

Mountain Lake City Council Meeting
Mountain Lake City Hall
Tuesday, December 6, 2016
6:00 PM

AGENDA

1. Meeting called to order by Mayor Mike Nelson
 - *Further information on agenda item is attached.

1. 6:00 – 2017 Levy/ Budget Public Meeting
 - a. Property Tax 101*(1-6)
 - b. Local Government Aid 101: 2014 and Beyond*(7-9)
 - c. City Fund Balances 101:critical Issues and Definitions*(10-14)
 - d. Fund Balances*(15-17)
 - e. Resolution #2-16, Providing for a Minimum General Fund Balance for Working capital and Assignment of General Funds for Projects*(18)
 - f. Budget -separate packet

2. Approval of Agenda and Consent Agenda
 - a. Bills: Check #'s 9919388-9919434, 461E*(19-23)
Payroll #'s 62826-62865
 - b. November 21 Council Minutes*(24-26)
 - c. November 10 Utilities Commission Minutes*(27-28)
 - d. October 18 Police Commission Minutes*(29)
 - e. Approval of Brodar, Inc./The Laker Grill On/Off-Sale License*(30)

2. Public – a total of ten (10) minutes is allotted for individuals to briefly discuss a topic of concern with the Council.

3. Final Reading and Adoption of Ordinance 11-16, Amendment of Section 3.05, Subdivision 7, Paragraph E*(31)

4. 2017 Items
 - a. Flexible Spending Account Contribution Limit*(32)
 - b. Per Diems*(33)
 - c. 2016 Audit Engagement*(34-41)
 - d. 2017 Council Meeting Schedule*(42)
 - e. League of MN Cities Insurance Trust *(43-47)

5. Administrator

a. Rustic Path Update

6. Law Enforcement Labor Services Contract Negotiation – Meeting May be Closed.
7. American Federation of State, County and Municipal Employees (AFSCME) Contract Negotiation – Meeting May be Closed.
8. Adjourn



Property Taxation 101

Updated August 2016

This guide is intended to describe the basics of Minnesota's property tax system. This system collected just over \$6.7 billion in 2016 to help fund the services of schools, counties, cities, townships, and special districts and the state general fund. One of the challenges of trying to understand this system is the complex array of terms involved. As new terms are introduced in this guide, they are shown in *italics*. A glossary at the end of the guide has short definitions of these terms.

Assessment and classification

The property tax system is a continuous cycle, but it effectively begins with the estimation of property *market values* by local assessors. Assessors attempt to determine the approximate selling price of each parcel of property based on the current market conditions.

Along with the market value determination, a *property class* is ascribed to each parcel of property based on the use of the property. For example, property that is owner-occupied as a personal residence is classified as a residential homestead. The "use class" is important because the Minnesota system, in effect, assigns a weight to each class of property. Generally, properties that are associated with income production (e.g. commercial and industrial properties) have a higher classification weight than other properties.

The property classification system defines the *tax capacity* of each parcel as a percentage of each parcel's market value. For example, a \$75,000 home which is classified as a residential homestead has a class rate of 1.0 percent and therefore has a tax capacity of \$75,000 x .01 or \$750. (A

sample of the class rates are included in table A.)

$$[\text{parcel market value}] * [\text{class rate}] = [\text{parcel tax capacity}]$$

The next step in calculating the tax burden for a parcel involves the determination of each local unit of government's *property tax levy*. The city, county, school district and any special property taxing authorities must establish their levy by December 28 of the year preceding the year in which the levy will be paid by taxpayers. The property tax levy is set after the consideration of all other revenues including state aids such as *LGA*.

$$[\text{city budget}] - [\text{all non-property tax revenues}] = [\text{city levy}]$$

For cities within the seven-county Twin Cities metropolitan and on the iron range, the levies are reduced by an amount of property tax revenue derived from the metropolitan and range area *fiscal disparities programs* (see "Fiscal Disparities 101" for more information).



Local tax rates

Local governments do not directly set a tax rate. Instead, the tax rate is a function of the levy and the total tax base. To compute the *local tax rate*, a county must determine the total tax capacity to be used for spreading the levies. The *total tax capacity* is computed by first aggregating the tax capacities of all parcels within the city. Several adjustments to this total must be made because not all tax capacity is available for general tax purposes. The result of this calculation produces taxable tax capacity. Taxable tax capacity is used to determine the local tax rates.

$$[\text{city levy}] / [\text{taxable tax capacity}] = [\text{city tax rate}]$$

The city tax rate is computed by dividing the city levy (minus the fiscal disparities distribution levy, if applicable) by the taxable tax capacity. Under the current property tax system, the tax rate is expressed as a percentage. For example, the average 2016 city tax capacity rate is approximately 46.52 percent. Dramatic changes to the tax system in 2001 increased the average city rate significantly in 2002. This same calculation is completed for the county based on the county's levy and tax base, the school district and all special taxing authorities. The sum of the tax rates for all taxing authorities that levy against a single property produces the total local tax rate. This total local tax rate is then used to determine the overall tax burden for each parcel of property.

Parcel tax calculations

The property tax bill for each parcel of property is determined by multiplying the parcel's tax capacity by the total local tax rate. The tax statement for each individual parcel itemizes the taxes for the county, municipality, school district, and any special taxing authorities.

$$[\text{parcel tax capacity}] * [\text{total local tax rate}] = [\text{tax capacity tax bill}]$$

To complicate the tax calculations, voter-approved referenda levies are applied to the market value of each parcel, not tax capacity. As a result, each identically valued parcel, regardless of the property's use, pays the same amount of referenda taxes (with the exception of certain agricultural and seasonal recreational properties, which are exempted from referenda taxes). For taxes payable in 2016, three counties, 39 cities and 328 school districts levied market value-based levies. These communities must have a separate calculation for a market value referenda levy by the total taxable market value of each community.

$$[\text{parcel market value}] * [\text{market value tax rate}] = [\text{market value tax bill}]$$

$$[\text{tax capacity tax bill}] + [\text{market value tax bill}] = [\text{total tax bill}]$$

State property tax

New to the tax system in 2002 was a state property tax on all commercial, industrial, seasonal recreational, and utility real property. In 2016, this tax raised more than \$856 million statewide; the proceeds are deposited in the state general fund. Prior to 2002, the state last collected a property tax in 1968.

Property tax credits

Several tax credits for various types of properties are available in certain instances. These amounts are subtracted from the overall taxes for each parcel to determine the net tax bill for the individual owner. Minnesota also provides additional property tax relief directly to individual homeowners, cabin owners, and renters through the *circuit breaker* and the *targeting refund* programs

(see “State Homeowner Property Tax Relief Programs 101” for more details).

Property tax intricacies

The technical details of computing property taxes mask many other intricacies of the property tax system. Many communities over the past several years have experienced situations where individual property taxes rise much faster than the increase in the levies that are certified by local units of government.

The most common factor that results in an increase in an individual parcel’s tax is the change in the parcel’s estimated market value. Without any change in local levies, a property owner can experience a tax increase due almost exclusively to any valuation increase.

The Legislature frequently changes the classification system. Changes to the classification system can shift property tax burdens from one type of property to another. Table A demonstrates some of the changes the Legislature has made to class rates since 1997. Commercial, industrial, and apartment properties received significant reductions in their class rates. This shifts tax burden to other classes of property that did not receive class rate reductions. In an effort to minimize the effect of these shifts, the legislature reduced school levies across the state and created the *Market Value Homestead Credit (MVHC)*. This credit reduced property taxes for homesteads by 0.4 percent of the homestead’s market value up to a maximum \$304 dollars. As part of the credit program, the state was supposed to reimburse cities for the amount by which the credits reduce cities’ tax receipts. Between 2003 and 2011, the Legislature and the governor made significant reductions to the reimbursement amounts for cities. The reimbursement program was eliminated beginning in 2012.

¹ The 2010 legislature later ratified the governor’s unallotments.

Going forward, qualifying homeowners will receive a partial market value exclusion instead of the credit offset (see “Homestead Market Value Exclusion 101”).

Economic factors that may affect broad classes of property can also influence the overall tax changes for individual parcels of property. For example, in the early 1990s the metropolitan area experienced major declines in the valuation for commercial and industrial properties. These valuation declines shifted taxes from property classified as commercial and industrial to all other types of property. Valuation declines also may have accentuated the levy changes by local units of government.

A 2002 law change exempted agricultural and cabin property from voter-approved referenda levies. In some jurisdictions where these types of property are a significant part of the tax base, this change shifted taxes onto other classes of property.

Legislative changes in state aid programs can also affect the revenue needed to be raised from the property tax. In 2002 the legislature eliminated *HACA* and increased the other major aid program, *LGA*, by \$140 million. In 2003, the Legislature reduced 2003 *LGA* by about \$120 million and 2004 *LGA* by about \$150 million. In 2005, however, the Legislature added about \$48 million to the *LGA* program for 2006 and beyond, \$4 million of which is directed to cities under 5000 via a per capita aid base. In December 2008, the governor used the unallotment authority to reduce cities’ *LGA* and *MVHC* payments. Actual aid and credit payments for 2009 and 2010 were reduced by \$64.2 million and \$128.3 million, respectively, through the power of unallotment¹. The legislature cut *MVHC* reimbursement by \$45 million and *LGA* by \$7.8 million during the 2010 session—these

cuts were in addition to the ratified unallotments. The 2011 special session budget agreement cut LGA by \$102 million, leaving roughly \$425.3 for 2011 and 2012. In 2012, legislators passed an LGA freeze for payments due in 2013. The 2013 legislature increased the LGA appropriation by \$80 million for 2014. The 2014 legislature also boosted the LGA appropriation by \$7.8 million in calendar year 2015 to \$516.9 million. The 2016 legislature debated an additional \$20m in LGA funding but did not pass a tax bill.

Levy limits also impact local levy decisions. During the 2003 session, cities that had been previously covered by levy limits lost any unused levy authority. There were no levy limits in place for 2008 but the Legislature did pass new levy limits for cities over 2500 for taxes payable in 2009, 2010, and 2011. The 2013 legislature implemented one-year levy limits for taxes payable in 2014 for cities over 2500 in population. There were no levy limits in place for taxes payable in 2016. This discussion is only a general overview of the current Minnesota property tax system. Over time, the system has become more complex and difficult for taxpayers to understand. Unfortunately, local officials must frequently explain how the system works and take the blame for the complicated features of the system. Local officials, however, can only control local levy decisions. They have no direct ability to modify the overall structure of the tax system and are at the mercy of the Minnesota Legislature.

