CITY OF ST. BONIFACIUS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2023

CITY OF ST. BONIFACIUS, MINNESOTA
OFFICIALS

ELECTED OFFICIALS

		Term Expires
Kerry Taylor	Mayor	2024
Terrill Anderson	Council Member	2024
Robert Smestad, Jr.	Council Member	2024
Randy Ebert	Council Member	2026
Carolyn Brooks	Council Member	2026

EX OFFICIO

Brenda Fisk	Administrator/Clerk/Treasurer	Appointed

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INDEPENDENT AUDITOR'S REPORT

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

Qualified and Unmodified Opinions
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Bonifacius, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Governmental Funds	Unmodified
Proprietary Funds	Unmodified

Qualified Opinion on the Governmental Activities
In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of St. Bonifacius, Minnesota, as of December 31, 2023, and the changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-Type Activities, Governmental Funds, and Proprietary Funds
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the City of St. Bonifacius, Minnesota, 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 Qualified and Unmodified Opinions

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

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

The City has not implemented Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* with respect to the fire relief association. Accounting principles generally accepted in the United States of America require that the City report deferred inflows of resources, deferred outflows of resources and a net pension liability or asset measured in accordance with GASB Statement No. 68 within the governmental activities opinion unit. The amount by which this departure would affect the assets, deferred inflows of resources, net position, and expenses of the Governmental Activities has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Other Legal and Regulatory Requirements

In accordance with the *Legal Compliance Audit Guide* prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued our report dated April 9, 2024, on our consideration of the City's compliance with aspects of the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's *Minnesota Legal Compliance Audit Guide for Cities* in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Fergus Falls, Minnesota
April 9, 2024

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 2,557,767	$ 892,291	$ 3,450,058
Accounts receivable	-	96,693	96,693
Taxes receivable	13,252	-	13,252
Special assessments receivable	32,970	-	32,970
Due from other governmental units	12,839	-	12,839
Lease receivable	861,904	-	861,904
Prepaid expenses	12,236	5,154	17,390
Total Current Assets	3,490,968	994,138	4,485,106
Noncurrent assets			
Capital assets not being depreciated	3,302,793	204,137	3,506,930
Capital assets net of accumulated depreciation	6,949,864	2,571,169	9,521,033
Total Noncurrent Assets	10,252,657	2,775,306	13,027,963
Total Assets	13,743,625	3,769,444	17,513,069
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferments	44,088	-	44,088
LIABILITIES			
Current Liabilities			
Accounts payable	27,303	14,080	41,383
Accrued payroll	5,747	-	5,747
Accrued interest payable	12,575	1,662	14,237
Unearned revenue	95,762	-	95,762
Current portion of long-term debt	318,346	37,000	355,346
Total Current Liabilities	459,733	52,742	512,475
Long-Term Liabilities			
Compensated absences	17,852	-	17,852
Bonds and loans payable, net	4,675,922	195,000	4,870,922
Net pension liability	206,900	-	206,900
Total Long-Term Liabilities	4,900,674	195,000	5,095,674
Total Liabilities	5,360,407	247,742	5,608,149
DEFERRED INFLOWS OF RESOURCES			
Pension deferments	60,569	-	60,569
Unearned revenue - lease receivable	861,904	-	861,904
Total Deferred Inflows of Resources	922,473	-	922,473
NET POSITION			
Net investment in capital assets	6,190,918	2,543,306	8,734,224
Restricted	1,111,236	-	1,111,236
Unrestricted	202,679	978,396	1,181,075
TOTAL NET POSITION	**$ 7,504,833**	**$ 3,521,702**	**$ 11,026,535**

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

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Governmental Activities							
General government	$ 632,838	$ 137,291	$ -	$ -	$ (495,547)	$ -	$ (495,547)
Public safety	747,395	327,860	171,871	21,000	(226,664)	-	(226,664)
Public works	573,791	-	-	-	(573,791)	-	(573,791)
Sanitation	3,947	-	9,604	-	5,657	-	5,657
Culture and recreation	60,420	1,040	-	69,538	10,158	-	10,158
Interest and fiscal costs on long-term debt	77,005	121,848	-	-	44,843	-	44,843
Total Governmental Activities	2,095,396	588,039	181,475	90,538	(1,235,344)	-	(1,235,344)
Business-Type Activities							
Water	390,512	541,932	-	-	-	151,420	151,420
Sewer	376,101	403,815	-	59,761	-	87,475	87,475
Storm sewer	36,963	76,428	-	-	-	39,465	39,465
Total Business-Type Activities	803,576	1,022,175	-	59,761	-	278,360	278,360
TOTAL PRIMARY GOVERNMENT	**$ 2,898,972**	**$ 1,610,214**	**$ 181,475**	**$ 150,299**	(1,235,344)	278,360	(956,984)
General revenues							
Property taxes					873,816	-	873,816
Aids and payments from the state					374,394	-	374,394
Unrestricted net investment earnings					16,681	-	16,681
Miscellaneous							
Other					51,290	602	51,892
Transfers					138,345	(138,345)	-
Total General Revenues					1,454,526	(137,743)	1,316,783
CHANGE IN NET POSITION					219,182	140,617	359,799
NET POSITION – BEGINNING					7,285,651	3,381,085	10,666,736
NET POSITION – ENDING					**$ 7,504,833**	**$ 3,521,702**	**$ 11,026,535**

