

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

CITY OF MOUNTAIN LAKE, MINNESOTA
CONTENTS

PAGE

SECTION I
INTRODUCTORY SECTION

Elected and Appointed Officials	1
---------------------------------	---

SECTION II
FINANCIAL SECTION

Independent Auditors' Report	2 - 4
Management's Discussion and Analysis	5 - 14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Fund Net Position	22
Statement of Cash Flows	23
Notes to the Basic Financial Statements	24 - 52
Required Supplemental Information Section	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)	
General Fund	53 - 56
Library Fund	57
Fire Fund	58
Ambulance Fund	59
Lake Commission Fund	60
PERA General Employees Retirement Fund	
Schedule of Proportionate Share of the Net Pension Liability	61
Schedule of Contributions	62
Public Employees Police and Fire Retirement Fund	
Schedule of Proportionate Share of the Net Pension Liability	63
Schedule of Contributions	64

SECTION III
SUPPLEMENTAL SECTION

Combining Fund Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	66

CITY OF MOUNTAIN LAKE, MINNESOTA
CONTENTS

SECTION III
SUPPLEMENTAL SECTION (Cont.)

Nonmajor Special Revenue Funds	
Combining Balance Sheet	67 - 68
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	69 - 70
Nonmajor Debt Service Funds	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	72
Nonmajor Capital Project Funds	
Combining Balance Sheet	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	74
Nonmajor Enterprise Funds	
Statement of Net Position	75
Statement of Revenues, Expenses and Changes in Fund Net Position	76
Statement of Cash Flows	77
Public Utilities Commission	
Statement of Net Position	78
Statement of Revenues, Expenses and Changes in Fund Net Position	79
Statement of Cash Flows	80
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	81

SECTION IV
OTHER REQUIRED REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82 - 83
Schedule of Findings and Responses	84
Auditors' Report on Minnesota Legal Compliance	85

SECTION I

INTRODUCTORY SECTION

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

		<u>TERM EXPIRES</u>
MAYOR	Mike Nelson	12/31/2020
COUNCIL MEMBER	David Savage	12/31/2020
COUNCIL MEMBER	Darla Kruser	12/31/2020
COUNCIL MEMBER	Dana Kass	12/31/2022
COUNCIL MEMBER	Andrew Ysker	12/31/2022
CLERK/ADMINISTRATOR	Michael Schulte	Appointed - 4/26/2018
CLERK/ADMINISTRATOR	Wendy Meyer	Resigned - 5/4/2018
CITY ATTORNEY	Maryellen Suhrhoff, Muske, Suhrhoff & Pidde Ltd.	Appointed

SECTION II
FINANCIAL SECTION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



P.O. Box 186
530 West Park Road
Redwood Falls, MN 56283
507-644-6400
www.oberlohcpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Council
City of Mountain Lake
Mountain Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 5 through 14 and 53 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mountain Lake, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019 on our consideration of City of Mountain Lake, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mountain Lake, Minnesota's internal control over financial reporting and compliance.

Oberloh + Oberloh, Ltd.
Oberloh & Oberloh, Ltd.

June 19, 2019

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

FINANCIAL HIGHLIGHTS

As Management of the City of Mountain Lake (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,142,330 (net position). Of this amount, \$7,015,134 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$918,347 compared to an increase of \$785,759 in the previous year. The governmental activities net position increased by \$370,970 and the business-type activities net position increased \$547,377.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,406,820, a decrease of \$634,805 in comparison with the prior year. Approximately 40.5 percent of this total amount, \$2,190,537, is available for spending at the City's discretion, \$2,011,959 of which has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$535,240, or 35.6 percent of total General Fund expenditures.
- The City's total debt decreased by \$977,834 or 4.2 percent during the current fiscal year.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

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

The Statement of Net Position (on page 15) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 16) provides information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

USING THIS ANNUAL REPORT (Cont.)

Government-wide Financial Statements (Cont.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer and electric operations and housing and redevelopment.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 17) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 19) provide a reconciliation (on pages 18 and 20) to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund; which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund, Library, Fire, Ambulance and Lake Commission. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

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

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements (Cont.)

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Public Utilities Commission; which is considered to be a major fund of the City. Data from the other nonmajor enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 24 through 52 of this report.

Required Supplementary Information

This Management's Discussion and Analysis, the governmental fund Budgetary Comparisons, and Pension Schedules (on pages 53 - 64) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 65) includes optional financial information such as combining nonmajor governmental fund and nonmajor proprietary fund statements (which are added together and shown in the fund financial statements in a single column) and summary financial report. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 7,937,931	\$ 8,772,472	\$ 4,047,158	\$ 5,152,328	\$ 11,985,089	\$ 13,924,800
Capital Assets	<u>11,361,088</u>	<u>10,598,555</u>	<u>20,440,347</u>	<u>20,130,950</u>	<u>31,801,435</u>	<u>30,729,505</u>
Total Assets	<u>19,299,019</u>	<u>19,371,027</u>	<u>24,487,505</u>	<u>25,283,278</u>	<u>43,786,524</u>	<u>44,654,305</u>
Deferred Outflows of Resources	<u>368,388</u>	<u>603,654</u>	<u>62,822</u>	<u>102,108</u>	<u>431,210</u>	<u>705,762</u>
Current Liabilities	802,467	785,568	1,334,398	1,674,874	2,136,865	2,460,442
Long-term Liabilities	<u>8,924,407</u>	<u>9,467,005</u>	<u>12,402,482</u>	<u>13,442,694</u>	<u>21,326,889</u>	<u>22,909,699</u>
Total Liabilities	<u>9,726,874</u>	<u>10,252,573</u>	<u>13,736,880</u>	<u>15,117,568</u>	<u>23,463,754</u>	<u>25,370,141</u>
Deferred Inflows of Resources	<u>519,581</u>	<u>672,126</u>	<u>92,099</u>	<u>93,817</u>	<u>611,680</u>	<u>765,943</u>
Net Position						
Net Investment in						
Capital Assets	2,508,549	1,363,308	7,266,129	5,978,898	9,774,678	7,342,206
Restricted	2,816,816	3,271,093	535,702	535,702	3,352,518	3,806,795
Unrestricted	<u>4,095,587</u>	<u>4,415,581</u>	<u>2,919,547</u>	<u>3,659,401</u>	<u>7,015,134</u>	<u>8,074,982</u>
Total Net Position	<u>\$ 9,420,952</u>	<u>\$ 9,049,982</u>	<u>\$ 10,721,378</u>	<u>\$ 10,174,001</u>	<u>\$ 20,142,330</u>	<u>\$ 19,223,983</u>

A large portion of the City's net position (48.5 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (34.8 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

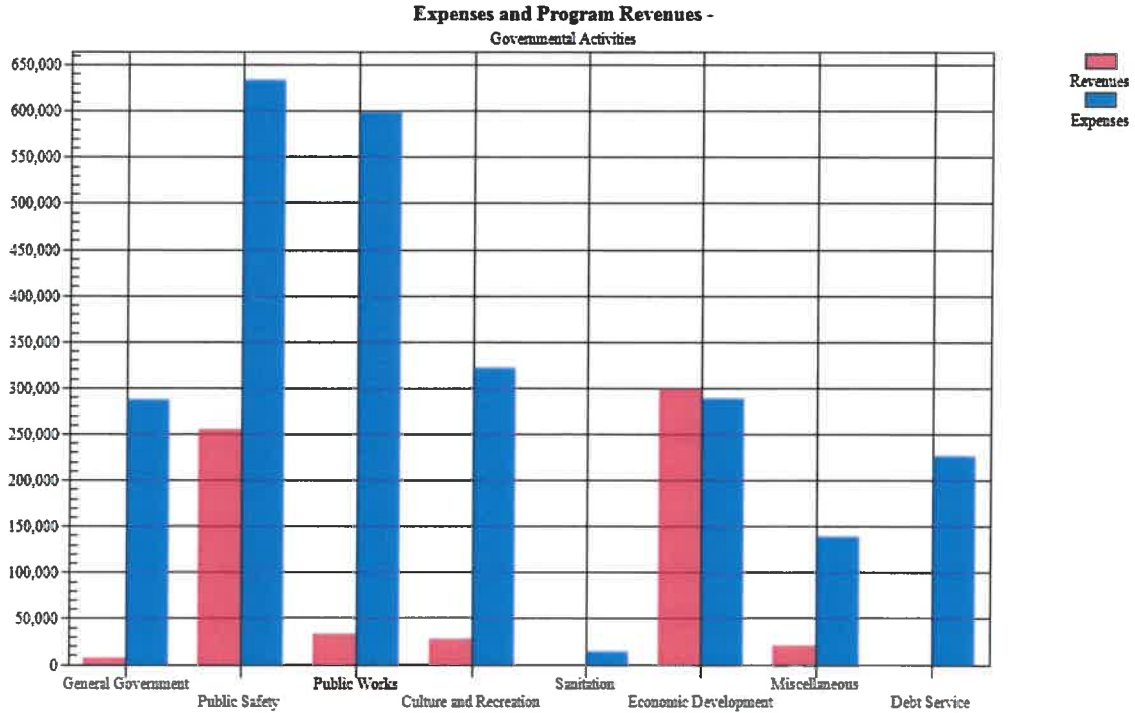
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and						
Charges for Services	\$ 531,744	\$ 533,297	\$ 4,037,790	\$ 4,082,595	\$ 4,569,534	\$ 4,615,892
Operating Grants and						
Contributions	114,651	162,814	-	-	114,651	162,814
Rental Income	-	-	119,480	122,245	119,480	122,245
General Revenues:						
Taxes and						
Assessments	813,938	982,884	-	-	813,938	982,884
Intergovernmental						
Revenue	1,015,657	927,744	-	-	1,015,657	927,744
Interest Income	39,295	35,127	28,139	22,689	67,434	57,816
Miscellaneous Income	250,053	140,052	1,997	4,234	252,050	144,286
Refunds and						
Reimbursements	-	-	6,512	22,525	6,512	22,525
Total Revenues	<u>2,765,338</u>	<u>2,781,918</u>	<u>4,193,918</u>	<u>4,254,288</u>	<u>6,959,256</u>	<u>7,036,206</u>
<u>Expenses</u>						
General Government	287,297	250,577	-	-	287,297	250,577
Public Safety	633,115	707,522	-	-	633,115	707,522
Public Works	599,229	526,115	-	-	599,229	526,115
Culture and Recreation	322,055	308,182	-	-	322,055	308,182
Sanitation	14,413	24,594	-	-	14,413	24,594
Economic Development	288,744	525,115	-	-	288,744	525,115
Miscellaneous	138,755	135,983	-	-	138,755	135,983
Interest on Long-Term						
Debt	226,947	235,594	-	-	226,947	235,594
Debt Issuance Costs	-	22,250	-	12,095	-	34,345
Loss on Disposal of						
Capital Assets	3,813	-	-	-	3,813	-
Water Utility	-	-	508,131	474,230	508,131	474,230
Sewer Utility	-	-	504,737	482,864	504,737	482,864
Electric Utility	-	-	2,380,517	2,406,516	2,380,517	2,406,516
Housing and						
Redevelopment	-	-	133,156	138,810	133,156	138,810
Total Expenses	<u>2,514,368</u>	<u>2,735,932</u>	<u>3,526,541</u>	<u>3,514,515</u>	<u>6,040,909</u>	<u>6,250,447</u>
Transfers	120,000	120,000	(120,000)	(120,000)	-	-
Change in Net Position	370,970	165,986	547,377	619,773	918,347	785,759
Net Position Beginning	<u>9,049,982</u>	<u>8,883,996</u>	<u>10,174,001</u>	<u>9,554,228</u>	<u>19,223,983</u>	<u>18,438,224</u>
Net Position Ending	<u>\$ 9,420,952</u>	<u>\$ 9,049,982</u>	<u>\$ 10,721,378</u>	<u>\$ 10,174,001</u>	<u>\$ 20,142,330</u>	<u>\$ 19,223,983</u>

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

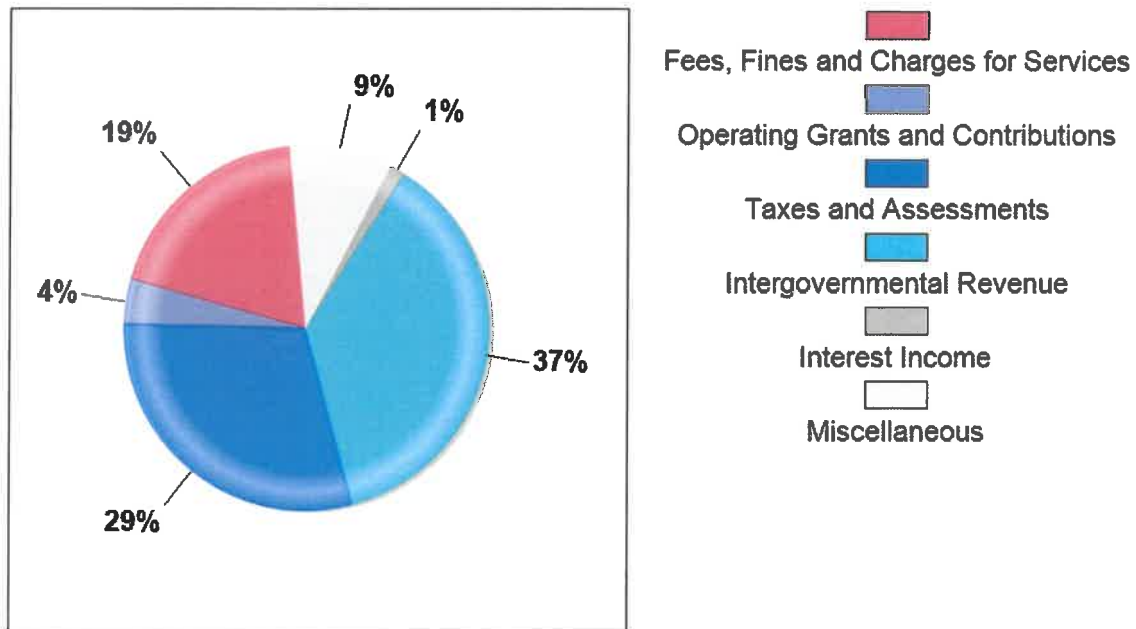
THE CITY AS A WHOLE (Cont.)

Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



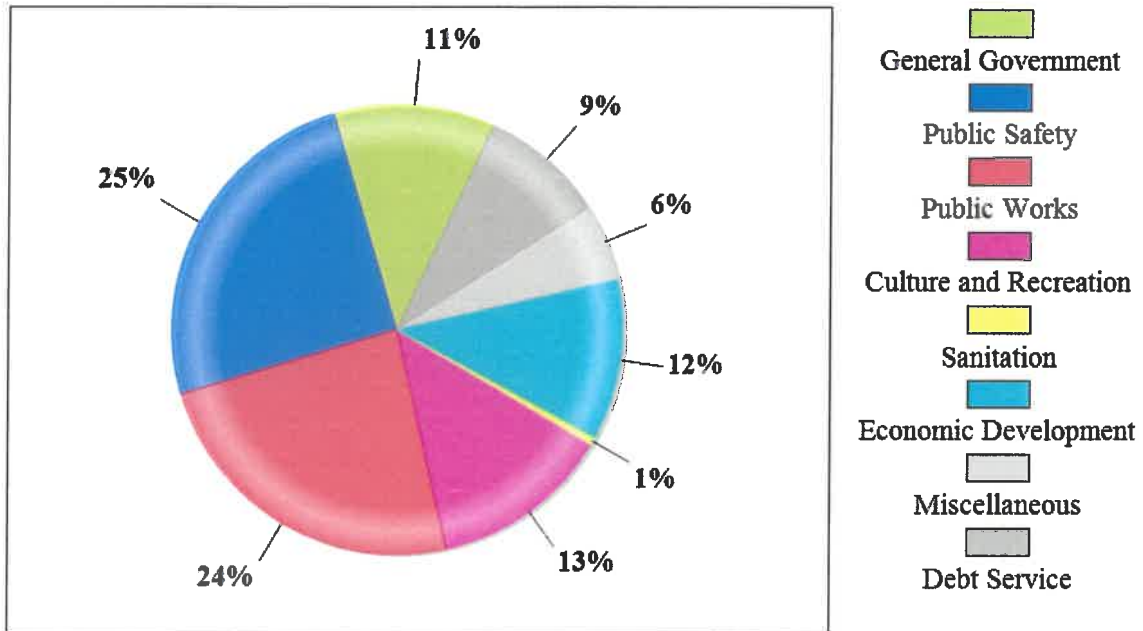
Sources of Funds in Governmental Activities



CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

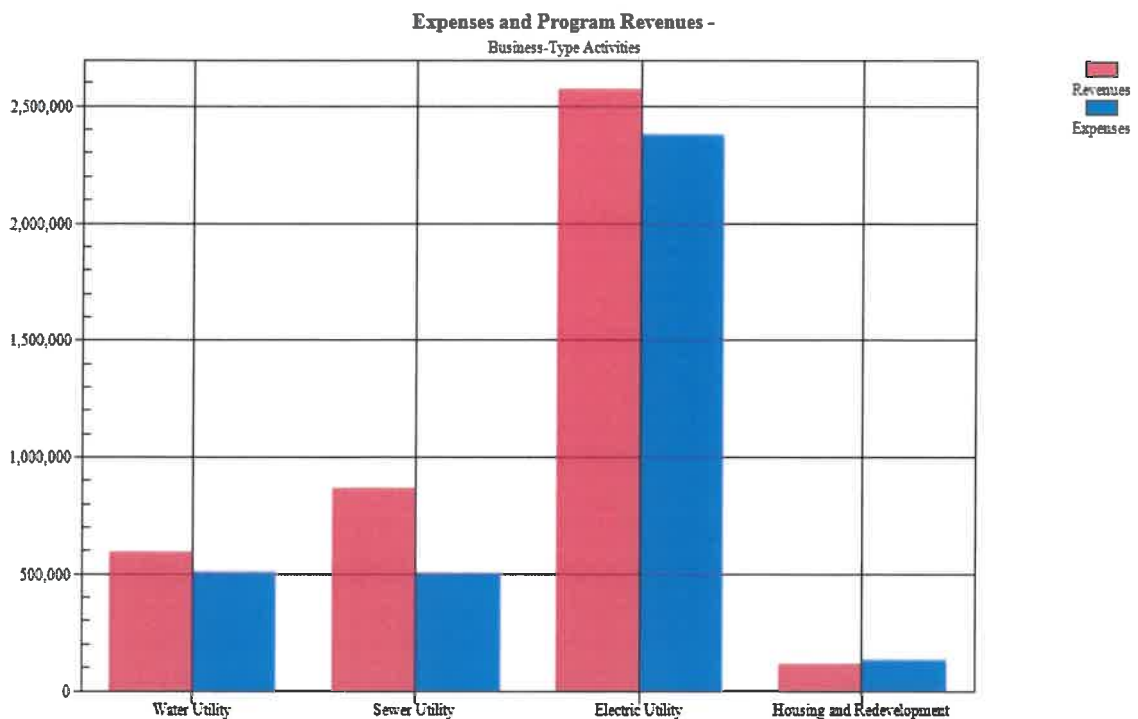
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

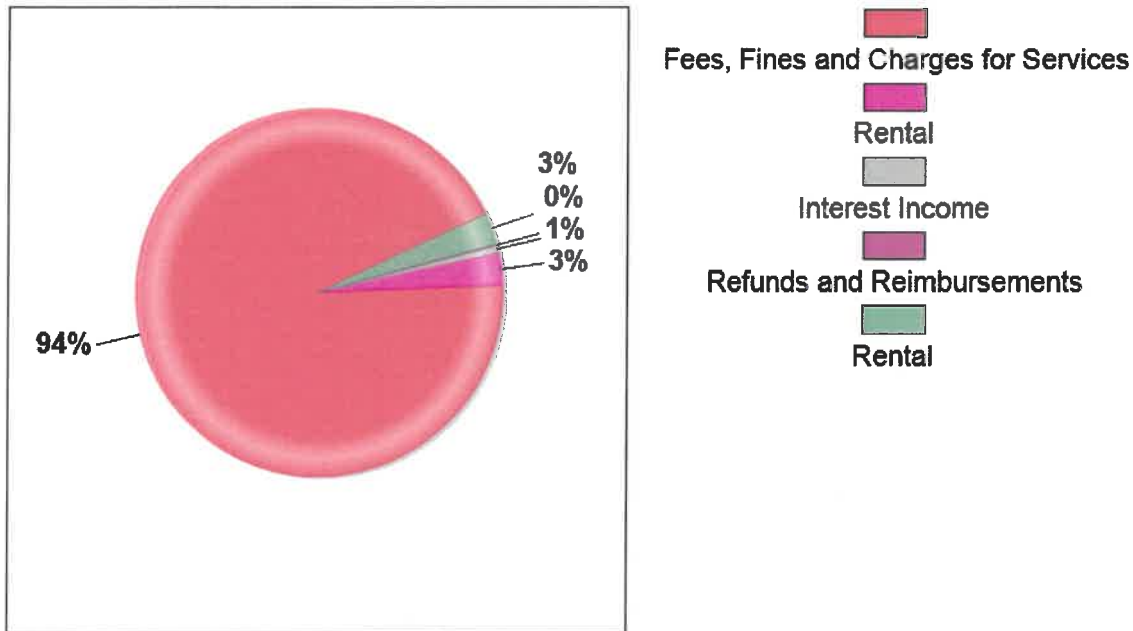
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of 5,406,820 a decrease of \$634,805 in comparison to the prior year. Approximately 40.5% of this total amount, \$2,190,537 is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed to pay debt service and capital improvements in the amount of \$2,816,816 or is nonspendable as the funds have been borrowed to another fund or prepaid for future expenditures in the amount of \$399,467.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,842,853. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.6 percent of fund expenditures. The fund balance of the City's General Fund decreased by \$174,167 during the current fiscal year.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Cont.)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,919,547.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues equal to expenditures for the year. Revenues were over expectations by \$146,948. The expenditures came in over budget by \$316,156.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$31,801,465 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 3.5 percent (an 7.2 percent increase for governmental activities and a 1.5 percent increase for business-type activities). The increase was due to capital outlay exceeding depreciation.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 739,769	\$ 711,456	\$ 64,521	\$ 64,521	\$ 804,290	\$ 775,977
Construction in Progress	1,618,701	1,208,311	3,835,947	3,118,262	5,454,648	4,326,573
Buildings and Improvements	6,115,524	5,942,872	5,188,055	5,188,055	11,303,579	11,130,927
Infrastructure and Improvements	6,929,482	6,929,482	24,135,562	23,760,385	31,065,044	30,689,867
Machinery and Equipment	529,491	521,644	902,307	867,987	1,431,798	1,389,631
Transportation and Other Equipment	<u>2,424,790</u>	<u>1,948,259</u>	<u>311,634</u>	<u>311,634</u>	<u>2,736,424</u>	<u>2,259,893</u>
Subtotal	18,357,757	17,262,024	34,438,026	33,310,844	52,795,783	50,572,868
Less: Accumulated Depreciation	<u>6,996,669</u>	<u>6,663,469</u>	<u>13,997,649</u>	<u>13,179,894</u>	<u>20,994,318</u>	<u>19,843,363</u>
Total	<u>\$ 11,361,088</u>	<u>\$ 10,598,555</u>	<u>\$ 20,440,377</u>	<u>\$ 20,130,950</u>	<u>\$ 31,801,465</u>	<u>\$ 30,729,505</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$22,026,541.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
G.O. Tax Increment Bonds	\$ 3,834,000	\$ 4,081,000	\$ -	\$ -	\$ 3,834,000	\$ 4,081,000
G.O. Improvement Bonds	4,686,750	4,874,900	-	-	4,686,750	4,874,900
G.O. Refunding Bonds	122,200	174,300	636,050	735,800	758,250	910,100
G.O. Revenue Bonds	-	-	7,731,135	8,324,015	7,731,135	8,324,015
Revenue Bonds	-	-	4,806,818	5,092,237	4,806,818	5,092,237
Notes	178,138	64,095	-	-	178,138	64,095
Mortgage Payable	<u>31,450</u>	<u>40,951</u>	<u>-</u>	<u>-</u>	<u>31,450</u>	<u>40,951</u>
Total	<u>\$ 8,852,538</u>	<u>\$ 9,235,246</u>	<u>\$13,174,003</u>	<u>\$14,152,052</u>	<u>\$22,026,541</u>	<u>\$23,387,298</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City continues to have strong property valuations. The City's 2019 levy was increased from 2018 in the amount of \$57,999 or 9%. The City will continue to monitor local trends when determining the property tax levies in the future, along with preparing future budgets. A potential levy increase is likely for 2020, although the amount depends on the Local Government Aid allocated from the state.

The water and sewer rate increases for 2019 is 2% over 2018 rates. A rate study will be conducted for water, sewer and electric rates during 2019 to determine additional rate increases needed for the funds. The \$11.5 million wastewater pond project is anticipated to begin during the fall of 2019 or spring of 2020 depending on the bidding process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Mountain Lake, PO Box C, Mountain Lake, MN 56159, phone 507-427-2999.

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 4,454,078	\$ 3,017,586	\$ 7,471,664
Escrowed Investment	470,340	-	470,340
Receivables:			
Accounts Receivable	22,778	708,149	730,927
Property Taxes Receivable	29,966	-	29,966
Special Assessments Receivable	1,539,733	53,702	1,593,435
Interest Receivable	1,173	-	1,173
Notes Receivable	1,329,440	-	1,329,440
Land Held for Resale	36,373	-	36,373
Prepaid Expense	2,478	11,802	14,280
Internal Balances	19,584	(19,584)	-
Inventory	-	162,576	162,576
Capital Assets:			
Nondepreciable:			
Land	739,769	64,521	804,290
Construction in Progress	1,618,701	3,835,947	5,454,648
Depreciable, Net of Accumulated Depreciation:			
Buildings and Improvements	3,830,119	2,145,923	5,976,042
Infrastructure and Improvements	4,208,963	14,103,811	18,312,774
Machinery and Equipment	145,505	233,543	379,048
Transportation and Other Equipment	818,031	56,632	874,663
Bond Discount	31,988	112,927	144,915
TOTAL ASSETS	19,299,019	24,487,535	43,786,554
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	368,388	62,822	431,210
LIABILITIES			
Accounts Payable	50,821	151,962	202,783
Accrued Interest	113,103	47,007	160,110
Accrued Payroll	27,143	10,529	37,672
Due to Other Governments	-	12,508	12,508
Customer Deposits	-	110,549	110,549
Unamortized Bond Premium	37,906	4,048	41,954
Noncurrent liabilities:			
Due within one year	573,494	997,795	1,571,289
Net Pension Liability	574,838	199,713	774,551
Due in more than one year	8,279,044	12,176,423	20,455,467
Accrued Compensated Absences	70,525	26,346	96,871
TOTAL LIABILITIES	9,726,874	13,736,880	23,463,754
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	519,581	92,099	611,680
NET POSITION			
Net Investment in Capital Assets	2,508,549	7,266,129	9,774,678
Restricted	2,816,816	535,702	3,352,518
Unrestricted	4,095,587	2,919,547	7,015,134
TOTAL NET POSITION	\$ 9,420,952	\$ 10,721,378	\$ 20,142,330

The Notes to the Financial Statements are an integral part of this statement.

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

Functions/Programs Primary Government	Program Revenues				Net Sources (Uses) and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Rental	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 287,297	\$ 7,761	\$ -	\$ -	\$ (279,536)	\$ -	\$ (279,536)
Public Safety	633,115	1,73,671	81,397	-	(378,047)	-	(378,047)
Public Works	599,229	-	33,254	-	(565,975)	-	(565,975)
Culture and Recreation	322,055	28,666	-	-	(293,389)	-	(293,389)
Sanitation	14,413	-	-	-	(14,413)	-	(14,413)
Economic Development	288,744	299,946	-	-	11,202	-	11,202
Miscellaneous	138,755	21,700	-	-	(117,055)	-	(117,055)
Debt Service	226,947	-	-	-	(226,947)	-	(226,947)
Total Governmental Activities	2,510,555	531,744	114,651	-	(1,864,160)	-	(1,864,160)
Business-Type Activities:							
Water Utility	508,131	595,798	-	-	-	87,667	87,667
Sewer Utility	504,737	866,975	-	-	-	362,238	362,238
Electric Utility	2,380,517	2,575,017	-	-	-	194,500	194,500
Housing and Redevelopment	133,156	-	-	119,480	-	(13,676)	(13,676)
Total Business-Type Activities	3,526,541	4,037,790	-	119,480	-	630,729	630,729
Total Primary Government	\$ 6,037,096	\$ 4,569,534	\$ 114,651	\$ 119,480	(1,864,160)	630,729	(1,233,431)
General Revenues:							
Taxes and Assessments					813,938	-	813,938
Intergovernmental Revenue					1,015,657	-	1,015,657
Loss on Disposal of Capital Assets					(3,813)	-	(3,813)
Interest Income					39,295	28,139	67,434
Refunds and Reimbursements					-	6,512	6,512
Miscellaneous					250,053	1,997	252,050
Transfers					120,000	(120,000)	-
Total General Revenues					2,235,130	(83,352)	2,151,778
Changes in Net Position					370,970	547,377	918,347
Net Position- January 1					9,049,982	10,174,001	19,223,983
Net Position- December 31					\$ 9,420,952	\$ 10,721,378	\$ 20,142,330

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	101 - General Fund	221 - Fire Department	Nonmajor Governmental Funds	Total
ASSETS:				
Cash and Investments	\$ 1,094,257	\$ 299,801	\$ 3,060,020	\$ 4,454,078
Escrowed Investment	427,420	-	42,920	470,340
Accounts Receivable	600	3,105	19,073	22,778
Property Taxes Receivable	29,966	-	-	29,966
Special Assessments Receivable	-	-	1,539,733	1,539,733
Interest Receivable	968	-	205	1,173
Notes Receivable	-	-	1,329,440	1,329,440
Land Held for Resale	-	-	36,373	36,373
Prepaid Expense	2,478	-	-	2,478
Due from Other Funds	345,868	-	51,121	396,989
Total Assets	\$ 1,901,557	\$ 302,906	\$ 6,078,885	\$ 8,283,348
LIABILITIES:				
Accounts Payable	\$ 11,298	\$ 6	\$ 39,517	\$ 50,821
Accrued Interest	-	-	7,036	7,036
Accrued Payroll	20,996	-	6,147	27,143
Due to Other Funds	-	-	377,405	377,405
Total Liabilities	32,294	6	430,105	462,405
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	26,410	-	2,387,713	2,414,123
Total Deferred Inflows of Resources	26,410	-	2,387,713	2,414,123
FUND BALANCES:				
Nonspendable	348,346	-	51,121	399,467
Restricted	-	-	2,816,816	2,816,816
Assigned	959,267	302,900	749,792	2,011,959
Unassigned (Deficit)	535,240	-	(356,662)	178,578
Total Fund Balances	1,842,853	302,900	3,261,067	5,406,820
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,901,557	\$ 302,906	\$ 6,078,885	\$ 8,283,348

