Reporting and Publishing Requirements – Audits on the Regulatory Basis of Accounting

City Audited Financial Statements

For Cities Under 2,500 in Population

Year Ended December 31, 2026

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
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Reporting and Publishing Requirements – Audits on the Regulatory Basis of Accounting

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Reporting and Publishing Requirements –
Audits on the Regulatory Basis of Accounting

Reporting Requirements for Cities Under 2,500 in Population

The reporting requirements described in this publication are required to meet the Office of the State Auditor (OSA) and statutory requirements for cities that meet the following attributes:

1. The city is under 2,500 in population.

2. The positions of clerk and treasurer are combined.

3. The City's current year receipts from all sources (grants, taxes, contributions, fees, etc.) are equal to or higher than the revenue threshold requirements of Minn. Stat. § 412.591. The revenue threshold adjusted for inflation can be found on the State Auditor's website: https://www.osa.state.mn.us/audit-resources/audit-guidance/audit-plus-accounting-documents-sub-pages/current-audit-revenue-thresholds/.

Cities that meet the above three criteria are <u>required to obtain an annual audit</u> on the financial statements submitted to the Office of the State Auditor, and the financial statements are permitted to be on the regulatory basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by other GASB pronouncements, establishes the financial reporting model for state and local governments throughout the United States. The regulatory basis reporting requirements prescribed in this publication generally reflect the financial presentation formats defined by GASB Statement 34, as amended, but transactions are required to be recorded when inflows (receipts) or outflows (disbursements) occur, rather than based on the underlying transaction. If this publication or the examples provided with the publication are missing information needed for preparing financial information, apply the requirements of GASB Statement 34 and related standards. In addition to the Description of City Audited Financial Statements section below, the example format is presented in this manual on pages 6 through 35.

Reporting Deadlines

- The city clerk or finance officer must file the financial statements as described in this document in their office for public inspection within 45 days after the close of the calendar year.

- A copy of the audited financial statements and the Local Government Financial Reporting Form must be submitted to the Office of the State Auditor by the June 15th after the close of the calendar year.

- The financial statements or a summary of the statement (as described Reporting and Publishing Requirements – Summary Financial Report) must be published or posted within 90 days of the close of the calendar year.

Generally, the regulatory basis of accounting prescribed in this document is adequate for smaller cities. However, the Office of the State Auditor encourages cities under 2,500 in population to report in accordance with generally accepted accounting principles (GAAP), which can be used instead of this publication. If this option is selected, the city should notify the Office of the State Auditor (by emailing GID@osa.state.mn.us) of the change in reporting status within 90 days after the close of the calendar year.

Reporting and Auditing Requirements for Municipal Liquor Stores

Minnesota Statutes, section 471.6985, subdivision 1, requires any city operating a municipal liquor store to publish a balance sheet and a statement of operations in conformance with generally accepted accounting principles and that the form and style shall be prescribed by the State Auditor and published within 90 days after the close of the fiscal year. The format prescribed on pages 28 through 35 meets the reporting requirements of Minn. Stat. § 471.6985, subd. 1.

Pursuant to Minn. Stat. § 471.6985, subd. 2, cities that operate a municipal liquor store with total annual sales in excess of $750,000, as adjusted for inflation annually, are required to submit audited financial statements to the State Auditor within 180 days after the close of the fiscal year. If you have a municipal liquor store with $750,000 or more in sales, GAAP-based financial statements and notes are required. Please refer to GASB for required statements and disclosures.

Enforcement Provisions

Cities are statutorily required to submit a copy of the financial statement and the Local Government Financial Reporting Form to the Office of the State Auditor in order to receive local government aid. If a city fails to comply with the applicable requirements, Minnesota statutes authorize the State Auditor to:

1. Notify the Minnesota Department of Revenue (DOR) that the city did not comply with the reporting requirements. Local government aid to the city will be withheld until the Office of the State Auditor notifies the DOR that the city has complied with the reporting requirements (Minn. Stat. § 477A.017). If the city fails to comply by September 30 of the reporting year, aids may be permanently forfeited for that reporting year.

2. Send staff auditors to the city or to contract with independent auditors in order to complete the appropriate reports. The costs related to completing and filing the financial statement or report will be charged to the city. If any city fails to pay such cost within 30 days of billing, the amount shall be deducted from any state-shared taxes or aids due the city (Minn. Stat. § 471.699).

Description of City Audited Financial Statements

The prescribed city audited financial statements, on the regulatory basis of accounting, are defined below. An example of the financial statement begins on page 6. All statements are required unless not applicable (e.g., no such fund). Include all investments, including long-term investments in the regulatory basis financial statements.

Independent Auditor's Report (Opinion)

The Independent Auditor's Report is included.

Statement of Net Cash Position

The statement is on a government-wide basis and includes columns for the governmental activities (a column which is a total of all governmental funds), business-type activities (enterprise funds), and a total column for the primary government. The statement will include any items resulting from cash, such as cash, investments, overdrawn cash (which would be classified as a liability), and net cash position, divided into category based on the restriction of the net cash. An additional column is shown for each discretely presented component unit. If the column of each discretely presented component unit reduces readability, an aggregate column may be presented with a combining schedule of discretely presented component units.

Statement of Changes in Net Cash Position

The statement should present the receipts and disbursements of the city as a whole in more summary than at the level of detail presented in the fund financial statements. The statement should include columns for governmental activities, business-type activities, a total of the two, and columns for each discretely presented component unit. If the column of each discretely presented component unit reduces readability, an aggregate column may be presented with a combining schedule of discretely presented component units.

Receipts should be classified (as applicable) into the categories of taxes, special assessments, licenses and permits, intergovernmental, charges for services, fines and forfeits, gifts and contributions, investment earnings, and miscellaneous. Additional categories may also be included.

Disbursements should be classified (as applicable) into the categories of general government, public safety, public works, highways and streets, health, sanitation, cemetery, culture and recreation, economic development, principal and interest on debt, and capital outlay by functional category. Additional categories may also be included.

Statement of Balances Arising from Cash Transactions – Governmental Funds

This statement is in the format of a cash balance sheet, organized by major and nonmajor funds. Major funds are determined by the criteria set forth in GASB Statement 34. On this statement, each major governmental fund is shown in a separate column and all nonmajor governmental funds are combined and shown in an aggregated single column. The General Fund is always a major fund. The statement includes similar information as that of the Statement of Net Cash Position, except a column is included for each major fund.

Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances – Governmental Funds

The format of this statement is receipts, disbursements, other financing sources and uses, special items, and the change in cash fund balance. Receipts are classified by source, and disbursements are classified by function. Each major governmental fund is shown in a separate column. All nonmajor governmental funds are combined and shown in a single column. The last column is a total for all governmental funds. The statement includes similar information as that of the Statement of Changes in Net Cash Position, except a column is included for each major fund.

Statement of Balances Arising from Cash Transactions – Proprietary Funds

The statement includes similar information as that of the Statement of Net Cash Position, except information is provided for each proprietary fund. This statement is in a classified balance sheet format—cash and investments are classified as current or noncurrent. Each major enterprise fund is shown in a separate column. All other enterprise funds are combined and shown in a single column. There should be a total for all enterprise funds. If the city has an internal service fund, it is presented to the right of the “Total Enterprise Funds” column. GASB Statement 34 defines the criteria used to determine which funds are major funds.

The water, sewer, refuse disposal, electric, gas, and heat utilities, along with municipal hospitals, nursing homes, municipal dispensaries, and liquor stores, are required to be reported as enterprise funds.

Statement of Receipts, Disbursements, and Changes in Net Cash Position – Proprietary Funds

This statement is in an operating statement format. The first section reported should include operating receipts, the second section should be operating disbursements, the third section should include noncapital subsidies receipts and disbursements, and the fourth section should include nonoperating receipts and nonoperating related disbursements. Capital outlay generally are considered operating disbursements, while principal payments and interest are generally considered nonoperating. Capital contributions are considered to be nonoperating receipts. Transfers are generally a noncapital subsidy, unless capital related, and then are reported as nonoperating.

Each major enterprise fund is shown in a separate column. All other enterprise funds are combined and shown in a single column. A total should be included for all enterprise funds. If the city has an internal service fund, it is presented to the right of the “Total Enterprise Funds” column.

