

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF MOUNTAIN LAKE, MINNESOTA
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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
CITY ATTORNEY	Maryellen Suhrhoff, Muske, Suhrhoff & Pidde Ltd.	Appointed

SECTION II
FINANCIAL SECTION

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



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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2019, 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 68 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 and summary financial report 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 and summary financial report 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 and summary financial report 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 15, 2020 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 the effectiveness of the City of Mountain Lake, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mountain Lake, Minnesota's internal control over financial reporting and compliance.

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

June 15, 2020

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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, 2019.

- 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 \$21,609,275 (net position). Of this amount, \$8,014,810 (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 \$1,466,945 compared to an increase of \$918,347 in the previous year. The governmental activities net position increased by \$228,210 and the business-type activities net position increased \$1,238,735.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,394,461, a decrease of \$12,359 in comparison with the prior year. Approximately 50.6 percent of this total amount, \$2,729,668, is available for spending at the City's discretion, \$2,270,882 of which has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$825,751, or 66.9 percent of total General Fund expenditures.
- The City's total debt decreased by \$1,517,276 or 6.9 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, 2019

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-six 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; which is considered to be a major fund. 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, 2019

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 - 68) 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 69) 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, 2019

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 7,799,687	\$ 7,937,931	\$ 4,956,165	\$ 4,047,158	\$ 12,755,852	\$ 11,985,089
Capital Assets	<u>11,145,978</u>	<u>11,361,088</u>	<u>19,789,070</u>	<u>20,440,347</u>	<u>30,935,048</u>	<u>31,801,435</u>
Total Assets	<u>18,945,665</u>	<u>19,299,019</u>	<u>24,745,235</u>	<u>24,487,505</u>	<u>43,690,900</u>	<u>43,786,524</u>
Deferred Outflows of Resources	<u>235,184</u>	<u>368,388</u>	<u>30,006</u>	<u>62,822</u>	<u>265,190</u>	<u>431,210</u>
Current Liabilities	817,415	802,467	360,364	1,334,398	1,177,779	2,136,865
Long-term Liabilities	<u>8,327,397</u>	<u>8,924,407</u>	<u>12,397,182</u>	<u>12,402,482</u>	<u>20,724,579</u>	<u>21,326,889</u>
Total Liabilities	<u>9,144,812</u>	<u>9,726,874</u>	<u>12,757,546</u>	<u>13,736,880</u>	<u>21,902,358</u>	<u>23,463,754</u>
Deferred Inflows of Resources	<u>386,875</u>	<u>519,581</u>	<u>57,582</u>	<u>92,099</u>	<u>444,457</u>	<u>611,680</u>
Net Position						
Net Investment in						
Capital Assets	2,812,922	2,508,549	7,585,247	7,266,129	10,398,169	9,774,678
Restricted	2,660,594	2,816,816	535,702	535,702	3,196,296	3,352,518
Unrestricted	<u>4,175,646</u>	<u>4,095,587</u>	<u>3,839,164</u>	<u>2,919,547</u>	<u>8,014,810</u>	<u>7,015,134</u>
Total Net Position	\$ <u>9,649,162</u>	\$ <u>9,420,952</u>	\$ <u>11,960,113</u>	\$ <u>10,721,378</u>	\$ <u>21,609,275</u>	\$ <u>20,142,330</u>

A large portion of the City's net position (48.1 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 (14.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (37.1 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, 2019

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

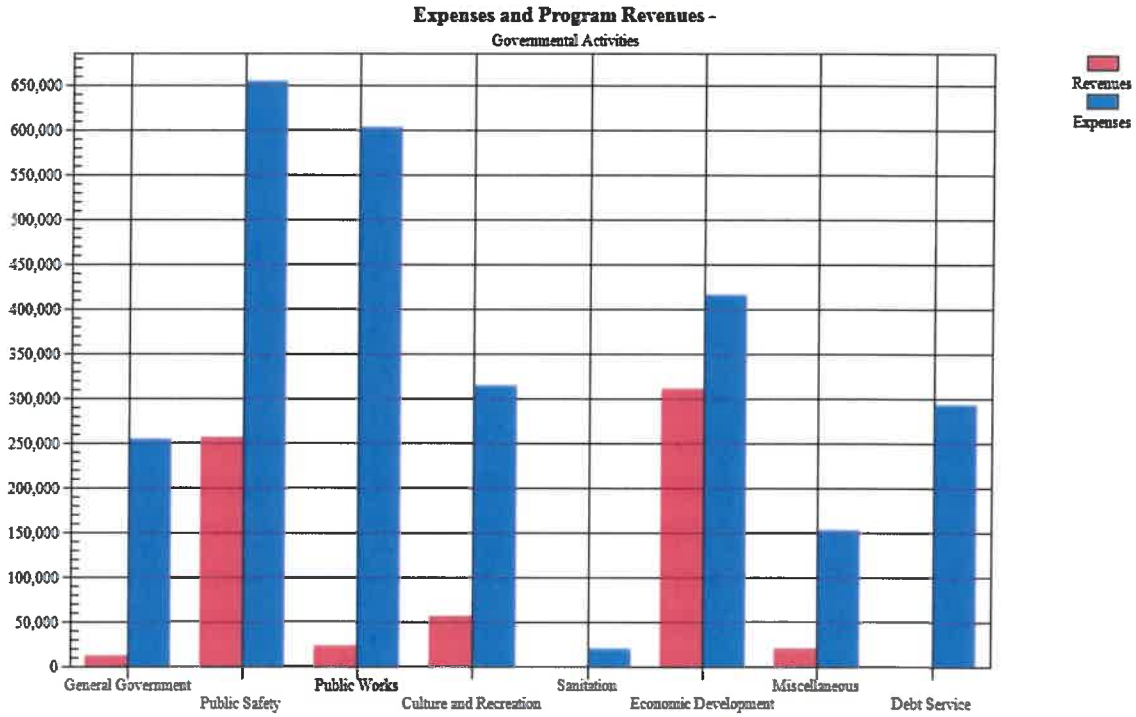
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and						
Charges for Services	\$ 537,584	\$ 531,744	\$ 4,636,403	\$ 4,037,790	\$ 5,173,987	\$ 4,569,534
Operating Grants and						
Contributions	142,635	114,651	-	-	142,635	114,651
Rental Income	-	-	124,315	119,480	124,315	119,480
General Revenues:						
Taxes and						
Assessments	931,478	813,938	-	-	931,478	813,938
Intergovernmental						
Revenue	936,730	1,015,657	-	-	936,730	1,015,657
Interest Income	51,183	39,295	35,559	28,139	86,742	67,434
Miscellaneous Income	213,121	250,053	166,667	1,997	379,788	252,050
Refunds and						
Reimbursements	-	-	57,969	6,512	57,969	6,512
Total Revenues	<u>2,812,731</u>	<u>2,765,338</u>	<u>5,020,913</u>	<u>4,193,918</u>	<u>7,833,644</u>	<u>6,959,256</u>
<u>Expenses</u>						
General Government	254,037	287,297	-	-	254,037	287,297
Public Safety	653,305	633,115	-	-	653,305	633,115
Public Works	602,251	599,229	-	-	602,251	599,229
Culture and Recreation	313,415	322,055	-	-	313,415	322,055
Sanitation	18,655	14,413	-	-	18,655	14,413
Economic Development	415,327	288,744	-	-	415,327	288,744
Miscellaneous	152,811	138,755	-	-	152,811	138,755
Interest on Long-Term						
Debt	291,720	226,947	-	-	291,720	226,947
Loss on Disposal of						
Capital Assets	3,000	3,813	-	-	3,000	3,813
Water Utility	-	-	513,314	508,131	513,314	508,131
Sewer Utility	-	-	528,088	504,737	528,088	504,737
Electric Utility	-	-	2,463,094	2,380,517	2,463,094	2,380,517
Housing and						
Redevelopment	-	-	157,682	133,156	157,682	133,156
Total Expenses	<u>2,704,521</u>	<u>2,514,368</u>	<u>3,662,178</u>	<u>3,526,541</u>	<u>6,366,699</u>	<u>6,040,909</u>
Transfers	<u>120,000</u>	<u>120,000</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	228,210	370,970	1,238,735	547,377	1,466,945	918,347
Net Position Beginning	<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>
Net Position Ending	<u>\$ 9,649,162</u>	<u>\$ 9,420,952</u>	<u>\$ 11,960,113</u>	<u>\$ 10,721,378</u>	<u>\$ 21,609,275</u>	<u>\$ 20,142,330</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2019