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Fund Balances	\$ 5,406,820
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,361,088
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	2,414,123
Long-term liabilities, including bonds payable, accrued interest, bond premium, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(9,067,036)
Long-term assets, including bond discounts are not financial resources and therefore are not reported in the funds.	31,988
Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in governmental activities is not current financial resources and therefore not reported in the governmental funds.	<u>(726,031)</u>
Net Position of Governmental Activities	\$ <u><u>9,420,952</u></u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	101 - General Fund	221 - Fire Department	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 256,972	\$ 41,205	\$ 650,958	\$ 949,135
Licenses and Permits	7,316	-	-	7,316
Intergovernmental Revenue	900,966	113,299	111,481	1,125,746
Charges for Services	50,696	15,235	451,051	516,982
Fines and Forfeits	7,331	-	115	7,446
Interest Income	11,449	1,444	26,398	39,291
Miscellaneous	85,986	10,350	200,388	296,724
Total Revenues	1,320,716	181,533	1,440,391	2,942,640
EXPENDITURES				
Current Operations:				
General Government	288,670	-	-	288,670
Public Safety	363,132	68,962	143,856	575,950
Public Works	335,835	-	-	335,835
Culture and Recreation	120,123	-	153,846	273,969
Sanitation	9,484	-	4,929	14,413
Economic Development	1,250	-	214,925	216,175
Miscellaneous	82,891	-	55,864	138,755
Debt Service:				
Principal Payments	-	6,647	501,061	507,708
Interest Payments	-	542	228,121	228,663
Miscellaneous	-	-	4,233	4,233
Capital Outlay	301,117	319,729	617,228	1,238,074
Total Expenditures	1,502,502	395,880	1,924,063	3,822,445
EXCESS EXPENDITURES OVER REVENUES	(181,786)	(214,347)	(483,672)	(879,805)
OTHER FINANCING SOURCES (USES)				
Transfer In	120,000	-	130,960	250,960
Issuance of Debt	-	125,000	-	125,000
Transfer Out	(112,381)	-	(18,579)	(130,960)
EXCESS EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(174,167)	(89,347)	(371,291)	(634,805)
FUND BALANCES - January 1	2,017,020	392,247	3,632,358	6,041,625
FUND BALANCES - December 31	\$ 1,842,853	\$ 302,900	\$ 3,261,067	\$ 5,406,820

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (634,805)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,240,974
Depreciation Expense	(474,628)
Gain (Loss) on Disposal of Assets	(3,813)

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

Property Taxes	(11,235)
Special Assessments	(123,962)
Loan Repayments	(46,671)

Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities. 1,675

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.

Debt Issued	(125,000)
Principal Repayments	507,708
Debt Premium/Discount	1,378

Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements. 24,696

Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 14,653

Change in Net Position of Governmental Activities \$ 370,970

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 2,900,607	\$ 116,979	\$ 3,017,586
Accounts Receivable	708,149	-	708,149
Special Assessments Receivable	53,702	-	53,702
Due from Other Funds	1,537	6,191	7,728
Prepaid Expense	11,802	-	11,802
Inventory	162,576	-	162,576
Total Current Assets	3,838,373	123,170	3,961,543
NONCURRENT ASSETS			
Capital Assets:			
Land	43,692	20,829	64,521
Buildings and Improvements	3,816,783	1,371,272	5,188,055
Infrastructure and Improvements	24,135,562	-	24,135,562
Machinery and Equipment	902,307	-	902,307
Transportation and Other Equipment	311,634	-	311,634
Construction in Progress	3,835,947	-	3,835,947
Total Capital Assets	33,045,925	1,392,101	34,438,026
Less: Accumulated Depreciation	13,283,754	713,895	13,997,649
Net Capital Assets	19,762,171	678,206	20,440,377
Bond Discount	112,927	-	112,927
Total Noncurrent Assets	19,875,098	678,206	20,553,304
TOTAL ASSETS	23,713,471	801,376	24,514,847
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	62,822	-	62,822
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 23,776,293	\$ 801,376	\$ 24,577,669
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 145,383	\$ 6,579	\$ 151,962
Due to Other Funds	21,121	6,191	27,312
Accrued Interest	41,715	5,292	47,007
Accrued Payroll	10,529	-	10,529
Due to Other Governments	12,508	-	12,508
Customer Deposits	99,519	11,030	110,549
Unamortized Bond Premium	1,659	2,389	4,048
Current Amount of Long-Term Debt	956,865	40,930	997,795
Total Current Liabilities	1,289,299	72,411	1,361,710
LONG-TERM LIABILITIES			
Accrued Compensated Absences	26,346	-	26,346
Net Pension Liability	199,713	-	199,713
Bonds and Notes Payable	11,577,285	599,138	12,176,423
Total Long-Term Liabilities	11,803,344	599,138	12,402,482
TOTAL LIABILITIES	13,092,643	671,549	13,764,192
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	92,099	-	92,099
NET POSITION			
Net Investment in Capital Assets	7,227,991	38,138	7,266,129
Restricted for Debt Service	535,702	-	535,702
Unrestricted	2,827,858	91,689	2,919,547
Total Net Position	10,591,551	129,827	10,721,378
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	\$ 23,776,293	\$ 801,376	\$ 24,577,669

The Notes to the Financial Statements are an integral part of this statement.

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

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
OPERATING REVENUES			
Sales to Consumers	\$ 4,037,790	\$ -	\$ 4,037,790
Rental Income	-	119,480	119,480
Total Operating Revenues	<u>4,037,790</u>	<u>119,480</u>	<u>4,157,270</u>
OPERATING EXPENSES			
Depreciation	768,186	49,571	817,757
Insurance	-	10,823	10,823
Miscellaneous	-	8,064	8,064
Professional Services	-	14,049	14,049
Repairs, Maintenance and Supplies	-	29,259	29,259
Utilities	-	561	561
Pumping, Treatment, Production	1,617,184	-	1,617,184
Distribution and Collection	520,180	-	520,180
Administration and General	251,604	-	251,604
Total Operating Expenses	<u>3,157,154</u>	<u>112,327</u>	<u>3,269,481</u>
NET OPERATING INCOME	<u>880,636</u>	<u>7,153</u>	<u>887,789</u>
NON OPERATING INCOME AND EXPENSE			
Interest Income	27,359	790	28,149
Refunds and Reimbursements	6,512	-	6,512
CAP X Credit	1,997	-	1,997
Interest Expense	(236,241)	(20,829)	(257,070)
Net Non Operating Income and Expense	<u>(200,373)</u>	<u>(20,039)</u>	<u>(220,412)</u>
INCOME (LOSS) BEFORE TRANSFERS	680,263	(12,886)	667,377
Transfer Out	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	560,263	(12,886)	547,377
NET POSITION - January 1	<u>10,031,288</u>	<u>142,713</u>	<u>10,174,001</u>
NET POSITION - December 31	<u>\$10,591,551</u>	<u>\$ 129,827</u>	<u>\$ 10,721,378</u>

The Notes to the Financial Statements are an integral part of this statement.

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

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 4,044,235	\$ 119,525	\$ 4,163,760
Payments to Vendors	(2,334,864)	(69,571)	(2,404,435)
Payments to Employees	(398,359)	-	(398,359)
Other Receipts and Payments	8,509	-	8,509
Net Cash Provided By Operating Activities	<u>1,319,521</u>	<u>49,954</u>	<u>1,369,475</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer to Other Funds	(120,000)	-	(120,000)
Due to (from) Other Funds	(10,807)	-	(10,807)
Net Cash Used By Noncapital Financing Activities	<u>(130,807)</u>	<u>-</u>	<u>(130,807)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(1,127,182)	-	(1,127,182)
Special Assessments Collected	30,480	-	30,480
Principal Paid on Capital Debt	(937,165)	(40,669)	(977,834)
Interest Paid on Capital Debt	(249,526)	(21,273)	(270,799)
Net Cash Used By Capital and Related Financing Activities	<u>(2,283,393)</u>	<u>(61,942)</u>	<u>(2,345,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Earnings	27,360	790	28,150
Net Cash Provided By Investing Activities	<u>27,360</u>	<u>790</u>	<u>28,150</u>
NET DECREASE IN CASH	(1,067,319)	(11,198)	(1,078,517)
CASH AND CASH EQUIVALENTS - January 1	3,967,926	128,177	4,096,103
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 2,900,607</u>	<u>\$ 116,979</u>	<u>\$ 3,017,586</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating Income	\$ 880,636	\$ 7,153	\$ 887,789
Adjustments to Reconcile Operating Income to Net Cash Provided			
By Operating Activities			
Depreciation	768,186	49,571	817,757
Noncash Pension Expense	(5,308)	-	(5,308)
Changes in Assets and Liabilities			
Receivables	4,747	-	4,747
Inventory	12,631	-	12,631
Accounts Payable	(360,896)	(6,815)	(367,711)
Accrued Wages	2,515	-	2,515
Accrued Compensated Absence	459	-	459
Due to Other Governments	6,345	-	6,345
Deposits Payable	1,697	45	1,742
Other Receipts and Payments	8,509	-	8,509
Net Cash Provided By Operating Activities	<u>\$ 1,319,521</u>	<u>\$ 49,954</u>	<u>\$ 1,369,475</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mountain Lake (the City) operates under a "Optional Plan A" form of government as defined in the Minnesota Statutes. The City is governed by an elected Mayor and four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following services: general government, public safety, public works, public health and welfare, culture, recreation, electricity, waterworks, sanitary sewer, surface water and ancillary services.

The financial statements of the City of Mountain Lake, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108, and is responsible for economic and industrial development and redevelopment within the City's jurisdiction. The members of the EDA's governing board are appointed and approved by the City Council. In accordance with GASB Statement No. 61, this entity is presented as a blended component unit as special revenue and debt service funds. The basis for the presentation includes the City appointing a voting majority of the EDA's governing body, the City's ability to impose its will on the EDA and the EDA's expectation for the City to pay its debt. There is no separate report prepared for this component unit.

The Mountain Lake Municipal Utilities Commission was established and statutory authority is provided in accordance with Minnesota statutes, chapter 412.321. The Commission has five Council approved members who serve overlapping three year terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The Utility funds are included with the enterprise funds in this report.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - The General Fund is the City's primary operating fund. It is used to account for all financial resources not required to be accounted for in another fund.
- Fire Fund - The Fire Fund is used to account for the resources and expenditures related to the Fire Department of the City.

The City reports the following major proprietary funds:

- Public Utilities Fund - To account for the costs associated with the operation, maintenance and improvement of the City's electric, water and sewer utilities system and insures that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's electric, water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Restricted Assets

Certain funds of the City are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

G. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Deposits and Investments (Cont.)

2. Share of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. General obligations of the State of Minnesota or any of its municipalities.
4. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
6. Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000 a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
7. Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

Investments for the City are reported at fair value. The 4M Fund and broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

The City has adopted an investment policy to establish objectives and specific guidelines that the City will use in the investment of City funds. The objectives of the policy are as follows:

- Safety of Principal - Safety of the principal is the foremost objective of the City. Each investment transaction must seek to first ensure that losses are minimized.
- Liquidity - The investment portfolio must remain sufficiently liquid to meet all operating costs that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- Yield - The investment portfolio must be maintained so as to attain a market-average rate of return.

The City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no more than five percent of unreserved funds shall extend beyond three years unless ratified by the City Council to extend beyond that period.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary funds have original maturities of 90 days or less. Therefore, the entire balance in the proprietary funds is considered cash equivalents.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Property Taxes

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

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

I. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

J. Special Assessments

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

K. Inventories

Inventories of the Public Utilities are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

L. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

M. Prepaid Items

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: land improvements 15-40; buildings and building improvements: 15-50 years; system improvements/infrastructure 10-50 years; machinery, vehicles and equipment: 5-20 years.

O. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An accrual for earned sick leave is recorded only to the extent it is probable that the benefits will result in termination payments. Accordingly sick pay has been accrued for employees who meet the Rule of 90 and are retirement eligible in the government-wide, and proprietary fund financial statements. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued at December 31, 2018 was \$96,871.

P. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Long-term Obligations (Cont.)

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

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

S. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. Fund Balance (Cont.)

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

T. Net Position

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

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

U. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General Fund and the following special revenue funds: Library, Fire, Ambulance and Lake Commission. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

B. Expenditures Over Appropriations

The following sub-functions of the general fund and special revenue funds with prepared budgets had expenditures in excess of appropriations for the year ended December 31, 2018.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund:</u>			
General Government	\$ 263,725	\$ 290,024	\$ (26,299)
Public Works	\$ 350,487	\$ 624,581	\$ (274,094)
Culture and Recreation	\$ 101,577	\$ 129,723	\$ (28,146)
Economic Development	\$ -	\$ 1,250	\$ (1,250)
<u>Special Revenue Funds:</u>			
Library	\$ 171,585	\$ 221,505	\$ (49,920)
Fire	\$ 123,657	\$ 395,880	\$ (272,223)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2018:

Small Cities Development	(1,537)
Tax Increment Bonds of 2013B	(34,411)
Downtown Ross Project	(320,714)

The above deficits will be eliminated through transfers from other funds, bonding and future tax and assessment collections.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

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

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

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

At year end, the City's carrying amount of deposits was \$6,567,954 and the bank balance was \$6,924,558. Of the bank balance, \$6,748,582 was covered by federal depository insurance. Of the remaining balance, \$175,976 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

B. Investments

As of December 31, 2018, the City had the following pooled investments that are insured or registered, or securities held by the City or its agent in the City's name.

<u>Type of Investment</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Northland Securities Brokerage Account	\$ 1,321,423	\$ -	\$ 1,321,423	\$ -
Invest Co Brokerage Account	<u>52,472</u>	<u>-</u>	<u>52,472</u>	<u>-</u>
Total	<u>\$ 1,373,895</u>	<u>\$ -</u>	<u>\$ 1,373,895</u>	<u>\$ -</u>

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related assets. Level 3 inputs are unobservable inputs related to the asset.

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$155.

