

# Annual Financial Report

**City of Hamburg**  
Hamburg, Minnesota

For the Year Ended  
December 31, 2019

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 Annual Financial Report  
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INTRODUCTORY SECTION

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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City of Hamburg, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2019

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Lund	Mayor	12/31/22
Tim Tracy	Council Member/Vice Mayor	12/31/20
Scott Feltman	Council Member	12/31/22
Jason Buckentin	Council Member	12/31/20
Eric Poppler	Council Member	12/31/22

**APPOINTED**

Jeremy Gruenhagen	Clerk/Treasurer
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FINANCIAL SECTION  
CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Hamburg, Minnesota

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hamburg, 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 as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of 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**

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

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## **Change in Accounting Standards**

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion was not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures and the Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020, on our consideration of the City's internal control over financial reporting and 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 Hamburg's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 11, 2020

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## Management's Discussion and Analysis

As management of the City of Hamburg, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

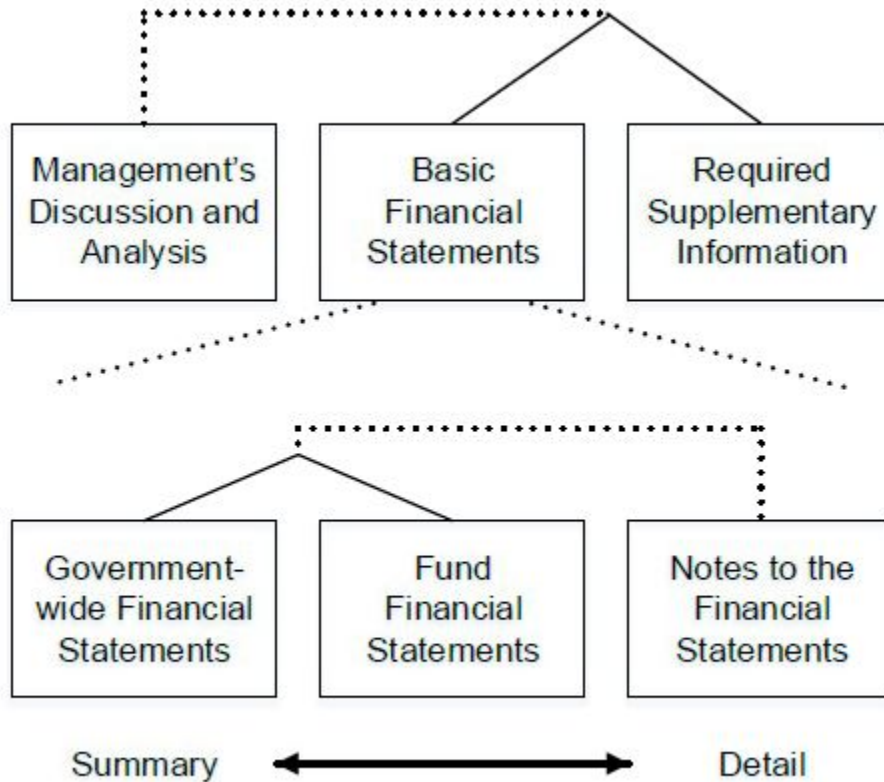
### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,960,354 (net position). Of this amount, \$1,309,812 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$69,176. This was largely a result of governmental activities accounting for \$91,523 of the total decrease.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,004,706, an increase of \$90,790 from the prior year. Of this amount, \$953,128 is available for spending at the City's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$480,884 or 81.4 percent of 2019 General fund expenditures and transfers out.
- The City's total long-term debt increased \$662,587 (41.6 percent) during the current fiscal year. This is primarily due to the new issuance of the 2019 PFA loan for the new water tower.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the required parts of this annual report are arranged and relate to one another.

### Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses, such as the water, sewer, and storm water systems	Instances in which the City administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	N/A
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	N/A
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

The government-wide financial statements start on page 31 of this report.

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Capital Purchases funds, both of which are considered to be major funds. Data from the other governmental funds are identified as nonmajor and presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 36 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 41 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hamburg's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,960,354 at the close of the most recent fiscal year.

The largest portion of the City's net position (54.1 percent) reflects its investment in capital assets (e.g., land, historical treasures and collectable, buildings, machinery and equipment, vehicles, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Hamburg's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2019	Restated 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 1,158,053	\$ 1,097,719	\$ 60,334	\$ 573,010	\$ 657,833	\$ (84,823)
Capital assets (net of depreciation)	1,220,515	1,364,992	(144,477)	2,518,807	1,691,448	827,359
Total Assets	<u>2,378,568</u>	<u>2,462,711</u>	<u>(84,143)</u>	<u>3,091,817</u>	<u>2,349,281</u>	<u>742,536</u>
Deferred Outflows of Resources	10,572	59,534	(48,962)	3,040	5,138	(2,098)
<b>Liabilities</b>						
Noncurrent liabilities outstanding	162,912	289,316	(126,404)	2,108,143	1,434,667	673,476
Current and other liabilities	101,989	41,214	60,775	86,065	41,474	44,591
Total Liabilities	<u>264,901</u>	<u>330,530</u>	<u>(65,629)</u>	<u>2,194,208</u>	<u>1,476,141</u>	<u>718,067</u>
Deferred Inflows of Resources	57,439	33,392	24,047	7,095	7,071	24
<b>Net Position</b>						
Net investment in capital assets	1,069,315	1,175,992	(106,677)	533,008	429,036	103,972
Restricted for capital	11,000	-	11,000	-	-	-
Restricted for debt service	37,219	40,679	(3,460)	-	15,795	(15,795)
Unrestricted	<u>949,266</u>	<u>941,652</u>	<u>7,614</u>	<u>360,546</u>	<u>426,376</u>	<u>(65,830)</u>
Total Net Position	<u>\$ 2,066,800</u>	<u>\$ 2,158,323</u>	<u>\$ (91,523)</u>	<u>\$ 893,554</u>	<u>\$ 871,207</u>	<u>\$ 22,347</u>

An additional portion of the City's net position, \$48,219, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$1,309,812, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Statement of Activities.** Governmental activities decreased the City's net position by \$91,523 and business-type activities increased the City's net position by \$22,347 for a total decrease of \$69,176. Significant changes from the prior year are noted below:

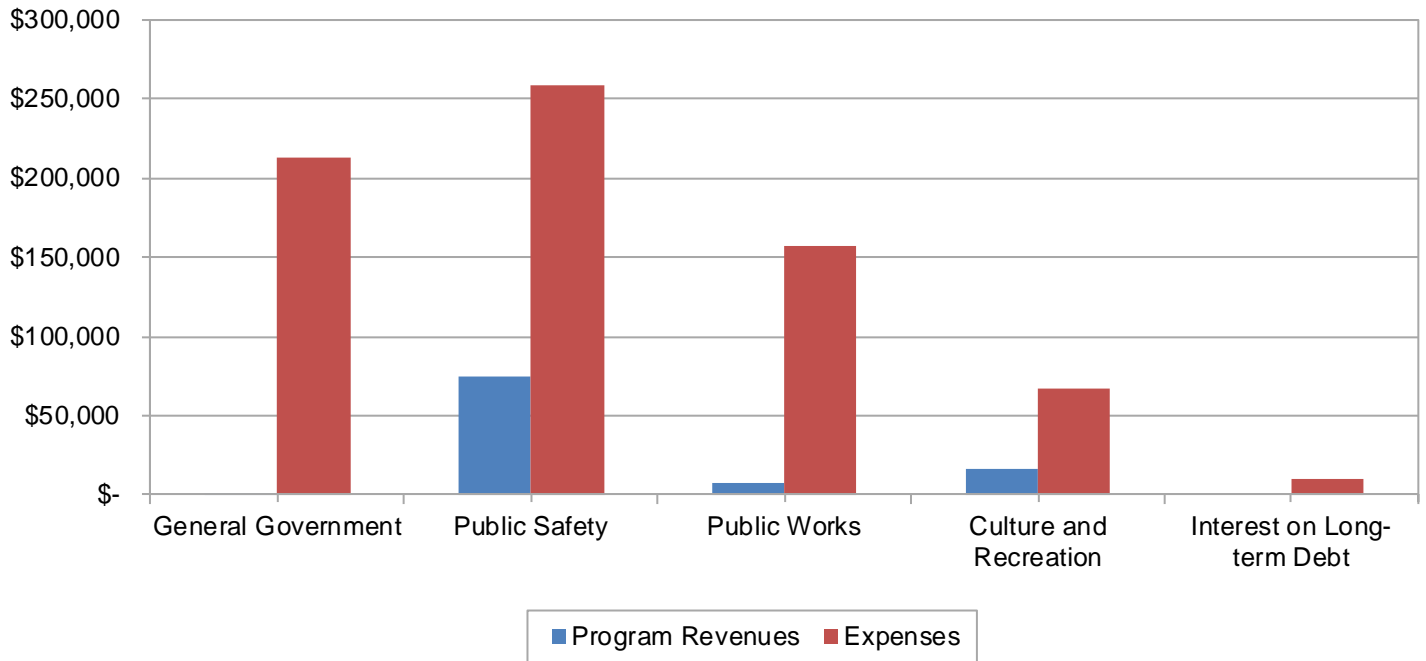
### City of Hamburg's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	Restated 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 63,107	\$ 49,863	\$ 13,244	\$ 314,151	\$ 299,334	\$ 14,817
Operating grants and contributions	22,247	49,044	(26,797)	-	-	-
Capital grants and contributions	15,959	198,741	(182,782)	2,712	2,248	464
General revenues						
Property taxes						
Levied for general purposes	471,920	477,349	(5,429)	-	-	-
Levied for debt service	29,129	10,000	19,129	-	-	-
Franchise fees	1,974	-	1,974	-	-	-
Grants and contributions not restricted to specific programs	85,400	81,142	4,258	-	-	-
Unrestricted investment earnings	3,421	4,311	(890)	-	-	-
Gain on sale of capital assets	2,323	-	2,323	-	-	-
<b>Total Revenues</b>	<b>695,480</b>	<b>870,450</b>	<b>(174,970)</b>	<b>316,863</b>	<b>301,582</b>	<b>15,281</b>
Expenses						
General government	212,685	295,044	(82,359)	-	-	-
Public safety	258,038	138,544	119,494	-	-	-
Public works	157,169	183,964	(26,795)	-	-	-
Culture and recreation	67,155	83,200	(16,045)	-	-	-
Interest on long-term debt	9,913	5,083	4,830	-	-	-
Water	-	-	-	229,225	163,099	66,126
Sewer	-	-	-	85,005	82,392	2,613
Storm water	-	-	-	62,329	48,813	13,516
<b>Total Expenses</b>	<b>704,960</b>	<b>705,835</b>	<b>(875)</b>	<b>376,559</b>	<b>294,304</b>	<b>82,255</b>
Change in Net Position Before Transfers	(9,480)	164,615	(174,095)	(59,696)	7,278	(66,974)
Transfers	(82,043)	12,880	(94,923)	82,043	(12,880)	94,923
Change in Net Position	(91,523)	177,495	(269,018)	22,347	(5,602)	27,949
Net Position, January 1	2,158,323	1,980,828	177,495	871,207	876,809	(5,602)
Net Position, December 31	<u>\$ 2,066,800</u>	<u>\$ 2,158,323</u>	<u>\$ (91,523)</u>	<u>\$ 893,554</u>	<u>\$ 871,207</u>	<u>\$ 22,347</u>