Glossary of Terms

Circuit breaker - A state-paid property tax refund program for homeowners who have property taxes out of proportion with their income. A similar program is also available to renters.

Class rates - The percent of market value set by state law that establishes the property's tax capacity subject to the property tax. See Table A for a sample list of class rates.

Fiscal disparities programs - Local units of government in the Twin Cities metropolitan area and on the iron range participate in property tax base sharing programs. Under these two programs, a portion of the growth in commercial and industrial property value of each city and township is contributed to a tax base sharing pool. Each city and township then receives a distribution of property value from the pool based on market value and population in each city.

Homestead and agricultural credit aid (HACA) - A \$200 million property tax relief program that was eliminated in 2001.

Homestead Market Value Exclusion (HMVE) - Starting with taxes payable in 2012, eligible homesteads will pay property taxes on only a portion of the value of their homes. The maximum exclusion, 40% of value, occurs at home value of \$76,000 and phases out as home value grows.

Local government aid (LGA) - A state government revenue sharing program for cities and townships that is intended to provide an alternative to the property tax. The formulae for distributing the aid payments were changed for 2004 and beyond. The 2008 Legislature implemented additional formula changes. LGA is distributed using different formulae for cities over 2,500 and cities under 2,500. Large city formula factors are: pre-1940 housing percentage, population decline over last decade, accidents per capita, average household size, metro or non-metro, and adjusted net tax capacity per capita. Small city formula factors are: pre-1940 housing percentage, population decline over last

decade, commercial/industrial property percentage, and population. In 2006, a new aid base for small cities was created. Cities under 5,000 in population received base aid equal to \$6 per capita. The 2008 reforms resulted in several other changes and additions to aid base. The formula was again changed in 2013 for aid distributions in 2014 and beyond (see “Local Government Aid 101: 2014 Distribution and Beyond”).

Local tax rate - The rate used to compute taxes for each parcel of property. Local tax rate is computed by dividing the certified levy (after reduction for fiscal disparities distribution levy and disparity reduction) by the taxable tax capacity.

Market value - An assessor’s estimate of what property would be worth on the open market if sold. The market value is set on January 2 of the year before taxes are payable.

Market value homestead credit - This credit offset a portion of each homestead's property tax burden equal to .4 percent of the homestead's market value up to a maximum credit of \$304. For taxes payable in 2012 and beyond homestead properties will not receive a credit but rather see a portion of the value excluded from taxation (for eligible properties).

Property class - The classification assigned to each parcel of property based on the use of

the property. For example, owner-occupied residential property is classified as homestead.

Property tax levy - The tax imposed by a local unit of government. The tax is established on or around December 28 of the year preceding the year the levy will be paid by taxpayers.

Targeting refund - a state paid property tax refund for homeowners whose property taxes have increased by more than 12 percent. A similar program is available to cabin owners.

Tax capacity - The valuation of property based on market value and statutory class rates. The property tax for each parcel is based on its tax capacity.

Total tax capacity - The amount computed by first totaling the tax capacities of all parcels of property within a city. Adjustments for fiscal disparities, tax increment and a portion of the powerline value are made to this total since not all tax capacity is available for general tax purposes.

Truth-in-Taxation - The “taxation and notification law” which requires local governments to set estimated levies, inform taxpayers about the impacts, and announce which of their regularly scheduled council meetings will include a discussion of the budget and levy. Taxpayer input is taken at that meeting.

Table A: class rates

Property Class	Taxes Payable 2015	Local Taxes Payable 2016	State Tax Payable 2016
Residential Homestead: 1 st \$500,000 ¹ >\$500,000	1.0% 1.25	1.0% 1.25	No state tax
Non-homestead Residential: Single unit: 1 st \$500,000 ¹ >\$500,000 2-3 unit buildings	1.0 1.25 1.25	1.0 1.25 1.25	No state tax
Market-rate Apartments:	1.25	1.25	No state tax

Commercial/Industrial: 1 st \$150,000 ² >\$150,000	1.5 2.0	1.5 2.0	Subject to state levy (commercial- industrial rate)
Seasonal Recreational Residential: 1 st \$500,000 >\$500,000	1.0 1.25	1.0 1.25	Subject to state levy (seasonal- recreational rate)

¹First tier limit was \$72,000 for 1997, \$76,000 for 2000, and \$500,000 for 2002 and thereafter

²First tier limit was \$100,000 for 1997, \$150,000 thereafter

Resources

League of Minnesota Cities

<http://www.lmc.org/page/1/property-tax-state-funding-fiscal-issues.jsp>

- Local Government Aid 101: 2014 Distribution and Beyond
- Fiscal Disparities 101
- State Homeowner Property Tax Relief Programs 101
- Homestead Market Value Exclusion 101



Local Government Aid 101: 2014 and Beyond

Updated August 2016

The first official LGA program was created in 1971 and provided funds to counties on a per capita basis for allocation to cities in proportion to their property tax levy. Since its inception, LGA has undergone many changes—some minor and some bringing about significant reforms. LGA is distributed using a complex formula that compares a city’s spending needs with its ability to raise revenue. After several years of cuts to the appropriation, the 2013 Legislature enacted the first significant reforms to the LGA program since 2003. Funding for the program increased in 2013 and 2014. The 2016 Legislature debated an additional \$20m in funding but did not pass a tax bill.

This document provides a brief overview of LGA’s recent history and highlights the changes for aid payments beginning in 2014.

Funding Level

The 2012 legislature passed an LGA freeze for 2013 payments. The LGA appropriation grew by \$80 million for 2014 to \$507 million. The 2015 and beyond distributions were increased by about \$8 million by the 2014 Legislature. In 2015, cities will receive \$516.9 million; in 2016 and beyond, the appropriation will be \$519.4 million. The total LGA distribution is shown below for 2003 through 2016. There was no tax bill passed during the 2016 legislative session and therefore no changes made to the LGA program, including the funding level.

Year	Total LGA (\$s)
2003 certified	586,848,950
2003 final	464,941,977
2004	437,466,461
2005	436,558,200
2006	484,558,200
2007	484,558,200
2008 certified	484,148,487
2008 final	430,638,682
2009 certified	526,148,487
2009 final	481,521,933
2010 certified	536,671,457

Year	Total LGA (\$s)
2010 final	426,535,519
2011 certified	527,100,646
2011 final	425,345,348
2012 certified	425,237,611
2013	427,494,945
2014	507,598,012
2015	516,898,012
2016 and beyond	519,398,012

Formula Basics

A city's share of the LGA distribution is determined by a complex formula that compares a city's *expenditure need* and its *ability to pay*. Each city's expenditure need is measured based on several statistical variables. These variables or factors attempt to identify characteristics that cause differences in the amount cities spend to provide the same level of service. Calculated expenditure need is then compared to the city's ability to pay or revenue-raising capacity (i.e., property taxes). This difference, or gap, is the city's unmet need. A city's LGA payment is a computed as a percentage of that gap. The percentage of the gap that is funded by LGA is based on the total available appropriation for the program and is the same for all cities that receive LGA in that year.

Prior to the 2013 reforms, the factors used to calculate city need were largely based on 2000 Census data. The age of the data underlying the formula and the repeated cuts to the appropriation highlighted the need for significant reform.

Expenditure Need Variables

The 2013 reforms implemented three need formulas for cities.

For cities below 2500 population, need is defined by city population size only.

For cities between 2500 and 10,000 population, need is defined by the percent of housing built before 1940, household size, and population decline (%) since the peak population level of the last 40 years.

For cities over 10,000 population, need is defined by the average number of jobs per capita, the percent of housing built before 1940, the percent of housing built between 1940 and 1970, and a sparsity adjustment for cities with fewer than 150 residents per square mile.

Calculating Unmet Need

To calculate a city's *need* the values for each variable are multiplied by fixed coefficients. These coefficients were determined by a statistical process called multiple regression. The coefficients weigh the variables according to their relative importance in explaining differences in city spending need. The sum of these products is a per capita dollar expenditure need. Multiplying the per capita need by the population gives the total expenditure need, which is then compared to an individual city's ability to pay.

Ability to pay is defined as a city's capacity to raise revenue via property taxes. This is calculated by applying the statewide average city tax rate based on the prior year's levy to the city's tax base.

The difference between a city's total *expenditure need* and its *ability to pay* is its unmet need. The portion of unmet need filled by LGA is adjusted so that the total of all distributions equals the current appropriation.

Aid Bases

As a result of the 2013 reforms, there are no longer any aid bases used in calculating LGA amounts for cities. Some of the aid bases of the past were for regional centers, for small cities, and



for specific circumstances, such as flood recovery.

Year-to-year changes

A city's LGA payment amount can change from year to year. For 2014 only, no city can receive less in LGA than it did in 2013. Beginning with aids payable in 2015, no city's aid can decrease by more than 5% of its previous year's levy or \$10 per capita.

Timing of Payments

The Department of Revenue notifies cities of their LGA amounts for the following year by July 31st. Cities receive the aid in two equal payments—the first in mid-July and the second in late December.

Cities can request early payments of LGA when they face certain unanticipated costs, such as those for recovery efforts after a natural disaster.

Resources

League of Minnesota Cities

<http://www.lmc.org/page/1/property-tax-state-funding-fiscal-issues.jsp>

- LGA Key Terms
- LGA Timeline
- LGA Key Points

House Research: Basic Information on State Aids

<http://www.house.leg.state.mn.us/hrd/topics.aspx?topic=32>

Certified LGA amounts:

http://www.revenue.state.mn.us/local_gov/prop_tax_admin/Pages/lga.aspx

Additional information on the LGA formula and aid distributions can be obtained by contacting LMC Policy Analysis staff.



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City Fund Balances 101: Critical Issues and Definitions

September 2015

City fund balances are often a popular topic of discussion among state policymakers and the media. Some of these discussions include basic misunderstandings of city finances. This heightened attention means it is important for city officials to be able to explain both the size of their city's fund balance and its role in city finances to citizens, legislators, and the media. While each city's financial situation is unique, this document provides an overview of the critical issues surrounding city fund balances, the different components of fund balances, and the basic characteristics that most city fund balances share.

