

CITY OF SANDSTONE, MINNESOTA
BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

CITY OF SANDSTONE, MINNESOTA

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CITY OF SANDSTONE, MINNESOTA
INTRODUCTORY SECTION
December 31, 2018

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CITY OF SANDSTONE, MINNESOTA

ORGANIZATION

December 31, 2018

City Council

Peter Spartz Mayor
Phillip Kester Deputy Mayor
Tim Franklin Councilperson
Val Palmer Councilperson
Brandon Devlin Councilperson

Administration

Kathy George City Administrator
Lois Newey Finance Officer

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CITY OF SANDSTONE, MINNESOTA
FINANCIAL SECTION
December 31, 2018

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Althoff and Nordquist, LLC

CERTIFIED PUBLIC ACCOUNTANTS
www.althoffandnordquist.com

1300 NORTHRIDGE DR. NW UNIT 1
PINE CITY, MINNESOTA 55063
TELEPHONE: 320-629-6185

124 EAST FOREST
MORA, MINNESOTA 55051
TELEPHONE: 320-679-4846

CARL D. NORDQUIST, JR., C.P.A.
ROBERT R. ALTHOFF, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CPAs
MINNESOTA SOCIETY OF CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Sandstone, Minnesota

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 Sandstone, Minnesota, as of and for the year ended December 31, 2018, and the related notes to 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 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 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 assessment of the risk 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 entity'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 entity'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 basic 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 Sandstone, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable cash flows, thereof, and respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 20 and 35 through 41 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considered 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 inquires 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 of Sandstone, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor fund statements and schedules and supplementary financial information are presented for purpose of additional analysis and are not a required part of the financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated June 10, 2019 on our consideration of the City of Sandstone, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 City of Sandstone, Minnesota's internal control over financial reporting and compliance.



Althoff and Nordquist, LLC
Pine City, Minnesota
June 10, 2019

CITY OF SANDSTONE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

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Management's Discussion and Analysis

The Management Discussion and Analysis offers readers a financial statement overview and analysis of the financial activities for the City of Sandstone for the fiscal year ended December 31 2018. It is intended to serve as an introduction to the City of Sandstone's basic financial statements. The information can be reviewed in conjunction with the City's financial statements, (page 22), supplementary financial information (page 72) and with the notes beginning on (page 48).

Financial Statements Overview

The basic financial statements include three components-

1. Government-wide financial statements provide a broad overview of the finances that includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

Statement of net assets (page 22) presents information on all the assets and liabilities using the accrual basis of accounting with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of financial position improvements or deterioration.

Statement of activities (page 24) presents information showing how the net assets changed during the fiscal year. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, ie earned but unused vacation leave.

2. Fund financial statements (starting on page 28) provide information for group related accounts used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Comparing this information with the government-wide activities assists the reader in understanding the long-term impact of near-term financing decisions.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail.

3. Notes to the financial statements (starting on page 48) provide additional information for a broader understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information and other reports are provided as supporting information as required.

The City of Sandstone currently accounts for nineteen individual governmental funds and four proprietary funds. Financial information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital projects fund, EDA fund, Fire protection fund and EDA public works grant, which are considered to be major funds for fiscal year 2018. Financial information from the remaining fourteen non-major funds is combined into a single, aggregated presentation. Fund financial information for nonmajor governmental funds is also provided in the form of individual and combining statements. Economic Development Authority (EDA) is a component unit pursuant to the criteria in the National Council on Government Accounting, Statement 3.

Restricted cash is reported for cash set aside each year for specific projects or operations. Types of general fund operations include the tree ordinance and KREEC project. The capital, water, sewer and storm sewer funds have restricted cash for future repair and replacement projects. The MN DOT Grant fund was completed in 2018 and EDA Public works grant will be completed in 2019. The funds have been used for the infrastructure for the development of the Medical and Business Park property.

Reserved fund balance reflects reserves for future projects resulting from city planning and development for future growth.

Financial Highlights

- Total assets for governmental activities are \$10,731,628 and total liabilities are \$973,412 with a total net position of \$9,757,916 for fiscal year-end 2018.
- The change in net position of governmental activities increased by \$4,533,027. Fund balance increased in total governmental funds from \$2,532,349 in 2017 to \$2,640,976 in 2018.
- The unassigned fund balance for the general fund was \$698,413 or 80 percent of total general fund expenditures and 51% of fund operating revenues.
- Total governmental activity outstanding debt obligations decreased by \$365,000. This is a reduction of debt service by regular scheduled bond payments (\$140,000 per reconciliation). Business-type activity debt service decreased by \$225,000.

Analysis of Financial Activities – Government wide

The fiscal year end December 31, 2018 reflects the required Government Accounting Standards Board (GASB) Statement 34 financial statement report model.

Capital Assets

Investment in capital assets for governmental and business type activities as of December 31, 2018 is \$16,191,820 (net of accumulated depreciation). This includes; land, buildings, improvements, machinery and equipment, streets, alleys, sidewalks, water pipes, sewer mains and storm sewer.

Capital asset activities for the year end December 31, 2018, are as follows:

Governmental Activities	Beginning Balances	Increase	Decrease	Ending Balances
Total Capital Assets	11,229,514	4,573,825	9,034	15,794,305
Total Accumulated Depreciation	7,658,161	301,050	18,070	7,941,141
Total Capital Assets, Net of Depreciation	<u>\$ 3,571,353</u>	<u>\$ 4,272,775</u>	<u>\$ (9,036)</u>	<u>\$ 7,853,164</u>
<u>Business - Type Activities</u>				
Total Capital Assets	20,448,948	349,006	42,380	20,755,574
Total Accumulated Depreciation	11,950,050	466,868	--	12,416,918
Business - Type Capital Assets, Net of Depreciation	<u>\$ 8,498,898</u>	<u>\$ (117,862)</u>	<u>\$ 42,380</u>	<u>\$ 8,338,656</u>

Governmental assets net increase of \$4,281,811 includes accumulated total of the four year construction project building Lunderff drive, bridge and infrastructure.

Business type activities total capital assets decrease of \$160,242 reflects the net of annual depreciation and asset disposition.

Net Assets

The statement of net assets presents information on all of the City of Sandstone's assets and liabilities, with the difference between the two reported as net assets. Changes in net asset comparison for 2017 and 2018 can be used to observe the overall changing financial position. The chart below is a summary of net assets for the past two years.

Summary of Net Assets

	Governmental Activities		Business- Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 2,878,164	\$ 2,937,865	\$ 4,385,596	\$ 4,412,721	\$ 7,263,760	\$ 7,350,586
Capital assets	<u>7,853,164</u>	<u>3,571,353</u>	<u>8,338,656</u>	<u>8,498,898</u>	<u>16,191,820</u>	<u>12,070,251</u>
Total assets	<u>\$ 10,731,328</u>	<u>\$ 6,509,218</u>	<u>\$ 12,724,252</u>	<u>\$ 12,911,619</u>	<u>\$ 23,455,580</u>	<u>\$ 19,420,837</u>
Liabilities:						
Other liabilities	\$ 603,412	\$ 774,329	\$ 357,353	\$ 284,760	\$ 960,765	\$ 1,059,089
Long-term debt outstanding	<u>370,000</u>	<u>510,000</u>	<u>2,815,609</u>	<u>3,000,000</u>	<u>3,185,609</u>	<u>3,510,000</u>
Total liabilities	<u>973,412</u>	<u>1,284,329</u>	<u>3,172,962</u>	<u>3,284,760</u>	<u>4,146,374</u>	<u>4,569,089</u>
Net assets:						
Invested in capital assets, net of debt	7,343,164	2,921,353	5,248,119	5,273,898	12,591,283	8,195,251
Restricted	2,290,343	2,317,583	747,609	580,613	3,037,952	2,898,196
Unrestricted (deficit)	<u>124,409</u>	<u>(14,047)</u>	<u>3,555,562</u>	<u>3,772,348</u>	<u>3,679,971</u>	<u>3,758,301</u>
Total Net assets	<u>\$ 9,757,916</u>	<u>\$5,224,889</u>	<u>\$ 9,551,290</u>	<u>\$ 9,626,859</u>	<u>\$ 19,309,206</u>	<u>\$ 14,851,748</u>

The City of Sandstone's total net asset is invested in capital assets (net) of \$7,343,164. This reflects the total construction project expenditures over the past four years for the new Lundorff Drive, bridge and infrastructure development of the business park. The investments in capital assets are used to provide services to citizens and are not available for future spending.

The business type net assets are primarily invested in capital assets of \$5,248,119, which include all infrastructure and buildings of water, sewer, storm water and Wild River Apartments.

The City of Sandstone reported a increase in net position for governmental activities of \$108,627 and a decrease in business-type activities of \$75,569 after transfers. Key elements of this increase and decrease are as follows:

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
Program revenues:						
Charges for services	\$ 300,186	\$ 162,780	\$ 1,242,231	\$ 1,265,349	\$ 1,542,417	\$ 1,428,129
Grants	1,170,577	1,440,948	--	--	1,170,577	1,440,948
General revenues:						
Property taxes	515,528	511,258	--	--	515,528	511,258
Other taxes	--	--	--	--	--	--
Other general revenues	21,361	13,803	(93,506)	(11,366)	(72,145)	2,437
Total revenues	<u>2,007,652</u>	<u>2,128,789</u>	<u>1,148,725</u>	<u>1,253,983</u>	<u>3,156,377</u>	<u>3,382,772</u>
Program expenses:						
General government	412,868	383,419	-	-	412,868	383,419
Public safety	293,771	265,043	-	-	293,771	265,043
Public works	244,289	211,157	-	-	244,289	211,157
Culture and Recreation	46,431	27,347	-	-	46,431	27,347
Other general expenditures	59,068	350,966	-	-	59,068	350,966
Debt service	158,907	1,617,586	-	-	158,907	1,617,586
Capital expenditures	668,548	859,468	-	-	668,548	859,468
Water	--	--	308,030	251,968	308,030	251,968
Sewer	--	--	408,984	341,269	408,984	341,269
Storm water	--	--	34,896	30,738	34,896	30,738
Wild River Apartments	--	--	487,527	517,213	487,527	517,213
Total expenses	<u>1,883,882</u>	<u>3,714,986</u>	<u>1,239,437</u>	<u>1,141,188</u>	<u>3,123,319</u>	<u>4,856,174</u>
Excess (deficiency) before						
Special items and transfers	123,770	(1,586,197)	(90,712)	112,795	33,058	(1,473,402)
Transfers in (out)	<u>(15,143)</u>	<u>(16,941)</u>	<u>15,143</u>	<u>16,941</u>	<u>--</u>	<u>--</u>
Increase (decrease) in net position	<u>\$ 108,627</u>	<u>\$ (1,603,138)</u>	<u>\$ (75,569)</u>	<u>\$ 129,736</u>	<u>\$ 33,058</u>	<u>\$ (1,473,402)</u>

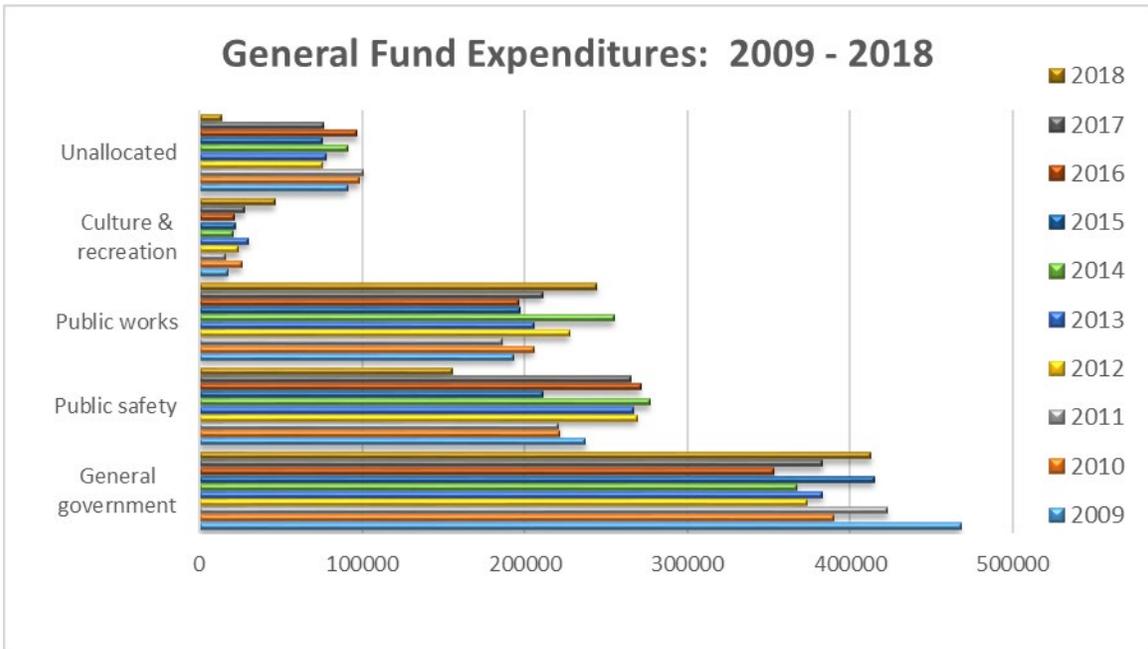
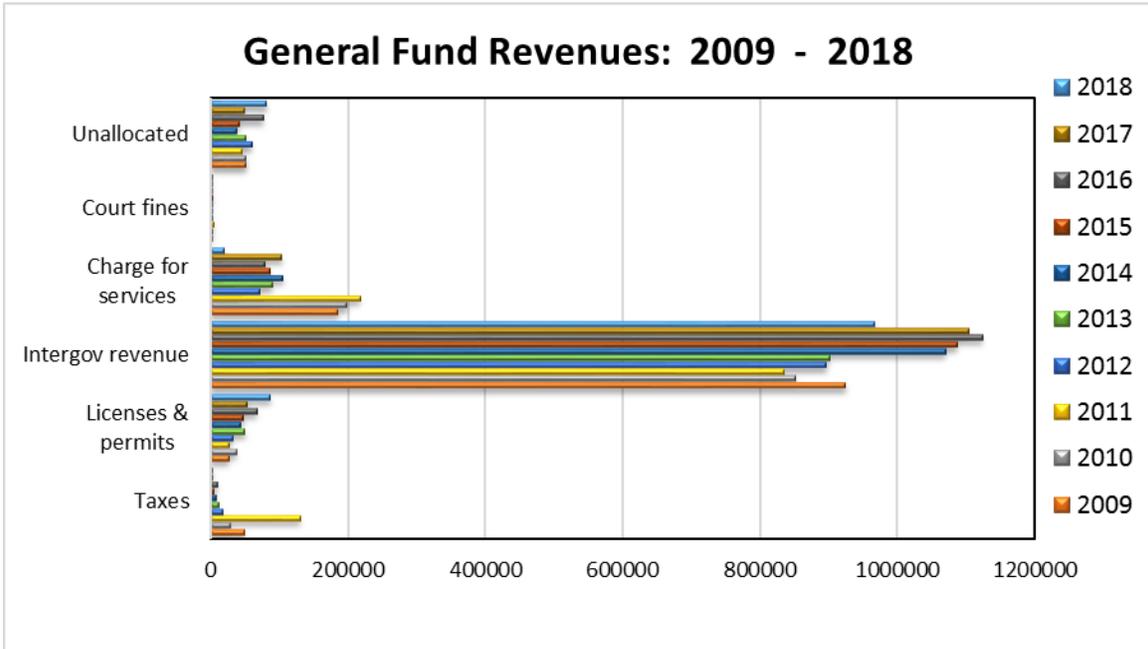
More detailed governmental and business-type information is found in the balance sheet and statement of revenue, expenditure and changes in fund balance.