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

Fund Financial Statements

CITY OF ST. BONIFACIUS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	2023 Street Improvement Project	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,442,963	$ -	$ 182,275	$ 932,529	$ 2,557,767
Taxes receivable	9,128	2,028	2,096	-	13,252
Special assessments receivable	-	3,714	29,256	-	32,970
Due from other governmental units	8,396	2,183	2,260	-	12,839
Lease receivable	861,904	-	-	-	861,904
Prepaid expenses	12,236	-	-	-	12,236
TOTAL ASSETS	**$ 2,334,627**	**$ 7,925**	**$ 215,887**	**$ 932,529**	**$ 3,490,968**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	$ 19,292	$ -	$ -	$ 8,011	$ 27,303
Accrued payroll	5,747	-	-	-	5,747
Unearned revenue	95,762	-	-	-	95,762
Total Liabilities	120,801	-	-	8,011	128,812
Deferred Inflows of Resources					
Unavailable revenue - taxes	5,700	-	-	-	5,700
Unavailable revenue - special assessments	-	5,742	31,352	-	37,094
Unearned revenue - lease receivable	861,904				861,904
Total Deferred Inflows of Resources	867,604	5,742	31,352	-	904,698
Fund Balances					
Nonspendable for prepaid items	12,236	-	-	-	12,236
Restricted for					
Debt service	-	2,183	184,535	-	186,718
Project expenses	-	-	-	924,518	924,518
Unrestricted					
Committed for					
Highland Rd Minnetrista bond repayment	58,722	-	-	-	58,722
Park improvements and capital expenses	372,352	-	-	-	372,352
Public works capital expenses	136,552	-	-	-	136,552
City office capital expenses	3,152	-	-	-	3,152
Fire department operations	66,101	-	-	-	66,101
Fire department capital expenses	77,600	-	-	-	77,600
Fire reserve	4,682	-	-	-	4,682
Public safety expenses	112,726	-	-	-	112,726
WAFTA fees	96,068	-	-	-	96,068
Unassigned	406,031	-	-	-	406,031
Total Fund Balances	1,346,222	2,183	184,535	924,518	2,457,458
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 2,334,627**	**$ 7,925**	**$ 215,887**	**$ 932,529**	**$ 3,490,968**

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

CITY OF ST. BONIFACIUS, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2023

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS		$ 2,457,458
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds:		
General capital assets	$ 35,913,767	
Accumulated depreciation	(25,661,110)	10,252,657
Other long-term assets (delinquent taxes, special assessments) are not available to pay for current-period expenditures; therefore, they are considered deferred outflows of resources in the governmental funds until the amounts are received. Deferred outflows of resources at year-end consists of:		
Unavailable revenue - taxes	5,700	
Unavailable revenue - special assessments	37,094	42,794
Accrued severance pay is not due and payable with current financial resources; therefore, it is not reported as a liability in the governmental funds.		(17,852)
Accrued interest on bonds is not recorded as a liability in the governmental funds; however, the statement of net position records this amount. Accrued interest at year-end is:		(12,575)
Long-term debt payable is not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds and notes		(4,994,268)
Some liabilities, including net pension obligations, are not due and payable in the current period; therefore, they are not reported in the governmental funds.		(206,900)
Deferred outflows and inflows of resources related to pension are applicable to future periods; therefore, they are not reported in the governmental funds.		
Deferred outflows of resources related to pensions		44,088
Deferred inflows of resources related to pensions		(60,569)
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES		**$ 7,504,833**