Notes to the Financial Statements

The notes to the financial statements should communicate information essential for the fair presentation of the financial statements. The elements that need to be included in the notes to the financial statements as applicable can be found on page 12.

Supplementary Statements and Schedules

Budgetary Comparison Schedule – Regulatory Basis – General Fund

The Budgetary Comparison Schedule presents the General Fund’s beginning and ending cash fund balance; receipts, classified by source; disbursements, classified by function; and other financing sources and uses. The statement includes the original and final budget, actual amounts, and budget variance.

Combining Fund Statement – Nonmajor Governmental Funds

A combining fund statement presents a detailed statement of receipts, classified by source; disbursements, classified by function; transfers; and cash fund balances. The statement should include nonmajor special revenue funds, debt service funds, capital projects funds, and permanent funds.

Combining Fund Statements – Enterprise Funds

[Municipal Liquor Stores are required to present full accrual statements which is not required but recommended for other Enterprise Funds.]

Combining nonmajor proprietary fund statements present a balance sheet and a detailed operating statement and a statement of cash flows for accrual basis statements.

Any accrual basis proprietary statements would be included in this section.

Cash basis statements in this section are not required for proprietary funds reported on the accrual basis.

Combining Statements – Discretely Presented Component Units

Individual statements present a detailed statement of receipts, classified by source; disbursements, classified by function; transfers; and cash fund balances. A detailed statement for each Discretely Presented Component Unit is required if aggregated on the Statement of Net Cash Position and Statement of Changes in Net Cash Position.

Schedule of Indebtedness

The Schedule of Indebtedness is a statement of indebtedness by type. The schedule should include all bonds, loans, and notes outstanding. For other items, debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets used in lieu of payment of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established, which does not include leases, or subscription IT arrangements.

Each bond issue should be listed separately. The principal balance at the beginning of the year should agree with the ending principal balance of the preceding year. A note should be included explaining any changes to the beginning balances. This statement may be included in the notes to the financial statements.

Schedule of Accounts Receivable and Payable

These schedules should list the city's accounts receivable and accounts payable for all funds as of December 31 that will not be collected or paid until the following year.

City of Example
[City], Minnesota

Statement of Net Cash Position
December 31, 20XX

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit – EDA
Assets				
Cash and cash equivalents	$ 440,936	$ 69,107	$ 510,043	$ 872
Investments	167,988	170,927	338,915	50,957
Total Assets	**$ 608,924**	**$ 240,034**	**$ 848,958**	**$ 51,829**
Liabilities				
Deposits	**$ 2,500**	**$ 1,000**	**$ 3,500**	**$ -**
Net Cash Position				
Restricted for				
Capital projects	$ 351,326	$ -	$ 351,326	$ -
Debt service	43,236	65,979	109,215	-
Perpetual care	50,375	-	50,375	-
Economic development	-	-	-	51,829
Other purposes	44,559	-	44,559	-
Unrestricted	116,928	173,055	289,983	-
Total Net Cash Position	**$ 606,424**	**$ 239,034**	**$ 845,458**	**$ 51,829**

City of Example
[City], Minnesota

Statement of Changes in Net Cash Position
December 31, 20XX

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit – EDA
Receipts				
Taxes	$ 89,650	$ 2,677	$ 92,327	$ -
Special assessments	131,701	8,543	140,244	-
Licenses and permits	2,300	-	2,300	-
Intergovernmental	482,827	657	483,484	3,753
Charges for services	13,716	245,525	259,241	17,385
Fines and forfeits	4,128	-	4,128	-
Gifts and contributions	18,755	-	18,755	-
Investment earnings	129,377	21,833	151,210	2,350
Miscellaneous (significant sources should be listed separately, such as rent, proceeds of sale of capital assets)	4,626	3,849	8,475	-
Total Receipts	**$ 877,080**	**$ 283,084**	**$ 1,160,164**	**$ 23,488**
Disbursements				
Current				
General government	$ 30,317	$ -	$ 30,317	$ 2,459
Public safety	51,146	-	51,146	-
Highways and streets	31,256	-	31,256	-
Sanitation	10,700	-	10,700	-
Cemetery	4,411	-	4,411	-
Culture and recreation	15,159	-	15,159	-
Airport	2,560	-	2,560	-
Economic development	-	-	-	64,699
Capital outlay				
Public safety	280,469	-	280,469	-
Highways and streets	500,254	-	500,254	-
Economic development	-	-	-	20,887
Debt service				
Principal	20,000	20,000	40,000	-
Interest and other charges	24,779	25,500	50,279	-
Water	-	54,568	54,568	-
Sewer	-	36,057	36,057	-
Liquor store	-	134,607	134,607	-
Total Disbursements	**$ 971,051**	**$ 270,732**	**$ 1,241,783**	**$ 88,045**
Other Financing Sources (Uses)				
Transfers in	$ 10,000	$ 6,200	$ 16,200	$ -
Transfers out	(6,200)	(10,000)	(16,200)	-
Debt issuance	350,000	-	350,000	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	**$ 353,800**	**$ (3,800)**	**$ 350,000**	**$ -**
Net Change in Cash Fund Balance	**$ 259,829**	**$ 8,552**	**$ 268,381**	**$ (64,557)**
Cash Fund Balance – Beginning	**346,595**	**230,482**	**577,077**	**116,386**
Cash Fund Balance – Ending	**$ 606,424**	**$ 239,034**	**$ 845,458**	**$ 51,829**

City of Example
[City], Minnesota

Statement of Balances Arising From Cash Transactions
Governmental Funds
December 31, 20XX

	General	Fire Hall	Street Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 38,661	$ 287,434	$ 38,892	$ 75,949	$ 440,936
Investments	80,767	-	25,000	62,221	167,988
Total Assets	**$ 119,428**	**$ 287,434**	**$ 63,892**	**$ 138,170**	**$ 608,924**
Liabilities					
Driveway deposits	**$ 2,500**	**$ -**	**$ -**	**$ -**	**$ 2,500**
Cash Fund Balances					
Restricted					
Debt service	$ -	$ -	$ -	$ 43,236	$ 43,236
Perpetual care	-	-	-	50,375	50,375
Committed for capital projects	-	287,434	63,892	19,938	371,264
Assigned	-	-	-	24,621	24,621
Unassigned	116,928	-	-	-	116,928
Total Cash Fund Balances	**$ 116,928**	**$ 287,434**	**$ 63,892**	**$ 138,170**	**$ 606,424**
Total Liabilities and Cash Fund Balances	**$ 119,428**	**$ 287,434**	**$ 63,892**	**$ 138,170**	**$ 608,924**

City of Example
[City], Minnesota

Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balance
Governmental Funds
For the Year Ended December 31, 20XX

	General	Fire Hall	Street Improvement	Other Governmental Funds	Total
Receipts					
Taxes	$ 72,364	$ -	$ -	$ 17,286	$ 89,650
Special assessments	-	-	123,359	8,342	131,701
Licenses and permits	2,300	-	-	-	2,300
Intergovernmental	110,401	-	351,097	21,329	482,827
Charges for services	9,018	-	-	4,698	13,716
Fines and forfeits	4,128	-	-	-	4,128
Gifts and contributions	5,591	3,026	-	10,138	18,755
Investment earnings	-	105,192	-	24,185	129,377
Miscellaneous (significant sources should be listed separately, such as rent, proceeds of sale of capital assets)	2,369	-	-	2,257	4,626
Total Receipts	**$ 206,171**	**$ 108,218**	**$ 474,456**	**$ 88,235**	**$ 877,080**
Disbursements					
Current					
General government	$ 30,317	$ -	$ -	$ -	$ 30,317
Public safety	46,169	-	-	4,977	51,146
Highways and streets	31,256	-	-	-	31,256
Sanitation	10,700	-	-	-	10,700
Cemetery	659	-	-	3,752	4,411
Culture and recreation	13,619	-	-	1,540	15,159
Airport	2,560	-	-	-	2,560
Capital outlay					
Public safety	4,365	271,279	-	4,825	280,469
Highways and streets	40,459	-	435,564	24,231	500,254
Debt service					
Principal	-	-	-	20,000	20,000
Interest and other charges	-	-	-	24,779	24,779
Total Disbursements	**$ 180,104**	**$ 271,279**	**$ 435,564**	**$ 84,104**	**$ 971,051**
Receipts Over (Under) Disbursements	**$ 26,067**	**$ (163,061)**	**$ 38,892**	**$ 4,131**	**$ (93,971)**
Other Financing Sources (Uses)					
Transfers in	$ 10,000	$ -	$ -	$ -	$ 10,000
Transfers out	(6,200)	-	-	-	(6,200)
Debt issuance	-	350,000	-	-	350,000
Sale of capital assets	-	-	-	-	-
Total Other Financing Sources (Uses)	**$ 3,800**	**$ 350,000**	**$ -**	**$ -**	**$ 353,800**
Net Change in Cash Fund Balance	**$ 29,867**	**$ 186,939**	**$ 38,892**	**$ 4,131**	**$ 259,829**
Cash Fund Balance – Beginning	**87,061**	**100,495**	**25,000**	**134,039**	**346,595**
Cash Fund Balance – Ending	**$ 116,928**	**$ 287,434**	**$ 63,892**	**$ 138,170**	**$ 606,424**

