



CITY OF FREEPORT

125 Main Street E – PO Box 301 – Freeport, MN 56331 – 320-836-2112
For TTY/TDD Users 1-800-627-3529 or 711 Minnesota Relay Service www.freeportmn.org

June 25, 2019 - Regular Meeting Agenda
Freeport City Hall - 7:00 pm

Call to Order

I. Approve Agenda

II. 2018 Audit Presentation (1-75)

III. Open Public Forum

IV. Consent Agenda

- a. May 28, 2019 Council Meeting Minutes (76-78)
- b. Claims 3653-3691 (79-87)
- c. Sheriff's Report (88)
- d. Black Sox Gambling Permit (89)

V. Reports

- a. Clerk-Treasurer Report (90)
- b. Fire Department Report (N/A)
- c. Public Works Report (91-93)
- d. Engineer Report (94-104)
- e. Attorney Report (105)

VI. Old Business

- a. Elite Transport Group (106-111)
- b. Corner Pub (112)

VII. New Business

- a. Stearns County Comprehensive Plan Update (113-117)

VIII. Adjourn

Next Regular Meeting: July 30, 2019

CITY OF FREEPORT, MINNESOTA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

CITY OF FREEPORT, MINNESOTA

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INTRODUCTORY SECTION

**CITY OF FREEPORT, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CITY COUNCIL

Term Expires

Rodney Atkinson	Mayor	December 31, 2018
Ben Ettle	Council Member	December 31, 2018
Mike Eveslage	Council Member	December 31, 2020
Tim Hennen	Council Member	December 31, 2018
Jake Renneker	Council Member	December 31, 2020

CITY OFFICIALS

Adrianna Hennen	Clerk/Treasurer
Joan Wall	Deputy Treasurer

**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

June 7, 2019

Honorable Mayor and City Council
City of Freeport, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Minnesota as of and for the year ended December 31, 2018, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Minnesota as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, Schedule of City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions 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 nonmajor fund financial statements, supplementary combining debt service fund schedules, and schedule of indebtedness, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining nonmajor fund financial statements, supplementary combining debt service fund schedules, and schedule of indebtedness have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019 on our consideration of the City of Freeport'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Freeport's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated June 7, 2019, on our consideration of City of Freeport's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section § 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Our discussion and analysis of the City of Freeport's financial performance provides an overview of the City's financial activities for the year ended December 31, 2018. Please read it in conjunction with the independent auditor's report on page two and the City's financial statements, which begin on page twelve.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$308,686 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues increased \$4,171 (or 1.57 percent) and expenses increased \$1,070 (or 0.50 percent).
- Total cost of all of the City's programs decreased \$13,330 (or 1.58 percent).
- The City's General Fund generated more revenue than budgeted of \$96,270 excluding transfers. Expenditures were less than budgeted by \$23,568, excluding transfers to other funds which approximated budgeted amounts.

USING THIS ANNUAL REPORT

This annual report consists of series of financial statements. The Statement of Net Position and the Statement of Activities (on pages twelve and thirteen) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page fourteen. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page six. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes net position. You can think of the City's net position (the net difference between assets, deferred outflows, liabilities, and deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including fire, public works, parks departments, and general administration. Property taxes, special assessments, licenses, permits and fees, and state aids finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

USING THIS ANNUAL REPORT (Continued)

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page eight. The fund financial statements begin on page fourteen and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds (governmental and proprietary) use different accounting approaches.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.
- **Proprietary Funds** – When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

THE CITY AS A WHOLE

The City's combined net position increased \$308,686 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Current & Other Assets	\$ 2,833,792	\$ 2,278,160	\$ 899,729	\$ 861,940	\$ 3,733,521	\$ 3,140,100
Net Capital Assets	3,001,961	3,156,085	4,802,689	4,935,403	7,804,650	8,091,488
Total Assets	5,835,753	5,434,245	5,702,418	5,797,343	11,538,171	11,231,588
Deferred Outflows of Reasources	16,776	34,214	-	-	16,776	34,214
Current & Other Liabilities	489,147	142,816	30,240	31,619	519,387	174,435
Long-Term Debt Outstanding	1,068,513	1,354,684	1,621,222	1,687,959	2,689,735	3,042,643
Total Liabilities	1,557,660	1,497,500	1,651,462	1,719,578	3,209,122	3,217,078
Deferred Inflows of Resources	48,997	60,582	-	-	48,997	60,582
Net Position:						
Net Investment in						
Capital Assets	1,933,448	1,801,401	3,181,467	3,247,444	5,114,915	5,048,845
Restricted	990,828	1,097,209	-	-	990,828	1,097,209
Unrestricted	1,321,596	1,011,767	869,489	830,321	2,191,085	1,842,088
Total Net Position	<u>\$ 4,245,872</u>	<u>\$ 3,910,377</u>	<u>\$ 4,050,956</u>	<u>\$ 4,077,765</u>	<u>\$ 8,296,828</u>	<u>\$ 7,988,142</u>

Net position of the City's governmental activities increased by \$335,495 (or 8.58 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$309,829 (or 30.62 percent) compared to the prior year, largely due to additional investments in capital assets and payments made on related debt during the year.

The net position of the City's business-type activities decreased by \$26,809 (or 0.66 percent), while the unrestricted net position increased from \$830,321 to \$869,489 due to the depreciation of capital assets included in Net Investment in Capital Assets. Operations were comparable to the prior year.

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

THE CITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
REVENUE						
Charges for Services	\$ 214,370	\$ 116,128	\$ 261,839	\$ 254,601	\$ 476,209	\$ 370,729
Grants and Contributions	49,554	83,508	1,348	7,330	50,902	90,838
Taxes	466,859	444,943	-	-	466,859	444,943
Franchise Fees	5,344	5,336	-	-	5,344	5,336
Intergovernmental	126,412	121,915	2,625	-	129,037	121,915
Investment Income	14,013	17,972	4,785	4,495	18,798	22,467
Miscellaneous	5,554	100	-	-	5,554	100
Total Revenues	882,106	789,902	270,597	266,426	1,152,703	1,056,328
PROGRAM EXPENSES						
General Government	156,303	148,287	-	-	156,303	148,287
Public Safety	147,338	104,560	-	-	147,338	104,560
Public Works	261,884	281,765	-	-	261,884	281,765
Parks and Recreation	18,554	53,278	-	-	18,554	53,278
Economic Development	22,969	28,643	-	-	22,969	28,643
Debt Service	21,563	26,478	-	-	21,563	26,478
Water	-	-	122,149	119,983	122,149	119,983
Sewer	-	-	93,257	94,353	93,257	94,353
Total Expenses	628,611	643,011	215,406	214,336	844,017	857,347
Gain on Sale of Assets	-	14,383	-	-	-	14,383
Transfers	82,000	82,000	(82,000)	(82,000)	-	-
Change in Net Position	<u>\$ 335,495</u>	<u>\$ 243,274</u>	<u>\$ (26,809)</u>	<u>\$ (29,910)</u>	<u>\$ 308,686</u>	<u>\$ 213,364</u>

The City's total revenues increased by \$96,375 (or 9.12 percent), largely due to increases in charges for services and property taxes levied and collected. The total cost of all programs and services decreased by \$13,330 (or 1.58 percent). Our analysis on the next page separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenue for the City's governmental activities increased by \$92,204 (or 11.67 percent), and total expenses decreased \$14,400 (or 2.24 percent). Revenues were generally consistent with those of the prior year, with the exception of various donations from private parties received during 2017 and the Xcel easement received in 2018. Expenses were also comparable to the prior year, with the overall decrease noted above resulting from increases in general government and public safety departments offset by decreases in all other departments.

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

THE CITY AS A WHOLE (Continued)

Governmental Activities (Continued)

Table 3 presents the cost of each of the City's programs (general government, public safety, public works, parks and recreation, economic development, and debt service) as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities, net of capital outlay which is excluded from Table 3, were generally comparable to the prior year as operations remained fairly consistent with the prior year with the exception of matters previously discussed.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General Government	\$ 156,303	\$ 148,287	\$ 43,424	\$ 97,288
Public Safety	147,338	104,560	467	(38,153)
Public Works	261,884	281,765	260,820	279,489
Parks and Recreation	18,554	53,278	18,554	52,278
Economic Development	22,969	28,643	22,969	28,643
Debt Service	21,563	26,478	18,453	23,830
Totals	<u>\$ 628,611</u>	<u>\$ 643,011</u>	<u>\$ 364,687</u>	<u>\$ 443,375</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) are comparable to the prior year. Expenses increased by \$1,070 (or 0.50 percent). Operations were comparable to those of the prior year.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page fourteen) reported a combined fund balance of \$1,768,956. This is a increase of \$198,366 (or 12.63 percent) from the prior year. Operations were comparable to the prior year. Financial information specific to the governmental funds is detailed on the following pages. Such information was derived from the fund financials at pages fourteen and sixteen.

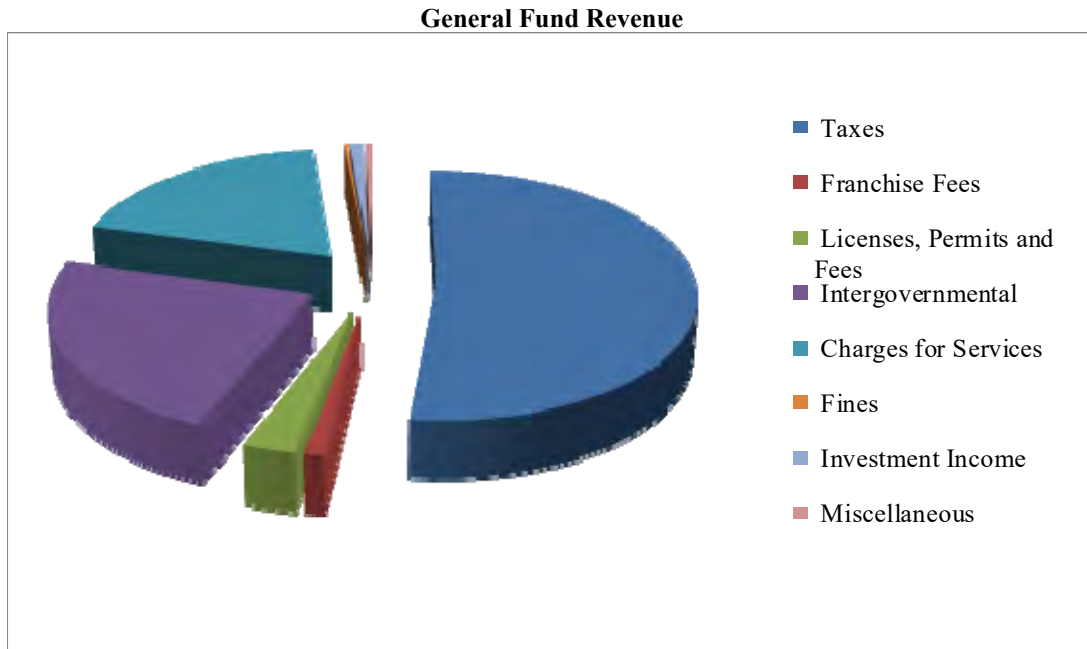
Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
General	\$ 642,018	\$ 580,840	\$ 61,178

The fund balance of the General Fund increased by \$61,178 compared to 2017. Details of the General Fund's revenues and expenditures are displayed on the next page.

