00-3.00        | 2,235,000                |
| Electric Revenue Bonds, Series 2018A                         | 1,765,000                   | 2028             | 3.00             | 940,000                  |
| Electric Revenue Bonds, Series 2018B                         | 2,300,000                   | 2029             | 3.00-3.25        | 1,470,000                |
| G.O. Water and Sewer Revenue Refunding Bonds, Series 2019A   | 8,205,300                   | 2025             | 3.00-5.00        | 1,399,070                |
| G.O. Bonds, Series 2020A                                     | 1,295,000                   | 2033             | 2.00-3.00        | 1,110,000                |
| G.O. Sewer and Water Revenue Refunding Bonds, Series 2021A   | 2,260,000                   | 2032             | 1.00-2.00        | 1,835,000                |
| G.O. Bonds, Series 2023A                                     | 3,360,000                   | 2039             | 4.00-5.00        | 3,360,000                |
| G.O. Tax Abatement and Utility Refunding Bonds, Series 2023B | 3,400,000                   | 2039             | 4.00-5.00        | 3,400,000                |
| Total Business-Type Activities Revenue Bonds                 | 72,075,300                  |                  |                  | 49,299,070               |
| Total Revenue Bonds  | \$ 72,165,000               |                  |                  | \$ 49,314,998            |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2023:

|  |       | Beginning<br>of Year<br>as Restated | Additions     | Retirements   | End of Year   | Due Within<br>One Year |
|--|-------|-------------------------------------|---------------|---------------|---------------|------------------------|
| <b>Governmental Activities:</b>        |       |                                     |               |               |               |                        |
| General Obligation Bonds               | ** \$ | 18,221,800                          | \$ 2,400,000  | \$ 2,461,600  | \$ 18,160,200 | \$ 2,535,000           |
| General Obligation Tax Abatement Bonds | **    | 3,660,000                           | 2,910,000     | 410,000       | 6,160,000     | 420,000                |
| General Obligation Revenue Bond        |       | 31,534                              | -             | 15,606        | 15,928        | 15,928                 |
| Bond Subtotal                          |       | 21,913,334                          | 5,310,000     | 2,887,206     | 24,336,128    | 2,970,928              |
| Bond Premium                           |       | 875,018                             | 320,501       | 188,548       | 1,006,971     | -                      |
| Net Bond Subtotal                      |       | 22,788,352                          | 5,630,501     | 3,075,754     | 25,343,099    | 2,970,928              |
| Finance Purchase Obligations           |       | 1,631,455                           | -             | 559,029       | 1,072,426     | 443,983                |
| Lease Liability                        |       | -                                   | 42,353        | 4,766         | 37,587        | 8,178                  |
| Subscription Liability                 | *     | 189,437                             | 121,221       | 119,987       | 190,671       | 93,764                 |
| Compensated Absences                   |       | 582,301                             | 230,501       | 234,577       | 578,225       | 357,068                |
| Total Governmental Activities          |       | 25,191,545                          | 6,024,576     | 3,994,113     | 27,222,008    | 3,873,921              |
| <b>Business-Type Activities:</b>       |       |                                     |               |               |               |                        |
| General Obligation Bonds               | **    | 1,048,200                           | -             | 258,400       | 789,800       | 270,000                |
| General Obligation Revenue Bonds       | **    | 45,758,464                          | 6,760,000     | 7,029,394     | 45,489,070    | 1,279,069              |
| Electric Revenue Bonds                 |       | 4,715,000                           | -             | 905,000       | 3,810,000     | 935,000                |
| Bond Subtotal                          |       | 51,521,664                          | 6,760,000     | 8,192,794     | 50,088,870    | 2,484,069              |
| Bond Premium                           |       | 741,890                             | 398,917       | 208,805       | 932,002       | -                      |
| Net Bond Subtotal                      |       | 52,263,554                          | 7,158,917     | 8,401,599     | 51,020,872    | 2,484,069              |
| Compensated Absences                   |       | 414,277                             | 143,497       | 141,988       | 415,786       | 243,942                |
| Total Business-Type Activities         |       | 52,677,831                          | 7,302,414     | 8,543,587     | 51,436,658    | 2,728,011              |
| Total Debt                             |       | \$ 77,869,376                       | \$ 13,326,990 | \$ 12,537,700 | \$ 78,658,666 | \$ 6,601,932           |

\*The beginning balance was restated due to the implementation of GASB Statement No. 96.

\*\*The beginning balance was restated due to a change in debt classification.

Compensated absences are generally liquidated by the General Fund, Fire Fund, Library Fund, Electric Fund, Water Fund, Sewer Fund, Liquor Fund, Civic Center Fund, and Internal Service Fund.

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

| Year Ending December 31, | Governmental Activities |              |                              |           |               |
|--------------------------|-------------------------|--------------|------------------------------|-----------|---------------|
|                          | Bonded Debt             |              | Finance Purchase Obligations |           | Totals        |
|                          | Principal               | Interest     | Principal                    | Interest  |               |
| 2024                     | \$ 2,970,928            | \$ 751,570   | \$ 443,983                   | \$ 27,623 | \$ 4,194,104  |
| 2025                     | 2,643,400               | 704,288      | 452,003                      | 15,185    | 3,814,876     |
| 2026                     | 1,961,800               | 597,688      | 176,440                      | 4,514     | 2,740,442     |
| 2027                     | 1,905,000               | 533,225      | -                            | -         | 2,438,225     |
| 2028                     | 1,765,000               | 469,347      | -                            | -         | 2,234,347     |
| 2029-2033                | 7,360,000               | 1,551,194    | -                            | -         | 8,911,194     |
| 2034-2038                | 4,485,000               | 564,628      | -                            | -         | 5,049,628     |
| 2039-2040                | 1,245,000               | 31,819       | -                            | -         | 1,276,819     |
| Total                    | \$ 24,336,128           | \$ 5,203,759 | \$ 1,072,426                 | \$ 47,322 | \$ 30,659,635 |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

| <u>Year Ending December 31,</u> | Business-Type Activities |                     |                      |
|---------------------------------|--------------------------|---------------------|----------------------|
|                                 | Bonded Debt              |                     | Totals               |
|                                 | Principal                | Interest            |                      |
| 2024                            | \$ 2,484,069             | \$ 1,575,339        | \$ 4,059,408         |
| 2025                            | 6,606,600                | 1,528,774           | 8,135,374            |
| 2026                            | 6,423,200                | 1,336,388           | 7,759,588            |
| 2027                            | 6,390,000                | 1,144,953           | 7,534,953            |
| 2028                            | 6,575,000                | 947,420             | 7,522,420            |
| 2029-2033                       | 17,760,000               | 2,359,481           | 20,119,481           |
| 2034-2038                       | 3,140,000                | 488,438             | 3,628,438            |
| 2039                            | 710,001                  | 14,959              | 724,960              |
| Total                           | <u>\$ 50,088,870</u>     | <u>\$ 9,395,752</u> | <u>\$ 59,484,622</u> |

The annual requirements to amortize all long-term debt outstanding as of December 31, 2023, including interest of \$14,646,833 are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u>        |
|---------------------------------|----------------------|
| 2024                            | \$ 8,253,512         |
| 2025                            | 11,950,250           |
| 2026                            | 10,500,030           |
| 2027                            | 9,973,178            |
| 2028                            | 9,756,767            |
| 2029-2033                       | 29,030,675           |
| 2034-2038                       | 8,678,066            |
| 2039-2040                       | 2,001,779            |
| Total                           | <u>\$ 90,144,257</u> |

In 2023, the City issued \$5,760,000 in General Obligation Bonds (Series 2023A) for the purpose of financing street reconstruction and sanitary sewer rehabilitation projects, and for the purchase of capital equipment. The bonds carry an interest rate between 4.0% and 5.0% and will mature in 2039.

In 2023, the City issued \$6,310,000 in General Obligation Tax Abatement and Utility Refunding Bonds (Series 2023B). The tax abatement portion was issued for the purpose of financing the construction of the City's fiber expansion project. The refunding portion was issued for the purpose of effecting current refundings of certain outstanding general obligations of the City. The bonds carry an interest rate between 4.1% and 5.0% and will mature in 2039. The refunding resulted in an increase of total debt service payments in the amount of \$1,449,465 over the next 16 years and resulted in an economic loss of \$77,640.

In prior years, the City placed resources in an account held by an escrow agent to defease debt. As of December 31, 2023, the amount of defeased debt that is outstanding on the 2015C and 2016A bonds totals \$2,525,000 and \$1,360,000, respectively.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

The City leases equipment under a long-term, noncancelable lease agreement. The lease expires in 2028 and provides for renewal options, which the City is not anticipating to exercise.

Principal and interest requirements to maturity under lease agreements are as follows:

| Year Ending December 31, | Governmental Activities |                 |                  |
|--------------------------|-------------------------|-----------------|------------------|
|                          | Principal               | Interest        | Totals           |
| 2024                     | \$ 8,178                | \$ 782          | \$ 8,960         |
| 2025                     | 8,369                   | 591             | 8,960            |
| 2026                     | 8,564                   | 396             | 8,960            |
| 2027                     | 8,764                   | 196             | 8,960            |
| 2028                     | 3,712                   | 21              | 3,733            |
| Total                    | <u>\$ 37,587</u>        | <u>\$ 1,986</u> | <u>\$ 39,573</u> |

The City has entered into subscription based information technology arrangements (SBITAs) related to the City's website, utility billing portal, finance and recreational management software, among other various City subscriptions and licenses. The SBITA arrangements expire at various dates through 2028 and provide for renewal options.

The future subscription payments under SBITA agreements are as follows:

| Year Ending December 31, | Governmental Activities |                 |                   |
|--------------------------|-------------------------|-----------------|-------------------|
|                          | Principal               | Interest        | Totals            |
| 2024                     | \$ 93,764               | \$ 5,083        | \$ 98,847         |
| 2025                     | 56,126                  | 2,586           | 58,712            |
| 2026                     | 22,551                  | 1,090           | 23,641            |
| 2027                     | 8,778                   | 493             | 9,271             |
| 2028                     | 9,452                   | 255             | 9,707             |
| Total                    | <u>\$ 190,671</u>       | <u>\$ 9,507</u> | <u>\$ 200,178</u> |

Future revenue pledged for payment of long-term debt is as follows:

| Bond Issue   | Use of Proceeds | Type                          | Revenue Pledged               |                | Remaining Principal and Interest | Current Year                |                          |
|--|-----------------|-------------------------------|-------------------------------|----------------|----------------------------------|-----------------------------|--------------------------|
|  |                 |                               | Percent of Total Debt Service | Term of Pledge |                                  | Principal and Interest Paid | Pledged Revenue Received |
| G.O. Sewer & Water Revenue Bonds, Series 2012A           | Water & Sewer   | Water & Sewer Utility Charges | 100%                          | 2012 - 2033    | \$ 6,908,408                     | \$ 157,492                  | \$ 5,711,614             |
| G.O. Sewer & Water Revenue Refunding Bonds, Series 2014A | Water & Sewer   | Water & Sewer Utility Charges | 100%                          | 2014 - 2028    | \$22,126,930                     | \$ 2,185,295                | \$ 5,711,614             |
| Electric Revenue Bonds, Series 2014B                     | Electric        | Electric Utility Charges      | 100%                          | 2014 - 2025    | \$ 1,063,641                     | \$ 435,882                  | \$ 19,205,221            |
| Electric Revenue Bonds, Series 2016B                     | Electric        | Electric Utility Charges      | 100%                          | 2016 - 2026    | \$ 383,166                       | \$ 124,606                  | \$ 19,205,221            |
| G.O. Sewer Revenue Bonds, Series 2017A                   | Sewer           | Sewer Utility Charges         | 100%                          | 2017 - 2033    | \$ 8,490,269                     | \$ 215,988                  | \$ 5,711,614             |
| G.O. Sewer & Water Revenue Bonds, Series 2017B           | Water & Sewer   | Water & Sewer Utility Charges | 100%                          | 2017 - 2033    | \$ 2,535,925                     | \$ 255,350                  | \$ 5,711,614             |
| Electric Revenue Bonds, Series 2018A                     | Electric        | Electric Utility Charges      | 100%                          | 2018 - 2028    | \$ 1,012,450                     | \$ 200,750                  | \$ 19,205,221            |

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

| Bond Issue   | Use of Proceeds            | Type                                       | Revenue Pledged               |                | Remaining Principal and Interest | Current Year                |                          |
|--|----------------------------|--|-------------------------------|----------------|----------------------------------|-----------------------------|--------------------------|
|  |                            |  | Percent of Total Debt Service | Term of Pledge |                                  | Principal and Interest Paid | Pledged Revenue Received |
| Electric Revenue Bonds, Series 2018B                     | Electric                   | Electric Utility Charges                   | 100%                          | 2018 - 2029    | \$ 1,613,956                     | \$ 269,012                  | \$ 19,205,221            |
| G.O. Water & Sewer Revenue Refunding Bonds, Series 2019A | Water, Sewer & Storm Sewer | Water, Sewer & Storm Sewer Utility Charges | 100%                          | 2019 - 2025    | \$ 1,458,443                     | \$ 1,894,588                | \$ 5,711,614             |
| G.O. Bonds, Series 2020A                                 | Water & Sewer              | Water & Sewer Utility Charges              | 25%                           | 2020 - 2033    | \$ 1,250,555                     | \$ 125,475                  | \$ 5,711,614             |
| G.O. Bonds, Series 2021A                                 | Water & Sewer              | Water & Sewer Utility Charges              | 25%                           | 2021 - 2032    | \$ 1,972,350                     | \$ 251,866                  | \$ 5,711,614             |
| G.O. Bonds, Series 2023A                                 | Water & Sewer              | Water & Sewer Utility Charges              | 50%                           | 2024 - 2039    | \$ 4,824,051                     | \$ -                        | \$ 5,711,614             |
| G.O. Bonds, Series 2023B                                 | Water & Sewer              | Water & Sewer Utility Charges              | 55%                           | 2024 - 2039    | \$ 4,990,665                     | \$ -                        | \$ 5,711,614             |

**NOTE 6 PENSION PLANS**

**A. Plan Description**

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

**1. General Employees Retirement Plan**

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

**2. Public Employees Police and Fire Plan**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

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

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. Police and Fire Plan Benefits (Continued)**

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

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

**1. General Employees Plan Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023 were \$474,082. The City contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Plan Contributions**

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023 were \$312,972. The City contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2023, the City reported a liability of \$4,339,305 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$119,561.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0776% at the end of the measurement period and 0.0763% for the beginning of the period.

|  |                            |
|--|----------------------------|
| City's Proportionate Share of the Net Pension Liability                              | \$ 4,339,305               |
| State's Proportionate Share of the Net Pension Liability<br>Associated with the City | <u>119,561</u>             |
| Total Proportionate Share of the Net Pension<br>Liability Associated with the City   | <u><u>\$ 4,458,866</u></u> |

For the year ended December 31, 2023, the City recognized pension expense of \$847,496 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$12,416 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, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

| Description   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual   |                                     |                                    |
| Economic Experience   | \$ 142,504                          | \$ 29,893                          |
| Changes in Actuarial Assumptions  | 702,473                             | 1,189,367                          |
| Net Difference Between Projected and Actual   |                                     |                                    |
| Earnings on Pension Plan Investments  | -                                   | 162,275                            |
| Changes in Proportion and Differences Between<br>City Contributions and Proportionate<br>Share of Contributions | 153,424                             | 3,041                              |
| City Contributions Subsequent to the<br>Measurement Date  | <u>237,036</u>                      | <u>-</u>                           |
| Total   | <u><u>\$ 1,235,437</u></u>          | <u><u>\$ 1,384,576</u></u>         |



**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

The \$237,036 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|---------------------------------|---------------------------------------|
| 2024                            | \$ 170,472                            |
| 2025                            | (583,459)                             |
| 2026                            | 120,945                               |
| 2027                            | (94,133)                              |
| Total                           | <u>\$ (386,175)</u>                   |

**2. Police and Fire Fund Pension Costs**

At December 31, 2023, the City reported a liability of \$2,181,036 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.1263% at the end of the measurement period and 0.1303% for the beginning of the period.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$87,862.

|  |                            |
|--|----------------------------|
| City's Proportionate Share of the Net Pension Liability  | \$ 2,181,036               |
| State's Proportionate Share of the Net Pension Liability |                            |
| Associated with the City                                 | <u>87,862</u>              |
| Total Proportionate Share of the Net Pension             |                            |
| Liability Associated with the City                       | <u><u>\$ 2,268,898</u></u> |

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense of \$693,592 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized (\$5,292) as grant revenue (expense) for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$11,367 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

| Description                                   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual       |                                     |                                    |
| Economic Experience                           | \$ 601,385                          | \$ -                               |
| Changes in Actuarial Assumptions              | 2,530,917                           | 3,066,564                          |
| Net Difference Between Projected and Actual   |                                     |                                    |
| Earnings on Pension Plan Investments          | -                                   | 104,700                            |
| Changes in Proportion and Differences Between |                                     |                                    |
| City Contributions and Proportionate          |                                     |                                    |
| Share of Contributions                        | 179,132                             | 49,735                             |
| City Contributions Subsequent to the          |                                     |                                    |
| Measurement Date                              | 154,650                             | -                                  |
| Total   | <u>\$ 3,466,084</u>                 | <u>\$ 3,220,999</u>                |

The \$154,650 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension<br>Expense<br>Amount |
|--------------------------|------------------------------|
| 2024                     | \$ 145,965                   |
| 2025                     | 60,709                       |
| 2026                     | 565,041                      |
| 2027                     | (130,204)                    |
| 2028                     | (551,076)                    |
| Total                    | <u>\$ 90,435</u>             |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**3. Summary**

The aggregate amount of net pension liability, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

|  | General<br>Employees<br>Fund | Police and<br>Fire Fund | Fire Relief | Total        |
|--|------------------------------|-------------------------|-------------|--------------|
| Net Pension Liability                              | \$ 4,339,305                 | \$ 2,181,036            | \$ -        | \$ 6,520,341 |
| Net Pension Asset                                  | -                            | -                       | 441,272     | 441,272      |
| Deferred Outflows of Resources Related to Pensions | 1,235,437                    | 3,466,084               | 236,732     | 4,938,253    |
| Deferred Inflows of Resources Related to Pensions  | 1,384,576                    | 3,220,999               | 115,259     | 4,720,834    |
| Pension Expense                                    | 859,912                      | 688,300                 | 131,540     | 1,679,752    |

**E. Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class          | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|----------------------|----------------------|--|
| Domestic Equity      | 33.5 %               | 5.10 %                                       |
| International Equity | 16.5                 | 5.30   |
| Fixed Income         | 25.0                 | 0.75   |
| Private Markets      | 25.0                 | 5.90   |
| Total                | 100.0 %              |  |

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00% was deemed to be within that range of reasonableness for financial reporting purposes.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions (Continued)**

Inflation is assumed to be 2.25% for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.00% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.00% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.00% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions (Continued)**

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

|             | Proportionate Share of the        |                       |                                       |                       |
|-------------|-----------------------------------|-----------------------|---------------------------------------|-----------------------|
|             | General Employees Retirement Plan |                       | Public Employees Police and Fire Plan |                       |
|             | Discount Rate                     | Net Pension Liability | Discount Rate                         | Net Pension Liability |
| 1% Decrease | 6.00 %                            | \$ 7,676,579          | 6.00 %                                | \$ 4,327,437          |
| Current     | 7.00                              | 4,339,305             | 7.00                                  | 2,181,036             |
| 1% Increase | 8.00                              | 1,594,270             | 8.00                                  | 416,409               |

**I. Pension Plan Fiduciary Net Position**

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

**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

Firefighters of the City are members of the Buffalo Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2023, membership includes 34 active members and 11 inactive members entitled to benefits, but not yet receiving them.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**B. Benefits Provided**

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the fire department, has served at least 20 years of active service with such department before retirement, shall be entitled to a lump sum service pension in the amount of \$5,600 for each year of active fire department service, but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$5,600 for each year the member was an active member of the Buffalo Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**C. Contributions**

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).



**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**C. Contributions (Continued)**

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

|  |             |
|--|-------------|
| Normal Cost  | \$ 151,588  |
| Amortization Payment on Unfunded Accrued Liability Prior to Any Change | 88,767      |
| Administrative Expenses  | 2,836       |
| Anticipated State Aid  | (138,676)   |
| Projected Investment Earnings  | (104,515)   |
| Total Contribution Required  | <u>\$ -</u> |

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$166,051 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2023 was \$-0-.

**D. Pension Costs**

At December 31, 2023, the City reported an asset of \$441,272 for the Association's net pension asset. The net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$131,540 for the year ended December 31, 2023. At December 31, 2023, the City reported deferred outflow of resources and deferred inflow of resources from the following sources:

| Description  | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|--|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual Economic Experience                      | \$ 43,895                           | \$ 111,851                         |
| Changes in Actuarial Assumptions   | -                                   | 3,408                              |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 190,337                             | -                                  |
| Association Contributions Subsequent to the Measurement Date                     | 2,500                               | -                                  |
| Total  | <u>\$ 236,732</u>                   | <u>\$ 115,259</u>                  |

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**D. Pension Costs (Continued)**

The \$2,500 reported as deferred outflow of resources related to pensions resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflow and inflow of resources related to the Association's pension will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|---------------------------------|---------------------------------------|
| 2023                            | \$ (17,884)                           |
| 2024                            | 25,826                                |
| 2025                            | 55,994                                |
| 2026                            | 84,210                                |
| 2027                            | (6,900)                               |
| Thereafter                      | (22,273)                              |
| Total                           | <u>\$ 118,973</u>                     |

**E. Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2022. The measurement period for year ended December 31, 2023 is December 31, 2022. The following actuarial assumptions were used to calculate the total pension liability, applied to all periods included in the measurement:

|                        |                   |
|------------------------|-------------------|
| Valuation Date:        | December 31, 2022 |
| Actuarial Cost Method: | Entry Age Normal  |
| Amortization Method:   | Level Dollar      |

Actuarial Assumptions:

|                              |        |
|------------------------------|--------|
| Discount Rate                | 4.50 % |
| Investment Rate of Return    | 4.50   |
| Inflation                    | 2.50   |
| 20-Year Municipal Bond Yield | 4.05   |
| Age of Service Retirement    | 50     |

Mortality rates for healthy pre-retirement was based on Pub-2010 Public Safety employee mortality tables projected with mortality improvement scale MP-2021. Mortality rates for healthy post-retirement and disabled were based on Pub-2010 Healthy Retired Public Safety mortality tables projected with mortality improvement scale MP-2021. Male rates are adjusted by a factor of 0.98% and 1.05% for healthy post-retirement and disabled, respectively.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighing the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.5%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2022 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

The following assumptions changes have been made since the prior valuation:

- The expected investment return and discount rate decreased from 4.75% to 4.50% to reflect updated capital market assumptions.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police and Fire plan actuarial valuation.
- The inflation assumption increased from 2.25% to 2.50%.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2022 are summarized in the following table:

| Asset Class                                     | Target<br>Allocation at<br>Measurement<br>Date | Long-Term<br>Expected<br>Real Rate<br>of Return | Long-Term<br>Expected<br>Nominal Rate<br>of Return |
|---|--|---|--|
| Cash and Equivalents                            | 5.0 %  | (0.45)%   | 2.05 %   |
| Domestic Equity                                 | 60.0   | 4.10  | 6.60   |
| Fixed Income                                    | 35.0   | 1.05  | 3.55   |
| Total   | 100.0 %  |   | 5.66   |
| Reduced for Assumed Investment Expense          |  |   | (1.14)   |
| Net Assumed Investment Return (Rounded to 1/4%) |  |   | 4.50 %   |

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**F. Discount Rate**

The discount rate used to measure the total pension liability was 4.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**G. Pension Asset Sensitivity**

The following presents the City of Buffalo's proportionate share of the net pension asset of the Association, calculated using the discount rate of 4.50%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current rate:

|                               | <u>1% Decrease</u> | <u>Selected<br/>Discount Rate</u> | <u>1% Increase</u> |
|-------------------------------|--------------------|-----------------------------------|--------------------|
| Net Pension Liability (Asset) | \$ (389,842)       | \$ (441,272)                      | \$ (490,658)       |
| Discount Rate                 | 3.50%              | 4.50%                             | 5.50%              |

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**H. Plan's Fiduciary Net Position**

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

|   | Measurement<br>Date          |
|---|------------------------------|
|   | <u>December 31,<br/>2022</u> |
| <u>Total Pension Liability</u>  |                              |
| Service Cost  | \$ 85,399                    |
| Interest  | 83,725                       |
| Changes in Experience   | (87,427)                     |
| Changes in Assumptions  | 10,283                       |
| Change of Benefit Terms   | <u>48,730</u>                |
| <b>NET CHANGE IN TOTAL PENSION LIABILITY</b>                                    | 140,710                      |
| Total Pension Liability - Beginning of Year                                     | <u>1,677,238</u>             |
| <b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>                                | 1,817,948                    |
| <u>Plan Fiduciary Net Position</u>  |                              |
| Municipal Contributions   | 2,500                        |
| State Contributions   | 147,052                      |
| Net Investment Loss   | (327,175)                    |
| Administrative Expenses   | <u>(2,835)</u>               |
| <b>NET CHANGE IN FIDUCIARY NET POSITION</b>                                     | (180,458)                    |
| Fiduciary Net Position - Beginning of Year                                      | <u>2,439,678</u>             |
| <b>FIDUCIARY NET POSITION - END OF YEAR (b)</b>                                 | <u>2,259,220</u>             |
| <b>ASSOCIATION'S NET PENSION LIABILITY/<br/>(ASSET) - END OF YEAR (a) - (b)</b> | <u><u>\$ (441,272)</u></u>   |

Detailed information about the pension plan's fiduciary net position is available in a separately issued financial statement. That report may be obtained by writing to City of Buffalo, City Hall at 212 Central Avenue, Buffalo, Minnesota 55313.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**A. Plan Description**

The City operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the City's health insurance plan. There are 92 active participants, 6 retired participant receiving payments, and 3 spouse receiving payments. There are no inactive employees entitled to but not receiving benefits. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the City and the City's employees. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For the year ended December 31, 2023, the City did not contribute to the plan.