City of Example
[City], Minnesota

Statement of Balances Arising from Cash Transactions
Proprietary Funds
December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Assets				
Current assets				
Cash and cash equivalents	$ 29,447	$ 11,210	$ 9,546	$ 50,203
Investments	-	108,852	15,000	123,852
Total current assets	**$ 29,447**	**$ 120,062**	**$ 24,546**	**$ 174,055**
Noncurrent assets				
Restricted cash and cash equivalents				
Cash and cash equivalents	$ 15,315	$ -	$ 3,589	$ 18,904
Investments	47,075	-	-	47,075
Total noncurrent assets	**$ 62,390**	**$ -**	**$ 3,589**	**$ 65,979**
Total Assets	**$ 91,837**	**$ 120,062**	**$ 28,135**	**$ 240,034**
Liabilities				
Current liabilities				
Connection deposits	**$ -**	**$ 1,000**	**$ -**	**$ 1,000**
Net Cash Position				
Restricted for debt service	$ 62,390	$ -	$ 3,589	$ 65,979
Unrestricted	29,447	119,062	24,546	173,055
Total Net Cash Position	**$ 91,837**	**$ 119,062**	**$ 28,135**	**$ 239,034**

City of Example
[City], Minnesota

Statement of Receipts, Disbursements, and Changes in Net Cash Position
Proprietary Funds
For the Year Ended December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Operating Receipts				
Charges for services	$ 72,316	$ 31,198	$ 139,291	$ 242,805
Connection fees	2,720	-	-	2,720
Special assessments	8,543	-	-	8,543
Miscellaneous	-	150	3,699	3,849
Total Operating Receipts	**$ 83,579**	**$ 31,348**	**$ 142,990**	**$ 257,917**
Operating Disbursements				
Personal services	$ 13,677	$ 12,428	$ 28,991	$ 55,096
Health and life insurance contributions	1,688	951	3,381	6,020
Pension contributions	-	-	2,271	2,271
Materials	-	-	81,057	81,057
Utilities	7,401	9,560	1,771	18,732
Repairs and maintenance	13,909	7,438	1,228	22,575
Supplies	5,774	768	3,100	9,642
Insurance claims and expenses	5,188	1,140	5,826	12,154
Testing	-	840	-	840
Capital outlay	5,061	2,241	725	8,027
Other disbursements	1,870	691	157	2,718
Total Operating Disbursements	**$ 54,568**	**$ 36,057**	**$ 128,507**	**$ 219,132**
Total Operating Cash Income (Loss)	**$ 29,011**	**$ (4,709)**	**$ 14,483**	**$ 38,785**
Noncapital Subsidies Receipts (Disbursements)				
Property taxes	$ 2,677	$ -	$ -	$ 2,677
Federal grants	-	-	-	-
Market value credits	657	-	-	657
Other state grants	-	-	-	-
County and local unit grants	-	-	-	-
Transfers in	6,200	-	-	6,200
Transfers out	-	-	(10,000)	(10,000)
Total Noncapital Subsidies Receipts (Disbursements)	**$ 9,534**	**$ -**	**$ (10,000)**	**$ (466)**
Operating cash income (loss) and noncapital subsidies	**$ 38,545**	**$ (4,709)**	**$ 4,483**	**$ 38,319**
Nonoperating Receipts (Disbursements)				
Interest and investment receipts	$ 9,108	$ 11,347	$ 1,378	$ 21,833
Capital contributions	-	-	-	-
Debt issuance	-	-	-	-
Debt principal	(20,000)	-	(5,000)	(25,000)
Interest disbursements	(25,500)	-	(1,100)	(26,600)
Total Nonoperating Receipts (Disbursements)	**$ (36,392)**	**$ 11,347**	**$ (4,722)**	**$ (29,767)**
Change in Net Cash Position (Loss)	**$ 2,153**	**$ 6,638**	**$ (239)**	**$ 8,552**
Total Net Cash Position, Beginning	**89,684**	**112,424**	**28,374**	**230,482**
Total Net Cash Position, Ending	**$ 91,837**	**$ 119,062**	**$ 28,135**	**$ 239,034**

Notes to the Financial Statements

The notes to the financial statements should communicate information essential for the fair presentation of the financial statements. Listed below are elements that need to be included in the notes to the financial statements as applicable.

1. Summary of Significant Accounting Policies
    a. Financial Reporting Entity
    b. Component Units
    c. Description of Fund Financial Statements
    d. Measurement Focus and Basis of Accounting
    e. Assets, Liabilities, and Net or Cash Net Position or Equity

2. Stewardship, Compliance, and Accountability
    a. Uninsured and Uncollateralized Deposits
    b. Spending in Excess of Approved Budget

3. Detailed Notes
    a. Cash and Investments
    b. Restricted Cash
    c. Capital Assets
    d. Liabilities
        i. Compensated absences
        ii. Leases
        iii. Subscription-Based Information Technology Arrangements
        iv. Debt and Other Long-Term Liabilities
    e. Other Postemployment Benefits (OPEB), *including a description of the plan, benefits provided, contributions made, and number of participants*
    f. Pension Plans, *including a description of the plan, benefits provided, contributions made, and number of participants*
    g. Other Benefit Plans, *including a description of the plan, benefits provided, contributions made, and number of participants*.

4. Other Notes
    Risk Management
    Commitments and Contingencies
    Subsequent Events, *including any debt issued after year-end*

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of *Example*, Minnesota, (the City) is a statutory city that has a Mayor-Council form of government that is governed by an elected mayor and a four-member Council. The City provides the following services: water, sewer, municipal liquor store, public improvements, public safety, and general administrative services.

Basic Financial Statements

The accounts of the City of *Example* are maintained on the cash basis. Receipts are recorded when cash is received, and disbursements are recorded when checks are issued. These statements are presented on a regulatory basis as they do not reflect accounts receivable, accounts payable, or other accrued items and, therefore, are not presented in accordance with generally accepted accounting principles.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the City that they are, in substance, the same as the City and, therefore, are reported as if they were part of the City. Example City has the following blended component unit:

Component Unit of the City

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Ambulance Authority Blended Component unit	The Authority's governing body is substantively the same as the governing body of the City, and a financial benefit/burden relationship exists.	Separate financial statements are not prepared.

Discretely Blended Component Unit

The following component unit of *Example* City qualifies for inclusion in the financial reporting entity as a discretely presented component unit:

Component Unit of the City

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Example City Economic Development Authority (EDA) provides for development within the City	The City appoints Board members and is financially accountable for the EDA.	Separate financial statements are not prepared.

Fund Financial Statements

The fund financial statements provide information about the City's funds. 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.

The City reports the following major governmental funds:

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

The Fire Hall Special Revenue Fund is used to account for specific intergovernmental receipts from the state government, as well as assigned property tax receipts for the operation of the City's fire department.

The Street Improvement Special Revenue Fund is used to account for the costs associated with acquisitions, construction, and improvements to the City's streets.

The City reports the following major proprietary funds:

The Water Fund is used to account for water use charges, which are used to finance the water operating costs.

