

CITY OF UPSALA, MINNESOTA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

**CITY OF UPSALA, MINNESOTA
TABLE OF CONTENTS**

INTRODUCTORY SECTION:

CITY COUNCIL AND OFFICIALS 1

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT 2

BASIC FINANCIAL STATEMENTS:

Statement of Balances Arising from Cash Transactions –
Governmental Funds 5

Statement of Receipts, Disbursements and Changes in
Cash Fund Balances – Governmental Funds 6

Statement of Balances Arising from Cash Transactions –
Proprietary Funds 7

Statement of Receipts, Disbursements and Changes in Net
Cash Assets – Proprietary Funds 8

Statement of Cash Flows – Cash Basis –
Proprietary Funds 9

Notes to the Basic Financial Statements 10

SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund –
Regulatory Basis 22

Budgetary Comparison Schedule – Fire Fund –
Regulatory Basis 24

Combining Statement of Balances Arising from Cash Transactions –
Nonmajor Governmental Funds 26

Combining Statement of Receipts, Disbursements and Changes in
Cash Fund Balances – Nonmajor Governmental Funds 27

Schedule of Indebtedness 28

Schedule of Accounts Receivable 29

Schedule of Accounts Payable and Contingent Liabilities 30

OTHER REQUIRED REPORTS:

Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards* 31

Independent Auditors' Report on Minnesota Legal Compliance 33

Schedule of Findings and Responses 34

Corrective Action Plans 37

**INTRODUCTORY
SECTION**

**CITY OF UPSALA, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CITY COUNCIL

Term Expires

Rollie Johnson	Mayor	December 31, 2020
Lana Bartells	Council Member	December 31, 2020
Crystal Benson	Council Member	December 31, 2022
Brian Lange	Council Member	December 31, 2022
Dennis Westrich	Council Member	December 31, 2020

CITY OFFICIALS

Michelle Stevens	Clerk/Treasurer
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**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

March 20, 2020

Honorable Mayor and City Council
City of Upsala, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor, as described in Note 1.C. Management is also responsible 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.

Auditor's Responsibility

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

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

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

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1.C. of the financial statements, the financial statements are prepared by the City of Upsala, Minnesota, on the basis of the financial reporting provisions of the State of Minnesota's Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Minnesota.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Upsala, Minnesota, as of December 31, 2019, or the results of its operations or its cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City of Upsala, Minnesota, as of December 31, 2019, and changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor described in Note 1.C.

Emphasis of Matters

Change in Accounting Method

As discussed in Note 1.C. to the financial statements, the City has elected to change its method of accounting from the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds to the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, for the year ended December 31, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary comparison schedules, combining nonmajor fund financial statements, and schedules of indebtedness, accounts receivable, and accounts payable and contingent liabilities are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, budgetary comparison schedules, combining nonmajor fund financial statements, and schedules of indebtedness, accounts receivable, and accounts payable and contingent liabilities have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020 on our consideration of the City of Upsala's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Upsala's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Upsala's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated March 20, 2020, on our consideration of the City of Upsala's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

BASIC FINANCIAL STATEMENTS

CITY OF UPSALA, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Debt Service					Total Governmental Funds
	General Fund	Fire Fund	Roach TIF Fund	2019A G.O. Tax Increment Bonds Fund	Nonmajor Governmental Funds	
ASSETS						
Cash and Cash Equivalents	\$ 753,744	\$ 7,394	\$ 4,332	\$ -	\$ 5,830	\$ 771,300
Due from Other Funds	122,699	-	-	-	-	122,699
Advance to Other Funds	-	-	-	546,572	-	546,572
TOTAL ASSETS	<u>\$ 876,443</u>	<u>\$ 7,394</u>	<u>\$ 4,332</u>	<u>\$ 546,572</u>	<u>\$ 5,830</u>	<u>\$ 1,440,571</u>
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 22,323	\$ 86,213	\$ 108,536
Advance from Other Funds	-	-	301,572	-	-	301,572
Total Liabilities	-	-	301,572	22,323	86,213	410,108
CASH FUND BALANCES						
Nonspendable	-	-	-	546,572	-	546,572
Assigned	-	7,394	-	-	-	7,394
Unassigned	876,443	-	(297,240)	(22,323)	(80,383)	476,497
Total Cash Fund Balances	<u>876,443</u>	<u>7,394</u>	<u>(297,240)</u>	<u>524,249</u>	<u>(80,383)</u>	<u>1,030,463</u>
TOTAL LIABILITIES AND CASH FUND BALANCES	<u>\$ 876,443</u>	<u>\$ 7,394</u>	<u>\$ 4,332</u>	<u>\$ 546,572</u>	<u>\$ 5,830</u>	<u>\$ 1,440,571</u>