Critical Issues/Talking Points

- Cities receive their two largest sources of revenue—the property tax and state aid distributions—twice each year. The equivalent for an individual would be to receive only two paychecks each year.
- The Office of the State Auditor's (OSA) report measures city fund balances on Dec. 31, shortly after the city receives its second property tax and state aid distribution. The timing is equivalent to measuring your personal wealth on the day after payday—before you've paid the mortgage, car loan, and other bills.
- Like individuals and businesses, cities have monthly bills and expenditure needs. Fund balances are used for day-to-day cash flow for the following five to six months of city operations—until the next property tax and state aid distributions.
- Cities may also set aside a portion of their fund balance as a rainy day fund to help them through emergencies, like cuts to state aids or natural disasters. This is similar to families aiming to set aside enough funds to cover three months' worth of bills should household income drop due to illness or unemployment.
- The OSA's official position on city fund balances is that the unreserved portion should be equal to 35 to 50 percent of general fund operating revenues.

Different components of fund balances

The city fund balance is not one pot of money but is comprised of distinct components with very distinct purposes. The Office of the State Auditor (OSA) released a revised statement of position on fund balances in July of 2012. That document is available [here](#). According to the OSA, "local government should identify fund balance separately based on a hierarchy of the constraints placed on the use of the financial resources within governmental funds." Under GASB 54, Minnesota cities need to report five different components of fund balances to the OSA each year: a) non-spendable, b) restricted, c) unrestricted-committed, d) unrestricted-assigned, and e) unrestricted-unassigned. These five distinct classifications are defined below.

Restricted components:

- a) Non-spendable: These are dollars that cannot be spent because they are not in a spendable form or they are legally or contractually required to remain intact. Examples here are inventories, pre-paid items or long-term receivables in the city's general fund.
- b) Restricted: These are dollars on which there are constraints placed regarding their use. External constraints include those imposed by creditors, grantors, or laws of other governments. Other constraints might be those imposed by law. Examples of the former are debt covenants and grants earned but not yet spent. Examples of the latter include taxes dedicated to a specific purpose and revenues restricted by some enabling legislation.

Unrestricted components:

- c) Unrestricted-Committed: These are dollars that must be kept for specific purposes as determined by formal action of the decision-making authority. An example is funds set aside by the council for a specific capital project.
- d) Unrestricted-Assigned: These are dollars that the city intends to use for a specific purpose but they are not committed. An example is regularly using fund balance to balance the city's budget at the end of the year.
- e) Unrestricted-Unassigned: Finally, these are dollars that do not fall into any of the other classifications.

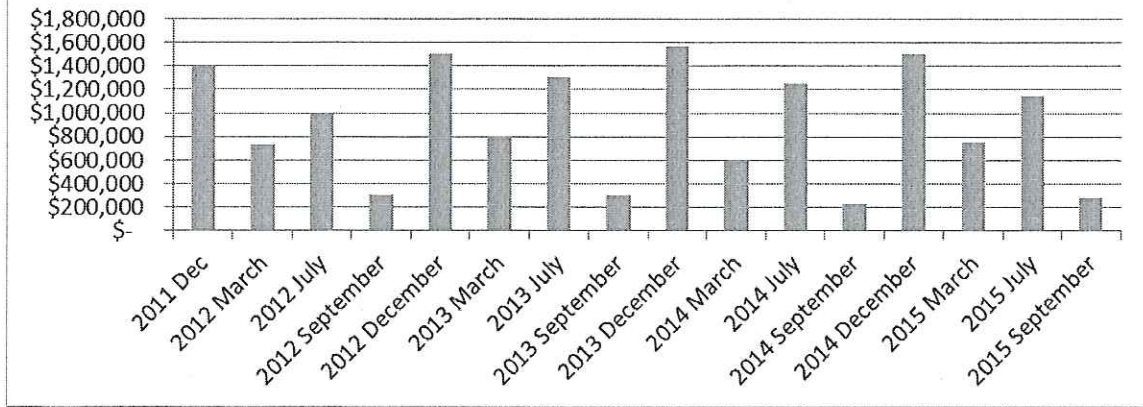
The OSA position statement on fund balances states that local governments must identify each of these classifications separately. The OSA offers two criteria for cities to consider when establishing a fund balance policy and assigning fund balance dollars. The first is that the unrestricted fund balance in the general fund and any special revenue funds be equal to 35 to 50 percent of general fund operating revenues. The second is that the unrestricted fund balance should be no less than five months of operating expenditures.

Cash flow funds

Cities receive the two largest sources of revenue—the property tax and state aid distributions—twice each year. The OSA report measures city fund balances on Dec. 31, shortly after the city receives its second property tax and state aid distribution. These reserves are used for day-to-day cash flow for the next five to six months of city operations—until the next property tax and state aid distributions in May and July. Like families and businesses, cities have monthly bills and expenditure needs. Measuring a city's fund balance on Dec. 31 is equivalent to measuring your personal wealth on the day after payday—before you've paid the mortgage, car loan, and other bills. Without adequate cash flow reserves, cities would be forced to borrow to pay for operating expenses, which increases the overall cost of city services to taxpayers. A city with low reserves may also choose to delay major purchases; turn to other revenue sources such as fees, fines, service charges, interest from investments, or other grants and aids; or adjust their budgets in other ways.

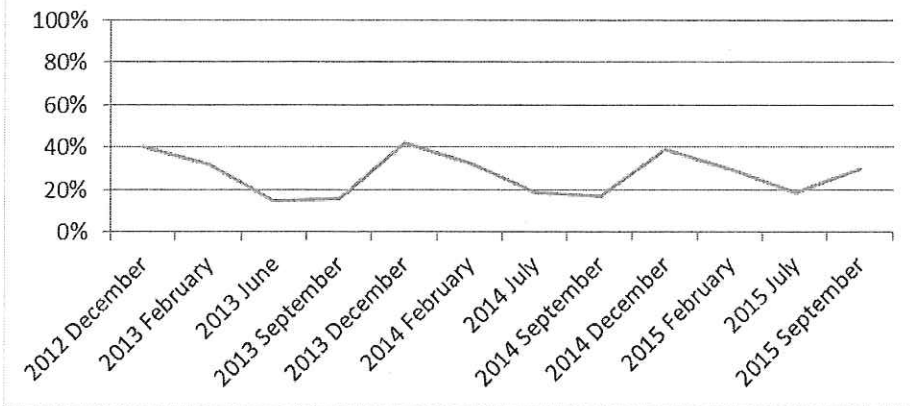
Graph A shows a one-year cash balance for everyone's favorite hypothetical city, Mosquito Heights. The cash balance is highest in December and July, after taxes and state aids are distributed to the city. The difference between the peaks and valleys is the city's cash flow need. A city may need to rely more or less on reserves during the months between tax and state aid distributions, depending on its other revenues sources such as fees.

Graph A: Example of City Fund Balance Fluctuation



The annual state auditor’s report shows city fund balances as a percentage of total current expenditures for the year. **Graph B** illustrates the general fund cash balance as a percentage of the general fund budget for a hypothetical city. In December, when the state auditor’s report measures fund balances, the city’s general fund cash balance is over 40 percent of budgeted expenditures. That percentage dips below 20 percent in May and November in each of the past two years.

Graph B: Fund Balance as % of General Fund Budget



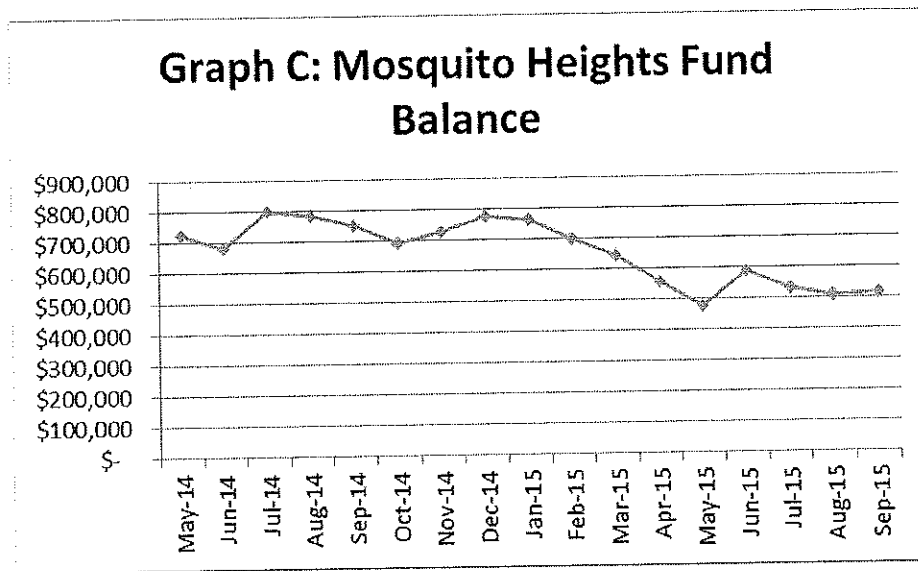
Rainy day funds

The city fund balance acts as a rainy day fund to help the city cope with revenue shortfalls, unexpected expenditures, or emergencies. Given that cities only receive property taxes and state aids twice a year, the reserve funds can be critical for responding to unforeseen local needs. Some cities have relied upon their fund balance to meet immediate budget needs. Emergencies, including natural disasters such as floods or tornados, may also require a city to rely on rainy day funds. The state also has a budget reserve. The reserve is commonly referred to as the rainy day fund. Due to the volatility in estimating state income and sales tax

revenues, this fund helps the state address unexpected economic downturns, other fluctuations in state revenues, or unexpected expenditure needs.

Savings for projects or dedicated uses

Prior to undertaking a capital project, a city may increase reserves to help pay for a portion of the project, thus reducing the need to issue debt. Setting aside money over a period of time can be an easier way to pay for a project, especially for smaller cities. City fund balances may include savings for a major project or purchase. **Graph C** shows a two-year fund balance for Mosquito Heights. In January 2015 the city began construction of a new city hall, for which it had funds saved. By September 2015, the project was complete and the city's fund balance was less than two-thirds what it had been in July 2014.



Cities may have reserves in dedicated funds, such as sewer and water utilities, or enterprise funds, which are generated from user fees. These reserves are dedicated for operation, maintenance, and improvement of the utility or enterprise and must be used for those purposes.

Fund balances and credit ratings

Cash flow needs, savings for projects, and reserves for unforeseen needs are three reasons why fund balances are important. Another reason is favorable bond ratings. Good bond ratings mean that a city will get lower interest rates when borrowing money. The bond rating is similar to an individual's credit score and its impact on interest rates for mortgages and car loans. Wall Street (e.g., firms such as Moody's) takes into account the financial well-being of a city when determining that city's municipal bond rating. The city's reserves are an important indicator of a city's overall financial health; a city is more likely to be given a higher bond rating if it is deemed to have a healthy city fund balance. Other indicators of financial viability can include an unreserved, undesignated fund balance of approximately 20 percent, direct debt of less than 3 percent of full value, per capita income of approximately \$25,000, and a tax collection rate for the previous three years of greater than 95 percent.