General Fund

The general fund is used to account for the ordinary operations of the city that are financed from taxes and other general revenues.

Expenditures decreased from \$963,553 in 2017 to \$872,945 in 2018. Revenue decreased from 2017 of \$1,312,455 to \$1,160,912 in 2018.

The following two graphs show the general fund revenues and expenditures comparison from 2009 through 2018.

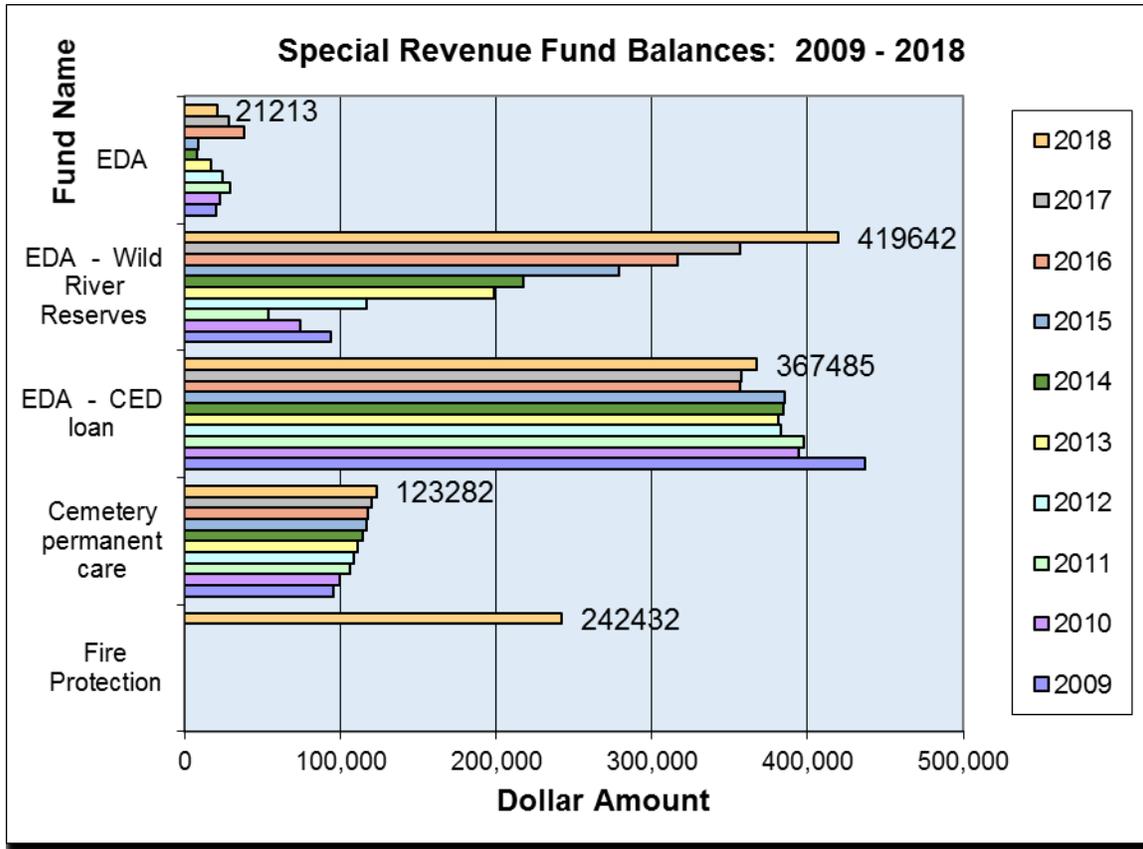


Special Revenue Funds

Special revenue funds are used to account for revenues from specific taxes or other earmarked revenue sources that by law are designed to finance particular functions or activities of government.

The City of Sandstone has four non-major special revenue funds: Cemetery perpetual care, EDA CED loan fund, EDA wild river capital expense, EDA wild river reserve (EDA wild river capital expense and reserve funds combined on graph below). EDA operational fund and the new (in 2018) Fire Protection fund are major funds in 2018.

Special revenue funds reflect minor variations between fund balances from fiscal year 2009 to 2018.

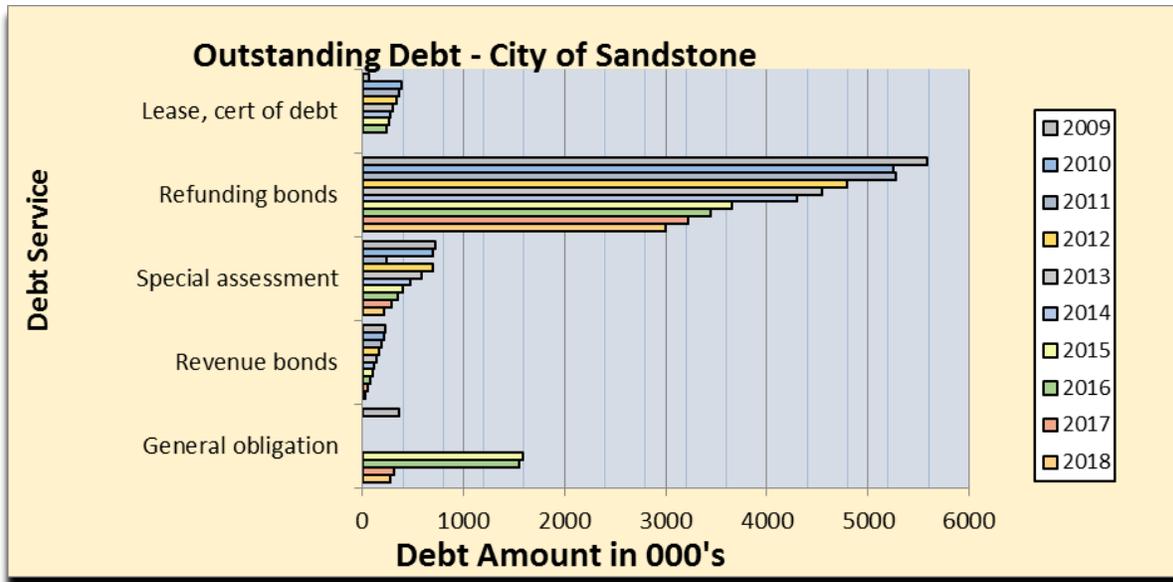


The EDA Wild River Reserves fund balance increased by \$23,816. Bond payment shortfall was \$58,543, which is covered by allocated taxes of \$80,000.

Debt Service Funds

The debt service funds are established to finance and account for the payment of interest and principal on all general obligation debt, serial and term.

The City of Sandstone has four debt service funds. The following chart reflects the City of Sandstone types of bonds and bond outstanding balances for fiscal year end 2009-2018.



The City of Sandstone's total net bonds and notes payable principal decreased by \$140,000 during the 2018 fiscal year. The decrease is the result of scheduled debt payments. The fiscal year end principal balance changed from \$650,000 in 2017 to \$510,000 in 2018.

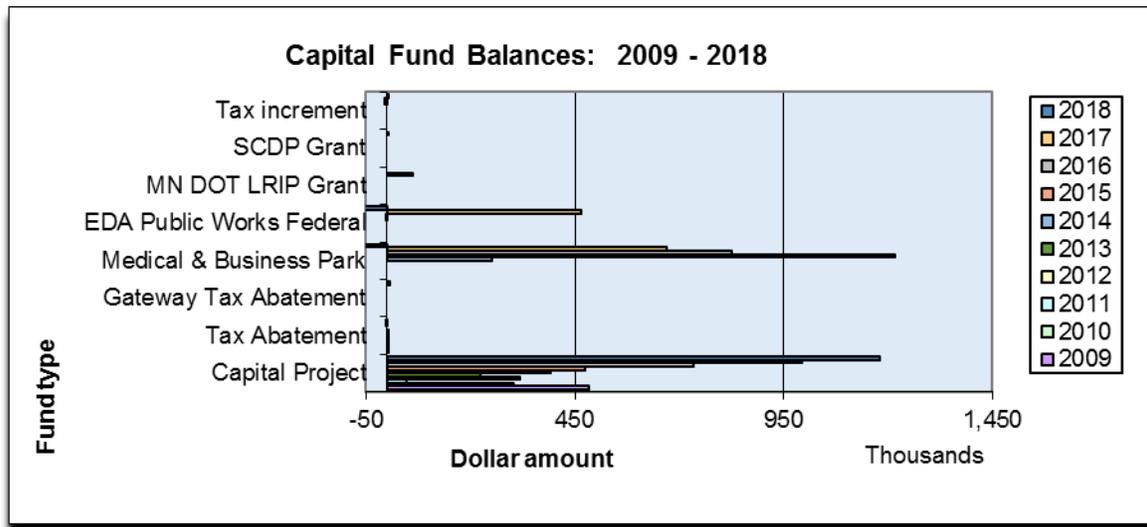
The Economic Development Authority (EDA) refunded debt to reduce bond rates and reduce annual principal and interest payment. The bond principal balance decreased from \$3,225,000 in 2017 to \$3,000,000 in 2018.

A more detailed breakdown of all obligations can be found in the supplementary financial information section.

Capital Fund

Capital funds are created and used to account for all resources to be used for the construction or acquisition of designated fixed assets by a governmental unit.

Capital funds include eight funds of which Capital projects, Medical and Business Park, EDA Public Works Federal Grant and Minnesota Department of Transportation LRIP Grant are major funds. A new tax abatement fund was created in 2018 to abate taxes for Gateway Clinic. The Small development grant program (SCDP) fund was created in 2018. The EDA Public Works Federal Grant fund and MN DOT LRIP Grant fund were created in 2015 for qualified grant expenditure for business park infrastructure upgrades required at the former airport property.



The capital projects fund balance increased from \$995,062 in 2017 to \$1,180,860 in 2018.

Major expenditures in the capital project fund for fiscal year 2018 included street overlays, street maintenance and asbestos abatement for tax forfeited houses. Total expenditures increased from \$94,303 in 2017 to \$396,908 in 2018.

Revenues increased from \$302,620 in 2017 to \$582,706 in 2018. The 2013 insurance claim balance of \$112,136 remains restricted for environmental remediation in the former high school building.

Proprietary Funds

Proprietary funds are sometimes referred to as 'business' or 'commercial-type' funds. The fund is established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are predominantly self-supporting.

The City of Sandstone has four proprietary funds: water, sewer, storm water and wild river apartments.

Proprietary Funds overall operations 2015 to 2018 comparison:

	2018 Total	2017 Total	2016 Total	2015 Total	2017-18 Change
Operating revenues:					
Sales & charges for services	1,238,387	1,256,683	1,287,301	1,227,631	(18,296)
Unallocated revenue	3,844	8,666	7,570	2,998	(4,822)
Total operating revenues	1,242,231	1,265,349	1,294,871	1,230,629	(23,118)
Operating expenses:					
Maintenance and operations	772,569	687,396	572,987	628,519	85,173
Depreciation	468,868	453,792	450,382	442,936	15,076
Total Operating Expenses	1,239,437	1,141,188	1,023,369	1,071,455	113,325
Operating Income (Loss)	2,794	124,161	271,502	159,174	(121,367)
Non-operating revenues (expenses):					
Interest earned	60,041	49,225	42,618	42,503	10,816
Change in pensions	(52,709)	--	--	--	(52,709)
Interest expense	(100,838)	(60,591)	(114,038)	(117,787)	(40,247)
Total non-operating revenues (exp)	(93,506)	(11,366)	(70,420)	(75,284)	(82,140)
Net Income (loss) before transfers and Contributions	(90,712)	112,795	200,082	(83,890)	(203,507)
Transfers In	58,543	60,591	57,697	58,216	(2,084)
Transfers out	(43,400)	(43,650)	(43,900)	(143,650)	250
Changes in net position	(75,569)	129,736	213,879	(1,544)	(205,305)
Total net position - beginning	9,626,859	9,487,082	9,283,203	9,284,747	139,777
Total net position - ending	9,551,290	9,626,859	9,497,082	9,283,203	(75,569)

Operating Revenue – decrease	\$ 23,118
Operating Expense - increase	\$ 113,325
Non-operating Revenue – increase (expense)	\$ 40,247

Net position decreased by \$75,569. The decreases came from Wild River apartments (+\$111,500), water (-\$122,500), sewer (-\$67,500) and storm water (+\$3,000) funds.