CITY OF UPSALA, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Debt Service					
	General Fund	Fire Fund	Roach TIF Fund	2019A G.O. Tax Increment Bonds Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS						
Taxes	\$ 199,111	\$ 1	\$ -	\$ -	\$ -	\$ 199,112
Tax Increment	-	-	16,898	-	4,220	21,118
Franchise Fees	16,683	-	-	-	-	16,683
Licenses, Permits and Fees	670	-	-	-	-	670
Intergovernmental	87,546	14,012	-	-	-	101,558
Charges for Services	8,254	91,686	-	-	-	99,940
Investment Income	11,367	-	-	10,140	-	21,507
Miscellaneous	27,496	5,765	-	290	3,840	37,391
TOTAL RECEIPTS	351,127	111,464	16,898	10,430	8,060	497,979
DISBURSEMENTS						
Current:						
General Government:						
Administration	93,951	-	-	-	-	93,951
Mayor and Council	13,516	-	-	-	-	13,516
Elections	17	-	-	-	-	17
General Government	27,876	-	-	-	-	27,876
Total General Government	135,360	-	-	-	-	135,360
Public Safety:						
Fire	-	45,095	-	-	-	45,095
First Response	-	-	-	-	11,731	11,731
Public Works	161,831	-	-	-	-	161,831
Economic Development	-	-	10,140	-	539	10,679
Parks and Recreation	28,645	-	-	-	20,148	48,793
Library	10,661	-	-	-	-	10,661
Debt Service:						
Principal	-	15,600	-	10,000	13,000	38,600
Interest and Other Charges	-	5,073	-	28,501	7,537	41,111
Capital Outlay	7,553	-	-	-	-	7,553
TOTAL DISBURSEMENTS	344,050	65,768	10,140	38,501	52,955	511,414
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	7,077	45,696	6,758	(28,071)	(44,895)	(13,435)
OTHER FINANCING SOURCES (USES)						
Proceeds from the Sale of Assets	529	-	-	-	-	529
Operating Transfers In	-	3,270	-	-	-	3,270
Operating Transfers Out	(3,270)	-	-	-	-	(3,270)
TOTAL OTHER FINANCING SOURCES (USES)	(2,741)	3,270	-	-	-	529
NET CHANGE IN CASH FUND BALANCES	4,336	48,966	6,758	(28,071)	(44,895)	(12,906)
CASH FUND BALANCES - BEGINNING	866,856	(7,357)	(303,998)	552,320	(35,624)	1,072,197
CHANGE IN ACCOUNTING METHOD	5,251	(34,215)	-	-	136	(28,828)
CASH FUND BALANCES - ENDING	\$ 876,443	\$ 7,394	\$ (297,240)	\$ 524,249	\$ (80,383)	\$ 1,030,463

CITY OF UPSALA, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Water Fund	Sewer Fund	Garbage and Recycling Fund	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 128,410	\$ 24,955	\$ -	\$ 153,365
Advance to Other Funds	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>54,000</u>
TOTAL ASSETS	<u>\$ 155,410</u>	<u>\$ 51,955</u>	<u>\$ -</u>	<u>\$ 207,365</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 14,163	\$ 14,163
Advance from Other Fund	<u>149,500</u>	<u>149,500</u>	<u>-</u>	<u>299,000</u>
TOTAL LIABILITIES	149,500	149,500	14,163	313,163
NET CASH ASSETS				
Unrestricted	<u>5,910</u>	<u>(97,545)</u>	<u>(14,163)</u>	<u>(105,798)</u>
TOTAL LIABILITIES AND NET CASH ASSETS	<u>\$ 155,410</u>	<u>\$ 51,955</u>	<u>\$ -</u>	<u>\$ 207,365</u>

CITY OF UPSALA, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Fund	Sewer Fund	Garbage and Recycling Fund	Totals
CHARGES FOR SERVICES	\$ 128,706	\$ 61,318	\$ 48,661	\$ 238,685
OPERATING DISBURSEMENTS				
Personnel Services	480	480	-	960
Professional Services	1,725	3,481	45,669	50,875
Utilities	2,063	2,113	-	4,176
Repairs and Maintenance	3,474	3,030	-	6,504
Materials and Supplies	6,552	4,237	-	10,789
Other Services and Charges	2,165	175	280	2,620
TOTAL OPERATING DISBURSEMENTS	<u>16,459</u>	<u>13,516</u>	<u>45,949</u>	<u>75,924</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	112,247	47,802	2,712	162,761
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Special Assessments	582	-	-	582
Investment Income	1,170	614	-	1,784
Miscellaneous	-	-	7,042	7,042
Interest Expense	(3,129)	(230)	-	(3,359)
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	<u>(1,377)</u>	<u>384</u>	<u>7,042</u>	<u>6,049</u>
NET CHANGE IN NET CASH ASSETS BEFORE OTHER DISBURSEMENTS AND TRANSFERS	110,870	48,186	9,754	168,810
OTHER DISBURSEMENTS AND TRANSFERS				
Debt Principal	(40,517)	(11,517)	-	(52,034)
CHANGE IN NET CASH ASSETS	70,353	36,669	9,754	116,776
NET CASH ASSETS - BEGINNING OF YEAR	862,828	302,657	(12,333)	1,153,152
CHANGE IN ACCOUNTING METHOD	<u>(927,271)</u>	<u>(436,871)</u>	<u>(11,584)</u>	<u>(1,375,726)</u>
NET CASH ASSETS - END OF YEAR	<u>\$ 5,910</u>	<u>\$ (97,545)</u>	<u>\$ (14,163)</u>	<u>\$ (105,798)</u>