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

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	General Fund	2012A G.O. Improvement Bonds	2013 Street Project Debt Service	2023 Street Improvements Project	Total Governmental Funds
REVENUES					
Property taxes	$ 628,789	$ 121,715	$ 126,016	$ -	$ 876,520
Special assessments	-	10,893	9,649	118,765	139,307
Licenses and permits	42,923	-	-	-	42,923
Intergovernmental	555,869	-	-	-	555,869
Charges for services	413,781	-	-	-	413,781
Fines and forfeits	9,487	-	-	-	9,487
Net investment earnings	16,681	-	-	-	16,681
Contributions and donations	90,538	-	-	-	90,538
Other	51,290	-	-	-	51,290
Total Revenues	1,809,358	132,608	135,665	118,765	2,196,396
EXPENDITURES					
Current					
General government	323,497	-	-	-	323,497
Public safety	630,054	-	-	-	630,054
Public works	466,315	-	-	-	466,315
Sanitation	3,947	-	-	-	3,947
Culture and recreation	14,243	-	-	-	14,243
Debt service					
Principal	27,736	155,000	110,000	-	292,736
Interest	5,614	4,247	23,683	32,197	65,741
Capital outlay	214,237	-	-	3,153,701	3,367,938
Total Expenditures	1,685,643	159,247	133,683	3,185,898	5,164,471
REVENUES OVER (UNDER) EXPENDITURES	123,715	(26,639)	1,982	(3,067,133)	(2,968,075)
OTHER FINANCING SOURCES (USES)					
Bond issue proceeds	235,000	-	-	3,920,000	4,155,000
Premium on bonds sold	9,995	-	-	71,651	81,646
Transfers in	197,617	-	-	-	197,617
Transfers out	-	(59,272)	-	-	(59,272)
Net Other Financing Sources (Uses)	442,612	(59,272)	-	3,991,651	4,374,991
NET CHANGE IN FUND BALANCES	566,327	(85,911)	1,982	924,518	1,406,916
FUND BALANCES – BEGINNING	779,895	88,094	182,553	-	1,050,542
FUND BALANCES – ENDING	**$ 1,346,222**	**$ 2,183**	**$ 184,535**	**$ 924,518**	**$ 2,457,458**

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

CITY OF ST. BONIFACIUS, MINNESOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS		$ 1,406,916
Amounts reported for the governmental activities in the statement of activities are different because:		
Capital assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 3,342,938	
Depreciation	(577,570)	$ 2,765,368
Interest on long-term debt is not recognized until due in the governmental funds. In the statement of activities, interest is recognized as it accrues. This adjustment is the difference in accrued interest payable between the prior year and the current year.		
Accrued interest payable - December 31, 2023	(12,575)	
Accrued interest payable - December 31, 2022	1,312	(11,263)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources. This amount represents the change in deferred inflows of resources in the current period.		
Unavailable taxes - December 31, 2023	5,700	
Unavailable taxes - December 31, 2022	(4,978)	722
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unearned revenue in the current period.		
Unavailable taxes - special assessments - December 31, 2023	37,094	
Unavailable taxes - special assessments - December 31, 2022	(57,979)	(20,885)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Bond proceeds, net of premium	(4,236,646)	
Principal payments on long-term debt	292,736	(3,943,910)
In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid during the year:		
Compensated absences - December 31, 2023	(17,852)	
Compensated absences - December 31, 2022	17,233	(619)
Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Net pension liability - December 31, 2023	(206,900)	
Net pension liability - December 31, 2022	293,041	
Deferred outflows of resources - December 31, 2023	44,088	
Deferred outflows of resources - December 31, 2022	(68,053)	
Deferred inflows of resources - December 31, 2023	(60,569)	
Deferred inflows of resources - December 31, 2022	21,246	22,853
CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES		**$ 219,182**

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

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 563,109	$ 220,106	$ 109,076	$ 892,291
Accounts receivable	50,735	36,958	9,000	96,693
Prepaid expenses	2,577	2,577	-	5,154
Total Current Assets	616,421	259,641	118,076	994,138
Noncurrent Assets				
Capital assets not being depreciated	89,745	89,669	24,723	204,137
Capital assets being depreciated, net	1,436,478	837,780	296,911	2,571,169
Total Noncurrent Assets	1,526,223	927,449	321,634	2,775,306
Total Assets	2,142,644	1,187,090	439,710	3,769,444
LIABILITIES				
Current Liabilities				
Accounts payable	13,261	-	819	14,080
Accrued interest payable	1,662	-	-	1,662
Current portion of long-term debt	37,000	-	-	37,000
Total Current Liabilities	51,923	-	819	52,742
Noncurrent Liabilities				
Bonds and loans payable	195,000	-	-	195,000
Total Liabilities	246,923	-	819	247,742
NET POSITION				
Net investment in capital assets	1,294,223	927,449	321,634	2,543,306
Unrestricted	601,498	259,641	117,257	978,396
TOTAL NET POSITION	**$ 1,895,721**	**$ 1,187,090**	**$ 438,891**	**$ 3,521,702**