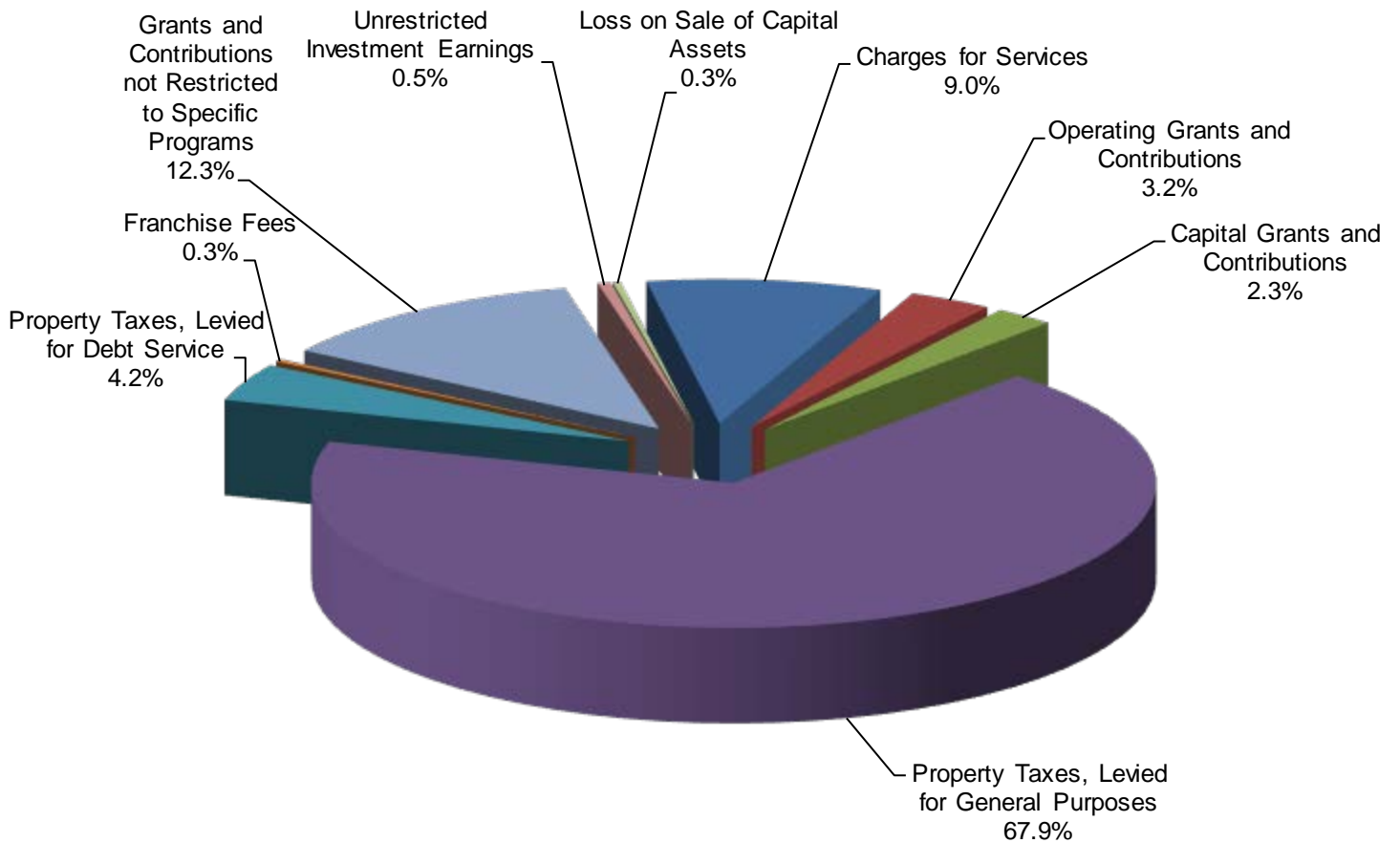
The decrease in capital grants and contributions was a result of contributions from townships for their share of the new fire engine purchase in 2018. The increase in public safety is partly due to pension expense in the amount of \$58,517 for 2019.

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



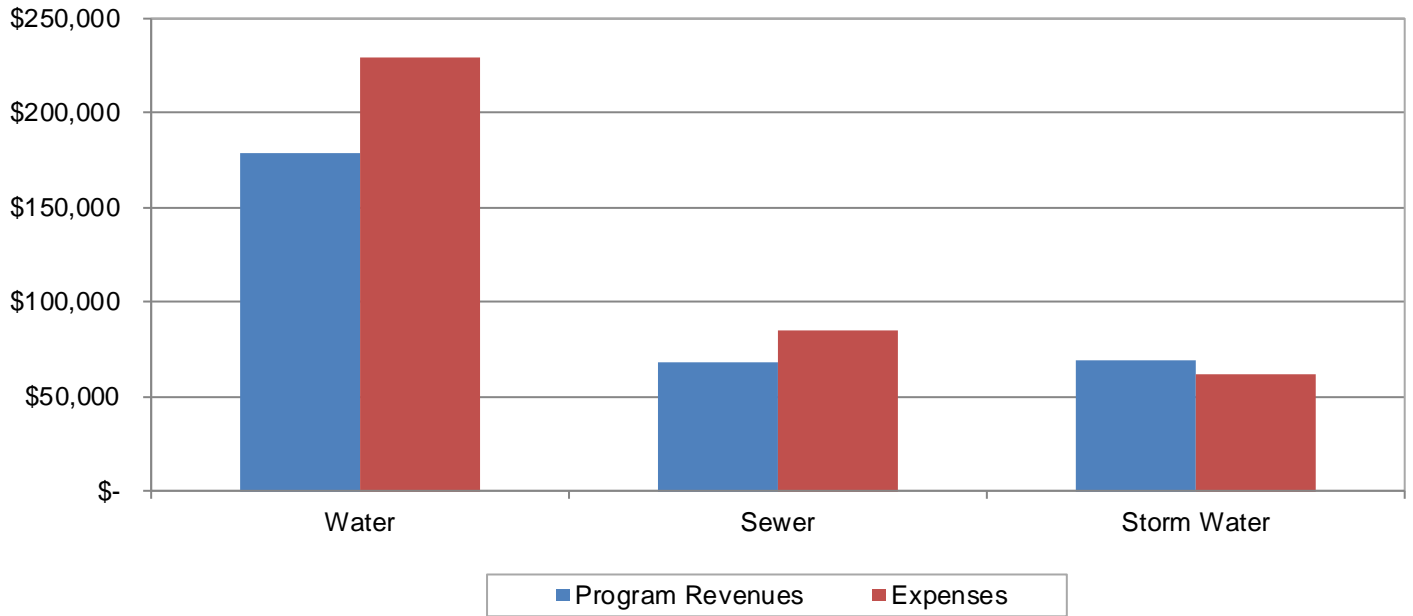
### Revenues by Source - Governmental Activities



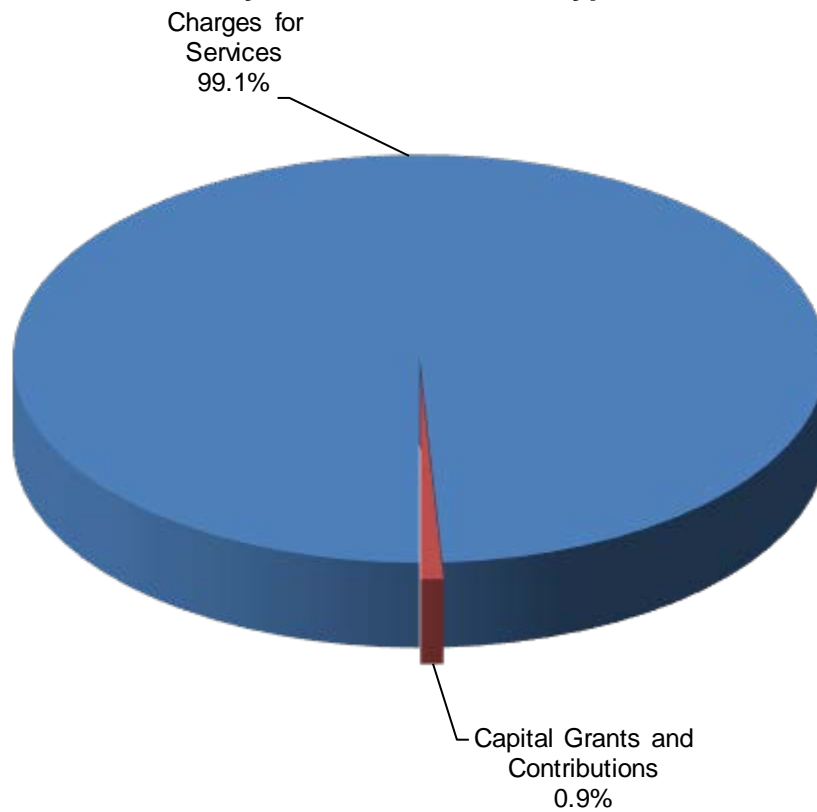
**Business-type Activities.** Business-type activities increased the City's net position by \$22,347. Key elements of this increase are as follows:

- Operating income within the proprietary fund financial statements of \$413 over net nonoperating revenue/expenses, capital contributions and transfers totaling \$21,934.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**





## Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,004,706, an increase of \$90,790 in comparison with the prior year. Of this amount, \$471,373 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund the balance is not available for new spending because it is either 1) nonspendable for prepaid items (\$10,453), 2) restricted for debt service and capital expenditures (\$41,125), or 3) assigned for capital outlay (\$481,755).