**CITY OF UPSALA, MINNESOTA
STATEMENT OF CASH FLOWS – CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Garbage and Recycling Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 128,706	\$ 61,318	\$ 48,661	\$ 238,685
Cash Paid to Suppliers	(15,979)	(13,036)	(45,949)	(74,964)
Cash Paid to Employees	(480)	(480)	-	(960)
NET CASH PROVIDED BY OPERATING ACTIVITIES	112,247	47,802	2,712	162,761
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property Taxes, Intergovernmental and Other Receipts	582	-	7,042	7,624
Operating Subsidies and Transfers from Other Funds	-	(12,454)	(11,644)	(24,098)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	582	(12,454)	(4,602)	(16,474)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on Debt Principal	(40,517)	(11,517)	-	(52,034)
Cash Paid for Interest	(3,129)	(230)	-	(3,359)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(43,646)	(11,747)	-	(55,393)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	1,170	614	-	1,784
Net Change in Cash and Cash Equivalents	70,353	24,215	(1,890)	92,678
Cash and Cash Equivalents - Beginning of Year	58,057	740	1,890	60,687
Cash and Cash Equivalents - End of Year	<u>\$ 128,410</u>	<u>\$ 24,955</u>	<u>\$ -</u>	<u>\$ 153,365</u>

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Upsala, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota's Office of the State Auditor. See Note 1.C. for additional information.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, sanitation, recreation, public improvements, public safety, library and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Upsala.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

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 units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City does not have any blended component units.

Discretely Presented 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. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Fire Fund

The Fire Fund accounts for funds received by the City for fire department expenses.

Debt Service Funds (Roach TIF, 2019A G.O. Tax Increment Bonds)

The Debt Service Funds account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Tax increment financing taxes are used for the payment of principal and interest on the indebtedness of these funds.

The City reports the following major proprietary funds:

Proprietary Funds

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains Water, Sewer, and Garbage and Recycling Proprietary Funds.

The City reports the following nonmajor governmental funds:

Debt Service Funds

The Debt Service Funds account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Tax increment financing taxes and property taxes are used for the payment of principal and interest on the City's indebtedness.

Special Revenue Funds

The Special Revenue Funds accounts for funds received by the City with a specific purpose.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements have been prepared on the regulatory (cash) basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory (cash) basis of accounting:

- In the governmental and proprietary fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America.

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting or proprietary receipts and disbursements in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Method

Prior to the current year, the City prepared its financial statements using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. The City changed to the regulatory (cash) basis of accounting, as previously described in Note 1.C., in the current year as the City's population was below the threshold required for the use of accounting principles generally accepted in the United States of America. The effect of this change, in the basic financial statements, resulted in an overall decrease in the cash fund balance of approximately \$28,828 for governmental funds and \$1,375,726 in net cash assets for proprietary funds as of January 1, 2019.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with regulatory (cash) basis of accounting 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. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement Balances Arising from Cash Transactions for governmental and proprietary funds and proprietary fund Cash Flows, “cash and cash equivalents” includes all demand accounts and certificates of deposits for the City. Certificates of deposit are stated at cost, which approximates fair value.

See Note 2.A. for additional information related to cash and cash equivalents.

Noncurrent Liabilities

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

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other fund.” Long-term interfund loans (noncurrent portion) are reported as “advances to and from other funds.”

See Note 2.C. for details of interfund transactions, including receivables and payables at year-end.

Equity Classifications

Governmental Funds

In the governmental fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2019 consist of long-term advances to other funds.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution. There are no committed fund balances at December 31, 2019.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The Clerk/Treasurer or his/her designee shall have the authority to assign fund balance.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 35% of annual budgeted operating expenditures.

Proprietary Funds

In the proprietary fund financial statements, net position is displayed in two components:

Restricted Cash Assets – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted Cash Assets – All other net position that do not meet the definition of “restricted”.

It is the City’s policy to consider restricted cash assets to its depletion before unrestricted cash assets are applied.

See Note 2.D. for additional disclosures related to governmental fund equity.

1.F. RECEIPTS AND DISBURSEMENTS

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Morrison County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected.

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County collects all special assessments, except for certain prepayments paid directly to the City. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Receipts and Disbursements

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

**CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disbursements

In the fund financial statements, disbursements are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental and proprietary funds report disbursements of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. See Note 2.C. for additional information.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, receipts, and disbursements.