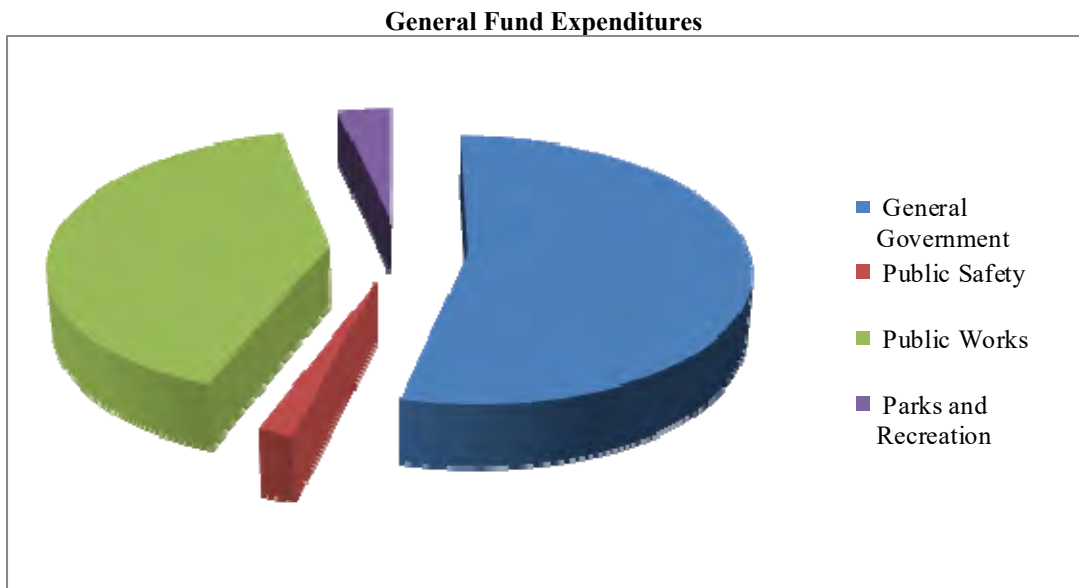
**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)



The City received the majority of its funding in the General Fund in the form of funding received from other governmental agencies (23.33 percent), taxes (51.91 percent), and charges for services (19.25 percent). Overall, the City's General Fund revenues increased \$92,204 over the prior year primarily due to increases in charges for services.



A significant portion of the City's General Fund expenditures are used for general government operations (53.92 percent). Remaining expenditures are used primarily for public works (40.66 percent). Expenditures have decreased from the prior year primarily due to decreases in public works spending.

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
Debt Service	\$ 308,196	\$ 411,852	\$ (103,656)

The Debt Service fund balance decreased \$103,656 primarily due to payment of bonds during the current year that exceeded revenues.

Area Fire Service	\$ 253,939	\$ 167,858	\$ 86,081
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The Area Fire Service fund balance increased \$86,081 due to revenues exceeding expenditures for the current year.

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$96,270 primarily due to funding from charges for services being more than anticipated due to \$93,000 received related to an easement with Xcel. Expenditures were less than budgeted amounts by \$23,568, excluding transfers out to other funds, primarily due to clerk and administration, public works, and parks and recreation expenditures being less than anticipated.

Proprietary Funds

As the City completed the year, its business-type activities (as presented in the Statement of Net Position on page eighteen) reported a combined net position of \$4,050,956. This is a decrease of \$26,809 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2018	2017	
Water	\$ 1,997,681	\$ 2,027,282	\$ (29,601)

The Water Fund net position decreased due to charges for services and other income being less than expenses incurred for depreciation, interest, transfers to the General Fund, and the cost of providing water services.

Sewer	\$ 2,053,275	\$ 2,050,483	\$ 2,792
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The Sewer Fund net position increased \$2,792 during the year as a result of operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had \$7,804,650 invested in a broad range of capital assets, including land, buildings, improvements, infrastructure, machinery, equipment, and vehicles. This amount represents a net decrease of \$286,838 (or 3.54 percent) from last year.

**CITY OF FREEPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

**Table 4
Capital Assets Net of Depreciation**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 399,900	\$ 399,900	\$ 272,968	\$ 272,968	\$ 672,868	\$ 672,868
Buildings and Improvements	374,147	418,254	1,902,718	1,960,018	2,276,865	2,378,272
Other Improvements and Infrastructure	1,716,474	1,784,240	2,627,003	2,702,417	4,343,477	4,486,657
Machinery and Equipment	8,254	11,252	-	-	8,254	11,252
Vehicles	503,186	542,439	-	-	503,186	542,439
Totals	<u>\$ 3,001,961</u>	<u>\$ 3,156,085</u>	<u>\$ 4,802,689</u>	<u>\$ 4,935,403</u>	<u>\$ 7,804,650</u>	<u>\$ 8,091,488</u>

More detailed information about the City's capital assets is presented in Note 3.B. to the financial statements.

Debt

At year-end, the City had \$2,676,000 in debt versus \$3,026,000 last year (a decrease of 11.57 percent), as shown in Table 5.

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Debt	<u>\$1,065,000</u>	<u>\$1,350,000</u>	<u>\$1,611,000</u>	<u>\$1,676,000</u>	<u>\$2,676,000</u>	<u>\$3,026,000</u>

See additional information at Note 3.C. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the year 2019 budget, including tax rates and fees that will be charged for the business-type activities. The Council elected to decrease the 2019 tax levy from \$464,500 in 2018 to \$435,865 in 2019 due to prior year reserves in place. There has been no change to the 2019 water rates, so overall utility bills should remain consistent with 2018. The Council expects operations to remain fairly consistent with 2018 for 2019. Overall budget amounts for 2019 are consistent with 2018's budget and operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Freeport, P.O. Box 301, Freeport, MN 56331.

BASIC FINANCIAL STATEMENTS

CITY OF FREEPORT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,007,037	\$ 671,364	\$ 2,678,401
Property Taxes Receivable	6,530	-	6,530
Assessments Receivable	680,108	193,634	873,742
Accounts Receivable	20,074	33,064	53,138
Notes Receivable	1,442	-	1,442
Prepays	16,465	1,667	18,132
Land Held for Sale	102,136	-	102,136
Capital Assets:			
Capital Assets not Being Depreciated	399,900	272,968	672,868
Capital Assets Being Depreciated (Net)	<u>2,602,061</u>	<u>4,529,721</u>	<u>7,131,782</u>
TOTAL ASSETS	5,835,753	5,702,418	11,538,171
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	16,776	-	16,776
LIABILITIES			
Accounts Payable	15,005	1,541	16,546
Accrued Payroll	4,171	-	4,171
Accrued Interest	8,888	28,699	37,587
Short-Term Debt	360,000	-	360,000
Noncurrent Liabilities:			
Compensated Absences	12,322	-	12,322
Net Pension Liability	88,761	-	88,761
Debt Due Within One Year	290,000	66,000	356,000
Debt Due After One Year	<u>778,513</u>	<u>1,555,222</u>	<u>2,333,735</u>
TOTAL LIABILITIES	1,557,660	1,651,462	3,209,122
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>48,997</u>	<u>-</u>	<u>48,997</u>
NET POSITION			
Net Investment in Capital Assets	1,933,448	3,181,467	5,114,915
Restricted	990,828	-	990,828
Unrestricted	<u>1,321,596</u>	<u>869,489</u>	<u>2,191,085</u>
TOTAL NET POSITION	<u>\$ 4,245,872</u>	<u>\$ 4,050,956</u>	<u>\$ 8,296,828</u>

**CITY OF FREEPORT, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 156,303	\$ 112,179	\$ 700	\$ -	\$ (43,424)	\$ -	\$ (43,424)
Public Safety	147,338	102,191	44,680	-	(467)	-	(467)
Public Works	261,884	-	-	1,064	(260,820)	-	(260,820)
Parks and Recreation	18,554	-	-	-	(18,554)	-	(18,554)
Economic Development	22,969	-	-	-	(22,969)	-	(22,969)
Debt Service	21,563	-	-	3,110	(18,453)	-	(18,453)
Total Governmental Activities	628,611	214,370	45,380	4,174	(364,687)	-	(364,687)
Business-Type Activities:							
Water	122,149	125,442	-	1,348	-	4,641	4,641
Sewer	93,257	136,397	-	-	-	43,140	43,140
Total Business-Type Activities	215,406	261,839	-	1,348	-	47,781	47,781
TOTALS	<u>\$ 844,017</u>	<u>\$ 476,209</u>	<u>\$ 45,380</u>	<u>\$ 5,522</u>	(364,687)	47,781	(316,906)
General Revenues:							
Taxes					466,859	-	466,859
Franchise Fees					5,344	-	5,344
Intergovernmental					126,412	2,625	129,037
Investment Income					14,013	4,785	18,798
Miscellaneous					5,554	-	5,554
Transfers					82,000	(82,000)	-
Total General Revenues and Transfers					700,182	(74,590)	625,592
CHANGE IN NET POSITION					335,495	(26,809)	308,686
NET POSITION-BEGINNING OF YEAR					3,910,377	4,077,765	7,988,142
NET POSITION-END OF YEAR					<u>\$ 4,245,872</u>	<u>\$ 4,050,956</u>	<u>\$ 8,296,828</u>

**CITY OF FREEPORT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General Fund	Debt Service Fund	Area Fire Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 637,117	\$ 306,722	\$ 599,540	\$ 463,658	\$ 2,007,037
Property Taxes Receivable	3,666	2,718	-	146	6,530
Assessments Receivable	85,760	594,348	-	-	680,108
Accounts Receivable	5,632	-	14,442	-	20,074
Prepays	12,403	-	4,062	-	16,465
Land Held for Sale	-	-	-	102,136	102,136
Notes Receivable	-	-	-	1,442	1,442
TOTAL ASSETS	<u>\$ 744,578</u>	<u>\$ 903,788</u>	<u>\$ 618,044</u>	<u>\$ 567,382</u>	<u>\$ 2,833,792</u>
LIABILITIES					
Accounts Payable	\$ 9,874	\$ -	364,105	\$ 1,026	\$ 375,005
Accrued Payroll	4,171	-	-	-	4,171
Total Liabilities	14,045	-	364,105	1,026	379,176
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	2,755	2,038	-	111	4,904
Special Assessments	85,760	593,554	-	-	679,314
Notes Receivable	-	-	-	1,442	1,442
Total Deferred Inflows of Resources	88,515	595,592	-	1,553	685,660
FUND BALANCES					
Nonspendable	12,403	-	4,062	102,136	118,601
Restricted	-	308,196	-	95,928	404,124
Committed	-	-	249,877	107,183	357,060
Assigned	-	-	-	259,556	259,556
Unassigned	629,615	-	-	-	629,615
Total Fund Balances	<u>642,018</u>	<u>308,196</u>	<u>253,939</u>	<u>564,803</u>	<u>1,768,956</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 744,578</u>	<u>\$ 903,788</u>	<u>\$ 618,044</u>	<u>\$ 567,382</u>	<u>\$ 2,833,792</u>

**CITY OF FREEPORT, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total fund balance for governmental funds	\$	1,768,956
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets (net of accumulated depreciation of \$3,734,900) used in governmental activities are not financial resources and, therefore are not reported in the funds:		3,001,961
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:		
Taxes Receivable	4,904	
Special Assessments Receivable	679,314	
Notes Receivable	1,442	
		685,660

Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds Balance Sheet:		(8,888)
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Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds:		
Compensated Absences	(12,322)	
Unamortized Bond Premium	(3,513)	
Debt Due Within One Year	(290,000)	
Debt Due In More Than One Year	(775,000)	
		(1,080,835)