<u>Major Funds</u>	Fund Balances December 31,		Increase (Decrease)
	2019	2018	
<b>General</b>	\$ 502,337	\$ 412,878	\$ 89,459
The General fund is the chief operating fund of the City. The increase in fund balance primarily relates not budgeting for Local Government Aid.			
<b>Capital Purchases</b>	\$ 460,271	\$ 443,125	\$ 17,146
The Capital Purchases fund balance increase primarily due to a transfer in from the General fund of \$14,000.			

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$413.

### General Fund Budgetary Highlights

The final budget approved by City Council indicated excess revenues over expenditures in the amount of \$28,662 prior to net transfers with other funds for \$28,662, resulting in a budgeted decrease of \$0 to fund balance. Actual year-end figures resulted in an increase to fund balance of \$89,459.

Some of the significant line item variances can be briefly summarized as follows:

- The largest revenue budget variance was in intergovernmental revenues of \$100,458 primarily from unbudgeted collections of local government aid (\$78,210) and contributions from townships for the purchase of the fire engine (\$23,000).
- The largest expenditure variances related to public safety and culture and recreation, with expenditures nearly \$22,500 and \$21,500, respectively, less than budget.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$3,739,322 (net of accumulated depreciation). This investment in capital assets includes land, historical treasures and collectables, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset activity includes:

- Overall, total capital assets, net of depreciation, increased \$682,882 as a result of the start of construction on the new water tower.

### City of Hamburg's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 100,000	\$ 100,000	\$ -	\$ 37,000	\$ 37,000	\$ -
Historical Treasures and Collectables	11,873	11,873	-	-	-	-
Buildings	10,553	12,740	(2,187)	-	-	-
Machinery and Equipment	(23,155)	116,085	(139,240)	46,488	56,763	(10,275)
Vehicles	490,190	495,767	(5,577)	-	-	-
Infrastructure	631,054	628,527	2,527	1,502,806	1,597,685	(94,879)
Construction in Progress	-	-	-	932,513	-	932,513
<b>Total</b>	<b>\$ 1,220,515</b>	<b>\$ 1,364,992</b>	<b>\$ (144,477)</b>	<b>\$ 2,518,807</b>	<b>\$ 1,691,448</b>	<b>\$ 827,359</b>

Additional information on the City's capital assets can be found in Note 3B starting on page 55 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,256,814. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Hamburg's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Certificates of Indebtedness	\$ 91,200	\$ 114,000	\$ (22,800)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	60,000	75,000	(15,000)	-	-	-
G.O. Revenue Bonds	-	-	-	2,105,614	1,405,227	700,387
<b>Total</b>	<b>\$ 151,200</b>	<b>\$ 189,000</b>	<b>\$ (37,800)</b>	<b>\$ 2,105,614</b>	<b>\$ 1,405,227</b>	<b>\$ 700,387</b>

The City's total long-term debt increased \$662,587 (41.6 percent) during the current fiscal year. This is primarily due to the new issuance of the 2019 PFA loan for the new water tower, offset by regular scheduled debt payments.

The City's statutory debt limit is computed as three percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. As of December 31, 2019, the City is under the legal debt margin. There is currently no outstanding debt at year end that is applied against the statutory debt limit.

Additional information on the City's long-term debt can be found in Note 3D starting on page 57 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- Overall General Fund revenues for 2020 Budget were increased by \$4,347 and General Fund expenditures for 2020 were increased by \$2,952 (Including transfers). A net gain of \$1,395 is projected for 2020. Local Government Aid (LGA) was not included in the 2019/2020 Budgets. LGA monies are earmarked for street improvements. The property tax levy for 2020 was increased 2.06 percent.
- The City General Fund Balance as a Percent of Next Year's Budgeted Expenditures/Transfers at the end of 2019 was 88.2 percent. This ratio is expected to be closer to 50 percent at the end of 2020 due to the projected street improvements being funded from the General Fund Balance. City Policy requires the City to maintain a range between 35 to 50 percent.
- Governmental expenses in the General fund for 2020 increased by \$24,599 due mainly to projected legal fees for 2020.
- Public safety expenditures for 2020 were decreased by \$8,452 mainly due to a reduction in the Cities required contribution to HFD Relief Association.
- Public works expenses for 2020 were increased by \$1,885 due to the increase in street patching and cost associated with tree removal.
- Park Expenditures for 2020 were decreased \$5,396 due to no major capital improvements scheduled for 2020.
- Hall Expenditures for 2020 were increased by \$4,978. Repair and maintenance expenditures for 2020 increased by \$4,000 (Floor Repairs/Retaining Wall).
- General Fund budgeted transfers out for 2020 include the following: \$5,000 to the City Equipment Replacement fund (City Savings Account), \$5,000 to the City Maintenance fund (City Savings Account), \$2,000 to the Community Center Fund (City Savings Account), \$2,000 to Park Handicap Bathrooms Fund (City Savings Account),
- Debt Service Fund revenues decreased by \$14,098 in 2020. Debt Service expenditures for 2020 remained relatively the same as 2019. No new debt was issued in 2019 or expected for 2020.
- Water rates were increased 4.80% in 2019 and 2.0% for 2020. The Capital Improvement Fee was increased from \$8 to \$10/month in 2019 for the new Water Tower/Water Main Improvements. This trend will continue over the next few years to help fund the new Water Tower that is being constructed in 2019/2020.
- Sewer rates remained the same for 2019 and 2020. 2020 budgeted sewer fund revenues and expenditures remained relatively the same as 2019. Debt payments for 2020 decreased by \$188. A net loss of \$9,580 is projected for 2020. The sewer fund is relatively healthy and sufficient.
- Storm Water rates remained the same for 2019/2020. Storm Water fund revenues and expenditures for 2020 are projected to remain relatively the same as 2019. Debt payments for 2020 decreased by \$6,994. A net increase in cash of \$333 is projected for 2020.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Hamburg, 181 Broadway Ave, Hamburg, Minnesota 55339.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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City of Hamburg, Minnesota  
Statement of Net Position  
December 31, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 959,895	\$ 482,670	\$ 1,442,565
Restricted cash and temporary investments	16,910	-	16,910
Receivables			
Taxes	4,662	-	4,662
Accounts	3,554	31,032	34,586
Special assessments	3,826	57,470	61,296
Due from other governments	45,286	-	45,286
Prepaid items	10,453	1,838	12,291
Net pension asset	113,467	-	113,467
Capital assets			
Land, collectables, and construction in progress	111,873	969,513	1,081,386
Depreciable assets (net of accumulated depreciation)	1,108,642	1,549,294	2,657,936
Total Assets	<u>2,378,568</u>	<u>3,091,817</u>	<u>5,470,385</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>10,572</u>	<u>3,040</u>	<u>13,612</u>
<b>Liabilities</b>			
Accounts payable	15,328	45,115	60,443
Accrued salaries payable	2,429	1,354	3,783
Due to other governments	1,304	(53)	1,251
Accrued interest payable	2,025	9,976	12,001
Noncurrent liabilities			
Due within one year	49,512	86,299	135,811
Due in more than one year	113,400	2,021,844	2,135,244
Net pension liability	80,903	29,673	110,576
Total Liabilities	<u>264,901</u>	<u>2,194,208</u>	<u>2,459,109</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>57,439</u>	<u>7,095</u>	<u>64,534</u>
<b>Net Position</b>			
Net investment in capital assets	1,069,315	533,008	1,602,323
Restricted for capital	11,000	-	11,000
Restricted for debt service	37,219	-	37,219
Unrestricted	949,266	360,546	1,309,812
Total Net Position	<u>\$ 2,066,800</u>	<u>\$ 893,554</u>	<u>\$ 2,960,354</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 212,685	\$ 1,725	\$ -	\$ -
Public safety	258,038	44,484	14,671	15,640
Public works	157,169	-	7,576	319
Culture and recreation	67,155	16,898	-	-
Interest on long-term debt	9,913	-	-	-
Total Governmental Activities	<u>704,960</u>	<u>63,107</u>	<u>22,247</u>	<u>15,959</u>
<b>Business-type Activities</b>				
Water	229,225	179,045	-	-
Sewer	85,005	65,740	-	2,712
Storm water	62,329	69,366	-	-
Total Business-type Activities	<u>376,559</u>	<u>314,151</u>	<u>-</u>	<u>2,712</u>
Total	<u>\$ 1,081,519</u>	<u>\$ 377,258</u>	<u>\$ 22,247</u>	<u>\$ 18,671</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.



Net (Expenses) Revenues  
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (210,960)	\$ -	\$ (210,960)
(183,243)	-	(183,243)
(149,274)	-	(149,274)
(50,257)	-	(50,257)
(9,913)	-	(9,913)
<u>(603,647)</u>	<u>-</u>	<u>(603,647)</u>
-	(50,180)	(50,180)
-	(16,553)	(16,553)
-	7,037	7,037
<u>-</u>	<u>(59,696)</u>	<u>(59,696)</u>
<u>(603,647)</u>	<u>(59,696)</u>	<u>(663,343)</u>
471,920	-	471,920
29,129	-	29,129
1,974	-	1,974
85,400	-	85,400
3,421	-	3,421
2,323	-	2,323
(82,043)	82,043	-
<u>512,124</u>	<u>82,043</u>	<u>594,167</u>
(91,523)	22,347	(69,176)
<u>2,158,323</u>	<u>871,207</u>	<u>3,029,530</u>
<u>\$ 2,066,800</u>	<u>\$ 893,554</u>	<u>\$ 2,960,354</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Hamburg, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2019