2.A. CASH AND CASH EQUIVALENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

**CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2019, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

At December 31, 2019, the financial statement balance is categorized as follows:

Cash in Checking and Savings Accounts	\$	630,039
Certificates of Deposit		389,420
 Total Financial Statement Balance	 \$	 1,019,459

2.B. NONCURRENT LIABILITIES

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

All debt set forth below are direct obligations of the City and pledge the full faith and credit of the City.

At December 31, 2019, the long-term debt of the financial reporting entity consists of the following:

Governmental Funds

General Obligation Tax Increment Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
08/19	\$ 678,000	\$12,000 - \$68,000	2.91%	02/33	\$ 678,000
					12,000
					\$ 666,000

General Obligation Equipment Certificate					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
06/15	\$ 120,000	\$16,000 - \$18,000	2.60%	02/23	\$ 65,309
					15,600
					\$ 49,709

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

General Obligation Notes					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
06/17	\$ 152,000	\$13,000 - \$18,000	3.00%	02/28	\$ 139,000
11/17	208,000	\$21,000 - \$26,000	3.05%	02/28	208,000
Total General Obligation Notes					347,000
Debt Due Within One Year					34,000
Debt Due After One Year					\$ 313,000

Proprietary Funds

General Obligation Refunding Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
03/14	\$ 320,000	\$24,000 - \$34,000	3.10%	01/25	\$ 158,000
Debt Due Within One Year					-
Debt Due After One Year					\$ 158,000

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2019:

Type of Debt	Balance 01/01/2019	Additions	Deductions	Balance 12/31/2019	Within One Year
<i>Governmental Funds:</i>					
General Obligation Bonds	\$ 670,000	\$ 678,000	\$ (670,000)	\$ 678,000	\$ 12,000
General Obligation Equipment Certificate	80,909	-	(15,600)	65,309	15,600
General Obligation Notes	360,000	-	(13,000)	347,000	34,000
Total Governmental Activities	\$ 1,110,909	\$ 678,000	\$ (698,600)	\$ 1,090,309	\$ 61,600
Type of Debt	Balance 01/01/2019	Additions	Deductions	Balance 12/31/2019	Within One Year
<i>Proprietary Funds:</i>					
General Obligation Bonds	\$ 187,000	\$ -	\$ (29,000)	\$ 158,000	\$ -
Other Long Term Debt	23,034	-	(23,034)	-	-
Total Business-Type Activities	\$ 210,034	\$ -	\$ (52,034)	\$ 158,000	\$ -

Interest and fiscal charges expense totals \$41,111 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances. Interest expense totals \$3,359 in the Statement of Receipts, Disbursements and Changes in Net Cash Assets.

**CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Annual Debt Service Requirements

At December 31, 2019, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Funds		
	G.O. Bonds, Certificates, and Notes		
	Principal	Interest	Total
2020	\$ 61,600	\$ 30,063	\$ 91,663
2021	89,600	28,858	118,458
2022	90,600	26,244	116,844
2023	96,509	23,529	120,038
2024	80,000	20,942	100,942
2025-2029	420,000	66,028	486,028
2030-2033	252,000	15,074	267,074
Totals	<u>\$ 1,090,309</u>	<u>\$ 210,738</u>	<u>\$ 1,301,047</u>

Years Ending December 31,	Proprietary Funds		
	G.O. Bonds		
	Principal	Interest	Total
2020	\$ -	\$ 2,449	\$ 2,449
2021	29,000	4,449	33,449
2022	31,000	3,519	34,519
2023	32,000	2,542	34,542
2024	32,000	1,550	33,550
2025	34,000	527	34,527
Totals	<u>\$ 158,000</u>	<u>\$ 15,036</u>	<u>\$ 173,036</u>

Governmental Fund debt is typically funded through the Debt Service Funds and the Fire Fund. Proprietary Fund debt is funded through the Water and Sewer Funds.

2.C. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2019:

Major Funds	Transfers Out	Transfers In	
		Fire Fund	Total
General Fund	<u>\$ 3,270</u>	<u>\$ 3,270</u>	<u>\$ 3,270</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 **DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS** (Continued)

The interfund balances consist of the following at December 31, 2019:

Long-Term Advances			
Advances Due To	Advances Due From	Amount	Reason
Debt Service - 2019A	Water	\$ 149,500	Share of improvement bond debt
Debt Service - 2019A	Sewer	149,500	Share of improvement bond debt
Debt Service - 2019A	Debt Service - Roach TIF	247,572	Share of improvement bond debt
Water	Debt Service - Roach TIF	27,000	TIF Expenses
Sewer	Debt Service - Roach TIF	27,000	TIF Expenses
Short-Term Balances			
Due To	Due From		
General	Debt Service - 2019A	22,323	Eliminate fund cash deficit
General	Heritage Days	9,925	Eliminate fund cash deficit
General	First Response	17,868	Eliminate fund cash deficit
General	Debt Service - Café TIF	14,032	TIF Shortfall
General	Debt Service - 2017A	5,118	Eliminate fund cash deficit
General	Debt Service - 2017B	39,270	Eliminate fund cash deficit
General	Garbage and Recycling Fund	14,163	Eliminate fund cash deficit
Total Interfund Balances		<u>\$ 723,271</u>	

Interfund balances are to be repaid as cash flows become available.