A high rating for a city reflects the strength of the local economy and indicates its sound fiscal management. A high rating bolsters the confidence of other investors and its taxpaying residents. This high bond rating is significant for taxpayers as its issuance enables the city to borrow at a lower interest rate, thereby lowering the cost of municipal debt and ultimately saving the taxpayers money. While a city cannot

directly control all of the factors that are considered by Wall Street, sound financial management planning can help cities assess their financial health and anticipate future needs. A financial management plan gives cities a context for decisions and can lead to a more stable tax rate because future growth and infrastructure needs are incorporated into the plan.

Resources

Office of the State Auditor: <http://www.osa.state.mn.us/>

- Statement of Position:
http://www.osa.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf
- City finances reports: <http://www.osa.state.mn.us/list.aspx?get=4>

League of Minnesota Cities

<http://www.lmc.org>

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CITY OF MOUNTAIN LAKE
Fund Balances Working Funds

Account Descr	Current Balance
FUND 101 GENERAL FUND	
G 101-10100 Cash	\$290,665.78
G 101-10150 Savings	\$79,786.47
G 101-10152 Savings - Special	\$657,607.66
G 101-10400 Investments at Cost	\$0.00
G 101-10403 Investments-Northland	\$510,991.68
FUND 101 GENERAL FUND	\$1,539,051.59
FUND 202 2014 SMALL CITIES DEVELOP PROG	
G 202-10100 Cash	-\$7,194.50
G 202-10150 Savings	\$0.00
FUND 202 2014 SMALL CITIES DEVELOP PR	-\$7,194.50
FUND 205 ECONOMIC DEVELOPMENT AUTHORITY	
G 205-10100 Cash	\$27,769.27
G 205-10150 Savings	\$0.00
G 205-10152 Savings - Special	\$23,768.23
G 205-10400 Investments at Cost	\$0.00
FUND 205 ECONOMIC DEVELOPMENT AUT	\$51,537.50
FUND 211 LIBRARY FUND	
G 211-10100 Cash	\$41,446.71
G 211-10150 Savings	\$565.21
G 211-10152 Savings - Special	\$60,585.59
G 211-10400 Investments at Cost	\$0.00
FUND 211 LIBRARY FUND	\$102,597.51
FUND 221 FIRE DEPT FUND	
G 221-10100 Cash	\$137,705.49
G 221-10152 Savings - Special	\$130,383.76
G 221-10400 Investments at Cost	\$17,128.61
FUND 221 FIRE DEPT FUND	\$285,217.86
FUND 231 AMBULANCE FUND	
G 231-10100 Cash	\$149,221.09
G 231-10150 Savings	\$203.86
G 231-10152 Savings - Special	\$133,562.17
G 231-10400 Investments at Cost	\$0.00
FUND 231 AMBULANCE FUND	\$282,987.12
FUND 303 TIF #1-5 POPD KERNS	
G 303-10100 Cash	\$69,797.53
G 303-10400 Investments at Cost	\$0.00
FUND 303 TIF #1-5 POPD KERNS	\$69,797.53
FUND 307 LAKEVIEW ESTATES-2007-2015A	
G 307-10100 Cash	\$11,554.28
G 307-10152 Savings - Special	\$0.00
G 307-10400 Investments at Cost	\$0.00
G 307-10403 Investments-Northland	-\$0.54
FUND 307 LAKEVIEW ESTATES-2007-2015A	\$11,553.74
FUND 308 2011 BOND REFUND-06 ST PROJ	
G 308-10100 Cash	\$45,297.90
G 308-10403 Investments-Northland	\$0.00

st Dept
Gen Fund - 355,568.16
Police - 61,713.63
st Dept - 240,325.87

Account Descr	Current Balance
FUND 308 2011 BOND REFUND-06 ST PROJ	\$45,297.90
FUND 312 CITY WIDE PROJ-DEBT SERV	
G 312-10100 Cash	\$58,385.07
G 312-10152 Savings - Special	\$362,164.81
FUND 312 CITY WIDE PROJ-DEBT SERV	\$420,549.88
FUND 315	
G 315-10100 Cash	\$0.00
FUND 315	\$0.00
FUND 320 EDA - CITY HALL FUND	
G 320-10100 Cash	-\$4,971.14
FUND 320 EDA - CITY HALL FUND	-\$4,971.14
FUND 332 2002 STREET IMPROV	
G 332-10100 Cash	-\$8,742.59
G 332-10403 Investments-Northland	\$41,304.83
FUND 332 2002 STREET IMPROV	\$32,562.24
FUND 341 T.I.F.# 1-6 MT POWER	
G 341-10100 Cash	\$241,475.26
FUND 341 T.I.F.# 1-6 MT POWER	\$241,475.26
FUND 342 T.I.F. #1-4 GOOD SAM	
G 342-10100 Cash	\$29,346.09
G 342-10152 Savings - Special	\$0.00
G 342-10400 Investments at Cost	\$0.00
FUND 342 T.I.F. #1-4 GOOD SAM	\$29,346.09
FUND 403 POPD KERNS CONST ACCT	
G 403-10100 Cash	\$0.00
FUND 403 POPD KERNS CONST ACCT	\$0.00
FUND 412 2012 CITY WIDE PROJECT	
G 412-10100 Cash	\$0.00
G 412-10152 Savings - Special	\$0.00
FUND 412 2012 CITY WIDE PROJECT	\$0.00
FUND 415 TIF#1-7 MILK SPECIALTIES	
G 415-10100 Cash	-\$2,024.00
FUND 415 TIF#1-7 MILK SPECIALTIES	-\$2,024.00
FUND 441 MT POWER CONST ACCT	
G 441-10100 Cash	\$0.00
FUND 441 MT POWER CONST ACCT	\$0.00
FUND 450 DOWNTOWN-ROSS PROJECT	
G 450-10100 Cash	-\$235,893.29
FUND 450 DOWNTOWN-ROSS PROJECT	-\$235,893.29
FUND 460 PANKRATZ INDUSTRIAL PARK	
G 460-10100 Cash	\$16,417.32
G 460-10150 Savings	\$0.00
FUND 460 PANKRATZ INDUSTRIAL PARK	\$16,417.32
FUND 501 CAPITAL OUTLAY REVOLVING FUND	
G 501-10100 Cash	\$183.71
G 501-10152 Savings - Special	\$111,513.18

Account Descr	Current Balance
G 501-10400 Investments at Cost	\$0.00
FUND 501 CAPITAL OUTLAY REVOLVING FU	\$111,696.89
FUND 507 LAKE COMMISSION FUND	
G 507-10100 Cash	\$5,718.19
G 507-10152 Savings - Special	\$10,022.62
G 507-10400 Investments at Cost	\$0.00
FUND 507 LAKE COMMISSION FUND	\$15,740.81
	\$3,005,746.31

City of Mountain Lake, Minnesota

Resolution #2-16

A Resolution Providing for a Minimum General Fund Balance for Working Capital and Assignment of General Funds for Projects

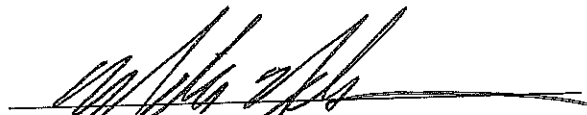
Whereas, the City of Mt. Lake needs adequate liquidity and working capital to operate because its main sources of revenue are not received until the fifth month of a six-month cycle; and

Whereas, the City of Mt. Lake does, on occasion, experience unexpected and unbudgeted expenditures.

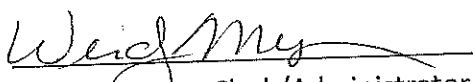
Therefore be it resolved that the City of Mt. Lake designates 50% of its current year general fund expenditure budget as a minimum fund balance for working capital to meet liquidity and working capital needs.

Be it further resolved that the City of Mt. Lake assign funds held in savings accounts and certificates of deposit to be used for specific projects.

This resolution was adopted and approved the City Council on this 4th day of January 2016.


Mike Nelson, Mayor

ATTEST:


Wendy Meyer, Clerk/Administrator

The 2016 general fund expenditures budget is \$1,311,246.60.

Designated 50% is \$655,623.30.

January 1, 2016 General Fund Balance - \$1,959,638.51

Assigned

\$68,970.99 - Police Equipment

\$188,972.71 - Street Dept. Equipment

\$30,859 - 2016 Street Maintenance (Small Cities Assistance)

\$488,310.86 - (Northland) Future Street Projects

\$326,283.20 - 2016 Bond Payments

\$200,618.45 - Unbudgeted expenditures; Trail Legal Costs

CITY OF MOUNTAIN LAKE

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December 5, 2016
mtg

November 2016 to December 2016

9919388 - 9919434
461E

	Check Amt	Invoice	Comment
10100 United Prairie			
Paid Chk# 9919388 11/28/2016 COMMISSIONER OF REVENUE			
G 101-21702 State Withholding	\$42.82		
Total COMMISSIONER OF REVENUE	\$42.82		
Paid Chk# 9919389 11/28/2016 INTERNAL REVENUE SERVICE			
G 101-21701 Federal Withholding	\$87.00		
G 101-21703 FICA Tax Withholding	\$2,178.88		
Total INTERNAL REVENUE SERVICE	\$2,265.88		
Paid Chk# 9919390 11/23/2016 AFLAC			
G 101-21713 AFLAC	\$192.74		
Total AFLAC	\$192.74		
Paid Chk# 9919391 11/23/2016 AFSCME COUNCIL 65			
G 101-21707 Union Dues	\$154.86		
Total AFSCME COUNCIL 65	\$154.86		
Paid Chk# 9919392 11/23/2016 BCBS/HSA			
G 101-21714 HSA	\$793.85		
Total BCBS/HSA	\$793.85		
Paid Chk# 9919393 11/23/2016 COMMISSIONER OF REVENUE			
G 101-21702 State Withholding	\$796.58		
Total COMMISSIONER OF REVENUE	\$796.58		
Paid Chk# 9919394 11/23/2016 GISLASON & HUNTER			
G 101-21712 Garnishments	\$362.72		
Total GISLASON & HUNTER	\$362.72		
Paid Chk# 9919395 11/23/2016 INTERNAL REVENUE SERVICE			
G 101-21701 Federal Withholding	\$1,839.91		
G 101-21703 FICA Tax Withholding	\$2,281.56		
Total INTERNAL REVENUE SERVICE	\$4,121.47		
Paid Chk# 9919396 11/23/2016 PERA			
G 101-21704 PERA	\$4,321.21		
Total PERA	\$4,321.21		
Paid Chk# 9919397 11/23/2016 SELECT ACCOUNT			
E 101-41400-141 Admin Fees-HSA	\$4.22		HSA ADMIN FEES
E 101-42100-141 Admin Fees-HSA	\$8.44		HSA ADMIN FEES
E 205-46500-141 Admin Fees-HSA	\$2.11		HSA ADMIN FEES
E 211-45500-141 Admin Fees-HSA	\$2.11		HSA ADMIN FEES
E 101-43100-141 Admin Fees-HSA	\$3.80		HSA ADMIN FEES
E 101-45200-141 Admin Fees-HSA	\$1.27		HSA ADMIN FEES
E 101-46200-141 Admin Fees-HSA	\$1.26		HSA ADMIN FEES
Total SELECT ACCOUNT	\$23.21		
Paid Chk# 9919398 11/23/2016 SW/WC SERVICE COOPERATIVES			
G 101-21708 Employee Paid Health Insurance	\$1,169.90		
Total SW/WC SERVICE COOPERATIVES	\$1,169.90		
Paid Chk# 9919399 11/23/2016 VALIC			
G 101-21705 VALIC	\$388.00		
Total VALIC	\$388.00		