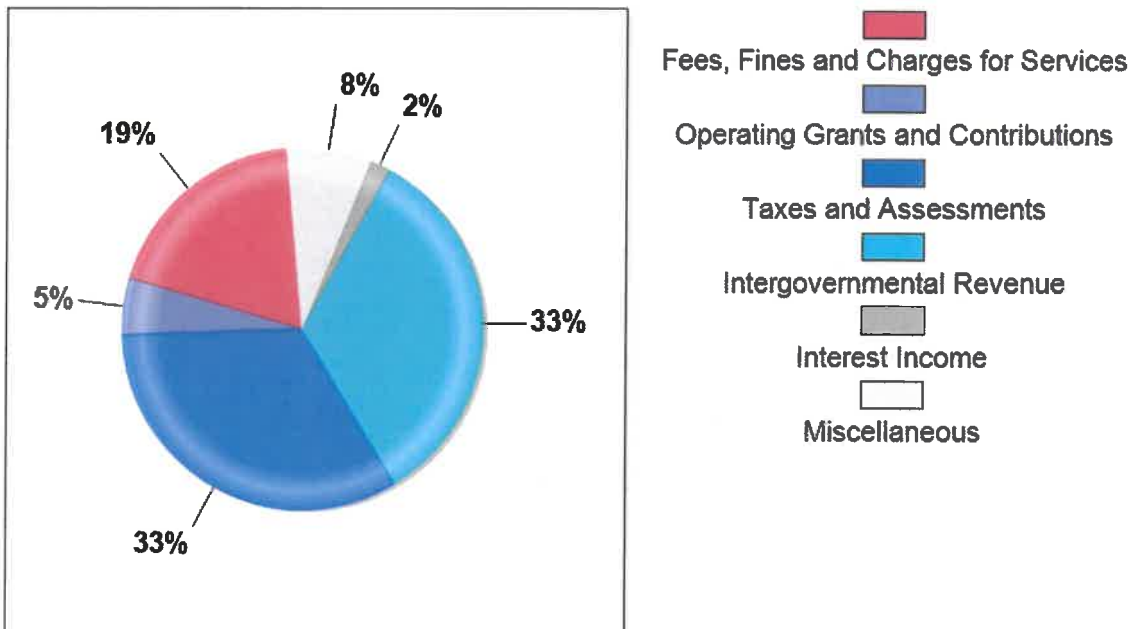
THE CITY AS A WHOLE (Cont.)

Governmental Activities

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



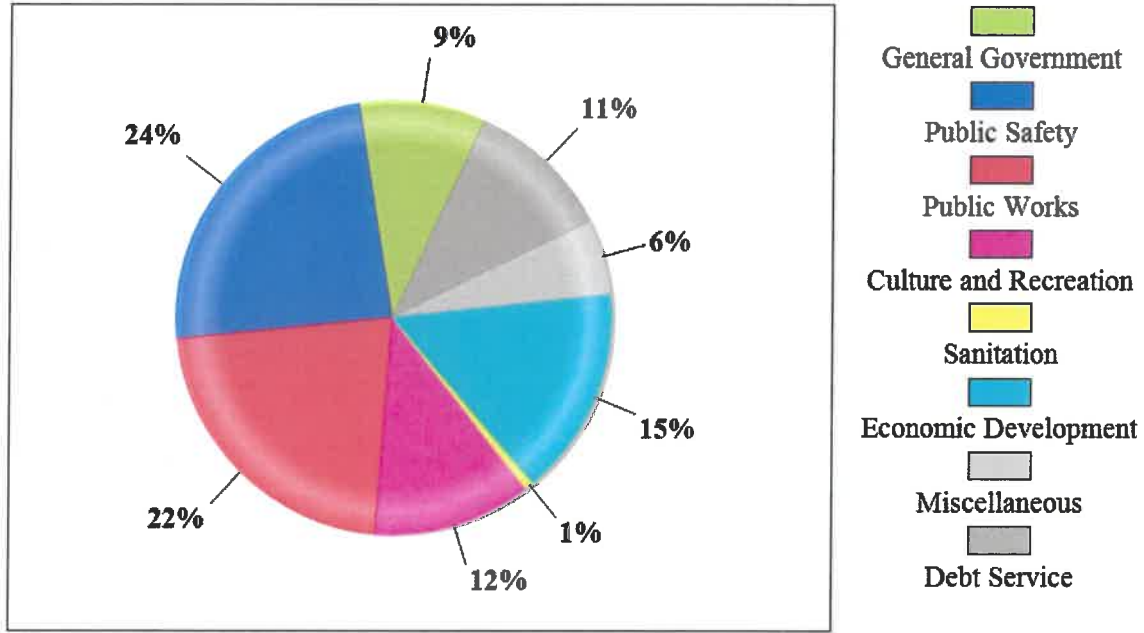
Sources of Funds in Governmental Activities



CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2019

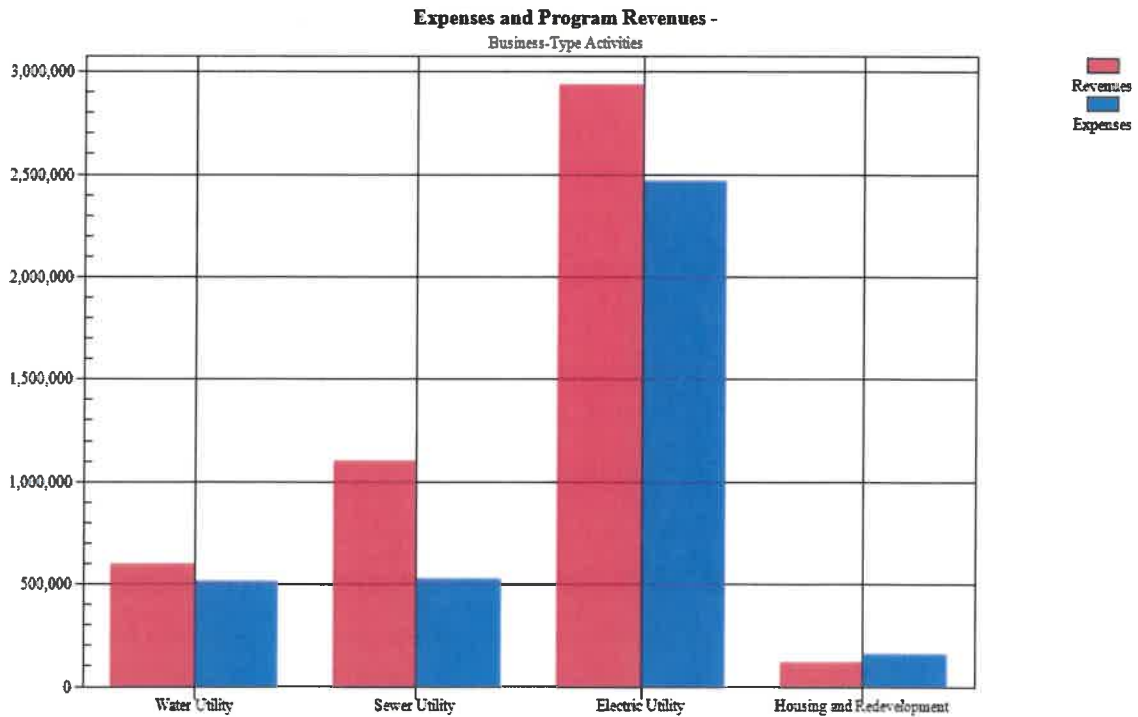
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

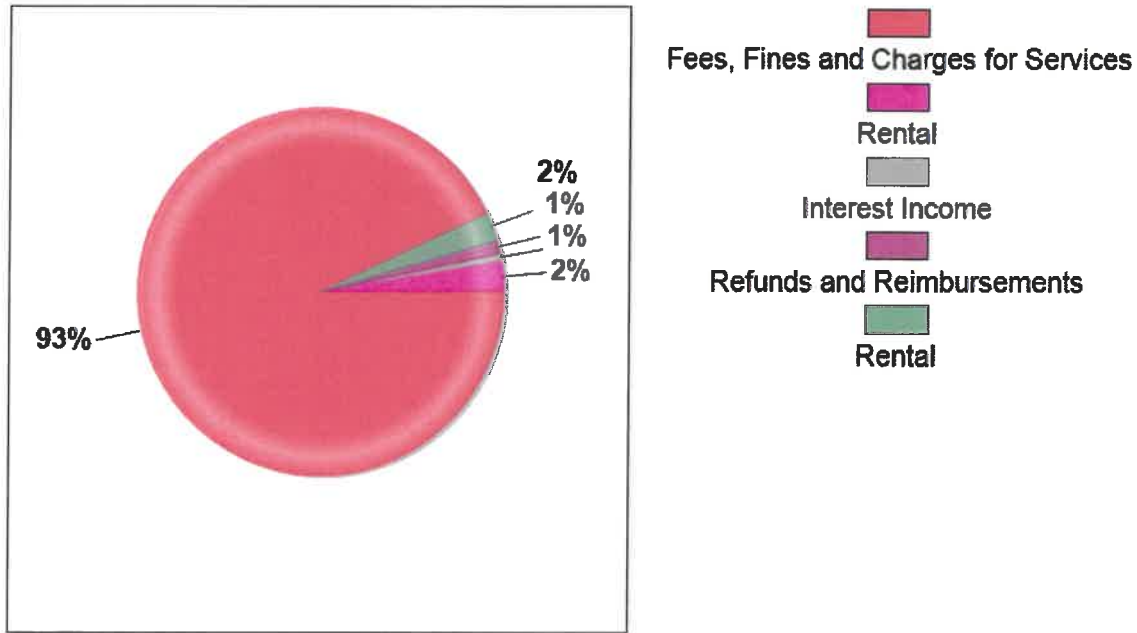
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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 \$5,394,461 a decrease of \$12,359 in comparison to the prior year. Approximately 50.6% of this total amount, \$2,729,668 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 \$2,660,594 or is nonspendable to offset prepaid expenses in the amount of \$4,199.