The Sewer Fund is used to account for sewer service charges, which are used to finance the sewer system operating costs.

The Liquor Fund is used to account for receipts from sales to customers, which are used to finance the municipal liquor store operations and activities.

Measurement Focus and Basis of Accounting

The City of *Example* follows the regulatory basis of accounting for all funds. The accompanying financial statements were prepared on the regulatory basis of accounting in accordance with financial reporting provisions of accounting practices prescribed or permitted as described in the Office of the State Auditor's Reporting and

Publishing Requirements for City Audited Financial Statements for Cities Under 2,500 in Population Reporting on the Regulatory Basis of Accounting. Under this regulatory basis of accounting, in the governmental and proprietary fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses, and inventories and, accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America. Other differences from accounting principles generally accepted in the United States of America result from the City not recognizing governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting or proprietary fund receipts and disbursements in accordance with the full accrual basis of accounting.

Assets, Liabilities, and Net or Cash Net Position or Fund Balance

Cash

Cash and cash equivalents include all cash on hand, demand and savings accounts, and certificates of deposit with an original maturity of three months or less from the date of acquisition. Certificates of deposit are stated at cost, which approximates fair value.

Capital Assets

Capital assets are not reported as assets in the fund financial statements. Capital assets are recorded as disbursements when paid. Capital assets are defined by the City as assets with an initial, individual cost of more than the capitalization threshold of $X,XXX and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

Long-Term Debt

Long-term debt is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest are reported as disbursements in governmental funds. In proprietary funds, debt proceeds and payment of principal and interest are reported as other receipts and disbursements. Bond premiums and discounts, as well as bond issuance costs, if any, are recognized during the current period.

Classification of Net Cash Position

In proprietary fund financial statements, net cash position represents the difference between assets and liabilities. Net cash position is classified in the following categories:

<u>Restricted</u> – the amount of net cash position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

<u>Unrestricted</u> – the amount of net cash position that does not meet the definition of restricted.

Additionally, for _____ and _____ Enterprise Funds reported on a full accrual basis as Supplementary Information, the following classification of net position applies:

Net investment in capital assets – is the amount of net position representing capital assets, net of accumulated depreciation and amortization, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

The City does not have a formal policy addressing which category of net cash position is to be applied first when a disbursement is incurred for which both restricted or unrestricted net cash position is available.

Classification of Cash Fund Balance

In the governmental fund financial statements, cash fund balance is divided into four classifications—restricted, committed, assigned, and unassigned—based primarily on the extent to which the City of *Example* is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned cash fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council.

Unassigned – the residual classification for the General Fund and includes all remaining amounts not contained in the other cash fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

When a disbursement is incurred for which the City may use either restricted or unrestricted cash fund balance, the City uses restricted resources first unless unrestricted cash fund balances (committed, assigned, and unassigned) will have to be returned because they were not used. Similarly, within unrestricted cash fund balances, when a disbursement is incurred for purposes for which amounts in any unrestricted cash fund balance could be used, the City uses cash fund balances in the following order: committed, and then assigned, though the City does not have a formal policy addressing this.

The City does not have a minimum cash fund balance policy for its governmental funds.

Property Taxes

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of September. The tax is billed to individual property owners annually and, for the most part, is due and payable in January, but may be paid in two equal installments on or before May 15 and October 15 without penalty. *Example 2* County is the collecting agency for the levy and remits the collections to the City three times per year. The property taxes are receipted when they are received.

Operating Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. Operating disbursements for proprietary funds include the cost of sales and services and administrative expense. All receipts and disbursements not meeting this definition are reported as nonoperating items, which include receipts and disbursements related to capital and related financing, noncapital financing, or investing activities.

Use of Estimates

The preparation of financial statements in conformity with the regulatory basis may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

Spending in Excess of Approved Budget

The following activities had disbursements in excess of budget for the year ended December 31, 20XX:

Excess of Disbursements Over Budget

Activity	Disbursements	Final Budget	Excess
General Government	$ 32,157	$ 31,750	$ 407

Note 3 – Detailed Notes

Assets

Cash and Investments

Minnesota Statutes chapter 118A authorizes the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council. At December 31, 20XX, the book value of the City's cash and deposits totaled $848,958. The bank value of these deposits was $868,334. Minnesota statutes require that all City deposits be covered by insurance, surety bond, or collateral.

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 20XX, the City's deposits were not exposed to custodial credit risk.

Capital Assets

Instead of the presentation option below, alternatively a city may include the cost of individual capital assets and the acquisition year. Lease and subscription-based IT arrangement liabilities may be calculated based on the total outstanding obligation, which would include interest. If lease and subscription-based IT arrangement liabilities are calculated using the total obligation, the notes should include that this is how it is calculated.

Capital assets for December 31, 20XX, were as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended

Capital Assets – Governmental Activities		Ending Balance
Capital assets not depreciated		
Land	$	718,616
Construction in progress		-
Total capital assets not depreciated	$	718,616
Capital assets depreciated		
Land improvements	$	117,570
Buildings		2,809,510
Building improvements		896,830
Machinery, furniture, vehicles, and equipment		1,122,409
Infrastructure		4,490,416
Total capital assets depreciated	$	9,436,735
Less: accumulated depreciation for		
Land improvements	$	92,718
Buildings		983,140
Building improvements		746,716
Machinery, furniture, vehicles, and equipment		829,627
Infrastructure		1,372,391
Total accumulated depreciation	$	4,024,592
Total capital assets depreciated, net	$	5,412,143
Capital assets amortized		
Subscription-based information technology arrangements	$	232,154
Lease buildings		36,377
Lease equipment		162,000
Total capital assets amortized	$	430,531
Less: accumulated amortization for		
Subscription-based information technology arrangements	$	69,786
Lease buildings		18,188
Lease equipment		79,057
Total accumulated amortization	$	167,031
Total capital assets amortized, net	$	263,500
Governmental Activities Capital Assets, Net	$	6,394,259

Business-Type Activities

Changes in Capital Assets for the Year Ended

Capital Assets – Business-Type Activities	Ending Balance
Capital assets not depreciated	
Land	$ 94,773
Capital assets depreciated	
Buildings	$ 259,501
Machinery, furniture, vehicles, and equipment	2,543,896
Total capital assets depreciated	$ 2,803,397
Less: accumulated depreciation for	
Buildings	$ 169,028
Machinery, furniture, vehicles, and equipment	1,091,166
Total accumulated depreciation	$ 1,260,194
Total capital assets depreciated, net	$ 1,543,203
Business-Type Activities Capital Assets, Net	$ 1,637,976

Liabilities

Long-Term Liabilities

Compensated Absences

City employees are granted vacation time in varying amounts depending on length of service. All employees accumulate sick leave. Unused, accumulated vacation time is paid to employees upon termination. The liability for compensated absences reported below consists of unused accumulated vacation time balances. Sick leave is not paid to employees at termination. The compensated absences liability is liquidated by the General Fund.

The amount of unused, accumulated vacation time at December 31, 20XX, is $135,594.

Leases

The City has entered into lease agreements as lessee for copier leases for various departments, a postage machine and mailing system, and building space. Leases range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid from the General Fund.

Subscription-Based Information Technology Arrangements

The City has entered into subscription-based contracts to use vendor-provided information technology. The subscription-based technology arrangements (SBITA) provide the City with access to IT software and associated capital assets in exchange for subscription payments. These SBITAs have been recorded at the present value of their future minimum lease payments as of the inception date. SBITA payments are paid from the General Fund.

Long-Term Liabilities

The City had the following long-term liabilities at December 31, 20XX:

Governmental Activities

Lease and subscription-based IT arrangement liabilities may be calculated based on the total outstanding obligation, which would include interest. If lease and subscription-based IT arrangement liabilities are calculated using the total obligation, the notes should include that this is how it is calculated.