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November 2016 to December 2016

			Check Amt	Invoice	Comment
Paid Chk#	9919403	11/30/2016	KENNETH AND RACHEL YODER		
	E 101-45210-304	Legal Fees	\$96,400.00		TRAIL SETTLEMENT
	Total	KENNETH AND RACHEL YODER	\$96,400.00		
Paid Chk#	9919404	12/2/2016	MUNICIPAL UTILITIES		
	E 101-43160-381	Electric Utilities	\$3,715.07		OCTOBER STREET LIGHTING
	Total	MUNICIPAL UTILITIES	\$3,715.07		
Paid Chk#	9919405	12/2/2016	FRONTIER		
	E 101-42100-321	Telephone	\$175.89		2015-16 PHONE BOOK LISTING (THIS HAS BEEN CANCELLED FOR THE FUTURE)
	E 221-42200-321	Telephone	\$175.90		2015-16 PHONE BOOK LISTING (THIS HAS BEEN CANCELLED FOR THE FUTURE)
	E 231-42154-321	Telephone	\$175.90		2015-16 PHONE BOOK LISTING (THIS HAS BEEN CANCELLED FOR THE FUTURE)
	Total	FRONTIER	\$527.69		
Paid Chk#	9919406	12/2/2016	THIRD AVENUE AUTO PARTS		
	E 101-43100-430	Miscellaneous	\$9.09		SERVICE CHARGE
	E 507-45150-404	Repairs/Maint Machinery/Equip	\$53.90	S156927	FILTERS FOR WEED HARVESTOR
	E 101-43100-404	Repairs/Maint Machinery/Equip	\$67.68	S156972	CABIN AIR FILTER,SERV GAGE, AIR CHUCK
	E 101-45200-404	Repairs/Maint Machinery/Equip	\$10.78	S156982	TRIMMER LINE
	E 101-43100-215	Shop Supplies	\$23.98	S156987	FLOOR DRY
	E 101-43100-404	Repairs/Maint Machinery/Equip	(\$12.69)	S157040	RETURN AIR CHUCK
	E 101-45200-404	Repairs/Maint Machinery/Equip	\$10.78	S157065	TRIMMER LINE
	E 101-43100-215	Shop Supplies	\$47.96	S157107	FLOOR DRY
	E 101-43100-404	Repairs/Maint Machinery/Equip	\$344.97	S157142	12V COMMERCIAL SERV
	E 101-43100-404	Repairs/Maint Machinery/Equip	\$28.18	S157158	PROFILE BLADE
	E 221-42200-404	Repairs/Maint Machinery/Equip	\$38.79	S157220	CHARGER/MAINTAINER-FD GRASS RIG
	E 101-43100-215	Shop Supplies	\$11.37	S157223	WASHER FLUID
	E 101-43100-404	Repairs/Maint Machinery/Equip	\$38.04	S157242	TIRE FOAM, OIL FILTER
	E 101-43100-404	Repairs/Maint Machinery/Equip	\$12.69	S157358	AIR CHUCK
	E 101-45200-404	Repairs/Maint Machinery/Equip	\$57.21	S157366	OIL FOR LAWN MOWERS
	E 101-43100-404	Repairs/Maint Machinery/Equip	\$27.12	S157417	OIL
	Total	THIRD AVENUE AUTO PARTS	\$769.85		
Paid Chk#	9919407	12/2/2016	FRONTIER		
	E 211-45500-321	Telephone	\$66.15		LIBRARY PHONE 507-427-2506
	Total	FRONTIER	\$66.15		
Paid Chk#	9919408	12/2/2016	ADVANCED SYSTEMS INC		
	E 101-41400-200	Office Supplies	\$511.41	512083	CITY-COPIES ON COLOR PRINTER 9/1/16 - 11/30/16
	E 205-46500-200	Office Supplies	\$154.22	512083	EDA-COPIES ON COLOR PRINTER 9/1/16 - 11/30/16
	E 101-42100-200	Office Supplies	\$0.16	512083	PD-COPIES ON COLOR PRINTER 9/1/16 - 11/30/16
	Total	ADVANCED SYSTEMS INC	\$665.79		
Paid Chk#	9919409	12/2/2016	AMAZON		
	E 211-45500-590	Capital Outlay Books	\$28.60		LIBRARY BOOKS
	E 211-45500-592	A.V. Materials	\$97.48		LIBRARY AV
	E 211-45500-430	Miscellaneous	\$25.00		SERVICE CHARGE
	Total	AMAZON	\$151.08		
Paid Chk#	9919410	12/2/2016	AMBULANCE FUND		
	E 231-42154-430	Miscellaneous	\$28.22	11/28/16	FOOD ON AMBULANCE RUN
	Total	AMBULANCE FUND	\$28.22		
Paid Chk#	9919411	12/2/2016	BROWN NICOLLET ENVIRON HEALTH		

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November 2016 to December 2016

			Check Amt	Invoice	Comment
E 101-45183-433	Dues and Subscriptions		\$155.58		2017 CAMPGROUND LICENSE
total BROWN NICOLLET ENVIRON HEALTH			\$155.58		
Paid Chk# 9919412 12/2/2016 CARDMEMBER SERVICE					
E 101-00000-430	Miscellaneous		\$19.98		CRASH PLAN-MONTHLY COMPUTER BACKUP
Total CARDMEMBER SERVICE			\$19.98		
Paid Chk# 9919413 12/2/2016 DENNIS E. OBERLOH LTD					
E 101-00000-430	Miscellaneous		\$400.00		2015 TIF REPORTING
Total DENNIS E. OBERLOH LTD			\$400.00		
Paid Chk# 9919414 12/2/2016 DENNIS HULZEBOS					
E 101-45186-400	Janitor-Repairs/Maint		\$250.00		DEC MAINT AT SR CTR
E 211-45500-400	Janitor-Repairs/Maint		\$345.00		DEC MAINT AT LIBRARY
Total DENNIS HULZEBOS			\$595.00		
Paid Chk# 9919415 12/2/2016 DOUG BRISTOL					
E 101-42100-430	Miscellaneous		\$6.18	12/1/16	Q-TIPS FOR GUN CLEANING
Total DOUG BRISTOL			\$6.18		
Paid Chk# 9919416 12/2/2016 EXPERT T BILLING					
E 231-42154-300	Professional Svcs		\$270.00		OCTOBER AMB BILING
Total EXPERT T BILLING			\$270.00		
Paid Chk# 9919417 12/2/2016 FAIRMONT AWARDS					
E 221-42200-430	Miscellaneous		\$30.80	102512	FIRE DEPT NAME PLATE-DAVE AHLBRECHT
Total FAIRMONT AWARDS			\$30.80		
Paid Chk# 9919418 12/2/2016 FRONTIER					
E 101-41400-321	Telephone		\$190.16		CITY HALL PHONE-427-2999
E 101-42100-321	Telephone		\$219.70		POLICE DEPT PHONE-427-3403
E 101-43100-321	Telephone		\$67.90		STREET DEPT PHONE-427-2997
E 101-45186-321	Telephone		\$63.80		SR CTR PHONE-427-2151
E 205-46500-321	Telephone		\$37.50		EDA PORTION OF DSL & 427-2999
E 205-46500-321	Telephone		\$4.99		CHAMBER 800#
E 101-00000-430	Miscellaneous		\$98.44		UT-PHONE
Total FRONTIER			\$682.49		
Paid Chk# 9919419 12/2/2016 GREATAMERICA FINANCIAL SVCS					
E 101-00000-430	Miscellaneous		\$8.43		CHAMBER-MONTHLY COLOR COPY MACHINE LEASE
E 101-41400-200	Office Supplies		\$26.35		OFFICE-MONTHLY COLOR COPY MACHINE LEASE
E 101-42100-200	Office Supplies		\$8.78		PD-MONTHLY COLOR COPY MACHINE LEASE
E 101-00000-430	Miscellaneous		\$91.31		UT-MONTHLY COLOR COPY MACHINE LEASE
E 205-46500-200	Office Supplies		\$5.62		EDA-MONTHLY COLOR COPY MACHINE LEASE
Total GREATAMERICA FINANCIAL SVCS			\$140.49		
Paid Chk# 9919420 12/2/2016 INDOFF INCORPORATED					
E 231-42154-210	Operating Supplies		(\$69.03)	2868368	AMB-THERMAL PAPER RETURNED
E 101-42100-430	Miscellaneous		\$12.02	2873267	PD-AAA BATTERIES
E 101-41400-200	Office Supplies		\$2.23	2873267	BINDER CLIPS
E 101-41400-200	Office Supplies		\$111.46	2876721	FILE FOLDERS,CORRECTION TAPE,8 1/2 X 14 PAPER
Total INDOFF INCORPORATED			\$56.68		
Paid Chk# 9919421 12/2/2016 MINNESOTA ENERGY RESOURCE CORP					
E 101-41400-383	Gas Utilities		\$120.67		CITY HALL GAS-ACCT#4346780-2
E 221-42200-383	Gas Utilities		\$119.11		FIRE DEPT PORTION OF FIREHALL GAS-ACCT#4296165-6

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November 2016 to December 2016