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 \$1,789,217. 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 66.9 percent of fund expenditures. The fund balance of the City's General Fund decreased by \$53,636 during the current fiscal year.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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 \$3,839,164.

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 under expectations by \$5,567. The expenditures came in over budget by \$50,069.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$30,935,048 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 2.7 percent (an 1.9 percent decrease for governmental activities and a 3.2 percent decrease for business-type activities). The decrease was due to depreciatoin exceeding capiital outlay.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 744,766	\$ 739,769	\$ 64,521	\$ 64,521	\$ 809,287	\$ 804,290
Construction in Progress	3,084	1,618,701	533,708	3,835,947	536,792	5,454,648
Buildings and Improvements	6,143,824	6,115,524	5,188,055	5,188,055	11,331,879	11,303,579
Infrastructure and Improvements	8,682,452	6,929,482	27,646,476	24,135,562	36,328,928	31,065,044
Machinery and Equipment	607,203	529,491	918,916	902,307	1,526,119	1,431,798
Transportation and Other Equipment	<u>2,452,210</u>	<u>2,424,790</u>	<u>336,052</u>	<u>311,634</u>	<u>2,788,262</u>	<u>2,736,424</u>
Subtotal	18,633,539	18,357,757	34,687,728	34,438,026	53,321,267	52,795,783
Less: Accumulated Depreciation	<u>7,487,561</u>	<u>6,996,669</u>	<u>14,898,658</u>	<u>13,997,649</u>	<u>22,386,219</u>	<u>20,994,318</u>
Total	<u>\$ 11,145,978</u>	<u>\$ 11,361,088</u>	<u>\$ 19,789,070</u>	<u>\$ 20,440,377</u>	<u>\$ 30,935,048</u>	<u>\$ 31,801,465</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$20,509,480.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
G.O. Tax Increment Bonds	\$ 3,584,000	\$ 3,834,000	\$ -	\$ -	\$ 3,584,000	\$ 3,834,000
G.O. Improvement Bonds	4,448,600	4,686,750	-	-	4,448,600	4,686,750
G.O. Refunding Bonds	64,800	122,200	526,600	636,050	591,400	758,250
G.O. Revenue Bonds	-	-	7,132,685	7,731,350	7,132,685	7,731,350
Revenue Bonds	-	-	4,517,138	4,806,818	4,517,138	4,806,818
Notes	214,183	178,138	-	-	214,183	178,138
Mortgage Payable	<u>21,474</u>	<u>31,450</u>	<u>-</u>	<u>-</u>	<u>21,474</u>	<u>31,450</u>
Total	<u>\$ 8,333,057</u>	<u>\$ 8,852,538</u>	<u>\$12,176,423</u>	<u>\$13,174,003</u>	<u>\$20,509,480</u>	<u>\$22,026,756</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City continues to have strong property valuations. The City's 2020 levy was increased from 2019 in the amount of \$63,219 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 2021, although the amount depends on the Local Government Aid allocated from the state.

The water and sewer rate increases for 2020 is 2% over 2019 rates. An additional 2% increase is anticipated again in 2021. The \$11.5 million wastewater pond project is anticipated to begin in May 2020 and anticipated completion time is fall 2021.

The City sold a lot in the commercial park during the spring of 2020 for the construction of an A&W Restaurant. The construction is anticipated to begin in summer 2020 on the new business.

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, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 4,449,124	\$ 3,850,020	\$ 8,299,144
Escrowed Investment	500,863	-	500,863
Receivables:			
Accounts Receivable	33,092	748,312	781,404
Property Taxes Receivable	39,741	-	39,741
Special Assessments Receivable	1,457,523	53,590	1,511,113
Interest Receivable	1,173	-	1,173
Notes Receivable	1,238,227	-	1,238,227
Land Held for Resale	36,373	-	36,373
Prepaid Expense	4,199	11,802	16,001
Internal Balances	9,383	(9,383)	-
Inventory	-	201,104	201,104
Capital Assets:			
Nondepreciable:			
Land	744,766	64,521	809,287
Construction in Progress	3,084	533,708	536,792
Depreciable, Net of Accumulated Depreciation:			
Buildings and Improvements	3,733,664	1,975,211	5,708,875
Infrastructure and Improvements	5,728,623	16,949,074	22,677,697
Machinery and Equipment	185,387	206,958	392,345
Transportation and Other Equipment	750,454	59,598	810,052
Bond Discount	29,989	100,720	130,709
TOTAL ASSETS	<u>18,945,665</u>	<u>24,745,235</u>	<u>43,690,900</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>235,184</u>	<u>30,006</u>	<u>265,190</u>
LIABILITIES			
Accounts Payable	37,092	156,093	193,185
Accrued Interest	99,569	43,037	142,606
Accrued Payroll	5,005	14,373	19,378
Due to Other Governments	-	15,665	15,665
Customer Deposits	-	116,614	116,614
Unamortized Bond Premium	34,528	3,415	37,943
Noncurrent liabilities:			
Due within one year	641,221	1,011,167	1,652,388
Net Pension Liability	562,950	199,036	761,986
Due in more than one year	7,691,836	11,165,656	18,857,492
Accrued Compensated Absences	72,611	32,490	105,101
TOTAL LIABILITIES	<u>9,144,812</u>	<u>12,757,546</u>	<u>21,902,358</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>386,875</u>	<u>57,582</u>	<u>444,457</u>
NET POSITION			
Net Investment in Capital Assets	2,812,922	7,585,247	10,398,169
Restricted	2,660,594	535,702	3,196,296
Unrestricted	4,175,646	3,839,164	8,014,810
TOTAL NET POSITION	<u>\$ 9,649,162</u>	<u>\$ 11,960,113</u>	<u>\$ 21,609,275</u>

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, 2019**

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	\$ 254,037	\$ 11,849	\$ -	\$ -	\$ (242,188)	\$ -	\$ (242,188)
Public Safety	653,305	148,175	107,635	-	(397,495)	-	(397,495)
Public Works	602,251	23,691	-	-	(578,560)	-	(578,560)
Culture and Recreation	313,415	21,653	35,000	-	(256,762)	-	(256,762)
Sanitation	18,655	-	-	-	(18,655)	-	(18,655)
Economic Development	415,327	311,216	-	-	(104,111)	-	(104,111)
Miscellaneous	152,811	21,000	-	-	(131,811)	-	(131,811)
Debt Service	291,720	-	-	-	(291,720)	-	(291,720)
Total Governmental Activities	2,701,521	537,584	142,635	-	(2,021,302)	-	(2,021,302)
Business-Type Activities:							
Water Utility	513,314	597,442	-	-	-	84,128	84,128
Sewer Utility	528,088	1,101,194	-	-	-	573,106	573,106
Electric Utility	2,463,094	2,937,767	-	-	-	474,673	474,673
Housing and Redevelopment	157,682	-	-	124,315	-	(33,367)	(33,367)
Total Business-Type Activities	3,662,178	4,636,403	-	124,315	-	1,098,540	1,098,540
Total Primary Government	\$ 6,363,699	\$ 5,173,987	\$ 142,635	\$ 124,315	(2,021,302)	1,098,540	(922,762)
General Revenues:							
Taxes and Assessments					931,478	-	931,478
Intergovernmental Revenue					936,730	-	936,730
Loss on Disposal of Capital Assets					(3,000)	-	(3,000)
Interest Income					51,183	35,559	86,742
Refunds and Reimbursements					-	57,969	57,969
Miscellaneous					213,121	166,667	379,788
Transfers					120,000	(120,000)	-
Total General Revenues					2,249,512	140,195	2,389,707
Changes in Net Position					228,210	1,238,735	1,466,945
Net Position- January 1					9,420,952	10,721,378	20,142,330
Net Position- December 31					\$ 9,649,162	\$ 11,960,113	\$ 21,609,275