	<b>101</b>	<b>203</b>	Total	Total
	General	Capital Purchases	Nonmajor Governmental	Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 474,437	\$ 460,271	\$ 25,187	\$ 959,895
Restricted cash and temporary investments	-	-	16,910	16,910
Receivables				
Taxes	4,662	-	-	4,662
Accounts	3,554	-	-	3,554
Special assessments	-	-	3,826	3,826
Due from other governments	30,481	-	14,805	45,286
Prepaid items	10,453	-	-	10,453
	<u>10,453</u>	<u>-</u>	<u>-</u>	<u>10,453</u>
Total Assets	<u>\$ 523,587</u>	<u>\$ 460,271</u>	<u>\$ 60,728</u>	<u>\$ 1,044,586</u>
<b>Liabilities</b>				
Accounts payable	\$ 15,328	\$ -	\$ -	\$ 15,328
Accrued salaries payable	2,429	-	-	2,429
Due to other governments	1,304	-	-	1,304
Total Liabilities	<u>19,061</u>	<u>-</u>	<u>-</u>	<u>19,061</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	2,189	-	-	2,189
Unavailable revenue - special assessments	-	-	3,825	3,825
Unavailable revenue - intergovernmental	-	-	14,805	14,805
Total Deferred Inflows of Resources	<u>2,189</u>	<u>-</u>	<u>18,630</u>	<u>20,819</u>
<b>Fund Balances</b>				
Nonspendable for prepaid items	10,453	-	-	10,453
Restricted for capital	11,000	-	-	11,000
Restricted for debt service	-	-	30,125	30,125
Assigned for capital outlay	-	460,271	21,484	481,755
Unassigned	480,884	-	(9,511)	471,373
Total Fund Balances	<u>502,337</u>	<u>460,271</u>	<u>42,098</u>	<u>1,004,706</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 523,587</u>	<u>\$ 460,271</u>	<u>\$ 60,728</u>	<u>\$ 1,044,586</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2019

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 1,004,706
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	4,918,575
Less: accumulated depreciation	(3,698,060)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension asset	113,467
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(151,200)
Compensated absences payable	(11,712)
Pension liability	(80,903)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	2,189
Special assessments receivable	3,825
Intergovernmental receivable	14,805
Governmental funds do not report a liability for accrued interest until due and payable.	
	(2,025)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	10,572
Deferred inflow of resources	(57,439)
	(46,867)
Total Net Position - Governmental Activities	\$ 2,066,800

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2019

	<b>101</b>	<b>203</b>	Total	Total
	General	Capital Purchases	Nonmajor Governmental	Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 473,099	\$ -	\$ 29,129	\$ 502,228
Licenses and permits	18,667	-	-	18,667
Intergovernmental	121,272	-	-	121,272
Charges for services	43,948	-	1,974	45,922
Fines and forfeitures	492	-	-	492
Special assessments	-	-	1,127	1,127
Investment earnings	101	3,146	174	3,421
Miscellaneous	20,374	-	-	20,374
Total Revenues	<u>677,953</u>	<u>3,146</u>	<u>32,404</u>	<u>713,503</u>
<b>Expenditures</b>				
Current				
General government	224,903	-	-	224,903
Public safety	75,226	-	-	75,226
Public works	68,751	-	-	68,751
Culture and recreation	77,207	-	-	77,207
Capital outlay				
General government	2,533	-	-	2,533
Public safety	46,154	-	-	46,154
Debt service				
Principal	-	-	37,800	37,800
Interest and other charges	-	-	10,419	10,419
Total Expenditures	<u>494,774</u>	<u>-</u>	<u>48,219</u>	<u>542,993</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>183,179</u>	<u>3,146</u>	<u>(15,815)</u>	<u>170,510</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	14,000	-	14,000
Transfers out	(96,043)	-	-	(96,043)
Sale of capital assets	2,323	-	-	2,323
Total Other Financing Sources (Uses)	<u>(93,720)</u>	<u>14,000</u>	<u>-</u>	<u>(79,720)</u>
Net Change in Fund Balances	89,459	17,146	(15,815)	90,790
Fund Balances, January 1	<u>412,878</u>	<u>443,125</u>	<u>57,913</u>	<u>913,916</u>
Fund Balances, December 31	<u>\$ 502,337</u>	<u>\$ 460,271</u>	<u>\$ 42,098</u>	<u>\$ 1,004,706</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 90,790
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	38,472
Depreciation expense	(146,224)
<p>Sales of capital assets are reported in the governmental funds as other financing sources. However, in the statement of activities, proceeds are eliminated and gains and losses are recorded.</p>	
Net book value on disposal of capital assets	(36,725)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.</p>	
Capital assets contributed	(20,860)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Principal repayments	37,800
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	506
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(55,337)
Pension revenue	2,501
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	(808)
Property taxes	(1,179)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>	
Compensated absences	(459)
Compensated absences	<u>(459)</u>
Change in Net Position - Governmental Activities	<u>\$ (91,523)</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 472,401	\$ 472,401	\$ 473,099	\$ 698
Licenses and permits	5,620	5,620	18,667	13,047
Intergovernmental	20,814	20,814	121,272	100,458
Charges for services	44,760	44,760	43,948	(812)
Fines and forfeitures	750	750	492	(258)
Investment earnings	-	-	101	101
Miscellaneous	3,000	3,000	20,374	17,374
Total Revenues	<u>547,345</u>	<u>547,345</u>	<u>677,953</u>	<u>130,608</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	232,164	232,164	224,903	7,261
Public safety	97,762	97,762	75,226	22,536
Public works	51,150	51,150	68,751	(17,601)
Culture and recreation	99,107	99,107	77,207	21,900
Capital outlay	38,500	38,500	48,687	(10,187)
Total Expenditures	<u>518,683</u>	<u>518,683</u>	<u>494,774</u>	<u>23,909</u>
Excess of Revenues Over Expenditures	<u>28,662</u>	<u>28,662</u>	<u>183,179</u>	<u>154,517</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(28,662)	(28,662)	(96,043)	(67,381)
Sale of capital assets	-	-	2,323	2,323
Total Other Financing Sources (Uses)	<u>(28,662)</u>	<u>(28,662)</u>	<u>(93,720)</u>	<u>(65,058)</u>
Net Change in Fund Balances	-	-	89,459	89,459
Fund Balances, January 1	<u>412,878</u>	<u>412,878</u>	<u>412,878</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 412,878</u>	<u>\$ 412,878</u>	<u>\$ 502,337</u>	<u>\$ 89,459</u>

The notes to the financial statements are an integral part of this statement.



City of Hamburg, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2019

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 61,930	\$ 368,362	\$ 52,378	\$ 482,670
Receivables				
Accounts	17,929	6,007	7,096	31,032
Special assessments	-	4,428	-	4,428
Prepaid items	1,149	689	-	1,838
Total Current Assets	<u>81,008</u>	<u>379,486</u>	<u>59,474</u>	<u>519,968</u>
<b>Noncurrent Assets</b>				
Special assessments receivable	-	53,042	-	53,042
Capital assets				
Land	-	-	37,000	37,000
Construction work in progress	846,087	-	86,426	932,513
Machinery and equipment	4,422	97,057	-	101,479
Infrastructure	1,744,341	1,041,543	731,674	3,517,558
Less accumulated depreciation	<u>(1,036,995)</u>	<u>(883,417)</u>	<u>(149,331)</u>	<u>(2,069,743)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,557,855</u>	<u>255,183</u>	<u>705,769</u>	<u>2,518,807</u>
Total Noncurrent Assets	<u>1,557,855</u>	<u>308,225</u>	<u>705,769</u>	<u>2,571,849</u>
Total Assets	<u>1,638,863</u>	<u>687,711</u>	<u>765,243</u>	<u>3,091,817</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>1,610</u>	<u>1,430</u>	<u>-</u>	<u>3,040</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	39,992	492	4,631	45,115
Accrued salaries payable	882	472	-	1,354
Due to other governments	(52)	(1)	-	(53)
Accrued interest payable	6,681	601	2,694	9,976
Compensated absences payable	1,444	1,085	-	2,529
Current portion of bonds payable	<u>68,770</u>	<u>15,000</u>	<u>-</u>	<u>83,770</u>
Total Current Liabilities	<u>117,717</u>	<u>17,649</u>	<u>7,325</u>	<u>142,691</u>
<b>Noncurrent Liabilities</b>				
Bonds payable	1,156,006	120,088	745,750	2,021,844
Pension liability	<u>15,712</u>	<u>13,961</u>	<u>-</u>	<u>29,673</u>
Total Noncurrent Liabilities	<u>1,171,718</u>	<u>134,049</u>	<u>745,750</u>	<u>2,051,517</u>
Total Liabilities	<u>1,289,435</u>	<u>151,698</u>	<u>753,075</u>	<u>2,194,208</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>3,757</u>	<u>3,338</u>	<u>-</u>	<u>7,095</u>
<b>Net Position</b>				
Net investment in capital assets	333,079	140,774	59,155	533,008
Unrestricted	<u>14,202</u>	<u>393,331</u>	<u>(46,987)</u>	<u>360,546</u>
Total Net Position	<u>\$ 347,281</u>	<u>\$ 534,105</u>	<u>\$ 12,168</u>	<u>\$ 893,554</u>

The notes to the financial statements are an integral part of this statement.