D. Cash and Investments Summary

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

Total Deposits	\$ 6,567,954
Total Investments	1,373,895
Total Cash on Hand	<u>155</u>
	<u>\$ 7,942,004</u>
Statement of Net Position:	
Cash and Investments	\$ 7,471,664
Escrowed Investments	<u>470,340</u>
	<u>\$ 7,942,004</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

E. Designated and Restricted Funds

The City has designated Water, Sewer, and Electric utility fund cash and investments for the following purposes:

Public Utilities Commission

City-Wide Equipment	
Water	\$ 181,012
Sewer	74,872
Electric	425,229
69KV Line	
Electric	<u>851,083</u>
Total Designated Cash and Investments	\$ <u>1,532,196</u>

The City has restricted cash and investments for the following purposes:

Public Utilities Commission

Sewer:	
Capital Replacement	\$ <u>435,728</u>
Total Sewer	<u>435,728</u>
Electric:	
Capital Replacement	<u>99,974</u>
Total Electric	<u>99,974</u>
Total Restricted Cash and Investments	\$ <u>535,702</u>

4. NOTES RECEIVABLE

In the Protient DTED Loan Fund, the City issued a loan to Custom Motors, Inc. during 2006, JSK Bridal during 2015, and ML Family Fitness during 2016 that have a balance of \$99,356 at December 31, 2018.

The loans receivable in the Southwest Housing Loan special revenue fund of \$38,529 are housing loans granted by Southwest Housing Agency that will be collected by the City. These loans will be paid back with various monthly payments. These loans are non-interest bearing.

As the Balzer funds have been repaid, loans to various other local businesses have been made out of this fund. The balance of these loans as of year-end was \$455,822. These loans will be paid back with various monthly payments with interest at 5.0 percent to 6.5 percent per annum on all unpaid balances. These loans are unsecured.

In 2012 the City issued a loan to the Good Samaritan project. The December 31, 2018 balance was \$711,696. As this loan is paid back to the City, the revenues will cover debt payments for the General Obligation Tax Increment Bonds of 2012B.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

5. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2018, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 345,868	\$ -
Public Utilities Fund	1,537	21,121
Nonmajor Governmental Funds	51,121	377,405
Nonmajor Enterprise Funds	<u>6,191</u>	<u>6,191</u>
	<u>\$ 404,717</u>	<u>\$ 404,717</u>

The Public Utilities Fund owes Debt Service Funds \$21,121 for the utility portions of street projects capitalized by the Utility Funds. The Small Cities Development Fund owes the Public Utilities Fund \$1,537 for additional project costs not covered by the project resources. The Mason Manor fund owes the 9-Plex fund \$6,191 for the repayment for the construction of Mason Manor. The outstanding balance of the \$30,000 between the Southwest Housing Loans fund and the Economic Development Authority fund is a result of money borrowed to help assist the Southwest Housing Loan Program. The outstanding balance of \$25,000 between the Protient DTED Loan and the Pop'd Kerns Construction Fund is to help cover the costs of the Pop'd Kerns building construction. All other balances are for internal cash purposes and are expected to be repaid with future available resources.

6. UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent taxes receivable	\$ 17,688	\$ -
Special Assessments Receivable	8,722	-
Nonmajor Governmental Funds		
Special Assessments Receivable	1,538,133	-
Loans Receivable	<u>849,580</u>	<u>-</u>
Total	<u>\$ 2,414,123</u>	<u>\$ -</u>

7. TRANSFERS

Transfers to and from other funds at December 31, 2018, follows:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 120,000	\$ 112,381
Nonmajor Governmental Funds	130,960	18,579
Public Utilities Fund	<u>-</u>	<u>120,000</u>
	<u>\$ 250,960</u>	<u>\$ 250,960</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. TRANSFERS (Cont.)

The Public Utilities Fund transferred \$120,000 to the General Fund for payment in lieu of taxes on the Electric Fund. The General Fund transferred \$112,381 to the Nonmajor Governmental Funds for operating purposes. Nonmajor Governmental Funds transferred \$18,579 to other Nonmajor Governmental Funds for operating purposes.

8. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 711,456	\$ 28,313	\$ -	\$ 739,769
Construction in Progress	<u>1,208,311</u>	<u>521,462</u>	<u>(111,072)</u>	<u>1,618,701</u>
Subtotal	<u>1,919,767</u>	<u>549,775</u>	<u>(111,072)</u>	<u>2,358,470</u>
Other Capital Assets:				
Buildings	5,942,872	61,580	111,072	6,115,524
Infrastructure and Improvements	6,929,482	-	-	6,929,482
Machinery and Equipment	521,644	25,042	(17,195)	529,491
Transportation and Other Equipment	<u>1,948,259</u>	<u>604,575</u>	<u>(128,044)</u>	<u>2,424,790</u>
Subtotal	<u>15,342,257</u>	<u>691,197</u>	<u>(34,167)</u>	<u>15,999,287</u>
Less: Accumulated Depreciation				
Buildings	2,161,960	123,445	-	2,285,405
Infrastructure and Improvements	2,487,505	233,014	-	2,720,519
Machinery and Equipment	357,876	39,492	(13,382)	383,986
Transportation and Other Equipment	<u>1,656,127</u>	<u>78,676</u>	<u>(128,044)</u>	<u>1,606,759</u>
Subtotal	<u>6,663,468</u>	<u>474,627</u>	<u>(141,426)</u>	<u>6,996,669</u>
Net Other Capital Assets	<u>8,678,789</u>	<u>216,570</u>	<u>107,259</u>	<u>9,002,618</u>
Net Capital Assets	<u>\$ 10,598,556</u>	<u>\$ 766,345</u>	<u>\$ (3,813)</u>	<u>\$ 11,361,088</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN CAPITAL ASSETS (Cont.)

Business Type Activities - The following is a summary of business-type activities capital assets at December 31, 2018.

	Balance <u>January 1</u>	Additions	Transfers/ Retirements	Balance <u>December 31</u>
Not Being Depreciated:				
Land	\$ 64,521	\$ -	\$ -	\$ 64,521
Construction in Progress	<u>3,118,262</u>	<u>1,092,862</u>	<u>(375,177)</u>	<u>3,835,947</u>
Subtotal	<u>3,182,783</u>	<u>1,092,862</u>	<u>(375,177)</u>	<u>3,900,468</u>
Other Capital Assets:				
Buildings	5,188,055	-	-	5,188,055
Infrastructure and Improvements	23,760,385	-	375,177	24,135,562
Machinery and Equipment	867,985	34,322	-	902,307
Transportation and Other Equipment	<u>311,634</u>	<u>-</u>	<u>-</u>	<u>311,634</u>
Subtotal	<u>30,128,059</u>	<u>34,322</u>	<u>375,177</u>	<u>30,537,558</u>
Less: Accumulated Depreciation				
Buildings	2,871,040	171,092	-	3,042,132
Infrastructure and Improvements	9,448,848	582,903	-	10,031,751
Machinery and Equipment	627,285	41,479	-	668,764
Transportation and Other Equipment	<u>232,719</u>	<u>22,283</u>	<u>-</u>	<u>255,002</u>
Subtotal	<u>13,179,892</u>	<u>817,757</u>	<u>-</u>	<u>13,997,649</u>
Net Other Capital Assets	<u>16,948,167</u>	<u>(783,435)</u>	<u>375,177</u>	<u>16,539,909</u>
Net Capital Assets	<u>\$ 20,130,950</u>	<u>\$ 309,427</u>	<u>\$ -</u>	<u>\$ 20,440,377</u>

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

Governmental Activities:	
General Government	\$ 23,951
Public Safety	70,747
Public Works	261,632
Culture and Recreation	45,949
Economic Development	<u>72,348</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 474,627</u>
Business-Type Activities:	
Public Utilities Commission	\$ 768,186
Nonmajor Enterprise Funds	<u>49,571</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 817,757</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE

A. Classifications

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Interfund Receivable	\$ 345,868	\$ -	\$ 51,121	\$ 396,989
Prepaid Expenses	<u>2,478</u>	<u>-</u>	<u>-</u>	<u>2,478</u>
Total Nonspendable	<u>348,346</u>	<u>-</u>	<u>51,121</u>	<u>399,467</u>
Restricted for:				
Debt Service	-	-	977,425	977,425
Economic Development	-	-	1,105,161	1,105,161
Library	-	-	794	794
Capital Improvements	<u>-</u>	<u>-</u>	<u>733,436</u>	<u>733,436</u>
Total Restricted	<u>-</u>	<u>-</u>	<u>2,816,816</u>	<u>2,816,816</u>
Assigned to:				
Capital Outlay and Improvements	872,879	-	166,068	1,038,947
Cemetery	86,388	-	-	86,388
Ambulance	-	-	272,400	272,400
Fire	-	302,900	-	302,900
Library	-	-	132,649	132,649
Lake Commission	-	-	77,246	77,246
Economic Development	<u>-</u>	<u>-</u>	<u>101,429</u>	<u>101,429</u>
Total Assigned	<u>959,267</u>	<u>302,900</u>	<u>749,792</u>	<u>2,011,959</u>
Unassigned	<u>535,240</u>	<u>-</u>	<u>(356,662)</u>	<u>178,578</u>
Total	<u>\$1,842,853</u>	<u>\$ 302,900</u>	<u>\$ 3,261,067</u>	<u>\$5,406,820</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2018, the unassigned fund balance of the General Fund was 44.62% of the subsequent year's budgeted expenditures

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2018.

	<u>Balance</u> <u>January 1</u>	<u>Debt Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
G.O. Tax Increment Bonds	\$ 4,081,000	\$ -	\$ 247,000	\$ 3,834,000	\$ 250,000
G.O. Improvement Bonds	4,874,900	-	188,150	4,686,750	188,150
G.O. Refunding Bonds	910,100	-	151,850	758,250	166,850
G.O. Revenue Bonds	8,324,015	-	592,665	7,731,350	598,665
Revenue Bonds	5,092,237	-	285,419	4,806,818	289,680
Notes Payable	<u>105,046</u>	<u>125,000</u>	<u>20,458</u>	<u>209,588</u>	<u>27,945</u>
Totals	<u>\$23,387,298</u>	<u>\$ 125,000</u>	<u>\$1,485,542</u>	<u>\$22,026,756</u>	<u>\$ 1,521,290</u>

General Obligation bonds issued by the governmental activities are liquidated by the debt service funds. The revenue bonds issued by the governmental activities are expected to be liquidated by the related enterprise fund upon project completion. The notes payable issued by the governmental activities is expected to be liquidated by the related special revenue fund. The general obligation bonds and revenue bonds issued by the business-type activities are expected to be liquidated by those activities.

Bonds outstanding at December 31, 2018 are comprised of the following issues:

Governmental Activities

\$830,000 GO Tax Increment Bond of 2012B, due in annual installments through February 1, 2039, plus interest from 3.0-4.75% due in semi-annual installments. \$ 735,000

\$1,310,000 GO Tax Increment Bond of 2013B, due in annual installments through February 1, 2029, plus interest from 2.0-5.25% due in semi-annual installments. 1,080,000

\$2,040,000 GO Tax Increment Bond of 2014A, due in annual installments through February 1, 2021, plus interest from 1.0-4.75% due in semi-annual installments. 1,670,000

\$366,000 GO Tax Abatement Bond of 2016A, due in annual installments through February 1, 2032, plus interest from 2.6-4.1% due in semi-annual installments. 349,000

\$2,180,000 GO Improvement Bond of 2013A, due in annual installments through December 13, 2034, plus interest from 1.0-3.0% due in semi-annual installments. 1,805,000

\$276,400 GO Improvement Refunding Bond of 2015A, due in annual installments through February 1, 2029, plus interest from 1.0-3.0% due in semi-annual installments. 122,200

\$845,000 GO Refunding Bond of 2011A, due in annual installments through February 1, 2022, plus interest at 2.0-3.0% due in semi-annual installments. 396,750

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

\$2,485,000 GO Improvement Bond of 2017B, due in annual installments through February 1, 2043, plus interest from 1.55-4.0% due in semi-annual installments.	2,485,000
\$32,000 USDA Fire Truck Note, due in annual installments of \$7,189 through December 5, 2019 including interest at 4.0%.	6,908
\$125,000 USDA Fire Truck Note, due in annual installments of \$10,662 through December 21, 2033 including interest at 3.25%.	125,000
\$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%.	46,230
\$50,000 Contract for DEED Watkins land purchase, due in annual installments of \$11,549, including interest at 5.0% through November 1, 2021	<u>31,450</u>
Total Governmental Activities	<u>8,852,538</u>
<u>Business-Type Activities</u>	
\$2,985,751 GO Revenue Bonds of 2003 (PFA), due in annual installments through August 20, 2023, plus interest at 1.43% due in semi-annual installments.	832,000
\$608,600 GO Refunding Bond of 2015A, due in annual installments through February 1, 2029, plus interest from 1.0-3.0% due in semi-annual installments.	457,800
\$47,444 GO Revenue Bonds, due in annual installments through August 20, 2034, plus interest at 1.0% due in semi-annual installments.	31,412
\$370,000 GO Refunding Bond of 2011A, due in annual installments through February 1, 2022, plus interest from 2.0-3.0% due in semi-annual installments.	178,250
\$7,754,480 2012 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	5,209,000
\$2,060,000 GO Water Revenue Bonds of 2013A, due in annual installments through December 15, 2034, plus interest from 1.0-3.0% due in semi-annual installments.	1,635,000
\$38,440 2013 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	23,938
\$620,000 Housing Development Refunding Bonds of 2012A, due in annual installments through February 1, 2031, including interest from 0.5-3.3% due in semi-annual installments.	425,000

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

\$254,700 EDA Public Project Revenue Bonds of 2009, due in annual installments through October 6, 2040, plus interest at 4.5% due in semi-annual installments.	215,068
\$391,000 Electric Revenue refunding Bonds of 2015B, due in annual installments through December 1, 2024, plus interest from 1.9-2.65% due in semi-annual installments.	273,000
\$2,060,000 Electric Revenue CREB Bonds of 2007B, due in annual installments through June 1, 2023. The interest rate on this bond is 0.0%.	643,750
\$645,000 Electric Revenue Refunding Bonds of 2012C, due in annual installments through December 1, 2023, plus interest from 1.0-2.65% due in semi-annual installments.	310,000
\$3,000,000 Electric Revenue Bonds of 2017A, due in annual installments through December 1, 2036, plus interest from 2.5-4.0% due in semi-annual installments	<u>2,940,000</u>
Total Business-Type Activities	<u>13,174,218</u>
Total Long-Term Debt	<u>\$22,026,756</u>

The annual requirements to maturity for long-term liabilities are as follows:

	G.O. Tax Increment Bonds Governmental Activities			G.O. Improvement Bonds Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 250,000	\$ 154,346	\$ 404,346	\$ 238,150	\$ 134,894	\$ 373,044
2020	261,000	146,751	407,751	285,050	130,011	415,061
2021	266,000	138,183	404,183	285,050	124,442	409,492
2022	277,000	128,520	405,520	293,500	118,280	411,780
2023	292,000	117,801	409,801	195,000	113,127	308,127
2024-2028	1,615,000	393,664	2,008,664	1,025,000	491,103	1,516,103
2029-2033	608,000	101,097	709,097	1,070,000	349,945	1,419,945
2034-2038	215,000	38,003	253,003	660,000	185,550	845,550
2039-2043	<u>50,000</u>	<u>1,187</u>	<u>51,187</u>	<u>635,000</u>	<u>65,500</u>	<u>700,500</u>
Total	<u>\$3,834,000</u>	<u>\$1,219,552</u>	<u>\$5,053,552</u>	<u>\$4,686,750</u>	<u>\$1,712,852</u>	<u>\$ 6,399,602</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