Wild River apartments fund operating revenues decreased by \$32,926 and operating expenses decreased by \$29,686. The net position decreased by \$44,238. The annual levy for 2018 was \$100,000.

Net position for the Water Fund decreased \$122,501. Operating revenues decreased by \$5,307 and maintenance and operations increased \$52,782 from 2017. Sewer Fund net position decreased \$67,595. Storm Water Fund increased net position by \$3,064. More detailed information can be found for the proprietary funds in the statement of revenues, expenses, and changes in fund net position.

In Conclusion

In 2017, City and EDA signed a purchase agreement with Sandstone Development, LLC for two lots in the Business Park: Lot 2 Block 1 Grant Knowles Addition and Lot 1 Block 2 Grant Knowles Addition. The due diligence period has been extended to July 25, 2019, followed by a public hearing.

The City contracted with engineering firm SEH to complete a Rail Access Plan for the Industrial Park. The results of this effort will help to market lots in the Business Park.

The EDA had entered into a Purchase and Redevelopment Agreement in 2013 for the old high school building (The Rock). In 2018, the EDA had determined that the Developer was in default of the agreement and, therefore, took the Deed back. The EDA is working on redevelopment of this building for the Sandstone Public Library, the Sandstone History and Art Center, and multi-family apartments.

City contracted with WSB Architects to amend and update Robinson Park's master plan which allowed the City to apply for set-aside legacy funds. Neither the 2017, nor the 2018 applications were funded; however, the City will reapply in 2019.

City remains involved in the Northern Lights Express passenger rail project. City has been designated as possible site for a maintenance and/or layover facility by MNDOT.

The City contracted with Community Partners Research to conduct a Housing Study.

The City acquired 5 tax-forfeited residential properties from the County with the intention of demolishing the buildings and offering the lots for in-fill residential development. Demolition has occurred on 3 of the lots. The Fire Department conducted a training burn on 1 of the properties and plan to conduct another training burn on the 5th property. Habitat for Humanity is interested in developing housing on 2 of the lots, likely in the year 2020.

The City received a Small Cities Development Block Grant through the State of Minnesota Department of Employment and Economic Development (DEED). The grant is in the amount of \$588,800 and is used to re-habilitate owner-occupied residential homes and commercial buildings. The program is administered by the Lakes & Pines Community Action Council, Inc.

The City of Sandstone was designated an Opportunity Zone by the U.S. Treasury.

The City undertook the River Bluff Infrastructure Improvement Project in 2018, which consisted of replacing the sanitary sewer and water lines. New curb, gutter, and bituminous were also part of the project.

The City received a grant from the East Central Regional Arts Council for \$7,000 to create the Kettle River Watershed Mural which will be located in Train Park.

This financial report is designed to provide a general overview of the City of Sandstone finances. Questions concerning any of the information provided in this report can be addressed by contacting the office of the City Administrator or Finance Officer at 119 Fourth Street, Sandstone, Minnesota 55072.

CITY OF SANDSTONE, MINNESOTA
BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

STATEMENT OF NET POSITION

December 31, 2018

(With Comparative Amounts for December 31, 2017)

	Governmental Activities	Business - Type Activities	Totals	
			2018	2017
ASSETS				
Cash & cash equivalents	\$ 1,759,745	\$ 672,640	\$ 2,432,385	\$ 2,291,607
Cash with Fiscal Agent	--	54,376	54,376	71,044
Investments	132,602	2,833,660	2,966,262	3,046,544
Accounts receivable	123,500	21,605	145,105	424,048
Delinquent property tax	44,038	--	44,038	36,648
Special assessments receivable	1,192	2,538	3,730	5,871
Special assessments deferred	1,795	--	1,795	11,801
Due from other funds	--	50,011	50,011	74,017
Bond discount and refunding	--	103,938	103,938	115,219
Prepaid expenses	14,233	13,782	28,015	28,159
Restricted cash	788,429	629,889	1,418,318	1,123,226
Capital assets, net	7,853,164	8,338,656	16,191,820	12,070,251
Total assets	10,718,698	12,721,095	23,439,793	19,298,435
Deferred Outflow of Resources				
Related to Pensions	12,630	3,157	15,787	122,402
Total Assets and Deferred Outflows of Resources	\$ 10,731,328	\$ 12,724,252	\$ 23,455,580	\$ 19,420,837
LIABILITIES				
Accounts payable	\$ 7,655	\$ 31,401	\$ 39,056	\$ 68,699
Due to other funds	50,011	--	50,011	74,017
Accrued expenses	21,005	--	21,005	12,928
Unearned revenue	145,887	2,538	148,425	147,763
Security deposits	--	40,960	40,960	38,095
Interest payable	15,386	1,588	16,974	29,395
Non current liabilities:				
Net pension liability	199,714	49,928	249,642	280,893
Due within one year	140,000	225,000	365,000	365,000
Due in more than one year	370,000	2,815,609	3,185,609	3,510,000
Total liabilities	949,658	3,167,024	4,116,682	4,526,790
Deferred Inflow of Resources				
Related to Pensions	23,754	5,938	29,692	42,299
Total Liabilities and Deferred Inflow of Resources	\$ 973,412	\$ 3,172,962	\$ 4,146,374	\$ 4,569,089
NET POSITION				
Net investment in Capital Assets	\$ 7,343,164	\$ 5,248,119	\$ 12,591,283	\$ 8,195,251
Restricted for:				
Prepaid items	14,233	117,720	131,953	143,378
Restricted assets	2,276,110	629,889	2,905,999	2,754,818
Unrestricted	124,409	3,555,562	3,679,971	3,758,301
Total Net Position	\$ 9,757,916	\$ 9,551,290	\$ 19,309,206	\$ 14,851,748

See Notes to Financial Statements.

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CITY OF SANDSTONE, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(With Comparative Amounts for the Year Ended December 31, 2017)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs</u>				
Governmental Activities:				
General government	\$ 654,818	\$ 19,885	\$ 1,161,351	\$ 7,000
Public safety	309,350	92,650	--	--
Public works	323,609	--	--	--
Culture and recreation	51,630	21,520	--	--
Debt service	15,386	--	--	--
Capital expenditure	501,123	--	--	--
Total Governmental Activities	1,855,916	134,055	1,161,351	7,000
Business - Type Activities:				
Water utility	308,030	245,183	--	--
Sewer utility	408,984	309,801	--	--
Storm water	34,896	47,659	--	--
Wild River apartment	487,527	639,588	--	--
Total Business - Type Activities	1,239,437	1,242,231	--	--
General Revenues:				
Property tax				
Tax increments				
Sale of Property				
Interest and investment earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Prior period adjustment				
Net Position, Beginning of Year				
Net Position, End of Year				

See Notes to Financial Statements.

Net (Expenses) Revenues and Changes in Net Position			
Governmental Activities	Business - Type Activities	Totals	
		2018	2017
\$ 533,418	\$ --	\$ 533,418	\$ 1,001,436
(216,700)	--	(216,700)	(291,272)
(323,609)	--	(323,609)	(234,193)
(30,110)	--	(30,110)	(13,259)
(15,386)	--	(15,386)	(30,301)
(501,123)	--	(501,123)	(1,141,397)
<u>(553,510)</u>	<u>--</u>	<u>(553,510)</u>	<u>(708,986)</u>
--	(62,847)	(62,847)	(1,478)
--	(99,183)	(99,183)	(43,039)
--	12,763	12,763	13,377
--	152,061	152,061	155,301
--	--	--	--
<u>--</u>	<u>2,794</u>	<u>2,794</u>	<u>124,161</u>
\$ 506,300	\$ --	\$ 506,300	\$ 488,045
9,228	--	9,228	23,213
--	--	--	--
21,361	(40,797)	(19,436)	2,437
4,564,791	(52,709)	4,512,082	--
(15,143)	15,143	--	--
<u>5,086,537</u>	<u>(78,363)</u>	<u>5,008,174</u>	<u>513,695</u>
4,533,027	(75,569)	4,457,458	(71,130)
--	--	--	41
<u>5,224,889</u>	<u>9,626,859</u>	<u>14,851,748</u>	<u>14,922,837</u>
<u>\$ 9,757,916</u>	<u>\$ 9,551,290</u>	<u>\$ 19,309,206</u>	<u>\$ 14,851,748</u>

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CITY OF SANDSTONE, MINNESOTA
FUND FINANCIAL STATEMENTS
December 31, 2018

CITY OF SANDSTONE, MINNESOTA
Governmental Funds
BALANCE SHEET
December 31, 2018

	General Fund	Capital Project Fund	EDA Fund	EDA CED Special Revenue
ASSETS				
Cash & cash equivalents	\$ 740,698	\$ 744,207	\$ 61,620	\$ 178,836
Investments	--	--	128,431	--
Accounts receivable	637	--	92,647	26,016
Delinquent property tax	268	24,327	2	--
Special assessments	--	--	--	--
Special assessments deferred	--	--	--	--
Due from other funds	683,827	74,158	--	168,839
Bond discount	--	--	--	--
Prepaid expense	12,218	--	--	--
Restricted investments	--	--	--	--
Restricted cash	99,900	412,505	--	--
Total Assets	<u>\$ 1,537,548</u>	<u>\$ 1,255,197</u>	<u>\$ 282,700</u>	<u>\$ 373,691</u>
LIABILITIES & FUND BALANCE				
<u>Liabilities:</u>				
Cash in bank (overdraft)	\$ --	\$ --	\$ --	\$ --
Accounts payable	7,621	--	--	--
Accrued expenses	21,005	--	--	--
Due to other funds	--	50,011	168,839	--
Unearned revenue	279	24,326	92,648	6,206
Total Liabilities	<u>28,905</u>	<u>74,337</u>	<u>261,487</u>	<u>6,206</u>
<u>Fund Balance:</u>				
Nonspendable	12,218	--	--	--
Restricted	99,900	1,180,860	--	--
Committed	--	--	--	--
Assigned	698,112	--	21,213	--
Unassigned	698,413	--	--	367,485
Total fund balance	<u>1,508,643</u>	<u>1,180,860</u>	<u>21,213</u>	<u>367,485</u>
Total liabilities and fund balances	<u>\$ 1,537,548</u>	<u>\$ 1,255,197</u>	<u>\$ 282,700</u>	<u>\$ 373,691</u>

Fire Protection Fund	EDA Public Works Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 34,384	\$ --	\$ --	\$ 1,759,745
--	--	4,171	132,602
4,200	--	--	123,500
--	--	19,441	44,038
--	--	1,192	1,192
--	--	1,795	1,795
--	--	770,630	1,697,454
--	--	--	--
2,015	--	--	14,233
--	--	--	--
276,024	--	--	788,429
<u>\$ 316,623</u>	<u>\$ --</u>	<u>\$ 797,229</u>	<u>\$ 4,562,988</u>
\$ --	\$ --	\$ --	--
34	--	--	7,655
--	--	--	21,005
74,158	683,827	770,630	1,747,465
--	--	22,428	145,887
<u>74,192</u>	<u>683,827</u>	<u>793,058</u>	<u>1,922,012</u>
2,015	--	--	14,233
276,025	--	774,801	2,331,586
--	--	--	--
--	--	--	719,325
<u>(35,609)</u>	<u>(683,827)</u>	<u>(770,630)</u>	<u>(424,168)</u>
<u>242,431</u>	<u>(683,827)</u>	<u>4,171</u>	<u>2,640,976</u>
<u>\$ 316,623</u>	<u>\$ --</u>	<u>\$ 797,229</u>	<u>\$ 4,562,988</u>

**RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCE
IN THE FUND BASIC FINANCIAL STATEMENTS**

December 31, 2018

(With Comparative Amounts for December 31, 2017)

	2018	2017
Amounts reported for governmental activities in the Statements of Net Position are different because:		
Total Governmental Fund Balance	\$ 2,640,976	\$ 2,532,349
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental Capital Assets	15,794,305	11,229,514
Less: Accumulated Depreciation	(7,941,141)	(7,658,161)
	7,853,164	3,571,353
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
Deferred Revenue	-	-
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds Payable	(510,000)	(650,000)
Bond Interest Payable	(15,386)	(28,023)
	(525,386)	(678,023)
Pension Related Items for GASB #68		
Deferred outflow of resources	12,630	122,402
Deferred inflow of resources	(23,754)	(42,299)
Net Pension Liability	(199,714)	(280,893)
	(210,838)	(200,790)
Net Position of Governmental Activities	\$ 9,757,916	\$ 5,224,889

See Notes to Financial Statements.