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

CITY OF MOUNTAIN LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	101 - General Fund	Nonmajor Governmental Funds	Total
ASSETS:			
Cash and Investments	\$ 1,012,606	\$ 3,436,522	\$ 4,449,128
Escrowed Investment	438,299	62,564	500,863
Accounts Receivable	580	32,512	33,092
Property Taxes Receivable	39,741	-	39,741
Special Assessments Receivable	18,001	1,439,522	1,457,523
Interest Receivable	968	205	1,173
Notes Receivable	-	1,238,227	1,238,227
Land Held for Resale	-	36,373	36,373
Prepaid Expense	4,199	-	4,199
Due from Other Funds	360,428	40,920	401,348
Total Assets	<u>\$ 1,874,822</u>	<u>\$ 6,286,845</u>	<u>\$ 8,161,667</u>
LIABILITIES:			
Accounts Payable	\$ 26,274	\$ 10,818	\$ 37,092
Accrued Payroll	3,932	1,073	5,005
Due to Other Funds	-	391,965	391,965
Total Liabilities	<u>30,206</u>	<u>403,856</u>	<u>434,062</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	55,399	2,277,745	2,333,144
Total Deferred Inflows of Resources	<u>55,399</u>	<u>2,277,745</u>	<u>2,333,144</u>
FUND BALANCES:			
Nonspendable	4,199	-	4,199
Restricted	-	2,660,594	2,660,594
Assigned	959,267	1,311,615	2,270,882
Unassigned (Deficit)	825,751	(366,965)	458,786
Total Fund Balances	<u>1,789,217</u>	<u>3,605,244</u>	<u>5,394,461</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,874,822</u>	<u>\$ 6,286,845</u>	<u>\$ 8,161,667</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total Governmental Fund Balances	\$ 5,394,461
<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.	11,145,978
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	2,333,140
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.	(8,539,765)
Long-term assets, including bond discounts are not financial resources and therefore are not reported in the funds.	29,989
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>(714,641)</u>
Net Position of Governmental Activities	\$ <u><u>9,649,162</u></u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	101 - General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 170,114	\$ 832,253	\$ 1,002,367
Licenses and Permits	11,689	-	11,689
Intergovernmental Revenue	856,017	219,700	1,075,717
Charges for Services	66,504	452,408	518,912
Fines and Forfeits	6,847	136	6,983
Interest Income	17,606	33,581	51,187
Miscellaneous	34,832	188,383	223,215
Total Revenues	<u>1,163,609</u>	<u>1,726,461</u>	<u>2,890,070</u>
EXPENDITURES			
Current Operations:			
General Government	225,689	-	225,689
Public Safety	363,604	219,995	583,599
Public Works	335,968	-	335,968
Culture and Recreation	109,539	157,874	267,413
Sanitation	12,697	5,958	18,655
Economic Development	1,250	339,183	340,433
Miscellaneous	98,038	54,773	152,811
Debt Service:			
Principal Payments	-	573,494	573,494
Interest Payments	-	257,370	257,370
Miscellaneous	-	8,198	8,198
Capital Outlay	86,512	226,300	312,812
Total Expenditures	<u>1,233,297</u>	<u>1,843,145</u>	<u>3,076,442</u>
EXCESS EXPENDITURES OVER REVENUES	(69,688)	(116,684)	(186,372)
OTHER FINANCING SOURCES (USES)			
Transfer In	120,000	170,331	290,331
Issuance of Debt	-	54,013	54,013
Transfer Out	(103,948)	(66,383)	(170,331)
EXCESS EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(53,636)	41,277	(12,359)
FUND BALANCES - January 1	<u>1,842,853</u>	<u>3,563,967</u>	<u>5,406,820</u>
FUND BALANCES - December 31	<u>\$ 1,789,217</u>	<u>\$ 3,605,244</u>	<u>\$ 5,394,461</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (12,359)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	278,780
Depreciation Expense	(490,889)
Gain (Loss) on Disposal of Assets	(3,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	15,314
Special Assessments	(86,203)
Loan Repayments	(10,094)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	6,499
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	(54,013)
Principal Repayments	573,494
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.	(2,087)
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.	<u>11,390</u>
Change in Net Position of Governmental Activities	<u>\$ 228,210</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 3,761,355	\$ 88,665	\$ 3,850,020
Accounts Receivable	748,312	-	748,312
Special Assessments Receivable	53,590	-	53,590
Due from Other Funds	1,537	3,391	4,928
Prepaid Expense	11,802	-	11,802
Inventory	201,104	-	201,104
Total Current Assets	4,777,700	92,056	4,869,756
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	27,646,476	-	27,646,476
Machinery and Equipment	918,916	-	918,916
Transportation and Other Equipment	336,052	-	336,052
Construction in Progress	533,708	-	533,708
Total Capital Assets	33,295,627	1,392,101	34,687,728
Less: Accumulated Depreciation	14,135,193	763,465	14,898,658
Net Capital Assets	19,160,434	628,636	19,789,070
Bond Discount	100,720	-	100,720
Total Noncurrent Assets	19,261,154	628,636	19,889,790
TOTAL ASSETS	24,038,854	720,692	24,759,546
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	30,006	-	30,006
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 24,068,860	\$ 720,692	\$ 24,789,552
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 153,245	\$ 2,848	\$ 156,093
Due to Other Funds	10,920	3,391	14,311
Accrued Interest	38,022	5,015	43,037
Accrued Payroll	14,373	-	14,373
Due to Other Governments	15,665	-	15,665
Customer Deposits	105,394	11,220	116,614
Unamortized Bond Premium	1,245	2,170	3,415
Current Amount of Long-Term Debt	969,965	41,202	1,011,167
Total Current Liabilities	1,308,829	65,846	1,374,675
LONG-TERM LIABILITIES			
Accrued Compensated Absences	32,490	-	32,490
Net Pension Liability	199,036	-	199,036
Bonds and Notes Payable	10,607,720	557,936	11,165,656
Total Long-Term Liabilities	10,839,246	557,936	11,397,182
TOTAL LIABILITIES	12,148,075	623,782	12,771,857
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	57,582	-	57,582
NET POSITION			
Net Investment in Capital Assets	7,555,749	29,498	7,585,247
Restricted for Debt Service	535,702	-	535,702
Unrestricted	3,771,752	67,412	3,839,164
Total Net Position	11,863,203	96,910	11,960,113
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	\$ 24,068,860	\$ 720,692	\$ 24,789,552

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, 2019

	<u>Public Utilities Commission</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
OPERATING REVENUES			
Sales to Consumers	\$ 4,636,403	\$ -	\$ 4,636,403
Rental Income	<u>-</u>	<u>124,315</u>	<u>124,315</u>
Total Operating Revenues	<u>4,636,403</u>	<u>124,315</u>	<u>4,760,718</u>
OPERATING EXPENSES			
Depreciation	851,438	49,571	901,009
Insurance	-	10,439	10,439
Miscellaneous	-	7,840	7,840
Professional Services	-	13,000	13,000
Repairs, Maintenance and Supplies	-	55,486	55,486
Utilities	-	709	709
Pumping, Treatment, Production	1,553,098	-	1,553,098
Distribution and Collection	577,234	-	577,234
Administration and General	<u>275,181</u>	<u>-</u>	<u>275,181</u>
Total Operating Expenses	<u>3,256,951</u>	<u>137,045</u>	<u>3,393,996</u>
NET OPERATING INCOME (LOSS)	<u>1,379,452</u>	<u>(12,730)</u>	<u>1,366,722</u>
NON OPERATING INCOME AND EXPENSE			
Interest Income	35,464	105	35,569
Refunds and Reimbursements	57,624	345	57,969
CAP X Credit	166,667	-	166,667
Interest Expense	<u>(247,555)</u>	<u>(20,637)</u>	<u>(268,192)</u>
Net Non Operating Income and Expense	<u>12,200</u>	<u>(20,187)</u>	<u>(7,987)</u>
INCOME (LOSS) BEFORE TRANSFERS	1,391,652	(32,917)	1,358,735
Transfer Out	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	1,271,652	(32,917)	1,238,735
NET POSITION - January 1	<u>10,591,551</u>	<u>129,827</u>	<u>10,721,378</u>
NET POSITION - December 31	<u>\$11,863,203</u>	<u>\$ 96,910</u>	<u>\$ 11,960,113</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 4,602,116	\$ 124,505	\$ 4,726,621
Payments to Vendors	(1,962,584)	(91,206)	(2,053,790)
Payments to Employees	(462,828)	-	(462,828)
Other Receipts and Payments	<u>224,291</u>	<u>345</u>	<u>224,636</u>
Net Cash Provided By Operating Activities	<u>2,400,995</u>	<u>33,644</u>	<u>2,434,639</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer to Other Funds	(120,000)	-	(120,000)
Due to (from) Other Funds	<u>(10,201)</u>	<u>-</u>	<u>(10,201)</u>
Net Cash Used By Noncapital Financing Activities	<u>(130,201)</u>	<u>-</u>	<u>(130,201)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(249,702)	-	(249,702)
Special Assessments Collected	112	-	112
Principal Paid on Capital Debt	(956,465)	(40,930)	(997,395)
Interest Paid on Capital Debt	<u>(239,455)</u>	<u>(21,133)</u>	<u>(260,588)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(1,445,510)</u>	<u>(62,063)</u>	<u>(1,507,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Earnings	<u>35,464</u>	<u>105</u>	<u>35,569</u>
Net Cash Provided By Investing Activities	<u>35,464</u>	<u>105</u>	<u>35,569</u>
NET INCREASE (DECREASE) IN CASH	860,748	(28,314)	832,434
CASH AND CASH EQUIVALENTS - January 1	<u>2,900,607</u>	<u>116,979</u>	<u>3,017,586</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 3,761,355</u>	<u>\$ 88,665</u>	<u>\$ 3,850,020</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
Operating Income (Loss)	\$ 1,379,452	\$ (12,730)	\$ 1,366,722
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities			
Depreciation	851,438	49,571	901,009
Noncash Pension Expense	(2,378)	-	(2,378)
Changes in Assets and Liabilities			
Receivables	(40,162)	-	(40,162)
Inventory	(38,528)	-	(38,528)
Accounts Payable	7,862	(3,732)	4,130
Accrued Wages	3,844	-	3,844
Accrued Compensated Absence	6,144	-	6,144
Due to Other Governments	3,157	-	3,157
Deposits Payable	5,875	190	6,065
Other Receipts and Payments	<u>224,291</u>	<u>345</u>	<u>224,636</u>
Net Cash Provided By Operating Activities	<u>\$ 2,400,995</u>	<u>\$ 33,644</u>	<u>\$ 2,434,639</u>

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

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.