**C. Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2022.

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

|                     |   |
|---------------------|---|
| Inflation           | 2.50%   |
| Salary Increases    | Service Graded Table  |
| Medical Trend Rates | 6.25% Decreasing<br>to 5.00% Over 5<br>Years then to<br>4.00% Over Next<br>48 Years |

Mortality Rates were based on the Pub-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2021 generational improvement scale.

The actuarial assumptions used in the January 1, 2022 valuation were based on the four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and a review of the inflation assumption.

The discount rate used to measure the total OPEB liability was 4.00%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**C. Actuarial Methods and Assumptions (Continued)**

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

- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.

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

- There have been no changes since the prior valuation.

**D. Changes in the OPEB Liability**

|  | Total OPEB<br>Liability |
|--|-------------------------|
| Balances at December 31, 2022                      | \$ 1,294,957            |
| Changes for the Year:                              |                         |
| Service Cost                                       | 31,554                  |
| Interest Cost                                      | 25,718                  |
| Change of Assumptions                              | (169,879)               |
| Differences between Expected and Actual Experience | 427,731                 |
| Benefit Payments                                   | (81,644)                |
| Net Change in Total OPEB Liability                 | 233,480                 |
| Balances at December 31, 2023                      | <u>\$ 1,528,437</u>     |

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

|                | 1% Decrease<br>(3.00%) | Discount Rate<br>(4.00%) | 1% Increase<br>(5.00%) |
|----------------|------------------------|--------------------------|------------------------|
| OPEB Liability | \$ 1,668,972           | \$ 1,528,437             | \$ 1,404,708           |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**D. Changes in the OPEB Liability (Continued)**

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 5% over five years) or 1% higher (7.25% decreasing to 6% over five years) than the current healthcare cost trend rates:

|                | 1% Decrease<br>(5.25%<br>Decreasing to 4%<br>Over 5 Years) | Current Trend<br>Rates (6.25%<br>Decreasing to 5%<br>Over 5 Years) | 1% Increase<br>(7.25%<br>Decreasing to 6%<br>Over 5 Years) |
|----------------|--|--|--|
| OPEB Liability | \$ 1,385,649   | \$ 1,528,437   | \$ 1,692,069   |

For the year ended December 31, 2023, the City recognized OPEB Expense of \$177,960. At December 31, 2023, the City reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

| Description                                      | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Difference Between Expected and Actual Liability | \$ 734,359                        | \$ 6,672                         |
| Change of Assumptions                            | 69,353                            | 152,154                          |
| Benefits Paid Subsequent to the Measurement Date | 93,104                            | -                                |
| Total  | <u>\$ 896,816</u>                 | <u>\$ 158,826</u>                |

The \$93,104 reported as deferred outflows of resources related to OPEB resulting from City benefit payments subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending December 31,</u> | <u>Expenses<br/>Amount</u> |
|---------------------------------|----------------------------|
| 2024                            | \$ 120,687                 |
| 2025                            | 120,687                    |
| 2026                            | 120,695                    |
| 2027                            | 123,206                    |
| 2028                            | 123,200                    |
| Thereafter                      | 36,411                     |
| Total                           | <u>\$ 644,886</u>          |



**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Balances/Net Position**

The City has deficit fund balances/net position at December 31, 2023 as follows:

|                           |                |
|---------------------------|----------------|
| Governmental Funds:       |                |
| HRA Debt Service          | \$ (1,200,806) |
| Other Governmental Funds: |                |
| Civic Center Fund         | \$ (1,976,044) |

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, transfers from other funds, and various other sources.

**B. Expenditures in Excess of Budget**

For the year ended December 31, 2023, expenditures exceeded budget in the General Fund by \$907,296. These expenditures were funded by current year revenues and transfers from other funds.

**NOTE 10 DEFERRED AD VALOREM TAX LEVIES – BONDED DEBT**

General obligation bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the county auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2023 because they have not yet been levied against the properties by the county.

Future scheduled tax levies for all bonds outstanding at December 31, 2023 totaled \$20,666,793.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 11 INTERFUND ADVANCES AND TRANSFERS**

**A. Advances To/From Other Funds**

| Fund                     | Advances to<br>Other Funds | Advances from<br>Other Funds |
|--------------------------|----------------------------|------------------------------|
| General Fund             | \$ 2,031,081               | \$ -                         |
| Debt Service Fund        | 1,125,000                  | -                            |
| HRA Debt Service Fund    | -                          | 1,189,997                    |
| Other Governmental Funds | -                          | 2,031,081                    |
| Proprietary Funds:       |                            |                              |
| Electric Fund            | 64,997                     | -                            |
| Total Advances           | <u>\$ 3,221,078</u>        | <u>\$ 3,221,078</u>          |

The Debt Service Fund and Electric Fund advanced \$1,125,000 and \$64,997, respectively, to the HRA Debt Service Fund as the City issued debt for the downtown enhancement project for which the HRA spent the proceeds.

The General Fund advanced \$2,031,081 to the Civic Center Fund to eliminate deficit cash balance. The amount is not expected to be repaid within one year.

**B. Due To/From Other Funds**

| Fund                     | Due from<br>Other Funds | Due to<br>Other Funds |
|--------------------------|-------------------------|-----------------------|
| HRA Debt Service Fund    | \$ -                    | \$ 10,809             |
| Other Governmental Funds | 10,809                  | -                     |
| Total Due To/From        | <u>\$ 10,809</u>        | <u>\$ 10,809</u>      |

The HRA Debt Service Fund borrowed \$10,809, respectively, from the HRA General Fund to eliminate deficit cash balances. The amount is expected to be repaid within one year.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 11 INTERFUND ADVANCES AND TRANSFERS (CONTINUED)**

**C. Transfers**

Transfers between funds during 2023 are as follows:

|  | Amount                     | Description              |
|--|----------------------------|--------------------------|
| <b><u>Major Governmental Funds</u></b>         |                            |                          |
| Transfers to General Fund from:                |                            |                          |
| Electric Fund                                  | \$ 900,000                 | Annual Contribution      |
| Liquor Fund                                    | 350,000                    | Annual Contribution      |
| Total Transfers to General Fund                | <u>1,250,000</u>           |                          |
| Transfers to Debt Service Fund from:           |                            |                          |
| General Fund                                   | 66,125                     | Transfer of Debt Payment |
| HRA Debt Service Fund                          | 31,725                     | Transfer of Debt Payment |
| Total Transfers to Debt Service Fund           | <u>97,850</u>              |                          |
| Transfers to Capital Projects Fund from:       |                            |                          |
| Water Fund                                     | 376,296                    | Street Improvements      |
| Sewer Fund                                     | 283,457                    | Street Improvements      |
| Total Transfers to Capital Projects Fund       | <u>659,753</u>             |                          |
| Transfers to HRA Debt Service Fund from:       |                            |                          |
| HRA Fund                                       | <u>202,297</u>             | Transfer of Debt Payment |
| Total Transfers to Major Governmental Funds    | 2,209,900                  |                          |
| <b><u>Nonmajor Governmental Funds</u></b>      |                            |                          |
| Transfers to Civic Center Fund from:           |                            |                          |
| Electric Fund                                  | 100,000                    | Annual Contribution      |
| Liquor Fund                                    | 50,000                     | Annual Contribution      |
| Total Transfers to Civic Center Fund           | <u>150,000</u>             |                          |
| Transfers to Airport Fund from:                |                            |                          |
| Liquor Fund                                    | <u>50,000</u>              | Annual Contribution      |
| Total Transfers to Nonmajor Governmental Funds | <u>200,000</u>             |                          |
| Total Interfund Transfers                      | <u><u>\$ 2,409,900</u></u> |                          |

Capital assets totaling \$431,981 were transferred from governmental activities to business type activities.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12 FUND BALANCE CLASSIFICATIONS**

The fund balance classifications of the governmental funds as of December 31, 2023 were as follows:

|                        | General<br>Fund | Debt<br>Service<br>Fund | Capital<br>Project<br>Fund | HRA Debt<br>Service<br>Fund | Nonmajor<br>Governmental<br>Funds | Governmental<br>Funds Total |
|------------------------|-----------------|-------------------------|----------------------------|-----------------------------|-----------------------------------|-----------------------------|
| <b>Nonspendable:</b>   |                 |                         |                            |                             |                                   |                             |
| Inventory              | \$ -            | \$ -                    | \$ -                       | \$ -                        | \$ 11,066                         | \$ 11,066                   |
| Prepaid Items          | 18,891          | -                       | 8,997                      | -                           | 61,449                            | 89,337                      |
| Advance to Other Funds | 2,031,081       | -                       | -                          | -                           | -                                 | 2,031,081                   |
| Total Nonspendable     | 2,049,972       | -                       | 8,997                      | -                           | 72,515                            | 2,131,484                   |
| <b>Restricted:</b>     |                 |                         |                            |                             |                                   |                             |
| HRA                    | -               | -                       | -                          | -                           | 86,952                            | 86,952                      |
| Debt Service           | -               | 5,611,521               | -                          | -                           | -                                 | 5,611,521                   |
| Public Safety          | -               | -                       | 707,709                    | -                           | -                                 | 707,709                     |
| Capital Projects       | -               | -                       | 5,420,079                  | -                           | -                                 | 5,420,079                   |
| Total Restricted       | -               | 5,611,521               | 6,127,788                  | -                           | 86,952                            | 11,826,261                  |
| <b>Committed:</b>      |                 |                         |                            |                             |                                   |                             |
| Library                | -               | -                       | -                          | -                           | 114,623                           | 114,623                     |
| Fire Equipment         | -               | -                       | -                          | -                           | 180,000                           | 180,000                     |
| Fire Operations        | -               | -                       | -                          | -                           | 276,210                           | 276,210                     |
| The Buffalo HRA        | -               | -                       | -                          | -                           | 557,034                           | 557,034                     |
| Airport                | -               | -                       | -                          | -                           | 344,869                           | 344,869                     |
| Total Committed        | -               | -                       | -                          | -                           | 1,472,736                         | 1,472,736                   |
| <b>Assigned:</b>       |                 |                         |                            |                             |                                   |                             |
| Capital Projects       | -               | -                       | 266,394                    | -                           | -                                 | 266,394                     |
| <b>Unassigned</b>      | 4,614,580       | -                       | (741,026)                  | (1,200,806)                 | (1,976,514)                       | 696,234                     |
| Total Fund Balance     | \$ 6,664,552    | \$ 5,611,521            | \$ 5,662,153               | \$ (1,200,806)              | \$ (344,311)                      | \$ 16,393,109               |

**NOTE 13 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by law. For workers' compensation, the City is not subject to a deductible. The City's workers' compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 13 RISK MANAGEMENT (CONTINUED)**

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

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

**NOTE 14 TAX ABATEMENTS**

The City has five pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City as authorized under Minnesota Statutes §469.17. The City is currently collecting tax increments that are paid through the property tax collection process. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees.

The first district is a qualified housing tax increment financing district to facilitate construction of senior rental housing development within the City. The district will stop collections as of the earlier of December 31, 2027 or when the plan is satisfied. For the year ended December 31, 2023, the City paid excess tax increment in the amount of \$53,355.

The second district is created to facilitate development of 24 affordable rental town home units within the City. The district will stop collections as of the earlier of December 31, 2037 or when the plan is satisfied. For the year ended December 31, 2023, the City paid excess tax increment in the amount of \$19,367.

The third district is a redevelopment tax increment financing district that was created to facilitate the renovation of one substandard structure and the construction of two new commercial buildings within the City. The district will stop collections as of the earlier of December 31, 2041 or when the plan is satisfied. For the year ended December 31, 2023, the City paid excess tax increment in the amount of \$5,372.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 14 TAX ABATEMENTS (CONTINUED)**

The fourth district is an economic development district to facilitate the construction of a 20,000-square-foot expansion to a manufacturing facility in the City. The district will stop collections as of the earlier of December 31, 2025 or when the plan is satisfied. For the year ended December 31, 2023, the City paid excess tax increment in the amount of \$49,467.

The fifth district is a housing district to facilitate making the land in the Project Area available for development by private enterprise in conformance with the Redevelopment Plan. The district will stop collections as of the earlier of February 1, 2048 or when the plan is satisfied. For the year ended December 31, 2023, the City paid in excess tax increment in the amount of \$60,394.

The City participates in a 10-year tax abatement program with Buffalo Healthcare Investors, LLC under Minnesota Statutes, Sections 469.1813 through 469.1815. Under these statutes, the City is able to grant tax abatements for development purposes including general economic development, such as increasing the property tax base or the number of jobs in the area and providing access to services for residents such as healthcare. The assessed value attributable to land at Lot 2, Block 1, Kaysons Third Addition, Wright County, Minnesota shall be abated from property taxes for 10 years. The abatement shall not apply to any special assessments that are levied against the property. For the year ended December 31, 2023, the City abated property taxes totaling \$-0-.

The City participates in a 20-year tax abatement program with Orchard View Properties, LLC under Minnesota Statutes, Sections 469.1812 through 469.1815. Under these statutes, the City is able to grant tax abatements for development purposes including general economic development, such as increasing the property tax base or the number of jobs in the area. The assessed value attributable to the property identification numbers 103-054-001010 and 103-054-001070 from property taxes for 20 years in an amount not to exceed \$280,000. The abatement shall not apply to any special assessments that are levied against the property. For the year ended December 31, 2023, the City abated property taxes totaling \$-0-.

No other commitments were made by the City as part of these agreements.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Funds**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time.

During 2010, the City received federal funding for an airport project. As part of that grant agreement the City is required to operate the airport as a licensed, municipally-owned public airport at all times of the year for a period of 20 years.

**B. Electric Power Purchase Agreement**

The City has entered into a contract with Minnesota Municipal Power Agency (MMPA) for the purchase of electric power and energy. The rates vary depending on numerous factors as outlined in the contract. The contract became effective January 1, 2006 and remains in effect through December 31, 2060. If not then terminated by five years written notice by either party, the contract continues in full force until so terminated.

**C. Construction Commitments**

The City entered into construction contracts for various construction projects started during the year. The following contracts had been entered into and were at various stages of completion at December 31, 2023:

| Project                                | Contract<br>Cost     | Estimated<br>Project Costs<br>Incurred to Date* | Remaining<br>Committed |
|--|----------------------|---|------------------------|
| 2023 Street Maintenance                | \$ 733,625           | \$ 657,223                                      | \$ 76,402              |
| TH 25 S Reconstruction                 | 12,167,029           | 7,375,937                                       | 4,791,092              |
| Constance Lake Fiber Extension         | 49,702               | 29,626  | 20,076                 |
| Fiber Buildout - Phase 1               | 213,569              | 77,116  | 136,453                |
| Advanced Metering Infrastructure (AMI) | 2,577,088            | 18,357  | 2,558,731              |
| WWTP Pretreatment Improvements         | 963,486              | 878,256   | 85,230                 |
| Total                                  | <u>\$ 16,704,499</u> | <u>\$ 9,036,515</u>                             | <u>\$ 7,667,984</u>    |

\* Includes Contracts Payable Amount

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF BUFFALO, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY**  
**LAST TEN MEASUREMENT PERIODS**

|  | Measurement Date    |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | June 30, 2023       | June 30, 2022       | June 30, 2021       |
| <b>GENERAL EMPLOYEES RETIREMENT PLAN</b>   |                     |                     |                     |
| City's Proportion of the Net Pension Liability   | 0.0776%             | 0.0763%             | 0.0729%             |
| City's Proportionate Share of the Net Pension Liability  | \$ 4,339,305        | \$ 6,042,984        | \$ 3,113,157        |
| State's Proportionate Share of the Net Pension Liability Associated with the City of Buffalo   | 119,561             | 177,305             | 95,163              |
| Total Proportionate Share of the Net Pension Liability Associated with the City of Buffalo     | <u>\$ 4,458,866</u> | <u>\$ 6,220,289</u> | <u>\$ 3,208,320</u> |
| City's Covered Payroll   | \$ 6,164,012        | \$ 5,718,188        | \$ 5,250,464        |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 70%                 | 106%                | 59%                 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 83.10%              | 76.70%              | 87.00%              |
|  |                     |                     |                     |
|  | Measurement Date    |                     |                     |
|  | June 30, 2023       | June 30, 2022       | June 30, 2021       |
| <b>PUBLIC EMPLOYEES POLICE AND FIRE PLAN</b>   |                     |                     |                     |
| City's Proportion of the Net Pension Liability   | 0.1263%             | 0.1303%             | 0.1193%             |
| City's Proportionate Share of the Net Pension Liability  | \$ 2,181,036        | \$ 5,670,141        | \$ 920,870          |
| State's Proportionate Share of the Net Pension Liability Associated with the City of Buffalo   | 87,862              | 247,717             | 41,379              |
| Total Proportionate Share of the Net Pension Liability Associated with the City of Buffalo     | <u>\$ 2,268,898</u> | <u>\$ 5,917,858</u> | <u>\$ 962,249</u>   |
| City's Covered Payroll   | \$ 1,658,668        | \$ 1,582,442        | \$ 1,409,680        |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 131%                | 358%                | 65%                 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 86.50%              | 70.50%              | 93.70%              |

\* Additional information will be added as it becomes available.

**CITY OF BUFFALO, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (CONTINUED)**  
**LAST TEN MEASUREMENT PERIODS**

| Measurement Date    |                     |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| June 30, 2020       | June 30, 2019       | June 30, 2018       | June 30, 2017       | June 30, 2016       | June 30, 2015       |
| 0.0731%             | 0.0648%             | 0.0640%             | 0.0652%             | 0.0620%             | 0.0651%             |
| \$ 4,382,680        | \$ 3,582,647        | \$ 3,550,459        | \$ 4,162,325        | \$ 5,034,092        | \$ 3,373,820        |
| 135,228             | 111,328             | 116,463             | 52,338              | 65,737              | -                   |
| <u>\$ 4,517,908</u> | <u>\$ 3,693,975</u> | <u>\$ 3,666,922</u> | <u>\$ 4,214,663</u> | <u>\$ 5,099,829</u> | <u>\$ 3,373,820</u> |
| \$ 5,203,754        | \$ 4,582,991        | \$ 4,305,175        | \$ 4,195,877        | \$ 3,841,975        | \$ 3,794,647        |
| 84%                 | 78%                 | 82%                 | 99%                 | 131%                | 89%                 |
| 79.06%              | 80.20%              | 79.50%              | 75.90%              | 68.90%              | 78.75%              |

| Measurement Date    |                     |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| June 30, 2020       | June 30, 2019       | June 30, 2018       | June 30, 2017       | June 30, 2016       | June 30, 2015       |
| 0.1122%             | 0.1115%             | 0.1066%             | 0.1060%             | 0.1030%             | 0.1080%             |
| \$ 1,478,916        | \$ 1,187,029        | \$ 1,136,246        | \$ 1,431,126        | \$ 4,133,569        | \$ 1,227,133        |
| 34,858              | -                   | -                   | -                   | -                   | -                   |
| <u>\$ 1,513,774</u> | <u>\$ 1,187,029</u> | <u>\$ 1,136,246</u> | <u>\$ 1,431,126</u> | <u>\$ 4,133,569</u> | <u>\$ 1,227,133</u> |
| \$ 1,265,831        | \$ 1,175,987        | \$ 1,123,750        | \$ 1,089,355        | \$ 996,175          | \$ 1,002,211        |
| 117%                | 101%                | 101%                | 131%                | 415%                | 122%                |
| 87.19%              | 89.30%              | 88.80%              | 85.40%              | 63.90%              | 78.75%              |

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

**CITY OF BUFFALO, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET**  
**FIREFIIGHTERS RELIEF ASSOCIATION PLAN**  
**LAST TEN MEASUREMENT PERIODS**

|   | Measurement Date    |                     |                     |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | December 31,        |                     |                     |                     |                     |                     |                     |                     |
|   | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                |
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |                     |                     |                     |                     |
| Service Cost  | \$ 85,399           | \$ 76,906           | \$ 75,436           | \$ 73,596           | \$ 65,652           | \$ 73,848           | \$ 82,609           | \$ 76,388           |
| Interest  | 83,725              | 74,799              | 79,816              | 81,595              | 83,406              | 80,258              | 71,998              | 70,260              |
| Changes in Experience   | (87,427)            | -                   | (12,538)            | -                   | (34,654)            | (50,068)            | -                   | -                   |
| Changes in Assumptions  | 10,283              | -                   | 30,069              | -                   | 36,728              | (881)               | (28,618)            | -                   |
| Changes of Benefit Terms  | 48,730              | 117,672             | 52,860              | -                   | 113,172             | -                   | -                   | -                   |
| Benefit Payments, Including Member Refunds                                  | -                   | (179,880)           | (165,556)           | (216,281)           | -                   | (85,000)            | (216,977)           | (22,551)            |
| <b>NET CHANGE IN TOTAL PENSION LIABILITY</b>                                | 140,710             | 89,497              | 60,087              | (61,090)            | 264,304             | 18,157              | (90,988)            | 124,097             |
| Total Pension Liability - Beginning of Year                                 | 1,677,238           | 1,587,741           | 1,527,654           | 1,588,744           | 1,324,440           | 1,306,283           | 1,397,271           | 1,273,174           |
| <b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>                            | 1,817,948           | 1,677,238           | 1,587,741           | 1,527,654           | 1,588,744           | 1,324,440           | 1,306,283           | 1,397,271           |
| <b>Plan Fiduciary Net Position</b>  |                     |                     |                     |                     |                     |                     |                     |                     |
| Municipal Contributions   | 2,500               | 2,500               | 2,500               | 10,715              | 11,095              | 9,884               | 2,500               | 2,500               |
| State Contributions   | 147,052             | 140,676             | 133,061             | 126,268             | 119,581             | 117,197             | 119,295             | 114,407             |
| Net Investment Income (Loss)  | (327,175)           | 240,500             | 197,915             | 311,072             | (116,981)           | 237,287             | 121,906             | (69,541)            |
| Benefit Payments  | -                   | (179,880)           | (165,556)           | (216,281)           | -                   | (85,000)            | (216,977)           | (22,551)            |
| Administrative Expenses   | (2,835)             | (3,164)             | (2,740)             | (11,283)            | (11,323)            | (10,141)            | (11,374)            | (4,990)             |
| Other Changes   | -                   | -                   | 11                  | -                   | -                   | 1,481               | 8,534               | 2,232               |
| <b>NET CHANGE IN FIDUCIARY NET POSITION</b>                                 | (180,458)           | 200,632             | 165,191             | 220,491             | 2,372               | 270,708             | 23,884              | 22,057              |
| Fiduciary Net Position - Beginning of Year                                  | 2,439,678           | 2,239,046           | 2,073,855           | 1,853,364           | 1,850,992           | 1,580,284           | 1,556,400           | 1,534,343           |
| <b>FIDUCIARY NET POSITION - END OF YEAR (b)</b>                             | 2,259,220           | 2,439,678           | 2,239,046           | 2,073,855           | 1,853,364           | 1,850,992           | 1,580,284           | 1,556,400           |
| <b>ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)</b> | <u>\$ (441,272)</u> | <u>\$ (762,440)</u> | <u>\$ (651,305)</u> | <u>\$ (546,201)</u> | <u>\$ (264,620)</u> | <u>\$ (526,552)</u> | <u>\$ (274,001)</u> | <u>\$ (159,129)</u> |
| Fiduciary Net Position as a Percentage of the Total Net Pension Asset       | 124.27%             | 145.46%             | 141.02%             | 135.75%             | 116.66%             | 139.76%             | 120.98%             | 111.39%             |
| Covered-Employee Payroll  | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 |
| Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll   | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 | N/A                 |

\* Additional information will be added as it becomes available.