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CITY OF SANDSTONE, MINNESOTA
Governmental Funds
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2018

	General Fund	Capital Project Fund	EDA Fund	EDA CED Special Revenue
REVENUES				
Property taxes	\$ 1,670	\$ 282,435	\$ 108,332	\$ --
Special assessments	1,009	--	--	--
Licenses & permits	87,028	--	--	--
Intergovernmental revenue	967,751	22,897	25,920	--
Grants	7,000	--	--	--
Charges for services	19,885	--	--	--
Court fines	2,226	--	--	--
Interest	9,026	1,672	3,432	676
Rent	21,520	--	--	--
Miscellaneous	43,797	--	--	9,467
Total Revenues	<u>1,160,912</u>	<u>307,004</u>	<u>137,684</u>	<u>10,143</u>
EXPENDITURES				
General government	412,868	--	--	--
Public safety	155,524	--	--	--
Public works	244,289	--	--	--
Culture & recreation	46,431	--	--	--
Cemetery	13,833	--	--	--
Debt service	--	--	--	--
Capital expenditures	--	234,854	44,785	--
Total Expenditures	<u>872,945</u>	<u>234,854</u>	<u>44,785</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	287,967	72,150	92,899	10,143
OTHER FINANCING RESOURCES (USES)				
Bond proceeds	--	--	--	--
Transfer in	--	275,702	--	--
Transfer (out)	(293,702)	(162,054)	(100,000)	--
Total other financing sources (uses)	<u>(293,702)</u>	<u>113,648</u>	<u>(100,000)</u>	<u>--</u>
Net change in fund balances	(5,735)	185,798	(7,101)	10,143
Fund balances - beginning	<u>1,514,378</u>	<u>995,062</u>	<u>28,314</u>	<u>357,342</u>
Fund balances - ending	<u>\$ 1,508,643</u>	<u>\$ 1,180,860</u>	<u>\$ 21,213</u>	<u>\$ 367,485</u>

See Notes to Financial Statements.

Fire Protection Fund	EDA Public Works Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 113,863	\$ 506,300
--	--	8,219	9,228
--	--	--	87,028
144,783	--	--	1,161,351
--	--	--	7,000
72,765	--	--	92,650
--	--	--	2,226
1,076	--	5,479	21,361
--	--	--	21,520
--	--	45,724	98,988
<u>218,624</u>	<u>--</u>	<u>173,285</u>	<u>2,007,652</u>
--	--	--	412,868
138,247	--	--	293,771
--	--	--	244,289
--	--	--	46,431
--	--	--	13,833
--	--	159,357	159,357
--	219,217	214,477	713,333
<u>138,247</u>	<u>219,217</u>	<u>373,834</u>	<u>1,883,882</u>
80,377	(219,217)	(200,549)	123,770
--	--	--	--
162,054	--	161,400	599,156
--	--	(58,543)	(614,299)
<u>162,054</u>	<u>--</u>	<u>102,857</u>	<u>(15,143)</u>
242,431	(219,217)	(97,692)	108,627
--	(464,610)	101,863	2,532,349
<u>\$ 242,431</u>	<u>\$ (683,827)</u>	<u>\$ 4,171</u>	<u>\$ 2,640,976</u>

CITY OF SANDSTONE, MINNESOTA
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET POSITION OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
December 31, 2018
(With Comparative Amounts for December 31, 2017)

Statement 6

	2018	2017
Amounts reported for governmental activities in the Statements of Activities are different because:		
Net Changes in Fund Balance - Total Governmental Funds	\$ 108,627	\$ (1,603,138)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of assets	4,564,791	70,770
Depreciation expense	(282,980)	(279,128)
	4,281,811	(208,358)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue	-	36,648
Pension Related Items for GASB #68		
Pension Expense	36,044	59,290
State Aid (Pensions)	1,931	--
	37,975	59,290
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Proceeds from issuance of bonds	--	--
Principal retirement on long-term debt	120,000	1,565,000
Accrued interest on bonds payable	(15,386)	(50,308)
	104,614	1,514,692
Change in net position of Governmental Activities	\$ 4,533,027	\$ (200,866)

See Notes to Financial Statements.

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

For the Year Ended December 31, 2018

	Original and Amended Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ --	\$ 1,670	\$ 1,670
Special assessments	--	1,009	1,009
Licenses & permits	40,050	87,028	46,978
Intergovernmental revenue	983,684	967,751	(15,933)
Charges for services	5,500	19,885	14,385
Court fines	1,500	2,226	726
Miscellaneous	29,700	81,343	51,643
Total Revenues	<u>1,060,434</u>	<u>1,160,912</u>	<u>100,478</u>
EXPENDITURES			
General government:			
Mayor & council	14,025	11,567	(2,458)
Executive	228,617	215,135	(13,482)
Elections & voter registration	2,700	2,258	(442)
Finance administration	90,998	91,119	121
Legal fees	31,000	16,611	(14,389)
City engineer	12,200	3,728	(8,472)
City hall	15,000	4,124	(10,876)
Economic development	69,850	68,326	(1,524)
Total general government	<u>464,390</u>	<u>412,868</u>	<u>(51,522)</u>
Public Safety:			
Police protection	133,000	132,288	(712)
Fire protection	31,500	22,989	(8,511)
Animal control	1,200	247	(953)
Total public safety	<u>165,700</u>	<u>155,524</u>	<u>(10,176)</u>
Public works:			
Administration			
Employee services	222,000	217,824	(4,176)
Street lighting	28,000	26,465	(1,535)
Total public works	<u>250,000</u>	<u>244,289</u>	<u>(5,711)</u>
Culture & Recreation:			
Park and recreation	45,030	41,685	(3,345)
Library	5,000	4,746	(254)
Airport	--	--	--
Total culture & recreation	<u>50,030</u>	<u>46,431</u>	<u>(3,599)</u>
See Notes to Financial Statements.			

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
 For the Year Ended December 31, 2018

	Original and Amended Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures (Continued)			
Miscellaneous			
Cemetery	11,590	13,833	2,243
Non-departmental	--	--	--
Total miscellaneous	<u>11,590</u>	<u>13,833</u>	<u>2,243</u>
Total expenditures	<u>941,710</u>	<u>872,945</u>	<u>(68,765)</u>
Excess of revenues over (under) expenditures	<u>118,724</u>	<u>287,967</u>	<u>169,243</u>
Other Financing Sources (Uses):			
Transfer in	--	--	--
Transfer (out)	(35,500)	(293,702)	(258,202)
Total other financing sources (uses)	<u>(35,500)</u>	<u>(293,702)</u>	<u>(258,202)</u>
Net change in fund balance	83,224	(5,735)	(88,959)
Fund balance - beginning	<u>1,514,378</u>	<u>1,514,378</u>	<u>--</u>
Fund balance - ending	<u>\$ 1,597,602</u>	<u>\$ 1,508,643</u>	<u>\$ (88,959)</u>

See Notes to Financial Statements.

CITY OF SANDSTONE, MINNESOTA
 Fire Protection Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 139,093	\$ 144,783	\$ 5,690
Charges for services	58,600	67,065	8,465
Rent	--	5,700	5,700
Interest	--	1,076	1,076
Total Revenues	<u>197,693</u>	<u>218,624</u>	<u>20,931</u>
EXPENDITURES			
Expenditures	<u>197,693</u>	<u>138,247</u>	<u>(59,446)</u>
Total Expenditures	<u>197,693</u>	<u>138,247</u>	<u>(59,446)</u>
Excess (deficiency) of revenues over (under) expenditures	--	80,377	80,377
OTHER FINANCING SOURCES (USES)			
Transfer in	--	162,054	162,054
Total Other Financing Sources (Uses)	<u>--</u>	<u>162,054</u>	<u>162,054</u>
Net change in fund balance	--	242,431	242,431
Fund Balance - beginning	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance - ending	<u>\$ --</u>	<u>\$ 242,431</u>	<u>\$ 242,431</u>

CITY OF SANDSTONE, MINNESOTA
 EDA CED Loan Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earned	\$ 200	\$ 282	\$ 82
Miscellaneous	--	9,861	9,861
Total Revenues	<u>200</u>	<u>10,143</u>	<u>9,943</u>
EXPENDITURES			
Expenditures	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	200	10,143	9,943
Fund Balance - beginning	<u>357,342</u>	<u>357,342</u>	<u>--</u>
Fund Balance - ending	<u>\$ 357,542</u>	<u>\$ 367,485</u>	<u>\$ 9,943</u>

CITY OF SANDSTONE, MINNESOTA
 EDA Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 109,000	\$ 108,332	\$ (668)
Intergovernmental revenue	25,920	25,920	--
Interest earned	200	3,432	3,232
Total Revenues	<u>135,120</u>	<u>137,684</u>	<u>2,564</u>
EXPENDITURES			
Miscellaneous	35,120	44,785	9,665
Property acquisition	--	--	--
Total Expenditures	<u>35,120</u>	<u>44,785</u>	<u>9,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,000</u>	<u>92,899</u>	<u>(7,101)</u>
OTHER FINANCING SOURCES (USES)			
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>--</u>
Net change in fund balance	--	(7,101)	(7,101)
Fund Balance - beginning	<u>28,314</u>	<u>28,314</u>	<u>--</u>
Fund Balance - ending	<u>\$ 28,314</u>	<u>\$ 21,213</u>	<u>\$ (7,101)</u>

CITY OF SANDSTONE, MINNESOTA
 Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 340,062	\$ 282,435	\$ (57,627)
Intergovernmental revenue	23,060	22,897	(163)
Interest earned	--	1,672	1,672
Total Revenues	<u>363,122</u>	<u>307,004</u>	<u>(56,118)</u>
EXPENDITURES			
Capital expenditures	352,322	234,854	(117,468)
Total Expenditures	<u>352,322</u>	<u>234,854</u>	<u>(117,468)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,800</u>	<u>72,150</u>	<u>61,350</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	77,950	275,702	197,752
Transfer out	(26,050)	(162,054)	(136,004)
Total Other Financing Sources (Uses)	<u>51,900</u>	<u>113,648</u>	<u>61,748</u>
Net change in fund balance	62,700	185,798	123,098
Fund Balance - beginning	<u>995,062</u>	<u>995,062</u>	<u>--</u>
Fund Balance - ending	<u>\$ 1,057,762</u>	<u>\$ 1,180,860</u>	<u>\$ 123,098</u>

EDA Public Works Federal Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Grants	\$ --	\$ --	\$ --
Total Revenues	<u> --</u>	<u> --</u>	<u> --</u>
EXPENDITURES			
Expense	--	219,217	219,217
Total Expenditures	<u> --</u>	<u>219,217</u>	<u>219,217</u>
Excess (deficiency) of revenues over (under) expenditures	--	(219,217)	(219,217)
Net change in fund balances	--	(219,217)	(219,217)
Fund Balance - beginning	<u>(464,610)</u>	<u>(464,610)</u>	<u> --</u>
Fund Balance - ending	<u>\$ (464,610)</u>	<u>\$ (683,827)</u>	<u>\$ (219,217)</u>

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2018

	Water Utility Fund	Sewer Utility Fund	Storm Water Fund	Wild River Apartment Fund	Total
ASSETS					
Current Assets:					
Cash & cash equivalents	\$ 51,119	\$ 67,316	\$ 160,511	\$ 393,694	\$ 672,640
Cash with fiscal agent	--	--	--	54,376	54,376
Investments	--	2,614,072	--	219,588	2,833,660
Accounts receivable	5,450	14,156	2,094	(95)	21,605
Due from other funds	--	50,011	--	--	50,011
Bond discount and refunding	--	--	--	103,938	103,938
Prepaid expenses	2,898	1,615	--	9,269	13,782
Special assessments receivable	1,523	1,015	--	--	2,538
Restricted cash	266,229	355,620	--	8,040	629,889
Total current assets	327,219	3,103,805	162,605	788,810	4,382,439
Noncurrent assets:					
Capital assets:					
Land	--	--	--	157,015	157,015
Plant in service	4,968,666	10,162,175	1,034,655	4,299,837	20,465,333
Equipment and fixtures	--	133,226	--	--	133,226
Less: allowance for depreciation	(3,181,458)	(6,015,581)	(718,123)	(2,501,756)	(12,416,918)
Total noncurrent assets	1,787,208	4,279,820	316,532	1,955,096	8,338,656
Deferred outflow of resources related to pensions	1,421	1,421	315	--	3,157
Total Assets and Deferred Outflow of Resources	\$ 2,115,848	\$ 7,385,046	\$ 479,452	\$ 2,743,906	\$ 12,724,252
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 6,617	\$ 6,032	\$ 611	\$ 18,141	\$ 31,401
Bonds payable-current	--	--	--	40,609	40,609
Unearned revenue	1,523	1,015	--	--	2,538
Due to other funds	--	--	--	--	--
Interest payable	--	--	--	1,588	1,588
Security deposits	--	--	--	40,960	40,960
Total Current Liabilities	8,140	7,047	611	101,298	117,096
Noncurrent liabilities:					
Bonds payable	--	--	--	3,000,000	3,000,000
Net pension liability	22,468	22,468	4,992	--	49,928
Total noncurrent liabilities	22,468	22,468	4,992	3,000,000	3,049,928
Total Liabilities	30,608	29,515	5,603	3,101,298	3,167,024
Deferred inflow of resources related to pensions	2,672	2,672	594	--	5,938
Total Liabilities and Deferred Inflow of Resources	\$ 33,280	\$ 32,187	\$ 6,197	\$ 3,101,298	\$ 3,172,962
NET POSITION					
Invested in capital assets, net of related debt	\$ 1,764,740	\$ 4,257,352	\$ 311,540	\$ (1,085,513)	\$ 5,248,119
Restricted for:					
Restricted assets	266,229	355,620	--	8,040	629,889
Prepaid items	2,898	1,615	--	113,207	117,720
Unrestricted	48,701	2,738,272	161,715	606,874	3,555,562
Total Net Position	\$ 2,082,568	\$ 7,352,859	\$ 473,255	\$ (357,392)	\$ 9,551,290

See Notes to Financial Statements.