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 2019. 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, 2019 was \$105,101.

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, 2019.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public Works	\$ 331,426	\$ 384,900	\$ (53,474)
Culture and Recreation	\$ 94,416	\$ 109,539	\$ (15,123)
Miscellaneous	\$ 96,624	\$ 103,035	\$ (6,411)
Special Revenue Funds:			
Fire	\$ 143,981	\$ 160,587	\$ (16,606)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2019:

Small Cities Development	(1,537)
Tax Increment Bonds of 2013B	(43,437)
Downtown Ross Project	(321,991)

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 \$7,395,108 and the bank balance was \$7,431,614 including certificates of deposits of \$18,445. Of the bank balance, \$7,321,180 was covered by federal depository insurance. Of the remaining balance, \$110,434 was collateralized with securities held by the pledging financial institution's trust department in the City's name and \$980,000 was held as an unconditional letter of credit.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

B. Investments

As of December 31, 2019, 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	\$ 1,349,844	\$ -	\$ 1,349,844	\$ -
Invest Co Brokerage Account	<u>54,900</u>	<u>-</u>	<u>54,900</u>	<u>-</u>
Total	<u>\$ 1,404,744</u>	<u>\$ -</u>	<u>\$ 1,404,744</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	\$ 7,395,108
Total Investments	1,404,744
Total Cash on Hand	<u>155</u>
	<u>\$ 8,800,007</u>
Statement of Net Position:	
Cash and Investments	\$ 8,299,144
Escrowed Investments	<u>500,863</u>
	<u>\$ 8,800,007</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	425,299
69KV Line	
Electric	<u>867,426</u>
Total Designated Cash and Investments	<u>\$ 1,548,609</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 \$96,508 at December 31, 2019.

The loans receivable in the Southwest Housing Loan special revenue fund of \$56,281 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 \$378,542. 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 \$686,696. 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, 2019, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 360,427	\$ -
Public Utilities Fund	1,537	10,920
Nonmajor Governmental Funds	40,920	391,964
Nonmajor Enterprise Funds	<u>3,391</u>	<u>3,391</u>
	<u>\$ 406,275</u>	<u>\$ 406,275</u>

The Public Utilities Fund owes Debt Service Funds \$10,920 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 \$3,391 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. 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	\$ 33,002	\$ -
Special Assessments Receivable	22,397	-
Nonmajor Governmental Funds		
Special Assessments Receivable	1,463,259	-
Loans Receivable	<u>839,486</u>	<u>-</u>
Total	<u>\$ 2,358,144</u>	<u>\$ -</u>

7. TRANSFERS

Transfers to and from other funds at December 31, 2019, follows:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 103,948	\$ 120,000
Nonmajor Governmental Funds	66,383	170,331
Public Utilities Fund	<u>120,000</u>	<u>-</u>
	<u>\$ 290,331</u>	<u>\$ 290,331</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 \$103,948 to the Nonmajor Governmental Funds for operating purposes. Nonmajor Governmental Funds transferred \$66,383 to other Nonmajor Governmental Funds for operating purposes.

8. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2019 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	\$ 739,769	\$ 4,997	\$ -	\$ 744,766
Construction in Progress	<u>1,618,701</u>	<u>3,084</u>	<u>(1,618,701)</u>	<u>3,084</u>
Subtotal	<u>2,358,470</u>	<u>8,081</u>	<u>(1,618,701)</u>	<u>747,850</u>
Other Capital Assets:				
Buildings	6,115,524	28,300	-	6,143,824
Infrastructure and Improvements	6,929,482	134,269	1,618,701	8,682,452
Machinery and Equipment	529,491	77,712	-	607,203
Transportation and Other Equipment	<u>2,424,790</u>	<u>27,420</u>	<u>-</u>	<u>2,452,210</u>
Subtotal	<u>15,999,287</u>	<u>267,701</u>	<u>1,618,701</u>	<u>17,885,689</u>
Less: Accumulated Depreciation				
Buildings	2,285,405	124,755	-	2,410,160
Infrastructure and Improvements	2,720,519	233,310	-	2,953,829
Machinery and Equipment	383,987	37,829	-	421,816
Transportation and Other Equipment	<u>1,606,760</u>	<u>94,996</u>	<u>-</u>	<u>1,701,756</u>
Subtotal	<u>6,996,671</u>	<u>490,890</u>	<u>-</u>	<u>7,487,561</u>
Net Other Capital Assets	<u>9,002,616</u>	<u>(223,189)</u>	<u>1,618,701</u>	<u>10,398,128</u>
Net Capital Assets	<u>\$ 11,361,086</u>	<u>\$ (215,108)</u>	<u>\$ -</u>	<u>\$ 11,145,978</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, 2019.

	<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	\$ 64,521	\$ -	\$ -	\$ 64,521
Construction in Progress	<u>3,835,947</u>	<u>168,799</u>	<u>(3,471,038)</u>	<u>533,708</u>
Subtotal	<u>3,900,468</u>	<u>168,799</u>	<u>(3,471,038)</u>	<u>598,229</u>
Other Capital Assets:				
Buildings	5,188,055	-	-	5,188,055
Infrastructure and Improvements	24,135,562	39,876	3,471,038	27,646,476
Machinery and Equipment	902,307	16,609	-	918,916
Transportation and Other Equipment	<u>311,634</u>	<u>24,418</u>	<u>-</u>	<u>336,052</u>
Subtotal	<u>30,537,558</u>	<u>80,903</u>	<u>3,471,038</u>	<u>34,089,499</u>
Less: Accumulated Depreciation				
Buildings	3,042,132	170,712	-	3,212,844
Infrastructure and Improvements	10,031,751	665,651	-	10,697,402
Machinery and Equipment	668,764	43,194	-	711,958
Transportation and Other Equipment	<u>255,002</u>	<u>21,452</u>	<u>-</u>	<u>276,454</u>
Subtotal	<u>13,997,649</u>	<u>901,009</u>	<u>-</u>	<u>14,898,658</u>
Net Other Capital Assets	<u>16,539,909</u>	<u>(820,106)</u>	<u>3,471,038</u>	<u>19,190,841</u>
Net Capital Assets	<u>\$ 20,440,377</u>	<u>\$ (651,307)</u>	<u>\$ -</u>	<u>\$ 19,789,070</u>

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

Governmental Activities:	
General Government	\$ 23,973
Public Safety	82,151
Public Works	265,126
Culture and Recreation	47,203
Economic Development	<u>72,435</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 490,888</u>
Business-Type Activities:	
Public Utilities Commission	\$ 851,438
Nonmajor Enterprise Funds	<u>49,571</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 901,009</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE
A. Classifications

	<u>General Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid Expenses	\$ 4,199	\$ -	\$ 4,199
Total Nonspendable	<u>4,199</u>	<u>-</u>	<u>4,199</u>
Restricted for:			
Debt Service	-	1,076,164	1,076,164
Economic Development	-	1,054,264	1,054,264
Library	-	794	794
Capital Improvements	-	<u>529,372</u>	<u>529,372</u>
Total Restricted	<u>-</u>	<u>2,660,594</u>	<u>2,660,594</u>
Assigned to:			
Capital Outlay and Improvements	872,879	193,950	1,066,829
Cemetery	86,388	-	86,388
Ambulance	-	323,106	323,106
Fire	-	380,082	380,082
Library	-	158,445	158,445
Lake Commission	-	113,020	113,020
Economic Development	-	<u>143,014</u>	<u>143,014</u>
Total Assigned	<u>959,267</u>	<u>1,311,617</u>	<u>2,270,884</u>
Unassigned	<u>825,751</u>	<u>(366,965)</u>	<u>458,786</u>
Total	<u>\$1,789,217</u>	<u>\$ 3,605,246</u>	<u>\$5,394,463</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, 2019, the unassigned fund balance of the General Fund was 68.8% of the subsequent year's budgeted expenditures

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, 2019.