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

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
OPERATING REVENUES				
Charges for services	$ 535,031	$ 398,432	$ 74,910	$ 1,008,373
OPERATING EXPENSES				
Repairs and maintenance	19,302	6,067	-	25,369
Insurance	10,675	10,675	-	21,350
Utilities	44,257	290,849	-	335,106
Supplies	83,776	3,296	-	87,072
Office expense	15,703	4,295	-	19,998
Professional fees	36,152	-	19,763	55,915
Testing	8,534	-	-	8,534
Depreciation	160,701	48,069	17,200	225,970
Miscellaneous	6,815	12,850	-	19,665
Total Operating Expenses	385,915	376,101	36,963	798,979
OPERATING INCOME	149,116	22,331	37,947	209,394
NONOPERATING REVENUES (EXPENSES)				
Special assessments	6,901	5,383	1,518	13,802
State grants		59,761	-	59,761
Other income	301	301	-	602
Interest expense	(4,597)	-	-	(4,597)
Net Nonoperating Revenues (Expenses)	2,605	65,445	1,518	69,568
NET INCOME BEFORE TRANSFERS	151,721	87,776	39,465	278,962
TRANSFERS				
Transfers out	(81,370)	(37,005)	(19,970)	(138,345)
CHANGE IN NET POSITION	70,351	50,771	19,495	140,617
TOTAL NET POSITION – BEGINNING	1,825,370	1,136,319	419,396	3,381,085
TOTAL NET POSITION – ENDING	**$ 1,895,721**	**$ 1,187,090**	**$ 438,891**	**$ 3,521,702**

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

CITY OF ST. BONIFACIUS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 526,423	$ 391,901	$ 73,734	$ 992,058
Payments for supplies and services	(205,754)	(315,798)	(18,944)	(540,496)
Other receipts	301	301	-	602
Other payments	(6,815)	(12,850)	-	(19,665)
Net Cash Provided by Operating Activities	314,155	63,554	54,790	432,499
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(81,370)	(37,005)	(19,970)	(138,345)
Special assessments	6,901	5,383	1,518	13,802
Net Cash Used by Noncapital Financing Activities	(74,469)	(31,622)	(18,452)	(124,543)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(47,217)	(30,223)	-	(77,440)
State grants	-	59,761	-	59,761
Principal paid on capital debt	(37,000)	-	-	(37,000)
Interest paid on capital debt	(4,597)	-	-	(4,597)
Net Cash Provided (Used) by Capital and Related Financing Activities	(88,814)	29,538	-	(59,276)
NET INCREASE IN CASH AND CASH EQUIVALENTS	150,872	61,470	36,338	248,680
CASH AND CASH EQUIVALENTS – BEGINNING	412,237	158,636	72,738	643,611
CASH AND CASH EQUIVALENTS – ENDING	**$ 563,109**	**$ 220,106**	**$ 109,076**	**$ 892,291**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 149,116	$ 22,331	$ 37,947	$ 209,394
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	160,701	48,069	17,200	225,970
Other income related to operations	301	301	-	602
Net operating changes in				
Accounts receivable	(8,608)	(6,531)	(1,176)	(16,315)
Prepaid items	(616)	(616)	-	(1,232)
Accounts payable	13,261	-	819	14,080
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 314,155**	**$ 63,554**	**$ 54,790**	**$ 432,499**

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

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

Reporting Entity
The City of St. Bonifacius, Minnesota was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and four council members are elected by the voters of the City.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

The following represents the significant accounting policies used by the City:

Government-Wide and Fund Financial Statements
The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements distinguish between the governmental and business-type activities of the City.

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

Government-Wide and Fund Financial Statements (Continued)
The statement of net position and the statement of activities report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported mostly by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the City's governmental and proprietary funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as other nonmajor funds.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The City reports the following funds:
<u>Governmental Funds</u>

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

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

Government-Wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

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

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

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

Capital Project Funds – used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City's major capital projects fund and its purpose is as follows:

2023 Street Improvement Project – accounts for the costs related to the City's street improvement project.

Proprietary Funds

Enterprise Funds – account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. The City's major enterprise funds and their purposes are as follows:

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements, and donations. Under the accrual basis of accounting, revenue from property taxes is recognized in the year for which they are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include but are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)
Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. The City considers revenue to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. All taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Use of Estimates
The preparation of financial statements in conformity 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Receivables
Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

Receivables (Continued)
Property tax levies are set by the City Council in December of each year and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agencies for all property taxes. The county spreads the levy over assessable property. Property taxes become a lien on January 1. Property tax payments are due in two equal installments, on May 15 and October 15. Taxes become delinquent if not paid by the due date. The County is required to distribute collections to the City three times each year.

Property taxes receivable which have been collected and received by the City within 60 days subsequent to year end are considered measurable and available, and are recognized as revenues in the governmental fund financial statements. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period. Property tax receivables are deemed to be substantially collectable or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary.

Receivables for federal and state grants, and state, county, and local shared revenue, are recorded as revenue in all fund types as earned.

Assessment liens receivable are recorded as receivables at the time property owners are assessed for property improvements. Assessment lien installments which are expected to be collected in the following year in accordance with the modified accrual basis of accounting are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by unearned revenues and, accordingly, have not been recorded as revenue. Assessments are payable over a term of years at an interest rate established by the City Council.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed.