The net pension asset/liability and related deferred outflows/inflows of resources represent the allocation of the pension obligation to the City		
Such balances are not reported in the funds:		
Net Pension Liability	(88,761)	
Deferred Outflows - Pensions	16,776	
Deferred Inflows - Pensions	(48,997)	
		(120,982)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>4,245,872</u>
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CITY OF FREEPORT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Debt Service Fund	Area Fire Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 259,306	\$ 204,211	\$ -	\$ 12,945	\$ 476,462
Franchise Fees	5,344	-	-	-	5,344
Licenses, Permits, and Fees	14,695	-	-	-	14,695
Intergovernmental	116,530	-	20,980	9,184	146,694
Charges for Services	96,180	-	102,191	-	198,371
Fines	1,304	-	-	-	1,304
Investment Income	4,405	1,932	4,529	3,147	14,013
Miscellaneous	1,772	-	28,826	1,848	32,446
TOTAL REVENUES	<u>499,536</u>	<u>206,143</u>	<u>156,526</u>	<u>27,124</u>	<u>889,329</u>
EXPENDITURES					
Current:					
General Government	150,239	-	-	-	150,239
Public Safety	5,126	-	107,152	-	112,278
Public Works	113,311	-	-	1,050	114,361
Parks and Recreation	9,975	-	-	-	9,975
Economic Development	-	-	-	22,969	22,969
Debt Service:					
Principal	-	285,000	-	-	285,000
Interest and Other Charges	-	24,799	-	-	24,799
Capital Outlay	-	-	-	53,342	53,342
TOTAL EXPENDITURES	<u>278,651</u>	<u>309,799</u>	<u>107,152</u>	<u>77,361</u>	<u>772,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	220,885	(103,656)	49,374	(50,237)	116,366
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	90,500	93,000	40,207	210,000	433,707
Operating Transfers Out	(250,207)	(93,000)	(3,500)	(5,000)	(351,707)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(159,707)</u>	<u>-</u>	<u>36,707</u>	<u>205,000</u>	<u>82,000</u>
NET CHANGE IN FUND BALANCES	61,178	(103,656)	86,081	154,763	198,366
FUND BALANCES - BEGINNING	<u>580,840</u>	<u>411,852</u>	<u>167,858</u>	<u>410,040</u>	<u>1,570,590</u>
FUND BALANCES - ENDING	<u>\$ 642,018</u>	<u>\$ 308,196</u>	<u>\$ 253,939</u>	<u>\$ 564,803</u>	<u>\$ 1,768,956</u>

**CITY OF FREEPORT, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balances - total governmental funds \$ 198,366

Amounts reported for governmental activities in the Statement
of Activities are different due to the following:

Governmental funds report capital outlays as expenditures
while governmental activities report depreciation expense
to allocate those expenditures over the life of the assets:

Capital Outlay Capitalized	47,782	
Depreciation Expense	<u>(201,906)</u>	
		(154,124)

Revenues in Statement of Activities that do not provide
current financial resources are not reported as revenues
in the funds:

Change in Long-term Receivables		(7,921)
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Proceeds from the issuance of long-term debt is an other financing
source in the governmental funds, while repayment of debt principal
is an expenditure in the governmental funds. However, neither
transaction has any effect on net position:

Debt Principal Payments		285,000
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Net change in accrued interest on bonds is not reported as an
expenditure in the funds:

2,065

The effects of bond premiums and discounts are reported in the
governmental fund financial statements upon issuance of the debt.
These amounts are deferred and amortized in the Statement of Activities:

1,171

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 governmental funds:

Change in Accrued Compensated Absences		(2,975)
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Net pension asset/liability balances do not represent the impending use or
acquisition of current resources. Therefore, the change in the asset/liability
and the related deferrals is not reported in the governmental funds:

13,913

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 335,495</u>
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CITY OF FREEPORT, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 555,029	\$ 116,335	\$ 671,364
Accounts Receivable	15,394	17,670	33,064
Prepays	639	1,028	1,667
Total Current Assets	571,062	135,033	706,095
Noncurrent Assets			
Assessments Receivable	193,634	-	193,634
Capital Assets not Depreciated	51,600	221,368	272,968
Capital Assets Being Depreciated (Net)	2,688,304	1,841,417	4,529,721
Total Noncurrent Assets	2,933,538	2,062,785	4,996,323
TOTAL ASSETS	3,504,600	2,197,818	5,702,418
LIABILITIES			
Current Liabilities			
Accounts Payable	1,114	427	1,541
Accrued Interest	27,491	1,208	28,699
Debt Due Within One Year	41,000	25,000	66,000
Total Current Liabilities	69,605	26,635	96,240
Noncurrent Liabilities			
Debt Due After One Year	1,437,314	117,908	1,555,222
TOTAL LIABILITIES	1,506,919	144,543	1,651,462
NET POSITION			
Net Investment in Capital Assets	1,261,590	1,919,877	3,181,467
Unrestricted	736,091	133,398	869,489
TOTAL NET POSITION	\$ 1,997,681	\$ 2,053,275	\$ 4,050,956

CITY OF FREEPORT, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 121,842	\$ 132,797	\$ 254,639
OPERATING EXPENSES			
Materials and Supplies	3,010	2,977	5,987
Professional Services	3,512	2,129	5,641
Repairs and Maintenance	550	20,872	21,422
Other Services and Charges	6,051	3,180	9,231
Utilities	6,566	1,232	7,798
Depreciation	71,080	61,634	132,714
TOTAL OPERATING EXPENSES	90,769	92,024	182,793
NET OPERATING INCOME	31,073	40,773	71,846
NONOPERATING INCOME (EXPENSE)			
Special Assessments	1,348	-	1,348
Connection Fees	3,600	3,600	7,200
Intergovernmental	2,625	-	2,625
Investment Income	4,133	652	4,785
Interest and Other Charges	(31,380)	(1,233)	(32,613)
TOTAL NONOPERATING INCOME (EXPENSE)	(19,674)	3,019	(16,655)
CHANGE IN NET POSITION PRIOR TO TRANSFERS	11,399	43,792	55,191
TRANSFERS			
Operating Transfers Out	(41,000)	(41,000)	(82,000)
CHANGE IN NET POSITION	(29,601)	2,792	(26,809)
NET POSITION-BEGINNING OF YEAR	2,027,282	2,050,483	4,077,765
NET POSITION-END OF YEAR	\$ 1,997,681	\$ 2,053,275	\$ 4,050,956

**CITY OF FREEPORT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 126,225	\$ 136,596	\$ 262,821
Cash Paid to Suppliers	(19,759)	(30,677)	(50,436)
NET CASH PROVIDED BY OPERATING ACTIVITIES	106,466	105,919	212,385
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net Operating Subsidies and Transfers to Other Funds	(41,000)	(41,000)	(82,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Special Assessments	28,676	-	28,676
Intergovernmental Receipts	2,625	-	2,625
Payments on Bond Principal	(40,000)	(25,000)	(65,000)
Cash Paid for Interest	(32,160)	(3,150)	(35,310)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(40,859)	(28,150)	(69,009)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Income	4,133	652	4,785
Net Increase in Cash and Cash Equivalents	28,740	37,421	66,161
Cash and Cash Equivalents-Beginning of Year	526,289	78,914	605,203
Cash and Cash Equivalents-End of Year	\$ 555,029	\$ 116,335	\$ 671,364
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net Operating Income	\$ 31,073	\$ 40,773	\$ 71,846
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities			
Cash Flows Reported in Other Categories:			
Depreciation Expense	71,080	61,634	132,714
Nonoperating Revenue from Customers	3,600	3,600	7,200
Change in Assets and Liabilities:			
Accounts Receivable	783	199	982
Prepays	(7)	70	63
Accounts Payable	(63)	(357)	(420)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 106,466	\$ 105,919	\$ 212,385

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Freeport (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Freeport, Minnesota.

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

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria describe above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. The City has the following blended component unit:

Economic Development Authority – The City created an Economic Development Authority (EDA) by resolution of its City Council. The EDA is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the EDA is reported as if it were part of the primary government because its purpose is to analyze and approve the City's redevelopment plans. The EDA cannot issue bonded debt without the City's approval.

Discretely Presented Component Units

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

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are generally organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The City does not have any fiduciary funds at this time.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

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

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

The City reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

The *Area Fire Service Fund* is a special revenue fund used to account for the activities associated with providing fire protection services for the City and various other local governments.

The City reports the following major proprietary funds:

The *Water Fund* and *Sewer Fund* account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the government reports the following non-major fund types:

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

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

The *Debt Service TIF District Fund* accounts for the receipt of tax increment financing dollars and the use of such dollars for pay-as-you-go debt or eligible administrative costs incurred by the City.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the "economic resources" measurement focus as defined in the second bullet point on the next page.

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the “accrual” basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows/inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the “modified accrual” basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingencies related to these balances at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings, and money market accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand, savings, and money market accounts.

See Note 3.A. for additional information related to Cash and Cash Equivalents.

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND EQUITY (Continued)

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities and interfund receivables and payables between funds within business-type activities are eliminated in the Statement of Net Position. See Note 3.E. for details of interfund transactions, including receivables and payables at year-end.

Prepays

Prepays represent costs paid during the current year to be recognized in future periods.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and are not deemed necessary at year end. Major receivable balances for the governmental activities include charges for services, fines, fees, taxes, and special assessments. Business-type activities report utility charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, franchise fees, fines and charges for service since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred inflows in the fund financial statements in accordance with modified accrual, but not deferred inflows in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City based on each individual asset’s initial cost and must have an estimated useful life in excess of two years. The City’s cost thresholds for capitalization of acquisitions within various categories are as follows:

Land and Improvements	\$10,000
Buildings and Improvements	\$10,000
Other Improvements and Infrastructures	\$25,000
Vehicles, Machinery, and Equipment	\$5,000

The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	10-50 years
Other Improvements and Infrastructures	20-50 years
Vehicles, Machinery, and Equipment	5-20 years

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND EQUITY (Continued)

Capital Assets (Continued)

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused leave. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would be used to liquidate the compensated absences.

Noncurrent Liabilities

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds and certificates payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND EQUITY (Continued)

Net Pension Asset/Liability

The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

PERA

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.

Deferred Inflows/Outflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes, special assessments, and notes receivable as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

See Note 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted – Remaining balance of net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the City's policy to consider restricted net position to its depletion before unrestricted net position is applied.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND EQUITY (Continued)

Equity Classifications (Continued)

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balance at December 31, 2018 consists of prepaid expenditures and land held for sale.

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

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

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

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned general fund balance equal to at least 50% of the annual General Fund operating expenses.

See Note 3.F. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described on the prior page.

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. The County of Stearns is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

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

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND EQUITY (Continued)

Property Tax (Continued)

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service
Proprietary Fund - By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 3.E.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City complies with all state and local laws and regulations requiring the use of separate funds.

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral at market value. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2.B. BUDGETARY INFORMATION

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

In August 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 Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads 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 (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. See original and final, if applicable, General Fund and Area Fire Service Fund budgets in the Required Supplementary Information section.

2.C. EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures exceeded total budgeted expenditures for the current year end as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Transfers Included In Actual
General	\$ 459,426	\$ 528,858	\$ 250,207
Area Fire Service	\$ 99,976	\$ 110,652	\$ 3,500

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

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

At December 31, 2018, the City's deposits, including certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance or by collateral held by the City's agent in the City's name.

As of December 31, 2018, the City had the following deposits:

Cash in Checking	\$ 2,620,158
Money Market Savings	<u> 58,243</u>
 Total Deposits	 <u><u>\$ 2,678,401</u></u>

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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. The City does not have any investment policies that would further limit investment choices.

At December 31, 2018, the City does not hold any investments.