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City of Hamburg, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			Total
	601 Water	602 Sewer	603 Storm Water	
Operating Revenues				
Charges for services	\$ 176,582	\$ 59,567	\$ 69,366	\$ 305,515
Operating Expenses				
Personnel services	38,398	29,245	-	67,643
Supplies	11,532	2,199	-	13,731
Other services and charges	46,076	9,147	885	56,108
Maintenance and repairs	54,821	7,645	-	62,466
Depreciation	51,911	34,951	18,292	105,154
Total Operating Expenses	<u>202,738</u>	<u>83,187</u>	<u>19,177</u>	<u>305,102</u>
Operating Income (Loss)	<u>(26,156)</u>	<u>(23,620)</u>	<u>50,189</u>	<u>413</u>
Nonoperating Revenues (Expenses)				
Interest expense and other	(26,487)	(1,818)	(43,152)	(71,457)
Other revenue	2,463	6,173	-	8,636
Total Nonoperating Revenues (Expenses)	<u>(24,024)</u>	<u>4,355</u>	<u>(43,152)</u>	<u>(62,821)</u>
Income (Loss) Before Transfers and Contributions	(50,180)	(19,265)	7,037	(62,408)
Capital Contributions - Connection Fees/Special Assessments	-	2,712	-	2,712
Transfers In	-	-	82,043	82,043
Change in Net Position	(50,180)	(16,553)	89,080	22,347
Net Position, January 1	<u>397,461</u>	<u>550,658</u>	<u>(76,912)</u>	<u>871,207</u>
Net Position, December 31	<u>\$ 347,281</u>	<u>\$ 534,105</u>	<u>\$ 12,168</u>	<u>\$ 893,554</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 173,675	\$ 58,903	\$ 68,605	\$ 301,183
Other income related to operating activities	2,463	6,173	-	8,636
Payments to suppliers	(129,811)	(18,475)	(885)	(149,171)
Payments to employees	(34,190)	(28,519)	-	(62,709)
Net Cash Provided by Operating Activities	<u>12,137</u>	<u>18,082</u>	<u>67,720</u>	<u>97,939</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	82,043	82,043
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(811,091)	-	(81,795)	(892,886)
Special assessments collected	-	9,535	-	9,535
Proceeds of bonds issued	901,776	-	745,750	1,647,526
Principal paid on bonds	(109,000)	(21,139)	(817,000)	(947,139)
Interest paid on bonds	(23,909)	(1,885)	(53,198)	(78,992)
Net Cash Used by Capital and Related Financing Activities	<u>(42,224)</u>	<u>(13,489)</u>	<u>(206,243)</u>	<u>(261,956)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(30,087)	4,593	(56,480)	(81,974)
Cash and Cash Equivalents, January 1	<u>92,017</u>	<u>363,769</u>	<u>108,858</u>	<u>564,644</u>
Cash and Cash Equivalents, December 31	<u>\$ 61,930</u>	<u>\$ 368,362</u>	<u>\$ 52,378</u>	<u>\$ 482,670</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (26,156)	\$ (23,620)	\$ 50,189	\$ 413
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	2,463	6,173	-	8,636
Depreciation	51,911	34,951	18,292	105,154
(Increase) decrease in assets				
Accounts receivable	(2,907)	(664)	(761)	(4,332)
Prepaid items	47	311	-	358
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	856	1,242	-	2,098
Increase (decrease) in liabilities				
Accounts payable	(17,193)	206	-	(16,987)
Due to other governments	(236)	(1)	-	(237)
Accrued salaries payable	76	(26)	-	50
Compensated absences payable	474	51	-	525
Pension liability	2,416	(179)	-	2,237
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	386	(362)	-	24
 Net Cash Provided by Operating Activities	 <u>\$ 12,137</u>	 <u>\$ 18,082</u>	 <u>\$ 67,720</u>	 <u>\$ 97,939</u>
 Schedule of Noncash Capital and Related Financing Activities				
Capital assets purchased on account	<u>\$ 34,996</u>	<u>\$ -</u>	<u>\$ 4,631</u>	<u>\$ 39,627</u>

The notes to the financial statements are an integral part of this statement.

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## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Hamburg, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

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

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues 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.

## Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Capital Purchases fund* is used to account for various capital purchases by governmental departments.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system and to ensure that user charges are sufficient to pay for those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

#### *Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds except certain special revenue and debt service funds are pooled and kept in the City's checking account. The account does not earn any interest; therefore, interest is not allocated to the funds with pooled cash. The City does not have a formal investment policy.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

#### *Property Taxes*

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

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. To the extent considered necessary, the City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***Prepaid Items***

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

***Capital Assets***

Capital assets, which include land, historical treasures and collectables, property, plant, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and Improvements	10 to 40
Other Improvements	10 to 20
System Improvements/Infrastructure	20 to 50
Machinery and Equipment	5 to 15

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Deferred Outflows of Resources***

In addition to assets, the statement of net 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. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

***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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP and Fire Relief Association is as follows:

	GERP	FRA	Total Pension Expense
Pension Expense	\$ 22,035	\$ 58,517	\$ 80,552

***Compensated Absences***

It is the City's policy to permit employees to accumulate one day of vacation for every 10 full weeks of employment from the date of hire to the end of the calendar year (December 31) of that year for the first year of employment. Employees are entitled to a percentage, based on years of service, of unused sick pay due to retirement or termination. Employees are entitled to accumulated vacation pay up to a maximum of 256 hours at retirement or termination. The General fund is typically used to liquidate governmental compensated absences payable.

***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as an expense in the period incurred.

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

## Note 1: Summary of Significant Accounting Policies (Continued)

### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements 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 only one type of item, which arises only under modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, special assessments, and due from other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

### ***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) 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 commitment by resolution.

*Assigned* - Amounts constrained 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 the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk/Treasurer.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35-50 percent of budgeted operating expenditures for cash-flow timing needs.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Net Position**

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

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

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

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

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

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Clerk-Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the City for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City’s department heads, with the approval of the City Clerk-Treasurer, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the department level. The City did amend the budget during the year.

**B. Deficit Fund Equity**

As of December 31, 2019, the following fund reported a deficit fund equity balance:

Fund	Amount
Governmental Activities	
2018 Fire Truck	<u><u>\$ 9,511</u></u>

The deficit will be funded with future reimbursement payments from other governments.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds**

**A. Deposits**

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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 year end, the City's carrying amount of deposits was \$1,459,475 and the bank balance was \$1,828,619. The bank balance was covered by federal depository insurance totaling \$500,000, and the remaining balance was covered by collateral held by the City's agent in the City's name.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Historical treasures and collectables	11,873	-	-	11,873
Total Capital Assets not Being Depreciated	<u>111,873</u>	<u>-</u>	<u>-</u>	<u>111,873</u>
Capital Assets Being Depreciated				
Buildings	406,947	-	-	406,947
Machinery and equipment	591,816	35,871	-	546,442
Vehicles	692,405	2,601	(47,975)	692,405
Infrastructure	3,125,037	-	-	3,160,908
Total Capital Assets Being Depreciated	<u>4,816,205</u>	<u>38,472</u>	<u>(47,975)</u>	<u>4,806,702</u>
Less Accumulated Depreciation for				
Buildings	(394,207)	(2,187)	-	(396,394)
Machinery and equipment	(475,731)	(93,866)	-	(569,597)
Vehicles	(196,638)	(16,827)	11,250	(202,215)
Infrastructure	(2,496,510)	(33,344)	-	(2,529,854)
Total Accumulated Depreciation	<u>(3,563,086)</u>	<u>(146,224)</u>	<u>11,250</u>	<u>(3,698,060)</u>
Total Capital Assets Being Depreciated, Net	<u>1,253,119</u>	<u>(107,752)</u>	<u>(36,725)</u>	<u>1,108,642</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,364,992</u>	<u>\$ (107,752)</u>	<u>\$ (36,725)</u>	<u>\$ 1,220,515</u>

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

General Government	\$ 6,911
Public Safety	43,307
Public Works	88,635
Culture and Recreation	7,371
Total Depreciation Expense - Governmental Activities	<u>\$ 146,224</u>

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000
Construction in progress	-	932,513	-	932,513
Total capital assets not being depreciated	<u>37,000</u>	<u>932,513</u>	<u>-</u>	<u>969,513</u>
Capital Assets Being Depreciated				
Machinery and equipment	101,479	-	-	101,479
Infrastructure	3,517,558	-	-	3,517,558
Total Capital Assets Being Depreciated	<u>3,619,037</u>	<u>-</u>	<u>-</u>	<u>3,619,037</u>
Less Accumulated Depreciation for				
Machinery and equipment	(45,728)	(9,263)	-	(54,991)
Infrastructure	(1,918,861)	(95,891)	-	(2,014,752)
Total Accumulated Depreciation	<u>(1,964,589)</u>	<u>(105,154)</u>	<u>-</u>	<u>(2,069,743)</u>
Total Capital Assets Being Depreciated, Net	<u>1,654,448</u>	<u>(105,154)</u>	<u>-</u>	<u>1,549,294</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,691,448</u>	<u>\$ 827,359</u>	<u>\$ -</u>	<u>\$ 2,518,807</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water	\$ 51,911
Sewer	34,951
Storm Water	<u>18,292</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 105,154</u>

**Construction Commitments**

The City has active construction projects as of December 31, 2019. The projects include the water tower and water main improvements, as well as the George Street townhome development. At year end the City's commitments with contractors are as follows:

Project	Contract Amount	Spent to Date	Remaining Commitment
Project Name Water Tower and Water Main Improvements	\$ 1,133,000	\$ 572,000	\$ 561,000



City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Interfund Transfers**

Fund	Transfers in		
	Capital Purchases	Storm Water Enterprise	Total
Transfers Out			
General	\$ 14,000	\$ 82,043	\$ 96,043

During the year ended December 31, 2019 the City made the following transfers:

- From the General fund to the Capital Purchases fund for a budgeted transfer (\$14,000), and to the Storm Water fund (\$82,043).

**D. Long-term Debt**

General Obligation (G.O.) Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water, Sewer, and Storm Water funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require approximately 49, 28, and 107 percent of net revenues from the Water, Sewer, and Storm Water funds, respectively. Principal and interest paid for 2019 and total customer net revenues for the Water fund were \$87,409 (excluding refunding portion) and \$176,582, respectively. Principal and interest paid for 2019 and total customer net revenues for the Sewer fund were \$23,024 and \$59,567, respectively. Principal and interest paid for 2019 and total customer net revenues for the Storm Water fund were \$110,698 and \$69,366, respectively.