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

Capital Assets
Purchased or constructed capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial cost of more than $1,000 and an estimated useful life of one year or more. Capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the time of donation. Intangible assets with an indefinite useful life are included in nondepreciable assets.

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

Capital Assets (Continued)
In governmental fund financial statements, capital assets purchased are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide and proprietary fund financial statements, disposal of capital assets is recorded by relieving the governmental or business-type activities of the related costs and accumulated depreciation, with the resulting gains or losses being reflected in the statement of activities. In the governmental fund financial statements, the proceeds from sales of governmental fund capital assets are recorded as revenues in the appropriate fund.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 40 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

Compensated Absences
It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only as a result of employee resignations or retirements. The liability for compensated absences is typically liquidated in the fund that incurred the expenditure at the time of the occurrence (i.e. vacation being taken or upon retirement).

Long-Term Obligations
In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources and payments of principal and interest are reported as expenditures. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

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

A detailed description of deferred outflows/inflows related to pensions and how they are calculated are discussed in Note 10.

Fund Balance/Net Position
On the statement of net position for government-wide reporting and for the proprietary funds', net position is segregated into three categories:

1. Net investment in capital assets – represents total capital assets less accumulated depreciation and capital related debt net of unspent bond proceeds. Deferred outflows of resources and deferred inflows of resources directly related debt is also included in this section.

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

Fund Balance/Net Position (Continued)

2. Restricted – represents net position that is not subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulation of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset. Unspent bond proceeds for capital projects are included in this section.

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

In the governmental funds financial statements, fund balance is segregated into the following categories:

1. Nonspendable – represents fund balance amounts that cannot be spent because they are either in a nonspendable form or because legal or contractual requirements mandate funds be maintained intact.

2. Restricted – represents fund balance amounts with constraints placed on their use by either a) external groups such as creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted
   a. Committed – represents amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitments by resolution.

   b. Assigned – amounts assessed for specific purposes that are internally imposed. In governmental funds other than the general fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by the City council itself or by an official to which the governing body delegates authority.

   c. Unassigned – represents the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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

Fund Balance/Net Position (Continued)
When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned fund balance.

Pensions
For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA), and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity
No funds had a deficit fund balance as of December 31, 2023.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)
The City maintains a cash and investment pool that is available for use by all funds. As of December 31, 2023, the City's cash and investment balances are reported as follows:

	Governmental Activities	Business-Type Activities	Total
Demand deposits and money market savings	$ 2,557,767	$ 892,291	$ 3,450,058
TOTAL CASH AND CASH EQUIVALENTS	**$ 2,557,767**	**$ 892,291**	**$ 3,450,058**

Custodial Credit Risk – deposits – the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains its deposits in accordance with Minn. Stat. § 118A.03. Under that statute, all deposits must be covered by Federal Deposit Insurance Corporation (FDIC) or collateralized with eligible securities in an amount equal to 110% of the deposits not covered by FDIC or corporate surety bonds. As of December 31, 2023, the City's deposits with various financial institutions had a bank balance of $2,882,774. Of these deposits, $342,460 was covered by FDIC insurance and $2,540,314 was collateralized in accordance with Minn. Stat. § 118A.03.

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

The City had no investments as of December 31, 2023.

NOTE 4 – INTERFUND TRANSFERS

The City transferred cash between funds as follows:

Transferred From	Transferred To	Amount
2012A G.O. Improvement Bonds	General	$ 59,272
Water	General	81,370
Sewer	General	37,005
Storm Sewer	General	19,970

NOTE 4 – INTERFUND TRANSFERS (Continued)

The transfer from the 2012A G.O. Improvement Bonds Fund to the General Fund was to close out the debt service fund. The transfers from the Water, Sewer and Storm Sewer Funds to the General Fund were for each enterprise fund's portion of public works labor, public safety, city hall utilities, and staff wages.

NOTE 5 – CAPITAL ASSETS

Activity in capital assets for the City was as follows:

Governmental Activities	Balance 2022	Additions	Removals	Balance 2023
Capital assets not being depreciated				
Land	$ 149,092	$ -	$ -	$ 149,092
Construction in progress	116,854	3,153,701	116,854	3,153,701
Total capital assets not being depreciated	149,092	3,153,701	-	3,302,793
Capital assets being depreciated				
Land improvements	31,462	95,260	-	126,722
Buildings	1,466,318	-	-	1,466,318
Equipment	1,089,159	210,830	-	1,299,989
Infrastructure	27,698,090	-	-	27,698,090
Vehicles	2,019,855	-	-	2,019,855
Total capital assets being depreciated	32,304,884	306,090	-	32,610,974
Accumulated depreciation for				
Land improvements	(1,180)	(2,367)	-	(3,547)
Buildings	(825,749)	(40,565)	-	(866,314)
Equipment	(808,046)	(38,388)	-	(846,434)
Infrastructure	(22,617,639)	(396,907)	-	(23,014,546)
Vehicles	(830,926)	(99,343)	-	(930,269)
Total accumulated depreciation	(25,083,540)	(577,570)	-	(25,661,110)
Total capital assets being depreciated, net	7,221,344	(271,480)	-	6,949,864
GOVERNMENTAL ACTIVITIES, NET	**$ 7,370,436**	**$ 2,882,221**	**$ -**	**$ 10,252,657**