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance at 01/01/18	Additions	Disposals	Transfers	Balance at 12/31/18
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 399,900	\$ -	\$ -	\$ -	\$ 399,900
Capital Assets Being Depreciated					
Buildings and Improvements	1,269,051	-	-	-	1,269,051
Other Improvements and Infrastructure	3,928,581	47,782	-	-	3,976,363
Machinery and Equipment	204,357	-	-	-	204,357
Vehicles	888,592	-	(1,402)	-	887,190
Total Capital Assets Being Depreciated	6,290,581	47,782	(1,402)	-	6,336,961
Less: Accumulated Depreciation					
Buildings and Improvements	(850,797)	(44,107)	-	-	(894,904)
Other Improvements and Infrastructure	(2,144,341)	(115,548)	-	-	(2,259,889)
Machinery and Equipment	(193,105)	(2,998)	-	-	(196,103)
Vehicles	(346,153)	(39,253)	1,402	-	(384,004)
Total Accumulated Depreciation	(3,534,396)	(201,906)	1,402	-	(3,734,900)
Total Capital Assets Being Depreciated, Net	2,756,185	(154,124)	-	-	2,602,061
Capital Assets, Net	<u>\$ 3,156,085</u>	<u>\$ (154,124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,001,961</u>

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS (Continued)

	Balance at 01/01/18	Additions	Disposals	Transfers	Balance at 12/31/18
Business-Type Activities:					
Capital Assets not Being Depreciated					
Land	\$ 272,968	\$ -	\$ -	\$ -	\$ 272,968
Capital Assets Being Depreciated					
Buildings and Improvements	2,916,487	-	-	-	2,916,487
Other Improvements and Infrastructure	<u>3,801,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,801,072</u>
Total Capital Assets Being Depreciated	6,717,559	-	-	-	6,717,559
Less: Accumulated Depreciation					
Buildings and Improvements	(956,469)	(57,300)	-	-	(1,013,769)
Other Improvements and Infrastructure	<u>(1,098,655)</u>	<u>(75,414)</u>	<u>-</u>	<u>-</u>	<u>(1,174,069)</u>
Total Accumulated Depreciation	<u>(2,055,124)</u>	<u>(132,714)</u>	<u>-</u>	<u>-</u>	<u>(2,187,838)</u>
Total Capital Assets Being Depreciated, Net	<u>4,662,435</u>	<u>(132,714)</u>	<u>-</u>	<u>-</u>	<u>4,529,721</u>
Capital Assets, Net	<u>\$ 4,935,403</u>	<u>\$ (132,714)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,802,689</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 12,750
Public Safety	35,060
Public Works	145,517
Parks and Recreation	<u>8,579</u>
Total Depreciation Expense	<u>\$ 201,906</u>

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.C. SHORT-TERM DEBT

The City's short-term debt consists of a loan with Stearns Cooperative Electric Association for \$360,000 to finance a new fire truck. The loan was issued on February 1, 2018 bearing no interest and matured on February 1, 2028. The City paid off the loan in full subsequent to year end, but prior to the issuance of the financial statements.

3.D. NONCURRENT LIABILITIES

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All bonds and certificates set forth below are direct obligations of the City and pledge the full faith and credit of the City.

Debt Detail

As of December 31, 2018, the long-term debt of the financial reporting entity consists of the following:

Governmental Activities

General Obligation Bonds						
	Issue Date	Annual Payment	Interest Rate(s)	Maturity Date	Original Amount	Remaining Amount
2012A Crossover Refunding Bonds	02/12	\$20,000 - \$180,000	1.15-2.25%	02/22	\$ 1,200,000	\$ 695,000
2013A Refunding Bonds	01/13	\$10,000 - \$170,000	2.00%	02/21	715,000	370,000
Total Governmental Activities Bonds Payable						1,065,000
Bonds Due Within One Year						290,000
Bonds Due After One Year						<u>\$ 775,000</u>

Business Type Activities

General Obligation Bonds						
	Issue Date	Annual Payment	Interest Rate(s)	Maturity Date	Original Amount	Remaining Amount
2012 Water and Sewer Revenue Bonds (USDA)	06/12	\$23,000 - \$49,000	2.00%	01/52	\$ 1,352,000	\$ 1,231,000
2013A Refunding Bonds	01/13	\$40,000 - \$45,000	2.00-3.25%	02/33	525,000	380,000
Total Business-Type Activities Bonds Payable						1,611,000
Bonds Due Within One Year						66,000
Bonds Due After One Year						<u>\$ 1,545,000</u>

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2018:

Type of Debt	Balance 01/01/18	Additions	Deductions	Balance 12/31/18	Amounts Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 1,350,000	\$ -	\$ (285,000)	\$ 1,065,000	\$ 290,000
Unamortized Bond Premium	4,684	-	(1,171)	3,513	-
Compensated Absences	9,347	8,288	(5,313)	12,322	-
Net Pension Liability	108,527	-	(19,766)	88,761	-
Total	<u>\$ 1,472,558</u>	<u>\$ 8,288</u>	<u>\$ (311,250)</u>	<u>\$ 1,169,596</u>	<u>\$ 290,000</u>
<i>Business-Type Activities</i>					
General Obligation Bonds	\$ 1,676,000	\$ -	\$ (65,000)	\$ 1,611,000	\$ 66,000
Unamortized Bond Premium	11,959	-	(1,737)	10,222	-
Total	<u>\$ 1,687,959</u>	<u>\$ -</u>	<u>\$ (66,737)</u>	<u>\$ 1,621,222</u>	<u>\$ 66,000</u>

Interest and other fiscal changes total \$56,220 in the Statement of Activities (included in Debt Service, Water, and Sewer lines). Interest and other fiscal charges total \$23,809 in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$34,476 in the Statement of Revenues, Expenses, and Changes and Net Position – Proprietary Funds (included in the line Interest and Other Charges).

Governmental activity debt is typically funded through the Debt Service Fund. Business-Type activity debt is funded through the Water Fund and Sewer Fund. Compensated absences and the net pension liability are funded through the funds to which the respective employees' wages are allocated.

Annual Debt Service Requirements

At December 31, 2018, the estimated annual debt service requirements to maturity, including principal and interest, are as follows for the City's governmental activities:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 290,000	\$ 18,642	\$ 308,642
2020	295,000	13,090	308,090
2021	300,000	7,138	307,138
2022	180,000	2,025	182,025
Totals	<u>\$ 1,065,000</u>	<u>\$ 40,895</u>	<u>\$ 1,105,895</u>

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements (Continued)

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 66,000	\$ 34,010	\$ 100,010
2020	71,000	32,640	103,640
2021	72,000	31,285	103,285
2022	67,000	29,750	96,750
2023	68,000	28,250	96,250
2023-2027	222,000	125,295	347,295
2028-2032	258,000	96,761	354,761
2033-2037	179,000	71,737	250,737
2038-2042	198,000	53,049	251,049
2043-2047	220,000	32,420	252,420
2048-2052	190,000	9,610	199,610
Totals	<u>\$ 1,611,000</u>	<u>\$ 544,807</u>	<u>\$ 2,155,807</u>

3.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2018:

Major Funds	Transfers Out	Transfers In				
		Major Funds			Nonmajor	Total
		General	Debt Service	Area Fire Service	Other Governmental	
General	\$ 250,207	\$ -	\$ 93,000	\$ 40,207	\$ 117,000	\$ 250,207
Debt Service	93,000	-	-	-	93,000	93,000
Area Fire Service	3,500	3,500	-	-	-	3,500
Water	41,000	41,000	-	-	-	41,000
Sewer	41,000	41,000	-	-	-	41,000
	428,707	85,500	93,000	40,207	210,000	428,707
Nonmajor Funds						
Governmental	5,000	5,000	-	-	-	5,000
	<u>\$ 433,707</u>	<u>\$ 90,500</u>	<u>\$ 93,000</u>	<u>\$ 40,207</u>	<u>\$ 210,000</u>	<u>\$ 433,707</u>

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

There are no interfund balances at December 31, 2018.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.F. FUND EQUITY

At December 31, 2018, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepaids	\$ 12,403
Unassigned	<u>629,615</u>
Total General Fund Balance	<u>\$ 642,018</u>
Debt Service Fund	
Restricted for Debt Service	<u>\$ 308,196</u>
Area Fire Service Fund	
Nonspendable - Prepaids	\$ 4,062
Committed for Fire Service	<u>249,877</u>
Total Area Fire Service Fund Balance	<u>\$ 253,939</u>
Other Governmental Funds	
Nonspendable - Land Held for Sale	\$ 102,136
Restricted for Loan Subsidization	95,928
Committed for Economic Development	107,183
Assigned for Capital Projects	<u>259,556</u>
Total Other Governmental Funds Balance	<u>\$ 564,803</u>

NOTE 4 OTHER NOTES

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE

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.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Plan Description (Continued)

General Employees Retirement Plan

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

Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 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 of 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 total \$8,083. The City's contributions were equal to the required contributions as set by State Statute.

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Costs

General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$88,761 for its proportionate share of the General Employees Fund's net pension liability. The City of Freeport's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$2,819. The net pension liability was measured as of June 30, 2018 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018 the City's proportionate share was 0.0016 percent which was a decrease of 0.0001 percent from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability:	\$88,761
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>2,819</u>
Total	<u>\$91,580</u>

For the year ended December 31, 2018, the City recognized pension expense of \$3,552 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$698 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, 2018, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 2,490	\$ 3,074
Changes in actuarial assumptions	10,068	10,400
Difference between projected and actual investment earnings	-	7,756
Changes in proportion	-	27,767
Contributions paid to PERA subsequent to the measurement date	<u>4,218</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 16,776</u>	<u>\$ 48,997</u>

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Costs (Continued)

A total of \$4,218 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2019	\$ (15,525)
2020	\$ (9,991)
2021	\$ (9,069)
2022	\$ (1,853)

Total Pension Expense

The total pension expense, including amortization of prior year deferral balances, for all plans recognized by the City for the year ended December 31 2018, totals \$13,215.

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans 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 the General Employees Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- 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.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2 %	0.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2018 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 positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability	\$ 144,249	\$ 88,761	\$ 42,958

Pension Plan Fiduciary Net Position

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

CITY OF FREEPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 OTHER NOTES (Continued)

4.B. RISK MANAGEMENT

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The City's management is not aware of any incurred but no reported claims.

4.C. TAX INCREMENT DISTRICTS

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

The following is a summary of the City's current tax increment financing district:

Name of District:	Economic Development District #2-1
Business Name:	Swany White Flour Mills, LTD
Purpose:	Economic Development
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2012
Duration of District:	10 Years
Original Base Net Tax Capacity:	<u>\$ 1,052</u>
Current Net Tax Capacity:	<u>\$ 3,116</u>
Captured Net Tax Capacity:	
Retained by City	<u>\$ 2,064</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2018:	<u>\$ 2,984</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
RESOURCES (INFLOWS):			
Taxes	\$ 263,000	\$ 259,306	\$ (3,694)
Franchise Fees	3,000	5,344	2,344
Licenses, Permits, and Fees	8,925	14,695	5,770
Intergovernmental	116,101	116,530	429
Charges for Services	1,600	96,180	94,580
Fines	1,500	1,304	(196)
Investment Income	3,000	4,405	1,405
Miscellaneous	6,140	1,772	(4,368)
Transfers In	90,500	90,500	-
AMOUNTS AVAILABLE	493,766	590,036	96,270
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
General Government:			
General Government	33,570	34,365	795
Mayor and Council	8,035	4,958	(3,077)
Clerk and Administration	93,157	87,069	(6,088)
Elections	4,112	4,170	58
Professional Services	20,075	19,677	(398)
Planning and Zoning	1,250	-	(1,250)
Public Safety	4,600	5,126	526
Public Works	122,020	113,311	(8,709)
Parks and Recreation	15,400	9,975	(5,425)
Transfers Out	157,207	250,207	93,000
TOTAL CHARGES	459,426	528,858	69,432
BUDGETARY CHANGE IN FUND BALANCE	<u>\$ 34,340</u>	61,178	<u>\$ 26,838</u>
FUND BALANCE - BEGINNING		<u>580,840</u>	
FUND BALANCE - ENDING		<u>\$ 642,018</u>	