Long-Term Liabilities for the Year Ended December 31, 20XX

Long Term Liabilities	Ending Balance	Due Within One Year
Bonds, notes, and installment purchase	$ 1,254,360	$ 35,000
Add: unamortized premiums	55,584	-
Total bonds, notes, and installment purchase	$ 1,309,944	$ 35,000
Leases payable	91,261	40,809
Software subscriptions payable	147,942	75,616
Governmental Activities Long-Term Liabilities	$ 1,549,147	$ 151,425

Business-Type Activities

Long-Term Liabilities for the Year Ended December 31, 20XX

Long Term Liabilities	Ending Balance	Due Within One Year
Bonds payable	$ 505,000	$ 25,000

Other Postemployment Benefits (OPEB)

Plan Description

Example City administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

The City provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 20XX, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms
As of the January 1, 20XX, Actuarial Valuation

Type of Participant Covered by the OPEB Benefit Terms	Number of Participants
Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	12
Total	14

Pension Plans

Defined Benefit Pension Plan – Public Employees Retirement Association

At December 31, 20XX, the City reported a liability of $383,431 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 20XX, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Plan Description

Certain full-time and part-time employees of *Example City* are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 20XX. The employer was required to contribute 7.50 percent of annual covered salary in 20XX. Rates did not change from the prior year.

The City's contributions for the General Employees Plan for the year ended December 31, 20XX, were $67,894. The contributions are equal to the statutorily required contributions as set by state statute.

Defined Benefit Pension Plan – Fire Relief Association

Plan Description

The *Example City* Fire Relief Retirement Plan (Plan) is a single-employer defined benefit pension plan administered by the *Example* Fire Relief Association. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. The *Example City* Fire Relief Association has 17 active members who are covered by the Plan. The Plan currently pays $350 a year for each year of service provided by each firefighter. Members are eligible for a lump-sum retirement benefit at 50 years of age. Plan provisions include a pro-rated vesting schedule. The *Example City* Fire Relief Association issues a publicly available financial report that may be obtained by contacting the City.

Contributions

The Plan is funded in part by state aid and, if necessary, municipal contributions as specified in Minnesota statutes, and voluntary City contributions. The State of Minnesota distributed to the City, and the City passed through to the Plan, $10,498 in fire state aid for the year ending December 31, 20XX. The State of Minnesota also contributed to the City, and the City passed through to the plan, $2,496 in Police and Firefighter Retirement Supplemental State Aid for the year ending December 31, 20XX. Required employer contributions are calculated annually based on statutory provisions. The City was not required to make a municipal contribution to the Plan for the year ended December 31, 20XX.

The annual required contributions were determined by forms provided and required by the Office of the State Auditor.

Defined Contribution Plan

Four elected officials and the City Manager of ___ City are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. The City Manager contributes 6.50 percent. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually. For the year ended December 31, 20XX, the total employee and employer contributions for elected officials were each $7,302, which represents five percent of covered payroll, and contributions for the City Manager were $8,459, which represents 6.50 percent of covered payroll.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates.

Note 4 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance.

The City purchased various insurance coverages (property, crime, and workers' compensation) through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows the pool to make additional assessments to make the pool self-sustaining. Current state statutes provide limits of liability for certain kinds of claims.

The City purchased commercial insurance for certain risks of loss for its municipal liquor store.

The amount of settlements did not exceed insurance coverage for the past three fiscal years. There were no significant reductions in insurance from the prior year.

Note 5 – Contingent Liabilities

The City, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. The City Attorney identified no potential claims against the City that would materially affect the financial statements.

City of Example
[City], Minnesota

Budgetary Comparison Schedule – Regulatory Basis
General Fund
For the Year Ended December 31, 20XX

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Beginning Cash Fund Balance – January 1	**$ 87,061**	**$ 87,061**	**$ 87,061**	**$ -**
Receipts				
Taxes				
General property tax				
Current, delinquent, penalties, and interest	**$ 71,000**	**$ 71,000**	**$ 72,364**	**$ 1,364**
Licenses and permits				
Business (liquor, cigarette, etc.)	$ 2,300	$ 2,300	$ 2,195	$ (105)
Non-business (building permits, etc.)	200	200	105	(95)
Total licenses and permits	**$ 2,500**	**$ 2,500**	**$ 2,300**	**$ (200)**
Intergovernmental				
Federal grants	$ 5,000	$ 5,000	$ 3,659	$ (1,341)
State grants				
Local government aid	60,000	65,000	71,195	6,195
Market value credit	28,000	28,000	28,550	550
Fire relief aid	2,600	2,600	2,661	61
Other (airport)	4,300	4,300	4,336	36
Local grants	100	100	-	(100)
Total intergovernmental	**$ 100,000**	**$ 105,000**	**$ 110,401**	**$ 5,401**
Charges for services				
General government	$ -	$ 200	$ 92	$ (108)
Public safety (police protection)	3,500	3,800	3,712	(88)
Parks and recreation	3,000	4,500	3,922	(578)
Other	1,000	1,500	1,292	(208)
Total charges for services	**$ 7,500**	**$ 10,000**	**$ 9,018**	**$ (982)**
Fines and forfeits				
County court	**$ 3,500**	**$ 3,500**	**$ 4,128**	**$ 628**
Gifts and contributions	**$ 5,500**	**$ 5,500**	**$ 5,591**	**$ 91**
Investment earnings	**$ 5,000**	**$ 5,000**	**$ -**	**$ (5,000)**
Miscellaneous				
Refunds received	**$ 2,000**	**$ 2,000**	**$ 2,369**	**$ 369**
Total Receipts	**$ 197,000**	**$ 204,500**	**$ 206,171**	**$ 1,671**
Other Financing Sources				
Transfers from				
Liquor fund	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ -**
Total Receipts and Other Financing Sources	**$ 207,000**	**$ 214,500**	**$ 216,171**	**$ 1,671**
Amounts Available for Appropriation	**$ 294,061**	**$ 301,561**	**$ 303,232**	**$ 1,671**

City of Example
[City], Minnesota

Budgetary Comparison Schedule – Regulatory Basis
General Fund
For the Year Ended December 31, 20XX

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Disbursements				
General government				
Mayor and Council				
Current	$ 2,000	$ 2,000	$ 1,720	$ 280
Finance-municipal clerk/treasurer				
Current	11,000	11,000	11,864	(864)
Capital outlay	2,000	2,000	1,840	160
Elections and voter registration				
Current	1,000	1,000	760	240
Assessor				
Current	2,750	2,750	2,790	(40)
Independent accounting and auditing				
Current	4,000	4,000	4,000	-
Legal				
Current	1,000	1,000	925	75
City hall, general government buildings				
Current	8,000	8,000	8,258	(258)
Total general government	**$ 31,750**	**$ 31,750**	**$ 32,157**	**$ (407)**
Public safety				
Police protection				
Current	$ 38,000	$ 38,000	$ 35,999	$ 2,001
Capital outlay	500	500	621	(121)
Fire protection				
Current	10,000	10,000	9,015	985
Capital outlay	500	500	412	88
Building inspection				
Current	450	450	368	82
Civil defense				
Current	500	500	334	166
Animal control				
Current	500	500	453	47
Total public safety	**$ 50,450**	**$ 50,450**	**$ 47,202**	**$ 3,248**
Highways and streets				
Streets maintenance and storm sewers				
Current	$ 16,000	$ 16,000	$ 17,271	$ (1,271)
Capital outlay – construction	25,000	25,000	23,456	1,544
Capital outlay – equipment, buildings, etc.	1,500	1,500	1,540	(40)
Snow and ice removal				
Current	4,000	4,000	3,430	570
Street lighting				
Current	10,000	10,000	10,555	(555)
Total highways and streets	**$ 56,500**	**$ 56,500**	**$ 56,252**	**$ 248**

City of Example
[City], Minnesota

Budgetary Comparison Schedule – Regulatory Basis
General Fund
For the Year Ended December 31, 20XX