	<u>Balance January 1</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance December 31</u>	<u>Current Amount</u>
G.O. Tax Increment Bonds	\$ 3,834,000	\$ -	\$ 250,000	\$ 3,584,000	\$ 261,000
G.O. Improvement Bonds	4,686,750	-	238,150	4,448,600	285,050
G.O. Refunding Bonds	758,250	-	166,850	591,400	174,950
G.O. Revenue Bonds	7,731,350	-	598,665	7,132,685	609,665
Revenue Bonds	4,806,818	-	289,680	4,517,138	288,952
Notes Payable	<u>209,588</u>	<u>54,013</u>	<u>27,944</u>	<u>235,657</u>	<u>32,771</u>
Totals	<u>\$22,026,756</u>	<u>\$ 54,013</u>	<u>\$1,571,289</u>	<u>\$20,509,480</u>	<u>\$ 1,652,388</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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, 2019 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.	\$ 710,000
\$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.	1,000,000
\$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.	1,545,000
\$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.	329,000
\$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.	1,710,000
\$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.	64,800
\$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.	303,600
\$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.	2,435,000
\$54,013 Republic First National Bank Fire SCBA Note Payable, due in annual installments of \$12,018 through February 1, 2024 including interest at 4.5%.	54,013
\$125,000 USDA Fire Truck Note, due in annual installments of \$10,662 through December 21, 2033 including interest at 3.25%.	118,400
\$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%.	41,770

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

\$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>21,474</u>
Total Governmental Activities	<u>8,333,057</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.	670,000
\$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.	390,200
\$47,444 GO Revenue Bonds, due in annual installments through August 20, 2034, plus interest at 1.0% due in semi-annual installments.	29,447
\$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.	136,400
\$7,754,480 2012 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	4,861,000
\$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.	1,550,000
\$38,440 2013 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	22,238
\$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.	390,000
\$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.	209,138
\$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.	228,000
\$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%.	515,000

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

\$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.	250,000
\$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>2,925,000</u>
Total Business-Type Activities	<u>12,176,423</u>
Total Long-Term Debt	<u>\$20,509,480</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		
	Principal	Interest	Total	Principal	Interest	Total
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	298,000	106,147	404,147	200,000	109,178	309,178
2025-2029	1,685,000	319,207	2,004,207	1,030,000	463,485	1,493,485
2030-2034	280,000	80,955	360,955	1,095,000	316,935	1,411,935
2035-2039	225,000	27,642	252,642	550,000	160,000	710,000
2040-2044	-	-	-	515,000	42,500	557,500
Total	<u>\$3,584,000</u>	<u>\$1,065,206</u>	<u>\$4,649,206</u>	<u>\$4,448,600</u>	<u>\$1,577,958</u>	<u>\$ 6,026,558</u>

	G.O. Refunding Bond Governmental Activities			G.O. Refunding Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	30,000	5,220	35,220
2025-2029	-	-	-	165,000	12,765	177,765
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
Total	<u>\$ 64,800</u>	<u>\$ 644</u>	<u>\$ 65,444</u>	<u>\$ 526,600</u>	<u>\$ 53,566</u>	<u>\$ 580,166</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

GO Revenue Bond			
<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	465,665	66,465	532,130
2025-2029	2,411,325	243,019	2,654,344
2030-2034	1,777,035	77,370	1,854,405
2035-2039	-	-	-
2040-2044	-	-	-
Total	<u>\$ 7,132,685</u>	<u>\$ 729,041</u>	<u>\$ 7,861,726</u>

Revenue Bonds			Mortgage Note			
<u>Business-Type Activities</u>			<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 288,952	\$ 136,244	\$ 425,196	\$ 32,771	\$ 7,536	\$ 40,307
2021	293,237	132,798	426,035	32,904	7,404	40,308
2022	297,535	128,737	426,272	22,751	6,007	28,758
2023	301,847	124,118	425,965	23,631	5,127	28,758
2024	230,423	119,314	349,737	24,546	4,213	28,759
2025-2029	1,207,553	490,167	1,697,720	59,674	11,850	71,524
2030-2034	1,288,268	272,464	1,560,732	39,380	3,250	42,630
2035-2039	596,681	42,752	639,433	-	1,203	1,203
2040-2044	<u>12,642</u>	<u>262</u>	<u>12,904</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$4,517,138</u>	<u>\$1,446,856</u>	<u>\$5,963,994</u>	<u>\$ 235,657</u>	<u>\$ 46,590</u>	<u>\$ 282,247</u>

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description (Cont.)

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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Effective January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, within a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 2019 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, 2019, were \$56,040. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City of Mountain Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$34,885. 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, 2019, the City of Mountain Lake, Minnesota reported a liability of \$536,291 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 \$16,666. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Mountain Lake, Minnesota proportion share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Mountain Lake, Minnesota proportionate share was 0.0097% which was an decrease of 0.0004% from its proportion measured as of June 30, 2018.

City of Mountain Lake proportionate share of the net pension liability	\$ 536,291
State of Minnesota's proportionate share of the net pension liability associated with the City of Mountain Lake	<u>16,666</u>
Total	<u>\$ 552,957</u>

For the year ended December 31, 2019, the City of Mountain Lake, Minnesota recognized pension expense of \$41,828 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Mountain Lake, Minnesota recognized an additional \$1,248 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City 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	\$ 15,217	\$ -
Changes in actuarial assumptions	-	43,529
Difference between projected and actual investment earnings	-	56,448
Changes in proportion	6,384	25,057
Contributions paid to PERA subsequent to the measurement date	<u>29,249</u>	<u>-</u>
Total	<u>\$ 50,850</u>	<u>\$ 125,034</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

The \$29,249 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, 2020. 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>
2020	\$ (37,780)
2021	\$ (51,205)
2022	\$ (17,218)
2023	\$ 2,770
2024	\$ -
Thereafter	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City of Mountain Lake, Minnesota reported a liability of \$225,695 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Mountain Lake, Minnesota proportion was 0.0212% which was an increase of 0.0011% from its proportion measured as of June 30, 2018. The City of Mountain Lake, Minnesota also recognized \$2,862 for the year ended December 31, 2019 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 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition the state will pay \$4.5 million on October 1, 2019 in direct state aid. Thereafter, by October 1 of each year the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City of Mountain Lake, Minnesota recognized pension expense of \$39,579 for its proportionate share of the Police and Fire Fund's pension expense.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

At December 31, 2019, 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	\$ -	\$ 3,942
Changes in actuarial assumptions	88,345	200,935
Difference between projected and actual investment earnings	-	46,634
Changes in proportion	44,114	2,105
Contributions paid to PERA subsequent to the measurement date	<u>16,073</u>	<u>-</u>
Total	<u>\$ 148,532</u>	<u>\$ 253,616</u>

The \$16,073 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, 2020. Other amount reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (22,581)
2021	\$ (43,460)
2022	\$ (58,903)
2023	\$ 2,023
2024	\$ 1,764
Thereafter	\$ -

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and 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 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the correctional Plan.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent five-year experience study for the Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

- The mortality projection scale was changed from MP-2017 to MP-2018
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

- The mortality projection scale was changed from MP-2017 to MP-2018
- There have been no changes since the prior valuation.

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	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20%	0.75%
International Equity	17.5%	5.90%
Cash	2%	0.00%
Total	100%	

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

F. Discount Rate

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

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:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
General Employees Fund:	\$ 881,634	\$ 536,291	\$ 201,142
	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
Police and Fire Fund	\$ 493,328	\$ 225,695	\$ 4

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

B. Funding Status and Progress

At December 31, 2019, the Association funding status is as follows:

Total Plan Assets	\$ 312,977
Total Accrued Liability	<u>(260,400)</u>
Excess of Plan Assets Over Accrued Liability	<u>\$ 52,577</u>

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 2019 amount to \$26,615 (\$26,615 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, 2019.

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 2019 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 2019.

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES (Cont.)

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.

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.

16. SUBSEQUENT EVENTS

Management evaluated all activity of City of Mountain Lake through June 15, 2020 (the issue date of the Financial Statements) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

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, 2019

With Comparative Amounts for the year ended December 31, 2018

		<u>2019</u>			<u>2018</u>
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
REVENUES:					
TAXES:					
General Property Taxes	\$ 236,616	\$ 236,616	\$ 170,114	\$ (66,502)	\$ 256,972
Total Taxes	236,616	236,616	170,114	(66,502)	256,972
LICENSES AND PERMITS:					
Business	675	675	1,025	350	675
Nonbusiness	11,800	11,800	10,664	(1,136)	6,641
Total Licenses and Permits	12,475	12,475	11,689	(786)	7,316
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	808,856	808,856	808,856	-	808,018
Market Value Credit	-	-	245	245	438
PERA Rate Increase Aid	1,228	1,228	1,228	-	1,228
State Police Aid	25,000	25,000	35,605	10,605	33,885
Other State Grants	2,500	2,500	5,376	2,876	16,114
Small Cities Street Aid	20,000	20,000	-	(20,000)	33,254
County and Township Revenue	-	-	4,707	4,707	8,029
Total Intergovernmental Revenue	857,584	857,584	856,017	(1,567)	900,966
CHARGES FOR SERVICES:					
General Government	400	400	160	(240)	445
Public Works	7,500	7,500	23,691	16,191	-
Culture and Recreation	23,500	23,500	21,653	(1,847)	28,551
Miscellaneous	21,000	21,000	21,000	-	21,700
Total Charges for Services	52,400	52,400	66,504	14,104	50,696
FINES AND FORFEITS	5,700	5,700	6,847	1,147	7,331
INTEREST INCOME	1,900	1,900	17,605	15,705	11,448
MISCELLANEOUS:					
Loan Repayments	-	-	25,212	25,212	20,128
Sale of Property	-	-	-	-	38,000
Miscellaneous Income	2,500	2,500	9,620	7,120	27,858
Total Miscellaneous	2,500	2,500	34,832	32,332	85,986
TOTAL REVENUES	1,169,175	1,169,175	1,163,608	(5,567)	1,320,715
OTHER FINANCING SOURCES					
Transfer In	120,000	120,000	120,000	-	120,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	1,289,175	1,289,175	1,283,608	(5,567)	1,440,715
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	15,170	15,170	14,949	221	15,042
Other Current Expenditures	1,730	1,730	286	1,444	904
Total Mayor and Council	16,900	16,900	15,235	1,665	15,946