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

**CITY OF BUFFALO, MINNESOTA  
SCHEDULE OF CITY PENSION CONTRIBUTIONS  
LAST TEN YEARS**

|   | 2023               | 2022               | 2021               |
|---|--------------------|--------------------|--------------------|
| <b>GENERAL EMPLOYEES RETIREMENT PLAN</b>                                |                    |                    |                    |
| Contractually Required Contribution                                     | \$ 474,082         | \$ 442,199         | \$ 396,598         |
| Contributions in Relation to the Contractually<br>Required Contribution | <u>(474,082)</u>   | <u>(442,199)</u>   | <u>(396,598)</u>   |
| Contribution Deficiency (Excess)  | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| City's Covered Payroll  | \$ 6,321,093       | \$ 5,895,987       | \$ 5,287,965       |
| Contributions as a Percentage of<br>Covered Payroll                     | 7.50%              | 7.50%              | 7.50%              |
| <b>PUBLIC EMPLOYEES POLICE AND FIRE PLAN</b>                            |                    |                    |                    |
| Contractually Required Contribution                                     | \$ 312,972         | \$ 270,497         | \$ 264,477         |
| Contributions in Relation to the Contractually<br>Required Contribution | <u>(312,972)</u>   | <u>(270,497)</u>   | <u>(264,477)</u>   |
| Contribution Deficiency (Excess)  | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| City's Covered Payroll  | \$ 1,768,203       | \$ 1,528,232       | \$ 1,494,221       |
| Contributions as a Percentage of<br>Covered Payroll                     | 17.70%             | 17.70%             | 17.70%             |
| <b>FIRE RELIEF ASSOCIATION PLAN</b>                                     |                    |                    |                    |
| Statutorily Required Contribution                                       | \$ -               | \$ -               | \$ -               |
| Contributions in Relation to the Statutorily<br>Required Contribution   | <u>-</u>           | <u>-</u>           | <u>-</u>           |
| Contribution Deficiency/(Excess)  | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

**CITY OF BUFFALO, MINNESOTA**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS (CONTINUED)**  
**LAST TEN YEARS**

| 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 404,207   | \$ 374,706   | \$ 328,752   | \$ 320,722   | \$ 300,006   | \$ 284,732   | \$ 265,184   |
| (404,207)    | (374,706)    | (328,752)    | (320,722)    | (300,006)    | (284,732)    | (265,184)    |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$ 5,389,427 | \$ 4,995,075 | \$ 4,382,887 | \$ 4,276,293 | \$ 4,000,083 | \$ 3,794,647 | \$ 3,870,990 |
| 7.50%        | 7.50%        | 7.50%        | 7.50%        | 7.50%        | 7.50%        | 6.85%        |
| \$ 246,464   | \$ 205,864   | \$ 183,432   | \$ 181,013   | \$ 168,059   | \$ 162,358   | \$ 158,513   |
| (246,464)    | (205,864)    | (183,432)    | (181,013)    | (168,059)    | (162,358)    | (158,513)    |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$ 1,392,458 | \$ 1,214,536 | \$ 1,132,298 | \$ 1,117,364 | \$ 1,037,404 | \$ 1,002,211 | \$ 975,188   |
| 17.70%       | 16.95%       | 16.20%       | 16.20%       | 16.20%       | 16.20%       | 16.25%       |
| \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| -            | -            | -            | -            | -            | -            | -            |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |

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

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

|  | Measurement<br>Date<br>January 1, 2023 | Measurement<br>Date<br>January 1, 2022 | Measurement<br>Date<br>January 1, 2021 | Measurement<br>Date<br>January 1, 2020 | Measurement<br>Date<br>January 1, 2019 | Measurement<br>Date<br>January 1, 2018 |
|--|--|--|--|--|--|--|
| <b>Total OPEB Liability</b>                              |  |  |  |  |  |  |
| Service Cost   | \$ 31,554                              | \$ 42,616                              | \$ 55,361                              | \$ 53,618                              | \$ 46,525                              | \$ 48,843                              |
| Interest Cost  | 25,718                                 | 19,871                                 | 18,807                                 | 22,374                                 | 17,926                                 | 15,962                                 |
| Changes of Assumptions                                   | (169,879)                              | 89,758                                 | -                                      | 13,223                                 | (17,459)                               | -                                      |
| Differences between Expected and Actual Experience       | 427,731                                | 514,827                                | -                                      | (15,572)                               | -                                      | -                                      |
| Benefit Payments   | (81,644)                               | (29,224)                               | (20,275)                               | (11,113)                               | (5,969)                                | -                                      |
| <b>Net Change in Total OPEB Liability</b>                | <b>233,480</b>                         | <b>637,848</b>                         | <b>53,893</b>                          | <b>62,530</b>                          | <b>41,023</b>                          | <b>64,805</b>                          |
| Total OPEB Liability - Beginning                         | 1,294,957                              | 657,109                                | 603,216                                | 540,686                                | 499,663                                | 434,858                                |
| <b>Total OPEB Liability - Ending (a)</b>                 | <b>\$ 1,528,437</b>                    | <b>\$ 1,294,957</b>                    | <b>\$ 657,109</b>                      | <b>\$ 603,216</b>                      | <b>\$ 540,686</b>                      | <b>\$ 499,663</b>                      |
| Covered-Employee Payroll                                 | \$ 7,103,934                           | \$ 6,973,877                           | \$ 6,019,256                           | \$ 5,829,788                           | \$ 5,149,933                           | \$ 4,999,935                           |
| City's OPEB Liability as a Percentage of Covered Payroll | 21.52%                                 | 18.57%                                 | 10.92%                                 | 10.35%                                 | 10.50%                                 | 9.99%                                  |

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

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

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

**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

|                             | 2023               |                 |              |                               |
|-----------------------------|--------------------|-----------------|--------------|-------------------------------|
|                             | Original<br>Budget | Final<br>Budget | Actual       | Variance from<br>Final Budget |
| <b>REVENUES</b>             |                    |                 |              |                               |
| Taxes:                      |                    |                 |              |                               |
| General Property Taxes      | \$ 6,006,095       | \$ 6,006,095    | \$ 6,078,791 | \$ 72,696                     |
| Other Taxes                 | 3,000              | 3,000           | 6,668        | 3,668                         |
| Total Taxes                 | 6,009,095          | 6,009,095       | 6,085,459    | 76,364                        |
| Licenses and Permits        | 519,925            | 519,925         | 716,821      | 196,896                       |
| Intergovernmental:          |                    |                 |              |                               |
| Federal:                    |                    |                 |              |                               |
| Federal Grants              | 5,000              | 5,000           | 15,815       | 10,815                        |
| State:                      |                    |                 |              |                               |
| Local Government Aid        | 1,095,000          | 1,095,000       | 1,113,720    | 18,720                        |
| PERA Indirect Aid           | -                  | -               | 22,734       | 22,734                        |
| Market Value Credit         | -                  | -               | 458          | 458                           |
| State Police Aid            | 165,000            | 165,000         | 184,213      | 19,213                        |
| State Highway Aid           | 230,000            | 230,000         | 242,113      | 12,113                        |
| Other                       | 16,000             | 16,000          | 106,999      | 90,999                        |
| Total Intergovernmental     | 1,511,000          | 1,511,000       | 1,686,258    | 175,258                       |
| Special Assessments         | 5,000              | 5,000           | 4,989        | (11)                          |
| Charges for Services:       |                    |                 |              |                               |
| General Government          | 166,450            | 166,450         | 195,780      | 29,330                        |
| Public Safety               | 44,500             | 44,500          | 56,060       | 11,560                        |
| Culture and Recreation      | 67,300             | 67,300          | 99,237       | 31,937                        |
| Sanitation                  | 1,125,000          | 1,125,000       | 1,270,428    | 145,428                       |
| Storm Sewer                 | 445,090            | 445,090         | 451,568      | 6,478                         |
| Total Charges for Services  | 1,848,340          | 1,848,340       | 2,073,073    | 224,733                       |
| Fines and Forfeits          | 44,000             | 44,000          | 40,528       | (3,472)                       |
| Investment Earnings         | 20,000             | 20,000          | 98,938       | 78,938                        |
| Refunds/Reimbursements      | 50,000             | 50,000          | 312,039      | 262,039                       |
| Contributions and Donations | 42,500             | 42,500          | 51,170       | 8,670                         |
| Miscellaneous               | 14,500             | 14,500          | 60,891       | 46,391                        |
| Total Revenues              | 10,064,360         | 10,064,360      | 11,130,166   | 1,065,806                     |

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

**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|                                | 2023               |                 |           |                               |
|--------------------------------|--------------------|-----------------|-----------|-------------------------------|
|                                | Original<br>Budget | Final<br>Budget | Actual    | Variance from<br>Final Budget |
| <b>EXPENDITURES</b>            |                    |                 |           |                               |
| General Government:            |                    |                 |           |                               |
| Mayor and Council:             |                    |                 |           |                               |
| Current:                       |                    |                 |           |                               |
| Personal Services              | \$ 92,463          | \$ 92,463       | \$ 91,324 | \$ 1,139                      |
| Financial Administration:      |                    |                 |           |                               |
| Current:                       |                    |                 |           |                               |
| Personal Services              | 618,252            | 618,252         | 420,349   | 197,903                       |
| Other Expenses:                |                    |                 |           |                               |
| Audit / Accounting             | 16,030             | 16,030          | 21,584    | (5,554)                       |
| Insurance                      | 36,000             | 36,000          | 26,067    | 9,933                         |
| Planning and Zoning            | 312,450            | 312,450         | 313,811   | (1,361)                       |
| Assessor                       | 105,000            | 105,000         | 105,695   | (695)                         |
| Legal Services                 | -                  | -               | 765       | (765)                         |
| City Clerk                     | 158,004            | 158,004         | 161,719   | (3,715)                       |
| Professional Services          | 25,000             | 25,000          | 17,845    | 7,155                         |
| Elections                      | 5,630              | 5,630           | 4,332     | 1,298                         |
| Other Expense                  | 332,767            | 332,767         | 344,543   | (11,776)                      |
| Capital Outlay                 | -                  | -               | 26,835    | (26,835)                      |
| Finance Purchase Obligations:  |                    |                 |           |                               |
| Principal                      | -                  | -               | 3,019     | (3,019)                       |
| Interest                       | -                  | -               | 292       | (292)                         |
| Total Financial Administration | 1,609,133          | 1,609,133       | 1,446,856 | 162,277                       |
| Engineering:                   |                    |                 |           |                               |
| Current:                       |                    |                 |           |                               |
| Personal Services              | 115,160            | 115,160         | 96,956    | 18,204                        |
| Other Services and Charges     | 105,416            | 105,416         | 42,331    | 63,085                        |
| Total Engineering              | 220,576            | 220,576         | 139,287   | 81,289                        |
| Total General Government       | 1,922,172          | 1,922,172       | 1,677,467 | 244,705                       |

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



**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|                                 | 2023               |                 |              |                               |
|---------------------------------|--------------------|-----------------|--------------|-------------------------------|
|                                 | Original<br>Budget | Final<br>Budget | Actual       | Variance from<br>Final Budget |
| <b>EXPENDITURES (CONTINUED)</b> |                    |                 |              |                               |
| Public Safety:                  |                    |                 |              |                               |
| Police Protection:              |                    |                 |              |                               |
| Current:                        |                    |                 |              |                               |
| Personal Services               | \$ 2,679,191       | \$ 2,679,191    | \$ 2,638,088 | \$ 41,103                     |
| Training                        | 13,900             | 13,900          | 12,858       | 1,042                         |
| Legal Fees                      | 73,000             | 73,000          | 72,561       | 439                           |
| Other Services and Charges      | 641,683            | 641,683         | 693,928      | (52,245)                      |
| Capital Outlay                  | 15,000             | 15,000          | 90,316       | (75,316)                      |
| Finance Purchase Obligations:   |                    |                 |              |                               |
| Principal                       | 82,930             | 82,930          | 87,156       | (4,226)                       |
| Interest                        | 18,413             | 18,413          | 19,622       | (1,209)                       |
| Total Police                    | 3,524,117          | 3,524,117       | 3,614,529    | (90,412)                      |
| Fire Protection:                |                    |                 |              |                               |
| Current:                        | 570,000            | 570,000         | 569,411      | 589                           |
| Finance Purchase Obligations:   |                    |                 |              |                               |
| Principal                       | 7,461              | 7,461           | 10,637       | (3,176)                       |
| Interest                        | 597                | 597             | 1,277        | (680)                         |
| Total Fire Protection           | 578,058            | 578,058         | 581,325      | (3,267)                       |
| Civil Defense                   | 2,850              | 2,850           | 1,398        | 1,452                         |
| Building Inspections            | 239,500            | 239,500         | 326,731      | (87,231)                      |
| Total Public Safety             | 4,344,525          | 4,344,525       | 4,523,983    | (179,458)                     |
| Public Works:                   |                    |                 |              |                               |
| Street Department:              |                    |                 |              |                               |
| Current:                        |                    |                 |              |                               |
| Personal Services               | -                  | -               | 8,733        | (8,733)                       |
| Street Maintenance              | 904,492            | 904,492         | 912,239      | (7,747)                       |
| Storm Sewer Maintenance         | 101,499            | 101,499         | 58,549       | 42,950                        |
| Snow and Ice Removal            | 151,296            | 151,296         | 115,468      | 35,828                        |
| Other                           | 683,660            | 683,660         | 674,539      | 9,121                         |
| Capital Outlay                  | -                  | -               | 449,729      | (449,729)                     |
| Finance Purchase Obligations:   |                    |                 |              |                               |
| Principal                       | 94,534             | 94,534          | 79,539       | 14,995                        |
| Interest                        | 13,787             | 13,787          | 86,487       | (72,700)                      |
| Total Public Works              | 1,949,268          | 1,949,268       | 2,385,283    | (436,015)                     |
| Sanitation:                     |                    |                 |              |                               |
| Current                         | 1,174,274          | 1,174,274       | 1,149,325    | 24,949                        |

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

**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|   | 2023               |                 |                     |                               |
|---|--------------------|-----------------|---------------------|-------------------------------|
|   | Original<br>Budget | Final<br>Budget | Actual              | Variance from<br>Final Budget |
| Culture and Recreation:                 |                    |                 |                     |                               |
| Parks:                                  |                    |                 |                     |                               |
| Current:                                |                    |                 |                     |                               |
| Personal Services                       | \$ 737,187         | \$ 737,187      | \$ 921,288          | \$ (184,101)                  |
| Supply and Maintenance                  | 497,650            | 497,650         | 607,764             | (110,114)                     |
| School District #877 Joint Programs     | 50,000             | 50,000          | 48,049              | 1,951                         |
| Miscellaneous                           | 83,413             | 83,413          | 96,875              | (13,462)                      |
| Finance Purchase Obligations:           |                    |                 |                     |                               |
| Principal                               | 30,068             | 30,068          | 107,707             | (77,639)                      |
| Interest                                | 1,579              | 1,579           | 12,999              | (11,420)                      |
| Capital Outlay                          | -                  | -               | 260,102             | (260,102)                     |
| Total Parks Department                  | 1,399,897          | 1,399,897       | 2,054,784           | (654,887)                     |
| Community Center:                       |                    |                 |                     |                               |
| Current:                                |                    |                 |                     |                               |
| Personal Services                       | 281,229            | 281,229         | 211,775             | 69,454                        |
| Maintenance and Repair                  | 20,000             | 20,000          | 20,847              | (847)                         |
| Utilities                               | 66,500             | 66,500          | 16,557              | 49,943                        |
| Miscellaneous                           | 82,995             | 82,995          | 101,119             | (18,124)                      |
| Capital Outlay                          | 8,500              | 8,500           | 15,516              | (7,016)                       |
| Total Community Center                  | 459,224            | 459,224         | 365,814             | 93,410                        |
| Total Culture and Recreation            | 1,859,121          | 1,859,121       | 2,420,598           | (561,477)                     |
| Total Expenditures                      | 11,249,360         | 11,249,360      | 12,156,656          | (907,296)                     |
| <b>REVENUES OVER (UNDER)</b>            |                    |                 |                     |                               |
| <b>EXPENDITURES</b>                     | (1,185,000)        | (1,185,000)     | (1,026,490)         | 158,510                       |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                    |                 |                     |                               |
| Transfer In                             | 1,250,000          | 1,250,000       | 1,250,000           | -                             |
| Transfer Out                            | (170,000)          | (170,000)       | (66,125)            | 103,875                       |
| Proceeds from Sale of Capital Assets    | 105,000            | 105,000         | 52,357              | (52,643)                      |
| Lease Proceeds                          | -                  | -               | 35,993              | 35,993                        |
| Insurance Proceeds                      | -                  | -               | 10,504              | 10,504                        |
| Total Other Financing<br>Sources (Uses) | 1,185,000          | 1,185,000       | 1,282,729           | 97,729                        |
| <b>NET CHANGE IN FUND BALANCE</b>       | \$ -               | \$ -            | 256,239             | \$ 256,239                    |
| Fund Balance - Beginning of Year        |                    |                 | 6,408,313           |                               |
| <b>FUND BALANCE - END OF YEAR</b>       |                    |                 | <u>\$ 6,664,552</u> |                               |

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

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**NOTE 1 BASIS OF ACCOUNTING**

The General Fund budgetary comparison schedule is prepared on a budgetary basis of accounting. See Note 3 of the Notes to Required Supplementary Information for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**NOTE 2 BUDGETARY INFORMATION**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Council chambers at City Hall to obtain taxpayer comments, and the final budget is adopted and the tax levy certified.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are final, as amended by the City Council in 2023.
4. The City has legally adopted budgets for the general fund, certain special revenue funds, and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds. Expenditures may not legally exceed budgeted appropriations at the total department level for the General Fund and fund level in all other funds. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, capital outlay, etc.) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the Capital Projects, Debt Service funds, or HRA of Buffalo fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2023**

**NOTE 3 EXPENDITURES IN EXCESS OF BUDGET**

For the year ended December 31, 2023, expenditures exceeded budget in the general fund by \$907,296. These expenditures were funded by current year revenues and transfers from other funds.

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

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

**A. General Employees Fund**

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2023**

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

**A. General Employees Fund (Continued)**

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2023**

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

A. General Employees Fund (Continued)

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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 in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA load are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.0% per year for all years to 1.0% per year through 2044 and 2.5% 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 BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2023**

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

**A. General Employees Fund (Continued)**

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

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

**B. Police and Fire Fund**

2023

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2023**

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

B. Police and Fire Fund (Continued)

2023 (Continued)

Changes in Plan Provisions (Continued)

- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.



**CITY OF BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2023**

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

B. Police and Fire Fund (Continued)

2021 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2023**

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

**B. Police and Fire Fund (Continued)**

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2023**

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

B. Police and Fire Fund (Continued)

2016 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90% funding threshold was changed from inflation up to 2.5%, to a fixed rate of 2.5%.

**NOTE 5 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

2023

Changes in Actuarial Assumptions

- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2019 generations improvement scale to the Pub-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2021 generations improvement scale.
- The salary increase rates were updated to reflect the latest experience study.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2023**

**NOTE 5 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2022 (Continued)

Changes in Actuarial Assumptions (Continued)

- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The expected investment return and discount rate decrease from 5.25% to 4.75% to reflect updated capital market assumptions.
- The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation.
- The inflation assumption decrease from 2.50% to 2.25%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 mortality tables (blue collar for public safety, white collar for others) with MP-2017 generational improvement scale to the Pub-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2019 generations improvement scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.80% to 2.90%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- The discount rate was changed from 3.30% to 3.80%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

## **SUPPLEMENTARY INFORMATION**

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

**CITY OF BUFFALO, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2023**

|  | 2023              |                   |                         |
|--|-------------------|-------------------|-------------------------|
|  | Fire<br>Fund      | Library<br>Fund   | Civic<br>Center<br>Fund |
| <b>ASSETS</b>  |                   |                   |                         |
| Cash and Investments   | \$ 495,045        | \$ 119,733        | \$ -                    |
| Taxes Receivable   |                   |                   |                         |
| Current  | -                 | 210               | 271                     |
| Delinquent   | -                 | 1,049             | -                       |
| Accounts Receivable  | -                 | -                 | 133,119                 |
| Due from Other Governments   | 2,200             | -                 | 22,256                  |
| Accrued Interest Receivable  | 1,633             | 293               | -                       |
| Due from Other Funds   | -                 | -                 | -                       |
| Lease Receivable   | 28,543            | -                 | 376,862                 |
| Inventory  | -                 | -                 | -                       |
| Prepaid Items  | 60,979            | -                 | 470                     |
| Loans Receivable, Net of Allowance   | -                 | -                 | -                       |
| Land Held for Resale   | -                 | -                 | -                       |
|  | <u>-</u>          | <u>-</u>          | <u>-</u>                |
| Total Assets   | <u>\$ 588,400</u> | <u>\$ 121,285</u> | <u>\$ 532,978</u>       |
| <b>LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCE (DEFICIT)</b> |                   |                   |                         |
| <b>LIABILITIES</b>   |                   |                   |                         |
| Accounts and Contracts Payable   | \$ 14,905         | \$ 5,550          | \$ 60,268               |
| Other Accrued Liabilities  | 28,728            | 63                | 5,927                   |
| Advance From Other Funds   | -                 | -                 | 2,031,081               |
| Unearned Revenue   | -                 | -                 | 6,437                   |
| Escrow Deposits  | -                 | -                 | 7,000                   |
| Total Liabilities  | <u>43,633</u>     | <u>5,613</u>      | <u>2,110,713</u>        |
| <b>DEFERRED INFLOW OF RESOURCES</b>  |                   |                   |                         |
| Unavailable Taxes  | -                 | 1,049             | -                       |
| Unavailable State Aid  | -                 | -                 | -                       |
| Unavailable Lease Related  | 27,578            | -                 | 398,309                 |
| Unavailable Loans Receivables  | -                 | -                 | -                       |
| Total Deferred Inflow of Resources   | <u>27,578</u>     | <u>1,049</u>      | <u>398,309</u>          |
| <b>FUND BALANCES (DEFICIT)</b>   |                   |                   |                         |
| Nonspendable   | 60,979            | -                 | 470                     |
| Restricted   | -                 | -                 | -                       |
| Committed  | 456,210           | 114,623           | -                       |
| Unassigned   | -                 | -                 | (1,976,514)             |
| Total Fund Balances (Deficit)  | <u>517,189</u>    | <u>114,623</u>    | <u>(1,976,044)</u>      |
| Total Liabilities, Deferred Inflow of<br>Resources, and Fund Balances (Deficit)  | <u>\$ 588,400</u> | <u>\$ 121,285</u> | <u>\$ 532,978</u>       |

**CITY OF BUFFALO, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2023**

| 2023                          |                   |                     |
|-------------------------------|-------------------|---------------------|
| The HRA<br>of Buffalo<br>Fund | Airport<br>Fund   | 2023<br>Total       |
| \$ 450,957                    | \$ 231,260        | \$ 1,296,995        |
| 805                           | -                 | 1,286               |
| 4,626                         | -                 | 5,675               |
| 4,686                         | 5,183             | 142,988             |
| -                             | 156,311           | 180,767             |
| 1,513                         | 600               | 4,039               |
| 10,809                        | -                 | 10,809              |
| -                             | 306,972           | 712,377             |
| -                             | 11,066            | 11,066              |
| -                             | -                 | 61,449              |
| 252,841                       | -                 | 252,841             |
| 214,400                       | -                 | 214,400             |
| <u>\$ 940,637</u>             | <u>\$ 711,392</u> | <u>\$ 2,894,692</u> |
|                               |                   |                     |
| \$ 35,613                     | \$ 4,723          | \$ 121,059          |
| -                             | 1,033             | 35,751              |
| -                             | -                 | 2,031,081           |
| -                             | 3,755             | 10,192              |
| 3,571                         | -                 | 10,571              |
| <u>39,184</u>                 | <u>9,511</u>      | <u>2,208,654</u>    |
|                               |                   |                     |
| 4,626                         | -                 | 5,675               |
| -                             | 42,560            | 42,560              |
| -                             | 303,386           | 729,273             |
| 252,841                       | -                 | 252,841             |
| <u>257,467</u>                | <u>345,946</u>    | <u>1,030,349</u>    |
|                               |                   |                     |
| -                             | 11,066            | 72,515              |
| 86,952                        | -                 | 86,952              |
| 557,034                       | 344,869           | 1,472,736           |
| -                             | -                 | (1,976,514)         |
| <u>643,986</u>                | <u>355,935</u>    | <u>(344,311)</u>    |
|                               |                   |                     |
| <u>\$ 940,637</u>             | <u>\$ 711,392</u> | <u>\$ 2,894,692</u> |



**CITY OF BUFFALO, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2023**

|   | 2023         |                 |                         |
|---|--------------|-----------------|-------------------------|
|   | Fire<br>Fund | Library<br>Fund | Civic<br>Center<br>Fund |
| <b>REVENUE</b>  |              |                 |                         |
| General Property Taxes  | \$ -         | \$ 76,462       | \$ 99,428               |
| Tax Increments  | -            | -               | -                       |
| Intergovernmental   | 194,771      | -               | -                       |
| Charges for Services  | 847,396      | -               | 700,794                 |
| Investment Earnings   | 11,187       | 1,975           | -                       |
| Refunds and Reimbursements  | 809          | -               | 98                      |
| Contributions and Donations   | 500          | -               | 53,552                  |
| Miscellaneous   | 87           | -               | 8,896                   |
| Total Revenue   | 1,054,750    | 78,437          | 862,768                 |
| <b>EXPENDITURES</b>   |              |                 |                         |
| Current:  |              |                 |                         |
| Public Safety   | 829,650      | -               | -                       |
| Culture and Recreation  | -            | 82,017          | 876,994                 |
| Community Development   | -            | -               | -                       |
| Capital Outlay:   |              |                 |                         |
| Public Safety   | 6,360        | -               | -                       |
| Culture and Recreation  | -            | -               | 22,093                  |
| Community Development   | -            | -               | -                       |
| Debt Service:   |              |                 |                         |
| Principal   | 194,129      | -               | -                       |
| Interest and Fiscal Charges   | 6,576        | -               | -                       |
| Total Expenditures  | 1,036,715    | 82,017          | 899,087                 |
| <b>EXCESS (DEFICIENCY) OF REVENUE<br/>OVER (UNDER) EXPENDITURES</b> | 18,035       | (3,580)         | (36,319)                |
| <b>OTHER FINANCING SOURCES (USES)</b>                               |              |                 |                         |
| Transfer In   | -            | -               | 150,000                 |
| Transfer Out  | -            | -               | -                       |
| Proceeds from Sale of Capital Assets                                | 46           | -               | -                       |
| Lease Proceeds  | 6,360        | -               | -                       |
| Total Other Financing Sources (Uses)                                | 6,406        | -               | 150,000                 |
| <b>NET CHANGE IN FUND BALANCE</b>                                   | 24,441       | (3,580)         | 113,681                 |
| Fund Balance (Deficit) - Beginning of Year                          | 492,748      | 118,203         | (2,089,725)             |
| <b>FUND BALANCE (DEFICIT) - END OF YEAR</b>                         | \$ 517,189   | \$ 114,623      | \$ (1,976,044)          |

**CITY OF BUFFALO, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                          |                   |                     |
|-------------------------------|-------------------|---------------------|
| The HRA<br>of Buffalo<br>Fund | Airport<br>Fund   | 2023<br>Total       |
| \$ 346,562                    | \$ -              | \$ 522,452          |
| 204,156                       | -                 | 204,156             |
| 276,349                       | 102,726           | 573,846             |
| 19,392                        | 362,327           | 1,929,909           |
| 7,142                         | 4,218             | 24,522              |
| 25,466                        | -                 | 26,373              |
| -                             | -                 | 54,052              |
| 84                            | 8,011             | 17,078              |
| <u>879,151</u>                | <u>477,282</u>    | <u>3,352,388</u>    |
| -                             | -                 | 829,650             |
| -                             | 380,677           | 1,339,688           |
| 517,943                       | -                 | 517,943             |
| -                             | -                 | 6,360               |
| -                             | 74,835            | 96,928              |
| 110,009                       | -                 | 110,009             |
| -                             | -                 | 194,129             |
| -                             | -                 | 6,576               |
| <u>627,952</u>                | <u>455,512</u>    | <u>3,101,283</u>    |
| 251,199                       | 21,770            | 251,105             |
| -                             | 50,000            | 200,000             |
| (202,297)                     | -                 | (202,297)           |
| -                             | -                 | 46                  |
| -                             | -                 | 6,360               |
| <u>(202,297)</u>              | <u>50,000</u>     | <u>4,109</u>        |
| 48,902                        | 71,770            | 255,214             |
| <u>595,084</u>                | <u>284,165</u>    | <u>(599,525)</u>    |
| <u>\$ 643,986</u>             | <u>\$ 355,935</u> | <u>\$ (344,311)</u> |