Description	Authorized	Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA Water Revenue Note, 2003	\$ 225,640	\$ 225,640	2.49 %	08/20/03	08/20/22	\$ 43,000
MPFA Water Revenue Note, 2004	950,709	950,709	2.34	08/20/04	08/20/24	280,000
MPFA Sewer Revenue Note, 2011	290,242	290,242	1.26	12/08/11	08/20/30	135,089
MPFA Water Revenue Note, 2019	1,382,070	862,525	1.00	10/11/19	08/20/44	862,525
G.O. Public Utility Revenue Refunding Bonds, Series 2019A	785,000	785,000	1.35 - 2.25	12/30/19	02/01/32	785,000
Total G.O. Revenue Bonds						<u>\$ 2,105,614</u>

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 83,770	\$ 29,342	\$ 113,112
2021	191,000	35,681	226,681
2022	199,000	32,544	231,544
2023	185,000	29,284	214,284
2024	188,000	26,344	214,344
2025 - 2029	662,088	96,663	758,751
2030 - 2034	501,000	46,764	547,764
2035 - 2039	95,756	11,715	107,471
<b>Total</b>	<b><u>\$ 2,105,614</u></b>	<b><u>\$ 308,337</u></b>	<b><u>\$ 2,413,951</u></b>

G.O. Improvement (Special Assessment) Bonds

The following bonds were issued to finance capital improvements and will be repaid primarily from special assessment certified on the properties benefiting from the improvements. Some issues, however, are partially financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess 5 percent is to cover any delinquencies in tax or assessment payments.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement Bonds Series 2007	\$ 180,000	4.15 - 4.45 %	05/17/07	02/01/23	<u>\$ 60,000</u>

Annual requirement to maturity for G.O. special assessment bonds are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,000	\$ 2,336	\$ 17,336
2021	15,000	1,669	16,669
2022	15,000	1,001	16,001
2023	15,000	334	15,334
<b>Total</b>	<b><u>\$ 60,000</u></b>	<b><u>\$ 5,340</u></b>	<b><u>\$ 65,340</u></b>

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

Certificates of Indebtedness

The following certificate was issued to finance the purchase a fire truck and will be repaid primarily from contributions from other governments and tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2018 Freightliner Fire Engine	\$ 114,000	6.00 %	10/31/18	10/31/23	<u>\$ 91,200</u>

Annual requirement to maturity for the certificate of indebtedness are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 22,800	\$ 5,472	\$ 28,272
2021	22,800	4,104	26,904
2022	22,800	2,736	25,536
2023	22,800	1,368	24,168
Total	<u>\$ 91,200</u>	<u>\$ 13,680</u>	<u>\$ 104,880</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. improvement bonds	\$ 75,000	\$ -	\$ (15,000)	\$ 60,000	\$ 15,000
Certificate of indebtedness	114,000	-	(22,800)	91,200	22,800
Compensated Absences Payable	11,253	8,438	(7,979)	11,712	11,712
Governmental Activity Long-term Liabilities	<u>\$ 200,253</u>	<u>\$ 8,438</u>	<u>\$ (45,779)</u>	<u>\$ 162,912</u>	<u>\$ 49,512</u>
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 1,405,227	\$ 1,647,526	\$ (947,139)	\$ 2,105,614	\$ 83,770
Compensated Absences Payable	2,004	2,194	(1,669)	2,529	2,529
Business-type Activity Long-term Liabilities	<u>\$ 1,407,231</u>	<u>\$ 1,649,720</u>	<u>\$ (948,808)</u>	<u>\$ 2,108,143</u>	<u>\$ 86,299</u>

Refunding Bonds

On December 30, 2019, the City issued \$785,000 of General Obligation Public Utility Revenue Refunding Bonds, Series 2019B. The bonds refunded the outstanding principal of the General Obligation Public Utility Revenue Bonds, Series 2011A. As a result of the refunding issue, the City will save \$74,669 in debt service payments and achieve an economic gain (the present value of the difference of the old and the new debt service) of \$63,458.

**Note 4: Defined Benefit Pension Plan - Statewide**

**A. Plan Description**

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

General Employees Retirement Plan (GERP)

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

**B. Benefits Provided**

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

GERP Benefits

GERP 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**C. Contributions**

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

General Fund Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent, of their annual covered salary in fiscal year 2019 and the City was required 7.50 percent for Coordinated Plan members in fiscal year 2019. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$10,919, \$10,523 and \$10,117, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$110,576 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 to the fund in 2019. 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 \$3,500. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0020 percent which was a 0.0001 percent decrease from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 110,576
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>3,500</u>
Total	<u><u>\$ 114,076</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$21,763 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$272 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 3,989	\$ 98
Changes in Actuarial Assumptions	415	9,388
Net Difference Between Projected and Actual Earnings on Plan Investments	-	12,287
Changes in Proportion	1,525	4,667
Contributions Paid to PERA Subsequent to the Measurement Date	<u>5,401</u>	<u>-</u>
Total	<u><u>\$ 11,330</u></u>	<u><u>\$ 26,440</u></u>

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

Deferred outflows of resources totaling \$5,401 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2020	\$	(6,032)
2021		(10,636)
2022		(4,022)
2023		179

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.50 %	5.10 %
International Stocks	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	17.50	5.90
Cash	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. 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.

**G. 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:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
GERP	\$ 181,780	\$ 110,576	\$ 51,782

**H. Pension Plan Fiduciary Net Position**

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

## **Note 5: Defined Benefit Pension Plan - Fire Relief Association**

### **A. Plan Description**

All members of the Hamburg Fire Department (the Department) are covered by a defined benefit plan administered by the Hamburg Fire Department Relief Association (the Association). As of December 31, 2019, the plan covered 23 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

### **B. Benefits Provided**

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

### **C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$13,430 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2019 were \$13,430. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.



City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**D. Pension Costs**

At December 31, 2019, the City reported a net pension asset of \$113,467 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2019	\$ 301,823	\$ 366,374	\$ (64,551)
Changes for the Year			
Service cost	16,646	-	16,646
Interest on pension liability (asset)	19,108	-	19,108
Actuarial experience (gains)/losses	2,852	-	2,852
Projected investment earnings	-	21,982	(21,982)
Changes in benefit level	26,149	-	26,149
Contributions (State)	-	13,430	(13,430)
Adjustment to initial asset transfer	-	31,503	(31,503)
Asset (gain)/loss	-	47,617	(47,617)
Benefit payouts	-	-	-
Administrative costs	-	(861)	861
Total Net Changes	<u>64,755</u>	<u>113,671</u>	<u>(48,916)</u>
Ending Balance December 31, 2019	<u>\$ 366,578</u>	<u>\$ 480,045</u>	<u>\$ (113,467)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$58,517.

At December 31, 2019, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 2,282	\$ -
Net Difference between Projected and Actual Earnings on Plan Investments	<u>-</u>	<u>38,094</u>
Total	<u>\$ 2,282</u>	<u>\$ 38,094</u>

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$	(8,953)
2021		(8,953)
2022		(8,953)
2023		(8,953)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.00% per year
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2019.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability (Asset) Sensitivity**

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined Benefit Plan	\$ (94,793)	\$ (113,467)	\$ (131,104)

**H. Investment Policy**

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

City of Hamburg, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**I. Asset Allocation**

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.0 %	5.10 %
International Stocks	15.0	5.30
Bonds	45.0	0.75
Cash	5.0	-
Total	100.0 %	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2019 for the Volunteer Firefighter Fund.

**J. Pension Plan Fiduciary Net Position**

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at [www.mnpera.org](http://www.mnpera.org).

**Note 6: Joint Ventures**

**Young America Township**

The City participates in a joint powers agreement with the Young America Township (the Township), which includes the rental of space at the Community Center. The agreement creates a Community Advisory Committee, composed of two members from each organization, consisting of four members. It shall be the duty of this Advisory Committee to make recommendations concerning maintenance, repair, upkeep and improvements to the Community Center. Said recommendations shall be considered by both the Township and the City; it being specifically understood that the City shall have the ultimate decision-making right and responsibility concerning maintenance, repair, upkeep and improvements. The Township shall pay to the City a portion of the maintenance costs associated with the Community Center. The agreement may be terminated mutual consent. Upon termination, the City shall refund to the Township its original principal payment of \$44,000.

## **Note 7: Other Information**

### **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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

### **B. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2019, the City is under the legal debt margin.

### **C. Concentrations**

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2019 was \$78,210. This accounted for 11.5 percent of General fund revenues.

## **Note 8: Conduit Debt Obligations**

The City issued the following conduit debt to Ridgeview Medical Center, a Minnesota nonprofit corporation located in the City of Waconia, to provide financial assistance for the expansion and remodeling of its existing hospital facilities.

- The Health Care Facilities Revenue Note, Series 2007, was issued in the amount of \$7,000,000. The note balance at December 31, 2019 was \$4,953,211.

Under each loan agreement, Ridgeview Medical Center is obligated for repayment of the notes. The City is not obligated in any manner for repayment of the note. Accordingly, the notes are not reported as liabilities in these financial statements.

## **Note 9: Subsequent Event**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Hamburg, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2019

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2019	0.0020 %	\$ 110,576	\$ 3,500	\$ 114,076	\$ 133,527	85.4 %	80.2 %
6/30/2018	0.0021	116,499	3,700	120,199	145,053	82.9	79.5
6/30/2017	0.0021	134,063	1,661	135,724	140,382	96.7	75.9
6/30/2016	0.0020	162,390	2,198	164,588	120,494	136.6	68.9
6/30/2015	0.0021	108,833	-	108,833	125,745	86.6	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2019	\$ 10,919	\$ 10,919	\$ -	\$ 145,590	7.5 %
12/31/2018	10,523	10,523	-	140,313	7.5
12/31/2017	10,117	10,117	-	134,893	7.5
12/31/2016	9,702	9,702	-	129,361	7.5
12/31/2015	9,310	9,310	-	124,130	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

City of Hamburg, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - 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.

2015 - 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.

City of Hamburg, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2019

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2019*	\$ 13,430	\$ 13,430	\$ -
12/31/18	29,829	29,829	-
12/31/17	25,826	25,826	-
12/31/16	24,826	24,826	-
12/31/15	28,855	28,855	-
12/31/14	37,986	37,986	-

\*Plan changed from single-employer to an agent multiple-employer plan

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*



City of Hamburg, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

**Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios**

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 16,646	\$ 17,755	\$ 16,208	\$ 16,103	\$ 16,103
Interest	19,108	22,490	24,708	25,717	25,717
Changes of benefit terms	-	-	4,127	3,893	3,893
Differences between expected and actual experience	2,852	-	(4,688)	-	-
Changes in benefit level	26,149	-	-	-	-
Changes of assumptions	-	(4,367)	8,696	(3,848)	(3,848)
Benefit payments, including refunds of employee contributions	-	(62,787)	(49,000)	(97,642)	(97,642)
<b>Net Change in Total Pension Liability</b>	<u>64,755</u>	<u>(26,909)</u>	<u>51</u>	<u>(55,777)</u>	<u>(55,777)</u>
<b>Total Pension Liability - January 1,</b>	<u>301,823</u> *	<u>388,467</u>	<u>388,416</u>	<u>444,193</u>	<u>444,193</u>
<b>Total Pension Liability - December 31, (a)</b>	<u>\$ 366,578</u>	<u>\$ 361,558</u>	<u>\$ 388,467</u>	<u>\$ 388,416</u>	<u>\$ 388,416</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ -	\$ 11,185	\$ 8,817	\$ 12,843	\$ 12,843
Contributions - state	13,430	18,644	17,009	18,067	18,067
Contributions - member	-	11	-	-	-
Net investment income	21,982	48,074	18,439	(9,338)	(9,338)
Other additions	-	211	-	-	-
Adjustment to initial asset transfer	31,503	-	-	-	-
Asset (gain)/loss	47,617	-	-	-	-
Benefit payments, including refunds of employee contributions	-	(62,787)	(49,000)	(97,642)	(97,642)
Administrative expense	(861)	(3,383)	(3,467)	(3,260)	(3,260)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>113,671</u>	<u>11,955</u>	<u>(8,202)</u>	<u>(79,330)</u>	<u>(79,330)</u>
<b>Plan Fiduciary Net Position - January 1,</b>	<u>366,374</u> *	<u>451,057</u>	<u>459,259</u>	<u>538,589</u>	<u>538,589</u>
<b>Plan Fiduciary Net Position - December 31, (b)</b>	<u>\$ 480,045</u>	<u>\$ 463,012</u>	<u>\$ 451,057</u>	<u>\$ 459,259</u>	<u>\$ 459,259</u>
<b>Fire Relief's Net Pension Liability (Asset) - December 31, (a-b)</b>	<u>\$ (113,467)</u>	<u>\$ (101,454)</u>	<u>\$ (62,590)</u>	<u>\$ (70,843)</u>	<u>\$ (70,843)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	130.95%	128.06%	116.11%	118.24%	118.24%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A

**Notes to the Schedule:**

\* The relief association changed from a single-employer plan to an agent multiple-employer plan at the beginning of 2019 and restated beginning total pension liability and plan fiduciary net position.