2.D. CASH FUND BALANCES

At December 31, 2019, governmental cash fund balances consist of the following:

General Fund	
Unassigned	<u>\$ 876,443</u>
Fire Fund	
Assigned	<u>\$ 7,394</u>
Debt Service - Roach TIF Fund	
Unassigned	<u>\$ (297,240)</u>
Debt Service - 2019A G.O. Tax Increment Bonds Fund	
Nonspendable - Advance to Other Funds	\$ 546,572
Unassigned	<u>(22,323)</u>
Total Debt Service - 2019A G.O. Tax Increment Bonds Fund Balance	<u>\$ 524,249</u>
Nonmajor Governmental Funds	
Unassigned	<u>\$ (80,383)</u>

**CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Deficit cash fund balances in individual funds at December 31, 2019 consist of the following:

Fund	Fund Deficit
Heritage Days	\$ (9,925)
First Response	\$ (17,868)
Debt Service - Roach TIF	\$ (297,240)
Debt Service - Café TIF	\$ (8,202)
Debt Service - 2017A G.O. Note	\$ (5,118)
Debt Service - 2017B G.O. Note	\$ (39,270)
Sewer Fund	\$ (97,545)
Garbage and Recycling	\$ (14,163)

These cash fund deficits are expected to be recovered through future assessments, tax levies or transfers.

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

All full-time and certain part-time employees of the City of Upsala are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by State Statute. Benefits for members of the General Employees Plan vest after five years of credited service. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 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 percent for each of the first 10 years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. 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.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Plan. That report may be obtained on the PERA's website at www.mnpera.org/about/financial/.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Township makes annual contributions to the pension plans equal to the amount required by State Statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2019. In 2019, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent for Coordinated Plan members.

The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$15,178, \$16,968, and \$15,473, respectively.

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

4.B. COMMITMENTS

Library Rent

The City has a contract for rental space for the library at \$750 per month, plus prorated utilities until December 2024. For the year ended December 31, 2019, such rent and utilities expense totals \$10,661.

Refuse Collection Services

The City has a contract for refuse collection services for residential districts in the City until May 2022. The City shall pay the contractor at the monthly rate of \$22.00 per residential unit for refuse and recyclable material. For the year ended December 31, 2019, such expense totals \$45,669.

**CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 OTHER NOTES (Continued)

4.C. TAX INCREMENT FINANCING DISTRICT

The City occasionally enters into tax increment financing arrangements with local businesses, for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

The following is a summary of the City’s current tax increment financing districts:

Name of District:	Redevelopment District #1-3
Business Name	Molly's on Main
Purpose:	Redevelopment
Authorizing Law:	MN Statutes Sections 469.174 - 469.179
Year Established:	2011
Duration of District:	27 Years

Original Base Net Tax Capacity:	\$ <u> 365</u>
Current Net Tax Capacity:	\$ <u> 3,054</u>

Captured Net Tax Capacity:	
Retained by City	\$ <u> 2,689</u>
Shared with Other Taxing Districts	\$ <u> -</u>
Taxes Abated in Current Year:	\$ <u> -</u>

Name of District:	Multi-Family Housing District #2-4
Business Name	Multi-Family Housing Project
Purpose:	Housing
Authorizing Law:	MN Statutes Sections 469.174 - 469.179
Year Established:	2014
Duration of District:	27 Years

Original Base Net Tax Capacity:	\$ <u> 315</u>
Current Net Tax Capacity:	\$ <u> 10,059</u>

Captured Net Tax Capacity:	
Retained by City	\$ <u> 9,744</u>
Shared with Other Taxing Districts	\$ <u> -</u>
Taxes Abated in Current Year:	\$ <u> -</u>

SUPPLEMENTARY INFORMATION

**CITY OF UPSALA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
RECEIPTS			
Taxes			
Property Taxes	\$ 189,000	\$ 199,111	\$ 10,111
Franchise Taxes	16,000	16,683	683
Total Taxes	<u>205,000</u>	<u>215,794</u>	<u>10,794</u>
Special Assessments	500	-	(500)
Licenses and Permits	3,000	670	(2,330)
Intergovernmental Receipts			
State Grants			
Local Government Aid	83,310	83,309	(1)
Market Value Credit	1,200	2,246	1,046
PERA Aid	-	188	188
Other State Grants and Aids	6,500	-	(6,500)
Local Receipts			
Other Local Grants	-	1,803	1,803
Total Intergovernmental Receipts	<u>91,010</u>	<u>87,546</u>	<u>(3,464)</u>
Charges for Services			
General Government	2,150	794	(1,356)
Parks and Recreation	9,000	7,460	(1,540)
Total Charges for Services	<u>11,150</u>	<u>8,254</u>	<u>(2,896)</u>
Miscellaneous Receipts			
Investment Earnings	1,300	11,367	10,067
Refunds and Reimbursements	-	19,869	19,869
Contributions and Donations	-	7,191	7,191
Other Miscellaneous	-	436	436
Total Miscellaneous Receipts	<u>1,300</u>	<u>38,863</u>	<u>37,563</u>
TOTAL RECEIPTS	<u>311,960</u>	<u>351,127</u>	<u>39,167</u>
DISBURSEMENTS			
General Government			
Mayor and Council	10,077	13,516	3,439
Administration and Finance	67,951	93,951	26,000
Other General Government	37,226	27,893	(9,333)
Capital Outlay	1,050	1,612	562
Total General Government	<u>116,304</u>	<u>136,972</u>	<u>20,668</u>