**CITY OF BUFFALO, MINNESOTA  
FIRE SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023                |                     |                   |                         |
|--|---------------------|---------------------|-------------------|-------------------------|
|  | Original<br>Budget  | Final<br>Budget     | Actual            | Variance with<br>Budget |
| <b>REVENUES</b>  |                     |                     |                   |                         |
| Fire Contracts and Charges   | \$ 846,700          | \$ 846,700          | \$ 847,396        | \$ 696                  |
| Intergovernmental:   |                     |                     |                   |                         |
| State Aid and Grants   | 155,000             | 155,000             | 194,771           | 39,771                  |
| Contributions and Donations  | -                   | -                   | 500               | 500                     |
| Investment Earnings  | 1,000               | 1,000               | 11,187            | 10,187                  |
| Refunds and Reimbursements   | -                   | -                   | 809               | 809                     |
| Miscellaneous  | -                   | -                   | 87                | 87                      |
| Total Revenues   | <u>1,002,700</u>    | <u>1,002,700</u>    | <u>1,054,750</u>  | <u>52,050</u>           |
| <b>EXPENDITURES</b>  |                     |                     |                   |                         |
| Public Safety:   |                     |                     |                   |                         |
| Fire Relief  | 150,000             | 150,000             | 166,051           | (16,051)                |
| Wages and Benefits   | 252,968             | 252,968             | 267,808           | (14,840)                |
| Truck Expense  | 12,000              | 12,000              | 8,230             | 3,770                   |
| Supplies   | 85,000              | 85,000              | 52,926            | 32,074                  |
| Repairs and Maintenance  | 62,000              | 62,000              | 87,731            | (25,731)                |
| Radio and Telephone  | 28,500              | 28,500              | 13,534            | 14,966                  |
| Utilities  | 65,000              | 65,000              | 55,312            | 9,688                   |
| Insurance  | 125,000             | 125,000             | 85,903            | 39,097                  |
| Training   | 18,000              | 18,000              | 33,312            | (15,312)                |
| Other  | 60,532              | 60,532              | 58,843            | 1,689                   |
| Capital Outlay   | 178,000             | 178,000             | 6,360             | 171,640                 |
| Debt Service:  |                     |                     |                   |                         |
| Principal  | 189,820             | 189,820             | 194,129           | (4,309)                 |
| Interest   | 6,380               | 6,380               | 6,576             | (196)                   |
| Total Expenditures   | <u>1,233,200</u>    | <u>1,233,200</u>    | <u>1,036,715</u>  | <u>196,485</u>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (230,500)           | (230,500)           | 18,035            | 248,535                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                   |                         |
| Lease Proceeds   | -                   | -                   | 6,360             | 6,360                   |
| Proceeds on Sale of Capital Assets                                   | -                   | -                   | 46                | 46                      |
| Total Other Financing Sources  | <u>-</u>            | <u>-</u>            | <u>6,406</u>      | <u>6,406</u>            |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>\$ (230,500)</u> | <u>\$ (230,500)</u> | 24,441            | <u>\$ 254,941</u>       |
| Fund Balance - Beginning of Year                                     |                     |                     | <u>492,748</u>    |                         |
| <b>FUND BALANCE - END OF YEAR</b>                                    |                     |                     | <u>\$ 517,189</u> |                         |

**CITY OF BUFFALO, MINNESOTA  
LIBRARY SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

|                                   | 2023               |                    |                   |                               |
|-----------------------------------|--------------------|--------------------|-------------------|-------------------------------|
|                                   | Original<br>Budget | Final<br>Budget    | Actual            | Variance from<br>Final Budget |
| <b>REVENUES</b>                   |                    |                    |                   |                               |
| General Property Taxes            | \$ 76,672          | \$ 76,672          | \$ 76,462         | \$ (210)                      |
| Intergovernmental                 | 25,000             | 25,000             | -                 | (25,000)                      |
| Investment Earnings               | 300                | 300                | 1,975             | 1,675                         |
| Total Revenues                    | 101,972            | 101,972            | 78,437            | (23,535)                      |
| <b>EXPENDITURES</b>               |                    |                    |                   |                               |
| Culture and Recreation:           |                    |                    |                   |                               |
| Wages and Benefits                | 10,866             | 10,866             | 968               | 9,898                         |
| Supplies and Maintenance          | 75,500             | 75,500             | 40,882            | 34,618                        |
| Insurance                         | 1,750              | 1,750              | 2,616             | (866)                         |
| Telephone                         | 900                | 900                | 1,284             | (384)                         |
| Utilities                         | 35,000             | 35,000             | 25,749            | 9,251                         |
| Other                             | 9,500              | 9,500              | 10,518            | (1,018)                       |
| Total Expenditures                | 133,516            | 133,516            | 82,017            | 51,499                        |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (31,544)</u> | <u>\$ (31,544)</u> | (3,580)           | <u>\$ 27,964</u>              |
| Fund Balance - Beginning of Year  |                    |                    | 118,203           |                               |
| <b>FUND BALANCE - END OF YEAR</b> |                    |                    | <u>\$ 114,623</u> |                               |

**CITY OF BUFFALO, MINNESOTA  
CIVIC CENTER SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023               |                  |                       |                               |
|--|--------------------|------------------|-----------------------|-------------------------------|
|  | Original<br>Budget | Final<br>Budget  | Actual                | Variance from<br>Final Budget |
| <b>REVENUES</b>  |                    |                  |                       |                               |
| General Property Taxes   |                    |                  |                       |                               |
| Charges for Services:  | \$ 100,000         | \$ 100,000       | \$ 99,428             | \$ (572)                      |
| Ice Time   | 540,350            | 540,350          | 605,453               | 65,103                        |
| Building Rent  | 30,000             | 30,000           | 21,384                | (8,616)                       |
| Lease Payment  | 40,000             | 40,000           | 60,500                | 20,500                        |
| Gate Receipts and Concessions  | 6,500              | 6,500            | 9,607                 | 3,107                         |
| Other  | 15,000             | 15,000           | 3,850                 | (11,150)                      |
| Contributions and Donations  | 50,000             | 50,000           | 53,552                | 3,552                         |
| Refunds and Reimbursements   | -                  | -                | 98                    | 98                            |
| Miscellaneous  | 500                | 500              | 8,896                 | 8,396                         |
| Total Revenues   | <u>782,350</u>     | <u>782,350</u>   | <u>862,768</u>        | <u>80,418</u>                 |
| <b>EXPENDITURES</b>  |                    |                  |                       |                               |
| Culture and Recreation:  |                    |                  |                       |                               |
| Wages and Benefits   | 384,762            | 384,762          | 358,064               | 26,698                        |
| Maintenance and Repair   | 70,000             | 70,000           | 122,323               | (52,323)                      |
| Utilities  | 210,000            | 210,000          | 276,846               | (66,846)                      |
| Other  | 117,300            | 117,300          | 85,388                | 31,912                        |
| Insurance  | 30,000             | 30,000           | 34,373                | (4,373)                       |
| Interest Expense   | 2,200              | 2,200            | -                     | 2,200                         |
| Capital Outlay   | 208,000            | 208,000          | 22,093                | 185,907                       |
| Total Expenditures   | <u>1,022,262</u>   | <u>1,022,262</u> | <u>899,087</u>        | <u>123,175</u>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (239,912)          | (239,912)        | (36,319)              | 203,593                       |
| <b>OTHER FINANCING SOURCES</b>                                       |                    |                  |                       |                               |
| Transfer In  | 150,000            | 150,000          | 150,000               | -                             |
| Issuance of Bonds  | 175,000            | 175,000          | -                     | (175,000)                     |
| Total Other Financing Sources  | <u>325,000</u>     | <u>325,000</u>   | <u>150,000</u>        | <u>(175,000)</u>              |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>\$ 85,088</u>   | <u>\$ 85,088</u> | 113,681               | <u>\$ 28,593</u>              |
| Fund Deficit - Beginning of Year                                     |                    |                  | (2,089,725)           |                               |
| <b>FUND DEFICIT - END OF YEAR</b>                                    |                    |                  | <u>\$ (1,976,044)</u> |                               |

**CITY OF BUFFALO, MINNESOTA  
AIRPORT SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023               |                  |                   |                               |
|--|--------------------|------------------|-------------------|-------------------------------|
|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance from<br>Final Budget |
| <b>REVENUES</b>  |                    |                  |                   |                               |
| Intergovernmental:   |                    |                  |                   |                               |
| Federal Grants   | \$ 136,000         | \$ 136,000       | \$ 67,640         | \$ (68,360)                   |
| State Aid and Grants   | 28,131             | 28,131           | 35,086            | 6,955                         |
| Total Intergovernmental  | 164,131            | 164,131          | 102,726           | (61,405)                      |
| Charges for Services   | 322,650            | 322,650          | 362,327           | 39,677                        |
| Investment Earnings  | 250                | 250              | 4,218             | 3,968                         |
| Miscellaneous  | -                  | -                | 8,011             | 8,011                         |
| Total Revenues   | 487,031            | 487,031          | 477,282           | (9,749)                       |
| <b>EXPENDITURES</b>  |                    |                  |                   |                               |
| Culture and Recreation:  |                    |                  |                   |                               |
| Wages and Benefits   | 66,580             | 66,580           | 50,667            | 15,913                        |
| Other  | 294,172            | 294,172          | 330,010           | (35,838)                      |
| Capital Outlay   | 145,000            | 145,000          | 74,835            | 70,165                        |
| Total Expenditures   | 505,752            | 505,752          | 455,512           | 50,240                        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (18,721)           | (18,721)         | 21,770            | 40,491                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                    |                  |                   |                               |
| Transfer In  | 50,000             | 50,000           | 50,000            | -                             |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>\$ 31,279</u>   | <u>\$ 31,279</u> | 71,770            | <u>\$ 40,491</u>              |
| Fund Balance - Beginning of Year                                     |                    |                  | 284,165           |                               |
| <b>FUND BALANCE - END OF YEAR</b>                                    |                    |                  | <u>\$ 355,935</u> |                               |

## **OTHER COMBINING SCHEDULES**

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND – BY BOND ISSUE  
DECEMBER 31, 2023**

|   | 2023                        |                             |                             |   |
|---|-----------------------------|-----------------------------|-----------------------------|---|
|   | G.O. Bonds,<br>Series 2020A | G.O. Bonds,<br>Series 2010C | G.O. Bonds,<br>Series 2013A | G.O. Tax<br>Abatement<br>Bonds,<br>Series 2016A |
| <b>ASSETS</b>   |                             |                             |                             |   |
| Cash and Investments  | \$ 442,379                  | \$ -                        | \$ 414,860                  | \$ 76,985                                       |
| Taxes Receivable:   |                             |                             |                             |   |
| Current   | 1,266                       | -                           | 987                         | 249   |
| Delinquent  | 6,260                       | -                           | 4,880                       | 1,232   |
| Special Assessments Receivable:   |                             |                             |                             |   |
| Delinquent  | -                           | -                           | 3,767                       | -   |
| Accrued Interest Receivable   | 473                         | -                           | 677                         | 126   |
| Advances to Other Funds   | -                           | -                           | -                           | -   |
|   | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>-</u>  |
| Total Assets  | <u>\$ 450,378</u>           | <u>\$ -</u>                 | <u>\$ 425,171</u>           | <u>\$ 78,592</u>                                |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES (DEFICITS)</b> |                             |                             |                             |   |
| <b>LIABILITIES</b>  |                             |                             |                             |   |
| Accounts and Contracts Payable  | \$ 355                      | \$ -                        | \$ -                        | \$ -  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                             |                             |                             |   |
| Unavailable Taxes   | 6,260                       | -                           | 4,880                       | 1,232   |
| Unavailable Special Assessments   | -                           | -                           | 3,767                       | -   |
| Total Deferred Inflows of Resources   | <u>6,260</u>                | <u>-</u>                    | <u>8,647</u>                | <u>1,232</u>                                    |
| <b>FUND BALANCES</b>  |                             |                             |                             |   |
| Restricted  | <u>443,763</u>              | <u>-</u>                    | <u>416,524</u>              | <u>77,360</u>                                   |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances              | <u>\$ 450,378</u>           | <u>\$ -</u>                 | <u>\$ 425,171</u>           | <u>\$ 78,592</u>                                |



**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
DECEMBER 31, 2023**

| 2023   |  |   |   |   |  |                             |
|--|--|---|---|---|--|-----------------------------|
| G.O. Water<br>and Sewer<br>Revenue<br>Refunding Bonds,<br>Series 2019A | G.O. Refunding<br>Bonds,<br>Series 2019C | G.O Tax<br>Abatement<br>and Refunding<br>Bonds,<br>Series 2020B | G.O. Bonds,<br>Refunding<br>Series 1996 | G.O.<br>Refunding<br>Bonds,<br>Series 2012B | 2012C<br>G.O.<br>Refunding<br>Bonds,<br>Series 2022A | G.O. Bonds,<br>Series 2015A |
| \$ -   | \$ 1,047,000                             | \$ 773,034  | \$ 14,649                               | \$ 18,408                                   | \$ 23,137  | \$ 512,498                  |
| -  | 1,306                                    | 2,383   | -                                       | -   | -  | 678                         |
| -  | 6,457                                    | 11,780  | -                                       | -   | -  | 3,352                       |
| -  | -  | -   | 218,962                                 | 267,029                                     | -  | -                           |
| -  | 2,132                                    | 617   | 39                                      | 49  | 64   | 995                         |
| -  | -  | -   | -                                       | -   | 1,125,000  | -                           |
| <u>\$ -</u>  | <u>\$ 1,056,895</u>                      | <u>\$ 787,814</u>   | <u>\$ 233,650</u>                       | <u>\$ 285,486</u>                           | <u>\$ 1,148,201</u>                                  | <u>\$ 517,523</u>           |
|  |  |   |   |   |  |                             |
| \$ -   | \$ -                                     | \$ -  | \$ -                                    | \$ -  | \$ -   | \$ -                        |
| -  | 6,457                                    | 11,780  | -                                       | -   | -  | 3,352                       |
| -  | -  | -   | 218,962                                 | 267,029                                     | -  | -                           |
| -  | 6,457                                    | 11,780  | 218,962                                 | 267,029                                     | -  | 3,352                       |
| -  | 1,050,438                                | 776,034   | 14,688                                  | 18,457                                      | 1,148,201  | 514,171                     |
| <u>\$ -</u>  | <u>\$ 1,056,895</u>                      | <u>\$ 787,814</u>   | <u>\$ 233,650</u>                       | <u>\$ 285,486</u>                           | <u>\$ 1,148,201</u>                                  | <u>\$ 517,523</u>           |

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
DECEMBER 31, 2023**

|   | 2023  |  |  |                            |
|---|---|--|--|----------------------------|
|   | G.O. Street<br>Reconstruction<br>Bonds,<br>Series 2016C | G.O. Capital<br>Improvement<br>Refunding<br>Bonds,<br>Series 2011A | 2013B<br>G.O.<br>Refunding<br>Bonds,<br>Series 2022A | G.O. Bonds,<br>Series 2002 |
| <b>ASSETS</b>   |   |  |  |                            |
| Cash and Investments  | \$ 237,997  | \$ -   | \$ 939   | \$ 16                      |
| Taxes Receivable:   |   |  |  |                            |
| Current   | 459   | -  | -  | -                          |
| Delinquent  | 2,267   | -  | -  | -                          |
| Special Assessments Receivable:   |   |  |  |                            |
| Delinquent  | -   | -  | -  | 58,991                     |
| Accrued Interest Receivable   | 382   | -  | 3  | -                          |
| Advances to Other Funds   | -   | -  | -  | -                          |
|   |   |  |  |                            |
| Total Assets  | <u>\$ 241,105</u>                                       | <u>\$ -</u>  | <u>\$ 942</u>  | <u>\$ 59,007</u>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES (DEFICITS)</b> |   |  |  |                            |
| <b>LIABILITIES</b>  |   |  |  |                            |
| Accounts and Contracts Payable  | \$ 475  | \$ -   | \$ -   | \$ -                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |  |  |                            |
| Unavailable Taxes   | 2,267   | -  | -  | -                          |
| Unavailable Special Assessments   | -   | -  | -  | 58,991                     |
| Total Deferred Inflows of Resources   | <u>2,267</u>  | <u>-</u>   | <u>-</u>   | <u>58,991</u>              |
| <b>FUND BALANCES</b>  |   |  |  |                            |
| Restricted  | <u>238,363</u>  | <u>-</u>   | <u>942</u>   | <u>16</u>                  |
|   |   |  |  |                            |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances              | <u>\$ 241,105</u>                                       | <u>\$ -</u>  | <u>\$ 942</u>  | <u>\$ 59,007</u>           |

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
DECEMBER 31, 2023**

| 2023                        |                             |                             |  |                               |
|-----------------------------|-----------------------------|-----------------------------|--|-------------------------------|
| G.O. Bonds,<br>Series 2019B | G.O. Bonds,<br>Series 2005B | G.O. Bonds,<br>Series 2023A | G.O. Tax<br>Abatement and<br>Utility Refunding<br>Bonds,<br>Series 2023B | Total Debt<br>Service<br>Fund |
| \$ 689,589                  | \$ 61                       | \$ 68,423                   | \$ 152,522   | \$ 4,472,497                  |
| 1,236                       | -                           | -                           | -  | 8,564                         |
| 6,112                       | -                           | -                           | -  | 42,340                        |
| -                           | -                           | -                           | -  | 548,749                       |
| 1,229                       | -                           | 108                         | 69   | 6,963                         |
| -                           | -                           | -                           | -  | 1,125,000                     |
| <u>\$ 698,166</u>           | <u>\$ 61</u>                | <u>\$ 68,531</u>            | <u>\$ 152,591</u>  | <u>\$ 6,204,113</u>           |
|                             |                             |                             |  |                               |
| \$ 475                      | \$ -                        | \$ 198                      | \$ -   | \$ 1,503                      |
| 6,112                       | -                           | -                           | -  | 42,340                        |
| -                           | -                           | -                           | -  | 548,749                       |
| 6,112                       | -                           | -                           | -  | 591,089                       |
| <u>691,579</u>              | <u>61</u>                   | <u>68,333</u>               | <u>152,591</u>   | <u>5,611,521</u>              |
| <u>\$ 698,166</u>           | <u>\$ 61</u>                | <u>\$ 68,531</u>            | <u>\$ 152,591</u>  | <u>\$ 6,204,113</u>           |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUND – BY BOND ISSUE  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023                        |                             |                             |   |
|--|-----------------------------|-----------------------------|-----------------------------|---|
|  | G.O. Bonds,<br>Series 2020A | G.O. Bonds,<br>Series 2010C | G.O. Bonds,<br>Series 2013A | G.O. Tax<br>Abatement<br>Bonds,<br>Series 2016A |
| <b>REVENUES</b>                              |                             |                             |                             |   |
| General Property Taxes                       | \$ 449,792                  | \$ 1,659                    | \$ 350,625                  | \$ 88,542                                       |
| Special Assessments                          | -                           | -                           | 934                         | -   |
| Investment Earnings                          | 3,260                       | -                           | 4,277                       | 940   |
| Total Revenues                               | 453,052                     | 1,659                       | 355,836                     | 89,482  |
| <b>EXPENDITURES</b>                          |                             |                             |                             |   |
| Debt Service:                                |                             |                             |                             |   |
| Bonds and Loans:                             |                             |                             |                             |   |
| Principal                                    | 316,600                     | -                           | 365,000                     | 60,000  |
| Interest and Fiscal Charges                  | 103,485                     | -                           | 11,388                      | 24,388  |
| Total Expenditures                           | 420,085                     | -                           | 376,388                     | 84,388  |
| <b>REVENUE OVER (UNDER) EXPENDITURES</b>     | 32,967                      | 1,659                       | (20,552)                    | 5,094   |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                             |                             |                             |   |
| Transfer In                                  | -                           | -                           | -                           | -   |
| Transfer Out                                 | -                           | (1,659)                     | -                           | -   |
| Issuance of Bonds                            | -                           | -                           | -                           | -   |
| Total Other Financing Sources (Uses)         | -                           | (1,659)                     | -                           | -   |
| <b>NET CHANGE IN FUND BALANCES</b>           | 32,967                      | -                           | (20,552)                    | 5,094   |
| Fund Balances (Deficit) - Beginning of Year  | 410,796                     | -                           | 437,076                     | 72,266  |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b> | <u>\$ 443,763</u>           | <u>\$ -</u>                 | <u>\$ 416,524</u>           | <u>\$ 77,360</u>                                |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023   |  |   |   |   |  |                             |
|--|--|---|---|---|--|-----------------------------|
| G.O. Water<br>and Sewer<br>Revenue<br>Refunding Bonds,<br>Series 2019A | G.O. Refunding<br>Bonds,<br>Series 2019C | G.O Tax<br>Abatement<br>and Refunding<br>Bonds,<br>Series 2020B | G.O. Bonds,<br>Refunding<br>Series 1996 | G.O.<br>Refunding<br>Bonds,<br>Series 2012B | 2012C<br>G.O.<br>Refunding<br>Bonds,<br>Series 2022A | G.O. Bonds,<br>Series 2015A |
| \$ -   | \$ 463,959                               | \$ 846,459  | \$ -                                    | \$ 135                                      | \$ -   | \$ 240,832                  |
| -  | 348,000                                  | -   | -                                       | 175   | -  | -                           |
| -  | 14,834                                   | 3,916   | 266                                     | 332   | 476  | 6,579                       |
| -  | 826,793                                  | 850,375   | 266                                     | 642   | 476  | 247,411                     |
| 15,606   | 400,000                                  | 860,000   | -                                       | -   | 105,000  | 265,000                     |
| 1,260  | 89,581                                   | 39,075  | -                                       | -   | 33,060   | 60,618                      |
| 16,866   | 489,581                                  | 899,075   | -                                       | -   | 138,060  | 325,618                     |
| (16,866)   | 337,212                                  | (48,700)  | 266                                     | 642   | (137,584)  | (78,207)                    |
| 17,875   | -  | 11,768  | -                                       | -   | 31,725   | -                           |
| -  | -  | -   | -                                       | -   | -  | -                           |
| -  | -  | -   | -                                       | -   | -  | -                           |
| 17,875   | -  | 11,768  | -                                       | -   | 31,725   | -                           |
| 1,009  | 337,212                                  | (36,932)  | 266                                     | 642   | (105,859)  | (78,207)                    |
| (1,009)  | 713,226                                  | 812,966   | 14,422                                  | 17,815                                      | 1,254,060  | 592,378                     |
| \$ -   | \$ 1,050,438                             | \$ 776,034  | \$ 14,688                               | \$ 18,457                                   | \$ 1,148,201   | \$ 514,171                  |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023  |  |  |                            |
|--|---|--|--|----------------------------|
|  | G.O. Street<br>Reconstruction<br>Bonds,<br>Series 2016C | G.O. Capital<br>Improvement<br>Refunding<br>Bonds,<br>Series 2011A | 2013B<br>G.O.<br>Refunding<br>Bonds,<br>Series 2022A | G.O. Bonds,<br>Series 2002 |
| <b>REVENUES</b>                              |   |  |  |                            |
| General Property Taxes                       | \$ 162,917  | \$ 6,394   | \$ -   | \$ 16                      |
| Special Assessments                          | -   | -  | -  | -                          |
| Investment Earnings                          | 2,580   | -  | 20   | -                          |
| Total Revenues                               | 165,497   | 6,394  | 20   | 16                         |
| <b>EXPENDITURES</b>                          |   |  |  |                            |
| Debt Service:                                |   |  |  |                            |
| Bonds and Loans:                             |   |  |  |                            |
| Principal                                    | 160,000   | -  | 40,000   | -                          |
| Interest and Fiscal Charges                  | 41,638  | -  | 8,330  | -                          |
| Total Expenditures                           | 201,638   | -  | 48,330   | -                          |
| <b>REVENUE OVER (UNDER) EXPENDITURES</b>     | (36,141)  | 6,394  | (48,310)   | 16                         |
| <b>OTHER FINANCING SOURCES (USES)</b>        |   |  |  |                            |
| Transfer In                                  | -   | -  | 48,250   | -                          |
| Transfer Out                                 | -   | (6,394)  | -  | -                          |
| Issuance of Bonds                            | -   | -  | -  | -                          |
| Total Other Financing Sources (Uses)         | -   | (6,394)  | 48,250   | -                          |
| <b>NET CHANGE IN FUND BALANCES</b>           | (36,141)  | -  | (60)   | 16                         |
| Fund Balances (Deficit) - Beginning of Year  | 274,504   | -  | 1,002  | -                          |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b> | <u>\$ 238,363</u>                                       | <u>\$ -</u>  | <u>\$ 942</u>  | <u>\$ 16</u>               |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                        |                             |                             |  |                          |                               |
|-----------------------------|-----------------------------|-----------------------------|--|--------------------------|-------------------------------|
| G.O. Bonds,<br>Series 2019B | G.O. Bonds,<br>Series 2005B | G.O. Bonds,<br>Series 2023A | G.O. Tax<br>Abatement and<br>Utility Refunding<br>Bonds,<br>Series 2023B | Internal<br>Eliminations | Total Debt<br>Service<br>Fund |
| \$ 439,167                  | \$ -                        | \$ -                        | \$ -   | \$ -                     | \$ 3,050,497                  |
| -                           | -                           | -                           | -  | -                        | 349,109                       |
| 8,323                       | 61                          | 809                         | 519  | -                        | 47,192                        |
| 447,490                     | 61                          | 809                         | 519  | -                        | 3,446,798                     |
| 300,000                     | -                           | -                           | -  | -                        | 2,887,206                     |
| 218,500                     | -                           | 198                         | -  | -                        | 631,521                       |
| 518,500                     | -                           | 198                         | -  | -                        | 3,518,727                     |
| (71,010)                    | 61                          | 611                         | 519  | -                        | (71,929)                      |
| -                           | -                           | -                           | -  | (11,768)                 | 97,850                        |
| -                           | (3,715)                     | -                           | -  | 11,768                   | -                             |
| -                           | -                           | 67,722                      | 152,072  | -                        | 219,794                       |
| -                           | (3,715)                     | 67,722                      | 152,072  | -                        | 317,644                       |
| (71,010)                    | (3,654)                     | 68,333                      | 152,591  | -                        | 245,715                       |
| 762,589                     | 3,715                       | -                           | -  | -                        | 5,365,806                     |
| \$ 691,579                  | \$ 61                       | \$ 68,333                   | \$ 152,591   | \$ -                     | \$ 5,611,521                  |