	G.O. Refunding Bond			G.O. Refunding Bonds		
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 57,400	\$ 1,658	\$ 59,058	\$ 109,450	\$ 14,526	\$ 123,976
2020	62,400	622	63,022	112,550	12,283	124,833
2021	2,400	22	2,422	112,550	9,820	122,370
2022	-	-	-	76,500	7,478	83,978
2023	-	-	-	30,000	6,000	36,000
2024-2028	-	-	-	160,000	17,460	177,460
2029-2033	-	-	-	35,000	525	35,525
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
Total	<u>\$ 122,200</u>	<u>\$ 2,302</u>	<u>\$ 124,502</u>	<u>\$ 636,050</u>	<u>\$ 68,092</u>	<u>\$ 704,142</u>

	GO Revenue Bond		
	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 598,665	\$ 103,907	\$ 702,572
2020	609,665	96,882	706,547
2021	614,665	89,586	704,251
2022	621,665	82,141	703,806
2023	632,665	73,578	706,243
2024-2028	2,383,325	273,569	2,656,894
2029-2033	2,143,763	109,515	2,253,278
2034-2038	126,937	3,770	130,707
2039-2043	-	-	-
Total	<u>\$ 7,731,350</u>	<u>\$ 832,948</u>	<u>\$ 8,564,298</u>

	Revenue Bonds			Mortgage Note		
	Business-Type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 289,680	\$ 139,457	\$ 429,137	\$ 27,944	\$ 7,533	\$ 35,477
2020	288,952	136,244	425,196	21,906	6,384	28,290
2021	293,237	132,798	426,035	22,813	5,477	28,290
2022	297,535	128,737	426,272	12,210	4,531	16,741
2023	301,847	124,118	425,965	12,619	4,122	16,741
2024-2028	1,188,684	526,751	1,715,435	63,629	13,974	77,603
2029-2033	1,275,929	320,139	1,596,068	48,467	4,825	53,292
2034-2038	843,752	76,881	920,633	-	1,203	1,203
2039-2043	<u>27,202</u>	<u>1,188</u>	<u>28,390</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$4,806,818</u>	<u>\$1,586,313</u>	<u>\$6,393,131</u>	<u>\$ 209,588</u>	<u>\$ 48,049</u>	<u>\$ 257,637</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

2. Public Employees Police and Fire Plan (Police and Fire Fund (accounted for in the Police and Fire Fund))

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Benefits Provided (Cont.)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increase to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018 and the City of Mountain Lake, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Mountain Lake, Minnesota contributions to the General Employees Fund for the year ended December 31, 2018, were \$50,805. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2018 and the City of Mountain Lake, Minnesota was required to contribute 16.20% of pay for members in fiscal year 2018. The City of Mountain Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$35,605. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2018, the City of Mountain Lake, Minnesota reported a liability of \$560,306 for its proportionate share of the General Employees Fund's net pension liability. The City of Mountain Lake, Minnesota's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Mountain Lake, Minnesota totaled \$18,324. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Mountain Lake, Minnesota proportion of the net pension liability was based on the City of Mountain Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City of Mountain Lake, Minnesota proportionate share was 0.0101% which was unchanged from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City of Mountain Lake, Minnesota recognized pension expense of \$32,494 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Mountain Lake, Minnesota recognized an additional \$4,273 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the City of Mountain Lake, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ 14,831	\$ 16,505
Changes in actuarial assumptions	54,054	62,956
Difference between projected and actual investment earnings	72,711	128,886
Changes in proportion	9,576	17,523
Contributions paid to PERA subsequent to the measurement date	<u>24,649</u>	<u>-</u>
Total	<u>\$ 175,821</u>	<u>\$ 225,870</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

\$24,649 reported as deferred outflows of resources related to pensions resulting from City of Mountain Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2019	\$ 14,443
2020	\$ (32,093)
2021	\$ (45,518)
2022	\$ (11,530)
2023	\$ -
Thereafter	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City of Mountain Lake, Minnesota reported a liability of \$214,245 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Mountain Lake, Minnesota proportion of the net pension liability was based on the City of Mountain Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City of Mountain Lake, Minnesota proportion was 0.0201% which was an increase of 0.0001% from its proportion measured as of June 30, 2017. The City of Mountain Lake, Minnesota also recognized \$1,809 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City of Mountain Lake, Minnesota recognized pension expense of \$19,631 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2018, the City of Mountain Lake, Minnesota reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,781	\$ 18,778
Changes in actuarial assumptions	132,517	262,748
Difference between projected and actual investment earnings	51,159	101,129
Changes in proportion	45,716	3,155
Contributions paid to PERA subsequent to the measurement date	<u>18,216</u>	<u>-</u>
Total	<u>\$ 255,389</u>	<u>\$ 385,810</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

\$18,216 reported as deferred outflows of resources related to pensions resulting from City of Mountain Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amount reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2019	\$ 5,699
2020	\$ (114,286)
2021	\$ (31,742)
2022	\$ (8,308)
2023	\$ -
Thereafter	\$ -

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MOUNTAIN LAKE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount <u>Rate (6.5%)</u>	Discount <u>Rate (7.5%)</u>	1% Increase in Discount <u>Rate (8.5%)</u>
General Employees Fund:	\$ 910,570	\$ 56,306	\$ 271,174
Police and Fire Fund	\$ 459,355	\$ 214,245	\$ 11,549

H. Pension Plan Fiduciary Net Position

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

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

A. The Plan

The City contributes to the Mountain Lake Firefighter's Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters.

Volunteer firefighters of the City are members of the Mountain Lake Firefighter's Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,200 per person per year of service after reaching a minimum retirement age of 50 and at least 20 years of service in the association. Association members are eligible to receive partial pension benefits for service of 10 years, but less than 20 years, with 10 years of membership in the association. These benefit provisions are consistent with enabling state statutes. Volunteers of the department are not required to contribute to the relief association. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes.

B. Funding Status and Progress

At December 31, 2018, the Association funding status is as follows:

Total Plan Assets	\$ 272,953
Total Accrued Liability	<u>(243,552)</u>
Excess of Plan Assets Over Accrued Liability	<u>\$ 29,401</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION (Cont.)

C. Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investments earnings and State Aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis.

Total contributions made by the City to the Association in 2018 amount to \$26,752 (\$26,752 pass-through of State Aid). The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2018.

The payments received from the State of Minnesota on behalf of the Association have been recognized as revenue and the contribution to the Association has been recognized as an expenditure in the accompanying financial statements.

The computation of the pension contribution requirements of 2018 was based on the same assumptions, benefit provisions, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

13. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

14. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2018.

15. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES (Cont.)

C. Commitments

CapX Initiative - CMMPA entered into a Transmissions Project Memorandum of Understanding dated August 24, 2006, along with five other energy companies to construct power transmission lines in Minnesota, the largest portion of which consists of 220 miles of new power transmission lines between Brookings, South Dakota and the Twin Cities. The CapX Initiative is one of several transmission projects arising from the CapX 2020 Initiative, the purpose of which is to enhance the reliability of electrical power transmission for customers in Minnesota and the surrounding region.

The City is one of ten agency participants in the CapX Initiative. The City's participant election share is \$1,075,571 for participant election of 2.17 percent.

Land Lease and Easement Contract - On May 19, 2006, the City entered into a land lease and wind easement contract with a local citizen. The term of the lease is 20 years with rents being paid equal to \$4,000 per year for a wind turbine constructed on the premises.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Amounts for the year ended December 31, 2017

		2018			2017
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
REVENUES:					
TAXES:					
General Property Taxes	\$ 254,853	\$ 254,853	\$ 256,972	\$ 2,119	\$ 252,172
Total Taxes	254,853	254,853	256,972	2,119	252,172
LICENSES AND PERMITS:					
Business	675	675	675	-	675
Nonbusiness	8,800	8,800	6,641	(2,159)	6,512
Total Licenses and Permits	9,475	9,475	7,316	(2,159)	7,187
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	808,018	808,018	808,018	-	795,352
Market Value Credit	-	-	438	438	592
PERA Rate Increase Aid	1,228	1,228	1,228	-	1,228
State Police Aid	25,000	25,000	33,885	8,885	31,850
Other State Grants	2,500	2,500	16,114	13,614	1,934
Small Cities Street Aid	20,000	20,000	33,254	13,254	19,517
County and Township Revenue	-	-	8,029	8,029	5,050
Total Intergovernmental Revenue	856,746	856,746	900,966	44,220	855,523
CHARGES FOR SERVICES:					
General Government	400	400	445	45	955
Public Works	7,500	7,500	-	(7,500)	8,919
Culture and Recreation	13,693	13,693	28,551	14,858	19,771
Miscellaneous	21,000	21,000	21,700	700	30,400
Total Charges for Services	42,593	42,593	50,696	8,103	60,045
FINES AND FORFEITS					
	5,700	5,700	7,331	1,631	5,048
INTEREST INCOME					
	1,900	1,900	11,448	9,548	9,370
MISCELLANEOUS:					
Loan Repayments	-	-	20,128	20,128	10,730
Sale of Property	-	-	38,000	38,000	-
Miscellaneous Income	2,500	2,500	27,858	25,358	15,969
Total Miscellaneous	2,500	2,500	85,986	83,486	26,699
TOTAL REVENUES	1,173,767	1,173,767	1,320,715	146,948	1,216,044
OTHER FINANCING SOURCES					
Transfer In	120,000	120,000	120,000	-	120,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	1,293,767	1,293,767	1,440,715	146,948	1,336,044
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	14,765	14,765	15,042	(277)	13,918
Other Current Expenditures	1,600	1,600	904	696	703
Total Mayor and Council	16,365	16,365	15,946	419	14,621

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance	<u>2017</u>
	Original Budget	Final Budget	Actual	with Final Budget	Actual
EXPENDITURES (Cont.):					
GENERAL GOVERNMENT (Cont.):					
Election:					
Personnel Services	\$ 3,250	\$ 3,250	\$ 2,290	\$ 960	\$ -
Other Current Expenditures	-	-	359	(359)	57
Total Election	3,250	3,250	2,649	601	57
Administrative and Finance:					
Personnel Services	176,178	176,178	170,734	5,444	137,236
Supplies	4,000	4,000	8,103	(4,103)	6,665
Other Current Expenditures	24,451	24,451	41,050	(16,599)	22,240
Capital Outlay	750	750	1,354	(604)	1,037
Total Administrative and Finance	205,379	205,379	221,241	(15,862)	167,178
Community Center:					
Personnel Services	-	-	773	(773)	-
Supplies	1,250	1,250	2,019	(769)	1,296
Other Current Expenditures	11,625	11,625	26,545	(14,920)	13,119
Total Community Center	12,875	12,875	29,337	(16,462)	14,415
Planning and Zoning:					
Personnel Services	650	650	-	650	360
Other Current Expenditures	5,206	5,206	7,184	(1,978)	5,061
Total Planning and Zoning	5,856	5,856	7,184	(1,328)	5,421
Independent Auditing:					
Current Expenditures	8,000	8,000	6,770	1,230	6,603
Legal:					
Current Expenditures	12,000	12,000	6,897	5,103	4,979
Total Legal	12,000	12,000	6,897	5,103	4,979
Total General Government	263,725	263,725	290,024	(26,299)	213,274
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	317,562	317,562	324,420	(6,858)	314,096
Supplies	15,900	15,900	11,199	4,701	13,053
Other Current Expenditures	31,555	31,555	27,513	4,042	25,588
Capital Outlay	-	-	1,417	(1,417)	40,260
Total Police Protection	365,017	365,017	364,549	468	392,997
Civil Defense:					
Current Expenditures	-	-	-	-	1,017
Total Civil Defense	-	-	-	-	1,017
Total Public Safety	365,017	365,017	364,549	468	394,014