			Check Amt	Invoice	Comment
E 231-42154-383	Gas Utilities		\$58.66		AMB PORTION OF FIREHALL GAS-ACCT#4296165-6
E 101-43100-383	Gas Utilities		\$238.52		STREET GARAGE GAS-ACCT#4092120-7
E 211-45500-383	Gas Utilities		\$52.89		LIBRARY GAS-ACCT#4134278-3
E 101-45186-383	Gas Utilities		\$90.53		SR CTR GAS-ACCT#4010846-6
al MINNESOTA ENERGY RESOURCE CORP			\$680.38		
<hr/>					
Paid Chk#	9919422	12/2/2016	MINNESOTA MUTUAL LIFE		
E 101-42100-135	Employer Paid Other		\$1.70		DEC BRIAN LUNZ LIFE INSURANCE
E 101-42100-134	Employer Paid Life		\$6.80		DEC LIFE INS-POLICE DEPT
E 101-41400-134	Employer Paid Life		\$1.70		DEC WENDY FAST-LAKER APTS-LIFE INS
E 211-45500-134	Employer Paid Life		\$1.70		DEC LIFE INS-LIBRARY
E 101-43100-134	Employer Paid Life		\$3.06		DEC LIFE INS-ST DEPT
E 101-41400-134	Employer Paid Life		\$3.40		DEC LIFE INS-OFFICE
E 101-45200-134	Employer Paid Life		\$1.02		DEC LIFE INS-PARKS DEPT
E 101-46200-134	Employer Paid Life		\$1.02		DEC LIFE INS-CEMETERY
E 205-46500-134	Employer Paid Life		\$1.70		DEC LIFE INS-EDA ROB ANDERSON
G 101-21706	Hospitalization/Medical Ins		\$25.30		DEC LIFE INS-ROBB ANDERSON
G 101-21706	Hospitalization/Medical Ins		\$10.90		DEC LIFE INS-DARON FRIESEN
G 101-21706	Hospitalization/Medical Ins		\$12.00		DEC LIFE INS-STEVE PETERS
Total MINNESOTA MUTUAL LIFE			\$70.30		
<hr/>					
Paid Chk#	9919423	12/2/2016	MOUNTAIN POWER HYDRAULICS		
E 205-46500-356	Abatements		\$15,022.00		2016 ABATEMENT
Total MOUNTAIN POWER HYDRAULICS			\$15,022.00		
<hr/>					
Paid Chk#	9919424	12/2/2016	MUNICIPAL UTILITIES		
E 101-45200-380	Elec,Water,Sewer		\$12.25		LAWCON PARK
E 101-41400-380	Elec,Water,Sewer		\$309.60		CITY HALL UT
E 101-45200-380	Elec,Water,Sewer		\$120.94		CITY PARK RESTROOMS UT
E 101-45186-380	Elec,Water,Sewer		\$357.93		SR CTR UT
E 101-43100-380	Elec,Water,Sewer		\$206.59		ST DEPT UT
E 221-42200-380	Elec,Water,Sewer		\$137.02		FIRE DEPT PORTION OF FIREHALL UT
E 231-42154-380	Elec,Water,Sewer		\$67.49		AMB PORTION OF FIREHALL UT
E 211-45500-380	Elec,Water,Sewer		\$267.48		LIBRARY UT
E 607-46330-380	Elec,Water,Sewer		\$5.24		4-PLEX PORTION OF ST LITE ON HERITAGE DRIVE
E 608-46330-380	Elec,Water,Sewer		\$10.17		8-PLEX PORTION OF ST LITE ON HERITAGE DRIVE
E 101-45183-380	Elec,Water,Sewer		\$617.26		UT AT CAMPGROUND
E 101-45200-380	Elec,Water,Sewer		\$12.18		UT AT CITY PARK SHELTERHOUSE
Total MUNICIPAL UTILITIES			\$2,124.15		
<hr/>					
Paid Chk#	9919425	12/2/2016	MUSKE, MUSKE, SURHOFF		
E 101-41400-304	Legal Fees		\$1,400.00		DECEMBER LEGAL RETAINER
Total MUSKE, MUSKE, SURHOFF			\$1,400.00		
<hr/>					
Paid Chk#	9919426	12/2/2016	NICKEL CONSTRUCTION		
E 101-43150-220	Repair/Maint Supply		\$4.00	16881	CEMENT DUMPING-STORM SEWER
Total NICKEL CONSTRUCTION			\$4.00		
<hr/>					
Paid Chk#	9919427	12/2/2016	NORTH STAR FLAGS		
E 101-00000-430	Miscellaneous		\$61.00	727064	5 X 8 FLAG
Total NORTH STAR FLAGS			\$61.00		
<hr/>					
Paid Chk#	9919428	12/2/2016	ONE OFFICE SOLUTION		
E 101-41400-200	Office Supplies		\$57.80	1595967-0	FAX CARTRIDGE
Total ONE OFFICE SOLUTION			\$57.80		

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November 2016 to December 2016

			Check Amt	Invoice	Comment
Paid Chk#	9919429	12/2/2016	PRAXAIR		
E	231-42154-210	Operating Supplies	\$82.30		OXYGEN FOR AMBULANCE
		Total PRAXAIR	\$82.30		
Paid Chk#	9919430	12/2/2016	RED FEATHER PAPER		
E	101-41400-401	Repairs/Maint Buildings	\$40.93	90096	DUST MOP-CITY HALL
		Total RED FEATHER PAPER	\$40.93		
Paid Chk#	9919431	12/2/2016	REDWOOD AREA DEVELOP CORP		
E	221-42200-430	Miscellaneous	\$855.00	21754	AFG FIRE GRANT SERVICES 2016
		Total REDWOOD AREA DEVELOP CORP	\$855.00		
Paid Chk#	9919432	12/2/2016	ST JAMES ELECTRIC		
E	101-45186-401	Repairs/Maint Buildings	\$145.64	661273	REPLACE BALLAST-COMM CTR
		Total ST JAMES ELECTRIC	\$145.64		
Paid Chk#	9919433	12/2/2016	STEVEN J. CARSON		
E	101-41910-111	Contract	\$4,050.00		2016 BUILDING INSPECTION FEES
		Total STEVEN J. CARSON	\$4,050.00		
Paid Chk#	9919434	12/2/2016	TOWNS EDGE AUTO		
E	101-42100-406	Vehicle Maint/Gen Repairs	\$86.38	77407	CHANGE OIL, FILTER, GREASE-16 FORD EXPLORER
		Total TOWNS EDGE AUTO	\$86.38		
		10100 United Prairie	\$143,994.17		

Fund Summary

10100 United Prairie	
101 GENERAL FUND	\$125,840.15
205 ECONOMIC DEVELOPMENT AUTHORITY	\$15,228.14
211 LIBRARY FUND	\$886.41
221 FIRE DEPT FUND	\$1,356.62
231 AMBULANCE FUND	\$613.54
507 LAKE COMMISSION FUND	\$53.90
607 EDA----4 PLEX FUND	\$5.24
608 EDA----8 PLEX FUND	\$10.17
	<u>\$143,994.17</u>

Paid Chk#	000461E	11/30/2016	PAY GOV		
E	231-42154-430	Miscellaneous	\$554.00		PECOS-MEDICARE APPLICATION FEE-AMB
		Total PAY GOV	\$554.00		

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DRAFT
Mountain Lake City Council Meeting
Mountain Lake City Hall
Monday, November 21, 2016
6:30 PM

Members Present: Mike Nelson, Dana Kass, Darla Kruser, David Savage, Andrew Ysker

Members Absent: None

Staff Present: Wendy Meyer, Clerk/Administrator; Maryellen Suhrhoff, City Attorney, Muske, Muske, and Suhrhoff; Officer Emily Mathiowetz, Local Steward, Law Enforcement Labor Services

Others Present: Daintri Pedersen; Jason Kruser; Len McFarland, Law Enforcement Labor Services Business Agent

Call to Order

The council meeting was called to order at 6:30 PM by Mayor Mike Nelson. Motion by Kass, seconded by Ysker, to approve the agenda and consent agenda as presented. Motion carried unanimously.

Bills: Check #'s 9919346-9919387, 459-460E

Payroll #'s 62762-62825

November 7 and 14 Council Minutes

October 27 Utilities Commission Minutes

October 11 Lake Commission Minutes

October 14 Economic Development Authority Minutes

October 12 Library Board Minutes, October Library Report and Expenditures

Approval of Uncle B's Off-Sale License

Public

No one present addressed the council during this portion of the meeting.

Utility Deposits

The results of an informal survey of other cities in regard to utility deposits for people purchasing or selling property by contract for deed were reviewed. The municipal utility currently requires a \$250 deposit from the purchaser (vendee) and a \$100 deposit of the seller (vendor). Some of the cities that responded require larger deposits from the vendee than for a property owner. No other city that responded requires a deposit from the vendor. By consensus the council agreed that the \$100 vendor deposit should be eliminated and directly the attorney

and administrator to revise the city's ordinances and policies to reflect the change effective January 1, 2017.

Sub-Station Project

Much of the site preparation work has been completed. Mike Thielen, Utilities Plus Energy Services, the project engineer, is requesting that the council call for masonry work bids. Motion by Ysker, seconded by Savage, to call for bids. Motion carried unanimously.

2017 Utility Rates

The rates increases recommended in studies prepared by Missouri River Energy Services and Northland Securities were reviewed. The Utility Commission reviewed the rates at their November 10 meeting and recommended that the council raise the rates as recommended in the rate studies. Water and sewer rates will increase 2%; electric rates will increase an average of 4.5%. Individual electric classes will see increases ranging from 3.3% to 6.7% depending upon the class. Motion by Savage, seconded by Ysker, to adopt Resolution #30-16 Setting 2017 Water, Sanitary Sewer, and Electric Rates. Motion carried unanimously.

Rustic Path off the Trail

The path is located on the north side of the lake and provides a path to a bench. The Department of Natural Resources' permission and limitations for this path, in writing, have been requested but not received. The matter was tabled until the letter is received.

Dog Park

By consensus it was agreed that an area in the southwest corner of Lawcon Park, at the intersection of Prince St. and Golf Course Road, is the preferred location. A sketch of the site, possible amenities, location of fences, mowing, protection of trees, and other concerns were discussed. Council Member Kruser and a group of volunteers with the assistance of city staff were directed to prepare a detailed plan of the project including size, fencing, benches, water and other amenities, rules, and cost for the council's review and approval.