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2018

	Water Utility Fund	Sewer Utility Fund	Storm Water Fund	Wild River Apartment Fund	Total
Operating revenues:					
Sales & charges for services	\$ 243,117	\$ 308,023	\$ 47,659	\$ 639,588	\$ 1,238,387
Miscellaneous	2,066	1,778	--	--	3,844
Total operating revenues	<u>245,183</u>	<u>309,801</u>	<u>47,659</u>	<u>639,588</u>	<u>1,242,231</u>
Operating expenses:					
Maintenance and operations	197,066	187,376	12,996	375,131	772,569
Depreciation	110,964	221,608	21,900	112,396	466,868
Total Operating Expenses	<u>308,030</u>	<u>408,984</u>	<u>34,896</u>	<u>487,527</u>	<u>1,239,437</u>
Operating Income (Loss)	<u>(62,847)</u>	<u>(99,183)</u>	<u>12,763</u>	<u>152,061</u>	<u>2,794</u>
Nonoperating revenues (expenses):					
Interest earned	2,065	55,307	972	1,697	60,041
Sale of Assets/Property	--	--	--	--	--
Change in pensions	(23,719)	(23,719)	(5,271)	--	(52,709)
Interest expense	--	--	--	(100,838)	(100,838)
Total nonoperating revenues (expenses)	<u>(21,654)</u>	<u>31,588</u>	<u>(4,299)</u>	<u>(99,141)</u>	<u>(93,506)</u>
Net Income (Loss) Before Transfers and Contributions	(84,501)	(67,595)	8,464	52,920	(90,712)
Transfers in	--	--	--	58,543	58,543
Transfers out	<u>(38,000)</u>	<u>--</u>	<u>(5,400)</u>	<u>--</u>	<u>(43,400)</u>
Changes in net position	<u>(122,501)</u>	<u>(67,595)</u>	<u>3,064</u>	<u>111,463</u>	<u>(75,569)</u>
Total net position - beginning	2,205,069	7,420,454	470,191	(468,855)	9,626,859
Prior Period Adjustment	--	--	--	--	--
Net position - beginning, as Restated	<u>2,205,069</u>	<u>7,420,454</u>	<u>470,191</u>	<u>(468,855)</u>	<u>9,626,859</u>
Total net position - ending	<u>\$ 2,082,568</u>	<u>\$ 7,352,859</u>	<u>\$ 473,255</u>	<u>\$ (357,392)</u>	<u>\$ 9,551,290</u>

See Notes to Financial Statements.

Proprietary Funds

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	Water Utility Fund	Sewer Utility Fund	Storm Water Fund	Wild River Apartment Fund	Total
<u>Cash Flows from Operating Activities:</u>					
Cash received from customers	\$ 57,263	\$ 145,850	\$ 30,555	\$ 292,425	\$ 526,093
Cash payments to suppliers	--	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>57,263</u>	<u>145,850</u>	<u>30,555</u>	<u>292,425</u>	<u>526,093</u>
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers in	--	--	--	58,543	58,543
Transfers out	(38,000)	--	(5,400)	--	(43,400)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(38,000)</u>	<u>--</u>	<u>(5,400)</u>	<u>58,543</u>	<u>15,143</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Interest & fiscal charges paid on capital debt	--	--	--	(100,838)	(100,838)
Principal paid on capital debt	--	--	--	(184,391)	(184,391)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>(285,229)</u>	<u>(285,229)</u>
<u>Cash Flows from Investing Activities:</u>					
Property purchases	(127,322)	(127,359)	(33,731)	(18,215)	(306,627)
Purchased investments	--	--	--	--	--
Working capital adjustment	--	--	--	--	--
Interest earned	2,065	55,307	972	1,697	60,041
Net Cash Provided (Used) by Investing Activities	<u>(125,257)</u>	<u>(72,052)</u>	<u>(32,759)</u>	<u>(16,518)</u>	<u>(246,586)</u>
Net Increase (Decrease) in Cash	(105,994)	73,798	(7,604)	49,221	9,421
Cash, January 1	423,342	2,963,210	168,115	626,477	4,181,144
Cash, December 31	<u>\$ 317,348</u>	<u>\$ 3,037,008</u>	<u>\$ 160,511</u>	<u>\$ 675,698</u>	<u>\$ 4,190,565</u>

See Notes to Financial Statements.

Proprietary Funds

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	Water Utility Fund	Sewer Utility Fund	Storm Water Fund	Wild River Apartment Fund	Total
<u>Reconciliation of Operating Income to Net Cash</u>					
<u>Provided (Used) by Operating Activities:</u>					
Operating income (loss)	\$ (62,847)	\$ (99,183)	\$ 12,763	\$ 152,061	\$ 2,794
<u>Adjustments to Reconcile Operating Income (Loss) to</u>					
<u>Net Cash Provided (Used) by Operating Activities:</u>					
Depreciation	110,964	221,608	21,900	112,396	466,868
<u>Changes in Assets and Liabilities:</u>					
(Increase) decrease in accounts receivable	2,855	3,408	(4,719)	2,378	3,922
(Increase) decrease in due from other funds	--	24,006	--	--	24,006
(Increase) decrease in special assessments	83	56	--	--	139
(Increase) decrease in bond discount	--	--	--	11,281	11,281
(Increase) decrease in prepaid expenses	77	30	--	248	355
Increase (decrease) in accounts payable	6,214	(3,223)	611	10,980	14,582
Increase (decrease) in deferred revenue	(83)	(852)	--	--	(935)
Increase (decrease) in due to other funds	--	--	--	--	--
Increase (decrease) in security deposits	--	--	--	2,865	2,865
Increase (decrease) in interest payable	--	--	--	216	216
Total Adjustments	<u>120,110</u>	<u>245,033</u>	<u>17,792</u>	<u>140,364</u>	<u>523,299</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 57,263</u>	<u>\$ 145,850</u>	<u>\$ 30,555</u>	<u>\$ 292,425</u>	<u>\$ 526,093</u>
Noncash capital and related financing activities:					
Change in Pension	\$ (23,719)	\$ (23,719)	\$ (5,271)	\$ --	\$ (52,709)

See Notes to Financial Statements.

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CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying summary of City of Sandstone, Minnesota's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies, as presented should be viewed as an integral part of the accompanying basic financial statements.

A. Reporting Entity

The City of Sandstone (government) is a municipal corporation governed by an elected mayor and four council members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the governments operations.

Blended Component Unit. The Economic Development Authority (EDA) serves all the citizens of the government and is governed by a board comprised of the government's elected council. The council approves and controls all financing of the Authority. City personnel handle all financial and fiscal matters. No separate audited financial statements are issued.

Economic Development Authority (EDA)

The purpose of EDA is to encourage, promote and finance economic development. The activities of the EDA are reported as part of the Special Revenue Funds. The entire City Council makes up the EDA board of Directors, with two additional at large appointments, and assets are managed by city employees.

Wild River Apartments

The purpose of the Wild River Apartments is to provide rental housing facilities for senior tenants (Seniors) and multi-family rental housing for families (Townhomes). The activities of the Wild River Apartments is recorded as part of the Enterprise Funds. Monitoring of the apartments is done by the EDA board and the City Administrator.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, and are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year of which they are levied, except for taxes not collectable within 60 days. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current Period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The *general fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This fund records revenues such as property tax revenues and interest income. Most of the current day-to-day operations of the governmental units are financed through this fund.

The *capital project fund* accounts for the resources accumulated and payments made for various capital projects.

The *Fire Protection Fund* accounts for the resources accumulated and payments made related to the Fire Department.

The *EDA CED Special Revenue* accounts for the resources accumulated and payments made related to the CED fund.

The *EDA Public Works fund* accounts for the resources accumulated and payments made related to EDA Public works.

The *EDA Fund* accounts for the resources accumulated and payments made for various EDA projects.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary funds:

The *water utility fund* accounts for the operation of the City owned water utility system.

The *sewer utility fund* accounts for the operations of the City owned water reclamation.

The *storm water fund* accounts for storm water revenues that are billed to property owners and related expenditures. The funds collected are for repair and replacement and new or expanded storm water system facility expenditures.

The *Wild River Apartments fund* accounts for the operation of the senior living apartments and family townhome units.

Governmental Funds

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e.,

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and used to pay liabilities of the current period. Expenditures, except for inventory items, are generally recorded when a liability is incurred; however, expenditures are recorded as prepaid for approved disbursements or as liabilities incurred in advance of the year in which the item is to be used. Principal and interest on general long-term debt are recorded as fund liabilities and expenditures when due.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental Funds (Continued)

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which the taxes have been levied (see Note 1, J). State revenues are recognized in the year to which they apply, according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of state or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenues in the current year.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of the City's basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. The City's significant estimates include liabilities for self-insurance claims incurred but not reported and liabilities for employee severance and compensated absences. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

All amendments were not material in relation to the original appropriations, which were amended. Total fund expenditures in excess of budget require approval by the City Council. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line-item levels.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City's proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Inventory

Inventory is valued at cost on the first in, first out method or market, whichever is lower.

E. Receivables

Special Assessments:

Special assessments receivable represent uncollected special assessments with a corresponding contra account recorded as unearned revenue in the liability section for those assessments not collected within sixty days of year-end.

Receivables:

Based on historical collection experience no allowance has been made for doubtful accounts. Accounts that are determined to be uncollectible are expensed during the period.

F. Capital Assets

Capital assets which include property, land, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant, and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets:

Assets	Useful Life In Years
Land	Not depreciated
Buildings	50
Infrastructure	30-50
Other improvements	20-30
Machinery and equipment	3-15

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accrued Interest

Excess cash from all funds are pooled and invested to the extent available in certificates of deposit and other authorized investments. Earnings from such investments were allocated to appropriate funds on the basis of applicable cash balance participation by each fund. The statement of revenue of each fund reflects such earnings.

H. Prepaid Expenses

Prepaid expenses consists of various items that have been paid and have not been consumed.

I. Total Columns on Combined Statements

It is emphasized that the "Memorandum Only" column on the combined statements is not comparable to a consolidation. It is presented for overview information purposes only. The financial condition and results of operations of each fund should be determined by reference to the individual fund financial statements.

J. Recognition of Property Tax Revenue

The City mails its property tax levy to the county auditor during the month of December, prior to the current fiscal year. The county is the collecting agent for the levy and remits collections to the City normally during the months of March, June and November. Taxes not collected as of December 31 are not recognized as receivable unless collected within 60 days after year end.

The amount of property taxes the City may levy for general purposes is subject to statutory limitation by the State of Minnesota. Special levies for Debt Service, unfunded accrued liabilities of certain pensions and certain other activities are not subject to levy limitations.

K. Tax Abatements

The City enters into property tax abatement agreements with local businesses under the State of Minnesota Statutes 469. Under the Statutes, localities may grant property tax abatements of up to 10 percent of the net tax capacity of the City for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to

For fiscal year ended December 31, 2018, the City abated property taxes totaling \$5,375 under this program, including the following tax abatement agreements:

- A tax abatement agreement with a local business to encourage housing creation. The agreement is to abate ninety percent of city-related property taxes, and the amount abated was \$5,375.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2: CASH AND INVESTMENTS

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks as authorized by the City Council.

Balances at December 31, 2018, are as follows:

	Bank Balance	Carrying Amount
Insured or collateralized by securities held by the City or its agent in the City's name	\$ 6,880,460	\$ 6,871,341
Collateralized by securities held by the pledging institutions trust department in the City's name	--	--
Uncollateralized or collateralized with securities not in the City's name	--	--
Totals	\$ 6,880,460	\$ 6,871,341

Net certificates of deposits are considered deposited.

Authorized collateral includes first mortgage notes, certain state or local government obligations and legal investments described below. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

B. Investments

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a. Direct obligation or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c. General obligations of the State of Minnesota or its municipalities.
- d. Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f. Repurchase agreements with banks that are members of the Federal Reserve Systems with capitalization exceeding \$10,000,000, a reporting dealer into the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment balances as of December 31, 2018, are as follows:

	Fair Value
Members Cooperative Credit Union - CDs	\$ 2,424
USB	-
RBC Wealth Management	2,963,838
Total	\$ 2,966,262

A reconciliation of cash and investments as shown on the Statement of Net Assets:

Cash and cash equivalents	\$ 2,432,385
Cash with fiscal agent	54,376
Investments	2,966,262
Restricted cash	1,418,318
Restricted investments	--
Total	\$ 6,871,341

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Short-term, highly liquid debt instruments (including commercial paper, banker's acceptances and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Minnesota Statutes requires all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Cash and investments at December 31, 2018, were comprised of deposits, brokered certificates of deposit, and money markets.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all deposits must be in compliance with *Minnesota Statutes* 118A.

Interest Rate Risk: The City's investment policy does not include specific limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. It does suggest avoiding a concentration of investments within a specific maturity sector or range.

Credit Risk: The City's investment policy refers to *Minnesota Statutes* 118A. The Statute limits investments in the top two ratings issued by nationally recognized statistical rating organizations.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk: The City's investment policy places no specific limit on the amount the City may invest in any one issuer. It does state the City should avoid over investing in specific investments or issuers.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or securities that are in the possession of an outside party. The City's investment policy states all investments shall be held in third party safekeeping by an institution designated as custodial agent.

C. Restricted Cash and Assets

Restricted assets are deposits and prepaid expenses held for specifically required programs and are offset by fund balance reserve accounts. Balances at December 31, 2018, and descriptions are as follows:

	Restricted Cash	Prepaid Items
General fund	\$ 99,900	\$ 12,218
Special revenue funds	276,024	2,015
Capital projects	412,505	--
Enterprise funds	629,889	13,782
	\$ 1,418,318	\$ 28,015

NOTE 3: DUE FROM OTHER GOVERNMENTAL UNITS

There are no amounts due from other governmental units at December 31, 2018.

NOTE 4: LONG-TERM DEBT

The long-term debt of the City is described as follows:

General Obligation Bonds:

General obligation bonds are recorded in the general long-term debt and are backed by the full-faith, credit and taxing power of the City.