**CITY OF FREEPORT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE-AREA FIRE SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over
RESOURCES (INFLOWS):			
Intergovernmental	\$ 16,000	\$ 20,980	\$ 4,980
Charges for Services	90,798	102,191	11,393
Investment Income	1,000	4,529	3,529
Miscellaneous	4,000	28,826	24,826
Transfers In	40,207	40,207	-
AMOUNTS AVAILABLE	<u>152,005</u>	<u>196,733</u>	<u>44,728</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Public Safety	96,476	107,152	10,676
Transfers Out	3,500	3,500	-
TOTAL CHARGES	<u>99,976</u>	<u>110,652</u>	<u>10,676</u>
BUDGETARY CHANGE IN FUND BALANCE	<u>\$ 52,029</u>	86,081	<u>\$ 34,052</u>
FUND BALANCE - BEGINNING		<u>167,858</u>	
FUND BALANCE - ENDING		<u>\$ 253,939</u>	

CITY OF FREEPORT, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>General Employees Retirement Fund Pension Plan</i>							
2018	0.0016%	\$ 88,761	\$ 2,819	\$ 91,580	\$ 105,200	87.1%	79.5%
2017	0.0017%	\$ 108,527	\$ 1,362	\$ 109,889	\$ 109,160	100.7%	75.9%
2016	0.0019%	\$ 154,271	\$ 1,989	\$ 156,260	\$ 117,276	133.2%	68.9%
2015	0.0031%	\$ 160,658	\$ -	\$ 160,658	\$ 205,360	78.2%	78.2%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF FREEPORT, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Calendar Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Fund Pension Plan</i>					
2018	\$ 8,083	\$ 8,083	\$ -	\$ 107,773	7.5%
2017	\$ 8,083	\$ 8,083	\$ -	\$ 107,773	7.5%
2016	\$ 8,113	\$ 8,113	\$ -	\$ 108,174	7.5%
2015	\$ 9,315	\$ 9,315	\$ -	\$ 124,200	7.5%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF FREEPORT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2018 Changes

Changes in Actuarial Assumptions

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

2017 Changes

Changes in Plan Provisions

- The State's special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

SUPPLEMENTARY INFORMATION

**CITY OF FREEPORT, MINNESOTA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Swany White TIF District Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 204,102	\$ 259,556	\$ -	\$ 463,658
Property Taxes Receivable	146	-	-	146
Land Held for Sale	102,136	-	-	102,136
Notes Receivable	1,442	-	-	1,442
TOTAL ASSETS	\$ 307,826	\$ 259,556	\$ -	\$ 567,382
LIABILITIES				
Accounts Payable	\$ 1,026	\$ -	\$ -	\$ 1,026
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	111	-	-	111
Notes Receivable	1,442	-	-	1,442
Total Deferred Inflows of Resources	1,553	-	-	1,553
FUND BALANCES				
Nonspendable	102,136	-	-	102,136
Restricted	95,928	-	-	95,928
Committed	107,183	-	-	107,183
Assigned	-	259,556	-	259,556
Total Fund Balances	305,247	259,556	-	564,803
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 307,826	\$ 259,556	\$ -	\$ 567,382

CITY OF FREEPORT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Swany White TIF District Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 9,961	\$ -	\$ 2,984	\$ 12,945
Intergovernmental	-	9,184	-	9,184
Notes Receivable - Collections	1,428	-	-	1,428
Investment Income	1,057	2,090	-	3,147
Miscellaneous	-	420	-	420
TOTAL REVENUES	<u>12,446</u>	<u>11,694</u>	<u>2,984</u>	<u>27,124</u>
EXPENDITURES				
Current:				
Public Works	-	1,050	-	1,050
Economic Development	19,985	-	2,984	22,969
Capital Outlay	-	53,342	-	53,342
TOTAL EXPENDITURES	<u>19,985</u>	<u>54,392</u>	<u>2,984</u>	<u>77,361</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,539)	(42,698)	-	(50,237)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	93,000	117,000	-	210,000
Operating Transfers Out	(5,000)	-	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,000</u>	<u>117,000</u>	<u>-</u>	<u>205,000</u>
NET CHANGE IN FUND BALANCES	80,461	74,302	-	154,763
FUND BALANCES - BEGINNING	<u>224,786</u>	<u>185,254</u>	<u>-</u>	<u>410,040</u>
FUND BALANCES - ENDING	<u>\$ 305,247</u>	<u>\$ 259,556</u>	<u>\$ -</u>	<u>\$ 564,803</u>

CITY OF FREEPORT, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Economic Development Authority Fund	Small Cities Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and Cash Equivalents	\$ 108,174	\$ 95,928	\$ 204,102
Property Taxes Receivable	146	-	146
Land Held for Sale	102,136	-	102,136
Notes Receivable	<u>-</u>	<u>1,442</u>	<u>1,442</u>
TOTAL ASSETS	<u><u>\$ 210,456</u></u>	<u><u>\$ 97,370</u></u>	<u><u>\$ 307,826</u></u>
LIABILITIES			
Accounts Payable	\$ 1,026	\$ -	\$ 1,026
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Property Taxes	111	-	111
Notes Receivable	<u>-</u>	<u>1,442</u>	<u>1,442</u>
Total Deferred Inflows of Resources	111	1,442	1,553
FUND BALANCES			
Nonspendable	102,136	-	102,136
Restricted	-	95,928	95,928
Committed	<u>107,183</u>	<u>-</u>	<u>107,183</u>
Total Fund Balances	<u><u>209,319</u></u>	<u><u>95,928</u></u>	<u><u>305,247</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 210,456</u></u>	<u><u>\$ 97,370</u></u>	<u><u>\$ 307,826</u></u>

CITY OF FREEPORT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Economic Development Authority Fund	Small Cities Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES			
Taxes	\$ 9,961	\$ -	\$ 9,961
Note Receivable - Collections	-	1,428	1,428
Investment Income	256	801	1,057
TOTAL REVENUES	<u>10,217</u>	<u>2,229</u>	<u>12,446</u>
EXPENDITURES			
Current:			
Economic Development	<u>19,985</u>	<u>-</u>	<u>19,985</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,768)	2,229	(7,539)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	93,000	-	93,000
Operating Transfers Out	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,000</u>	<u>-</u>	<u>88,000</u>
NET CHANGE IN FUND BALANCES	78,232	2,229	80,461
FUND BALANCES - BEGINNING	<u>131,087</u>	<u>93,699</u>	<u>224,786</u>
FUND BALANCES - ENDING	<u><u>\$ 209,319</u></u>	<u><u>\$ 95,928</u></u>	<u><u>\$ 305,247</u></u>

**CITY OF FREEPORT, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
DECEMBER 31, 2018**

	South End Park Fund	North End Park Fund	Old Tower Preservation Fund	Street Improvements Fund	Capital Equipment Fund	Street Light Fund	Total Nonmajor Capital Projects Funds
ASSETS							
Cash and Cash Equivalents	<u>\$ 11,841</u>	<u>\$ 2,749</u>	<u>\$ 5,369</u>	<u>\$ 168,872</u>	<u>\$ 30,429</u>	<u>\$ 40,296</u>	<u>\$ 259,556</u>
FUND BALANCES							
Assigned	<u>\$ 11,841</u>	<u>\$ 2,749</u>	<u>\$ 5,369</u>	<u>\$ 168,872</u>	<u>\$ 30,429</u>	<u>\$ 40,296</u>	<u>\$ 259,556</u>

CITY OF FREEPORT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	South End Park Fund	North End Park Fund	Old Tower Preservation Fund	Street Improvements Fund	Capital Equipment Fund	Street Light Fund	Total Nonmajor Capital Projects Funds
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ 9,184	\$ -	\$ -	\$ 9,184
Investment Income	81	22	43	1,486	217	241	2,090
Miscellaneous	-	-	-	420	-	-	420
TOTAL REVENUES	<u>81</u>	<u>22</u>	<u>43</u>	<u>11,090</u>	<u>217</u>	<u>241</u>	<u>11,694</u>
EXPENDITURES							
Current:							
Public Works	-	-	-	1,050	-	-	1,050
Capital Outlay	-	-	-	53,342	-	-	53,342
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,392</u>	<u>-</u>	<u>-</u>	<u>54,392</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	81	22	43	(43,302)	217	241	(42,698)
OTHER FINANCING SOURCES							
Operating Transfers In	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>72,000</u>	<u>10,000</u>	<u>30,000</u>	<u>117,000</u>
NET CHANGE IN FUND BALANCES	5,081	22	43	28,698	10,217	30,241	74,302
FUND BALANCES - BEGINNING	<u>6,760</u>	<u>2,727</u>	<u>5,326</u>	<u>140,174</u>	<u>20,212</u>	<u>10,055</u>	<u>185,254</u>
FUND BALANCES - ENDING	<u>\$ 11,841</u>	<u>\$ 2,749</u>	<u>\$ 5,369</u>	<u>\$ 168,872</u>	<u>\$ 30,429</u>	<u>\$ 40,296</u>	<u>\$ 259,556</u>

**CITY OF FREEPORT, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET
MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND
DECEMBER 31, 2018**

	G.O. Improvement Crossover Refunding Bonds of 2012	G.O. Improvement Crossover Refunding Bonds of 2013	Total Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 225,572	\$ 81,150	\$ 306,722
Property Taxes Receivable	1,373	1,345	2,718
Assessments Receivable	<u>551,009</u>	<u>43,339</u>	<u>594,348</u>
TOTAL ASSETS	<u><u>\$ 777,954</u></u>	<u><u>\$ 125,834</u></u>	<u><u>\$ 903,788</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Property Taxes	\$ 1,023	\$ 1,015	\$ 2,038
Special Assessments	<u>551,009</u>	<u>42,545</u>	<u>593,554</u>
Total Deferred Inflows of Resources	552,032	43,560	595,592
FUND BALANCE			
Restricted	<u>225,922</u>	<u>82,274</u>	<u>308,196</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 777,954</u></u>	<u><u>\$ 125,834</u></u>	<u><u>\$ 903,788</u></u>

CITY OF FREEPORT, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	G.O. Improvement Crossover Refunding Bonds of 2012	G.O. Improvement Crossover Refunding Bonds of 2013	Total Debt Service Fund
REVENUES			
Taxes	\$ 99,590	\$ 104,621	\$ 204,211
Investment Income	1,686	246	1,932
TOTAL REVENUES	<u>101,276</u>	<u>104,867</u>	<u>206,143</u>
EXPENDITURES			
Debt Service:			
Principal	165,000	120,000	285,000
Interest and Other Charges	15,704	9,095	24,799
TOTAL EXPENDITURES	<u>180,704</u>	<u>129,095</u>	<u>309,799</u>
NET CHANGE IN FUND BALANCE	(79,428)	(24,228)	(103,656)
FUND BALANCE - BEGINNING	<u>305,350</u>	<u>106,502</u>	<u>411,852</u>
FUND BALANCE - ENDING	<u><u>\$ 225,922</u></u>	<u><u>\$ 82,274</u></u>	<u><u>\$ 308,196</u></u>

**CITY OF FREEPORT, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 1/1/2018	Paid	Outstanding Balance 12/31/2018	Principal Due in 2019
GENERAL OBLIGATION BONDS								
GO Improvement Crossover Refunding Bonds - 2012A	2/1/2012	1.15-2.25%	2/1/2022	\$ 1,200,000	\$ 860,000	\$ 165,000	\$ 695,000	\$ 170,000
GO Refunding Bonds - 2013A	1/1/2013	2.00%	2/1/2021	<u>715,000</u>	<u>490,000</u>	<u>120,000</u>	<u>370,000</u>	<u>120,000</u>
TOTAL GENERAL OBLIGATION BONDS				1,915,000	1,350,000	285,000	1,065,000	290,000
ENTERPRISE DEBT								
GO Water and Sewer Revenue Bonds - 2012	6/28/2012	2.00%	1/1/2052	1,352,000	1,256,000	25,000	1,231,000	26,000
GO Refunding Bonds - 2013A	1/1/2013	2.00-3.25%	2/1/2033	<u>525,000</u>	<u>420,000</u>	<u>40,000</u>	<u>380,000</u>	<u>40,000</u>
TOTAL ENTERPRISE DEBT				<u>1,877,000</u>	<u>1,676,000</u>	<u>65,000</u>	<u>1,611,000</u>	<u>66,000</u>
TOTAL INDEBTEDNESS				<u>\$ 3,792,000</u>	<u>\$ 3,026,000</u>	<u>\$ 350,000</u>	<u>\$ 2,676,000</u>	<u>\$ 356,000</u>

OTHER REQUIRED REPORTS

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

June 7, 2019

Honorable Mayor and City Council
City of Freeport, 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 Freeport, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Freeport's basic financial statements, and have issued our report thereon dated June 7, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a material weakness: 2014-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2014-002.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

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

June 7, 2019

Honorable Mayor and City Council
City of Freeport, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**CITY OF FREEPORT, MINNESOTA
SCHEDULE OF FINDINGS AND REPOSSES
DECEMBER 31, 2018**

FINANCIAL STATEMENT FINDINGS

Finding 2014-001 Limited Segregation of Duties

Condition: The City has limited segregation of accounting duties.