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, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES (Cont.):					
GENERAL GOVERNMENT (Cont.):					
Election:					
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ 2,290
Other Current Expenditures	-	-	-	-	359
Total Election	-	-	-	-	2,649
Administrative and Finance:					
Personnel Services	180,923	180,923	140,432	40,491	170,734
Supplies	5,500	5,500	8,463	(2,963)	8,103
Other Current Expenditures	28,046	28,046	24,341	3,705	41,050
Capital Outlay	750	750	-	750	1,354
Total Administrative and Finance	<u>215,219</u>	<u>215,219</u>	<u>173,236</u>	<u>41,983</u>	<u>221,241</u>
Community Center:					
Personnel Services	3,875	3,875	3,644	231	773
Supplies	1,250	1,250	318	932	2,019
Other Current Expenditures	9,250	9,250	11,738	(2,488)	26,545
Capital Outlay	-	-	30,988	(30,988)	-
Total Community Center	<u>14,375</u>	<u>14,375</u>	<u>46,688</u>	<u>(32,313)</u>	<u>29,337</u>
Planning and Zoning:					
Personnel Services	650	650	370	280	-
Other Current Expenditures	5,700	5,700	5,158	542	7,184
Total Planning and Zoning	<u>6,350</u>	<u>6,350</u>	<u>5,528</u>	<u>822</u>	<u>7,184</u>
Independent Auditing:					
Current Expenditures	<u>8,000</u>	<u>8,000</u>	<u>7,178</u>	<u>822</u>	<u>6,770</u>
Legal:					
Current Expenditures	<u>8,000</u>	<u>8,000</u>	<u>8,812</u>	<u>(812)</u>	<u>6,897</u>
Total Legal	<u>8,000</u>	<u>8,000</u>	<u>8,812</u>	<u>(812)</u>	<u>6,897</u>
Total General Government	<u>268,844</u>	<u>268,844</u>	<u>256,677</u>	<u>12,167</u>	<u>290,024</u>
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	331,882	331,882	313,113	18,769	324,420
Supplies	15,900	15,900	14,636	1,264	11,199
Other Current Expenditures	33,386	33,386	34,610	(1,224)	27,513
Capital Outlay	-	-	1,595	(1,595)	1,417
Total Police Protection	<u>381,168</u>	<u>381,168</u>	<u>363,954</u>	<u>17,214</u>	<u>364,549</u>
Civil Defense:					
Current Expenditures	-	-	1,245	(1,245)	-
Total Civil Defense	-	-	1,245	(1,245)	-
Total Public Safety	<u>381,168</u>	<u>381,168</u>	<u>365,199</u>	<u>15,969</u>	<u>364,549</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, 2019