CITY OF UPSALA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
Public Works			
Street Maintenance and Storm Sewers	90,647	111,235	20,588
Snow and Ice Removal	8,250	12,549	4,299
Street Lighting	23,000	38,047	15,047
Capital Outlay - Other	-	5,941	5,941
Total Public Works	121,897	167,772	45,875
Culture and Recreation			
Libraries			
Current	12,038	10,661	(1,377)
Parks and Recreation			
Current	16,885	28,645	11,760
Total Culture and Recreation	28,923	39,306	10,383
TOTAL DISBURSEMENTS	267,124	344,050	76,926
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	44,836	7,077	(37,759)
OTHER FINANCING SOURCES (USES)			
Sale of Assets	-	529	529
Transfers			
To Other Funds	-	(3,270)	(3,270)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,741)	(2,741)
NET CHANGE IN CASH FUND BALANCE	\$ 44,836	4,336	\$ (40,500)
CASH FUND BALANCE - BEGINNING		866,856	
CHANGE IN ACCOUNTING METHOD		5,251	
CASH FUND BALANCE - ENDING		\$ 876,443	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 - Disbursements in Excess of Budget

Actual disbursements in the General Fund of \$344,050 exceeded the final budgeted disbursements by \$76,926 for the year. This is primarily due to the increased costs for street and park maintenance in the current year.

**CITY OF UPSALA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
RECEIPTS			
Taxes			
Property Taxes	\$ -	\$ 1	\$ 1
Intergovernmental Receipts			
State Grants			
Police and Fire Aid	8,000	14,012	6,012
Charges for Services			
Police and Fire Contracts	50,100	91,686	41,586
Miscellaneous Receipts			
Contributions and Donations	-	2,900	2,900
Other Miscellaneous	-	2,865	2,865
Total Miscellaneous Receipts	-	5,765	5,765
TOTAL RECEIPTS	58,100	111,464	53,364
DISBURSEMENTS			
Public Safety			
Fire			
Current	44,625	45,095	470
Capital Outlay	2,000	-	(2,000)
Total Public Safety	46,625	45,095	(1,530)
Debt Service			
Principal Payments	-	15,600	15,600
Interest and Other Fiscal Charges	2,067	5,073	3,006
Total Debt Service	2,067	20,673	18,606
TOTAL DISBURSEMENTS	48,692	65,768	17,076
EXCESS OF RECEIPTS OVER DISBURSEMENTS	9,408	45,696	36,288
OTHER FINANCING SOURCES			
Transfers			
From Other Funds	-	3,270	3,270

CITY OF UPSALA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE FUND (Continued)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
NET CHANGE IN CASH FUND BALANCE	<u>\$ 9,408</u>	48,966	<u>\$ 39,558</u>
CASH FUND BALANCE - BEGINNING		(7,357)	
CHANGE IN ACCOUNTING METHOD		<u>(34,215)</u>	
CASH FUND BALANCE - ENDING		<u>\$ 7,394</u>	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 2 - Disbursements in Excess of Budget

Actual disbursements in the General Fund of \$65,768 exceeded the final budgeted disbursements by \$17,076 for the year. This is primarily due to greater debt principal payments in the current year than budgeted.

CITY OF UPSALA, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Special Revenue		Debt Service		Total Nonmajor Governmental Funds	
	Heritage Days Fund	First Response Fund	Café TIF Fund	2017A G.O. Note Fund		2017B G.O. Note Fund
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,830	\$ -	\$ -	\$ 5,830
LIABILITIES						
Due to Other Funds	\$ 9,925	\$ 17,868	\$ 14,032	\$ 5,118	\$ 39,270	\$ 86,213
CASH FUND BALANCES						
Unassigned	(9,925)	(17,868)	(8,202)	(5,118)	(39,270)	(80,383)
TOTAL LIABILITIES AND CASH FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,830</u>