Ordinance 11-16, Amendment of Section 3.05, Subdivision 7, Paragraph E

The Utility Commission is recommending that Section 3.05 be amended so that the utility account affiliated with a property where a theft or other unlawful act has occurred be billed for the cost of determining and repairing the damage, the unmetered usage, and fined.

Revision of Drug and Alcohol Policy

It has been determined that additional language addressing Chamber functions for the Economic Development and Chamber staff should be added to the policy. Adoption was tabled to a future meeting.

Law Enforcement Labor Services (LELS) Contract Negotiation

The offers made by LELS and the city were reviewed, discussed and explained. Motion by Kass, seconded by Ysker, to close the meeting at 7:46 PM and opened the closed meeting pursuant to MN Statutes 179.01 – 179A.25 to prepare a union contract counter offer. Motion carried unanimously. Motion by Savage, seconded by Ysker, to close the close meeting and open the open meeting at 8:00 PM. Motion carried unanimously. The offer prepared by the city was given to the union for their review and consideration.

2017 Designations and Appointments

The 2016 list of council member appointments was reviewed and changes were made. There was also discussion on appointing and re-appointing citizens to fill openings on the city's boards and commissions.

Adjourn

The meeting was adjourned at 8:17PM.

ATTEST

Wendy Meyer, Clerk/Administrator

Mt. Lake Utilities Commission
Commission Meeting
Thursday, November 10, 2016
7AM

Members Present: Commissioners John Carrison, Todd Johnson, Mark Langland; Council Liaison David Savage

Members Absent: Commissioners Brett Lohrenz, Mike Johnson

Staff Present: Wendy Meyer, Clerk/Administrator; Lynda Cowell, Utilities Office Manager; Ron Melson, Electric Supt.; Patrick Oja, Lineman; Kevin Krahn, Water and Wastewater Supt.; Dave Watkins, Water and Wastewater Dept.

Others Present: None

Call to Order

The meeting was called to order at 7 AM. Utility Deposits was added to the agenda. .

Approval of October 27 Minutes and Check Numbers 16652 – 16685

The minutes were reviewed and a correct was made. The transformer will be ready, not delivered, in November. Several checks were discussed. The administrator will talk to Judy Harder about #16682. Motion by Carrison, seconded by T. Johnson, to approve the minutes as corrected and the bills. Motion carried unanimously.

Electric Dept. Updates

Work is finished on Cat #1 gasket project. The emission upgrades on the two engines that were awarded to Fairbanks Morse has not completed. One bid was received on the sub-station site prep work. The City Council awarded the bid at the cost of \$96,500 to Mathiowetz Construction at their November 7 meeting. Work will be completed by December 15. Mike Thielen, engineer for the sub-station project, will be contacting representatives of the Klassen family to discuss the easement needed south of the project and railroad tracks on Parcel Number 22.034.0401.

Water/Wastewater Dept. Updates

There were no updates.

2017 Rates

Electric rates as recommended by the Missouri River Energy Services (MRES) and water and sewer rates as recommended by Northland Securities for 2017 were reviewed. Water and sewer rates will increase 2%. While the overall electric rate will increase an average of 4.5%, classes

vary between 6.7% and 3.3%. The need to raise sewer rates more than 2% per year after the construction of the new pond was briefly discussed. Motion by Langland, seconded by T. Johnson, to recommend to the council that the 2017 rates be set as recommended by MRES and Northland. Motion carried unanimously.

Wind Turbine Production, Revenue and Expenses

The numbers were reviewed. Revenue and expenses are fairly even. Adjusting the rate from the current 5.4 cents per kW was briefly discussed. No action taken.

Mountain Lake Chamber of Commerce 2017 Membership Dues

Motion by Carrison, seconded by T. Johnson, to join the Chamber as a platinum member at a cost of \$788 and to make an addition donation of \$1140. Motion carried unanimously.

Deposits

The utility requires the same utility deposit for a contract for deed as a rental property. The \$100 landlord deposit is also required of the contract holder. A resident who recently sold a home contract for deed appeared at the November 7 council meeting questioning the policy. While the policy has been used for years a formal written policy could not be found. It was the consensus of the commission that the policy should remain in place and that contract for deeds are added to the list of types of deposits and amounts. The city attorney will be contacted to insure that the correct deposit type is used.

Second November Meeting

By consensus the meeting regularly scheduled for Thursday, November 24 will be held Wednesday November 23. The 24th is Thanksgiving.

Approved November 23, 2016.

ATTEST:

Wendy Meyer Clerk/Administrator

Doug Bristol

From:
Sent: Saturday, November 12, 2016 11:28 AM
To: dbristol@mountainlake.govoffice.com
Subject: Police Commission Minutes

Follow Up Flag: Follow up
Flag Status: Flagged

Police Commission Minutes
October 18, 2016

Present: Norm K., Wendy M., Doug B., Chuck W., Chris B.

Zuercher Report: 155 calls in September

Old Business: Received 3 applicants, possibly 4 for the part-time officer position

New Business: Received Brian Lunz's resignation effective Nov. 1, 2016
Recall issue on the new squad car. Nothing serious(We hope)

Cottonwood County Bus - newspaper ad or something in the utility bill to advertise transportation services to the community.

Adjourn: Chris/Chuck

Respectfully submitted,
Norm Kunkel

RE: Approval of 2017 Brodar Inc./The Laker Grill Liquor License

DATE: 12-1-16

The license should be approved by the City Council contingent on completion of all forms, submittal of checks, and approval by the State of MN.

Local approval with contingencies enables a continuous process that ensures that State approval is received by Dec. 31.

Off-Sale \$100

On-Sale \$400

CITY OF MOUNTAIN LAKE, MN

ORDINANCE #11-16

**AN ORDINANCE AMENDING CHAPTER 3 OF
MOUNTAIN LAKE CITY CODE**

Municipal Utilities – Rules and Regulations, Rates, Charges and Collections

Section 3.05 Rules and Regulations Relating to Municipal Utilities

Be it ordained by the City Council of the City of Mountain Lake that Section 3.05, Subdivision 7 Unlawful Acts, be amended with that addition of Paragraph E, which reads as follows:

Any unlawful act as determined by Mountain Lake Municipal Utility staff will result in the disconnection of service to the utility account affiliated with the property where the unlawful act occurred.

The account will be billed for the cost of determining and repairing any damage caused including labor, the approximate cost of the unmetered usage, and a fine as recommended by the Mountain Lake Utility Commission and adopted by the Mountain Lake City Council.

The bill must be paid in full before service is reconnected.

Adopted by the Mountain Lake City Council this 6th day of December 2016.

Mike Nelson, Mayor

ATTEST:

Wendy Meyer, Clerk/Administrator

Dawn Fast

From: SelectAccount [noreply@selectaccount.com]
Sent: Thursday, October 27, 2016 3:57 PM
To: dfast@mountainlakemn.com
Subject: 2017 FSA contribution maximums

Mt. Lake is currently at \$1,500⁰⁰

Email not displaying correctly?
[View it in your browser.](#)



Important Account Information



IRS raises 2017 FSA contribution limits

Issued October 25, 2016, the IRS has raised the maximum contribution limits on FSA accounts from \$2,550 to \$2,600.

For groups that already set their contribution limits to the 2016 amount (\$2,550), SelectAccount will automatically update that amount to the new 2017 limit of \$2,600 unless notified otherwise.

If you have any questions regarding this contribution limit change or wish to make changes to your organizations contribution maximum, please contact group services at 888-460-4013 or via email at SelectAccountAdvocate@SelectAccount.com.

Thank you for your continued business



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Our mailing address is:

SelectAccount
P.O. Box 64193
St. Paul, Minnesota 55164-0193

[unsubscribe from all emails](#) [update subscription preferences](#)

Date: _____
 Name of Claimant: _____
 Address: _____

Invoice Date	All Claims Must Be Fully Itemized Below	Per Diem Amt	No. of Miles	Fed Mileage Rate	Total Mileage	Miscellaneous (meals, motel, registration)
TOTALS						

*Taxable Items: Per Diems
Meals, if not an overnight stay.*

*Non-Taxable Items: Mileage
Meals, if overnight stay*

	Taxable Income	Non-Taxable Income
Per Diems TOTAL:	\$ _____	
Travel Expense (Meals) TOTAL:	\$ _____	\$ _____
Travel Expense (Mileage) TOTAL:		\$ _____
Other TOTAL:	\$ _____	\$ _____
SUB-TOTALS:	\$ _____	\$ _____
GRAND TOTAL:	\$ _____	

THIS DECLARATION MUST BE SIGNED:
 I declare, under the penalties of law that this account claim or demand is just and correct and that no part of it has been paid.

Signature of Claimant

DENNIS E. OBERLOH, LTD.
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 186 • 530 WEST PARK ROAD
REDWOOD FALLS, MN 56283

Telephone: (507) 644-6400

Fax: (507) 644-6401

November 18, 2016

City of Mountain Lake
PO Box C
Mountain Lake, Minnesota

We are pleased to confirm our understanding of the services we are to provide City of Mountain Lake, Minnesota for the year ended December 31, 2016. We will audit the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of City of Mountain Lake, Minnesota as of and for the year ended December 31, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement City of Mountain Lake, Minnesota's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to City of Mountain Lake, Minnesota's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual
3. Pension Reporting Schedules

We have also been engaged to report on supplementary information other than RSI that accompanies City of Mountain Lake, Minnesota's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements.

1. Combining and Individual Fund Financial Statements
2. Summary Financial Report

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Supplementary Information

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of City of Mountain Lake, Minnesota and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of City of Mountain Lake, Minnesota's financial statements. Our report will be addressed to Honorable Mayor and Members of the City Council of Mountain Lake, Minnesota. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that City of Mountain Lake, Minnesota is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we will perform tests of City of Mountain Lake, Minnesota's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of City of Mountain Lake, Minnesota in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that we report.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishment and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing reporting copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit service we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the City of Mountain Lake; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Dennis E. Oberloh, Ltd. and constitutes confidential information. However, subject to applicable laws or regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Minnesota Office of the State Auditor or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Dennis E. Oberloh, Ltd. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Minnesota Office of the State Auditor. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately March 6, 2017 and to issue our reports no later than June 1, 2017. Dennis E. Oberloh is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

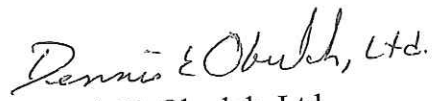
Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$13,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of the termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate

before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comments received during the period of the contract. Our 2015 peer review report accompanies this letter.