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance with Final	<u>2017</u>
	Original Budget	Final Budget	Actual	Budget	Actual
EXPENDITURES (Cont.):					
PUBLIC WORKS:					
Streets and Alleys:					
Personnel Services	\$ 142,642	\$ 142,642	\$ 151,638	\$ (8,996)	\$ 140,707
Supplies	36,250	36,250	36,957	(707)	19,777
Other Current Expenditures	84,095	84,095	95,879	(11,784)	67,587
Capital Outlay	<u>52,500</u>	<u>52,500</u>	<u>288,746</u>	<u>(236,246)</u>	<u>2,659</u>
Total Streets and Alleys	<u>315,487</u>	<u>315,487</u>	<u>573,220</u>	<u>(257,733)</u>	<u>230,730</u>
Street Lighting:					
Current Expenditures	<u>30,000</u>	<u>30,000</u>	<u>36,843</u>	<u>(6,843)</u>	<u>44,271</u>
Total Street Lighting	<u>30,000</u>	<u>30,000</u>	<u>36,843</u>	<u>(6,843)</u>	<u>44,271</u>
Storm Sewer:					
Supplies	1,500	1,500	5,559	(4,059)	2,932
Other Current Expenditures	<u>3,500</u>	<u>3,500</u>	<u>8,959</u>	<u>(5,459)</u>	<u>3</u>
Total Storm Sewer	<u>5,000</u>	<u>5,000</u>	<u>14,518</u>	<u>(9,518)</u>	<u>2,935</u>
Total Public Works	<u>350,487</u>	<u>350,487</u>	<u>624,581</u>	<u>(274,094)</u>	<u>277,936</u>
CULTURE AND RECREATION:					
Parks and Recreation:					
Personnel Services	49,329	49,329	48,884	445	44,637
Supplies	4,000	4,000	4,052	(52)	3,747
Other Current Expenditures	27,555	27,555	48,448	(20,893)	45,516
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>9,600</u>	<u>400</u>	<u>11,776</u>
Total Parks and Recreation	<u>90,884</u>	<u>90,884</u>	<u>110,984</u>	<u>(20,100)</u>	<u>105,676</u>
Campgrounds:					
Personnel Services	2,883	2,883	2,314	569	2,495
Supplies	-	-	80	(80)	-
Other Current Expenditures	5,810	5,810	16,345	(10,535)	8,995
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>1,722</u>
Total Campgrounds	<u>10,693</u>	<u>10,693</u>	<u>18,739</u>	<u>(8,046)</u>	<u>13,212</u>
Total Culture and Recreation	<u>101,577</u>	<u>101,577</u>	<u>129,723</u>	<u>(28,146)</u>	<u>118,888</u>
SANITATION:					
Waste Collection and Disposal:					
Other Current Expenditures	<u>9,500</u>	<u>9,500</u>	<u>9,484</u>	<u>16</u>	<u>9,199</u>
Total Waste Collection and Disposal	<u>9,500</u>	<u>9,500</u>	<u>9,484</u>	<u>16</u>	<u>9,199</u>
Total Sanitation	<u>9,500</u>	<u>9,500</u>	<u>9,484</u>	<u>16</u>	<u>9,199</u>
ECONOMIC DEVELOPMENT:					
Other Current Expenditures	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>(1,250)</u>	<u>-</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance	<u>2017</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
EXPENDITURES (Cont.):					
MISCELLANEOUS:					
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Personnel Services	47,118	47,118	48,403	(1,285)	45,293
Other Current Expenditures	7,280	7,280	1,518	5,762	897
Insurance	24,000	24,000	27,600	(3,600)	23,815
Current Expenditures	<u>17,642</u>	<u>17,642</u>	<u>5,370</u>	<u>12,272</u>	<u>11,819</u>
Total Miscellaneous	<u>96,040</u>	<u>96,040</u>	<u>82,891</u>	<u>13,149</u>	<u>81,824</u>
TOTAL EXPENDITURES	<u>1,186,346</u>	<u>1,186,346</u>	<u>1,502,502</u>	<u>(316,156)</u>	<u>1,095,135</u>
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	<u>107,421</u>	<u>107,421</u>	<u>(61,787)</u>	<u>(169,208)</u>	<u>240,909</u>
OTHER FINANCING USES:					
Transfer Out	<u>107,421</u>	<u>107,421</u>	<u>112,380</u>	<u>4,959</u>	<u>108,127</u>
EXCESS REVENUES AND OTHER					
FINANCING SOURCES OVER					
(UNDER) EXPENDITURES AND					
OTHER FINANCING USES	-	-	(174,167)	(164,249)	132,782
FUND BALANCES - January 1	<u>2,017,020</u>	<u>2,017,020</u>	<u>2,017,020</u>	<u>-</u>	<u>1,884,238</u>
FUND BALANCES - December 31	<u>\$ 2,017,020</u>	<u>\$ 2,017,020</u>	<u>\$ 1,842,853</u>	<u>\$ (164,249)</u>	<u>\$ 2,017,020</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 LIBRARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2018
 With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance with Final Budget	<u>2017</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES					
General Property Taxes	\$ 133,827	\$ 133,827	\$ 133,827	\$ -	\$ 128,595
Intergovernmental Revenue					
Local Government Aid	17,759	17,759	17,759	-	17,480
Other State Grants	20,000	20,000	28,084	8,084	26,835
Fines and Forfeits	-	-	115	115	107
Interest Income	-	-	452	452	376
Miscellaneous Income	-	-	39	39	3
	<u>171,586</u>	<u>171,586</u>	<u>180,276</u>	<u>8,690</u>	<u>173,396</u>
TOTAL REVENUES					
EXPENDITURES					
Personnel Services	122,843	122,843	118,597	4,246	115,301
Supplies	17,800	17,800	13,909	3,891	14,727
Other Current Expenditures	24,864	24,864	21,340	3,524	19,221
Debt Service					
Principal Payments	4,310	4,310	4,310	-	4,164
Interest Payments	1,769	1,769	1,769	-	1,915
Capital Outlay	-	-	61,580	(61,580)	-
	<u>171,586</u>	<u>171,586</u>	<u>221,505</u>	<u>(49,919)</u>	<u>155,328</u>
TOTAL EXPENDITURES					
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(41,229)</u>	<u>(41,229)</u>	<u>18,068</u>
FUND BALANCES - January 1	<u>174,672</u>	<u>174,672</u>	<u>174,672</u>	<u>-</u>	<u>156,604</u>
FUND BALANCES - December 31	<u>\$ 174,672</u>	<u>\$ 174,672</u>	<u>\$ 133,443</u>	<u>\$ (41,229)</u>	<u>\$ 174,672</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018
 With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance with Final Budget	<u>2017</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:					
General Property Taxes	\$ 41,205	\$ 41,205	\$ 41,205	\$ -	\$ 41,823
Intergovernmental Revenue					
Local Government Aid	35,517	35,517	35,517	-	34,961
State Fire Aid	14,000	14,000	26,752	12,752	30,177
Other State Grants	-	-	11,760	11,760	3,890
County and Township Revenue	20,835	20,835	39,270	18,435	45,830
Charges for Services	12,000	12,000	15,235	3,235	18,650
Interest Income	100	100	1,443	1,343	972
Miscellaneous	<u>-</u>	<u>-</u>	<u>10,350</u>	<u>10,350</u>	<u>19,350</u>
 TOTAL REVENUES	 <u>123,657</u>	 <u>123,657</u>	 <u>181,532</u>	 <u>57,875</u>	 <u>195,653</u>
OTHER FINANCING SOURCES:					
Issuance of Debt	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>123,657</u>	 <u>123,657</u>	 <u>306,532</u>	 <u>182,875</u>	 <u>195,653</u>
EXPENDITURES:					
Personnel Services	42,696	42,696	45,752	(3,056)	48,569
Supplies	3,000	3,000	771	2,229	1,841
Other Current Expenditures	40,484	40,484	22,439	18,045	28,725
Debt Service					
Principal Payments	6,400	6,400	6,647	(247)	6,391
Interest Payments	800	800	542	258	798
Capital Outlay	<u>30,277</u>	<u>30,277</u>	<u>319,729</u>	<u>(289,452)</u>	<u>25,380</u>
 TOTAL EXPENDITURES	 <u>123,657</u>	 <u>123,657</u>	 <u>395,880</u>	 <u>(272,223)</u>	 <u>111,704</u>
 EXCESS REVENUES OVER EXPENDITURES	 <u>-</u>	 <u>-</u>	 <u>(89,348)</u>	 <u>(89,348)</u>	 <u>83,949</u>
 FUND BALANCE - January 1	 <u>356,800</u>	 <u>356,800</u>	 <u>356,800</u>	 <u>-</u>	 <u>272,851</u>
 FUND BALANCE - December 31	 <u>\$ 356,800</u>	 <u>\$ 356,800</u>	 <u>\$ 267,452</u>	 <u>\$ (89,348)</u>	 <u>\$ 356,800</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 AMBULANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018
 With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance with Final Budget	<u>2017</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 30,335	\$ 30,335	\$ 30,335	\$ -	\$ 34,211
Intergovernmental Revenue					
Local Government Aid	26,638	26,638	26,638	-	26,220
Other State Grants	-	-	9,000	9,000	1,925
Charges for Services	102,202	102,202	151,105	48,903	150,916
Interest Income	500	500	873	373	858
Miscellaneous					
Sale of Property	-	-	-	-	7,500
Miscellaneous Income	-	-	<u>6,121</u>	<u>6,121</u>	<u>5,813</u>
TOTAL REVENUES	<u>159,675</u>	<u>159,675</u>	<u>224,072</u>	<u>64,397</u>	<u>227,443</u>
EXPENDITURES					
Personnel Services	105,355	105,355	99,666	5,689	95,625
Other	8,500	8,500	10,014	(1,514)	9,482
Current Expenditures	41,820	41,820	34,176	7,644	50,973
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>5,381</u>	<u>(1,381)</u>	<u>162,595</u>
TOTAL EXPENDITURES	<u>159,675</u>	<u>159,675</u>	<u>149,237</u>	<u>10,438</u>	<u>318,675</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>74,835</u>	<u>74,835</u>	<u>(91,232)</u>
FUND BALANCE - January 1	<u>197,565</u>	<u>197,565</u>	<u>197,565</u>	<u>-</u>	<u>288,797</u>
FUND BALANCE - December 31	<u>\$ 197,565</u>	<u>\$ 197,565</u>	<u>\$ 272,400</u>	<u>\$ 74,835</u>	<u>\$ 197,565</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
LAKE COMMISSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
With Comparative Amounts for the year ended December 31, 2017

	<u>2018</u>			Variance with Final Budget	<u>2017</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 11,800	\$ 11,800	\$ 11,800	\$ -	\$ 11,800
Intergovernmental Revenue					
Other State Grants	5,000	5,000	30,000	25,000	3,141
County Grants	-	-	-	-	19,500
Interest Income	-	-	282	282	76
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>1,160</u>	<u>(340)</u>	<u>3,398</u>
TOTAL REVENUES	<u>18,300</u>	<u>18,300</u>	<u>43,242</u>	<u>24,942</u>	<u>37,915</u>
EXPENDITURES					
Personnel Services	4,550	4,550	541	4,009	186
Supplies	1,450	1,450	133	1,317	340
Other Current Expenditures	<u>12,300</u>	<u>12,300</u>	<u>4,255</u>	<u>8,045</u>	<u>14,869</u>
TOTAL EXPENDITURES	<u>18,300</u>	<u>18,300</u>	<u>4,929</u>	<u>13,371</u>	<u>15,395</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>38,313</u>	<u>38,313</u>	<u>22,520</u>
FUND BALANCES - January 1	<u>38,933</u>	<u>38,933</u>	<u>38,933</u>	<u>-</u>	<u>16,413</u>
FUND BALANCES - December 31	<u>\$ 38,933</u>	<u>\$ 38,933</u>	<u>\$ 77,246</u>	<u>\$ 38,313</u>	<u>\$ 38,933</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2018

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.0101 %	560,306	672,907	83.27 %	79.50 %
June 30, 2017	0.0101 %	644,777	654,307	98.54 %	75.90 %
June 30, 2016	0.0102 %	828,190	633,214	130.79 %	68.90 %
June 30, 2015	0.0105 %	544,290	616,226	88.33 %	78.19 %

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2018

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2018	\$ 50,805	\$ 50,805	-	\$ 677,400	7.50 %
December 31, 2017	\$ 45,466	\$ 45,466	-	\$ 606,213	7.50 %
December 31, 2016	\$ 47,810	\$ 47,810	-	\$ 637,467	7.50 %
December 31, 2015	\$ 47,215	\$ 47,215	-	\$ 629,533	7.50 %

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND
DECEMBER 31, 2018

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.0201 %	214,245	212,358	100.89 %	88.80 %
June 30, 2017	0.0200 %	270,024	201,765	133.83 %	85.40 %
June 30, 2016	0.0180 %	722,371	175,290	412.10 %	63.90 %
June 30, 2015	0.0190 %	215,884	176,581	122.26 %	78.19 %

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND
DECEMBER 31, 2018

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2018	\$ 35,605	\$ 35,605	-	\$ 219,784	16.20 %
December 31, 2017	\$ 33,885	\$ 33,885	-	\$ 209,167	16.20 %
December 31, 2016	\$ 31,063	\$ 31,063	-	\$ 191,747	16.20 %
December 31, 2015	\$ 27,675	\$ 27,675	-	\$ 170,833	16.20 %

SECTION III

SUPPLEMENTAL SECTION

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and Investments	\$ 1,191,845	\$ 935,479	\$ 932,698	\$ 3,060,022
Escrowed Investment	-	42,920	-	42,920
Accounts Receivable	19,073	-	-	19,073
Special Assessments Receivable	-	1,539,733	-	1,539,733
Interest Receivable	-	205	-	205
Notes Receivable	617,744	711,696	-	1,329,440
Due from Other Funds	30,000	21,121	-	51,121
Land Held for Resale	36,373	-	-	36,373
TOTAL ASSETS	\$ 1,895,035	\$ 3,251,154	\$ 932,698	\$ 6,078,887
LIABILITIES:				
Accounts Payable	\$ 1,325	\$ 5,000	\$ 33,194	\$ 39,519
Accrued Interest	-	7,036	-	7,036
Accrued Payroll	6,147	-	-	6,147
Due to Other Funds	31,537	25,154	320,714	377,405
Total Liabilities	39,009	37,190	353,908	430,107
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	137,884	2,249,829	-	2,387,713
Total Deferred Inflows of Resources	137,884	2,249,829	-	2,387,713
FUND BALANCES:				
Nonspendable	30,000	21,121	-	51,121
Restricted	1,105,955	977,425	733,436	2,816,816
Assigned	583,724	-	166,068	749,792
Unassigned (Deficit)	(1,537)	(34,411)	(320,714)	(356,662)
Total Fund Balances	1,718,142	964,135	578,790	3,261,067
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,895,035	\$ 3,251,154	\$ 932,698	\$ 6,078,887

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

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Taxes	\$ 207,770	\$ 413,334	\$ 29,854	\$ 650,958
Intergovernmental Revenue	111,481	-	-	111,481
Charges for Services	170,505	280,546	-	451,051
Fines and Forfeits	115	-	-	115
Interest Income	17,490	3,805	5,104	26,399
Miscellaneous	42,993	157,395	-	200,388
Total Revenues	<u>550,354</u>	<u>855,080</u>	<u>34,958</u>	<u>1,440,392</u>
EXPENDITURES				
Public Safety	143,856	-	-	143,856
Culture and Recreation	153,846	-	-	153,846
Sanitation	4,929	-	-	4,929
Economic Development	163,370	37,422	14,133	214,925
Miscellaneous	-	55,864	-	55,864
Debt Service				
Principal Payments	13,811	487,250	-	501,061
Interest Payments	3,817	224,304	-	228,121
Miscellaneous	-	4,233	-	4,233
Capital Outlay	70,351	28,313	518,564	617,228
Total Expenditures	<u>553,980</u>	<u>837,386</u>	<u>532,697</u>	<u>1,924,063</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(3,626)	17,694	(497,739)	(483,671)
OTHER FINANCING SOURCES (USES)				
Transfer In	107,421	4,959	18,579	130,959
Transfer Out	-	(18,579)	-	(18,579)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	103,795	4,074	(479,160)	(371,291)
FUND BALANCES - January 1	<u>1,614,347</u>	<u>960,061</u>	<u>1,057,950</u>	<u>3,632,358</u>
FUND BALANCES - December 31	<u>\$ 1,718,142</u>	<u>\$ 964,135</u>	<u>\$ 578,790</u>	<u>\$ 3,261,067</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	230 - Revolving Loan Fund
ASSETS				
Cash and Investments	\$ -	\$ 79,843	\$ 137,232	\$ 197,801
Accounts Receivable	-	-	-	-
Notes Receivable	-	-	-	455,822
Due from Other Funds	-	30,000	-	-
Land Held for Resale	-	24,352	-	12,021
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 134,195</u>	<u>\$ 137,232</u>	<u>\$ 665,644</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 69	\$ 339	\$ -
Accrued Payroll	-	2,697	3,450	-
Due to Other Funds	1,537	-	-	-
Total Liabilities	<u>1,537</u>	<u>2,766</u>	<u>3,789</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	30,000	-	-
Restricted	-	-	794	665,644
Assigned	-	101,429	132,649	-
Unassigned (Deficit)	(1,537)	-	-	-
Total Fund Balances (Deficit)	<u>(1,537)</u>	<u>131,429</u>	<u>133,443</u>	<u>665,644</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 134,195</u>	<u>\$ 137,232</u>	<u>\$ 665,644</u>

<u>231 - Ambulance Fund</u>	<u>235 - SW Housing Grant</u>	<u>240 - Protient - DTED Loan</u>	<u>280 - MSC - DEED Loan</u>	<u>360 - TIF #1-3 Pinebrook</u>	<u>470 - TIF #1 Hospital Project</u>	<u>507 - Lake Commission Fund</u>	<u>Total</u>
\$ 253,919	\$ 39,133	\$ 182,408	\$ 199,221	\$ 6,967	\$ 18,076	\$ 77,246	\$ 1,191,845
19,073	-	-	-	-	-	-	19,073
-	38,529	99,356	24,037	-	-	-	617,744
-	-	-	-	-	-	-	30,000
-	-	-	-	-	-	-	36,373
<u>\$ 272,992</u>	<u>\$ 77,662</u>	<u>\$ 281,764</u>	<u>\$ 223,258</u>	<u>\$ 6,967</u>	<u>\$ 18,076</u>	<u>\$ 77,246</u>	<u>\$ 1,895,035</u>
\$ 592	\$ -	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ 1,325
-	-	-	-	-	-	-	6,147
-	30,000	-	-	-	-	-	31,537
<u>592</u>	<u>30,000</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,009</u>
-	38,528	99,356	-	-	-	-	137,884
-	<u>38,528</u>	<u>99,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,884</u>
-	-	-	-	-	-	-	30,000
-	9,134	182,083	223,257	6,967	18,076	-	1,105,955
272,400	-	-	-	-	-	77,246	583,724
-	-	-	-	-	-	-	(1,537)
<u>272,400</u>	<u>9,134</u>	<u>182,083</u>	<u>223,257</u>	<u>6,967</u>	<u>18,076</u>	<u>77,246</u>	<u>1,718,142</u>
<u>\$ 272,992</u>	<u>\$ 77,662</u>	<u>\$ 281,764</u>	<u>\$ 223,257</u>	<u>\$ 6,967</u>	<u>\$ 18,076</u>	<u>\$ 77,246</u>	<u>\$ 1,895,035</u>