CITY OF UPSALA, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue		Debt Service		Total Nonmajor Governmental Funds	
	Heritage Days Fund	First Response Fund	Café TIF Fund	2017A G.O. Note Fund		2017B G.O. Note Fund
RECEIPTS						
Tax Increment	\$ -	\$ -	\$ 4,220	\$ -	\$ -	\$ 4,220
Miscellaneous	3,840	-	-	-	-	3,840
TOTAL RECEIPTS	<u>3,840</u>	<u>-</u>	<u>4,220</u>	<u>-</u>	<u>-</u>	<u>8,060</u>
DISBURSEMENTS						
Current:						
Public Safety:						
First Response	-	11,731	-	-	-	11,731
Economic Development	-	-	539	-	-	539
Parks and Recreation	20,148	-	-	-	-	20,148
Debt Service:						
Principal	-	-	-	13,000	-	13,000
Interest and Other Charges	-	-	-	4,365	3,172	7,537
TOTAL DISBURSEMENTS	<u>20,148</u>	<u>11,731</u>	<u>539</u>	<u>17,365</u>	<u>3,172</u>	<u>52,955</u>
NET CHANGE IN CASH FUND BALANCES	(16,308)	(11,731)	3,681	(17,365)	(3,172)	(44,895)
CASH FUND BALANCES - BEGINNING	6,334	(6,224)	(11,883)	12,247	(36,098)	(35,624)
CHANGE IN ACCOUNTING METHOD	<u>49</u>	<u>87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>
CASH FUND BALANCES - ENDING	<u>\$ (9,925)</u>	<u>\$ (17,868)</u>	<u>\$ (8,202)</u>	<u>\$ (5,118)</u>	<u>\$ (39,270)</u>	<u>\$ (80,383)</u>

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/19	Issued	Paid	Refunded or Prepaid	Outstanding Balance 12/31/19	Principal Due in 2020
GOVERNMENTAL FUND DEBT										
General Obligation Tax Increment Bond - Series 2014B	9/1/2014	3.85%	2/1/2033	\$ 675,000	\$ 670,000	\$ -	\$ 10,000	\$ 660,000	\$ -	\$ -
General Obligation Tax Increment Bond - Series 2019A	8/19/2019	2.91%	2/1/2033	678,000	-	678,000	-	-	678,000	12,000
General Obligation Equipment Certificate - Series 2015A	6/22/2015	2.60%	2/1/2023	120,000	80,909	-	15,600	-	65,309	15,600
General Obligation Note - Series 2017A	6/19/2017	3.00%	2/1/2028	152,000	152,000	-	13,000	-	139,000	13,000
General Obligation Note - Series 2017B	11/20/2017	3.05%	2/1/2028	208,000	208,000	-	-	-	208,000	21,000
TOTAL GOVERNMENTAL FUND DEBT				1,833,000	1,110,909	678,000	38,600	660,000	1,090,309	61,600
ENTERPRISE FUND DEBT										
General Obligation Revenue Refunding Bond - Series 2014A	3/17/2014	3.10%	1/1/2025	320,000	187,000	-	29,000	-	158,000	-
Other Long-Term Debt	1/1/2005	4.00%	7/1/2019	500,000	23,034	-	23,034	-	-	-
TOTAL ENTERPRISE FUND DEBT				820,000	210,034	-	52,034	-	158,000	-
TOTAL INDEBTEDNESS				<u>\$ 2,653,000</u>	<u>\$ 1,320,943</u>	<u>\$ 678,000</u>	<u>\$ 90,634</u>	<u>\$ 660,000</u>	<u>\$ 1,248,309</u>	<u>\$ 61,600</u>

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Accounts Receivable - Franchise Fees	\$ 4,074
General	Accounts Receivable - Professional Services	7,680
General	Accounts Receivable - Snow Removal	6,565
Fire	Paid Fire Calls - 2019	6,420
General	Property Taxes	6,893
Fire	Property Taxes	3
Water	Special Assessments	351
Sewer	Special Assessments	124
Garbage and Recycling	Special Assessments	69
Water	Customer Charges	9,306
Sewer	Customer Charges	4,750
Garbage and Recycling	Customer Charges	<u>3,902</u>
		<u>\$ 50,137</u>

CITY OF UPSALA, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES
DECEMBER 31, 2019
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Michelle Stevens	December Payroll	\$ 3,149
	BKV	Attorney Fees	506
	Michael Tschida	December Payroll	2,747
	Frank Koopmeiners	December Payroll	2,004
	Upsala Farm Store	Operating Supplies	70
	Minnesota Power	Electric Utilities	1,346
	Westrich Excavating	Road Maintenance Services	1,510
	Stearns Bank	Parking Lot Maintenance Services	343
	Sytek Communications	Building Maintenance Services	97
	Sytek Communications	Gas Utilities	90
	Wex Fuel	Motor Fuel	134
	Lange Oil	Motor Fuel	113
	Xerox Corp	Office Supplies	180
	Elaine Mrozek	Professional Services	20
	Petersen's Modern Blacksmith	Repair & Maintenance Supplies	385
	Elmdale Township	Road Maintenance Services	<u>1,563</u>
			\$ 14,257
First Response	William Koopmeiners	December Payroll	520
	Wex Fuel	Motor Fuel	102
	Minnesota Power	Electric Utilities	<u>295</u>
		917	
Heritage Days	Hometown News	Other Payments/Fees	36
Water	MN DNR Ecological & Water Resources	Other Payments/Fees	161
	Hawkins	Chemicals	<u>15</u>
		176	
Sewer	Minnesota Power	Electric Utilities	<u>126</u>
		<u>126</u>	
		<u>\$ 15,512</u>	

OTHER REQUIRED REPORTS

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

March 20, 2020

Honorable Mayor and City Council
City of Upsala, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the City of Upsala, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2012-001 and 2012-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2012-002.