NOTE 5 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance 2022	Additions	Removals	Balance 2023
Capital assets not being depreciated				
Land	$ 204,137	$ -	$ -	$ 204,137
Construction in progress	399,806	-	399,806	-
Total capital assets not being depreciated	603,943	-	399,806	204,137
Capital assets being depreciated				
Buildings	446,143	-	-	446,143
Equipment	347,031	47,217	-	394,248
Infrastructure	5,396,858	430,030	-	5,826,888
Vehicles	36,848	-	-	36,848
Total capital assets being depreciated	6,226,880	477,247	-	6,704,127
Accumulated depreciation for				
Buildings	(156,150)	(11,154)	-	(167,304)
Equipment	(268,945)	(23,279)	-	(292,224)
Infrastructure	(3,445,045)	(191,537)	-	(3,636,582)
Vehicles	(36,848)	-	-	(36,848)
Total accumulated depreciation	(3,906,988)	(225,970)	-	(4,132,958)
Total capital assets being depreciated, net	2,319,892	251,277	-	2,571,169
BUSINESS-TYPE ACTIVITIES, NET	**$ 2,923,835**	**$ 251,277**	**$ 399,806**	**$ 2,775,306**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities		
General government	$	316,641
Public safety		132,276
Culture and recreation		21,177
Public works		107,476
TOTAL	**$**	**577,570**
Business-Type Activities		
Water	$	160,701
Sewer		48,069
Storm sewer		17,200
TOTAL	**$**	**225,970**

NOTE 6 – LONG-TERM OBLIGATIONS

Bonds and notes payable outstanding as of December 31, 2023, consisted of the following issues:

Bond Issue and Purpose	Interest Rate	Balance 2023
Governmental Activities		
G.O. refunding bonds of 2013C of $1,620,000, due in annual installments of $100,000 to $140,000 through December 15, 2028	2.0-3.25%	$ 640,000
G.O. bonds of 2023A of $4,155,000, due in annual installments of $20,000 to $350,000 through December 15, 2038	4.0-5.0%	4,155,000
Note payable to City of Minnetrista, due in annual installments through 2027	0.5-2.8%	117,622
TOTAL GOVERNMENTAL ACTIVITIES		**$ 4,912,622**
Business-Type Activities		
General Obligation Revenue Notes		
G.O. drinking water revenue note of $664,864, due in annual installments $34,000 to $40,000 through August 20, 2029	1.709%	**232,000**

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities and are direct obligations and pledge the full faith and credit of the City.

Drinking Water Revenue Notes. The City issued $664,864 general obligation revenue note for the construction of a well that serves all the residents and businesses within the City. The bonds are covered by the revenue resulting from water fund operations.

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

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the year ended December 31, 2023, are as follows:

	Balance 2022	Increases	Decreases	Balance 2023	Due Within One Year
Governmental Activities					
General obligation bonds	$ 905,000	$ 4,155,000	$ 265,000	$ 4,795,000	$ 290,000
Note payable	145,358	-	27,736	117,622	28,346
Total Bonds and Notes	1,050,358	4,155,000	292,736	4,912,622	318,346
Add (less) unamortized premium (discount)	-	81,646	-	81,646	-
Net bonds and notes payable	1,050,358	4,236,646	292,736	4,994,268	318,346
Other Long-Term Liabilities					
Compensated absences	17,233	22,885	22,266	17,852	-
Net pension liability	293,041	-	86,141	206,900	-
Total Other Long-Term Liabilities	310,274	22,885	108,407	224,752	-
TOTAL GOVERNMENTAL ACTIVITIES	**$ 1,360,632**	**$ 4,259,531**	**$ 401,143**	**$ 5,219,020**	**$ 318,346**

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Due Within One Year
Business-Type Activities					
General obligation bonds	$ 269,000	$ -	$ 37,000	$ 232,000	$ 37,000
TOTAL BUSINESS-TYPE ACTIVITIES	**$ 269,000**	**$ -**	**$ 37,000**	**$ 232,000**	**$ 37,000**

Debt service requirements on long-term debt at December 31, 2023 are as follows:

	Governmental Activities		Business-Type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2024	$ 318,346	$ 244,159	$ 37,000	$ 3,964
2025	364,012	195,193	38,000	3,332
2026	384,738	180,087	38,000	2,684
2027	405,526	164,115	39,000	2,034
2028	390,000	147,300	40,000	1,368
2029 - 2033	1,435,000	516,500	40,000	684
2034 - 2038	1,615,000	198,800	-	-
TOTAL	**$ 4,912,622**	**$ 1,646,154**	**$ 232,000**	**$ 14,066**

NOTE 7 – CONDUIT DEBT

From time to time, the City has issued revenue bonds and notes to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2023, there were two revenue bonds or notes outstanding. One is related to the PHS/Lake Minnetonka Campus Project and the other is for the Crown College Project with principal amounts payable of approximately $5,549,815 and $7,199,548, respectively.