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUND – BY PROJECT  
DECEMBER 31, 2023**

|   | 2023                   |                          |                          |                             |
|---|------------------------|--------------------------|--------------------------|-----------------------------|
|   | Pavement<br>Management | Ice Arena<br>Improvement | Downtown<br>Fire Station | Park Capital<br>Improvement |
| <b>ASSETS</b>   |                        |                          |                          |                             |
| Cash and Investments  | \$ 140,063             | \$ 767,738               | \$ 331,880               | \$ 157,182                  |
| Taxes Receivable:   |                        |                          |                          |                             |
| Current   | 1,122                  | -                        | -                        | -                           |
| Special Assessments Receivable:   |                        |                          |                          |                             |
| Noncurrent  | -                      | -                        | -                        | -                           |
| Accounts Receivable   | -                      | -                        | -                        | -                           |
| Due from Other Governments  | -                      | -                        | -                        | -                           |
| Accrued Interest Receivable   | 207                    | 2,056                    | 4,012                    | 443                         |
| Prepaid Items   | -                      | -                        | -                        | -                           |
|   | <u>-</u>               | <u>-</u>                 | <u>-</u>                 | <u>-</u>                    |
| Total Assets  | <u>\$ 141,392</u>      | <u>\$ 769,794</u>        | <u>\$ 335,892</u>        | <u>\$ 157,625</u>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES (DEFICITS)</b> |                        |                          |                          |                             |
| <b>LIABILITIES</b>  |                        |                          |                          |                             |
| Accounts and Contracts Payable  | \$ 42,531              | \$ -                     | \$ 83,923                | \$ -                        |
| Due to Other Governments  | -                      | -                        | -                        | -                           |
| Unearned Revenue  | -                      | -                        | -                        | -                           |
| Total Liabilities   | <u>42,531</u>          | <u>-</u>                 | <u>83,923</u>            | <u>-</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                        |                          |                          |                             |
| Unavailable Special Assessments   | -                      | -                        | -                        | -                           |
| Unavailable Grants and Other  | -                      | -                        | -                        | -                           |
| Total Deferred Inflows of Resources   | <u>-</u>               | <u>-</u>                 | <u>-</u>                 | <u>-</u>                    |
| <b>FUND BALANCES (DEFICITS)</b>   |                        |                          |                          |                             |
| Nonspendable  | -                      | -                        | -                        | -                           |
| Restricted  | 98,861                 | 769,794                  | -                        | 157,625                     |
| Assigned  | -                      | -                        | 251,969                  | -                           |
| Unassigned  | -                      | -                        | -                        | -                           |
| Total Fund Balances (Deficits)  | <u>98,861</u>          | <u>769,794</u>           | <u>251,969</u>           | <u>157,625</u>              |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances              | <u>\$ 141,392</u>      | <u>\$ 769,794</u>        | <u>\$ 335,892</u>        | <u>\$ 157,625</u>           |



**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUND – BY PROJECT (CONTINUED)  
DECEMBER 31, 2023**

| 2023                 |                                 |                           |                            |                            |                    |                            |
|----------------------|---------------------------------|---------------------------|----------------------------|----------------------------|--------------------|----------------------------|
| Capital<br>Equipment | Annual<br>Trail<br>Replacements | TH25 S.<br>Reconstruction | 2021 Street<br>Maintenance | Douglas Dr.<br>Improvement | SE Area<br>Phase 3 | 2020 Street<br>Maintenance |
| \$ 13,310            | \$ (6,728)                      | \$ 1,917,280              | \$ -                       | \$ -                       | \$ -               | \$ -                       |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| -                    | -                               | 10,904                    | -                          | -                          | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| -                    | -                               | 933,388                   | -                          | -                          | -                  | -                          |
| 1,115                | -                               | 8,983                     | -                          | -                          | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| <u>\$ 14,425</u>     | <u>\$ (6,728)</u>               | <u>\$ 2,870,555</u>       | <u>\$ -</u>                | <u>\$ -</u>                | <u>\$ -</u>        | <u>\$ -</u>                |
|                      |                                 |                           |                            |                            |                    |                            |
| \$ -                 | \$ -                            | \$ 581,910                | \$ -                       | \$ -                       | \$ -               | \$ -                       |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| -                    | -                               | 1,202                     | -                          | -                          | -                  | -                          |
| -                    | -                               | 583,112                   | -                          | -                          | -                  | -                          |
| -                    | -                               | 10,904                    | -                          | -                          | -                  | -                          |
| -                    | -                               | 699,044                   | -                          | -                          | -                  | -                          |
| -                    | -                               | 709,948                   | -                          | -                          | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| -                    | -                               | 1,577,495                 | -                          | -                          | -                  | -                          |
| 14,425               | -                               | -                         | -                          | -                          | -                  | -                          |
| -                    | (6,728)                         | -                         | -                          | -                          | -                  | -                          |
| <u>14,425</u>        | <u>(6,728)</u>                  | <u>1,577,495</u>          | <u>-</u>                   | <u>-</u>                   | <u>-</u>           | <u>-</u>                   |
| <u>\$ 14,425</u>     | <u>\$ (6,728)</u>               | <u>\$ 2,870,555</u>       | <u>\$ -</u>                | <u>\$ -</u>                | <u>\$ -</u>        | <u>\$ -</u>                |

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUND – BY PROJECT (CONTINUED)  
DECEMBER 31, 2023**

|   | 2023                     |   |                         |                           |
|---|--------------------------|---|-------------------------|---------------------------|
|   | Dague Ave.<br>Roundabout | Dague Ave. &<br>30th St. NE<br>Reconstruction | Bentfield<br>Renovation | Baker Ave.<br>Improvement |
| <b>ASSETS</b>   |                          |   |                         |                           |
| Cash and Investments  | \$ (86,801)              | \$ (418,659)                                  | \$ (34,406)             | \$ (19,390)               |
| Taxes Receivable:   |                          |   |                         |                           |
| Current   | -                        | -   | -                       | -                         |
| Special Assessments Receivable:   |                          |   |                         |                           |
| Noncurrent  | -                        | 260,000                                       | -                       | -                         |
| Accounts Receivable   | -                        | 112,032                                       | -                       | -                         |
| Due from Other Governments  | 27,194                   | 54,100  | -                       | -                         |
| Accrued Interest Receivable   | -                        | -   | -                       | -                         |
| Prepaid Items   | -                        | -   | -                       | -                         |
|   | <u>-</u>                 | <u>-</u>                                      | <u>-</u>                | <u>-</u>                  |
| Total Assets  | <u>\$ (59,607)</u>       | <u>\$ 7,473</u>                               | <u>\$ (34,406)</u>      | <u>\$ (19,390)</u>        |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES (DEFICITS)</b> |                          |   |                         |                           |
| <b>LIABILITIES</b>  |                          |   |                         |                           |
| Accounts and Contracts Payable  | \$ 90                    | \$ 55,011                                     | \$ -                    | \$ -                      |
| Due to Other Governments  | -                        | -   | -                       | 6,233                     |
| Unearned Revenue  | -                        | -   | -                       | -                         |
| Total Liabilities   | <u>90</u>                | <u>55,011</u>                                 | <u>-</u>                | <u>6,233</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                          |   |                         |                           |
| Unavailable Special Assessments   | -                        | 260,000                                       | -                       | -                         |
| Unavailable Grants and Other  | <u>27,194</u>            | <u>166,132</u>                                | <u>-</u>                | <u>-</u>                  |
| Total Deferred Inflows of Resources   | <u>27,194</u>            | <u>426,132</u>                                | <u>-</u>                | <u>-</u>                  |
| <b>FUND BALANCES (DEFICITS)</b>   |                          |   |                         |                           |
| Nonspendable  | -                        | -   | -                       | -                         |
| Restricted  | -                        | -   | -                       | -                         |
| Assigned  | -                        | -   | -                       | -                         |
| Unassigned  | <u>(86,891)</u>          | <u>(473,670)</u>                              | <u>(34,406)</u>         | <u>(25,623)</u>           |
| Total Fund Balances (Deficits)  | <u>(86,891)</u>          | <u>(473,670)</u>                              | <u>(34,406)</u>         | <u>(25,623)</u>           |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances              | <u>\$ (59,607)</u>       | <u>\$ 7,473</u>                               | <u>\$ (34,406)</u>      | <u>\$ (19,390)</u>        |

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUND – BY PROJECT (CONTINUED)  
DECEMBER 31, 2023**

| 2023                   |                             |                               |                                  |
|------------------------|-----------------------------|-------------------------------|----------------------------------|
| Fire Training<br>Tower | Police Capital<br>Equipment | Fiber Capital<br>Improvements | Total Capital<br>Project<br>Fund |
| \$ (113,708)           | \$ 707,709                  | \$ 2,815,033                  | \$ 6,170,503                     |
| -                      | -                           | -                             | 1,122                            |
| -                      | -                           | -                             | 270,904                          |
| -                      | -                           | -                             | 112,032                          |
| -                      | -                           | -                             | 1,014,682                        |
| -                      | -                           | 1,271                         | 18,087                           |
| -                      | 8,997                       | -                             | 8,997                            |
| <u>\$ (113,708)</u>    | <u>\$ 716,706</u>           | <u>\$ 2,816,304</u>           | <u>\$ 7,596,327</u>              |
|                        |                             |                               |                                  |
| \$ -                   | \$ -                        | \$ -                          | \$ 763,465                       |
| -                      | -                           | -                             | 6,233                            |
| -                      | -                           | -                             | 1,202                            |
| -                      | -                           | -                             | 770,900                          |
| -                      | -                           | -                             | 270,904                          |
| -                      | -                           | -                             | 892,370                          |
| -                      | -                           | -                             | 1,163,274                        |
| -                      | 8,997                       | -                             | 8,997                            |
| -                      | 707,709                     | 2,816,304                     | 6,127,788                        |
| -                      | -                           | -                             | 266,394                          |
| (113,708)              | -                           | -                             | (741,026)                        |
| <u>(113,708)</u>       | <u>716,706</u>              | <u>2,816,304</u>              | <u>5,662,153</u>                 |
| <u>\$ (113,708)</u>    | <u>\$ 716,706</u>           | <u>\$ 2,816,304</u>           | <u>\$ 7,596,327</u>              |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUND – BY PROJECT  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023                   |                          |                          |                             |
|--|------------------------|--------------------------|--------------------------|-----------------------------|
|  | Pavement<br>Management | Ice Arena<br>Improvement | Downtown<br>Fire Station | Park Capital<br>Improvement |
| <b>REVENUES</b>                              |                        |                          |                          |                             |
| General Property Taxes                       | \$ 399,928             | \$ -                     | \$ -                     | \$ -                        |
| Intergovernmental                            | 164,345                | -                        | -                        | -                           |
| Special Assessments                          | -                      | -                        | -                        | -                           |
| Charges for Services                         | -                      | -                        | -                        | -                           |
| Investment Earnings                          | 1,556                  | 13,937                   | 31,647                   | 3,012                       |
| Refunds and Reimbursements                   | -                      | -                        | -                        | -                           |
| Miscellaneous                                | 17,890                 | -                        | -                        | -                           |
| Total Revenues                               | 583,719                | 13,937                   | 31,647                   | 3,012                       |
| <b>EXPENDITURES</b>                          |                        |                          |                          |                             |
| Capital Outlay:                              |                        |                          |                          |                             |
| Public Safety                                | -                      | -                        | -                        | -                           |
| Public Works                                 | 816,553                | -                        | 27,242                   | -                           |
| Culture and Recreation                       | -                      | -                        | -                        | -                           |
| Debt Service:                                |                        |                          |                          |                             |
| Bonds and Loans:                             |                        |                          |                          |                             |
| Interest and Fiscal Charges                  | -                      | -                        | -                        | -                           |
| Total Expenditures                           | 816,553                | -                        | 27,242                   | -                           |
| <b>REVENUE OVER (UNDER) EXPENDITURES</b>     | (232,834)              | 13,937                   | 4,405                    | 3,012                       |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                        |                          |                          |                             |
| Transfer In                                  | 466,442                | -                        | -                        | -                           |
| Transfer Out                                 | (61,103)               | -                        | -                        | (8,895)                     |
| Issuance of Bonds                            | -                      | -                        | -                        | -                           |
| Bond Premium                                 | -                      | -                        | -                        | -                           |
| Total Other Financing Sources (Uses)         | 405,339                | -                        | -                        | (8,895)                     |
| <b>NET CHANGE IN FUND BALANCES</b>           | 172,505                | 13,937                   | 4,405                    | (5,883)                     |
| Fund Balances (Deficit) - Beginning of Year  | (73,644)               | 755,857                  | 247,564                  | 163,508                     |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b> | <u>\$ 98,861</u>       | <u>\$ 769,794</u>        | <u>\$ 251,969</u>        | <u>\$ 157,625</u>           |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUND – BY PROJECT (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                 |                                 |                           |                            |                            |                    |                            |
|----------------------|---------------------------------|---------------------------|----------------------------|----------------------------|--------------------|----------------------------|
| Capital<br>Equipment | Annual<br>Trail<br>Replacements | TH25 S.<br>Reconstruction | 2021 Street<br>Maintenance | Douglas Dr.<br>Improvement | SE Area<br>Phase 3 | 2020 Street<br>Maintenance |
| \$ -                 | \$ -                            | \$ -                      | \$ -                       | \$ -                       | \$ -               | \$ -                       |
| -                    | -                               | 6,177,722                 | -                          | -                          | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| 9,523                | -                               | 72,139                    | -                          | -                          | -                  | -                          |
| -                    | -                               | 6,642                     | -                          | -                          | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | -                  | -                          |
| 9,523                | -                               | 6,256,503                 | -                          | -                          | -                  | -                          |
| 61,973               | -                               | -                         | -                          | -                          | -                  | -                          |
| 321,669              | -                               | 5,515,283                 | -                          | 400                        | -                  | -                          |
| 130,590              | -                               | -                         | -                          | -                          | -                  | -                          |
| 11,127               | -                               | 47,167                    | -                          | -                          | -                  | -                          |
| 525,359              | -                               | 5,562,450                 | -                          | 400                        | -                  | -                          |
| (515,836)            | -                               | 694,053                   | -                          | (400)                      | -                  | -                          |
| -                    | -                               | -                         | 42,232                     | 18,870                     | -                  | -                          |
| -                    | -                               | -                         | -                          | -                          | (85,210)           | (25,999)                   |
| 461,014              | -                               | 1,871,264                 | -                          | -                          | -                  | -                          |
| 52,099               | -                               | 176,962                   | -                          | -                          | -                  | -                          |
| 513,113              | -                               | 2,048,226                 | 42,232                     | 18,870                     | (85,210)           | (25,999)                   |
| (2,723)              | -                               | 2,742,279                 | 42,232                     | 18,470                     | (85,210)           | (25,999)                   |
| 17,148               | (6,728)                         | (1,164,784)               | (42,232)                   | (18,470)                   | 85,210             | 25,999                     |
| \$ 14,425            | \$ (6,728)                      | \$ 1,577,495              | \$ -                       | \$ -                       | \$ -               | \$ -                       |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUND – BY PROJECT (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023                     |   |                         |                           |
|--|--------------------------|---|-------------------------|---------------------------|
|  | Dague Ave.<br>Roundabout | Dague Ave. &<br>30th St. NE<br>Reconstruction | Bentfield<br>Renovation | Baker Ave.<br>Improvement |
| <b>REVENUES</b>                              |                          |   |                         |                           |
| General Property Taxes                       | \$ -                     | \$ -  | \$ -                    | \$ -                      |
| Intergovernmental                            | -                        | -   | -                       | -                         |
| Special Assessments                          | -                        | 23,158  | -                       | -                         |
| Charges for Services                         | -                        | 90,278  | -                       | -                         |
| Investment Earnings                          | -                        | -   | -                       | -                         |
| Refunds and Reimbursements                   | 951                      | 3,000   | -                       | -                         |
| Miscellaneous                                | -                        | -   | -                       | -                         |
| Total Revenues                               | 951                      | 116,436                                       | -                       | -                         |
| <b>EXPENDITURES</b>                          |                          |   |                         |                           |
| Capital Outlay:                              |                          |   |                         |                           |
| Public Safety                                | -                        | -   | -                       | -                         |
| Public Works                                 | 2,083                    | 71,541  | -                       | 6,233                     |
| Culture and Recreation                       | -                        | -   | -                       | -                         |
| Debt Service:                                |                          |   |                         |                           |
| Bonds and Loans:                             |                          |   |                         |                           |
| Interest and Fiscal Charges                  | -                        | -   | -                       | -                         |
| Total Expenditures                           | 2,083                    | 71,541  | -                       | 6,233                     |
| <b>REVENUE OVER (UNDER) EXPENDITURES</b>     | (1,132)                  | 44,895  | -                       | (6,233)                   |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                          |   |                         |                           |
| Transfer In                                  | -                        | 313,416                                       | -                       | -                         |
| Transfer Out                                 | -                        | -   | -                       | -                         |
| Issuance of Bonds                            | -                        | -   | -                       | -                         |
| Bond Premium                                 | -                        | -   | -                       | -                         |
| Total Other Financing Sources (Uses)         | -                        | 313,416                                       | -                       | -                         |
| <b>NET CHANGE IN FUND BALANCES</b>           | (1,132)                  | 358,311                                       | -                       | (6,233)                   |
| Fund Balances (Deficit) - Beginning of Year  | (85,759)                 | (831,981)                                     | (34,406)                | (19,390)                  |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b> | <u>\$ (86,891)</u>       | <u>\$ (473,670)</u>                           | <u>\$ (34,406)</u>      | <u>\$ (25,623)</u>        |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUND – BY PROJECT (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| 2023                   |                             |                               |                          |                                  |
|------------------------|-----------------------------|-------------------------------|--------------------------|----------------------------------|
| Fire Training<br>Tower | Police Capital<br>Equipment | Fiber Capital<br>Improvements | Internal<br>Eliminations | Total Capital<br>Project<br>Fund |
| \$ -                   | \$ -                        | \$ -                          | \$ -                     | \$ 399,928                       |
| -                      | 716,706                     | -                             | -                        | 7,058,773                        |
| -                      | -                           | -                             | -                        | 23,158                           |
| -                      | -                           | -                             | -                        | 90,278                           |
| -                      | -                           | 26,961                        | -                        | 158,775                          |
| -                      | -                           | -                             | -                        | 10,593                           |
| -                      | -                           | -                             | -                        | 17,890                           |
| -                      | 716,706                     | 26,961                        | -                        | 7,759,395                        |
| -                      | -                           | -                             | -                        | 61,973                           |
| -                      | -                           | -                             | -                        | 6,761,004                        |
| -                      | -                           | -                             | -                        | 130,590                          |
| -                      | -                           | 60,025                        | -                        | 118,319                          |
| -                      | -                           | 60,025                        | -                        | 7,071,886                        |
| -                      | 716,706                     | (33,064)                      | -                        | 687,509                          |
| -                      | -                           | -                             | (181,207)                | 659,753                          |
| -                      | -                           | -                             | 181,207                  | -                                |
| -                      | -                           | 2,757,928                     | -                        | 5,090,206                        |
| -                      | -                           | 91,440                        | -                        | 320,501                          |
| -                      | -                           | 2,849,368                     | -                        | 6,070,460                        |
| -                      | 716,706                     | 2,816,304                     | -                        | 6,757,969                        |
| (113,708)              | -                           | -                             | -                        | (1,095,816)                      |
| <u>\$ (113,708)</u>    | <u>\$ 716,706</u>           | <u>\$ 2,816,304</u>           | <u>\$ -</u>              | <u>\$ 5,662,153</u>              |

**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
HRA OF BUFFALO FUND – BY TIF DISTRICT  
DECEMBER 31, 2023**

|   | 2023                   |                    |                                |                                |
|---|------------------------|--------------------|--------------------------------|--------------------------------|
|   | HRA<br>General<br>Fund | TIF #20<br>Willows | TIF #25<br>Settlers<br>Commons | TIF #21<br>Pfeifer<br>Property |
| <b>ASSETS</b>   |                        |                    |                                |                                |
| Cash and Investments  | \$ 409,929             | \$ -               | \$ 20,039                      | \$ -                           |
| Taxes Receivable:   |                        |                    |                                |                                |
| Current   | 805                    | -                  | -                              | -                              |
| Delinquent  | 4,626                  | -                  | -                              | -                              |
| Accounts Receivable   | 4,686                  | -                  | -                              | -                              |
| Accrued Interest Receivable   | 1,513                  | -                  | -                              | -                              |
| Due From Other Funds  | 18,394                 | -                  | -                              | -                              |
| Loans Receivable, Net of Allowance  | 252,841                | -                  | -                              | -                              |
| Land Held for Resale  | 214,400                | -                  | -                              | -                              |
|   | <u>          </u>      | <u>          </u>  | <u>          </u>              | <u>          </u>              |
| Total Assets  | <u>\$ 907,194</u>      | <u>\$ -</u>        | <u>\$ 20,039</u>               | <u>\$ -</u>                    |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES (DEFICITS)</b> |                        |                    |                                |                                |
| <b>LIABILITIES</b>  |                        |                    |                                |                                |
| Accounts and Contracts Payable  | \$ 35,613              | \$ -               | \$ -                           | \$ -                           |
| Due to Other Funds  | -                      | -                  | -                              | 7,585                          |
| Escrow Deposits   | -                      | -                  | -                              | -                              |
| Total Liabilities   | <u>35,613</u>          | <u>-</u>           | <u>-</u>                       | <u>7,585</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                        |                    |                                |                                |
| Unavailable Taxes   | 4,626                  | -                  | -                              | -                              |
| Unavailable Loans and Interest Receivables  | 252,841                | -                  | -                              | -                              |
| Total Deferred Inflows of Resources   | <u>257,467</u>         | <u>-</u>           | <u>-</u>                       | <u>-</u>                       |
| <b>FUND BALANCES (DEFICITS)</b>   |                        |                    |                                |                                |
| Restricted  | 86,952                 | -                  | -                              | -                              |
| Committed   | 527,162                | -                  | 20,039                         | (7,585)                        |
| Total Fund Balances (Deficits)  | <u>614,114</u>         | <u>-</u>           | <u>20,039</u>                  | <u>(7,585)</u>                 |
|   | <u>          </u>      | <u>          </u>  | <u>          </u>              | <u>          </u>              |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances              | <u>\$ 907,194</u>      | <u>\$ -</u>        | <u>\$ 20,039</u>               | <u>\$ -</u>                    |