Compliance and Other Matters

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

City's Response to Findings

The City of Upsala's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

March 20, 2020

Honorable Mayor and City Council
City of Upsala, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of major fund and the aggregate remaining fund information of the City of Upsala, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2020.

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

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the *Schedule of Findings and Responses* as items 2018-003 and 2019-001. 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.

This report is intended for the information and use of the City Council and management of the City of Upsala, and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

Condition: The City has limited segregation of accounting duties.

Criteria: The basic premise of proper segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of the transaction.

Cause: There are a limited number of employees.

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

Recommendation: Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the City continue to evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Council is aware of this condition and monitor all financial information.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2012-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafts the financial statements for the City. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them. However, we believe that management would require additional training in accounting practices prescribed by the State of Minnesota's Office of the State Auditor to adequately apply such standards internally.

Criteria: The City is required to report accurate financial information.

Cause: The City's staff does not possess the expertise to prepare financial statements internally. This is not unusual for a City of your size.

Effect: The inability to properly prepare the City's financial statements would result in improper financial reporting.

Recommendation: While the City may not have adequate controls in place to eliminate this finding, the City should document its annual review of the financial statements.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-003 Material Audit Adjustments

Condition: Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The City is required to report accurate financial information.

Cause: The City failed to record all year-end adjustments required under the cash basis of accounting and various other adjustments were required to correct misstatements.

Effect: The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation in accordance with accounting practices prescribed by the State of Minnesota's Office of the State Auditor.

Recommendation: We recommend management perform a thorough review of the trial balance prior to the audit and ensure all accounts have been properly adjusted at year-end.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

LEGAL COMPLIANCE FINDINGS

Finding 2018-003 Late Fire Relief Association Payment

Condition: The City failed to remit Fire State Aid dollars to the Upsala Fire Relief Association within the 30 day window prescribed by Minnesota Statutes.

Criteria: On an annual basis, the City collects Fire State Aid from the State of Minnesota, which is earmarked for the Upsala Fire Relief Association. Under Minnesota Statute 69.031, subdivision 5, the City must transmit these funds (along with any supplement Fire State Aid received) to the relief association within 30 days of being received by City.

Cause: The City failed to remit the funds to the relief association within the prescribed time frame.

Effect: The failure to pay within the prescribed time frame resulted in the City's noncompliance with Minnesota Statutes.

Recommendation: We recommend management closely monitor the receipt of future Fire State Aid and ensure the timely disbursement of these funds to the fire relief association within 30 days of receipt.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

LEGAL COMPLIANCE FINDINGS (Continued)

Finding 2019-001 Closed Meetings Electronic Recording Violation

Condition: The City failed to follow State Statutes in regards to the electronic recording of closed meetings.

Criteria: Under Minnesota Statute 13D.05 subdivision 1, the City is required to electronically record all closed meetings, except for those closed meetings permitted by attorney-client privilege, at the expense of the City.

Cause: The City failed to electronically record closed meetings.

Effect: The failure to electronically record closing meetings resulted in the City's noncompliance with Minnesota Statutes.

Recommendation: We recommend management designate an individual to be responsible for the electronic recording of City Council closed meetings, in order to be in compliance with Minnesota Statutes.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2019**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will review current procedures and implement additional controls where possible.
3. Official Responsible
Michelle Stevens, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

Finding 2012-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Official Responsible
Michelle Stevens, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2019**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-003 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will continue to have Schlenner Wenner & Co. prepare certain audit adjustments and the City will review the adjustments and schedules provided to the auditor. The City will be more diligent in the review of schedules, including those prepared by third parties, to ensure they are correct and agree with the unaudited trial balance.
3. Official Responsible
Michelle Stevens, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

LEGAL COMPLIANCE FINDINGS

Finding 2018-003 Late Fire Relief Association Payment

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will closely monitor the timing of future Fire State Aid receipts, and ensures the timely disbursement of these funds to the fire relief association within the prescribed time frame.
3. Official Responsible
Michelle Stevens, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2020.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2019**

LEGAL COMPLIANCE FINDINGS (Continued)

Finding 2019-001 Closed Meetings Electronic Recording Violation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will designate an individual to be responsible for the electronic recording of City Council closed meetings.
3. Official Responsible
Michelle Stevens, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2020.
5. Plan to Monitor Completion
The City Council will monitor the Corrective Action Plan.