We appreciate the opportunity to be of service to City of Mountain Lake, Minnesota and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,


Dennis E. Oberloh, Ltd.

RESPONSE:

This letter correctly sets forth the understanding of City of Mountain Lake, Minnesota.

By: _____

Title: _____

Date: _____

SYSTEM REVIEW REPORT

November 13, 2015

To the Shareholder of
Dennis E. Oberloh, Ltd.
and the Peer Review Committee of the Minnesota Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Dennis E. Oberloh, Ltd. (the firm) in effect for the year ended May 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Dennis E. Oberloh, Ltd. in effect for the year ended May 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Dennis E. Oberloh, Ltd. has received a peer review rating of *pass*.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

2017

January

S	M	T	W	Th	F	Sa
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29	30	31				

February

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26	27	28				

March

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April

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30						

May

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28	29	30	31			

June

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July

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30	31					

August

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6	7	8	9	10	11	12
13	14	15	16	17	18	19
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27	28	29	30	31		

September

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October

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November

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December

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League of Minnesota Cities Insurance Trust 2016-17 Premium Rates

The League of Minnesota Cities Insurance Trust (LMCIT) [Board of Trustees](#) has approved premium rates for the upcoming underwriting year. Following is a summary of rate changes taking place for property/casualty coverages renewing on or after Nov. 15, 2016 and workers' compensation coverage renewing on or after Jan. 1, 2017. Click on each link to learn more about what is driving the rate changes. If you have questions, contact your underwriter at 651-281-1200 or 800-925-1122.

[Property/Casualty Rates, Effective Nov. 15, 2016](#)

- The per sewer connection rate (sewer backup liability) will decrease 10% and the per household rate (land use liability) will decrease 5%. The per police officer rate (police liability) and annual expenditure rate (all other liability) will each increase 5%. The employee rate (employment liability) will not change. These rate changes are designed to offset one another, so for a member with a perfectly average mix of liability exposures, the average rate for liability coverage will remain flat.
- Property rates will decrease 4% for buildings, contents, and property-in-the-open.
- Equipment breakdown rates will decrease 4%.
- The mobile property rating method has been revised. As a result, most members will see a rate decrease but some will see a modest increase.
- Rates for all other lines of coverage will not change.

[Workers' Compensation Rates, Effective Jan. 1, 2017](#)

- Overall premium rates will increase 3%.
- Volunteer firefighter rates will increase an additional 2%.

Premium Rates

The rate changes for the coming year don't necessarily mean your premiums will increase or decrease by that amount. In fact, some members' property/casualty premiums could still increase despite the rate decreases and some members' workers' compensation premiums could either decrease or increase by more than the indicated overall rate increase. That's because actual premiums are also affected by changes in city expenditures, property values, payrolls, experience rating, and other exposure measures.

2016-17 Rate Changes

LMCIT's rates are designed to fund projected losses (projected losses are based on claim experience in recent years) and expenses for the year, and a contingency margin is usually also incorporated to cover extra costs in case losses turn out to be more than what LMCIT projected. The idea behind building a margin into the rates is that it allows for rate stability from year to year – in the range of a few percent (either up or down) - rather than the much larger year-to-year premium rate changes that would be needed if LMCIT set lower rates with no contingency margin.

As is typically the case, a solid margin was included on property/casualty rates this year because losses are very volatile and unpredictable from year to year (especially with respect to property damage related to summer storms). In most years, some level of margin is built into the workers' compensation rates as well, albeit generally a much smaller margin compared to the property/casualty rates. This is because workers' compensation loss experience is generally much more predictable from year to year, but the Board of Trustees decided this year forego a margin in order to keep the rate increase as low as possible while remaining fiscally responsible.

Property/Casualty Rate Changes

Premium rates will change as indicated at right for property/casualty coverages renewing on or after Nov. 15, 2016.

For a member with a perfectly average mix of liability exposures, the average rate for liability coverage will remain flat, but specific rates within each liability class (as shown) will vary. The liability rate changes generally reflect changing loss patterns in recent years.

Rates for fixed property (buildings, contents, and property-in-the-open) will decrease by 4%. Equipment breakdown (an optional coverage)

rates are also being reduced 4%. These rate decreases are due in part to positive loss experience, but also reduced reinsurance costs which are being directly passed through to members.

Coverage	Rate Change
Average liability rates	0%
Per household rate (land use liability)	-5%
Per sewer connection rate (sewer backup liability)	-10%
Per police officer rate (police liability)	5%
Per employee rate (employment liability)	0%
Annual expenditure rate (all other liability)	5%
Property rates (buildings, contents, property-in-the open)	-4%
Mobile property rates (the actual effect will vary for individual members due to a change in the rating method)	-40% (average)
Equipment breakdown rates	-4%
All other coverage rates	0%

The rating method for mobile property is changing for the coming year. Mobile property premiums will now be based on the premium for fixed property. Most cities will see a decrease, but some will see a small increase. On average, rates for mobile property will be about 40% lower. This is part of a broader change in how mobile property will be covered. Under the new system, unless the member indicates otherwise, coverage will apply for all mobile property the member owns, subject to a \$100,000 per unit limit; and members will only need to schedule individual items for which more than \$100,000 of coverage is needed. For more information, see the League's web page on [Mobile Property Coverage](#).

Workers' Compensation Rate Changes

Members with renewals on or after Jan. 1, 2017 will see a 3% average increase in overall rate levels. One of the main reasons for this increase is because of rising medical costs, which account for nearly 60% of LMCIT's total workers' compensation loss costs. Rates for 2017 assume medical costs will increase at a rate of about 8% annually (it's been in this range for the past several years), which significantly outpaces the increase in wage levels. With the exception of volunteer firefighters, wage levels are what LMCIT uses to calculate premiums, and these levels are only increasing about 2-3% each year.

In addition to the overall 3% average increase, rates for volunteer firefighters will increase an additional 2%. This is because rates are based on the population volunteer firefighters serve, rather than wage levels. Because the rate base – population – doesn't increase with inflation like payrolls do, an additional adjustment is needed to keep volunteer firefighter rates from gradually falling behind the rates for other employee classes.

2016 Dividend

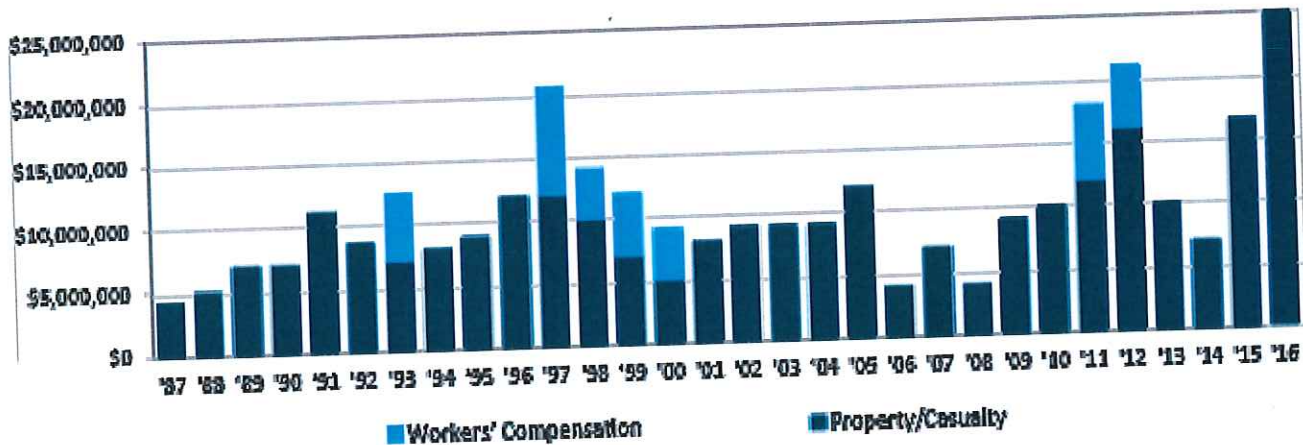
LMCIT returning \$25 million property/casualty dividend for 2016

The League of Minnesota Cities Insurance Trust (LMCIT) Board of Trustees ([Link to: http://www.lmc.org/page/1/lmcit-board-trustees-aboutlmc.jsp](http://www.lmc.org/page/1/lmcit-board-trustees-aboutlmc.jsp)) is happy to announce the return of \$25 million to members of the property/casualty program for 2016. The dividend, along with a detailed explanation of the dividend formula and calculation, will be distributed mid-December to those who are property/casualty members as of Dec. 1, 2016.

Largest dividend in LMCIT history

Members of the property/casualty program will share in a \$25 million dividend this year, bringing the total amount of returned dividends since 1987 to \$320 million.

**LMCIT Dividends
\$320 Million Since 1987**



Factors driving the 2016 dividend

This year's dividend amount is largely driven by three factors:

After a thorough actuarial evaluation of projected loss costs, it was determined LMCIT could decrease its estimates for outstanding liabilities on old claims that were incurred before May 31, 2015. The decrease is due primarily to favorable claim development in recent years for property claims (fewer weather-related events) and liability claims (especially in the areas of land use and employment liability).

The cost of new property, auto liability, and general liability (the most significant being liability for police, land use, and sewer backups) claims that were incurred after May 31, 2015, is less than what LMCIT projected when it set premium rates last year. That good experience is reflected in this year's dividend.

For the past couple years LMCIT has been dealing with a large number of claims alleging violation of the Drivers' Privacy Protection Act (DPPA). Because there are so many of these claims and because they involve some complex legal issues, there's a lot of uncertainty about what these claims might ultimately cost. Because of this, LMCIT has been holding some additional funds as a hedge against what they might ultimately cost. However, some favorable court decisions and the fact that very few new DPPA claims have been submitted means that the uncertainty of these claims has lessened. This in turn means that LMCIT is now able to release some of the extra funds. When these claims are ultimately resolved, LMCIT hopes to be able to return the rest to cities too.

In any given year, the dividend amount is really looking at members' claim experience (and other factors) for past years, while the rates LMCIT sets is really looking at what it projects claim experience will be in the future. LMCIT sets rates with a cushion,

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2016 Dividend

or margin, to make sure it can cover losses even if they turn out to be more than projected. When loss experience is good, that cushion isn't needed and can be returned to members.

For 2016, members should be very proud of their continued dedication toward controlling expensive losses. The LMCIT Board weighs lots of factors when deciding how much dividend to return, all while ensuring LMCIT remains fiscally responsible to its members. Members will receive a check for their share of the \$25 million dividend mid-December.

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(Link to: <http://www.lmc.org/ads/102500>)

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