A summary of interest rates, maturities, and balances at December 31, 2018 are as follows:

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4: LONG-TERM DEBT (Continued)

	Interest Rates	Maturity	Balance 12/31/18	Due Within One Year
<u>General Obligation Bonds:</u>				
G.O. Refunding 2009 Series A	2.00-4.20%	2024	\$ 270,000	\$ 40,000
G.O. Refunding 2009 Series B	3.25%	2020	50,000	25,000
PFA G.O. Water Revenue Note	2.11%	2019	25,000	25,000
G.O. Refunding 2012 Series A	.5-2.6%	2023	165,000	30,000
Total General Obligation			<u>\$ 510,000</u>	<u>\$ 120,000</u>
<u>Business-Type Activities:</u>				
EDA Refunding Bonds 2012	3-3.6%	2029	\$ 3,000,000	\$ 235,000
Total Business-Type Activities			<u>\$ 3,000,000</u>	<u>\$ 235,000</u>

The changes in the long-term debt of the City during 2017 are presented below:

	Balance 12/31/17	New Issues	Debt Retired	Balance 12/31/18
<u>Governmental Activities</u>				
G.O. Refunding 2009 Series A	\$ 315,000		\$ 45,000	\$ 270,000
G.O. Refunding 2009 Series B	75,000	--	25,000	50,000
PFA G.O. Water Revenue Note	50,000	--	25,000	25,000
G.O. Refunding 2012 Series A	210,000	--	45,000	165,000
Total G.O. Debt	<u>\$ 650,000</u>	<u>\$ --</u>	<u>\$ 140,000</u>	<u>\$ 510,000</u>
<u>Business-Type Activities</u>				
EDA Refunding Bonds 2012	3,225,000	--	225,000	3,000,000
	<u>\$ 3,225,000</u>	<u>\$ --</u>	<u>\$ 225,000</u>	<u>\$ 3,000,000</u>

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4: LONG-TERM DEBT (Continued)

The annual requirement to amortize all long-term debt outstanding as of December 31, 2018 including interest payments for the next five years, are summarized below:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	120,000	15,386	235,000	93,938
2020	100,000	11,799	240,000	86,813
2021	80,000	8,898	245,000	79,538
2022	85,000	6,142	255,000	72,038
2023	90,000	3,080	260,000	64,183
2024-2028	35,000	735	1,445,000	184,884
2029	--	--	320,000	5,760
Total	<u>\$ 510,000</u>	<u>\$ 46,040</u>	<u>\$ 3,000,000</u>	<u>\$ 587,154</u>

General Obligation Improvement and Refunding Bonds, Series 2012A were issued in 2012. The bond refunded \$315,000 GO Improvement Bonds Series 2007A and financed two city street reconstruction

Economic Development Authority Housing and Development refunded the Gross Revenue Refunding Bonds Series 2004 A & B with \$4,275,000 Gross Revenue Refunding Bonds Series 2012 A & B. This created a gross present value debt service savings of \$456,063 by reduced bond yields.

NOTE 5: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Defined Benefit Pension Plan -Statewide

1. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employers 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 pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

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

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

A. Defined Benefit Pension Plan - Statewide (Continued)

1. Plan Description (Continued)

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 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.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

A. Defined Benefit Pension Plan - Statewide(Continued)

2. 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 calendar year 2018 and the City of Sandstone was required to contribute 7.50 percent for Coordinated Plan members. The City of Sandstone's contributions to the General Employees Fund for the year ended December 31, 2018, were \$22,324. The City of Sandstone's contributions were equal to the required contributions as set by state statute.

3. Pensions Costs

At December 31, 2018, the City of Sandstone reported a liability of \$249,642 for its proportionate share of the General Employees Fund's net pension liability. The City of Sandstone'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 of Sandstone totaled \$8,281. 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 of Sandstone's proportion of the net pension liability was based on the City of Sandstone'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 of Sandstone's proportion share was 0.0045% which was an increase of 0.0001% from its proportion measured as of June 30, 2017.

City of Sandstone's proportionate share of the net pension liability	\$ 249,642
State of Minnesota's proportionate share of the net pension liability associated with the City of Sandstone	8,281
Total	\$ 257,923

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

A. Defined Benefit Pension Plan - Statewide (Continued)

3. Pension Costs (Continued)

For the year ended December 31, 2018, the City of Sandstone recognized pension expense of \$22,342 for its proportionate share of the General Employees Plan's expense. In addition, the City of Sandstone recognized an additional \$1,931 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 of Sandstone 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	296	--
Changes in actuarial assumptions	--	8,850
Difference between projected and actual investments earnings	--	20,842
Changes in proportion	4,788	--
Contribution paid to PERA subsequent to the measurement date	10,703	--
Total	\$ 15,787	\$ 29,692

\$10,703 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2018	801
2019	801
2020	800
Thereafter	800

4. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for 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 General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

A. Defined Benefit Pension Plan - Statewide (Continued)

4. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

The mortality projection scale was changed from MP-2105 to MP-2017. The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

5. 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 the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were 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.

6. Pension Liability Sensitivity

The following presents the City of Sandstone'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 of Sandstone's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

A. Defined Benefit Pension Plan - Statewide (Continued)

6. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERP net pension liability:	\$405,699	\$249,642	\$120,820

7. 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 SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four enterprise funds which provide water, sewer, storm water, and rental properties. Segment information for the year ended December 31, 2018, is as follows:

	Water	Sewer	Storm	Wild River
Operating revenues	\$ 245,183	\$ 309,801	\$ 47,659	\$ 639,588
Expenses:				
Depreciation	\$ 110,964	\$ 221,608	\$ 21,900	\$ 112,396
Other	197,066	187,376	12,996	375,131
Total expenses	\$ 308,030	\$ 408,984	\$ 34,896	\$ 487,527
Nonoperating revenues (expenses)	\$ (21,654)	\$ 31,588	\$ (4,299)	\$ (99,141)
Net income (loss)	\$ (84,501)	\$ (67,595)	\$ 8,464	\$ 52,920
Total assets	\$ 2,115,848	\$ 7,385,046	\$ 479,452	\$ 2,743,906
Fund equity	\$ 2,082,568	\$ 7,352,859	\$ 473,255	\$ (357,392)
Capital expenditures - net	\$ 1,787,208	\$ 4,279,820	\$ 316,532	\$ 1,955,096

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7: DEFICIT FUND BALANCES

There were four funds with a deficit fund balance at the individual fund level at December 31, 2018.

Capital Project-EDA Public Works	\$ (683,827)
Capital Project-Tax Abatement Financing	(224)
Capital Project-Medical & Business Park	(770,406)
Enterprise - Wild River Apartments	(357,392)
	<u>\$ (1,811,849)</u>

NOTE 8: APPROPRIATIONS/EXPENDITURES OVER REVENUES

Expenditures exceeded revenues in certain individual funds For the Year Ended December 31, 2018, as follows:

	Expenditures	Revenues	Difference
Debt Service - 1999 PFA Water GO	26,055	55	26,000
Debt Service - \$430,000 Improvement	27,031	23,518	3,513
Debt Service - \$405,000 2012A GO Improvement	48,953	36,789	12,164
Debt Service - \$665,000 GO Refunding	57,318	41,778	15,540
Capital Projects - Tax Abatement	5,234	2,080	3,154
Capital Projects - Tax Abatement 2018	22,031	12,657	9,374
EDA Public Works	219,217	--	219,217
Capital Projects - Medical and Business Park	100,111	--	100,111

NOTE 9: RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. These programs are life, health, property and liability, worker's compensation, unemployment and disability. Significant losses are covered by commercial insurance. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts, if any, have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10: EXCESS EXPENDITURES OVER BUDGET

Actual expenditures exceeded budgeted amounts at the individual fund level as follows:

	Expenditures	Budget	Variance
Tax Abatement	\$ 5,234	\$ 4,800	\$ 434
EDA Public Works Federal Grant Fund	219,217	--	219,217
Tax Abatement 2018	22,031	--	22,031
SCDP Grant	86,549	--	86,549
EDA Special Revenue	44,785	35,120	9,665

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The amounts due to and due from other funds at December 31, 2018, at the individual fund level are summarized below:

Funds	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 683,827	\$ --
Capital Projects:		
Tax Increment	300	--
Tax Abatement	--	224
Tax Abatement - 2018	5,626	--
Medical & Business Park	--	770,406
SCDP Grant	2,542	
Capital Project Fund	74,158	50,011
Enterprise Fund:		
Sewer	50,011	--
Debt Service Fund:		
1999 PFA Water	4,137	--
\$655,000 Refunding 2009A	59,848	--
\$430,000 Improvement 2009B	66,588	--
405000 2012A Improvement	92,836	--
Special Revenue:		
EDA Wild River - Capital Expense	173,782	--
Cemetery Permanent	119,111	--
EDA Wild River - Reserve	245,860	--
EDA Public Works	--	683,827
EDA Fund	--	168,839
Fire Protection Fund	--	74,158
EDA CED Fund	168,839	--
	<u> </u>	<u> </u>
Totals	<u>\$ 1,747,465</u>	<u>\$ 1,747,465</u>

NOTE 12: CONTINGENCIES AND COMMITMENTS

In connection with the normal conduct of its affairs, the City is involved in various claims and litigation. It is the opinion of the City attorney that the final settlement of these matters will not materially affect the financial statements of the City.

NOTE 13: PROMISSORY NOTE RECEIVABLE

On July 26, 2016 the city granted a promissory note to Midwest Properties of Sandstone, LLC in the amount of \$92,647. The principal of this note is due from Midwest Properties, LLC, without interest, by July 1, 2041. If Midwest Properties of Sandstone, LLC, sells, assigns, conveys, leases or transfers in any other mode or manner all or any portion of the property, the note becomes due on that date, prior to July 1, 2041.

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 14: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018, are as follows:

<u>Governmental Activities</u>	Beginning Balances	Increase	Decrease	Ending Balances
Capital Assets:				
Land	\$ 627,868	\$ --	\$ --	\$ 627,868
Infrastructure	7,565,404	4,560,915	--	12,126,319
Buildings and improvements	1,886,922	11,388	--	1,898,310
Equipment	1,149,320	1,522	9,034	1,141,808
Total Capital Assets	<u>11,229,514</u>	<u>4,573,825</u>	<u>9,034</u>	<u>15,794,305</u>
Less: Accumulated Depreciation for:				
Infrastructure	5,496,077	242,880	--	5,738,957
Buildings and improvements	1,255,138	48,262	--	1,303,400
Equipment	906,946	9,908	18,070	898,784
Total Accumulated Depreciation	<u>7,658,161</u>	<u>301,050</u>	<u>18,070</u>	<u>7,941,141</u>
Total Capital Assets, Net of Depreciation	<u>\$ 3,571,353</u>	<u>\$ 4,272,775</u>	<u>\$ (9,036)</u>	<u>\$ 7,853,164</u>
 <u>Business - Type Activities</u>				
Capital Assets:				
Land	\$ 157,015	\$ --	\$ --	\$ 157,015
Buildings and improvements	20,178,255	329,458	42,380	20,465,333
Equipment	113,678	19,548	--	133,226
Total Capital Assets	<u>20,448,948</u>	<u>349,006</u>	<u>42,380</u>	<u>20,755,574</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	11,879,115	457,754	--	12,336,869
Equipment	70,935	9,114	--	80,049
Total Accumulated Depreciation	<u>11,950,050</u>	<u>466,868</u>	<u>--</u>	<u>12,416,918</u>
Business - Type Capital Assets, Net	<u>\$ 8,498,898</u>	<u>\$ (117,862)</u>	<u>\$ 42,380</u>	<u>\$ 8,338,656</u>

CITY OF SANDSTONE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 14: CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

Governmental Activities	
General government	\$ 260,020
Public safety	15,579
Public works	19,833
Culture and recreation	5,199
Unallocated	419
Total Depreciation Expense - Governmental Activities	\$ 301,050
Business - Type Activities	
Water utility	110,964
Sewer utility	221,608
Storm Water	21,900
Wild River Apartments	112,396
Total Depreciation Expense - Business - Type Activities	\$ 466,868

NOTE 15: GASB 54 FUND BALANCE REPORTING

The City has adopted the Governmental Accounting Standards Board (GASB) statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the City Council (the City's highest level of decision making authority).
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Fund Balance policy of the City includes classifying its fund balances in its various funds in one or more of the five classifications: nonspendable, restricted, committed, assigned, and unassigned.

If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): Restricted, Committed, Assigned, and Unassigned.

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City of Sandstone, Minnesota
REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MANAGEMENT'S DISCUSSION AND
ANALYSIS (UNAUDITED)
December 31, 2018

CITY OF SANDSTONE, MINNESOTA
 Required Supplementary Information
Schedule of City's Proportionate Share of Net Pension Liability and City's Contributions
 PERA General Employees Retirement Fund
 December 31, 2018

Schedule of City's Proportionate Share of Net Pension Liability

Fiscal Year Ending December 31,	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Assets) (a)	Covered Employee Payroll (b)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
2018	0.0045%	\$ 249,642	\$ 297,657	83.9%	79.5%
2017	0.0044%	\$ 280,893	\$ 289,071	97.2%	75.9%
2016	0.0046%	\$ 373,497	\$ 290,544	128.6%	63.8%
2015	0.0048%	\$ 248,761	\$ 283,252	87.8%	78.7%

Note: This schedule is intended to report ten-year trends. Additional years will be reported when they are available.

Schedule of City's Contributions

Fiscal Year Ending December 31,	Statutory Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Employee Payroll (b/d)
2018	\$ 22,324	\$ 22,324	\$ --	\$ 297,657	7.50%
2017	\$ 21,680	\$ 21,680	\$ --	\$ 289,071	7.50%
2016	\$ 21,791	\$ 21,791	\$ --	\$ 290,544	7.50%
2015	\$ 20,946	\$ 20,946	\$ --	\$ 283,252	7.39%

Note: This schedule is intended to report ten-year trends. Additional years will be reported when they are available.