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

Cause: There are a limited number of employees.

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

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

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

Finding 2014-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: We believe management would require additional training in order to prepare the financial statements and year-end adjustments internally.

Effect: The outsourcing of these services is not unusual in entities of the size of the City of Freeport and is the result of management's cost benefit decision to rely on our expertise rather than incurring this internal resource cost. However, errors can occur in the financial statements that may not be detected by management.

Recommendation: We recommend that management review a draft of the financial statements in detail for accuracy. During review, we recommend a disclosure checklist be utilized to ensure all required disclosures are presented, and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to implement controls that fully eliminate this finding.

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

Effect: The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

**CITY OF FREEPORT, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2018**

FINANCIAL STATEMENT FINDINGS

Finding 2014-001 Limited Segregation of Duties

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

Finding 2014-002 Financial Statement Preparation

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

CITY OF FREEPORT, MINNESOTA

**REPORT TO THE MEMBERS
OF GOVERNANCE**

JUNE 7, 2019

**SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants**

CITY OF FREEPORT, MINNESOTA
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June 7, 2019

Members of Governance
City of Freeport, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of the City of Freeport (the City) as of and for the year ended December 31, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the members of governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

CITY OF FREEPORT, MINNESOTA REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated January 4, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated January 31, 2019 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The only estimates we have deemed significant to the financial statements are the estimates included in the calculation of overall net pension liability/asset and deferred inflows/outflows of resources for the pension plans in which the City's employees participate.

CITY OF FREEPORT, MINNESOTA REQUIRED COMMUNICATIONS

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

We detected no material misstatements and did not propose any adjustments that in our judgement could have a significant effect, either individually or in the aggregate, on the City's financial reporting process.

Departure From the Auditor's Standard Report

Our Independent Auditors' Report includes several additional or non-standard paragraphs that you should be aware of as follows:

- Other Matters related to Required Supplementary Information and Supplementary Information
- Other Reporting Required by *Government Auditing Standards*
- Report on Other Legal and Regulatory Requirements

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. We read the Council's Management Discussion and Analysis and did not identify material inconsistencies with the audited financial statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting

We have separately communicated the significant deficiency and material weakness identified during our audit of the financial statements as required by *Government Auditing Standards*, and this communication is included within the compliance section of the City's financial report for the year ended December 31, 2018.

Certain Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated June 7, 2019.



CITY OF FREEPORT

125 Main Street E – PO Box 301 – Freeport, MN 56331 – 320-836-2112
For TTY/TDD Users 1-800-627-3529 or 711 Minnesota Relay Service www.freeportmn.org

May 28, 2019 – Meeting Minutes

A regular meeting of the Freeport City Council was convened at 7:00pm by Mayor Mike Eveslage, and councilmembers Sarah Blake, Ben Ettle, Tim Hennen, and Jake Renneker.

Staff in attendance: Clerk-Treasurer Joan Wall, Public Works Director Loren Goebel, Administrative Assistant Lori Austing, City Engineer Dave Blommel, City Attorney Scott Dymoke,

Others in attendance:

Andrea Ramacher & Vern Fuchs (720 1st Ave N)
Barry Weber (Albany)

Carol Moorman (Melrose Beacon)

Approve Agenda

Wall explained claim #3646 should be in the amount of \$1,900.00 instead of \$1,600.00 because that is the total donations received for the Ham BBQ. Renneker moved to approve the agenda with the proposed change, seconded by Ettle. Motion carried 5-0.

Open Public Forum

Eveslage opened a discussion about the possibility of installing solar powered speed signs coming into town from all four directions. A resident expressed concerns to Eveslage, but wasn't able to attend the meeting. Both commercial vehicles and regular vehicles have been seen coming into town at high speeds and some residents are concerned for people's safety. Eveslage suggested getting 3 quotes to find out what it would cost to install these signs. Blommel mentioned that highway safety grants exist, but our highways don't have enough traffic to qualify. He also mentioned Stearns County needs to approve anything we do because these are county roads. Blommel isn't aware of a state program for funding, but he has meeting in June where he can ask about that.

Consent Agenda

Renneker moved to approve the consent agenda, seconded by Ettle. Motion carried 5-0.

Reports

Clerk-Treasurer Report

Council would like a blurb about Lori Austing being a new city employee in the newsletter.

Fire Department Report

No report was given.

Public Works Report

Goebel and Blommel explained that we will most likely not be able to purchase any more light poles like we currently have. A discussion was had whether to begin purchasing different ones when we need to replace our current ones. Hennen moved to have Freeport Electric replace the light pole by Charlie's, seconded by Renneker. Motion carried 5-0.

Ettle moved to approve Hennen Lumber's quote to replace well house doors & windows, seconded by Blake. Motion carried 4-0. Hennen abstained.

Engineer Report

Blommel explained that manhole #71 is underwater and needs to be fixed soon. Manholes #72 & #73 will also need to be fixed within the next several months. If we have a contractor do them all at once, we will save on mobilization fees. If we don't fix these soon, we could end up having to do work on our ponds because they are full. Blommel brought bids for fixing all three manholes and fixing the Industrial Park lift station. Kotzer Excavating's bid was for \$18,383.95 and Kuechle Underground's bid was for \$35,730.00. Ettle moved to approve Kotzer's bid, seconded by Hennen. Motion carried 5-0.

Attorney Report

No additional information given besides what was in the agenda packet.

Old Business

Update Pay Ranges

Kathleen Murphy was not able to attend the meeting due to a medical issue. Murphy provided Wall with the information she would have brought to the meeting and Wall provided it to the Council. Council directed Wall to utilize the League of Minnesota Cities Salary & Benefits Survey.

Website Update

Barry Weber demonstrated and explained how our website works. He explained that a website requires maintenance to keep it running smoothly and to keep viruses and spam at bay. His services to do this are included in the annual website hosting fee the City pays. Having Weber do this work provides consistency even if we have turnover at City Hall.

Our website is based on a framework that was purchased several years ago and that framework determines how the City's website looks. If the City wanted a new fresh look, it would be an involved undertaking and would have a fairly significant cost.

Elite Transport Group

Mark Ettel hasn't attended any of the meetings Council or the EDA has invited him to. Council noted a few ordinances that are being violated and asked Scott Dymoke to send Elite Transport Group a letter addressing them.

City Hall Technology Updates

Discussion was had about the technology options presented. Council agreed that since Goebel doesn't use a computer much and Austing is part time, he would be able to use Austing's computer when needed, so there is no need to purchase a new computer for him. Ettle moved to purchase a NUC desktop computer with Microsoft Office Pro for the Administrative Assistant and Microsoft Home and Business for the Clerk-Treasurer's computer, seconded by Renneker. Motion carried 5-0.

New BusinessCreamery Site

Dymoke advised the Council to do nothing at this time. Give it a month and see what happens.

Corner Pub

Council discussed what the long-range solution would be for the Corner Pub to have a patio across the alley. If the City wishes to make the Community Festival license available, Council would need to amend the ordinance. Even if the ordinance was changed, Pooch would still need to get a festival license ahead of time every time he wanted to use the patio. Is that how Pooch would want to operate? Eveslage will discuss with Pooch.

Partial Release of Easement – Rita Blommel Home

Ettle moved to approve, seconded by Hennen. Motion carried 5-0.

Adjourn

Ettle moved to adjourn, seconded by Renneker. Motion carried 5-0.

Mayor, Mike Eveslage

City Clerk-Treasurer, Joan Wall

05/31/19
08:08:24

CITY OF FREEPORT
Claim Approval List
For the Accounting Period: 5/19

Page: 1 of 1
Report ID: AP100V

* ... Over spent expenditure

Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3653		722 MCFOA REGION III	10.00					
	05/31/19	Training - Joan	10.00			101 41400	330	10100
		Total for Vendor:	10.00					
		# of Claims	1	Total:	10.00			

06/12/19
09:00:01

CITY OF FREEPORT
Claim Approval List
For the Accounting Period: 6/19

Page: 1 of 3
Report ID: AP100V

* ... Over spent expenditure

Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3654		15 ALBANY MUTUAL TELEPHONE	256.86					
	10349526	06/01/19 836-2411/2413	74.75			225 42200	320	10100
	10349884	06/01/19 836-7158	38.42			101 41000	320	10100
	10349677	06/01/19 836-2685	21.66			601 43225	320	10100
	10349677	06/01/19 836-2685	21.65			602 43250	320	10100
	10349396	06/01/19 836-2112	100.38			101 41000	320	10100
		Total for Vendor:	256.86					
3655		25 AMERI PRIDE LINEN & APPAREL	65.30					
	2201196360	05/24/19 Rug service - 4 weeks	65.30			101 41000	410	10100
		Total for Vendor:	65.30					
3656		70 CENTERPOINT ENERGY	100.16					
	05/22/19	Maintenance bldg	49.31			101 43100	382	10100
	05/22/19	Fire hall	50.85			225 42200	382	10100
		Total for Vendor:	100.16					
3657		76 CENTRAL MINNESOTA CREDIT UNION	380.53					
	05/31/19	Stearns Cnty Beacon fee	1.00			101 41000	433	10100
	05/31/19	Indeed - Admin Assist job ad	74.82*			101 41000	350	10100
	05/31/19	USPS - general postage	1.30			101 41000	200	10100
	05/31/19	USPS - utility billing postage	70.00			601 43225	200	10100
	05/31/19	USPS - utility billing postage	70.00			602 43250	200	10100
	05/31/19	Step stool	22.84			101 41000	210	10100
	05/31/19	Bottled water	4.96			101 41000	210	10100
	05/31/19	Sauk River Watershed assessmen	21.04			101 43100	430	10100
	05/31/19	USPS - water sample postage	12.24			601 43225	200	10100
	05/31/19	12V batteries	47.33			101 43100	210	10100
	05/31/19	USPS - general postage	55.00			101 41000	200	10100
		Total for Vendor:	380.53					
3658		636 DHI A LABORATORIES	158.00					
	84413	05/06/19 Discharge 734795	79.00			602 43250	460	10100
	84414	05/06/19 Discharge 734796	79.00			602 43250	460	10100
		Total for Vendor:	158.00					