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Disbursements (Continued)				
Sanitation				
Recycling				
Current	$ 6,000	$ 5,000	$ 5,600	$ (600)
Capital outlay	4,000	5,000	4,200	800
Weed eradication				
Current	5,000	5,000	5,100	(100)
Capital outlay	3,000	3,000	2,800	200
Total sanitation	**$ 18,000**	**$ 18,000**	**$ 17,700**	**$ 300**
Culture and recreation				
Library				
Current	$ 4,800	$ 4,800	$ 4,875	$ (75)
Capital outlay	2,200	2,200	1,474	726
Recreational activities, facilities, community buildings				
Current	4,000	4,000	3,495	505
Capital outlay	3,000	3,000	2,229	771
Parks and boulevards				
Current	5,500	5,500	5,249	251
Capital outlay	3,500	3,500	3,252	248
Total culture and recreation	**$ 23,000**	**$ 23,000**	**$ 20,574**	**$ 2,426**
Miscellaneous				
Airport				
Current	$ 500	$ 2,000	$ 2,560	$ (560)
Capital outlay	-	3,500	3,000	500
Other (cemetery)				
Current	750	750	659	91
Total miscellaneous	**$ 1,250**	**$ 6,250**	**$ 6,219**	**$ 31**
Other Financing Uses				
Transfers to				
Water fund	**$ 6,200**	**$ 6,200**	**$ 6,200**	**$ -**
Total Disbursements and Other Financing Uses (Charges to Appropriations)	**$ 187,150**	**$ 192,150**	**$ 186,304**	**$ 5,846**
Cash Fund Balance – December 31	**$ 106,911**	**$ 109,411**	**$ 116,928**	**$ 7,517**

City of Example
[City], Minnesota

Combining Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 20XX

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund	Permanent Fund	
	Ambulance	City Hall	Street Improvement	Park Improvement	Cemetery Care	Total
Receipts						
Taxes	$ -	$ 17,286	$ -	$ -	$ -	$ 17,286
Special assessments	-	-	8,342	-	-	8,342
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	4,698	-	-	-	-	4,698
Fines and forfeits	-	-	-	-	-	-
Gifts and contributions	4,185	-	-	-	20,000	24,185
Investment earnings	-	4,386	3,074	376	2,302	10,138
Miscellaneous	1,534	-	-	-	723	2,257
Total Receipts	**$ 18,417**	**$ 27,339**	**$ 11,416**	**$ 8,038**	**$ 23,025**	**$ 88,235**
Disbursements						
Public safety						
Ambulance						
Current	$ 4,977	$ -	$ -	$ -	$ -	$ 4,977
Capital outlay	2,284	-	-	-	-	2,284
Cemetery						
Current	-	-	-	-	3,752	3,752
Capital outlay	-	-	-	-	-	-
Culture and recreation						
Parks						
Current	-	-	-	1,540	-	1,540
Capital outlay	-	-	-	26,772	-	26,772
Debt service						
Principal	-	15,000	5,000	-	-	20,000
Interest and other charges	-	17,834	6,945	-	-	24,779
Total Disbursements	**$ 7,261**	**$ 32,834**	**$ 11,945**	**$ 28,312**	**$ 3,752**	**$ 84,104**
Receipts Over (Under) Disbursements	**$ 11,156**	**$ (5,495)**	**$ (529)**	**$ (20,274)**	**$ 19,273**	**$ 4,131**
Other Financing Sources (Uses)						
Capital related debt issued	$ -	$ -	$ -	$ -	$ -	$ -
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Change in Cash Fund Balance	**$ 11,156**	**$ (5,495)**	**$ (529)**	**$ (20,274)**	**$ 19,273**	**$ 4,131**
Cash Fund Balance – Beginning	**13,465**	**5,607**	**43,653**	**40,212**	**31,102**	**134,039**
Cash Fund Balance – Ending	**$ 24,621**	**$ 112**	**$ 43,124**	**$ 19,938**	**$ 50,375**	**$ 138,170**

City of Example
[City], Minnesota

Statement of Net Position
Proprietary Funds
December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Assets				
Current assets				
Cash and cash equivalents	$ 29,447	$ 11,210	$ 9,546	$ 50,203
Investments	-	108,852	15,000	123,852
Accounts receivables, net	1,250	6,378	-	7,628
Accrued interest receivable	791	2,091	-	2,882
Due from other governments	-	5,000	-	5,000
Inventories	4,200	-	18,043	22,243
Prepaid expenses	7,312	406	1,934	9,652
Total current assets	**$ 43,000**	**$ 133,937**	**$ 44,523**	**$ 221,460**
Noncurrent assets				
Restricted cash and cash equivalents				
Cash and cash equivalents	$ 15,315	$ -	$ 3,589	$ 18,904
Investments	47,075	-	-	47,075
Capital assets				
Land	32,163	36,215	26,395	94,773
Buildings	85,977	98,524	75,000	259,501
Machinery and equipment	1,985,464	542,632	15,800	2,543,896
Less: accumulated depreciation	(1,023,663)	(181,782)	(54,749)	(1,260,194)
Total noncurrent assets	**$ 1,142,331**	**$ 495,589**	**$ 66,035**	**$ 1,703,955**
Total Assets	**$ 1,185,331**	**$ 629,526**	**$ 110,558**	**$ 1,925,415**
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	$ 11,685	$ 9,685	$ 22,568	$ 43,938
Deferred pension outflows	24,813	22,843	76,861	124,517
Total Deferred Outflows of Resources	**$ 36,498**	**$ 32,528**	**$ 99,429**	**$ 168,455**

City of Example
[City], Minnesota

Statement of Net Position
Proprietary Funds
December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Liabilities				
Current liabilities				
Accounts payable	$ 2,538	$ 2,734	$ 2,564	$ 7,836
Sales tax payable	1,127	-	-	1,127
Accrued salaries payable	1,589	2,555	1,858	6,002
Accrued payroll liabilities	361	782	524	1,667
Due to other funds	-	-	282	282
Compensated absences	525	297	420	1,242
Bonds, notes, and loans payable	20,000	-	5,000	25,000
Total current liabilities	**$ 26,140**	**$ 6,368**	**$ 10,648**	**$ 43,156**
Current liabilities payable from restricted assets				
Accrued bond interest payable	**$ 4,564**	**$ -**	**$ 69**	**$ 4,633**
Noncurrent liabilities				
Compensated absences payable	$ 3,250	$ 895	$ 1,536	$ 5,681
Bonds, notes, and loans payable	470,000	-	10,000	480,000
Other postemployment benefits liability	18,413	16,843	32,923	68,179
Net pension liability	42,865	40,633	108,579	192,077
Total noncurrent liabilities	**$ 534,528**	**$ 58,371**	**$ 153,038**	**$ 745,937**
Total Liabilities	**$ 565,232**	**$ 64,739**	**$ 163,755**	**$ 793,726**
Deferred Inflows of Resources				
Deferred other postemployment benefits inflows	$ 5,286	$ 4,586	$ 11,841	$ 21,713
Deferred pension inflows	27,238	23,182	83,223	133,643
Total Deferred Inflows of Resources	**$ 32,524**	**$ 27,768**	**$ 95,064**	**$ 155,356**
Net Position				
Net investment in capital assets	$ 589,941	$ 495,589	$ 47,446	$ 1,132,976
Restricted for debt service	57,826	-	3,520	61,346
Unrestricted	(23,694)	73,958	(99,798)	(49,534)
Total Net Position	**$ 624,073**	**$ 569,547**	**$ (48,832)**	**$ 1,144,788**