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

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	230 - Revolving Loan Fund
REVENUES				
Taxes	\$ -	\$ 12,654	\$ 133,827	\$ -
Intergovernmental Revenue	-	-	45,843	-
Charges for Services	-	-	-	8,200
Fines and Forfeits	-	-	115	-
Interest Income	-	265	452	13,747
Miscellaneous	-	18,999	39	20
Total Revenues	<u>-</u>	<u>31,918</u>	<u>180,276</u>	<u>21,967</u>
EXPENDITURES				
Public Safety	-	-	-	-
Culture and Recreation	-	-	153,846	-
Sanitation	-	-	-	-
Economic Development	-	124,636	-	13,618
Principal Payments	-	-	4,310	9,501
Interest Payments	-	-	1,769	2,048
Capital Outlay	-	3,390	61,580	-
Total Expenditures	<u>-</u>	<u>128,026</u>	<u>221,505</u>	<u>25,167</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(96,108)</u>	<u>(41,229)</u>	<u>(3,200)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	<u>-</u>	<u>107,421</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	11,313	(41,229)	(3,200)
FUND BALANCES (DEFICIT) - January 1	<u>(1,537)</u>	<u>120,116</u>	<u>174,672</u>	<u>668,844</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ (1,537)</u>	<u>\$ 131,429</u>	<u>\$ 133,443</u>	<u>\$ 665,644</u>

<u>231 - Ambulance Fund</u>	<u>235 - SW Housing Grant</u>	<u>240 - Protient - DTED Loan</u>	<u>280 - MSC - DEED Loan</u>	<u>360 - TIF #1-3 Pinebrook</u>	<u>470 - TIF #1 Hospital Project</u>	<u>507 - Lake Commission Fund</u>	<u>Total</u>
\$ 30,335	\$ -	\$ -	\$ -	\$ 7,796	\$ 11,358	\$ 11,800	\$ 207,770
35,638	-	-	-	-	-	30,000	111,481
151,105	11,200	-	-	-	-	-	170,505
-	-	-	-	-	-	-	115
873	105	814	849	30	74	281	17,490
<u>6,121</u>	<u>10,293</u>	<u>6,113</u>	<u>247</u>	<u>-</u>	<u>-</u>	<u>1,161</u>	<u>42,993</u>
<u>224,072</u>	<u>21,598</u>	<u>6,927</u>	<u>1,096</u>	<u>7,826</u>	<u>11,432</u>	<u>43,242</u>	<u>550,354</u>
143,856	-	-	-	-	-	-	143,856
-	-	-	-	-	-	-	153,846
-	-	-	-	-	-	4,929	4,929
-	4,506	612	-	8,396	11,602	-	163,370
-	-	-	-	-	-	-	13,811
-	-	-	-	-	-	-	3,817
<u>5,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,351</u>
<u>149,237</u>	<u>4,506</u>	<u>612</u>	<u>-</u>	<u>8,396</u>	<u>11,602</u>	<u>4,929</u>	<u>553,980</u>
<u>74,835</u>	<u>17,092</u>	<u>6,315</u>	<u>1,096</u>	<u>(570)</u>	<u>(170)</u>	<u>38,313</u>	<u>(3,626)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,421</u>
74,835	17,092	6,315	1,096	(570)	(170)	38,313	103,795
<u>197,565</u>	<u>(7,958)</u>	<u>175,768</u>	<u>222,161</u>	<u>7,537</u>	<u>18,246</u>	<u>38,933</u>	<u>1,614,347</u>
<u>\$ 272,400</u>	<u>\$ 9,134</u>	<u>\$ 182,083</u>	<u>\$ 223,257</u>	<u>\$ 6,967</u>	<u>\$ 18,076</u>	<u>\$ 77,246</u>	<u>\$ 1,718,142</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2018

	303 - G.O. Tax Increment Bonds of 2013B	307 - G.O. Improvement Bonds of 2007C	308 - G.O. Crossover Refunding Bonds of 2011A	312 - G.O. Improvement Bonds of 2013A	320 - 2008A Public Project Revenue Bonds	332 - G.O. Improvement Bonds of 2009A	341 - TIF #1-6 Mt Power	342 - TIF #1-4 Good Samaritan	361 - Pankratz Land Debt Service	385 - ML Comm Park Debt Service	Total
ASSETS											
Cash and Investments	\$ 1	\$ 21,405	\$ 93,301	\$ 512,222	\$ -	\$ 7,124	\$ 215,913	\$ 31,272	\$ 47,793	\$ 6,448	\$ 935,479
Escrowed Investment	-	-	-	-	-	42,920	-	-	-	-	42,920
Special Assessments	-	-	-	-	-	-	-	-	-	-	-
Receivable	-	-	34,179	1,502,518	-	3,036	-	-	-	-	1,539,733
Interest Receivable	-	-	-	-	-	205	-	-	-	-	205
Notes Receivable	-	-	-	-	-	-	711,696	-	-	-	711,696
Due from Other Funds	-	16,094	4,274	-	-	753	-	-	-	-	21,121
TOTAL ASSETS	\$ 1	\$ 37,499	\$ 131,754	\$ 2,014,740	\$ -	\$ 54,038	\$ 215,913	\$ 742,968	\$ 47,793	\$ 6,448	\$ 3,251,154
LIABILITIES											
Accounts Payable	\$ 5,000	-	-	-	-	-	-	-	-	-	\$ 5,000
Accrued Interest	4,258	-	-	-	-	-	2,778	-	-	-	7,036
Due to Other Funds	25,154	-	-	-	-	-	-	-	-	-	25,154
Total Liabilities	34,412	-	-	-	-	-	2,778	-	-	-	37,190
DEFERRED INFLOWS OF RESOURCES:											
Unavailable Revenue	-	-	33,387	1,501,709	-	3,037	-	711,696	-	-	2,249,829
FUND BALANCES											
Nonspendable	-	16,094	4,274	-	-	753	-	-	-	-	21,121
Restricted	-	21,405	94,093	513,031	-	50,248	213,135	31,272	47,793	6,448	977,425
Unassigned (Deficit)	(34,411)	-	-	-	-	-	-	-	-	-	(34,411)
Total Fund Balances (Deficit)	(34,411)	37,499	98,367	513,031	-	51,001	213,135	31,272	47,793	6,448	964,135
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1	\$ 37,499	\$ 131,754	\$ 2,014,740	\$ -	\$ 54,038	\$ 215,913	\$ 742,968	\$ 47,793	\$ 6,448	\$ 3,251,154

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	303 - G.O. Tax Increment Bonds of 2013B	307 - G.O. Improvement Bonds of 2007C	308 - G.O. Crossover Refunding Bonds of 2011A	312 - G.O. Improvement Bonds of 2013A	320 - 2008A Public Project Revenue Bonds	332 - G.O. Improvement Bonds of 2009A	341 - TIF #1-6 Mt Power	342 - TIF #1-4 Good Samaritan	361 - Pankratz Land Debt Service	385 - ML Comm Park Debt Service	Total
REVENUES											
Taxes	\$ 24,785	\$ 52,983	\$ 104,330	\$ 143,216	\$ -	\$ 2,489	\$ 50,271	\$ 25,945	\$ 9,315	\$ -	\$ 413,334
Charges for Services	101,296	-	-	-	-	-	179,250	-	-	-	280,546
Interest Income	1	63	127	2,110	-	666	630	63	119	26	3,805
Miscellaneous	-	138	-	-	-	-	-	57,231	88,476	11,550	157,395
Total Revenues	<u>126,082</u>	<u>53,184</u>	<u>104,457</u>	<u>145,326</u>	<u>-</u>	<u>3,155</u>	<u>230,151</u>	<u>83,239</u>	<u>97,910</u>	<u>11,576</u>	<u>855,080</u>
EXPENDITURES											
Economic Development	7,167	1,202	-	-	-	-	-	27,325	1,728	-	37,422
Miscellaneous	-	-	-	-	-	-	55,864	-	-	-	55,864
Debt Service											
Principal Payments	80,000	50,000	93,150	95,000	-	2,100	125,000	25,000	17,000	-	487,250
Interest Payments	48,693	2,390	11,675	44,595	-	144	67,211	32,648	12,315	4,633	224,304
Miscellaneous	2,500	-	248	-	-	-	-	495	495	495	4,233
Capital Outlay	-	28,313	-	-	-	-	-	-	-	-	28,313
Total Expenditures	<u>138,360</u>	<u>81,905</u>	<u>105,073</u>	<u>139,595</u>	<u>-</u>	<u>2,244</u>	<u>248,075</u>	<u>85,468</u>	<u>31,538</u>	<u>5,128</u>	<u>837,386</u>
EXCESS REVENUES OVER (UNDER)	(12,278)	(28,721)	(616)	5,731	-	911	(17,924)	(2,229)	66,372	6,448	17,694
EXPENDITURES OTHER FINANCING SOURCES (USES)											
Transfer In	-	-	-	-	4,959	-	-	-	-	-	4,959
Transfer Out	-	-	-	-	-	-	-	-	(18,579)	-	(18,579)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER)											
EXPENDITURES AND OTHER USES	(12,278)	(28,721)	(616)	5,731	4,959	911	(17,924)	(2,229)	47,793	6,448	4,074
FUND BALANCES											
(Deficit) - January 1	(22,133)	66,220	98,983	507,300	(4,959)	50,090	231,059	33,501	-	-	960,061
FUND BALANCES	<u>\$(34,411)</u>	<u>\$ 37,499</u>	<u>\$ 98,367</u>	<u>\$ 513,031</u>	<u>\$ -</u>	<u>\$ 51,001</u>	<u>\$ 213,135</u>	<u>\$ 31,272</u>	<u>\$ 47,793</u>	<u>\$ 6,448</u>	<u>\$ 964,135</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2018

	450 -		485 - ML		
	Downtown		Comm Park		
	Revolving	Ross Project	Industrial Park	Infrastructure	Total
	Fund	Construction	460 - Pankratz		
ASSETS:					
Cash and Investments	\$ 109,877	\$ 56,191	\$ -	\$ 766,628	\$ 932,696
TOTAL ASSETS	\$ 109,877	\$ 56,191	\$ -	\$ 766,628	\$ 932,696
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 33,192	\$ 33,192
Due to Other Funds	-	320,714	-	-	320,714
Total Liabilities	-	320,714	-	33,192	353,906
FUND BALANCES:					
Restricted	-	-	-	733,436	733,436
Assigned	109,877	56,191	-	-	166,068
Unassigned (Deficit)	-	(320,714)	-	-	(320,714)
Total Fund Balances (Deficit)	109,877	(320,714)	-	733,436	578,790
TOTAL LIABILITIES AND FUND BALANCE	\$ 109,877	\$ 56,191	\$ -	\$ 766,628	\$ 932,696

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

	501 - Capital Outlay					450 -	485 - ML		Total
	Fund	415 - MSG Construction	Downtown Ross Project	460 - Pankratz Industrial Park	Comm Park Infrastructure				
REVENUES									
Taxes	\$ -	\$ 29,854	\$ -	\$ -	\$ -			\$ 29,854	
Interest Income	439	183	1	-	4,482			5,105	
Total Revenues	<u>439</u>	<u>30,037</u>	<u>1</u>	<u>-</u>	<u>4,482</u>			<u>34,959</u>	
EXPENDITURES									
Economic Development	-	1,380	12,754	-	-			14,134	
Capital Outlay	-	-	-	-	518,564			518,564	
Total Expenditures	<u>-</u>	<u>1,380</u>	<u>12,754</u>	<u>-</u>	<u>518,564</u>			<u>532,698</u>	
EXCESS REVENUES OVER (UNDER) EXPENDITURES	439	28,657	(12,753)	-	(514,082)			(497,739)	
OTHER FINANCING SOURCES (USES):									
Transfer In	-	-	-	18,579	-			18,579	
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	439	28,657	(12,753)	18,579	(514,082)			(479,160)	
FUND BALANCES (DEFICIT) - January 1	<u>109,438</u>	<u>27,534</u>	<u>(307,961)</u>	<u>(18,579)</u>	<u>1,247,518</u>			<u>1,057,950</u>	
FUND BALANCES (DEFICIT) - December 31	<u>\$ 109,877</u>	<u>\$ 56,191</u>	<u>\$ (320,714)</u>	<u>\$ -</u>	<u>\$ 733,436</u>			<u>\$ 578,790</u>	