06/12/19
09:00:01

CITY OF FREEPORT
Claim Approval List
For the Accounting Period: 6/19

Page: 2 of 3
Report ID: AP100V

* ... Over spent expenditure

Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3659		145 FINKEN WATER SOLUTIONS	35.60					
	1146484	06/01/19 Water softener rental	15.00			101 41000	410	10100
	1146485	06/01/19 Maint water cooler	8.00			101 43100	410	10100
	99113TI	05/15/19 Fire Dept water cooler	12.60			225 42200	210	10100
		Total for Vendor:	35.60					
3660		309 MINNESOTA LIFE INSURANCE CO	3.70					
	05/14/19	Goebel	1.70			101 43000	131	10100
	05/14/19	Hennen	2.00			101 41400	131	10100
		Total for Vendor:	3.70					
3661		387 RAHNS OIL & PROPANE, INC	581.62					
	3829	05/31/19 Fire dept fuel	170.43			225 42200	215	10100
	3829	05/31/19 Public Works fuel	391.48			101 43100	215	10100
	3829	05/31/19 EDA Lunch	19.71			300 46500	210	10100
		Total for Vendor:	581.62					
3662		510 VERIZON WIRELESS	56.80					
	9831260784	06/01/19 Cell phone - Jun	56.80			101 43100	320	10100
		Total for Vendor:	56.80					
3663		750 WASTE MANAGEMENT, INC	179.63					
	6853860176	05/31/19 Maintenance bldg	142.59			101 43100	383	10100
	6853547176	05/31/19 Fire hall	37.04			225 42200	383	10100
		Total for Vendor:	179.63					
3664		525 XCEL ENERGY, INC	1,352.36					
	640311385	06/03/19 Street lights	642.99			101 43160	381	10100
	640501867	06/04/19 302188142	77.25			601 43225	381	10100
	640501867	06/04/19 302252262	24.68			101 43160	381	10100
	640501867	06/04/19 302290398	72.21			101 41000	381	10100
	640501867	06/04/19 302679657	35.88			101 43100	381	10100
	640501867	06/04/19 302700297	21.03			602 43250	381	10100
	640501867	06/04/19 302947044	82.34			601 43225	381	10100
	640501867	06/04/19 303193187	35.35			602 43250	381	10100
	640501867	06/04/19 303616049	73.97			225 42200	381	10100

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Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
		640501867 06/04/19 303936749	23.74			101 43160	381	10100
		640501867 06/04/19 303956738	138.34			101 43160	381	10100
		640501867 06/04/19 303963984	80.66			101 43160	381	10100
		640501867 06/04/19 303985901	18.54			101 43160	381	10100
		640501867 06/04/19 304083816	12.61			101 43160	381	10100
		640501867 06/04/19 304098414	12.77			602 43250	381	10100
		Total for Vendor:	1,352.36					
		# of Claims 11	Total :	3,170.56				

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Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3665		703 AMERICAN LEGION POST 101	252.00					
	06/10/19	5' x8' US Poly Outdoor Flag	50.00			101 43100	210	10100
	06/10/19	2-4' x6' US Poly Outdoor Flag	74.00			101 43100	210	10100
	06/10/19	2-3' x5' POW/MIA Dbl. Sided Fla	74.00			101 43100	210	10100
	06/10/19	2-3"x5" Minnesota Nylon Flag	54.00			101 43100	210	10100
		Total for Vendor:	252.00					
3666		40 AUTO VALUE-ALBANY	11.99					
	26295777	05/17/19 Truck #408 Light Bulb	11.99			225 42200	401	10100
		Total for Vendor:	11.99					
3667		77 CENTRAL MINNESOTA STAMP AND	17.50					
	1002	05/29/19 Water/Sewer Bill Stamper	8.75			601 43225	210	10100
	1002	05/29/19 Water/Sewer Bill Stamper	8.75			602 43250	210	10100
		Total for Vendor:	17.50					
3668		544 COMMUNITY TECHNOLOGY CENTER, INC	1,614.00					
	2019-0278	05/31/19 24" Monitor	199.00*			101 41000	210	10100
	2019-0278	05/31/19 24" Monitor	199.00*			101 41000	210	10100
	2019-0278	05/31/19 Wireless Mouse/Keyboard	58.00*			101 41000	210	10100
	2019-0278	05/31/19 3.0 Docking Station	171.00*			101 41000	210	10100
	2019-0278	05/31/19 15" Laptop, Win 10 Pro, 8GB	839.00*			101 41000	210	10100
	2019-0278	05/31/19 3' HDMI Cable	9.00*			101 41000	210	10100
	2019-0278	05/31/19 Business Install	139.00			101 41000	300	10100
		Total for Vendor:	1,614.00					
3669		675 CUSTOMIZED FIRE RESCUE TRAINING	4,110.00					
	Training For Ben Ettle, Kyle Rademacher, Zachary Hoeschen							
	1449	06/03/19 NFPA 1001 145 Hour Course	4,110.00*			225 42200	300	10100
3670		675 CUSTOMIZED FIRE RESCUE TRAINING	2,675.00					
	Hands on Instructions - training							
	1450	06/03/19 2-13-19 Chimney Fire Class	475.00*			225 42200	300	10100
	1450	06/03/19 3-4-19 Grain Bin Res Class	400.00*			225 42200	300	10100
	1450	06/03/19 4-15-19 SCBA Confidence Prop	1,200.00*			225 42200	300	10100
	1450	06/03/19 5-6-19 LP Gas Emergencies	600.00*			225 42200	300	10100

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Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3671		675 CUSTOMIZED FIRE RESCUE TRAINING	1,370.00					
AJ Olson Training								
	1452	06/05/19 145 Hour Course	1,370.00*			225 42200	300	10100
		Total for Vendor:	8,155.00					
3672		123 DYMOKE LAW OFFICE, P.A.	444.00					
	06/01/19	Admin. Assistant Hire	72.00			101 41000	302	10100
	06/01/19	Corner Bar Regulations	204.00			101 41000	302	10100
	06/01/19	Creamery Property	48.00			101 41000	302	10100
	06/01/19	City Council Meeting	120.00			101 41000	302	10100
		Total for Vendor:	444.00					
3673		752 EXPERT T BILLING	54.00					
	5808	06/06/19 2 Calls billed - May	54.00*			225 42200	300	10100
		Total for Vendor:	54.00					
3674		155 FREEPORT FARM CENTER, INC	292.65					
	101318	05/10/19 Lawnmower Repair	83.41			101 45200	220	10100
	101233	04/25/19 Street Sweeper Maintenance	12.95			101 43100	401	10100
	13538	06/05/19 MF 1528 Repair	196.29			101 43100	220	10100
		Total for Vendor:	292.65					
3675		174 GOPHER STATE ONE CALL, INC	14.85					
	9050401	05/31/19 12 Emailed Tickets	7.43			601 43225	300	10100
	9050401	05/31/19 12 Emailed Tickets	7.42*			601 43250	300	10100
		Total for Vendor:	14.85					
3688		179 GRANITE ELECTRONICS, INC	327.10					
	1540017991	06/13/19 Repair 3 pagers	327.10			225 42200	245	10100
		Total for Vendor:	327.10					
3676		194 HENNEN LUMBER CO, INC	85.61					
	39479	04/29/19 "C" Batteries	2.18			602 43250	210	10100
	39535	05/02/19 "AA" Batteries	1.96			602 43250	210	10100
	39894	05/15/19 5 Bags Softner Salt City Hall	34.40*			101 41000	210	10100
	39894	05/15/19 5 Bags Softner Salt Shop	34.40			101 43100	210	10100

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Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
	39894	05/15/19 9" Irwin Saw Blades	8.25			101 43100	210	10100
	39894	05/15/19 9" Irwin saw blades	2.25			101 43100	210	10100
	39894	05/15/19 6" Irwin saw blades	1.08			101 43100	210	10100
	39894	05/15/19 6" Irwin saw blades	1.09			101 43100	210	10100
		Total for Vendor:	85.61					
3689		668 JOAN WALL	40.60					
	06/19/19	Mileage MCFOA training	40.60			101 41400	335	10100
		Total for Vendor:	40.60					
3677		219 JOANN TIMP	144.00					
	06/15/19	4 cleanings (5/27/19-6/15/19)	144.00			101 41000	300	10100
		Total for Vendor:	144.00					
3678		776 KNIFE RIVER - NORTH CENTRAL	350.00					
	656469	05/29/19 Cold Mix Asphalt 1.5 Ton	210.00			101 43100	225	10100
	656469	05/29/19 Cold Mix Asphalt 1 Ton	140.00			101 43100	225	10100
		Total for Vendor:	350.00					
3679		769 METRO SALES, INC	89.87					
	1359508	06/10/19 Rental charge 5/15/19-6/14/19	89.87			101 41000	410	10100
		Total for Vendor:	89.87					
3690		637 NORTHLAND TRUST SERVICES INC	12,472.50					
	FREEP12A	06/17/19 2012A bond interest	5,477.50			331 47000	610	10100
	FREEP13A	06/17/19 2013A bond interest	2,500.00			326 47000	610	10100
	FREEP13A	06/17/19 2013A bond interest	3,295.00			601 43225	610	10100
	FREEP13A	06/17/19 2013A bond interest	1,200.00			602 43250	610	10100
		Total for Vendor:	12,472.50					
3680		748 NORTHWEST RESPIRATORY SERVICES,	20.00					
	17783	06/05/19 Oxygen D Cylinders FD	20.00			225 42200	210	10100
		Total for Vendor:	20.00					

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Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3681		775 PRECISE HEATING A/C PLUMBING	2,726.00					
	C019049-1	05/20/19 Dehumidification System-FD	2,726.00*			225 42200	311	10100
		Total for Vendor:	2,726.00					
3682		385 QUILL CORPORATION	188.85					
	7811530	06/04/19 Clorox Cleaner 3@3.29	9.87*			101 41000	210	10100
	7811530	06/04/19 Soft Scrub 36 oz	8.99*			101 41000	210	10100
	7811530	06/04/19 Nitrile Gloves	8.49*			101 41000	210	10100
	7811530	06/04/19 AAA Batteries	17.79*			101 41000	210	10100
	7811530	06/04/19 Counterfeit Detect Pen	7.99*			101 41000	210	10100
	7811530	06/04/19 Folgers Coffee	10.99*			101 41000	210	10100
	7947329	06/10/19 Soap in Pumps 11.25 oz-6@1.99	11.94			101 45200	210	10100
	7947329	06/10/19 56 oz Refills 2@8.41	16.82			101 45200	210	10100
	7947329	06/10/19 Copy Paper	58.99*			101 41000	210	10100
	7947329	06/10/19 Paper Toweling	14.99*			101 41000	210	10100
	7947329	06/10/19 Toilet paper	21.99*			101 41000	210	10100
		Total for Vendor:	188.85					
3683		413 SCHLENNER WENNER & CO	525.00					
	240873	05/31/19 Form 990 Fire Dept Relief Assn	525.00*			225 42200	301	10100
		Total for Vendor:	525.00					
3691		418 SEH, INC	1,542.50					
	369001	06/10/19 Sewer flow review & repair	1,542.50			602 43250	300	10100
		Total for Vendor:	1,542.50					
3684		730 SPAETH SODDING & LANDSCAPING INC	694.95					
	05/09/19	Red Mulch 1.5 Yards	90.00			101 45200	260	10100
	05/09/19	Red Mulch 3.5 Yards	210.00			101 45200	260	10100
	05/09/19	Red Mulch 3 Yards	180.00			101 45200	260	10100
	05/31/19	Memorial Gift Blake Hemker	232.00			101 41000	430	10100
	05/09/19	Credit on Mulch	-17.05			101 45200	260	10100
		Total for Vendor:	694.95					

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Claim/	Check	Vendor #/Name/ Invoice #/Inv Date/Description	Document \$/ Line \$	Disc \$	PO #	Fund Org Acct	Object Proj	Cash Account
3685		463 TEAM LABORATORY CHEMICAL CORP	286.50					
	0016369	06/06/19 EZ DOSE IT 20# BLOCK	278.00			602 43250	210	10100
	0016369	06/06/19 Freight	8.50			602 43250	210	10100
		Total for Vendor:	286.50					
3686		516 WEBER PRINTING	50.00					
	32542	05/29/19 Email Account Changes	50.00			101 41000	300	10100
		Total for Vendor:	50.00					
		# of Claims	26	Total:	30,399.47			