NOTE 8 – LESSOR TENANT AGREEMENTS

The City is a lessor for three noncancellable leases of property with lease terms through 2041. For the year ending December 31, 2023, the City recognized $23,495 in lease revenue released from the deferred inflows of resources on the statement of changes in net position. The City recognized interest revenue of $704 for the year ending December 31, 2023. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during the year. The balance of the leases receivable was $861,904 as of December 31, 2023.

NOTE 9 – NET INVESTMENT IN CAPITAL ASSETS

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

Land	$	149,092
Construction in progress		3,153,701
Capital assets being depreciated, net		6,949,864
Less: long-term debt outstanding, net of unspent proceeds		(4,061,739)
NET INVESTMENT IN CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES	**$**	**6,190,918**

NOTE 9 – NET INVESTMENT IN CAPITAL ASSETS (Continued)

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

Capital assets not being depreciated	$	204,137
Capital assets being depreciated, net		2,571,169
Long-term debt outstanding		(232,000)
NET INVESTMENT IN CAPITAL ASSETS	**$**	**2,543,306**

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 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 $22,883. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs
At December 31, 2023, the City reported a liability of $206,900 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $5,701. 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's 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 proportionate share was 0.0037% at the end of the measurement period and 0.0037% for the beginning of the period.

City's proportionate share of the net pension liability	$	206,900
State of Minnesota's proportionate share of the net pension liability associated with the City		5,701
TOTAL	**$**	**212,601**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)
For the year ended December 31, 2023, the City recognized pension expense of $5,449 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional $26 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 General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,097	$ 1,127
Changes in actuarial assumptions	26,425	42,531
Net collective difference between projected and actual investment earnings	-	13,707
Changes in proportion	1,124	3,204
Contributions paid to PERA subsequent to the measurement date	11,442	-
TOTAL	**$ 44,088**	**$ 60,569**

$11,442 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2024	$ (1,818)
2025	(27,238)
2026	4,724
2027	(3,591)
TOTAL	**$ (27,923)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Long-Term Expected Return on Investment

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

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

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 7.0%. 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 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

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

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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Methods and Assumptions (Continued)
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 6.5% to 7.0%.

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 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate
The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity
The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

		General Employees Fund	
1% lower	6.00%	$	366,022
Current discount rate	7.00%		206,900
1% higher	8.00%		76,015

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position
Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 11 – VOLUNTEER FIRE RELIEF ASSOCIATION

Defined Contribution Plan
The City remits a state aid payment to the St. Bonifacius Volunteer Fire Department (the Association) a single-employer public employee retirement system that acts as an administrator for volunteer firefighters.

All volunteer firefighters of the City are members of the Association. Retiring individuals receive a lump-sum distribution in an amount equal to $5,700 per year of service. The minimum retirement age is 50 and members are fully vested after 20 years. These benefit provisions and all other requirements are consistent with enabling state statutes.

The City passes through state aids allocated to the plan in accordance with state statutes. The state aid passed through in 2022 was $67,817.

NOTE 12 – RISK MANAGEMENT

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. BONIFACIUS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes				
Property taxes	$ 626,515	$ 626,515	$ 628,789	$ 2,274
Licenses and permits	49,950	49,950	42,923	(7,027)
Intergovernmental				
State				
Local government aid	374,355	374,355	374,355	-
Market value credit	-	-	39	39
Fire relief aid	50,000	50,000	68,817	18,817
Other	-	-	103,054	103,054
County				
Highway aid	5,000	5,000	-	(5,000)
Recycling grants	6,000	6,000	9,604	3,604
Total Intergovernmental	435,355	435,355	555,869	120,514
Charges for Services				
General government fees	9,050	9,050	8,510	(540)
Fire services	312,829	312,829	318,373	5,544
Rental income	57,397	57,397	86,898	29,501
Total Charges for Services	379,276	379,276	413,781	34,505
Fines and Forfeitures	6,600	6,600	9,487	2,887
Investment Earnings	5,000	5,000	16,681	11,681
Contributions and Donations	-	-	90,538	90,538
Other	20,000	20,000	51,290	31,290
Total Revenues	1,522,696	1,522,696	1,809,358	286,662
EXPENDITURES				
Current				
General Government				
Mayor and council	16,824	16,824	16,341	(483)
Clerk/finance and administration	272,090	272,090	254,379	(17,711)
Elections	800	800	859	59
Professional fees (legal, audit, etc.)	72,450	72,450	48,100	(24,350)
Other - unclassified	1,000	1,000	3,818	2,818
Total General Government	363,164	363,164	323,497	(39,667)
Public Safety				
Police	280,923	280,923	280,928	5
Fire	314,495	314,495	317,610	3,115
Building inspection	11,300	11,300	14,935	3,635
Other public safety (prosecuting attorney, civil defense siren)	18,600	18,600	16,581	(2,019)
Total Public Safety	625,318	625,318	630,054	1,101