City of Example
[City], Minnesota

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Operating Revenues				
Charges for services	$ 73,926	$ 32,485	$ 139,291	$ 245,702
Connection fees	2,720	-	-	2,720
Special assessments	8,543	-	-	8,543
Miscellaneous	-	150	3,699	3,849
Total Operating Revenues	**$ 85,189**	**$ 32,635**	**$ 142,990**	**$ 260,814**
Operating Expenses				
Personal services	$ 71,543	$ 66,204	$ 167,773	$ 305,520
Health and life insurance contributions	1,705	996	3,784	6,485
Pension contributions	65	56	2,305	2,426
Materials	-	-	81,057	81,057
Utilities	7,452	9,586	1,792	18,830
Repairs and maintenance	13,909	7,438	1,228	22,575
Supplies	5,774	768	3,100	9,642
Insurance claims and expenses	5,188	1,140	5,826	12,154
Testing	-	840	-	840
Other expenses	1,870	691	157	2,718
Depreciation	23,857	11,654	2,894	38,405
Total Operating Expenses	**$ 131,363**	**$ 99,373**	**$ 269,916**	**$ 500,652**
Operating Income (Loss)	**$ (46,174)**	**$ (66,738)**	**$ (126,926)**	**$ (239,838)**
Noncapital Subsidies				
Property taxes	$ 2,677	$ -	$ -	$ 2,677
Federal grants	-	-	-	-
Market value credits	657	-	-	657
Other state grants	215	202	482	899
County and local unit grants	-	-	-	-
Transfers in	6,200	-	-	6,200
Transfers out	-	-	(10,000)	(10,000)
Total Noncapital Subsidies	**$ 9,749**	**$ 202**	**$ (9,518)**	**$ 433**
Total Operating Income (Loss) and Noncapital Subsidies	**$ (36,425)**	**$ (66,536)**	**$ (136,444)**	**$ (239,405)**
Nonoperating Revenues (Expenses)				
Interest and investment revenue	$ 9,108	$ 11,347	$ 1,378	$ 21,833
Capital contributions	-	-	-	-
Interest expense	(25,500)	-	(1,100)	(26,600)
Total Nonoperating Revenues (Expenses)	**$ (16,392)**	**$ 11,347**	**$ 278**	**$ (4,767)**
Change in Net Position	**$ (52,817)**	**$ (55,189)**	**$ (136,166)**	**$ (244,172)**
Total Net Position, Beginning	**676,890**	**624,736**	**87,334**	**1,388,960**
Total Net Position, Ending	**$ 624,073**	**$ 569,547**	**$ (48,832)**	**$ 1,144,788**

City of Example
[City], Minnesota

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Cash Flows from Operating Activities				
Receipts from customers	$ 75,036	$ 31,348	$ 141,095	$ 247,479
Payments to suppliers	(35,620)	(21,388)	(98,739)	(155,747)
Payments to employees	(13,677)	(12,428)	(28,991)	(55,096)
Internal activity – payments to other funds	-	-	-	-
Other receipts (payments)	11,877	-	1,895	13,772
Net cash provided by (used in) operating activities	**$ 37,616**	**$ (2,468)**	**$ 15,260**	**$ 50,408**
Cash Flows from Noncapital Financing Activities				
Transfers from (to) other funds	**$ 6,200**	**$ -**	**$ (10,000)**	**$ (3,800)**
Cash Flows from Capital and Related Financing Activities				
Proceeds from capital debt	$ -	$ -	$ -	$ -
Capital contributions	-	-	-	-
Purchases of capital assets	(5,061)	(2,241)	(725)	(8,027)
Principal paid on capital debt	(20,000)	-	(5,000)	(25,000)
Interest paid on capital debt	(25,710)	-	(1,152)	(26,862)
Other receipts (payments)	-	-	-	-
Net cash provided by (used in) capital and related financing activities	**$ (50,771)**	**$ (2,241)**	**$ (6,877)**	**$ (59,889)**
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	$ -	$ -	$ -	$ -
Purchase of investments	-	(11,000)	(10,000)	(21,000)
Interest and dividends	9,108	11,347	1,378	21,833
Net cash provided by (used in) investing activities	**$ 9,108**	**$ 347**	**$ (8,622)**	**$ 833**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 2,153**	**$ (4,362)**	**$ (10,239)**	**$ (12,448)**
Cash and Cash Equivalents at January 1	**42,609**	**15,572**	**23,374**	**81,555**
Cash and Cash Equivalents at December 31	**$ 44,762**	**$ 11,210**	**$ 13,135**	**$ 69,107**
Cash and Cash Equivalents				
Current assets	$ 29,447	$ 11,210	$ 9,546	$ 50,203
Restricted assets	15,315	-	3,589	18,904
Total Cash and Cash Equivalents	**$ 44,762**	**$ 11,210**	**$ 13,135**	**$ 69,107**

City of Example
[City], Minnesota

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 20XX

	Enterprise Funds			
	Water	Sewer	Liquor	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	**$ (54,507)**	**$ (66,738)**	**$ (128,769)**	**$ (250,014)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	$ 23,857	$ 11,654	$ 2,894	$ 38,405
(Increase) decrease in accounts receivable	603	-	-	603
(Increase) decrease in due from other governments	-	5,984	-	5,984
(Increase) decrease in deferred pension outflows	20,135	18,983	64,832	103,950
(Increase) decrease in deferred other postemployment benefits outflows	6,632	6,453	22,846	35,931
Increase (decrease) in accounts payable	1,586	2,734	1,284	5,604
Increase (decrease) in salaries payable	138	284	213	635
Increase (decrease) in compensated absences – current	525	297	420	1,242
Increase (decrease) in due to other funds	-	-	(282)	(282)
Increase (decrease) in compensated absences – long-term	3,250	895	1,536	5,681
Increase (decrease) in other postemployment benefits liability	(618)	(542)	(1,852)	(3,012)
Increase (decrease) in deferred other postemployment benefits inflows	818	798	2,823	4,439
Increase (decrease) in deferred pension inflows	3,654	2,998	9,065	15,717
Increase (decrease) in net pension liability	31,543	13,732	40,250	85,525
Total adjustments	**$ 92,123**	**$ 64,270**	**$ 144,029**	**$ 300,422**
Net Cash Provided by (Used in) Operating Activities	**$ 37,616**	**$ (2,468)**	**$ 15,260**	**$ 50,408**

Non-cash investing, capital, and related financing activities				
Donated assets	$ 25,000			

City of Example
[City], Minnesota

Statement of Receipts, Disbursements, and Changes in Cash Fund Balance
Economic Development Authority Component Unit
For the Year Ended December 31, 20XX

		Economic Development Authority
Receipts		
Charges for services	$	17,385
Investment earnings		2,350
Contributions and donations		3,753
Total Receipts	**$**	**23,488**
Disbursements		
Current		
General government	$	2,459
Economic development		64,699
Capital outlay		
Economic development		20,887
Total Disbursements	**$**	**88,045**
Net Change in Cash Fund Balances	**$**	**(64,557)**
Cash Fund Balance, Beginning		**116,386**
Cash Fund Balance, Ending	**$**	**51,829**

City of Example
[City], Minnesota

Schedule of Indebtedness
For the Year Ended December 31, 20XX

	Interest Rate (%)	Issue Date	Final Maturity Date	Outstanding January 1, 20XX	Issued in 20XX	Paid in 20XX	Outstanding December 31, 20XX
Bonded Indebtedness							
General Obligation							
City Hall 2022A	5.00 to 5.40	03/01/20XX	03/01/20XX	$ 335,000	$ -	$ (15,000)	$ 320,000
Fire Hall 2024A Refunding Bond	8.00 to 8.67	05/08/20XX	05/08/20XX	-	350,000	-	350,000
Total General Obligation				**$ 335,000**	**$ 350,000**	**$ (15,000)**	**$ 670,000**
Tax Increment							
Development District	-	-	-	$ -	$ -	$ -	$ -
Special Assessments							
Elm Street Improvement 2019A	5.25 to 5.80	07/20/20XX	07/20/20XX	$ 50,000	$ -	$ (5,000)	$ 45,000
Birch Street Improvement 2017A	8.15 to 9.20	03/13/20XX	03/13/20XX	500,000	-	-	500,000
Total Special Assessments				**$ 550,000**	**$ -**	**$ (5,000)**	**$ 545,000**
General Obligation Revenue							
Water Utility 2015A	5.00	10/24/20XX	10/24/20XX	**$ 510,000**	**$ -**	**$ (20,000)**	**$ 490,000**
Revenue Bonds							
Liquor Store 2025A	4.00	08/21/20XX	08/21/20XX	**$ 20,000**	**$ -**	**$ (5,000)**	**$ 15,000**
Total Bonded Indebtedness				**$ 1,415,000**	**$ 350,000**	**$ (45,000)**	**$ 1,720,000**
Other Long-Term Indebtedness							
Installment Purchase Contract	10.00	04/23/20XX	04/23/20XX	**$ 41,956**	**$ -**	**$ (2,596)**	**$ 39,360**
Short-Term Indebtedness							
Tax Anticipation Certificates				**$ -**	**$ -**	**$ -**	**$ -**
Total Indebtedness				**$ 1,456,956**	**$ 350,000**	**$ (47,596)**	**$ 1,759,360**

City of Example
[City], Minnesota

Schedule of Accounts Receivable
December 31, 20XX

Fund	Source of Revenue and Purpose		Amount
General	Recreation fees	$	230
Ambulance	User fees		250
Water	Customer user charges		1,250
Sewer	Customer user charges		6,378
Total Accounts Receivable		**$**	**8,108**

City of Example
[City], Minnesota

Schedule of Accounts Payable
December 31, 20XX

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
General	Carlson Electric	Repair wiring	4096	$ 106
General	Decker Supply Co.	Office supplies	4112	75
General	Northern States Power	December electricity	4115	496
General	Northwestern Bell	December telephone	4116	122
General	General Oil Company	December fuel	4118	257
Water	Great Plains Supply	Water meters	4125	1,442
Water	Kern's Machinery	Pump repairs	4126	1,096
Sewer	LeBlanc Construction	Sewer main repair	4127	2,734
Liquor	Peterson Distributing	Liquor	4121	1,127
Liquor	Ban Dyke Distributing	Liquor	4123	1,437
Total Accounts Payable				**$ 8,892**

Appendix – Applicable Minnesota Statutes

Minnesota Statutes § 471.698 – Finance Report, File, Publish or Post, Cities Under 2,500.