FREEPORT CALLS - May 2019

City	Date_Received	Call #	Description	Actual_Incid_Location
FREEPORT	05/02/2019 08:10:13	19034037	24 HOUR PARKING VIOLATIO	
FREEPORT	05/22/2019 09:20:30	19040181	AGENCY ASSIST	
FREEPORT	05/01/2019 09:33:50	19033725	BAD CHECKS	
FREEPORT	05/07/2019 15:23:51	19035600	DANCO VIOLATION	
FREEPORT	05/09/2019 18:56:34	19036245	DOG COMPLAINT/BARKING	
FREEPORT	05/13/2019 21:46:26	19037497	DRIVING COMPLAINT	
FREEPORT	05/25/2019 21:23:00	19041293	DRIVING COMPLAINT	
FREEPORT	05/02/2019 15:45:39	19034171	FRAUD	
FREEPORT	05/09/2019 09:01:11	19036086	MEDICAL EMERGENCY	
FREEPORT	05/28/2019 09:08:35	19041988	PAPER SERVICE	
FREEPORT	05/10/2019 19:06:20	19036580	PUBLIC RELATIONS	
FREEPORT	05/13/2019 17:55:49	19037449	SUICIDE THREAT	
FREEPORT	05/13/2019 18:18:02	19037456	SUSPICIOUS ACTIVITY	
FREEPORT	05/17/2019 14:44:15	19038746	SUSPICIOUS ACTIVITY	
FREEPORT	05/20/2019 12:09:08	19039573	TRAFFIC STOP	
FREEPORT	05/15/2019 01:09:00	19037855	TRAFFIC STOP	
FREEPORT	05/05/2019 17:49:05	19035035	TRAFFIC STOP	
FREEPORT	05/10/2019 06:30:02	19036395	TRAFFIC STOP	
FREEPORT	05/07/2019 21:02:29	19035688	TRAFFIC STOP	
FREEPORT	05/28/2019 12:08:04	19042048	TRAFFIC STOP	
FREEPORT	05/28/2019 12:21:59	19042054	TRAFFIC STOP	
FREEPORT	05/30/2019 16:34:54	19042851	TRAFFIC STOP	
FREEPORT	05/27/2019 08:39:23	19041721	TRAFFIC STOP	
FREEPORT	05/23/2019 00:35:51	19040436	TRAFFIC STOP	
FREEPORT	05/20/2019 02:38:10	19039456	TRAINING ONLINE	
FREEPORT	05/07/2019 20:50:12	19035686	VERBAL DISPUTE	
FREEPORT	05/17/2019 13:20:13	19038707	WARRANT	
FREEPORT	05/22/2019 09:17:03	19040180	WELFARE CHECK	

LG220 Application for Exempt Permit

An exempt permit may be issued to a nonprofit organization that:

- conducts lawful gambling on five or fewer days, and
- awards less than \$50,000 in prizes during a calendar year.

If total raffle prize value for the calendar year will be \$1,500 or less, contact the Licensing Specialist assigned to your county by calling 651-539-1900.

Application Fee (non-refundable)

Applications are processed in the order received. If the application is postmarked or received 30 days or more before the event, the application fee is **\$100**; otherwise the fee is **\$150**.

Due to the high volume of exempt applications, payment of additional fees prior to 30 days before your event will not expedite service, nor are telephone requests for expedited service accepted.

ORGANIZATION INFORMATION

Organization Name: Freeport Black Sox Previous Gambling Permit Number: _____
 Minnesota Tax ID Number, if any: 20-5103023 Federal Employer ID Number (FEIN), if any: _____
 Mailing Address: PO Box 97
 City: Freeport State: MN Zip: 56331 County: Stearns
 Name of Chief Executive Officer (CEO): Craig Meyer
 CEO Daytime Phone: 320.493.0296 CEO Email: craigmeyer18@gmail.com
 (permit will be emailed to this email address unless otherwise indicated below)
 Email permit to (if other than the CEO): _____

NONPROFIT STATUS

Type of Nonprofit Organization (check one):

☐ Fraternal ☐ Religious ☐ Veterans ☒ Other Nonprofit Organization

Attach a copy of one of the following showing proof of nonprofit status:

(DO NOT attach a sales tax exempt status or federal employer ID number, as they are not proof of nonprofit status.)

☐ **A current calendar year Certificate of Good Standing**

Don't have a copy? Obtain this certificate from:

MN Secretary of State, Business Services Division
 60 Empire Drive, Suite 100
 St. Paul, MN 55103

Secretary of State website, phone numbers:

www.sos.state.mn.us

651-296-2803, or toll free 1-877-551-6767

☐ **IRS income tax exemption (501(c)) letter in your organization's name**

Don't have a copy? To obtain a copy of your federal income tax exempt letter, have an organization officer contact the IRS toll free at 1-877-829-5500.

☐ **IRS - Affiliate of national, statewide, or international parent nonprofit organization (charter)**

If your organization falls under a parent organization, attach copies of both of the following:

1. IRS letter showing your parent organization is a nonprofit 501(c) organization with a group ruling; and
2. the charter or letter from your parent organization recognizing your organization as a subordinate.

GAMBLING PREMISES INFORMATION

Name of premises where the gambling event will be conducted (for raffles, list the site where the drawing will take place): Black Sox Park

Physical Address (do not use P.O. box): 1000 1st Ave S

Check one:

☒ City: Freeport Zip: 56331 County: Stearns
☐ Township: _____ Zip: _____ County: _____

Date(s) of activity (for raffles, indicate the date of the drawing): 7/14/2019

Check each type of gambling activity that your organization will conduct:

☐ Bingo ☐ Paddlewheels ☐ Pull-Tabs ☐ Tipboards ☒ Raffle

Gambling equipment for bingo paper, bingo boards, raffle boards, paddlewheels, pull-tabs, and tipboards must be obtained from a distributor licensed by the Minnesota Gambling Control Board. EXCEPTION: Bingo hard cards and bingo ball selection devices may be borrowed from another organization authorized to conduct bingo. To find a licensed distributor, go to www.mn.gov/gcb and click on **Distributors** under the **List of Licensees** tab, or call 651-539-1900.

Memo

From: Joan Wall, Clerk-Treasurer

To: Freeport City Council

Date: 6/18/19

Re: Clerk-Treasurer Report

The 2019 Clerks' Orientation Conference is June 26-28 in Duluth and I am registered to attend. Lori will keep the office open during the City's regular business hours.

Job Duty	Date	Initial
Flushed sanitary behind charlies & Corner Pub.	Wed 5/8/19	XL/MT
Well, tower, liftstation, pond checks, ^{water samples} pushed water at 4:00 had 1/2 of snow, rain yesterday; worked in flowstation to keep water wastewater moving to much I & I.	Thur 5/9/19	XL
	"	XL
	"	XL
Well, tower, pond checks, cleaned up Flow station, mulch up town	FRI 5/10/19	XL
Fixed pond valve in that had broken.	"	XL
Well, tower, pond checks	SAT 5/11/19	XL
Well, tower, pond checks	SUN 5/12/19	XL
Well, tower, pond, liftstation checks, water samples, Flushed all hydrants, mowed lawn, water samples to MDH	MON 5/13/19	XL/MT
	"	XL/MT
Well, tower, pond checks, met w/ Dave Blommel to look at San sanitary system, pumped intake out at ponds, water samples to MDH	TUE 5/14/19	XL
	"	XL
Well, tower, pond checks, Fixed more valve stems at ponds, put bugs in at ponds, playground rope loose at school.	Wed 5/15/19	XL
	"	XL
Well, tower, liftstation, pond checks, water samples, switch to mower deck from blower, mowed lawn.	THUR 5/16/19	XL
	"	XL
Well, tower, pond checks, water shut off at Deacon Ricks "valve fix"	FRI 5/17/19	XL
blew sidewalks off & swept streets, let floor cleaning service in & locked up later	"	XL
	"	XL
Well, tower, pond checks	SAT 5/18/19	XL
Well, tower, pond checks	SUN 5/19/19	XL
Well, tower, liftstation, pond checks, water samples, gopher calls, McQueen rep was here went over sweeper, dumped sweeping at pumps, met w/ Rob Layne about manholes that need to get Fixed & Industrial liftstation, worked at shop	MON 5/20/19	XL
	"	XL
	"	XL
	"	XL
Well, tower, pond checks, meter reading on a sold house, gopher calls, Found curb stops on 9th street, Kotzer came & started working on flowstation & road culvert.	Tue 5/21/19	XL
	"	XL
	"	XL
~~~~~ Council ~~~~~		
Well, tower, pond checks, gopher calls, surge protector/battery backup went out at tower, ^{New} put up flags.	Wed 5/22/19	XL
	"	XL
Well, tower, liftstation, pond checks, water samples, mowed lawn, finished putting mulch down, sleep work.	Thur 5/23/19	XL
	"	XL
Well, tower, ponds, put valve at ponds in.	FRI 5/24/19	XL
	"	XL
Well, tower, pond checks	SAT 5/25/19	ME
Well, tower, pond checks	SUN 5/26/19	ME



Job Duty	Date	Initial
Well, tower, pond, lift station checks	5/27/19 Mon	ME
Well, tower, pond checks, water samples, mowed lawn, water shut OFFs, council meeting	5/28/19 TUE	JL
	"	JL
Well, tower, pond checks, mowed lawn, cold Patch on streets	5/29/19 Wed	JL/ME
Well, tower, lift station, pond checks, water samples, cold patch on streets	5/30/19 Thur	JL/ME
mowed lawn, Bob Dinning From Streams Weed came to look at	"	JL
Percept Noxious weeds,	"	JL
Well, tower, pond checks, mowed lawn, meter readings	FRI 5/31/19	JL/JN
Well, tower, pond checks	SAT 6/1/19	JL/JN
Well, tower, pond checks	SUN 6/2/19	JL/JN
Well, tower, pond, lift station checks, water samples	Mon 6/3/19	JL/JN
Flags halfstaff, <del>we</del> worked on main flag pole by city hall,	<del>6/3/19</del>	JL
mowed lawn, Fixed zero turn bearing on middle blade	"	JL/ME
Well, tower, pond checks, mowed lawn, put extra cold patch by	Tue 6/4/19	JL/ME
loading ramp, cleaned shop, met w/ Team lab, made pins for	"	JL
Flow station cover, pumped influent divider, & divider between	"	JL
Pond 1 & 2, took flags down, gopher calls	"	JL
Well, tower, pond checks, mpcn & Flowide reports, gopher	Wed 6/5/19	JL
calls, lawn mower to Farm Center wheel bearing, service		JL
engine light on ton truck, Brian looked at will fix next week,		JL
Rural water sep stopped by, mowed lawn, pulled trees by		JL/ME
old SZ behind Wemmen storm drains,		JL
Well, tower, lift station, pond checks, water samples, shop work —	Thur 6/6/19	JL
Well, tower, pond checks, garbages, ballpark cleaning, gopher	FRI 6/7/19	JL
	SAT 6/8/19	JL
Well, tower, pond checks	SUN 6/9/19	JL
Well, tower, pond checks	MON 6/10/19	JL
Well, tower, lift station, pond checks, water samples, mowed lawn	TUE 6/11/19	JL
Well, tower, pond checks, mowed lawn	Wed 6/12/19	JL/ME
Well, tower, pond checks, clean shop - Flushed hydrants	Thur 6/13/19	JL
Well, tower, pond, lift station checks, water samples, water samples	"	JL
For pre-discharge & brought to DHIA, Flags up for Flag day,	"	JL
ballpark garbage & water shut off notices & notice for	"	JL
nuisance ordinance - bugs in ponds	"	JL
Well, tower, pond checks, Quarterly Influent samples, Fixed	FRI 6/14/19	JL
station <del>at</del> latches, gopher calls, ton truck to Fastlane	"	JL
Well, tower, pond checks	SAT 6/15/19	JL