**CITY OF BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
HRA OF BUFFALO FUND – BY TIF DISTRICT (CONTINUED)  
DECEMBER 31, 2023**

| 2023                        |                   |                        |                                |                             |                   |                                 |
|-----------------------------|-------------------|------------------------|--------------------------------|-----------------------------|-------------------|---------------------------------|
| TIF #14<br>Village<br>Place | TIF #15<br>Logerg | TIF #22<br>Whirltronic | TIF #23<br>Havenwood/<br>Roers | TIF #24<br>1st Ave<br>Lofts | Eliminations      | Total HRA<br>of Buffalo<br>Fund |
| \$ 11,520                   | \$ -              | \$ 5,178               | \$ -                           | \$ 4,291                    | \$ -              | \$ 450,957                      |
| -                           | -                 | -                      | -                              | -                           | -                 | 805                             |
| -                           | -                 | -                      | -                              | -                           | -                 | 4,626                           |
| -                           | -                 | -                      | -                              | -                           | -                 | 4,686                           |
| -                           | -                 | -                      | -                              | -                           | -                 | 1,513                           |
| -                           | -                 | -                      | -                              | -                           | (7,585)           | 10,809                          |
| -                           | -                 | -                      | -                              | -                           | -                 | 252,841                         |
| -                           | -                 | -                      | -                              | -                           | -                 | 214,400                         |
| <u>\$ 11,520</u>            | <u>\$ -</u>       | <u>\$ 5,178</u>        | <u>\$ -</u>                    | <u>\$ 4,291</u>             | <u>\$ (7,585)</u> | <u>\$ 940,637</u>               |
|                             |                   |                        |                                |                             |                   |                                 |
| \$ -                        | \$ -              | \$ -                   | \$ -                           | \$ -                        | \$ -              | \$ 35,613                       |
| -                           | -                 | -                      | -                              | -                           | (7,585)           | -                               |
| 3,571                       | -                 | -                      | -                              | -                           | -                 | 3,571                           |
| 3,571                       | -                 | -                      | -                              | -                           | (7,585)           | 39,184                          |
|                             |                   |                        |                                |                             |                   |                                 |
| -                           | -                 | -                      | -                              | -                           | -                 | 4,626                           |
| -                           | -                 | -                      | -                              | -                           | -                 | 252,841                         |
| -                           | -                 | -                      | -                              | -                           | -                 | 257,467                         |
|                             |                   |                        |                                |                             |                   |                                 |
| -                           | -                 | -                      | -                              | -                           | -                 | 86,952                          |
| 7,949                       | -                 | 5,178                  | -                              | 4,291                       | -                 | 557,034                         |
| 7,949                       | -                 | 5,178                  | -                              | 4,291                       | -                 | 643,986                         |
|                             |                   |                        |                                |                             |                   |                                 |
| <u>\$ 11,520</u>            | <u>\$ -</u>       | <u>\$ 5,178</u>        | <u>\$ -</u>                    | <u>\$ 4,291</u>             | <u>\$ (7,585)</u> | <u>\$ 940,637</u>               |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
HRA OF BUFFALO FUND – BY TIF DISTRICT  
YEAR ENDED DECEMBER 31, 2023**

|  | 2023                   |                    |                                |                                |
|--|------------------------|--------------------|--------------------------------|--------------------------------|
|  | HRA<br>General<br>Fund | TIF #20<br>Willows | TIF #25<br>Settlers<br>Commons | TIF #21<br>Pfeifer<br>Property |
| <b>REVENUES</b>                              |                        |                    |                                |                                |
| General Property Taxes                       | \$ 346,562             | \$ -               | \$ -                           | \$ -                           |
| Tax Increments                               | -                      | 19,367             | -                              | 5,969                          |
| Intergovernmental                            | 276,349                | -                  | -                              | -                              |
| Charges for Services                         | 19,392                 | -                  | -                              | -                              |
| Investment Earnings                          | 7,142                  | -                  | -                              | -                              |
| Refunds and Reimbursements                   | 2,416                  | -                  | 23,050                         | -                              |
| Miscellaneous                                | 84                     | -                  | -                              | -                              |
| Total Revenues                               | 651,945                | 19,367             | 23,050                         | 5,969                          |
| <b>EXPENDITURES</b>                          |                        |                    |                                |                                |
| Current:                                     |                        |                    |                                |                                |
| Community Development                        | 321,472                | 19,367             | 4,406                          | 5,872                          |
| Capital Outlay:                              |                        |                    |                                |                                |
| Community Development                        | 110,009                | -                  | -                              | -                              |
| Total Expenditures                           | 431,481                | 19,367             | 4,406                          | 5,872                          |
| <b>REVENUE OVER (UNDER) EXPENDITURES</b>     | 220,464                | -                  | 18,644                         | 97                             |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                        |                    |                                |                                |
| Transfer In                                  | -                      | -                  | 9,395                          | 1,807                          |
| Transfer Out                                 | (202,297)              | (27,150)           | -                              | -                              |
| Total Other Financing Sources (Uses)         | (202,297)              | (27,150)           | 9,395                          | 1,807                          |
| <b>NET CHANGE IN FUND BALANCES</b>           | 18,167                 | (27,150)           | 28,039                         | 1,904                          |
| Fund Balances (Deficit) - Beginning of Year  | 595,947                | 27,150             | (8,000)                        | (9,489)                        |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b> | <u>\$ 614,114</u>      | <u>\$ -</u>        | <u>\$ 20,039</u>               | <u>\$ (7,585)</u>              |

**CITY OF BUFFALO, MINNESOTA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
HRA OF BUFFALO FUND – BY TIF DISTRICT  
YEAR ENDED DECEMBER 31, 2023**

| 2023                        |                   |                         |                                |                             |              |                                 |
|-----------------------------|-------------------|-------------------------|--------------------------------|-----------------------------|--------------|---------------------------------|
| TIF #14<br>Village<br>Place | TIF #15<br>Logerg | TIF #22<br>Whirltronics | TIF #23<br>Havenwood/<br>Roers | TIF #24<br>1st Ave<br>Lofts | Eliminations | Total HRA<br>of Buffalo<br>Fund |
| \$ -                        | \$ -              | \$ -                    | \$ -                           | \$ -                        | \$ -         | \$ 346,562                      |
| 56,752                      | -                 | 54,964                  | -                              | 67,104                      | -            | 204,156                         |
| -                           | -                 | -                       | -                              | -                           | -            | 276,349                         |
| -                           | -                 | -                       | -                              | -                           | -            | 19,392                          |
| -                           | -                 | -                       | -                              | -                           | -            | 7,142                           |
| -                           | -                 | -                       | -                              | -                           | -            | 25,466                          |
| -                           | -                 | -                       | -                              | -                           | -            | 84                              |
| 56,752                      | -                 | 54,964                  | -                              | 67,104                      | -            | 879,151                         |
| 55,010                      | -                 | 49,967                  | -                              | 61,849                      | -            | 517,943                         |
| -                           | -                 | -                       | -                              | -                           | -            | 110,009                         |
| 55,010                      | -                 | 49,967                  | -                              | 61,849                      | -            | 627,952                         |
| 1,742                       | -                 | 4,997                   | -                              | 5,255                       | -            | 251,199                         |
| -                           | -                 | -                       | 8,362                          | 9,394                       | (28,958)     | -                               |
| -                           | (1,808)           | -                       | -                              | -                           | 28,958       | (202,297)                       |
| -                           | (1,808)           | -                       | 8,362                          | 9,394                       | -            | (202,297)                       |
| 1,742                       | (1,808)           | 4,997                   | 8,362                          | 14,649                      | -            | 48,902                          |
| 6,207                       | 1,808             | 181                     | (8,362)                        | (10,358)                    | -            | 595,084                         |
| \$ 7,949                    | \$ -              | \$ 5,178                | \$ -                           | \$ 4,291                    | \$ -         | \$ 643,986                      |

## **STATISTICAL SECTION**

## **STATISTICAL SECTION**

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

### **Financial Trends – Pages 147-152**

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time.

### **Revenue Capacity – Pages 153-158**

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).

### **Debt Capacity – Pages 159-164**

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

### **Demographic and Economic Information – Pages 165-167**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### **Operating Information – Pages 168-169**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**CITY OF BUFFALO, MINNESOTA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
| <b>Governmental Activities</b>              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net Investment in Capital Assets            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Restricted                                  | \$ 33,343,229        | \$ 35,513,483        | \$ 28,396,065        | \$ 27,743,024        | \$ 30,006,342        | \$ 26,852,763        | \$ 28,720,904        | \$ 32,405,054        | \$ 37,828,804        | \$ 44,143,859        |
| Unrestricted                                | 7,348,168            | 9,540,087            | 9,583,475            | 7,152,683            | 7,156,148            | 3,969,324            | 6,415,845            | 7,872,803            | 6,437,317            | 7,944,776            |
|   | (3,908,301)          | (7,724,971)          | (3,652,914)          | (1,602,550)          | (3,996,045)          | 3,251,794            | 1,130,170            | 1,034,440            | (581,475)            | 2,175,375            |
| Total Governmental Activities Net Position  | <u>\$ 36,783,096</u> | <u>\$ 37,328,599</u> | <u>\$ 34,326,626</u> | <u>\$ 33,293,157</u> | <u>\$ 33,166,445</u> | <u>\$ 34,073,881</u> | <u>\$ 36,266,919</u> | <u>\$ 41,312,297</u> | <u>\$ 43,684,646</u> | <u>\$ 54,264,010</u> |
| <b>Business-Type Activities</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net Investment in Capital Assets            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Unrestricted                                | \$ 12,651,454        | \$ 13,257,732        | \$ 14,764,051        | \$ 17,179,822        | \$ 13,849,617        | \$ 18,443,346        | \$ 21,274,431        | \$ 24,169,329        | \$ 30,349,338        | \$ 33,876,029        |
|   | 1,285,988            | (1,669,718)          | (1,555,450)          | (3,638,477)          | 2,052,970            | 1,500,117            | 3,642,422            | 6,390,825            | 7,685,742            | 10,558,795           |
| Total Business-Type Activities Net Position | <u>\$ 13,937,442</u> | <u>\$ 11,588,014</u> | <u>\$ 13,208,601</u> | <u>\$ 13,541,345</u> | <u>\$ 15,902,587</u> | <u>\$ 19,943,463</u> | <u>\$ 24,916,853</u> | <u>\$ 30,560,154</u> | <u>\$ 38,035,080</u> | <u>\$ 44,434,824</u> |
| <b>Primary Government</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net Investment in Capital Assets            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Restricted                                  | \$ 45,994,683        | \$ 48,771,215        | \$ 43,160,116        | \$ 44,922,846        | \$ 43,855,959        | \$ 45,296,109        | \$ 49,995,335        | \$ 56,574,383        | \$ 68,178,142        | \$ 78,019,888        |
| Unrestricted                                | 7,348,168            | 9,540,087            | 9,583,475            | 7,152,683            | 7,156,148            | 3,969,324            | 6,415,845            | 7,872,803            | 6,437,317            | 7,944,776            |
|   | (2,622,313)          | (9,394,689)          | (5,208,364)          | (5,241,027)          | (1,943,075)          | 4,751,911            | 4,772,592            | 7,425,265            | 7,104,267            | 12,734,170           |
| Total Primary Government Net Position       | <u>\$ 50,720,538</u> | <u>\$ 48,916,613</u> | <u>\$ 47,535,227</u> | <u>\$ 46,834,502</u> | <u>\$ 49,069,032</u> | <u>\$ 54,017,344</u> | <u>\$ 61,183,772</u> | <u>\$ 71,872,451</u> | <u>\$ 81,719,726</u> | <u>\$ 98,698,834</u> |

# CITY OF BUFFALO, MINNESOTA

## CHANGES IN NET POSITION BY COMPONENT

### LAST TEN FISCAL YEARS

|   | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          |
| <b>Expenses:</b>                        |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities:                |               |               |               |               |               |               |               |               |               |               |
| General Government                      | \$ 1,533,487  | \$ 1,125,873  | \$ 1,151,021  | \$ 1,291,084  | \$ 1,534,471  | \$ 2,062,016  | \$ 1,849,830  | \$ 2,015,409  | \$ 2,240,135  | \$ 2,083,945  |
| Public Safety                           | 2,952,940     | 3,123,618     | 2,961,898     | 3,698,554     | 3,681,813     | 3,799,258     | 5,691,705     | 4,985,280     | 5,910,279     | 6,578,892     |
| Highways and Streets                    | 4,676,084     | 6,139,374     | 6,514,018     | 4,142,942     | 4,133,639     | 4,292,886     | 4,249,987     | 4,025,170     | 4,271,957     | 4,826,615     |
| Sanitation                              | 758,092       | 781,798       | 761,236       | 882,131       | 912,767       | 930,813       | 945,299       | 990,076       | 1,113,625     | 1,150,918     |
| Culture and Recreation                  | 2,604,422     | 2,961,901     | 2,848,075     | 3,038,166     | 2,993,193     | 3,097,006     | 3,277,492     | 3,252,781     | 3,656,654     | 4,354,913     |
| Community Development                   | 161,506       | 196,414       | 146,380       | 605,787       | 291,164       | 173,874       | 661,033       | 204,050       | 519,705       | 517,943       |
| Interest on Long-Term Debt              | 675,889       | 737,836       | 488,283       | 756,520       | 701,076       | 1,061,980     | 928,355       | 456,266       | 510,865       | 653,288       |
| Total Governmental Activities Expenses  | 13,362,420    | 15,068,814    | 14,870,911    | 14,415,184    | 14,248,123    | 15,417,833    | 17,603,701    | 15,929,032    | 18,223,220    | 20,165,514    |
| Business-Type Activities:               |               |               |               |               |               |               |               |               |               |               |
| Electric                                | 11,371,393    | 11,525,954    | 12,130,203    | 12,387,553    | 13,379,943    | 13,340,725    | 13,493,745    | 14,946,495    | 16,731,752    | 17,470,951    |
| Water                                   | 2,864,191     | 2,718,563     | 2,717,375     | 2,742,449     | 2,858,491     | 2,704,783     | 3,330,399     | 3,240,860     | 3,119,414     | 3,324,046     |
| Sewer                                   | 4,472,785     | 4,090,073     | 3,776,268     | 4,300,615     | 4,381,615     | 4,266,795     | 4,402,631     | 4,279,897     | 4,209,360     | 4,720,679     |
| Liquor                                  | 4,137,544     | 4,493,031     | 4,595,069     | 4,694,375     | 4,830,726     | 4,992,017     | 6,216,700     | 6,253,792     | 6,534,322     | 6,522,771     |
| Golf Course                             | 1,139,642     | 1,203,375     | 858,249       | 983,798       | 970,695       | 1,980,357     | 1,477,938     | 1,208,759     | 282,543       | -             |
| Total Business-Type Activities Expenses | 23,985,555    | 24,030,996    | 24,077,164    | 25,108,790    | 26,421,470    | 27,284,677    | 28,921,413    | 29,929,803    | 30,877,391    | 32,038,447    |
| Total Primary Government Expenses       | \$ 37,347,975 | \$ 39,099,810 | \$ 38,948,075 | \$ 39,523,974 | \$ 40,669,593 | \$ 42,702,510 | \$ 46,525,114 | \$ 45,858,835 | \$ 49,100,611 | \$ 52,203,961 |
| <b>Program Revenues:</b>                |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities:                |               |               |               |               |               |               |               |               |               |               |
| Charges for Services:                   |               |               |               |               |               |               |               |               |               |               |
| General Government                      | \$ 897,932    | \$ 1,160,401  | \$ 981,992    | \$ 987,760    | \$ 1,042,374  | \$ 1,560,261  | \$ 1,047,702  | \$ 1,130,179  | \$ 1,012,017  | \$ 1,600,777  |
| Public Safety                           | 691,320       | 689,598       | 701,239       | 726,723       | 708,271       | 752,111       | 1,533,403     | 1,837,408     | 1,901,771     | 2,061,411     |
| Highways and Streets                    | 2,722         | 5,815         | 27,954        | 122,239       | 5,534         | 34,002        | 8,741         | 895,129       | 179,659       | 292,281       |
| Sanitation                              | 876,341       | 895,712       | 912,988       | 939,105       | 952,871       | 962,600       | 978,536       | 1,052,378     | 1,136,321     | 1,270,428     |
| Culture and Recreation                  | 905,078       | 924,473       | 867,766       | 919,619       | 1,114,543     | 1,000,931     | 891,895       | 1,267,088     | 1,335,384     | 1,228,038     |
| Community Development                   | 45,237        | 58,158        | 26,720        | 160,000       | 178,211       | 155,587       | 164,727       | -             | 36,592        | 259,977       |
| Interest on Long-Term Debt              | -             | -             | 60,403        | 79,919        | 78,050        | 63,683        | -             | -             | -             | -             |
| Operating Grants and Contributions      | 526,392       | 536,123       | 633,031       | 645,969       | 654,612       | 1,043,447     | 1,914,315     | 398,819       | 2,232,408     | 1,715,530     |
| Capital Grants and Contributions        | 2,074,658     | 6,660,393     | 1,019,331     | 57,615        | 74,189        | 370,556       | 2,323,299     | 3,075,459     | 2,768,137     | 8,463,229     |
| Total Governmental Activities           | 6,019,680     | 10,930,673    | 5,231,424     | 4,638,949     | 4,808,655     | 5,943,178     | 8,862,618     | 9,656,460     | 10,602,289    | 16,891,671    |
| Business-Type Activities:               |               |               |               |               |               |               |               |               |               |               |
| Charges for Services:                   |               |               |               |               |               |               |               |               |               |               |
| Electric                                | 12,791,402    | 12,668,784    | 13,859,778    | 14,165,721    | 15,145,456    | 14,864,350    | 15,407,792    | 17,196,019    | 19,193,515    | 19,205,221    |
| Water                                   | 1,545,453     | 1,837,305     | 1,604,724     | 1,910,056     | 2,765,158     | 2,628,150     | 3,063,967     | 3,562,152     | 4,226,278     | 4,860,919     |
| Sewer                                   | 2,763,124     | 3,057,605     | 2,991,350     | 3,063,963     | 4,490,531     | 4,764,352     | 4,886,053     | 5,313,402     | 5,407,066     | 5,711,614     |
| Liquor                                  | 4,705,843     | 4,931,536     | 4,982,675     | 5,194,104     | 5,371,883     | 5,632,510     | 6,579,097     | 6,758,008     | 7,071,931     | 7,172,842     |
| Golf Course                             | 594,905       | 626,816       | 666,501       | 660,347       | 671,680       | 1,167,972     | 1,285,592     | 1,332,882     | 8,048         | -             |
| Operating Grants and Contributions      | 163,549       | 144,008       | 149,866       | 142,689       | 173,751       | 164,240       | 178,237       | 156,259       | 609,180       | 1,049,549     |
| Capital Grants and Contributions        | 356,776       | 369,510       | 363,838       | 488,511       | 541,562       | 1,901,846     | 1,381,239     | 1,303,832     | 718,841       | 1,013,228     |
| Total Business-Type Activities          | 22,921,052    | 23,635,564    | 24,618,732    | 25,625,391    | 29,160,021    | 31,123,420    | 32,781,977    | 35,622,554    | 37,234,859    | 39,013,373    |
| Total Primary Government                | \$ 28,940,732 | \$ 34,566,237 | \$ 29,850,156 | \$ 30,264,340 | \$ 33,968,676 | \$ 37,066,598 | \$ 41,644,595 | \$ 45,279,014 | \$ 47,837,148 | \$ 55,905,044 |

# CITY OF BUFFALO, MINNESOTA

## CHANGES IN NET POSITION BY COMPONENT (CONTINUED)

### LAST TEN FISCAL YEARS

|                                       | Fiscal Year           |                       |                       |                       |                       |                       |                       |                      |                       |                      |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                       | 2014                  | 2015                  | 2016                  | 2017                  | 2018                  | 2019                  | 2020                  | 2021                 | 2022                  | 2023                 |
| Net (Expense)/Revenue:                |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Governmental Activities               | \$ (7,342,740)        | \$ (4,138,141)        | \$ (9,639,487)        | \$ (9,776,235)        | \$ (9,434,468)        | \$ (9,474,655)        | \$ (8,741,083)        | \$ (6,272,572)       | \$ (7,620,931)        | \$ (3,273,843)       |
| Business-Type Activities              | (1,064,503)           | (395,432)             | 541,568               | 516,601               | 2,738,551             | 3,838,743             | 3,860,564             | 5,692,751            | 6,357,468             | 6,974,926            |
| <b>Total Government Net Expense</b>   | <b>\$ (8,407,243)</b> | <b>\$ (4,533,573)</b> | <b>\$ (9,097,919)</b> | <b>\$ (9,259,634)</b> | <b>\$ (6,700,917)</b> | <b>\$ (5,635,912)</b> | <b>\$ (4,880,519)</b> | <b>\$ (579,821)</b>  | <b>\$ (1,263,463)</b> | <b>\$ 3,701,083</b>  |
| General Revenues and Other Changes in |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Net Position:                         |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Governmental Activities:              |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Taxes:                                |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Property Taxes                        | \$ 5,145,350          | \$ 5,306,826          | \$ 5,907,924          | \$ 6,752,256          | \$ 7,034,938          | \$ 7,505,911          | \$ 8,000,386          | \$ 8,261,145         | \$ 9,150,049          | \$ 10,178,174        |
| Tax Increments                        | 137,744               | 264,026               | 263,658               | 62,216                | 96,045                | 97,572                | 104,846               | 134,531              | 145,766               | 137,052              |
| Other Taxes                           | 2,095                 | 2,144                 | 2,199                 | 2,372                 | 4,633                 | 395                   | 1,931                 | 2,435                | 3,013                 | 6,668                |
| Unrestricted Grants and Contributions | 760,241               | 834,909               | 868,995               | 756,383               | 918,242               | 879,883               | 1,005,846             | 1,235,155            | 1,222,419             | 1,339,492            |
| Investment Earnings (Loss)            | 3,416                 | 9,366                 | 12,076                | 88,024                | 95,191                | 191,538               | 126,533               | 10,652               | 31,398                | 330,736              |
| Insurance Proceeds                    | 16,315                | -                     | -                     | -                     | -                     | 30,552                | -                     | -                    | -                     | -                    |
| Gain on Disposal of Capital Assets    | -                     | 26,276                | 5,770                 | 8,298                 | 15,623                | -                     | 14,803                | 228,349              | 20,920                | 52,121               |
| Miscellaneous                         | 67,087                | 27,748                | 12,638                | 20,606                | 13,508                | 201,240               | 105,263               | 39,216               | 307,788               | 131,192              |
| Transfer                              | 795,786               | 476,931               | (435,746)             | 1,052,611             | 1,395,000             | 1,475,000             | 1,475,000             | 1,406,467            | (888,073)             | 1,677,772            |
| <b>Total Governmental Activities</b>  | <b>6,928,034</b>      | <b>6,948,226</b>      | <b>6,637,514</b>      | <b>8,742,766</b>      | <b>9,573,180</b>      | <b>10,382,091</b>     | <b>10,834,608</b>     | <b>11,317,950</b>    | <b>9,993,280</b>      | <b>13,853,207</b>    |
| Business-Type Activities:             |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Taxes:                                |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Property Taxes                        | 639,400               | 572,899               | 611,370               | 849,075               | 1,147,728             | 789,657               | 738,533               | 951,529              | 851,981               | 501,978              |
| Unrestricted Grants and Contributions | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                    | 14,890                | -                    |
| Investment Earnings                   | 31,264                | 20,188                | 25,766                | 18,721                | 32,732                | 48,885                | 26,617                | 10,193               | 20,055                | 229,704              |
| Insurance Proceeds                    | -                     | 5,501                 | -                     | -                     | -                     | 308,964               | 39,343                | 88,657               | -                     | -                    |
| Gain on Disposal of Capital Assets    | -                     | -                     | -                     | -                     | 9,457                 | 3,943                 | 12,763                | 4,048                | 13,761                | 18,270               |
| Miscellaneous                         | 17,001                | 10,846                | 6,137                 | 958                   | 2,208                 | 216,314               | 239,518               | 302,590              | 228,992               | 352,638              |
| Transfer                              | (795,786)             | (476,931)             | 435,746               | (1,052,611)           | (1,395,000)           | (1,475,000)           | (1,475,000)           | (1,406,467)          | 888,073               | (1,677,772)          |
| Special Item                          | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                    | (900,294)             | -                    |
| <b>Total Business-Type Activities</b> | <b>(108,121)</b>      | <b>132,503</b>        | <b>1,079,019</b>      | <b>(183,857)</b>      | <b>(202,875)</b>      | <b>(107,237)</b>      | <b>(418,226)</b>      | <b>(49,450)</b>      | <b>1,117,458</b>      | <b>(575,182)</b>     |
| <b>Total Government</b>               | <b>\$ 6,819,913</b>   | <b>\$ 7,080,729</b>   | <b>\$ 7,716,533</b>   | <b>\$ 8,558,909</b>   | <b>\$ 9,370,305</b>   | <b>\$ 10,274,854</b>  | <b>\$ 10,416,382</b>  | <b>\$ 11,268,500</b> | <b>\$ 11,110,738</b>  | <b>\$ 13,278,025</b> |
| Change in Net Position:               |                       |                       |                       |                       |                       |                       |                       |                      |                       |                      |
| Governmental Activities               | \$ (414,706)          | \$ 2,810,085          | \$ (3,001,973)        | \$ (1,033,469)        | \$ 133,712            | \$ 907,436            | \$ 2,093,525          | \$ 5,045,378         | \$ 2,372,349          | \$ 10,579,364        |
| Business-Type Activities              | (1,172,624)           | (262,929)             | 1,620,587             | 332,744               | 2,535,676             | 3,731,506             | 3,442,338             | 5,643,301            | 7,474,926             | 6,399,744            |
| <b>Total Primary Government</b>       | <b>\$ (1,587,330)</b> | <b>\$ 2,547,156</b>   | <b>\$ (1,381,386)</b> | <b>\$ (700,725)</b>   | <b>\$ 2,669,388</b>   | <b>\$ 4,638,942</b>   | <b>\$ 5,535,863</b>   | <b>\$ 10,688,679</b> | <b>\$ 9,847,275</b>   | <b>\$ 16,979,108</b> |

Source: City Records



**CITY OF BUFFALO, MINNESOTA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

|                                  | Fiscal Year  |              |              |              |              |               |               |               |              |               |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|---------------|
|                                  | 2014         | 2015         | 2016         | 2017         | 2018         | 2019          | 2020          | 2021          | 2022         | 2023          |
| General Fund:                    |              |              |              |              |              |               |               |               |              |               |
| Nonspendable                     | \$ 7,925     | \$ 43,206    | \$ 18,363    | \$ 78,615    | \$ 77,158    | \$ 2,485,638  | \$ 2,506,536  | \$ 2,396,958  | \$ 2,198,522 | \$ 2,049,972  |
| Committed                        | -            | -            | -            | -            | -            | -             | -             | -             | 120,000      | -             |
| Unassigned                       | 3,537,997    | 4,015,641    | 4,531,376    | 4,461,031    | 4,968,422    | 2,762,173     | 3,061,504     | 3,364,018     | 4,089,791    | 4,614,580     |
| Total General Fund               | \$ 3,545,922 | \$ 4,058,847 | \$ 4,549,739 | \$ 4,539,646 | \$ 5,045,580 | \$ 5,247,811  | \$ 5,568,040  | \$ 5,760,976  | \$ 6,408,313 | \$ 6,664,552  |
| All Other Governmental Funds:    |              |              |              |              |              |               |               |               |              |               |
| Nonspendable                     | \$ 63,471    | \$ 56,561    | \$ 26,817    | \$ 323,419   | \$ 246,630   | \$ 230,884    | \$ 21,236     | \$ 14,040     | \$ 19,885    | \$ 81,512     |
| Restricted                       | 4,712,291    | 7,654,003    | 7,602,851    | 5,728,671    | 5,482,821    | 10,202,887    | 11,659,583    | 7,789,334     | 5,673,597    | 11,826,261    |
| Committed                        | 600,217      | 404,907      | 1,781,344    | 2,911,900    | 2,768,189    | 2,829,397     | 2,839,486     | 2,073,157     | 1,476,348    | 1,472,736     |
| Assigned                         | 932,318      | 1,084,590    | -            | -            | -            | -             | -             | -             | -            | 266,394       |
| Unassigned                       | (5,053,676)  | (4,867,060)  | (4,853,354)  | (4,560,592)  | (4,195,512)  | (4,059,789)   | (4,086,659)   | (3,776,510)   | (4,870,029)  | (3,918,346)   |
| Total All Other Government Funds | \$ 1,254,621 | \$ 4,333,001 | \$ 4,557,658 | \$ 4,403,398 | \$ 4,302,128 | \$ 9,203,379  | \$ 10,433,646 | \$ 6,100,021  | \$ 2,299,801 | \$ 9,728,557  |
| Total Government Funds:          |              |              |              |              |              |               |               |               |              |               |
| Nonspendable                     | \$ 71,396    | \$ 99,767    | \$ 45,180    | \$ 402,034   | \$ 323,788   | \$ 2,716,522  | \$ 2,527,772  | \$ 2,410,998  | \$ 2,218,407 | \$ 2,131,484  |
| Restricted                       | 4,712,291    | 7,654,003    | 7,602,851    | 5,728,671    | 5,482,821    | 10,202,887    | 11,659,583    | 7,789,334     | 5,673,597    | 11,826,261    |
| Committed                        | 600,217      | 404,907      | 1,781,344    | 2,911,900    | 2,768,189    | 2,829,397     | 2,839,486     | 2,073,157     | 1,596,348    | 1,472,736     |
| Assigned                         | 932,318      | 1,084,590    | -            | -            | -            | -             | -             | -             | -            | 266,394       |
| Unassigned                       | (1,515,679)  | (851,419)    | (321,978)    | (99,561)     | 772,910      | (1,297,616)   | (1,025,155)   | (412,492)     | (780,238)    | 696,234       |
| Total Government Funds           | \$ 4,800,543 | \$ 8,391,848 | \$ 9,107,397 | \$ 8,943,044 | \$ 9,347,708 | \$ 14,451,190 | \$ 16,001,686 | \$ 11,860,997 | \$ 8,708,114 | \$ 16,393,109 |