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2018

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 20,746	\$ 73,326	\$ 22,907	\$ 116,979
Due from Other Funds	<u>-</u>	<u>6,191</u>	<u>-</u>	<u>6,191</u>
Total Current Assets	<u>20,746</u>	<u>79,517</u>	<u>22,907</u>	<u>123,170</u>
NONCURRENT ASSETS				
Capital Assets:				
Land	6,175	12,350	2,304	20,829
Buildings and Improvements	<u>366,147</u>	<u>695,366</u>	<u>309,759</u>	<u>1,371,272</u>
Total Capital Assets	<u>372,322</u>	<u>707,716</u>	<u>312,063</u>	<u>1,392,101</u>
Less: Accumulated Depreciation	<u>180,651</u>	<u>421,761</u>	<u>111,483</u>	<u>713,895</u>
Net Capital Assets	<u>191,671</u>	<u>285,955</u>	<u>200,580</u>	<u>678,206</u>
Total Assets	<u>\$ 212,417</u>	<u>\$ 365,472</u>	<u>\$ 223,487</u>	<u>\$ 801,376</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,479	\$ 4,125	\$ 975	\$ 6,579
Due to Other Funds	-	-	6,191	6,191
Accrued Interest	1,140	3,502	650	5,292
Customer Deposits	2,470	5,050	3,510	11,030
Unamortized Bond Premium	874	1,515	-	2,389
Current Amount of Long-Term Debt	<u>15,000</u>	<u>20,000</u>	<u>5,930</u>	<u>40,930</u>
Total Current Liabilities	<u>20,963</u>	<u>34,192</u>	<u>17,256</u>	<u>72,411</u>
LONG-TERM LIABILITIES				
Bonds and Notes Payable	<u>100,000</u>	<u>290,000</u>	<u>209,138</u>	<u>599,138</u>
Total Liabilities	<u>120,963</u>	<u>324,192</u>	<u>226,394</u>	<u>671,549</u>
NET POSITION				
Net Investment in Capital Assets (Deficit)	76,671	(24,045)	(14,488)	38,138
Unrestricted	<u>14,783</u>	<u>65,325</u>	<u>11,581</u>	<u>91,689</u>
Total Net Position	<u>91,454</u>	<u>41,280</u>	<u>(2,907)</u>	<u>129,827</u>
Total Liabilities and Net Position	<u>\$ 212,417</u>	<u>\$ 365,472</u>	<u>\$ 223,487</u>	<u>\$ 801,376</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
OPERATING REVENUES				
Rental Income	\$ 29,400	\$ 59,405	\$ 30,675	\$ 119,480
Total Operating Revenues	<u>29,400</u>	<u>59,405</u>	<u>30,675</u>	<u>119,480</u>
OPERATING EXPENSES				
Depreciation	9,366	27,815	12,390	49,571
Insurance	2,719	5,464	2,640	10,823
Miscellaneous	2,014	4,302	1,748	8,064
Professional Services	3,312	9,841	896	14,049
Repairs, Maintenance and Supplies	10,311	10,635	8,313	29,259
Utilities	94	256	211	561
Total Operating Expenses	<u>27,816</u>	<u>58,313</u>	<u>26,198</u>	<u>112,327</u>
Net Operating Income (Loss)	<u>1,584</u>	<u>1,092</u>	<u>4,477</u>	<u>7,153</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	1	720	69	790
Interest Expense	<u>(2,666)</u>	<u>(8,390)</u>	<u>(9,773)</u>	<u>(20,829)</u>
Total Non Operating Revenue (Expense)	<u>(2,665)</u>	<u>(7,670)</u>	<u>(9,704)</u>	<u>(20,039)</u>
CHANGE IN NET POSITION	(1,081)	(6,578)	(5,227)	(12,886)
NET POSITION - January 1	<u>92,535</u>	<u>47,858</u>	<u>2,320</u>	<u>142,713</u>
NET POSITION - December 31	<u>\$ 91,454</u>	<u>\$ 41,280</u>	<u>\$ (2,907)</u>	<u>\$ 129,827</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 29,400	\$ 59,405	\$ 30,720	\$ 119,525
Payments to Vendors	<u>(19,053)</u>	<u>(34,190)</u>	<u>(16,328)</u>	<u>(69,571)</u>
Net Cash Provided By Operating Activities	<u>10,347</u>	<u>25,215</u>	<u>14,392</u>	<u>49,954</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due to (from) Other Funds	<u>-</u>	<u>2,800</u>	<u>(2,800)</u>	<u>-</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>-</u>	<u>2,800</u>	<u>(2,800)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	(15,000)	(20,000)	(5,669)	(40,669)
Interest Paid on Capital Debt	<u>(2,854)</u>	<u>(8,602)</u>	<u>(9,817)</u>	<u>(21,273)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(17,854)</u>	<u>(28,602)</u>	<u>(15,486)</u>	<u>(61,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>1</u>	<u>720</u>	<u>69</u>	<u>790</u>
Net Cash Provided By Investing Activities	<u>1</u>	<u>720</u>	<u>69</u>	<u>790</u>
NET INCREASE (DECREASE) IN CASH	(7,506)	133	(3,825)	(11,198)
CASH AND INVESTMENTS - January 1	<u>28,252</u>	<u>73,193</u>	<u>26,732</u>	<u>128,177</u>
CASH AND INVESTMENTS - December 31	<u>\$ 20,746</u>	<u>\$ 73,326</u>	<u>\$ 22,907</u>	<u>\$ 116,979</u>
Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 1,584	\$ 1,092	\$ 4,477	\$ 7,153
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	9,366	27,815	12,390	49,571
Changes in Assets and Liabilities				
Accounts Payable	(603)	(3,692)	(2,520)	(6,815)
Customer Deposits'	<u>-</u>	<u>-</u>	<u>45</u>	<u>45</u>
Net Cash Provided By Operating Activities	<u>\$ 10,347</u>	<u>\$ 25,215</u>	<u>\$ 14,392</u>	<u>\$ 49,954</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
PUBLIC UTILITIES COMMISSION
DECEMBER 31, 2018

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 282,538	\$ 1,053,501	\$ 1,564,568	\$ 2,900,607
Accounts Receivable	88,744	124,720	494,685	708,149
Special Assessments Receivable	-	53,702	-	53,702
Due from Other Funds	1,537	-	-	1,537
Prepaid Expense	-	11,802	-	11,802
Inventory	22,127	190	140,259	162,576
Total Current Assets	394,946	1,243,915	2,199,512	3,838,373
NONCURRENT ASSETS				
Capital Assets:				
Land	24,350	3,500	15,842	43,692
Buildings and Improvements	3,342,383	283,953	190,447	3,816,783
Infrastructure and Improvements	5,168,978	9,641,773	9,324,811	24,135,562
Machinery and Equipment	94,558	350,002	457,747	902,307
Transportation and Other Equipment	35,819	21,793	254,022	311,634
Construction in Progress	-	371,274	3,464,673	3,835,947
Total Capital Assets	8,666,088	10,672,295	13,707,542	33,045,925
Less: Accumulated Depreciation	3,658,422	2,488,964	7,136,368	13,283,754
Net Capital Assets	5,007,666	8,183,331	6,571,174	19,762,171
Net Bond Discount	242	8,993	103,692	112,927
Total Assets	5,402,854	9,436,239	8,874,378	23,713,471
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	13,582	13,582	35,658	62,822
Total Assets and Deferred Outflows of Resources	\$ 5,416,436	\$ 9,449,821	\$ 8,910,036	\$ 23,776,293
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 6,583	\$ 11,304	\$ 127,496	\$ 145,383
Due to Other Funds	10,184	10,937	-	21,121
Accrued Interest	7,857	24,052	9,806	41,715
Accrued Payroll	1,245	1,245	8,039	10,529
Due to Other Governments	-	-	12,508	12,508
Customer Deposits	430	-	99,089	99,519
Unamortized Bond Premium	830	829	-	1,659
Current Amount of Long-Term Debt	276,790	431,325	248,750	956,865
Total Current Liabilities	303,919	479,692	505,688	1,289,299
LONG-TERM LIABILITIES				
Accrued Compensated Absences	5,446	5,446	15,454	26,346
Net Pension Liability	41,944	41,944	115,825	199,713
Bonds and Notes Payable	2,350,285	5,309,000	3,918,000	11,577,285
Total Long-Term Liabilities	2,397,675	5,356,390	4,049,279	11,803,344
Total Liabilities	2,701,594	5,836,082	4,554,967	13,092,643
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	20,048	20,048	52,003	92,099
NET POSITION				
Net Investment in Capital Assets	2,380,591	2,443,006	2,404,394	7,227,991
Restricted for Debt Service	-	435,728	99,974	535,702
Unrestricted	314,203	714,957	1,798,698	2,827,858
Total Net Position	2,694,794	3,593,691	4,303,066	10,591,551
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,416,436	\$ 9,449,821	\$ 8,910,036	\$ 23,776,293

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 PUBLIC UTILITIES COMMISSION
 FOR THE YEAR ENDED DECEMBER 31, 2018

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
OPERATING REVENUES				
Sales to Consumers	\$ 595,798	\$ 866,975	\$ 2,575,017	\$ 4,037,790
Total Operating Revenues	<u>595,798</u>	<u>866,975</u>	<u>2,575,017</u>	<u>4,037,790</u>
OPERATING EXPENSES				
Pumping, Treatment, Production				
Utilities	1,975	290	30,723	32,988
Power for Pumping	22,985	24,103	-	47,088
Supplies and Chemicals	2,341	922	11,058	14,321
Travel and Meetings	685	940	4,057	5,682
Outside Services	-	-	8,318	8,318
Repairs and Maintenance	24,450	45,065	57,699	127,214
Miscellaneous	53	-	-	53
Purchased Power	-	-	1,381,520	1,381,520
Total Pumping, Treatment, Production	<u>52,489</u>	<u>71,320</u>	<u>1,493,375</u>	<u>1,617,184</u>
Distribution and Collection				
Salaries	60,436	60,433	159,101	279,970
Supplies and Chemicals	42,645	-	983	43,628
Outside Services	733	5,367	60,475	66,575
Repairs and Maintenance	20,998	21,388	81,413	123,799
Miscellaneous	2,364	363	3,481	6,208
Total Distribution and Collection	<u>127,176</u>	<u>87,551</u>	<u>305,453</u>	<u>520,180</u>
Administration and General				
Salaries	17,483	17,483	81,089	116,055
Supplies	982	-	-	982
Outside Services	1,066	1,097	35,899	38,062
Insurance	4,918	8,822	32,541	46,281
Repairs and Maintenance	4,030	4,551	16,638	25,219
Miscellaneous	2,671	2,171	20,163	25,005
Total Administration and General	<u>31,150</u>	<u>34,124</u>	<u>186,330</u>	<u>251,604</u>
Depreciation	<u>239,686</u>	<u>243,734</u>	<u>284,766</u>	<u>768,186</u>
Total Operating Expenses	<u>450,501</u>	<u>436,729</u>	<u>2,269,924</u>	<u>3,157,154</u>
Net Operating Income	<u>145,297</u>	<u>430,246</u>	<u>305,093</u>	<u>880,636</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	1,066	4,532	21,761	27,359
Refunds and Reimbursements	611	2,343	3,558	6,512
CAP X Credit	-	-	1,997	1,997
Interest Expense	(57,640)	(68,008)	(110,593)	(236,241)
Total Non Operating Revenue (Expense)	<u>(55,963)</u>	<u>(61,133)</u>	<u>(83,277)</u>	<u>(200,373)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	89,334	369,113	221,816	680,263
Transfer to Other Funds	-	-	(120,000)	(120,000)
CHANGE IN NET POSITION	89,334	369,113	101,816	560,263
NET POSITION - January 1	2,605,460	3,224,578	4,201,250	10,031,288
NET POSITION - December 31	<u>\$ 2,694,794</u>	<u>\$ 3,593,691</u>	<u>\$ 4,303,066</u>	<u>\$ 10,591,551</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2018

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 593,024	\$ 857,877	\$ 2,593,334	\$ 4,044,235
Payments to Vendors	(126,814)	(134,290)	(2,073,760)	(2,334,864)
Payments to Employees	(77,994)	(77,991)	(242,374)	(398,359)
Other Receipts and Payments	611	2,343	5,555	8,509
Net Cash Provided By Operating Activities	<u>388,827</u>	<u>647,939</u>	<u>282,755</u>	<u>1,319,521</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Other Funds	-	-	(120,000)	(120,000)
Due to (from) Other Funds	(4,863)	(5,944)	-	(10,807)
Net Cash Used By Noncapital Financing Activities	<u>(4,863)</u>	<u>(5,944)</u>	<u>(120,000)</u>	<u>(130,807)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(19,772)	(257,233)	(850,177)	(1,127,182)
Principal Paid on Capital Debt	(273,140)	(419,275)	(244,750)	(937,165)
Interest Paid on Capital Debt	(58,248)	(69,192)	(122,086)	(249,526)
Special Assessments Received	-	30,480	-	30,480
Net Cash Used By Capital and Related Financing Activities	<u>(351,160)</u>	<u>(715,220)</u>	<u>(1,217,013)</u>	<u>(2,283,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	1,066	4,532	21,762	27,360
Net Cash Provided By Investing Activities	<u>1,066</u>	<u>4,532</u>	<u>21,762</u>	<u>27,360</u>
NET INCREASE (DECREASE) IN CASH	33,870	(68,693)	(1,032,496)	(1,067,319)
CASH AND INVESTMENTS - January 1	248,668	1,122,194	2,597,064	3,967,926
CASH AND INVESTMENTS - December 31	<u>\$ 282,538</u>	<u>\$ 1,053,501</u>	<u>\$ 1,564,568</u>	<u>\$ 2,900,607</u>
Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 145,297	\$ 430,246	\$ 305,093	\$ 880,636
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	239,686	243,734	284,766	768,186
Noncash Pension Expense	(595)	(595)	(4,118)	(5,308)
Changes in Assets and Liabilities				
Receivables	(2,774)	(9,098)	16,619	4,747
Inventory	-	-	12,631	12,631
Accounts Payable	6,082	(19,211)	(347,767)	(360,896)
Accrued Wages	(8)	(8)	2,531	2,515
Accrued Compensated Absences	528	528	(597)	459
Due to Other Governments	-	-	6,345	6,345
Deposits Payable	-	-	1,697	1,697
Other Receipts and Payments	611	2,343	5,555	8,509
Net Cash Provided By Operating Activities	<u>\$ 388,827</u>	<u>\$ 647,939</u>	<u>\$ 282,755</u>	<u>\$ 1,319,521</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

The purpose of this report is to provide a summary of financial information concerning the City of Mountain Lake to interested citizens. The complete financial statements may be examined at the City Hall, PO Box C Mountain Lake, MN Questions about this report should be directed to Michael Schulte, City Clerk, at 507-427-2999

	Total <u>2018</u>	Total <u>2017</u>	Percent Increase <u>(Decrease)</u>
REVENUES:			
Taxes and Assessments	\$ 949,135	\$ 925,726	2.53 %
Licenses and Permits	7,316	7,187	1.79 %
Intergovernmental	1,125,746	1,235,447	(8.88)%
Charges for Services	516,982	520,955	(0.76)%
Fines	7,446	5,155	44.44 %
Investment Earnings	39,291	35,127	11.85 %
Miscellaneous	296,724	153,684	93.07 %
Transfer In	250,960	228,128	10.01 %
Issuance of Debt	<u>125,000</u>	<u>2,574,410</u>	(95.14)%
Total Revenues	<u>\$ 3,318,600</u>	<u>\$ 5,685,819</u>	(41.63)%
Per Capita	<u>1,579</u>	<u>2,705</u>	
EXPENDITURES:			
Current			
General Government	\$ 288,670	\$ 212,237	36.01 %
Public Safety	575,950	588,969	(2.21)%
Public Works	335,835	275,277	22.00 %
Culture and Recreation	273,969	254,639	7.59 %
Sanitation	14,413	24,594	(41.40)%
Economic Development	216,175	447,741	(51.72)%
Miscellaneous	138,755	135,983	2.04 %
Debt Service:			
Principal Payments	507,708	481,404	5.46 %
Interest Payments	228,663	235,816	(3.03)%
Other Debt Service	4,233	22,250	(80.98)%
Capital Outlay	1,238,074	2,264,489	(45.33)%
Transfer Out	<u>130,960</u>	<u>108,128</u>	21.12 %
Total Expenditures	<u>\$ 3,953,405</u>	<u>\$ 4,352,931</u>	(9.18)%
Per Capita	<u>1,881</u>	<u>2,071</u>	
Governmental Long-term Indebtedness	<u>\$ 8,852,538</u>	<u>\$ 9,235,246</u>	(4.14)%
Per Capita	<u>4,211</u>	<u>4,394</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 535,240</u>	<u>\$ 720,837</u>	(25.75)%
Per Capita	<u>255</u>	<u>343</u>	

SECTION IV

ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



P.O. Box 186
530 West Park Road
Redwood Falls, MN 56283
507-644-6400
www.oberlohcpa.com

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

Honorable Mayor and Members of the Council
City of Mountain Lake
Mountain Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Mountain Lake, Minnesota's basic financial statements, and have issued our report thereon dated June 19, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2018-001 and 2018-002.

Compliance and Other Matters

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

City of Mountain Lake, Minnesota's Response to Findings

City of Mountain Lake, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Mountain Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.

June 19, 2019

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

INTERNAL CONTROL FINDINGS

Audit Finding 2018-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2018-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

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

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



P.O. Box 186
530 West Park Road
Redwood Falls, MN 56283
507-644-6400
www.oberlohcpa.com

AUDITORS' REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members of the Council
City of Mountain Lake
Mountain Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the basic financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2019.

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

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

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

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.

June 19, 2019