CITY OF ST. BONIFACIUS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
Public Works				
Street maintenance	$ 359,759	$ 359,759	$ 394,131	$ 34,372
Snow and ice removal	16,500	16,500	28,682	12,182
Street lighting	41,000	41,000	43,502	2,502
Total Public Works	417,259	417,259	466,315	49,056
Sanitation	5,000	5,000	3,947	(1,053)
Culture and Recreation				
Parks and recreation	7,200	7,200	14,243	7,043
Debt Service				
Principal	27,735	27,735	27,736	1
Interest	3,645	3,645	5,614	1,969
Total Debt Service	31,380	31,380	33,350	1,970
Capital Outlay				
Public safety	-	-	102,955	102,955
Streets and highways	54,500	54,500	-	(54,500)
Culture and recreation	14,600	14,600	111,282	96,682
Total Capital Outlay	69,100	69,100	214,237	145,137
Total Expenditures	1,518,421	1,518,421	1,685,643	163,587
REVENUES OVER EXPENDITURES	4,275	4,275	123,715	119,440
OTHER FINANCING SOURCES (USES)				
Bond issue proceeds	-	-	235,000	235,000
Premium on bonds sold	-	-	9,995	9,995
Transfers in	138,345	138,345	197,617	59,272
Net Other Financing Sources (Uses)	138,345	138,345	442,612	304,267
NET CHANGE IN FUND BALANCES	142,620	142,620	566,327	423,707
FUND BALANCES – BEGINNING	779,895	779,895	779,895	-
FUND BALANCES – ENDING	**$ 922,515**	**$ 922,515**	**$ 1,346,222**	**$ 423,707**

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

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
December 31, 2023	$ 22,883	$ 22,883	$ -	$ 305,111	7.50%
December 31, 2022	21,452	21,452	-	286,030	7.50%
December 31, 2021	20,511	20,511	-	273,480	7.50%
December 31, 2020	20,878	20,878	-	278,368	7.50%
December 31, 2019	20,133	20,133	-	268,709	7.49%
December 31, 2018	19,842	19,842	-	264,749	7.49%
December 31, 2017	18,965	18,965	-	252,867	7.50%
December 31, 2016	20,318	20,318	-	270,902	7.50%
December 31, 2015	18,696	18,696	-	249,276	7.50%

* Schedule is provided prospectively until ten years of data is available.

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

Fiscal Year Ending **	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0037%	$ 206,900	$ 5,701	$ 212,601	$ 305,111	67.8%	83.10%
June 30, 2022	0.0037%	293,041	8,572	301,613	286,030	102.5%	76.67%
June 30, 2021	0.0039%	166,547	5,062	171,609	273,480	60.9%	87.00%
June 30, 2020	0.0038%	227,827	6,995	234,822	271,215	84.0%	79.10%
June 30, 2019	0.0037%	204,565	6,500	211,065	265,831	77.0%	80.20%
June 30, 2018	0.0038%	210,808	6,871	217,679	241,033	87.5%	79.50%
June 30, 2017	0.0041%	261,741	3,302	265,043	264,973	98.8%	75.90%
June 30, 2016	0.0043%	349,139	4,501	353,640	264,237	132.1%	68.90%
June 30, 2015	0.0042%	217,666	-	217,666	255,209	85.3%	78.20%

* Schedule is provided prospectively until ten years of data is available.

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

CITY OF ST. BONIFACIUS, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

NOTE 1 – BUDGETARY INFORMATION

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

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available.

Compliance
The General Fund's disbursements exceeded budget appropriations by $163,587 for the year ended December 31, 2023. The overage, considered by City management to be a result of necessary disbursements critical to operation, were approved by City Council.

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

General Employees Fund
2023 Changes
Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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.

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

2020 Changes (Continued)
Changes in Actuarial Assumptions: (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

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

2018 Changes (Continued)
Changes in Plan Provisions: (Continued)

- Postretirement benefit increases were changed from 1% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions:

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

2016 Changes
Changes in Actuarial Assumptions:

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

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

2016 Changes (Continued)
Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Bonifacius, Minnesota as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Carlson SV LLP

Fergus Falls, Minnesota
April 9, 2024