Source: City Records

# CITY OF BUFFALO, MINNESOTA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

|  | Fiscal Year        |                    |                    |                    |                    |                    |                    |                    |                    |                   |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
|  | 2014               | 2015               | 2016               | 2017               | 2018               | 2019               | 2020               | 2021               | 2022               | 2023              |
| <b>Revenues:</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| General Property Taxes   | \$ 5,241,212       | \$ 5,505,941       | \$ 6,118,726       | \$ 6,776,326       | \$ 7,040,998       | \$ 7,486,269       | \$ 7,999,526       | \$ 8,208,022       | \$ 8,945,112       | \$ 10,051,668     |
| Tax Increments   | 69,958             | 69,085             | 58,002             | 62,216             | 96,045             | 97,572             | 104,846            | 174,617            | 354,461            | 204,156           |
| Other Taxes  | 2,095              | 2,144              | 2,199              | 2,372              | 4,633              | 395                | 1,931              | 2,435              | 3,013              | 6,668             |
| Licenses and Permits   | 260,329            | 382,675            | 361,151            | 357,042            | 432,679            | 579,621            | 458,071            | 543,102            | 473,301            | 716,821           |
| Intergovernmental  | 3,266,440          | 7,793,225          | 1,674,098          | 1,326,692          | 1,521,358          | 1,800,118          | 3,349,981          | 5,134,671          | 5,974,567          | 9,318,877         |
| Special Assessments  | 256,816            | 90,361             | 47,390             | 63,217             | 54,388             | 28,230             | 130,253            | 30,047             | 38,659             | 377,256           |
| Charges for Services   | 2,994,174          | 3,177,048          | 3,188,484          | 3,339,483          | 3,425,524          | 6,311,416          | 3,062,814          | 3,560,190          | 3,723,910          | 4,093,260         |
| Fines and Forfeits   | 32,468             | 31,465             | 37,156             | 38,814             | 33,563             | 35,529             | 45,751             | 46,360             | 40,528             |                   |
| Investment Earnings (Loss)                                       | 268,083            | 261,440            | 141,173            | 90,074             | 96,125             | 188,263            | 124,973            | 9,005              | 33,011             | 329,427           |
| Refunds and Reimbursements                                       | 437,252            | 558,919            | 3,885,370          | 371,179            | 353,692            | 381,614            | 1,739,379          | 374,087            | 298,240            | 349,005           |
| Contributions and Donations                                      | 98,809             | 99,144             | 141,763            | 123,900            | 124,316            | 93,114             | 135,344            | 209,257            | 104,161            | 105,222           |
| Miscellaneous  | 67,357             | 27,768             | 12,789             | 20,615             | 20,218             | 24,575             | 54,040             | 7,291              | 218,038            | 95,859            |
| <b>Total Revenues</b>  | <b>12,994,993</b>  | <b>17,999,215</b>  | <b>15,668,301</b>  | <b>12,571,930</b>  | <b>13,203,539</b>  | <b>17,026,716</b>  | <b>17,200,696</b>  | <b>18,298,475</b>  | <b>20,212,833</b>  | <b>25,688,747</b> |
| <b>Expenditures:</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| <b>Current:</b>  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| General Government   | 1,133,287          | 1,090,367          | 1,285,726          | 1,356,240          | 1,675,908          | 1,667,713          | 1,562,710          | 1,496,297          | 1,775,986          | 1,647,321         |
| Public Safety  | 2,733,043          | 2,801,127          | 2,760,454          | 2,906,096          | 3,052,548          | 3,554,221          | 4,381,063          | 4,391,630          | 4,500,825          | 5,144,625         |
| Public Works   | 1,436,046          | 1,365,774          | 1,297,438          | 1,385,884          | 1,375,594          | 1,448,039          | 1,425,410          | 1,426,471          | 1,469,958          | 1,769,528         |
| Sanitation   | 758,092            | 781,798            | 761,236            | 882,131            | 912,767            | 930,813            | 945,738            | 989,178            | 1,114,590          | 1,149,325         |
| Culture and Recreation   | 1,991,920          | 2,103,394          | 2,096,187          | 2,151,808          | 2,169,945          | 2,271,920          | 2,411,196          | 2,433,862          | 2,912,197          | 3,363,962         |
| Community Development  | 119,790            | 174,510            | 132,333            | 108,271            | 190,395            | 173,874            | 660,560            | 203,245            | 519,705            | 517,943           |
| Capital Outlay:  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| General Government   | 56,813             | 16,120             | -                  | -                  | 6,831              | 260,250            | 85,709             | 39,799             | 86,454             | 26,835            |
| Public Safety  | 159,373            | 186,584            | 266,509            | 98,441             | 56,092             | 823,770            | 340,192            | 5,429,448          | 280,458            | 158,649           |
| Public Works   | 4,299,679          | 11,602,490         | 6,189,454          | 329,177            | 1,073,639          | 3,778,127          | 5,261,890          | 2,872,242          | 8,571,528          | 7,210,733         |
| Culture and Recreation   | 243,888            | 153,382            | 461,189            | 192,102            | 258,081            | 650,512            | 1,814,012          | 528,481            | 539,853            | 503,136           |
| Community Development  | 43,569             | 133,242            | 9,981              | 58,574             | 80,472             | -                  | -                  | -                  | -                  | 110,009           |
| Debt Service:  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| Finance Purchase Obligations and Lease Liability:                |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| Principal  | 261,868            | 288,728            | 399,108            | 408,830            | 329,402            | 378,783            | 346,539            | 393,315            | 404,342            | 563,795           |
| Interest and Fiscal Charges                                      | 17,543             | 14,872             | 15,962             | 17,560             | 12,187             | 27,608             | 40,054             | 30,883             | 27,149             | 45,645            |
| Bonds:   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| Principal  | 878,455            | 1,116,163          | 929,133            | 847,277            | 747,499            | 962,214            | 1,008,326          | 2,319,956          | 4,251,881          | 2,887,206         |
| Interest   | 1,973,895          | 2,446,615          | 5,729,189          | 4,536,855          | 2,332,678          | 5,528,847          | 3,949,980          | 819,423            | 751,466            | 750,554           |
| <b>Total Expenditures</b>  | <b>16,107,261</b>  | <b>24,275,166</b>  | <b>22,333,899</b>  | <b>15,279,246</b>  | <b>14,274,038</b>  | <b>22,456,691</b>  | <b>24,233,379</b>  | <b>23,374,230</b>  | <b>27,206,392</b>  | <b>25,849,266</b> |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>(3,112,268)</b> | <b>(6,275,951)</b> | <b>(6,665,598)</b> | <b>(2,707,316)</b> | <b>(1,070,499)</b> | <b>(5,429,975)</b> | <b>(7,032,683)</b> | <b>(5,075,755)</b> | <b>(6,993,559)</b> | <b>(160,519)</b>  |

**CITY OF BUFFALO, MINNESOTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)**  
**LAST TEN FISCAL YEARS**

|  | Fiscal Year      |                  |                  |                  |                  |                   |                  |                |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|----------------|------------------|------------------|
|  | 2014             | 2015             | 2016             | 2017             | 2018             | 2019              | 2020             | 2021           | 2022             | 2023             |
| Other Financing Sources (Uses):              |                  |                  |                  |                  |                  |                   |                  |                |                  |                  |
| Transfers In                                 | \$ 1,835,210     | \$ 2,747,381     | \$ 2,353,260     | \$ 3,578,894     | \$ 3,889,195     | \$ 3,220,778      | \$ 3,148,464     | \$ 3,073,165   | \$ 2,071,214     | \$ 2,409,900     |
| Transfers Out                                | (335,210)        | (709,851)        | (656,554)        | (1,892,393)      | (2,494,195)      | (1,745,778)       | (1,673,464)      | (1,666,698)    | (596,214)        | (300,147)        |
| Issuance of Bonds                            | -                | 7,445,000        | 4,640,000        | 330,000          | -                | 9,559,700         | 6,278,400        | -              | 1,525,000        | 5,310,000        |
| Proceeds from the Sale of Capital Assets     | 4,500            | 35,651           | 194,779          | 8,298            | 15,623           | 531,490           | 112,003          | 228,349        | 20,920           | 52,403           |
| Insurance Proceeds                           | 16,315           | -                | -                | -                | -                | -                 | -                | 764,600        | 71,630           | 10,504           |
| Lease Proceeds                               | 319,565          | 149,624          | 768,958          | 118,164          | 64,540           | 1,108,750         | 305,585          | 540,650        | 658,808          | 42,353           |
| Issuance of Refunding Bonds                  | -                | -                | -                | -                | -                | -                 | 1,340,000        | -              | -                | -                |
| Payment of Refunded Bonds                    | -                | -                | -                | -                | -                | (3,092,990)       | (1,340,000)      | (2,005,000)    | -                | -                |
| Bond Premium                                 | -                | 199,451          | 80,704           | -                | -                | 951,507           | 312,678          | -              | 89,318           | 320,501          |
| <b>Total Other Financing Sources (Uses)</b>  | <b>1,840,380</b> | <b>9,867,256</b> | <b>7,381,147</b> | <b>2,542,963</b> | <b>1,475,163</b> | <b>10,533,457</b> | <b>8,483,666</b> | <b>935,066</b> | <b>3,840,676</b> | <b>7,845,514</b> |
| Net Change in Fund Balances                  | \$ (1,271,888)   | \$ 3,591,305     | \$ 715,549       | \$ (164,353)     | \$ 404,664       | \$ 5,103,482      | \$ 1,450,983     | \$ (4,140,689) | \$ (3,152,883)   | \$ 7,684,995     |
| Debt Service as % of Noncapital Expenditures | 27.71%           | 31.73%           | 45.91%           | 39.80%           | 26.73%           | 40.71%            | 31.94%           | 24.57%         | 30.66%           | 23.81%           |

**Source:** City Records

**CITY OF BUFFALO, MINNESOTA  
TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

| <u>Fiscal<br/>Year</u> | <u>Property</u> | <u>Tax Increment</u> | <u>Lodging</u> | <u>Total</u> |
|------------------------|-----------------|----------------------|----------------|--------------|
| 2014                   | \$ 5,784,750    | \$ 137,744           | \$ 2,095       | \$ 5,924,589 |
| 2015                   | 5,879,725       | 264,026              | 2,144          | 6,145,895    |
| 2016                   | 6,519,294       | 263,658              | 2,199          | 6,785,151    |
| 2017                   | 7,601,331       | 62,216               | 2,372          | 7,665,919    |
| 2018                   | 8,182,666       | 96,045               | 4,633          | 8,283,344    |
| 2019                   | 8,295,568       | 97,572               | 395            | 8,393,535    |
| 2020                   | 8,738,919       | 104,846              | 1,931          | 8,845,696    |
| 2021                   | 9,212,674       | 134,531              | 2,435          | 9,349,640    |
| 2022                   | 10,002,030      | 145,766              | 3,013          | 10,150,809   |
| 2023                   | 10,680,152      | 137,052              | 6,668          | 10,823,872   |
| Change<br>2014-2023    | 84.63%          | (0.50)%              | 218.28%        | 82.69%       |

**Source:** City Records

**CITY OF BUFFALO, MINNESOTA**  
**TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

| Year<br>Taxes<br>Payable | Residential<br>Property | Commercial<br>Industrial<br>Property | Other<br>Property | Less:<br>Tax Increment<br>Property | Net Taxable<br>Tax<br>Capacity | Total<br>Direct<br>Tax Rate | Estimated<br>Taxable<br>Market<br>Value | Taxable Tax<br>Capacity as a<br>Percentage of<br>Estimated<br>Market Value |
|--------------------------|-------------------------|--------------------------------------|-------------------|------------------------------------|--------------------------------|-----------------------------|---|--|
| 2014                     | \$ 7,022,806            | \$ 3,463,161                         | \$ 199,723        | \$ 61,488                          | \$ 10,624,202                  | 49.93 %                     | \$ 896,116,600                          | 1.19 %   |
| 2015                     | 7,727,254               | 3,402,015                            | 211,746           | 60,742                             | 11,280,273                     | 51.77                       | 963,485,500                             | 1.17   |
| 2016                     | 8,305,304               | 3,403,192                            | 226,261           | 53,625                             | 11,881,132                     | 54.84                       | 1,021,642,300                           | 1.16   |
| 2017                     | 8,672,714               | 3,460,246                            | 251,152           | 76,197                             | 12,307,915                     | 59.61                       | 1,061,985,800                           | 1.16   |
| 2018                     | 9,527,347               | 3,503,345                            | 210,327           | 80,380                             | 13,160,639                     | 60.08                       | 1,146,889,600                           | 1.15   |
| 2019                     | 10,295,112              | 3,599,286                            | 221,700           | 81,651                             | 14,034,447                     | 57.70                       | 1,230,115,300                           | 1.14   |
| 2020                     | 11,245,826              | 3,727,270                            | 235,485           | 87,471                             | 15,121,110                     | 55.81                       | 1,331,989,000                           | 1.14   |
| 2021                     | 12,352,958              | 3,854,819                            | 264,116           | 143,798                            | 16,328,095                     | 54.26                       | 1,447,284,400                           | 1.13   |
| 2022                     | 13,203,099              | 3,930,029                            | 271,944           | 285,936                            | 17,119,136                     | 55.03                       | 1,534,039,050                           | 1.12   |
| 2023                     | 15,802,287              | 4,325,322                            | 296,615           | 184,359                            | 20,239,865                     | 50.56                       | 1,816,468,851                           | 1.11   |

**Source:** Wright County

**Note 1:** Tax rates are expressed in terms of "net tax capacity." A property's tax capacity is determined by multiplying its taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.

**Note 2:** Property in the county is reassessed annually. The county assessor's market value of property is approximately 94.5% of actual value for all types of real and personal property.

**CITY OF BUFFALO, MINNESOTA  
PRINCIPAL PROPERTY TAXPAYERS  
2023 AND 2014**

| Taxpayer                            | 2023                 |      |  | 2014                 |      |  |
|-------------------------------------|----------------------|------|--|----------------------|------|--|
|                                     | Net Tax<br>Capacity  | Rank | Percentage<br>of Total Net<br>Tax Capacity | Net Tax<br>Capacity  | Rank | Percentage<br>of Total Net<br>Tax Capacity |
| Pfeifer Property Management, LLC    | \$ 338,732           | 1    | 1.67 %                                     | \$ 74,704            | 7    | 0.70 %                                     |
| TKG Wright County Center, LLC       | 247,230              | 2    | 1.22                                       | 244,686              | 1    | 2.30                                       |
| Menards, Inc                        | 188,368              | 3    | 0.93                                       | 178,592              | 2    | 1.68                                       |
| Buffalo Clinic Building Partnership | 166,854              | 4    | 0.82                                       | 132,300              | 3    | 1.25                                       |
| Gopher (Buffalo) LLC                | 152,703              | 5    | 0.75                                       | -                    | -    | -  |
| Ryan Buffalo Land Company, LLC      | 134,006              | 6    | 0.66                                       | 98,642               | 5    | 0.93                                       |
| Dayton Hudson Corp                  | 131,774              | 7    | 0.65                                       | -                    | -    | -  |
| Crossings of Buffalo LLC            | 127,219              | 8    | 0.63                                       | -                    | -    | -  |
| Coborn Realty Group                 | 125,812              | 9    | 0.62                                       | -                    | -    | -  |
| Centerpoint Energy                  | 117,800              | 10   | 0.58                                       | -                    | -    | -  |
| Target Corporation                  | -                    | -    | -  | 116,582              | 4    | 1.10                                       |
| Marohn Family, LLC                  | -                    | -    | -  | 96,982               | 6    | 0.91                                       |
| Minnegasco Inc                      | -                    | -    | -  | 72,698               | 8    | 0.68                                       |
| Monticello Athletic Club Inc        | -                    | -    | -  | 65,934               | 9    | 0.62                                       |
| Hidden Cove Apartments              | -                    | -    | -  | 60,505               | 10   | 0.57                                       |
| Total                               | <u>\$ 1,730,498</u>  |      | <u>8.53 %</u>                              | <u>\$ 1,141,625</u>  |      | <u>10.74 %</u>                             |
| Total Net Tax Capacity              | <u>\$ 20,239,865</u> |      |  | <u>\$ 10,624,202</u> |      |  |

**Source:** Wright County

**CITY OF BUFFALO, MINNESOTA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

| Fiscal Year<br>Ended<br>December 31, | Total Tax<br>Levy for<br>Fiscal Year | Collected Within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|--------------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                      |                                      | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2014                                 | \$ 5,629,374                         | \$ 5,586,594                                    | 99.24 %               | \$ 42,780                             | \$ 5,629,374              | 100.00 %              |
| 2015                                 | 5,839,678                            | 5,808,279                                       | 99.46                 | 31,399                                | 5,839,678                 | 100.00                |
| 2016                                 | 6,515,502                            | 6,476,198                                       | 99.40                 | 39,304                                | 6,515,502                 | 100.00                |
| 2017                                 | 7,336,615                            | 7,318,294                                       | 99.75                 | 18,321                                | 7,336,615                 | 100.00                |
| 2018                                 | 7,906,723                            | 7,898,084                                       | 99.89                 | 7,715                                 | 7,905,799                 | 99.99                 |
| 2019                                 | 8,027,464                            | 7,998,613                                       | 99.64                 | 27,803                                | 8,026,416                 | 99.99                 |
| 2020                                 | 8,439,165                            | 8,395,716                                       | 99.49                 | 41,844                                | 8,437,560                 | 99.98                 |
| 2021                                 | 8,859,177                            | 8,811,640                                       | 99.46                 | 44,940                                | 8,856,580                 | 99.97                 |
| 2022                                 | 9,421,342                            | 9,357,307                                       | 99.32                 | 48,056                                | 9,405,363                 | 99.83                 |
| 2023                                 | 10,233,585                           | 10,115,447                                      | 98.85                 | -                                     | 10,115,447                | 98.85                 |

**Source:** City Records

**CITY OF BUFFALO, MINNESOTA  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

| Fiscal<br>Year | City of Buffalo |                 |                          |        | Overlapping Rates |           |                          |                      | Total<br>Direct and<br>Overlapping<br>Rates |
|----------------|-----------------|-----------------|--------------------------|--------|-------------------|-----------|--------------------------|----------------------|---|
|                | Operating       | Debt<br>Service | Referendum<br>Mkt. Value | Total  | Wright<br>County  | Operating | School District          |                      |   |
|                |                 |                 |                          |        |                   |           | Referendum<br>Mkt. Value | Special<br>Districts |   |
| 2014           | 27.174          | 22.719          | 0.034                    | 49.927 | 43.45             | 33.882    | 0.13645                  | 5.823                | 133.219                                     |
| 2015           | 26.924          | 24.845          | -                        | 51.769 | 40.593            | 35.375    | 0.12505                  | 5.642                | 133.504                                     |
| 2016           | 25.561          | 29.277          | -                        | 54.838 | 39.970            | 34.489    | 0.12599                  | 10.816               | 140.239                                     |
| 2017           | 30.271          | 29.338          | -                        | 59.609 | 39.599            | 32.887    | 0.1231                   | 13.688               | 145.906                                     |
| 2018           | 31.210          | 28.869          | -                        | 60.079 | 39.946            | 32.471    | 0.12929                  | 11.255               | 143.880                                     |
| 2019           | 33.56           | 24.143          | -                        | 57.703 | 44.273            | 30.953    | 0.12807                  | 10.061               | 143.118                                     |
| 2020           | 31.105          | 24.706          | -                        | 55.811 | 44.421            | 29.184    | 0.24315                  | 11.085               | 140.744                                     |
| 2021           | 29.589          | 24.667          | -                        | 54.256 | 43.719            | 27.2      | 0.2326                   | 10.259               | 135.667                                     |
| 2022           | 31.703          | 23.331          | -                        | 55.034 | 43.751            | 26.343    | 0.2033                   | 9.301                | 134.632                                     |
| 2023           | 30.785          | 19.777          | -                        | 50.562 | 37.848            | 21.575    | 0.193                    | 10.263               | 120.441                                     |

Source: Wright County

\* Tax Rates per \$1,000 of tax capacity

\*\* Overlapping rates are those of local and county governments that apply to property owners within the City of Buffalo. Not all overlapping rates apply to all City of Buffalo property owners (e.g., the rates for special districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the special district.



**CITY OF BUFFALO, MINNESOTA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

| Fiscal Year | Governmental Activities |                            |                    |                                  |            |                             |                        |                 |               |               | Total Governmental Activities |
|-------------|-------------------------|----------------------------|--------------------|----------------------------------|------------|-----------------------------|------------------------|-----------------|---------------|---------------|-------------------------------|
|             | General Obligation      | General Obligation Revenue | Special Assessment | General Obligation Tax Abatement | Premiums   | Finance Purchase Obligation | Subscription Liability | Lease Liability | Notes Payable |               |                               |
| 2014        | \$ 18,820,000           | \$ 6,426,754               | \$ 90,000          | \$ 1,885,000                     | \$ 280,761 | \$ 866,646                  | \$ -                   | \$ -            | \$ 134,481    | \$ 28,503,642 |                               |
| 2015        | 21,010,000              | 6,016,540                  | 15,000             | 5,215,000                        | 429,827    | 727,542                     | -                      | -               | 98,080        | 33,511,989    |                               |
| 2016        | 23,785,000              | 2,275,326                  | -                  | 5,145,000                        | 443,777    | 1,082,971                   | -                      | -               | 60,105        | 32,792,179    |                               |
| 2017        | 19,690,000              | 2,083,112                  | -                  | 5,265,000                        | 389,165    | 792,305                     | -                      | -               | 20,464        | 28,240,046    |                               |
| 2018        | 17,790,000              | 1,890,898                  | -                  | 5,045,000                        | 341,684    | 527,443                     | -                      | -               | -             | 25,595,025    |                               |
| 2019        | 22,170,000              | 1,686,751                  | -                  | 1,855,000                        | 1,159,399  | 1,257,410                   | -                      | -               | -             | 28,128,560    |                               |
| 2020        | 25,323,400              | 61,771                     | -                  | 2,655,000                        | 1,335,851  | 1,209,478                   | -                      | -               | -             | 30,585,500    |                               |
| 2021        | 21,113,400              | 46,815                     | -                  | 2,555,000                        | 1,005,886  | 1,356,813                   | -                      | -               | -             | 26,077,914    |                               |
| 2022        | 19,936,800              | 31,534                     | -                  | 1,945,000                        | 875,018    | 1,631,455                   | -                      | -               | -             | 24,419,807    |                               |
| 2023        | 18,160,200              | 15,928                     | -                  | 6,160,000                        | 1,006,971  | 1,072,426                   | 190,671                | 37,587          | -             | 26,643,783    |                               |

\* Calculation made using population and personal income figures from Demographics and Economic Statistics Table.

Source: City Records

## CITY OF BUFFALO, MINNESOTA

| Business-Type Activities       |                                |                  |                              |           |              |                                   |                                      |                     |                                      |                |
|--------------------------------|--------------------------------|------------------|------------------------------|-----------|--------------|-----------------------------------|--------------------------------------|---------------------|--------------------------------------|----------------|
| General                        |                                |                  |                              | General   |              |                                   | Business-Type Activities             |                     |                                      |                |
| General<br>Obligation<br>Bonds | Obligation<br>Revenue<br>Bonds | Revenue<br>Bonds | General<br>Obligation<br>Tax | General   |              | Finance<br>Purchase<br>Obligation | Total<br>Business-Type<br>Activities | Total<br>Government | Percentage<br>of Personal<br>Income* | Per<br>Capita* |
|                                |                                |                  |                              | Abatement | Premiums     |                                   |                                      |                     |                                      |                |
| \$ 6,975,000                   | \$ 56,978,724                  | \$ 4,530,000     | \$ -                         | \$ -      | \$ 1,488,248 | \$ -                              | \$ 70,914,580                        | \$ 99,418,222       | 23.28                                | \$ 6,200.85    |
| 5,895,000                      | 56,175,836                     | 4,170,000        | -                            | -         | 1,362,895    | -                                 | 68,588,831                           | 102,100,820         | 23.45                                | 6,334.19       |
| 4,890,000                      | 55,256,256                     | 4,855,000        | 3,250,000                    | -         | 1,255,634    | -                                 | 70,962,523                           | 103,754,702         | 22.36                                | 6,386.08       |
| 3,705,000                      | 57,565,606                     | 4,425,000        | 3,135,000                    | -         | 1,288,743    | -                                 | 71,711,474                           | 99,951,520          | 18.88                                | 6,065.39       |
| 3,040,000                      | 56,414,541                     | 8,060,000        | 2,990,000                    | -         | 1,198,469    | -                                 | 72,914,814                           | 98,509,839          | 16.80                                | 5,949.38       |
| 2,220,000                      | 54,304,246                     | 7,950,000        | 2,845,000                    | -         | 1,792,560    | -                                 | 69,356,579                           | 97,485,139          | 15.79                                | 5,847.94       |
| 3,361,600                      | 51,193,226                     | 6,645,000        | 2,695,000                    | -         | 1,604,627    | 534,658                           | 66,659,128                           | 97,244,628          | 15.59                                | 5,793.89       |
| 2,996,600                      | 47,963,183                     | 5,705,000        | 2,540,000                    | -         | 1,031,654    | 426,399                           | 60,959,101                           | 87,037,015          | 12.83                                | 5,274.33       |
| 2,253,200                      | 44,553,464                     | 4,715,000        | -                            | -         | 741,890      | -                                 | 52,263,554                           | 76,683,361          | 11.57                                | 4,541.78       |
| 789,800                        | 45,489,070                     | 3,810,000        | -                            | -         | 932,002      | -                                 | 51,020,872                           | 77,684,655          | ^                                    | ^              |

^ Information not available for the 2023 year.