CITY OF SANDSTONE, MINNESOTA
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES
December 31, 2018

CITY OF SANDSTONE, MINNESOTA
 Nonmajor Governmental Funds
COMBINING BALANCE SHEET
 December 31, 2018

	Special Revenue Funds			
	EDA Wild River Capital Expense	Cemetery Permanent Care	EDA Wild River Reserve	Special Revenue Total
ASSETS				
Cash & cash equivalents	\$ --	\$ --	\$ --	\$ --
Investments	--	4,171	--	4,171
Accounts receivable	--	--	--	--
Delinquent property tax	--	--	10,149	10,149
Special assessment	--	--	--	--
Special assessment deferred	--	--	--	--
Due from other funds	173,782	119,111	245,860	538,753
Bond discount	--	--	--	--
Restricted cash	--	--	--	--
Total assets	<u>\$ 173,782</u>	<u>\$ 123,282</u>	<u>\$ 256,009</u>	<u>\$ 553,073</u>
LIABILITIES AND FUND BALANCE				
<u>Liabilities:</u>				
Due to other funds	\$ --	\$ --	\$ --	\$ --
Accounts payable	--	--	--	--
Unearned revenue	--	--	10,149	10,149
Total liabilities	<u>--</u>	<u>--</u>	<u>10,149</u>	<u>10,149</u>
<u>Fund Balance:</u>				
Nonspendable	--	--	--	--
Restricted	173,782	123,282	245,860	542,924
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total fund balance	<u>173,782</u>	<u>123,282</u>	<u>245,860</u>	<u>542,924</u>
Total liabilities and fund balance	<u>\$ 173,782</u>	<u>\$ 123,282</u>	<u>\$ 256,009</u>	<u>\$ 553,073</u>

Debt Service Funds				
1999 PFA Water G.O.	\$655,000 G.O. Refunding Bond, 2009A	\$430,000 G.O. Improvement Bond, 2009B	\$405,000 2012A G.O. Improvement & Refunding	Debt Service Total
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	4,060	2,289	2,943	9,292
--	483	709	--	1,192
--	--	--	1,795	1,795
4,137	59,848	66,588	92,836	223,409
--	--	--	--	--
--	--	--	--	--
<u>\$ 4,137</u>	<u>\$ 64,391</u>	<u>\$ 69,586</u>	<u>\$ 97,574</u>	<u>\$ 235,688</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	4,543	2,998	4,738	12,279
<u>--</u>	<u>4,543</u>	<u>2,998</u>	<u>4,738</u>	<u>12,279</u>
--	--	--	--	--
4,137	59,848	66,588	92,836	223,409
--	--	--	--	--
--	--	--	--	--
<u>4,137</u>	<u>59,848</u>	<u>66,588</u>	<u>92,836</u>	<u>223,409</u>
<u>\$ 4,137</u>	<u>\$ 64,391</u>	<u>\$ 69,586</u>	<u>\$ 97,574</u>	<u>\$ 235,688</u>

CITY OF SANDSTONE, MINNESOTA
 Nonmajor Governmental Funds
COMBINING BALANCE SHEET
 December 31, 2018

	Capital Projects			
	Tax Increment Financing	Tax Abatement Fund	Tax Abatement Fund - 2018	Medical and Business Park Fund
ASSETS				
Cash & cash equivalents	\$ --	\$ --	\$ --	\$ --
Investments	--	--	--	--
Accounts receivable	--	--	--	--
Delinquent property tax	--	--	--	--
Special assessment	--	--	--	--
Special assessment deferred	--	--	--	--
Due from other funds	300	--	5,626	--
Bond discount	--	--	--	--
Restricted cash	--	--	--	--
Total Assets	\$ 300	\$ --	\$ 5,626	\$ --
LIABILITIES AND FUND BALANCE				
<u>Liabilities:</u>				
Due to other funds	\$ --	\$ 224	\$ --	\$ 770,406
Accounts payable	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	--	224	--	770,406
<u>Fund Balance:</u>				
Nonspendable	--	--	--	--
Restricted	300	--	5,626	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	(224)	--	(770,406)
Total Fund Balance	300	(224)	5,626	(770,406)
Total Liabilities and Fund Balance	\$ 300	\$ --	\$ 5,626	\$ --

Minnesota DOT Grant	SCDP Grant	Capital Projects Total	Total Nonmajor Governmental Funds
\$ --	\$ --	\$ --	\$ --
--	--	--	4,171
--	--	--	--
--	--	--	19,441
--	--	--	1,192
--	--	--	1,795
--	2,542	8,468	770,630
--	--	--	--
--	--	--	--
<u>\$ --</u>	<u>\$ 2,542</u>	<u>\$ 8,468</u>	<u>797,229</u>
\$ --	\$ --	\$ 770,630	\$ 770,630
--	--	--	--
--	--	--	22,428
<u>--</u>	<u>--</u>	<u>770,630</u>	<u>793,058</u>
--	--	--	--
--	2,542	8,468	774,801
--	--	--	--
--	--	--	--
--	--	(770,630)	(770,630)
<u>--</u>	<u>--</u>	<u>(762,162)</u>	<u>4,171</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,468</u>	<u>\$ 797,229</u>

CITY OF SANDSTONE, MINNESOTA
Nonmajor Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2018

	Special Revenue Funds			
	EDA Wild River Capital Expense	Cemetery Permanent Care	EDA Wild River Reserve	Special Revenue Total
REVENUES				
Property tax	\$ --	\$ --	\$ 2,265	\$ 2,265
Interest	3,458	952	94	4,504
Special assessments	--	--	--	--
Miscellaneous	15,612	1,750	--	17,362
Total Revenues	<u>19,070</u>	<u>2,702</u>	<u>2,359</u>	<u>24,131</u>
EXPENDITURES				
Contractual services	--	--	--	--
Bond principal	--	--	--	--
Interest	--	--	--	--
Miscellaneous	--	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenue over (under) expenditures	<u>19,070</u>	<u>2,702</u>	<u>2,359</u>	<u>24,131</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	20,000	--	80,000	100,000
Transfer out	--	--	(58,543)	(58,543)
Total Other Financing Source (uses)	<u>20,000</u>	<u>--</u>	<u>21,457</u>	<u>41,457</u>
Net change in fund balances	39,070	2,702	23,816	65,588
Fund Balances - beginning	<u>134,712</u>	<u>120,580</u>	<u>222,044</u>	<u>477,336</u>
Fund Balances - ending	<u>\$ 173,782</u>	<u>\$ 123,282</u>	<u>\$ 245,860</u>	<u>\$ 542,924</u>

Debt Service				
1999 PFA Water G.O.	\$655,000 G.O. Refunding Bond, 2009A	\$430,000 G.O. Improvement Bond, 2009B	\$405,000 2012A G.O. Improvement & Refunding	Debt Service Total
\$ --	\$ 40,584	\$ 22,830	\$ 29,532	\$ 92,946
55	199	312	409	975
--	995	376	6,848	8,219
--	--	--	--	--
<u>55</u>	<u>41,778</u>	<u>23,518</u>	<u>36,789</u>	<u>102,140</u>
--	--	--	--	--
25,000	45,000	25,000	45,000	140,000
1,055	12,318	2,031	3,953	19,357
--	--	--	--	--
<u>26,055</u>	<u>57,318</u>	<u>27,031</u>	<u>48,953</u>	<u>159,357</u>
<u>(26,000)</u>	<u>(15,540)</u>	<u>(3,513)</u>	<u>(12,164)</u>	<u>(57,217)</u>
26,000	12,000	--	5,400	43,400
--	--	--	--	--
<u>26,000</u>	<u>12,000</u>	<u>--</u>	<u>5,400</u>	<u>43,400</u>
--	(3,540)	(3,513)	(6,764)	(13,817)
<u>4,137</u>	<u>63,388</u>	<u>70,101</u>	<u>99,600</u>	<u>237,226</u>
<u>\$ 4,137</u>	<u>\$ 59,848</u>	<u>\$ 66,588</u>	<u>\$ 92,836</u>	<u>\$ 223,409</u>

CITY OF SANDSTONE, MINNESOTA
 Nonmajor Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018

	Capital Projects			Medical and Business Park Fund
	Tax Increment Financing	Tax Abatement Fund	Tax Abatement Fund -2018	
REVENUES				
Property taxes	\$ 5,995	\$ --	\$ 12,657	\$ --
Interest	--	--	--	--
Special assessments	--	--	--	--
Miscellaneous	--	2,080	--	--
Total Revenues	<u>5,995</u>	<u>2,080</u>	<u>12,657</u>	<u>--</u>
EXPENDITURES				
Contractual services	552	5,234	22,031	100,111
Bond principal	--	--	--	--
Interest	--	--	--	--
Miscellaneous	--	--	--	--
Total Expenditures	<u>552</u>	<u>5,234</u>	<u>22,031</u>	<u>100,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,443</u>	<u>(3,154)</u>	<u>(9,374)</u>	<u>(100,111)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	--	3,000	15,000	--
Transfer out	--	--	--	--
Total Other Financing Sources (uses)	<u>--</u>	<u>3,000</u>	<u>15,000</u>	<u>--</u>
Net change in fund balances	5,443	(154)	5,626	(100,111)
Fund balance - beginning	<u>(5,143)</u>	<u>(70)</u>	<u>--</u>	<u>(670,295)</u>
Fund balances - ending	<u>\$ 300</u>	<u>\$ (224)</u>	<u>\$ 5,626</u>	<u>\$ (770,406)</u>

Minnesota DOT Grant	SCDP Grant	Capital Projects Total	Total Nonmajor Governmental Funds
\$ --	\$ --	\$ 18,652	\$ 113,863
--	--	--	5,479
--	--	--	8,219
(62,809)	89,091	28,362	45,724
<u>(62,809)</u>	<u>89,091</u>	<u>47,014</u>	<u>173,285</u>
--	86,549	214,477	214,477
--	--	--	140,000
--	--	--	19,357
--	--	--	--
<u>--</u>	<u>86,549</u>	<u>214,477</u>	<u>373,834</u>
<u>(62,809)</u>	<u>2,542</u>	<u>(167,463)</u>	<u>(200,549)</u>
--	--	18,000	161,400
--	--	--	(58,543)
<u>--</u>	<u>--</u>	<u>18,000</u>	<u>102,857</u>
(62,809)	2,542	(149,463)	(97,692)
<u>62,809</u>	<u>--</u>	<u>(612,699)</u>	<u>101,863</u>
<u>\$ --</u>	<u>\$ 2,542</u>	<u>\$ (762,162)</u>	<u>\$ 4,171</u>

EDA Wild River Capital Expenditure Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earned	\$ 200	\$ 3,458	\$ 3,258
Property tax	20,000	--	(20,000)
Miscellaneous	15,000	15,612	612
Total Revenues	<u>35,200</u>	<u>19,070</u>	<u>(16,130)</u>
EXPENDITURES			
Miscellaneous	31,600	--	(31,600)
Total Expenditures	<u>31,600</u>	<u>--</u>	<u>(31,600)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,600</u>	<u>19,070</u>	<u>15,470</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	--	20,000	20,000
Total other financing sources (uses)	<u>--</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund balances	3,600	39,070	35,470
Fund Balance - beginning	<u>134,712</u>	<u>134,712</u>	<u>--</u>
Fund Balance - ending	<u>\$ 138,312</u>	<u>\$ 173,782</u>	<u>\$ 35,470</u>

CITY OF SANDSTONE, MINNESOTA
Cemetery Permanent Care Special Revenue Fund

Schedule 5

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earned	\$ 300	\$ 952	\$ 652
Miscellaneous	500	1,750	1,250
Total Revenues	<u>800</u>	<u>2,702</u>	<u>1,902</u>
EXPENDITURES			
Expenditures	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	800	2,702	1,902
Fund Balance - beginning	<u>120,580</u>	<u>120,580</u>	<u>--</u>
Fund Balance - ending	<u>\$ 121,380</u>	<u>\$ 123,282</u>	<u>\$ 1,902</u>

EDA Wild River Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property tax	\$ 80,000	\$ 2,265	\$ (77,735)
Interest	--	94	94
Total Revenues	<u>80,000</u>	<u>2,359</u>	<u>(77,641)</u>
EXPENDITURES			
Expenditures	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,000</u>	<u>2,359</u>	<u>(77,641)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	--	80,000	80,000
Transfers (out)	<u>(80,000)</u>	<u>(58,543)</u>	<u>21,457</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>21,457</u>	<u>101,457</u>
Net change in fund balances	--	23,816	23,816
Fund Balance - beginning	<u>222,044</u>	<u>222,044</u>	<u>--</u>
Fund Balance - ending	<u>\$ 222,044</u>	<u>\$ 245,860</u>	<u>\$ 23,816</u>

CITY OF SANDSTONE, MINNESOTA
1999 PFA Water G.O. Bond Debt Service Fund

Schedule 7

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$ --	\$ 55	\$ 55
Total Revenues	<u>--</u>	<u>55</u>	<u>55</u>
EXPENDITURES			
Bond principal	25,000	25,000	--
Interest	1,055	1,055	--
Total Expenditures	<u>26,055</u>	<u>26,055</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,055)</u>	<u>(26,000)</u>	<u>55</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	26,000	26,000	--
Total other financing sources (uses)	<u>26,000</u>	<u>26,000</u>	<u>--</u>
Net change in fund balances	(55)	--	55
Fund Balance - beginning	<u>4,137</u>	<u>4,137</u>	<u>--</u>
Fund Balance - ending	<u>\$ 4,082</u>	<u>\$ 4,137</u>	<u>\$ 55</u>

CITY OF SANDSTONE, MINNESOTA
 \$655,000 General Obligation Refunding Bonds, Series 2009A