Subdivision 1. **All operations except some hospitals, nursing homes.**

In any city with a population of less than 2,500 according to the latest federal census, the city clerk or chief financial officer shall:

(a) prepare a detailed statement of the financial affairs of the city including operations of municipal hospitals and nursing homes, liquor stores, and public utility commissions in the style and form prescribed by the state auditor, for the preceding fiscal year showing all money received, with the sources, and respective amounts thereof; all disbursements for which orders have been drawn upon the treasurer; the amount of outstanding and unpaid orders; all accounts payable; all indebtedness; contingent liabilities; all accounts receivable; the amount of money remaining in the treasury; and all items necessary to show accurately the revenues and expenditures and financial position of the city;

(b) file the statement in the clerk's or financial officer's office for the public inspection and present it to the city council within 45 days after the close of the fiscal year;

(c) (1) publish the statement, or a summary of the statement in a form as prescribed by the state auditor, within 90 days after the close of the fiscal year in a qualified newspaper of general circulation in the city; or

(2) if there is no qualified newspaper of general circulation in the city, the clerk shall, at the direction of the city council, post copies in three of the most public places in the city. It is not necessary to publish individual disbursements of less than $500, if disbursements aggregating $1,000 or more to any person, firm, or other entity are set forth in a schedule of major disbursements showing amounts paid out, to whom, and for what purpose, and are made a part of and published with the financial statement; and

(d) submit within 90 days after the close of the fiscal year a copy of the statement to the state auditor in such summary form as the state auditor may prescribe.

A municipal hospital or nursing home established before June 6, 1979, whose fiscal year is not a calendar year on August 1, 1980, is not subject to this subdivision but shall submit to the state auditor a detailed statement of its financial affairs audited by a certified public accountant, a public accountant or the state auditor no later than 120 days after the close of its fiscal year. It may also submit a summary financial report for the calendar year.

Subd. 2. **May comply with section 471.697.**

Any city described in subdivision 1 may comply with the provisions of section 471.697, in which case, the provisions of subdivision 1 shall not apply to the city.

Minnesota Statutes § 412.02 – City Elections; Officers, Terms, Vacancies, City Employees.

Subd. 3. **Clerk, treasurer combined; audit standards.**

(a) In cities operating under the standard plan of government the council may by ordinance adopted at least 60 days before the next regular city election combine the offices of clerk and treasurer in the office of clerk-treasurer, but such an ordinance shall not be effective until the expiration of the term of the incumbent treasurer or when an earlier vacancy occurs. After the effective date of the ordinance, the duties of the treasurer and deputy treasurer as prescribed by this chapter shall be performed by the clerk-treasurer or a duly appointed deputy. The offices of clerk and treasurer may be reestablished by ordinance.

(b) If the offices of clerk and treasurer are combined as provided by this section and the city's annual revenue for all governmental and enterprise funds combined is more than the amount in paragraph (c), the council shall provide for an annual audit of the city's financial affairs by the state auditor or a public accountant in accordance with minimum auditing procedures prescribed by the state auditor. If the offices of clerk and treasurer are combined and the city's annual revenue for all governmental and enterprise funds combined is the amount in paragraph (c), or less, the council shall provide for an audit of the city's financial affairs by the state auditor or a public accountant in accordance with minimum audit procedures prescribed by the state auditor at least once every five years, which audit shall be for a one-year period to be determined at random by the person conducting the audit.

(c) For the purposes of paragraph (b), the amount in 2025 is $1,000,000, and is adjusted annually thereafter for inflation using the annual implicit price deflator for state and local expenditures as published by the United States Department of Commerce.

Minnesota Statutes § 412.591 – Duties of Clerk and Treasurer; May Be Combined.

Subdivision 1. **Clerk not on council; transition.**

The clerk shall perform all the duties imposed on the clerk in cities generally but shall not be a member of the council, except that when Optional Plan A is first adopted in any city, the incumbent clerk shall continue to be a member of the council until the expiration of the term.

Subd. 1a. **If treasurer, duties unchanged.**

The duties of the treasurer if that office exists shall not be affected by adoption of Optional Plan A.

Subd. 2. **Combining, uncombining clerk-treasurer.**

Cities operating under Optional Plan A may, by an ordinance effective after the expiration of the term of the incumbent treasurer at the date of adoption of Optional Plan A, combine the offices of clerk and treasurer in the office of clerk-treasurer and thereafter the duties of the treasurer as prescribed by this chapter shall be performed by the clerk-treasurer. The offices of clerk and treasurer may be reestablished by ordinance.

Subd. 3. **Audit standards if combined.**

(a) If the offices of clerk and treasurer are combined as provided by this section, and the city's annual revenue for all governmental and enterprise funds combined is more than the amount in paragraph (b), the council shall provide for an annual audit of the city's financial affairs by the state auditor or a certified public accountant in accordance with minimum procedures prescribed by thestate auditor. If the offices of clerk and treasurer are combined and the city's annual revenue for all governmental and enterprise funds combined is the amount in paragraph (b), or less, the council shall provide for an audit of the city's financial affairs by the state auditor or a certified public accountant in accordance with minimum audit procedures prescribed by the state auditor at least once every five years, which audit shall be for a one-year period to be determined at random by the person conducting the audit.

(b) For the purposes of paragraph (a), the amount in 2025 is $1,000,000, and is adjusted annually thereafter for inflation using the annual implicit price deflator for state and local expenditures as published by the United States Department of Commerce.

Minnesota Statutes § 471.6985 – Municipal Liquor Store.

Subdivision 1. **Publish balance sheet, operations.**

Any city operating a municipal liquor store shall publish a balance sheet using generally accepted accounting procedures and a statement of operations of the liquor store within 90 days after the close of the fiscal year in the official newspaper of the city. The statement shall be headlined, in a type size no smaller than 18-point: "Analysis of .... (city) .... municipal liquor store operations for .... (year) …." and shall be written in clear and easily understandable language. It shall contain the following information: total sales, cost of sales, gross profit, profit as percent of sales, operating expenses, operating income, contributions to and from other funds, capital outlay, interest paid and debt retired. The form and style of the statement shall be prescribed by the state auditor. Nonoperating expenses may not be extracted on the reporting form prior to determination of net profits for reporting purposes only. Administrative expenses charged to the liquor store by the city must be actual operating expenses and not used for any other public purpose prior to the determination of net profits. The publication requirements of this section shall be in addition to any publication or posting requirements for financial reports contained in sections 471.697 and 471.698. The statement may at the option of the city council be incorporated into the reports published pursuant to sections 471.697 and 471.698, in accordance with a form and style prescribed by the state auditor.

Subd. 2. **If $750,000 sales, audited statement.**

Any city operating a municipal liquor store with total annual sales in excess of $750,000, as adjusted for inflation annually by the state auditor using the implicit price deflator for state and local expenditures published by the United States Department of Commerce, shall submit to the state auditor audited financial statements produced in conformity with generally accepted accounting principles for the liquor store that have been attested to by a certified public accountant or the state auditor within 180 days after the close of the fiscal year, except that the state auditor may extend the deadline upon request of a city and a showing of inability to conform. The state auditor may accept this report in lieu of the report required by subdivision 1.