**CITY OF BUFFALO, MINNESOTA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

| Fiscal Year | General<br>Obligation<br>Bonds & Notes | Premiums/<br>(Discounts) | Less Amounts<br>Available in<br>Debt Service<br>Funds <sup>3</sup> | General<br>Obligation<br>Bonds & Notes | Percentage<br>Actual Taxable<br>Value of<br>Property <sup>1</sup> | Per<br>Capita <sup>2</sup> |
|-------------|--|--------------------------|--|--|---|----------------------------|
| 2014        | \$ 92,086,605                          | \$ 1,769,009             | \$ 7,259,775   | \$ 86,595,839                          | 9.7 %   | \$ 5,442.51                |
| 2015        | 95,137,998                             | 1,792,722                | 9,233,387  | 87,697,333                             | 9.1   | 5,469.80                   |
| 2016        | 92,494,658                             | 1,699,411                | 9,259,032  | 84,935,037                             | 8.3   | 5,269.25                   |
| 2017        | 92,256,487                             | 1,677,908                | 6,803,376  | 87,131,019                             | 8.2   | 5,362.90                   |
| 2018        | 87,697,882                             | 1,540,153                | 6,750,541  | 82,487,494                             | 7.2   | 5,005.61                   |
| 2019        | 86,338,407                             | 2,951,959                | 3,640,292  | 85,650,074                             | 7.0   | 5,172.73                   |
| 2020        | 86,499,475                             | 2,940,478                | 4,805,868  | 84,634,085                             | 6.4   | 5,077.03                   |
| 2021        | 78,868,076                             | 2,037,540                | 5,959,006  | 74,946,610                             | 5.2   | 4,465.36                   |
| 2022        | 70,351,453                             | 1,616,908                | 5,674,877  | 66,293,484                             | 4.3   | 4,017.30                   |
| 2023        | 71,687,424                             | 1,938,973                | 5,902,357  | 67,724,040                             | 3.7   | 4,011.14                   |

**Source:** City Records

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See the Schedule of Tax Capacity, Market Value and Estimated Actual Value of Taxable Property for property value data.

<sup>2</sup> Calculated using population figure from Demographics and Economic Statistics Table.

<sup>3</sup> The City is using governmental activities net position restricted for debt service. We believe this to be the best amount available to present a consistent net amount when refunding bonds are held for payment, which are not restricted on entity-wide financial statements due to conversion to full accrual accounting.

**CITY OF BUFFALO, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2023**

| <u>Governmental Unit</u>           | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable <sup>1</sup></u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|------------------------------------|-----------------------------|---|--|
| City Direct Debt                   | \$ 26,643,783               | 100.00%   | \$ 26,643,783  |
| Overlapping Debt:                  |                             |   |  |
| Wright County                      | 126,585,000                 | 8.4%  | 10,633,140   |
| Independent School District No 877 | 38,675,000                  | 44.3%   | 17,133,025   |
| Total Overlapping Debt             |                             |   | <u>27,766,165</u>                                      |
| Total Direct and Overlapping Debt  |                             |   | <u><u>\$ 54,409,948</u></u>                            |

**Source:** Wright County and School District #877

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

**CITY OF BUFFALO, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

|   | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020             | 2021          | 2022          | 2023          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| Debt Limit  | \$ 30,872,248 | \$ 29,752,980 | \$ 31,640,628 | \$ 34,529,199 | \$ 34,529,199 | \$ 39,433,062 | \$ 42,473,052    | \$ 43,418,532 | \$ 46,021,172 | \$ 56,625,999 |
| Total Net Debt Applicable to Limit                                      | 25,795,000    | 26,905,000    | 28,675,000    | 23,395,000    | 20,830,000    | 24,390,000    | 28,685,000       | 24,110,000    | 22,190,000    | 18,950,000    |
| Legal Debt Margin   | \$ 5,077,248  | \$ 2,847,980  | \$ 2,965,628  | \$ 11,134,199 | \$ 13,699,199 | \$ 15,043,062 | \$ 13,788,052    | \$ 19,308,532 | \$ 23,831,172 | \$ 37,675,999 |
| Total Net Debt Applicable to the Limit<br>as a Percentage of Debt Limit | 83.55%        | 90.43%        | 90.63%        | 67.75%        | 60.33%        | 61.85%        | 67.54%           | 55.53%        | 48.22%        | 33.47%        |
| <b>Source:</b> City Records   |               |               |               |               |               |               |                  |               |               |               |
| Legal Debt Margin Calculation for Fiscal Year 2023                      |               |               |               |               |               |               |                  |               |               |               |
| Market Value  |               |               |               |               |               |               | \$ 1,887,533,300 |               |               |               |
| Debt Limit (3% of Market Valuation)                                     |               |               |               |               |               |               | 56,625,999       |               |               |               |
| Debt Applicable to Limit:   |               |               |               |               |               |               |                  |               |               |               |
| General Obligation Bonds  |               |               |               |               |               |               | 74,425,000       |               |               |               |
| Amount Available for Repayment of Debt                                  |               |               |               |               |               |               | (55,475,000)     |               |               |               |
| Total Net Applicable to Limit   |               |               |               |               |               |               | 18,950,000       |               |               |               |
| Legal Debt Margin   |               |               |               |               |               |               | \$ 37,675,999    |               |               |               |

**CITY OF BUFFALO, MINNESOTA  
PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

| Fiscal<br>Year | Revenue Bonds <sup>1</sup>         |                            |                          |              |              |          |
|----------------|------------------------------------|----------------------------|--------------------------|--------------|--------------|----------|
|                | Operating<br>Revenues <sup>2</sup> | Less Operating<br>Expenses | Net Available<br>Revenue | Debt Service |              | Coverage |
|                |                                    |                            |                          | Principal    | Interest     |          |
| 2014           | \$ 17,065,141                      | \$ 12,410,091              | \$ 4,655,050             | \$ 2,677,987 | \$ 2,416,262 | 0.91     |
| 2015           | 17,486,011                         | 12,564,631                 | 4,921,380                | 2,551,786    | 2,656,866    | 0.94     |
| 2016           | 18,368,850                         | 12,866,450                 | 5,502,400                | 2,676,786    | 2,315,902    | 1.10     |
| 2017           | 19,060,483                         | 13,302,661                 | 5,757,822                | 2,131,786    | 2,274,288    | 1.31     |
| 2018           | 22,237,272                         | 14,728,165                 | 7,509,107                | 2,571,786    | 2,217,115    | 1.57     |
| 2019           | 22,256,852                         | 14,412,443                 | 7,844,409                | 4,306,053    | 2,219,531    | 1.20     |
| 2020           | 23,162,369                         | 15,537,161                 | 7,625,208                | 4,271,020    | 2,184,846    | 1.18     |
| 2021           | 27,259,514                         | 18,667,415                 | 8,592,099                | 6,430,043    | 1,424,448    | 1.09     |
| 2022           | 29,475,350                         | 20,453,067                 | 9,022,283                | 4,415,000    | 1,738,197    | 1.47     |
| 2023           | 31,196,137                         | 21,749,550                 | 9,446,587                | 4,545,000    | 1,687,372    | 1.52     |

Note 1: Details regarding the government's outstanding debt can be found in the notes of the financial statements.

Note 2: The 2015 principal payments do not include the refunded portion of bonds paid.

<sup>1</sup> Includes Electric, Water and Wastewater Revenue Bonds

<sup>2</sup> Operating revenue excludes interest income, connection fees, and miscellaneous revenues

<sup>3</sup> Expenses exclude depreciation, interest on bonds and miscellaneous expenses

<sup>4</sup> Does not include refunded portion of bonds paid

**CITY OF BUFFALO, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

| Year | Population <sup>1</sup> | Personal<br>Income <sup>2</sup> | Per Capita<br>Personal<br>Income <sup>2</sup> | Median<br>Age <sup>2</sup> | School<br>Enrollment <sup>3</sup> | Unemployment<br>Rate <sup>4</sup> |
|------|-------------------------|---------------------------------|---|----------------------------|-----------------------------------|-----------------------------------|
| 2014 | 15,911                  | \$ 427,003,507                  | \$ 26,837                                     | 34.2                       | 5,719                             | 5.6                               |
| 2015 | 16,033                  | 435,311,983                     | 27,151  | 34.6                       | 5,664                             | 7.0                               |
| 2016 | 16,119                  | 463,985,415                     | 28,785  | 33.9                       | 5,694                             | 5.9                               |
| 2017 | 16,247                  | 529,294,766                     | 32,578  | 33.9                       | 5,672                             | 4.6                               |
| 2018 | 16,479                  | 586,487,610                     | 35,590  | 35.0                       | 5,695                             | 5.1                               |
| 2019 | 16,558                  | 617,365,030                     | 37,285  | 36.5                       | 5,653                             | 5.0                               |
| 2020 | 16,670                  | 623,724,720                     | 37,416  | 36.5                       | 5,327                             | 5.1                               |
| 2021 | 16,784                  | 678,593,904                     | 40,431  | 37.1                       | 5,261                             | 4.5                               |
| 2022 | 16,502                  | 662,522,296                     | 40,148  | 38.3                       | 5,313                             | 3.6                               |
| 2023 | 16,884                  | *                               | *   | *                          | 5,282                             | *                                 |

\* Information not available for the 2023 year.

<sup>1</sup> **Source:** United States Census Bureau, Estimate

<sup>2</sup> **Source:** United States Census Bureau, American Community Survey

<sup>3</sup> **Source:** Minnesota Department of Education

<sup>4</sup> **Source:** Bureau of Labor Statistics

**CITY OF BUFFALO, MINNESOTA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

| Employer                                  | 2023          |      |   | 2014          |      |   |
|---|---------------|------|---|---------------|------|---|
|   | Employees     | Rank | Percentage<br>of Total County<br>Employment | Employees     | Rank | Percentage<br>of Total County<br>Employment |
| I.S.D. No. 877 (Buffalo-Hanover-Montrose) | 1,256         | 1    | 1.67 %                                      | 753           | 2    | 1.13 %                                      |
| Wright County                             | 810           | 2    | 1.08  | 863           | 1    | 1.29  |
| Buffalo Hospital                          | 428           | 3    | 0.57  | 536           | 3    | 0.80  |
| Walmart Supercenter                       | 350           | 4    | 0.47  | 350           | 5    | 0.52  |
| Functional Industries, Inc.               | 285           | 5    | 0.38  | 456           | 4    | 0.68  |
| Park View Care Center                     | 200           | 6    | 0.27  | 200           | 7    | 0.30  |
| Cub Foods                                 | 195           | 7    | 0.26  | 195           | 8    | 0.29  |
| Menards                                   | 157           | 8    | 0.21  | 150           | 10   | 0.20  |
| Stellis Health - Buffalo Clinic           | 130           | 9    | 0.17  | 250           | 6    | 0.33  |
| Lake Ridge Care Center                    | 115           | 10   | 0.15  | 168           | 9    | 0.22  |
| Total                                     | <u>3,926</u>  |      |   | <u>3,921</u>  |      |   |
| Total Employees in Wright County          | <u>75,239</u> |      |   | <u>66,725</u> |      |   |

**Sources:** Data Axle Reference Solutions, and the Minnesota Department of Employment and Economic Development.



**CITY OF BUFFALO, MINNESOTA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

| FUNCTION/PROGRAM        | Fiscal Year |        |        |        |        |        |        |        |        |        |
|-------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                         | 2014        | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   |
| General Government      | 12.47       | 10.88  | 11.83  | 11.67  | 10.38  | 10.12  | 15.18  | 13.86  | 15.42  | 16.50  |
| Public Safety:          |             |        |        |        |        |        |        |        |        |        |
| Police:                 |             |        |        |        |        |        |        |        |        |        |
| Officers                | 17.24       | 18.00  | 17.81  | 17.73  | 17.19  | 17.51  | 17.79  | 18.20  | 17.24  | 18.09  |
| Civilians               | 2.50        | 2.47   | 2.50   | 2.52   | 3.01   | 3.02   | 3.30   | 3.05   | 3.45   | 3.18   |
| Fire:                   |             |        |        |        |        |        |        |        |        |        |
| Fire Administration     | 0.15        | 0.14   | 0.13   | 0.13   | 0.14   | 0.14   | 0.86   | 1.00   | 1.00   | 1.00   |
| Paid On-Call Volunteers | 2.65        | 2.40   | 2.45   | 2.84   | 2.69   | 2.75   | 2.87   | 2.91   | 2.79   | 2.81   |
| Public Works:           |             |        |        |        |        |        |        |        |        |        |
| Engineering             | 2.00        | 2.00   | 1.09   | 1.01   | 1.00   | 1.01   | 1.04   | 1.04   | 1.63   | 2.00   |
| Maintenance             | 15.11       | 13.50  | 14.71  | 16.51  | 15.65  | 16.22  | 16.76  | 7.93   | 8.12   | 9.91   |
| Culture and Recreation  | 17.43       | 18.83  | 18.04  | 17.60  | 18.20  | 27.24  | 24.58  | 26.95  | 20.87  | 21.45  |
| Municipal Liquor        | 11.16       | 11.76  | 11.88  | 11.66  | 11.61  | 11.19  | 14.25  | 11.78  | 11.36  | 11.25  |
| Electric                | 11.91       | 12.07  | 11.16  | 12.03  | 12.14  | 14.70  | 15.77  | 11.44  | 16.67  | 15.18  |
| Sewer                   | 7.36        | 5.87   | 6.11   | 7.68   | 7.61   | 7.83   | 8.76   | 8.44   | 8.50   | 7.22   |
| Water                   | 7.09        | 6.61   | 6.48   | 6.40   | 5.44   | 5.57   | 6.32   | 7.50   | 7.65   | 7.14   |
| Total                   | 107.06      | 104.52 | 104.21 | 107.78 | 105.07 | 117.30 | 127.47 | 114.10 | 114.70 | 115.73 |

**Source:** City of Buffalo Finance Department

# CITY OF BUFFALO, MINNESOTA

## OPERATING INDICATORS BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

| FUNCTION/PROGRAM           | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                            | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          |
| General Government         |               |               |               |               |               |               |               |               |               |               |
| Planning:                  |               |               |               |               |               |               |               |               |               |               |
| # of Land Use Applications | 15            | 31            | 29            | 24            | 27            | 22            | 25            | 25            | 14            | 22            |
| Building/Environmental:    |               |               |               |               |               |               |               |               |               |               |
| # of Permits Issued        | 658           | 761           | 775           | 607           | 693           | 774           | 1,245         | 1,437         | 878           | 1,087         |
| Valuation of Permits       | \$ 17,724,085 | \$ 43,837,011 | \$ 35,938,117 | \$ 29,568,469 | \$ 65,620,220 | \$ 95,659,701 | \$ 54,587,171 | \$ 60,280,845 | \$ 31,832,452 | \$ 50,549,940 |
| (thousands of dollars)     |               |               |               |               |               |               |               |               |               |               |
| Public Safety              |               |               |               |               |               |               |               |               |               |               |
| Police:                    |               |               |               |               |               |               |               |               |               |               |
| # of police calls          | 11,217        | 10,993        | 11,744        | 12,055        | 10,707        | 12,248        | 11,953        | 11,563        | 12,602        | 13,342        |
| # of traffic citations     | 657           | 843           | 387           | 474           | 422           | 299           | 412           | 378           | 296           | 426           |
| Fire:                      |               |               |               |               |               |               |               |               |               |               |
| # of fire calls            | 234           | 180           | 244           | 221           | 225           | 270           | 251           | 272           | 299           | 261           |
| Public Works               |               |               |               |               |               |               |               |               |               |               |
| Snowplowing (hours)        | 3,752         | 1,389         | 1,376         | 1,374         | 2,383         | 4,764         | 2,231         | 1,747         | 2,804         | 1,956         |
| Culture and Recreation:    |               |               |               |               |               |               |               |               |               |               |
| Golf Course (rounds)       | 20,504        | 22,021        | 21,729        | 22,104        | 20,321        | 20,462        | 28,986        | 20,622        | -             | -             |
| Park Shelter Rentals       | 79            | 80            | 75            | 69            | 63            | 60            | 35            | 80            | 81            | 106           |
| Ice Arena Usage (hours)    | *             | *             | 3,043         | 2,887         | 3,150         | 2,876         | 2,262         | 2,262         | 2,814         | 2,602         |
| Electric                   |               |               |               |               |               |               |               |               |               |               |
| Number of Customers        | 5,746         | 5,902         | 5,953         | 5,980         | 6,046         | 6,111         | 6,287         | 6,330         | 6,435         | 6,465         |
| Annual Wholesale Energy    | 116,196       | 117,856       | 119,170       | 115,949       | 118,992       | 117,313       | 123,563       | 123,100       | 122,576       | 121,621       |
| (thousands of KW/h's)      |               |               |               |               |               |               |               |               |               |               |
| Annual Peak Demand (KW)    | 26,697        | 26,178        | 27,971        | 27,799        | 28,065        | 28,225        | 29,194        | 30,946        | 24,617        | 20,463        |
| Sewer                      |               |               |               |               |               |               |               |               |               |               |
| Number of Customers        | 5,120         | 5,180         | 5,221         | 5,270         | 5,331         | 5,391         | 5,447         | 5,353         | 5,438         | 5,389         |
| Water                      |               |               |               |               |               |               |               |               |               |               |
| Number of Customers        | 5,120         | 5,180         | 5,221         | 5,270         | 5,331         | 5,391         | 5,447         | 5,417         | 5,482         | 5,549         |
| Average daily consumption  | 1,613         | 1,728         | 1,982         | 1,976         | 1,892         | 1,850         | 1,940         | 1,225         | 1,121         | 1,644         |
| (thousands of gallons)     |               |               |               |               |               |               |               |               |               |               |

**Source:** All statistics from various City of Buffalo, Minnesota departments.  
 \* Data not available prior to 2016  
**Note:** Indicators are not available for some departments due to their function.

**CITY OF BUFFALO, MINNESOTA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

| Function/Program   | Fiscal Year |       |       |       |       |       |       |       |       |       |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 2014        | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  |
| Public Safety:   |             |       |       |       |       |       |       |       |       |       |
| Police:  |             |       |       |       |       |       |       |       |       |       |
| # of Stations  | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| # of Patrol Cars/Vehicles                                  | 8           | 10    | 11    | 10    | 9     | 9     | 11    | 12    | 12    | 14    |
| Fire:  |             |       |       |       |       |       |       |       |       |       |
| # of Stations  | 2           | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Public Works:  |             |       |       |       |       |       |       |       |       |       |
| Streets  |             |       |       |       |       |       |       |       |       |       |
| # of Miles   | 70          | 70    | 70    | 71    | 71    | 72    | 73    | 75    | 75    | 81    |
| Storm Sewer  |             |       |       |       |       |       |       |       |       |       |
| # of Miles   | 65          | 65    | 65    | 65    | 65    | 65    | 65    | 66    | 66    | 70    |
| Culture and Recreation                                     |             |       |       |       |       |       |       |       |       |       |
| Parks  |             |       |       |       |       |       |       |       |       |       |
| # of Parks   | 29          | 29    | 29    | 29    | 30    | 30    | 30    | 30    | 30    | 30    |
| # of Acres Managed   | 164         | 164   | 164   | 164   | 165   | 165   | 165   | 165   | 165   | 165   |
| Golf Course  |             |       |       |       |       |       |       |       |       |       |
| # of Acres Managed   | 174         | 174   | 174   | 174   | 174   | 174   | 174   | 174   | -     | -     |
| Utilities  |             |       |       |       |       |       |       |       |       |       |
| Electric:  |             |       |       |       |       |       |       |       |       |       |
| # of distribution stations                                 | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| # of miles electric distribution                           | 122         | 123   | 129   | 129   | 133   | 134   | 136   | 146   | 146   | 150   |
| Fiber Optic:   |             |       |       |       |       |       |       |       |       |       |
| # of miles fiber optic                                     | 29          | 29    | 29    | 30    | 31    | 34    | 37    | 45    | 45    | 56    |
| Sewer:   |             |       |       |       |       |       |       |       |       |       |
| # of miles (sanitary sewer)                                | 77          | 78    | 78    | 78    | 78    | 78    | 78    | 79    | 79    | 81    |
| # of miles (forcemain)                                     | 18          | 18    | 18    | 18    | 18    | 18    | 18    | 18    | 18    | 19    |
| # of lift stations   | 27          | 27    | 27    | 27    | 27    | 27    | 27    | 27    | 27    | 27    |
| Maximum daily treatment capacity<br>(thousands of gallons) | 4,320       | 4,320 | 4,320 | 4,320 | 4,320 | 4,320 | 4,320 | 4,320 | 4,320 | 4,320 |
| Water:   |             |       |       |       |       |       |       |       |       |       |
| # of miles (watermain)                                     | 98          | 98    | 98    | 99    | 99    | 99    | 99    | 100   | 100   | 103   |
| # of wells   | 5           | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     |
| # of towers  | 5           | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     |
| Maximum daily capacity<br>(thousands of gallons)           | 7,400       | 7,400 | 7,400 | 7,400 | 7,400 | 7,400 | 7,400 | 7,400 | 7,400 | 7,400 |
| Municipal Liquor   |             |       |       |       |       |       |       |       |       |       |
| # of stores  | 2           | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |

**Source:** All statistics from various City of Buffalo, Minnesota departments.

**Note:** Numerous departments do not have capital specific to their area and have, therefore, been eliminated from this exhibit.

**FORM OF LEGAL OPINION**

(See following pages)

## PROPOSED FORM OF LEGAL OPINION

\$2,500,000  
GENERAL OBLIGATION STREET RECONSTRUCTION AND EQUIPMENT BONDS,  
SERIES 2024B  
CITY OF BUFFALO  
WRIGHT COUNTY  
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Buffalo, Wright County, Minnesota (the "Issuer"), of its \$2,500,000 General Obligation Street Reconstruction and Equipment Bonds, Series 2024B, bearing a date of original issue of August 22, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.



**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

(See following pages)

## PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Buffalo, Minnesota (the "Issuer"), in connection with the issuance of its \$2,500,000 General Obligation Street Reconstruction and Equipment Bonds, Series 2024B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on August 5, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Undertaking.** This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated \_\_\_\_\_, 2024, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

### SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2024, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2025, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

A. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting

Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

**SECTION 5. Reporting of Significant Events.** This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: August 22, 2024.

CITY OF BUFFALO, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Administrator

## **TERMS OF PROPOSAL**

### **\$2,500,000\* GENERAL OBLIGATION STREET RECONSTRUCTION AND EQUIPMENT BONDS, SERIES 2024B CITY OF BUFFALO, MINNESOTA**

Proposals for the purchase of \$2,500,000\* General Obligation Street Reconstruction and Equipment Bonds, Series 2024B (the "Bonds") of the City of Buffalo, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on August 5, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

### **AUTHORITY; PURPOSE; SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Sections 412.301 and 475.58, subd. 3b and Chapter 475, as amended, by the City, for the purposes of financing certain street reconstruction projects described in the City's Five-Year Street Reconstruction and Overlay Plan, dated June 17, 2024 and the acquisition of capital equipment. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

### **DATES AND MATURITIES**

The Bonds will be dated August 22, 2024, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2026        | \$170,000      | 2030        | \$250,000      | 2034        | \$290,000      |
| 2027        | 220,000        | 2031        | 260,000        | 2035        | 300,000        |
| 2028        | 230,000        | 2032        | 265,000        |             |                |
| 2029        | 240,000        | 2033        | 275,000        |             |                |

### **ADJUSTMENT OPTION**

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

### **TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC") to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## DELIVERY

On or about August 22, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.



## LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

## STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$2,470,000 plus accrued interest on the principal sum of \$2,500,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

**A good faith deposit ("Deposit") in the amount of \$50,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

### **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

### **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

## **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Buffalo, Minnesota

# PROPOSAL FORM

The City Council  
City of Buffalo, Minnesota (the "City")

August 5, 2024

RE: **\$2,500,000\* General Obligation Street Reconstruction and Equipment Bonds, Series 2024B (the "Bonds")**  
DATED: **August 22, 2024**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$2,470,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

|             |      |             |      |             |      |
|-------------|------|-------------|------|-------------|------|
| _____ % due | 2026 | _____ % due | 2030 | _____ % due | 2034 |
| _____ % due | 2027 | _____ % due | 2031 | _____ % due | 2035 |
| _____ % due | 2028 | _____ % due | 2032 |             |      |
| _____ % due | 2029 | _____ % due | 2033 |             |      |

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of \$50,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about August 22, 2024.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_\_ NO: \_\_\_\_.

If the competitive sale requirements are not met, we elect to use either the: \_\_\_\_10% test, or the \_\_\_\_hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members: \_\_\_\_\_

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from August 22, 2024 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Buffalo, Minnesota, on August 5, 2024.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_