*Benefit Changes.* The lump sum benefit increased from \$1,600 to \$1,800

*Changes of Assumptions.* The following changes in assumption occurred from the previous valuation:

There were no changes in assumptions in 2019.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.
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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Hamburg, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2019

	Special Revenue	Debt Service		Capital Projects	Total Nonmajor Governmental Funds
	<b>801</b> Cable Television	<b>308</b> 2007 GO Bond	<b>311</b> 2018 Fire Truck	<b>201</b> Fire Equipment	
<b>Assets</b>					
Cash and temporary investments	\$ 13,343	\$ 13,214	\$ (9,511)	\$ 8,141	\$ 25,187
Restricted cash for debt service	-	16,910	-	-	16,910
Special assessments receivable	-	3,826	-	-	3,826
Due from other governments	-	-	14,805	-	14,805
<b>Total Assets</b>	<b>\$ 13,343</b>	<b>\$ 33,950</b>	<b>\$ 5,294</b>	<b>\$ 8,141</b>	<b>\$ 60,728</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	\$ -	\$ 3,825	\$ -	\$ -	\$ 3,825
Unavailable revenue - intergovernmental	-	-	14,805	-	14,805
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>3,825</b>	<b>14,805</b>	<b>-</b>	<b>18,630</b>
<b>Fund Balances</b>					
Restricted for debt service	-	30,125	-	-	30,125
Assigned for capital outlay	13,343	-	-	8,141	21,484
Unassigned	-	-	(9,511)	-	(9,511)
<b>Total Fund Balances</b>	<b>13,343</b>	<b>30,125</b>	<b>(9,511)</b>	<b>8,141</b>	<b>42,098</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 13,343</b>	<b>\$ 33,950</b>	<b>\$ 5,294</b>	<b>\$ 8,141</b>	<b>\$ 60,728</b>

City of Hamburg, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2019

	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<b>801</b> Cable Television	<b>308</b> 2007 GO Bond	<b>311</b> 2018 Fire Truck	<b>201</b> Fire Equipment	
Revenues					
Property taxes	\$ -	\$ 9,000	\$ 20,129	\$ -	\$ 29,129
Special assessments	-	1,127	-	-	1,127
Charges for services	1,974	-	-	-	1,974
Investment earnings	33	-	-	141	174
Total Revenues	<u>2,007</u>	<u>10,127</u>	<u>20,129</u>	<u>141</u>	<u>32,404</u>
Expenditures					
Debt service					
Principal	-	15,000	22,800	-	37,800
Interest and other charges	-	3,579	6,840	-	10,419
Total Expenditures	<u>-</u>	<u>18,579</u>	<u>29,640</u>	<u>-</u>	<u>48,219</u>
Net Change in Fund Balances	2,007	(8,452)	(9,511)	141	(15,815)
Fund Balances, January 1	<u>11,336</u>	<u>38,577</u>	<u>-</u>	<u>8,000</u>	<u>57,913</u>
Fund Balances, December 31	<u>\$ 13,343</u>	<u>\$ 30,125</u>	<u>\$ (9,511)</u>	<u>\$ 8,141</u>	<u>\$ 42,098</u>

City of Hamburg, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued on the Following Pages)  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 472,401	\$ 472,401	\$ 473,099	\$ 698	\$ 477,384
Licenses and permits					
Business	5,600	5,600	2,155	(3,445)	3,042
Nonbusiness	20	20	16,512	16,492	49
Total licenses and permits	<u>5,620</u>	<u>5,620</u>	<u>18,667</u>	<u>13,047</u>	<u>3,091</u>
Intergovernmental					
State					
Local government aid	-	-	78,210	78,210	78,033
Property tax credits	-	-	2	2	-
Fire relief aid	16,000	16,000	-	(16,000)	15,732
Police state aid	1,000	1,000	-	(1,000)	943
Other	3,814	3,814	10,984	7,170	33,035
County					
Highway aid	-	-	4,535	4,535	6,107
Other	-	-	4,541	4,541	-
Township	-	-	23,000	23,000	142,704
Total intergovernmental	<u>20,814</u>	<u>20,814</u>	<u>121,272</u>	<u>100,458</u>	<u>276,554</u>
Charges for services	<u>44,760</u>	<u>44,760</u>	<u>43,948</u>	<u>(812)</u>	<u>45,554</u>
Fines and forfeitures	<u>750</u>	<u>750</u>	<u>492</u>	<u>(258)</u>	<u>1,218</u>
Interest earnings	<u>-</u>	<u>-</u>	<u>101</u>	<u>101</u>	<u>-</u>
Miscellaneous					
Donations and contributions	1,000	1,000	13,500	12,500	12,881
Refunds and reimbursements	1,000	1,000	5,878	4,878	2,162
Other	1,000	1,000	996	(4)	633
Total miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>20,374</u>	<u>17,374</u>	<u>15,676</u>
Total Revenues	<u>547,345</u>	<u>547,345</u>	<u>677,953</u>	<u>130,608</u>	<u>819,477</u>

City of Hamburg, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and City Council					
Personnel services	\$ 11,000	\$ 11,000	\$ 8,720	\$ 2,280	\$ 9,366
City Clerk					
Personnel services	101,837	101,837	108,196	(6,359)	105,222
Supplies	3,000	3,000	1,840	1,160	3,027
Other services and charges	9,435	9,435	11,568	(2,133)	8,937
Total city clerk	<u>114,272</u>	<u>114,272</u>	<u>121,604</u>	<u>(7,332)</u>	<u>117,186</u>
Elections					
Other services and charges	250	250	-	250	1,429
Auditing					
Other services and charges	18,450	18,450	12,600	5,850	20,250
Assessor					
Other services and charges	3,550	3,550	3,707	(157)	3,571
Legal					
Other services and charges	20,000	20,000	24,332	(4,332)	15,517
Planning consultants					
Other services and charges	13,000	13,000	2,708	10,292	38,634
General government buildings					
Personnel services	18,267	18,267	17,641	626	17,401
Supplies	5,000	5,000	1,407	3,593	1,382
Other services and charges	28,375	28,375	32,184	(3,809)	11,283
Total general government buildings	<u>51,642</u>	<u>51,642</u>	<u>51,232</u>	<u>410</u>	<u>30,066</u>
Total general government	<u>232,164</u>	<u>232,164</u>	<u>224,903</u>	<u>7,261</u>	<u>236,019</u>
Public safety					
Police					
Other services and charges	19,254	19,254	18,805	449	18,978
Fire					
Personnel services	17,405	17,405	15,148	2,257	15,274
Supplies	5,250	5,250	4,120	1,130	4,860
Other services and charges	29,658	29,658	22,900	6,758	28,892
Payments to relief association	19,695	19,695	-	19,695	29,851
Total fire	<u>72,008</u>	<u>72,008</u>	<u>42,168</u>	<u>29,840</u>	<u>78,877</u>

City of Hamburg, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Building inspection					
Other services and charges	\$ 3,500	\$ 3,500	\$ 11,332	\$ (7,832)	\$ 1,043
Animal control					
Other services and charges	3,000	3,000	2,921	79	2,833
Total public safety	97,762	97,762	75,226	22,536	101,731
Public works					
Streets					
Personnel services	7,900	7,900	11,648	(3,748)	8,304
Supplies	1,500	1,500	2,336	(836)	2,377
Other services and charges	600	600	10,774	(10,174)	5,073
Maintenance and repair	18,750	18,750	18,995	(245)	60,654
Total streets	28,750	28,750	43,753	(15,003)	76,408
Snow and ice removal					
Other services and charges	11,000	11,000	14,226	(3,226)	9,858
Street lighting					
Other services and charges	7,900	7,900	7,320	580	7,422
Sanitation					
Other services and charges	3,500	3,500	3,452	48	1,585
Total public works	51,150	51,150	68,751	(17,601)	95,273
Culture and recreation					
Parks					
Personnel services	21,982	21,982	18,163	3,819	16,945
Supplies	3,750	3,750	3,350	400	2,523
Other services and charges	25,255	25,255	30,025	(4,770)	16,896
Total parks	50,987	50,987	51,538	(551)	36,364
Hall					
Personnel services	13,230	13,230	8,700	4,530	11,014
Supplies	5,100	5,100	5,246	(146)	6,360
Other services and charges	29,790	29,790	11,723	18,067	19,859
Total hall	48,120	48,120	25,669	22,451	37,233
Total culture and recreation	99,107	99,107	77,207	21,900	73,597
Total current	480,183	480,183	446,087	34,096	506,620