Schedule 8

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 40,000	\$ 40,584	\$ 584
Special assessments	--	995	995
Interest	--	199	199
Total Revenues	<u>40,000</u>	<u>41,778</u>	<u>1,778</u>
EXPENDITURES			
Bond principal	45,000	45,000	--
Interest	11,867	11,868	1
Fiscal agent fees	950	450	(500)
Total Expenditures	<u>57,817</u>	<u>57,318</u>	<u>(499)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,817)</u>	<u>(15,540)</u>	<u>2,277</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	12,000	12,000	--
Total other financing sources (uses)	<u>12,000</u>	<u>12,000</u>	<u>--</u>
Net change in fund balances	(5,817)	(3,540)	2,277
Fund Balance - beginning	<u>63,388</u>	<u>63,388</u>	<u>--</u>
Fund Balance - ending	<u>\$ 57,571</u>	<u>\$ 59,848</u>	<u>\$ 2,277</u>

\$430,000 General Obligation Improvement Bonds, Series 2009B

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property tax	\$ 22,500	\$ 22,830	\$ 330
Special Assessments	4,000	376	(3,624)
Interest	--	312	312
Total Revenues	<u>26,500</u>	<u>23,518</u>	<u>(2,982)</u>
EXPENDITURES			
Bond principle	25,000	25,000	--
Interest	2,031	2,031	--
Total Expenditures	<u>27,031</u>	<u>27,031</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(531)</u>	<u>(3,513)</u>	<u>(2,982)</u>
Net change in fund balances	(531)	(3,513)	(2,982)
Fund Balance - beginning	<u>70,101</u>	<u>70,101</u>	<u>--</u>
Fund Balance - ending	<u>\$ 69,570</u>	<u>\$ 66,588</u>	<u>\$ (2,982)</u>

\$405,000 General Obligation Improvement & Refunding Bond, Series 2012A

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 29,000	\$ 29,532	\$ 532
Special assessments	10,930	6,848	(4,082)
Interest	--	409	409
Total Revenues	<u>39,930</u>	<u>36,789</u>	<u>(3,141)</u>
EXPENDITURES			
Bond principal	45,000	45,000	--
Interest	3,953	3,953	--
Agent fees	--	--	--
Total Expenditures	<u>48,953</u>	<u>48,953</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	(9,023)	(12,164)	(3,141)
OTHER FINANCING SOURCES (USES)			
Transfer in	5,400	5,400	--
Total other financing sources (uses)	<u>5,400</u>	<u>5,400</u>	<u>--</u>
Net change in fund balances	(3,623)	(6,764)	(3,141)
Fund Balance - beginning	<u>99,600</u>	<u>99,600</u>	<u>--</u>
Fund Balance - ending	<u>\$ 95,977</u>	<u>\$ 92,836</u>	<u>\$ (3,141)</u>

CITY OF SANDSTONE, MINNESOTA
Tax Increment Financing 2016
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Miscellaneous	\$ 4,320	\$ 5,995	\$ 1,675
Total Revenues	<u>4,320</u>	<u>5,995</u>	<u>1,675</u>
EXPENDITURES			
Contractual Services	4,320	552	(3,768)
Total Expenditures	<u>4,320</u>	<u>552</u>	<u>(3,768)</u>
Excess (deficiency) of revenues over (under) expenditures	--	5,443	5,443
OTHER FINANCING SOURCES (USES)			
Transfers in	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	--	5,443	5,443
Fund Balance - beginning	(5,143)	(5,143)	--
Fund Balance - ending	<u>\$ (5,143)</u>	<u>\$ 300</u>	<u>\$ --</u>

CITY OF SANDSTONE, MINNESOTA
Tax Abatement Financing Capital Project Fund

Schedule 12

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ --	\$ --	\$ --
Miscellaneous	1,800	2,080	280
Total Revenues	<u>1,800</u>	<u>2,080</u>	<u>280</u>
EXPENDITURES			
Contractual Services	4,800	5,234	434
Total Expenditures	<u>4,800</u>	<u>5,234</u>	<u>434</u>
Excess (deficiency) of revenues over (under) expenditures	(3,000)	(3,154)	(154)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	3,000	--
Total other financing sources (uses)	<u>3,000</u>	<u>3,000</u>	<u>--</u>
Net change in fund balances	--	(154)	(154)
Fund Balance - beginning	--	(70)	70
Fund Balance - ending	<u>\$ --</u>	<u>\$ (224)</u>	<u>\$ 70</u>

CITY OF SANDSTONE, MINNESOTA
Tax Abatement Financing Capital Project Fund - 2018
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 10,260	\$ 12,657	\$ 2,397
Miscellaneous	--	--	--
Total Revenues	<u>10,260</u>	<u>12,657</u>	<u>2,397</u>
EXPENDITURES			
Contractual Services	--	22,031	22,031
Total Expenditures	<u>--</u>	<u>22,031</u>	<u>22,031</u>
Excess (deficiency) of revenues over (under) expenditures	10,260	(9,374)	(19,634)
OTHER FINANCING SOURCES (USES)			
Transfers in	--	15,000	(15,000)
Total other financing sources (uses)	<u>--</u>	<u>15,000</u>	<u>(15,000)</u>
Net change in fund balances	10,260	5,626	(34,634)
Fund Balance - beginning	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance - ending	<u>\$ 10,260</u>	<u>\$ 5,626</u>	<u>\$ --</u>

CITY OF SANDSTONE, MINNESOTA
 Medical and Business Park Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earned	\$ --	\$ --	\$ --
Miscellaneous	477,400	--	(477,400)
Total Revenues	<u>477,400</u>	<u>--</u>	<u>(477,400)</u>
EXPENDITURES			
Capital expenditures	477,400	100,111	(377,289)
Total Expenditures	<u>477,400</u>	<u>100,111</u>	<u>(377,289)</u>
Excess (deficiency) of revenues over (under) expenditures	--	(100,111)	(100,111)
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	--	(100,111)	(100,111)
Fund Balance - beginning	<u>(670,295)</u>	<u>(670,295)</u>	<u>--</u>
Fund Balance - ending	<u>\$ (670,295)</u>	<u>\$ (770,406)</u>	<u>\$ (100,111)</u>

CITY OF SANDSTONE, MINNESOTA
 Minnesota DOT Grant
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earned	\$ --	\$ --	\$ --
Grants	--	(62,809)	(62,809)
Total Revenues	<u>--</u>	<u>(62,809)</u>	<u>(62,809)</u>
EXPENDITURES			
Miscellaneous	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(62,809)</u>	<u>(62,809)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	--	--	--
Transfer out	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	--	(62,809)	(62,809)
Fund Balance - beginning	<u>62,809</u>	<u>62,809</u>	<u>--</u>
Fund Balance - ending	<u><u>\$ 62,809</u></u>	<u><u>\$ --</u></u>	<u><u>\$ (62,809)</u></u>

CITY OF SANDSTONE, MINNESOTA
 SCDP Grant
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earned	\$ --	\$ --	\$ --
Grants	--	89,091	89,091
Total Revenues	<u>--</u>	<u>89,091</u>	<u>89,091</u>
EXPENDITURES			
Miscellaneous	--	86,549	86,549
Total Expenditures	<u>--</u>	<u>86,549</u>	<u>86,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>2,542</u>	<u>2,542</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	--	--	--
Transfer out	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	--	2,542	2,542
Fund Balance - beginning	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance - ending	<u>\$ --</u>	<u>\$ 2,542</u>	<u>\$ 2,542</u>

CITY OF SANDSTONE, MINNESOTA
SUPPLEMENTARY FINANCIAL INFORMATION
December 31, 2018

CITY OF SANDSTONE, MINNESOTA
 \$655,000 General Obligation Refunding Bonds, Series 2009A
STATEMENT OF BOND AND INTEREST MATURITIES
 December 31, 2018

Table 1

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2019	4.00%	\$ 40,000.00	\$ 5,540.00	\$ 45,540.00
8/1/2019	4.00%	--	4,740.00	4,740.00
2/1/2020	4.00%	45,000.00	4,740.00	49,740.00
8/1/2020	4.00%	--	3,840.00	3,840.00
2/1/2021	4.00%	45,000.00	3,840.00	48,840.00
8/1/2021	4.00%	--	2,940.00	2,940.00
2/1/2022	4.20%	50,000.00	2,940.00	52,940.00
8/1/2022	4.20%	--	1,890.00	1,890.00
2/1/2023	4.20%	55,000.00	1,890.00	56,890.00
8/1/2023	4.20%	--	735.00	735.00
2/1/2024	4.20%	35,000.00	735.00	35,735.00
	Totals	<u>\$ 270,000.00</u>	<u>\$ 33,830.00</u>	<u>\$ 303,830.00</u>

CITY OF SANDSTONE, MINNESOTA
 \$430,000 General Obligation Improvement Bonds, Series 2009B
STATEMENT OF BOND AND INTEREST MATURITIES
 December 31, 2018

Table 2

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2019	3.25%	\$ 25,000.00	\$ 812.50	\$ 25,812.50
8/1/2019	3.25%	--	406.25	406.25
2/1/2020	3.25%	25,000.00	406.25	25,406.25
	Totals	<u>\$ 50,000.00</u>	<u>\$ 1,625.00</u>	<u>\$ 51,625.00</u>

CITY OF SANDSTONE, MINNESOTA
 \$405,000 General Obligation Improvement & Refunding Bond, Series 2012A
STATEMENT OF BOND AND INTEREST MATURITIES
 December 31, 2018

Table 3

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2019	1.70%	\$ 30,000.00	\$ 1,807.50	\$ 31,807.50
8/1/2019			1,552.50	1,552.50
2/1/2020	1.95%	30,000.00	1,552.50	31,552.50
8/1/2020			1,260.00	1,260.00
2/1/2021	2.30%	35,000.00	1,260.00	36,260.00
8/1/2021			857.50	857.50
2/1/2022	2.30%	35,000.00	857.50	35,857.50
8/1/2022			455.00	455.00
2/1/2023	2.60%	35,000.00	455.00	35,455.00
	Totals	<u>\$ 165,000.00</u>	<u>\$ 10,057.50</u>	<u>\$ 175,057.50</u>

CITY OF SANDSTONE, MINNESOTA
 \$401,500 General Obligation Water Revenue Note
STATEMENT OF BOND AND INTEREST MATURITIES
 December 31, 2018

Table 4

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2019	2.110%	\$ --	\$ 263.75	\$ 263.75
8/20/2019	2.110%	25,000.00	263.75	25,263.75
	Totals	<u>\$ 25,000.00</u>	<u>\$ 527.50</u>	<u>\$ 25,527.50</u>

CITY OF SANDSTONE, MINNESOTA
 \$4,275,000 Economic Development Authority Housing and Development
 Gross Revenue Refunding Bonds Series 2012 A & B

Table 5

STATEMENT OF BOND AND INTEREST MATURITIES
 December 31, 2018

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2019	4.785%	\$ 235,000.00	\$ 48,731.25	\$ 283,731.25
8/1/2019	4.785%		45,206.25	45,206.25
2/1/2020	4.785%	240,000.00	45,206.25	285,206.25
8/1/2020	4.785%		41,606.25	41,606.25
2/1/2021	4.785%	245,000.00	41,606.25	286,606.25
8/1/2021	4.785%		37,931.25	37,931.25
2/1/2022	4.785%	255,000.00	37,931.25	292,931.25
8/1/2022	4.785%		34,106.25	34,106.25
2/1/2023	4.785%	260,000.00	34,106.25	294,106.25
8/1/2023	4.785%		30,076.25	30,076.25
2/1/2024	4.785%	270,000.00	30,076.25	300,076.25
8/1/2024	4.785%		25,756.25	25,756.25
2/1/2025	4.785%	280,000.00	25,756.25	305,756.25
8/1/2025	4.785%		21,206.25	21,206.25
2/1/2026	4.785%	290,000.00	21,206.25	311,206.25
8/1/2026	4.785%		16,312.50	16,312.50
2/1/2027	4.785%	300,000.00	16,312.50	316,312.50
8/1/2027	4.785%		11,250.00	11,250.00
2/1/2028	4.785%	305,000.00	11,250.00	316,250.00
8/1/2028	4.785%		5,760.00	5,760.00
2/1/2029	4.785%	320,000.00	5,760.00	325,760.00
	Totals	<u>\$ 3,000,000.00</u>	<u>\$ 587,153.75</u>	<u>\$ 3,587,153.75</u>

CITY OF SANDSTONE, MINNESOTA
OTHER REPORTS
December 31, 2018

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Althoff and Nordquist, LLC

CERTIFIED PUBLIC ACCOUNTANTS
www.althoffandnordquist.com

1300 NORTHRIDGE DR. NW UNIT 1
PINE CITY, MINNESOTA 55063
TELEPHONE: 320-629-6185

124 EAST FOREST
MORA, MINNESOTA 55051
TELEPHONE: 320-679-4846

CARL D. NORDQUIST, JR., C.P.A.
ROBERT R. ALTHOFF, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CPAs
MINNESOTA SOCIETY OF CPAs

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 AND THE MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE

Honorable Mayor and City Council
City of Sandstone, 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, and the provisions of the Legal Compliance Audit Guide for Political Subdivisions, promulgated by the legal compliance task force pursuant to Minnesota Statutes Sec. 6.65, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandstone, Minnesota, as of and for the year ending December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Sandstone, Minnesota's basic financial statements, and have issued our report thereon dated June 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Sandstone, Minnesota's internal control over financial reporting 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 of Sandstone, Minnesota's internal control. Accordingly, we do not express an opinion on the City of Sandstone, Minnesota's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying letter that we consider to be significant deficiencies in internal control over financial reporting.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sandstone, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and the Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Sec. 6.65.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories. The results of our tests indicate that for the items tested, the city complied with the material terms and conditions of applicable provisions. Further, for items not tested, based on our audit, the procedures referred to above, nothing came to our attention to indicate that the City of Sandstone, Minnesota had not complied with such legal provisions.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Althoff & Nordquist, LLC
Pine City, Minnesota
June 10, 2019

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