City of Hamburg, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 5,500	\$ 5,500	\$ 2,533	\$ 2,967	\$ 1,487
Public safety	30,000	30,000	46,154	(16,154)	443,733
Culture and recreation	3,000	3,000	-	3,000	10,270
Total capital outlay	<u>38,500</u>	<u>38,500</u>	<u>48,687</u>	<u>(10,187)</u>	<u>455,490</u>
Total Expenditures	<u>518,683</u>	<u>518,683</u>	<u>494,774</u>	<u>23,909</u>	<u>962,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,662</u>	<u>28,662</u>	<u>183,179</u>	<u>154,517</u>	<u>(142,633)</u>
Other Financing Sources (Uses)					
Equipment certificate proceeds	-	-	-	-	114,000
Transfers in	-	-	-	-	179,424
Transfers out	(28,662)	(28,662)	(96,043)	(67,381)	(20,800)
Sale of capital assets	-	-	2,323	2,323	-
Total Other Financing Sources (Uses)	<u>(28,662)</u>	<u>(28,662)</u>	<u>(93,720)</u>	<u>(65,058)</u>	<u>272,624</u>
Net Change in Fund Balances	-	-	89,459	89,459	129,991
Fund Balances, January 1	<u>412,878</u>	<u>412,878</u>	<u>412,878</u>	-	<u>282,887</u>
Fund Balances, December 31	<u>\$ 412,878</u>	<u>\$ 412,878</u>	<u>\$ 502,337</u>	<u>\$ 89,459</u>	<u>\$ 412,878</u>

City of Hamburg, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
<b>Revenues</b>			
Property taxes	\$ 502,228	\$ 487,384	3.05 %
Licenses and permits	18,667	3,091	503.91
Intergovernmental	121,272	276,554	(56.15)
Charges for services	45,922	45,554	0.81
Fines and forfeitures	492	1,218	(59.61)
Special assessments	1,127	1,127	-
Investment earnings	3,421	2,391	43.08
Miscellaneous	20,374	15,676	29.97
	<u>          </u>	<u>          </u>	
Total Revenues	<u>\$ 713,503</u>	<u>\$ 832,995</u>	(14.34) %
Per Capita	<u>\$ 1,391</u>	<u>\$ 1,693</u>	(17.84) %
<b>Expenditures</b>			
Current			
General government	\$ 224,903	\$ 236,019	(4.71) %
Public safety	75,226	101,731	(26.05)
Public works	68,751	95,273	(27.84)
Culture and recreation	77,207	73,597	4.91
Capital outlay			
General government	2,533	1,487	70.34
Public safety	46,154	443,733	(89.60)
Culture and recreation	-	10,270	(100.00)
Debt service			
Principal	37,800	15,000	152.00
Interest and other charges	10,419	4,221	146.84
	<u>          </u>	<u>          </u>	
Total Expenditures	<u>\$ 542,993</u>	<u>\$ 981,331</u>	(44.67) %
Per Capita	<u>\$ 1,058</u>	<u>\$ 1,995</u>	(46.97) %
Total Long-term Indebtedness	\$ 151,200	\$ 189,000	(20.00) %
Per Capita	295	384	(23.18)
General Fund Balance - December 31	\$ 502,337	\$ 412,878	21.67 %
Per Capita	979	839	16.69

The purpose of this report is to provide a summary of financial information concerning the City of Hamburg to The complete financial statements may be examined at City Hall, 181 Broadway Ave, Hamburg, MN 55339. Questions about this report should be directed to Jeremy Gruenhagen, Clerk/Treasurer at (952) 467-3232.

OTHER REQUIRED REPORTS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Hamburg, 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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, 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 May 11, 2020.

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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings, Responses and Questioned Costs as items 2019-003. 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.

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

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 11, 2020



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

Honorable Mayor and City Council  
City of Hamburg, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, 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 May 11, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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.

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. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

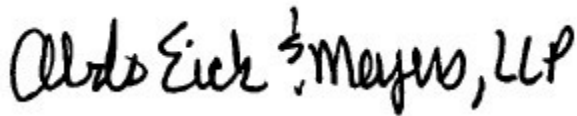
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, except as described as item 2019-003 on the Schedule of Finding, Responses and Questioned Costs.

## The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 11, 2020

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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

Honorable Mayor and City Council  
City of Hamburg, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hamburg, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

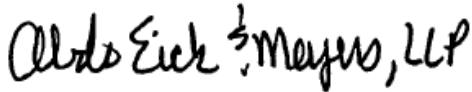
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 11, 2020

City of Hamburg, Minnesota  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2019

Federal Funding Source	Administering Department	Program Name	Catalog of Federal Domestic Assistance Number	State or Other Contract Number	Total Federal Expenditures
United States Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L-031-FY19	<u>\$ 862,525</u>

City of Hamburg, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hamburg, Minnesota (the City) under programs of the federal government for the year ended December 31, 2019. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**2. Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**4. Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**5. Indirect Cost Rate**

During the year ended December 31, 2019, the City did not elect to use the 10 percent de minimis indirect cost rate.

City of Hamburg, Minnesota  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2019

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No

***Identification of Major Programs/Projects***

	<b>CFDA No.</b>
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

Two significant internal control deficiencies (findings 2019-001 and 2019-002) and one Minnesota legal compliance finding (2019-003) relating to the audit of the financial statements are reported in the Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

**Section III - Major Federal Award Findings and Questioned Costs**

None

City of Hamburg, Minnesota  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
<b>2019-001</b>	<b>Preparation of Financial Statements</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from QuickBooks to the amounts reported in the financial statements.
<i>Management Response:</i>	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Hamburg, Minnesota  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
<b>2019-002</b>	<b>Limited Segregation of Duties</b>
<i>Condition:</i>	During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, and receipting.
<i>Criteria:</i>	<p>There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.</p> <p>Also, a well-designed system of internal control has documentation of significant transaction cycles. Documentation is especially important in the event of staff turnover.</p>
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error.
<i>Recommendation:</i>	<p>While we recognize that the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring.</p> <ul style="list-style-type: none"><li>• We recommend that the Billing Clerk continue to review the unopened bank statement, looking for activity within cancelled checks that appears inconsistent to the checks she prepared and payroll checks.</li><li>• For the deposits, we recommend that the Billing Clerk pay close attention to deposits that were made by the Clerk/Treasurer looking for inconsistencies.</li><li>• The utility billings should be reviewed by someone other than the person entering and printing billing registers.</li><li>• City Council should also be reminded of their duties over finance at least annually. Some typical monitoring duties would include the following tasks:<ul style="list-style-type: none"><li>○ Claims approval is an important control and should be at the front of the meeting to ensure that the City Council reviews the claims closely.</li><li>○ The check sequence should be reported in each set of approved minutes with a corresponding amount of all checks that agrees to the City Council claims listing. The City Council should review the order the checks are approved to ensure that they are in sequence and any gaps in numbers are explained.</li><li>○ A thorough review of budget versus actual reporting and narrative at least quarterly.</li><li>○ Monitor progress over the development of documented policies and procedures.</li><li>○ Consider personnel policies that require someone else to fill finance duties for a period of time. A mandatory vacation period of one week for all finance staff and distribution of their duties for that week is often recommended.</li></ul></li></ul>

*Management Response:*

The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This doesn't always allow for complete segregation. The City will continue to review its processes and make changes where possible.



City of Hamburg, Minnesota  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
<b>2019-003</b>	<b>Time Period for Payment</b>
<i>Condition:</i>	During our audit procedures, it came to our attention that the City had not remitted payments to two vendors within the required timeframe.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the City pay bills within the shorter of 35 days from receipt or under the terms of the vendor. If the invoice is not paid within the 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	We noted that several PERA invoices indicated payments had not been remitted within the required timeframe. In the sample of selected invoices, five PERA payments had incurred late fees. In addition, we noted three payments to the Internal Revenue Service which had incurred late fees due to late payments.
<i>Effect:</i>	The City is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the City develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the City.
<i>Management Response:</i>	
	The City is aware of the situation and plans to implement procedures to ensure that timely payments are made from now on.

**CITY OF HAMBURG**  
**City Clerk/Treasurer – PO Box 248**  
**181 Broadway Ave., Hamburg, MN 55339**

*City Office: (952) 467-3232 TDD: 711 Email: CityAdmin@CityofHamburgmn.com*  
*City Website: CityofHamburgmn.com*

**2019-001 Preparation of Financial Statements** - it is managements responsibility to provide for the preparation of the financial statements and footnotes and the responsibility of the auditor to determine the fairness of presentation of those statements. The auditors were requested to draft the financial statements.

**CORRECTIVE ACTION PLAN (CAP):**

**1. Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**2. Actions Planned in Response to Finding:**

The City Council will continue to monitor as a compensating control.

**3. Official Responsible for Ensuring CAP:**

Jeremy Gruenhagen, City Clerk/Treasurer, is the official responsible for ensuring corrective action of the compliance finding.

**4. Planned Completion Date for CAP:**

The planned completion date is December 31, 2020.

**5. Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.



"The City of Hamburg is an Equal Opportunity Employer and Provider."

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**2019-002 - Limited Segregation of Duties** - During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, and receipting.

**CORRECTIVE ACTION PLAN (CAP):**

**1. Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**2. Actions Planned in Response to Finding:**

The City Council will continue to monitor as a compensating control.

**3. Official Responsible for Ensuring CAP:**

Jeremy Gruenhagen, City Clerk/Treasurer, is the official responsible for ensuring corrective action of the deficiency.

**4. Planned Completion Date for CAP:**

The planned completion date is December 31, 2020.

**5. Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.



**CITY OF HAMBURG**  
**City Clerk/Treasurer – PO Box 248**  
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*City Office: (952) 467-3232 TDD: 711 Email: CityAdmin@CityofHamburgmn.com*  
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**2019-003 - Time Period for Payment** - Minnesota statute section 471.425 requires that the City pay bills within the shorter of 35 days from receipt or under the terms of the vendor. During our audit procedures, it came to our attention that the City had not remitted payments to two vendors within the required timeframe.

**CORRECTIVE ACTION PLAN (CAP):**

**1. Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**2. Actions Planned in Response to Finding:**

The City plans to implement procedures to ensure that timely payments are made from now on.

**3. Official Responsible for Ensuring CAP:**

Jeremy Gruenhagen, City Clerk/Treasurer, is the official responsible for ensuring corrective action of the compliance finding.

**4. Planned Completion Date for CAP:**

The planned completion date is June 30, 2020.

**5. Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.

Sincerely,



Jeremy Gruenhagen  
City Clerk/Treasurer



“The City of Hamburg is an Equal Opportunity Employer and Provider.”

City of Hamburg, Minnesota  
Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
<b>2018-001</b>	<b>Preparation of Financial Statements</b>
<i>Status:</i>	Finding applicable to 2019.
<b>2018-002</b>	<b>Limited Segregation of Duties</b>
<i>Status:</i>	Finding applicable to 2019.
<b>2018-003</b>	<b>Time Period for Payment</b>
<i>Status:</i>	Finding applicable to 2019.