With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</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.):					
PUBLIC WORKS:					
Streets and Alleys:					
Personnel Services	\$ 147,405	\$ 147,405	\$ 152,803	\$ (5,398)	\$ 151,638
Supplies	36,250	36,250	21,871	14,379	36,957
Other Current Expenditures	83,521	83,521	115,817	(32,296)	95,879
Capital Outlay	<u>26,750</u>	<u>26,750</u>	<u>43,327</u>	<u>(16,577)</u>	<u>288,746</u>
Total Streets and Alleys	<u>293,926</u>	<u>293,926</u>	<u>333,818</u>	<u>(39,892)</u>	<u>573,220</u>
Street Lighting:					
Current Expenditures	30,000	30,000	43,641	(13,641)	36,843
Capital Outlay	-	-	<u>5,605</u>	<u>(5,605)</u>	-
Total Street Lighting	<u>30,000</u>	<u>30,000</u>	<u>49,246</u>	<u>(19,246)</u>	<u>36,843</u>
Storm Sewer:					
Supplies	1,500	1,500	1,836	(336)	5,559
Other Current Expenditures	<u>6,000</u>	<u>6,000</u>	-	<u>6,000</u>	<u>8,959</u>
Total Storm Sewer	<u>7,500</u>	<u>7,500</u>	<u>1,836</u>	<u>5,664</u>	<u>14,518</u>
Total Public Works	<u>331,426</u>	<u>331,426</u>	<u>384,900</u>	<u>(53,474)</u>	<u>624,581</u>
CULTURE AND RECREATION:					
Parks and Recreation:					
Personnel Services	50,816	50,816	58,849	(8,033)	48,884
Supplies	4,000	4,000	5,042	(1,042)	4,052
Other Current Expenditures	27,405	27,405	37,250	(9,845)	48,448
Capital Outlay	-	-	-	-	<u>9,600</u>
Total Parks and Recreation	<u>82,221</u>	<u>82,221</u>	<u>101,141</u>	<u>(18,920)</u>	<u>110,984</u>
Campgrounds:					
Personnel Services	2,885	2,885	1,749	1,136	2,314
Supplies	-	-	-	-	80
Other Current Expenditures	7,310	7,310	6,649	661	16,345
Capital Outlay	<u>2,000</u>	<u>2,000</u>	-	<u>2,000</u>	-
Total Campgrounds	<u>12,195</u>	<u>12,195</u>	<u>8,398</u>	<u>3,797</u>	<u>18,739</u>
Total Culture and Recreation	<u>94,416</u>	<u>94,416</u>	<u>109,539</u>	<u>(15,123)</u>	<u>129,723</u>
SANITATION:					
Waste Collection and Disposal:					
Other Current Expenditures	<u>9,500</u>	<u>9,500</u>	<u>12,697</u>	<u>(3,197)</u>	<u>9,484</u>
Total Waste Collection and Disposal	<u>9,500</u>	<u>9,500</u>	<u>12,697</u>	<u>(3,197)</u>	<u>9,484</u>
Total Sanitation	<u>9,500</u>	<u>9,500</u>	<u>12,697</u>	<u>(3,197)</u>	<u>9,484</u>
ECONOMIC DEVELOPMENT:					
Other Current Expenditures	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	-	<u>1,250</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, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES (Cont.):					
MISCELLANEOUS:					
Cemetery					
Personnel Services	\$ 48,702	\$ 48,702	\$ 48,380	\$ 322	\$ 48,403
Other Current Expenditures	2,280	2,280	4,511	(2,231)	1,518
Capital Outlay	-	-	4,997	(4,997)	-
Insurance	28,000	28,000	26,051	1,949	27,600
Current Expenditures	<u>17,642</u>	<u>17,642</u>	<u>19,096</u>	<u>(1,454)</u>	<u>5,370</u>
Total Miscellaneous	<u>96,624</u>	<u>96,624</u>	<u>103,035</u>	<u>(6,411)</u>	<u>82,891</u>
TOTAL EXPENDITURES	<u>1,183,228</u>	<u>1,183,228</u>	<u>1,233,297</u>	<u>(50,069)</u>	<u>1,502,502</u>
EXCESS REVENUES OVER EXPENDITURES	<u>105,947</u>	<u>105,947</u>	<u>50,311</u>	<u>(55,636)</u>	<u>(61,787)</u>
OTHER FINANCING USES:					
Transfer Out	<u>105,947</u>	<u>105,947</u>	<u>103,947</u>	<u>(2,000)</u>	<u>112,380</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	(53,636)	(53,636)	(174,167)
FUND BALANCES - January 1	<u>1,842,853</u>	<u>1,842,853</u>	<u>1,842,853</u>	<u>-</u>	<u>2,017,020</u>
FUND BALANCES - December 31	<u>\$ 1,842,853</u>	<u>\$ 1,842,853</u>	<u>\$ 1,789,217</u>	<u>\$ (53,636)</u>	<u>\$ 1,842,853</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, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 138,466	\$ 138,466	\$ 138,466	\$ -	\$ 133,827
Intergovernmental Revenue					
Local Government Aid	17,777	17,777	17,777	-	17,759
Other State Grants	22,000	22,000	32,673	10,673	28,084
Fines and Forfeits	-	-	136	136	115
Interest Income	-	-	684	684	452
Miscellaneous Income	-	-	13	13	39
TOTAL REVENUES	<u>178,243</u>	<u>178,243</u>	<u>189,749</u>	<u>11,506</u>	<u>180,276</u>
EXPENDITURES					
Personnel Services	129,435	129,435	121,214	8,221	118,597
Supplies	6,800	6,800	14,803	(8,003)	13,909
Other Current Expenditures	24,929	24,929	21,857	3,072	21,340
Debt Service					
Principal Payments	4,461	4,461	4,461	-	4,310
Interest Payments	1,618	1,618	1,618	-	1,769
Capital Outlay	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>	<u>61,580</u>
TOTAL EXPENDITURES	<u>178,243</u>	<u>178,243</u>	<u>163,953</u>	<u>14,290</u>	<u>221,505</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>25,796</u>	<u>25,796</u>	<u>(41,229)</u>
FUND BALANCES - January 1	<u>133,443</u>	<u>133,443</u>	<u>133,443</u>	<u>-</u>	<u>174,672</u>
FUND BALANCES - December 31	<u>\$ 133,443</u>	<u>\$ 133,443</u>	<u>\$ 159,239</u>	<u>\$ 25,796</u>	<u>\$ 133,443</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, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
REVENUES:					
General Property Taxes	\$ 43,057	\$ 43,057	\$ 43,057	\$ -	\$ 41,205
Intergovernmental Revenue					
Local Government Aid	35,554	35,554	35,554	-	35,517
State Fire Aid	14,000	14,000	26,615	12,615	26,752
Other State Grants	-	-	2,420	2,420	11,760
County and Township Revenue	39,270	39,270	39,270	-	39,270
Charges for Services	12,000	12,000	23,015	11,015	15,235
Interest Income	100	100	2,039	1,939	1,443
Miscellaneous	-	-	11,785	11,785	10,350
	<u>143,981</u>	<u>143,981</u>	<u>183,755</u>	<u>39,774</u>	<u>181,532</u>
TOTAL REVENUES					
OTHER FINANCING SOURCES:					
Issuance of Debt	-	-	54,013	54,013	125,000
	<u>143,981</u>	<u>143,981</u>	<u>237,768</u>	<u>93,787</u>	<u>306,532</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES					
EXPENDITURES:					
Personnel Services	42,696	42,696	51,213	(8,517)	45,752
Supplies	3,000	3,000	2,116	884	771
Other Current Expenditures	38,384	38,384	29,660	8,724	22,439
Debt Service					
Principal Payments	6,908	6,908	13,507	(6,599)	6,647
Interest Payments	281	281	4,344	(4,063)	542
Capital Outlay	52,712	52,712	59,747	(7,035)	319,729
	<u>143,981</u>	<u>143,981</u>	<u>160,587</u>	<u>(16,606)</u>	<u>395,880</u>
TOTAL EXPENDITURES					
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>77,181</u>	<u>77,181</u>	<u>(89,348)</u>
FUND BALANCE - January 1	<u>267,452</u>	<u>267,452</u>	<u>267,452</u>	<u>-</u>	<u>356,800</u>
FUND BALANCE - December 31	<u>\$ 267,452</u>	<u>\$ 267,452</u>	<u>\$ 344,633</u>	<u>\$ 77,181</u>	<u>\$ 267,452</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, 2019
With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 31,919	\$ 31,919	\$ 31,919	\$ -	\$ 30,335
Intergovernmental Revenue					
Local Government Aid	26,666	26,666	26,666	-	26,638
Other State Grants	-	-	3,725	3,725	9,000
Charges for Services	101,390	101,390	118,177	16,787	151,105
Interest Income	500	500	1,649	1,149	873
Miscellaneous					
Miscellaneous Income	-	-	24,992	24,992	6,121
TOTAL REVENUES	<u>160,475</u>	<u>160,475</u>	<u>207,128</u>	<u>46,653</u>	<u>224,072</u>
EXPENDITURES					
Personnel Services	105,355	105,355	94,852	10,503	99,666
Other	9,000	9,000	10,631	(1,631)	10,014
Current Expenditures	42,120	42,120	31,523	10,597	34,176
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>19,416</u>	<u>(15,416)</u>	<u>5,381</u>
TOTAL EXPENDITURES	<u>160,475</u>	<u>160,475</u>	<u>156,422</u>	<u>4,053</u>	<u>149,237</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>50,706</u>	<u>50,706</u>	<u>74,835</u>
FUND BALANCE - January 1	<u>272,400</u>	<u>272,400</u>	<u>272,400</u>	<u>-</u>	<u>197,565</u>
FUND BALANCE - December 31	<u>\$ 272,400</u>	<u>\$ 272,400</u>	<u>\$ 323,106</u>	<u>\$ 50,706</u>	<u>\$ 272,400</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, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
REVENUES					
General Property Taxes	\$ 5,950	\$ 5,950	\$ 5,950	\$ -	\$ 11,800
Intergovernmental Revenue					
Other State Grants	7,500	7,500	35,000	27,500	30,000
Interest Income	-	-	576	576	282
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>206</u>	<u>(1,294)</u>	<u>1,160</u>
TOTAL REVENUES	<u>14,950</u>	<u>14,950</u>	<u>41,732</u>	<u>26,782</u>	<u>43,242</u>
EXPENDITURES					
Personnel Services	4,550	4,550	2,189	2,361	541
Supplies	600	600	200	400	133
Other Current Expenditures	4,800	4,800	3,569	1,231	4,255
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>14,950</u>	<u>14,950</u>	<u>5,958</u>	<u>8,992</u>	<u>4,929</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>35,774</u>	<u>35,774</u>	<u>38,313</u>
FUND BALANCES - January 1	<u>77,246</u>	<u>77,246</u>	<u>77,246</u>	<u>-</u>	<u>38,933</u>
FUND BALANCES - December 31	<u>\$ 77,246</u>	<u>\$ 77,246</u>	<u>\$ 113,020</u>	<u>\$ 35,774</u>	<u>\$ 77,246</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

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, 2019	0.0097 %	536,291	685,854	78.19 %	80.20 %
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 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
Information for prior years is not available.

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

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, 2019	\$ 56,040	\$ 56,040	-	\$ 747,200	7.50 %
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 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
Information for prior years is not available.

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND
DECEMBER 31, 2019

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, 2019	0.0212 %	225,695	223,430	101.01 %	89.30 %
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 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
Information for prior years is not available.

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND
DECEMBER 31, 2019

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, 2019	\$ 34,885	\$ 34,885	-	\$ 205,811	16.95 %
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 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
Information for prior years is not available.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General Employees Fund

2019 Changes

Change in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and no more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP2016 to MP-2017

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

SECTION III

SUPPLEMENTAL SECTION

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and Investments	\$ 1,693,544	\$ 1,019,658	\$ 723,322	\$ 3,436,524
Escrowed Investment	18,445	44,119	-	62,564
Accounts Receivable	32,512	-	-	32,512
Special Assessments Receivable	-	1,439,522	-	1,439,522
Interest Receivable	-	205	-	205
Notes Receivable	551,531	686,696	-	1,238,227
Due from Other Funds	30,000	10,920	-	40,920
Land Held for Resale	<u>36,373</u>	<u>-</u>	<u>-</u>	<u>36,373</u>
TOTAL ASSETS	<u>\$ 2,362,405</u>	<u>\$ 3,201,120</u>	<u>\$ 723,322</u>	<u>\$ 6,286,847</u>
LIABILITIES:				
Accounts Payable	\$ 5,818	\$ 5,000	\$ 2	\$ 10,820
Accrued Payroll	1,073	-	-	1,073
Due to Other Funds	<u>31,537</u>	<u>38,437</u>	<u>321,991</u>	<u>391,965</u>
Total Liabilities	<u>38,428</u>	<u>43,437</u>	<u>321,993</u>	<u>403,858</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	<u>152,789</u>	<u>2,124,956</u>	<u>-</u>	<u>2,277,745</u>
Total Deferred Inflows of Resources	<u>152,789</u>	<u>2,124,956</u>	<u>-</u>	<u>2,277,745</u>
FUND BALANCES:				
Restricted	1,055,058	1,076,164	529,372	2,660,594
Assigned	1,117,667	-	193,948	1,311,615
Unassigned (Deficit)	<u>(1,537)</u>	<u>(43,437)</u>	<u>(321,991)</u>	<u>(366,965)</u>
Total Fund Balances	<u>2,171,188</u>	<u>1,032,727</u>	<u>401,329</u>	<u>3,605,244</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,362,405</u>	<u>\$ 3,201,120</u>	<u>\$ 723,322</u>	<u>\$ 6,286,847</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Taxes	\$ 253,406	\$ 549,315	\$ 29,532	\$ 832,253
Intergovernmental Revenue	219,700	-	-	219,700
Charges for Services	163,242	289,166	-	452,408
Fines and Forfeits	136	-	-	136
Interest Income	22,315	5,752	5,515	33,582
Miscellaneous	<u>132,152</u>	<u>56,231</u>	-	<u>188,383</u>
Total Revenues	<u>790,951</u>	<u>900,464</u>	<u>35,047</u>	<u>1,726,462</u>
EXPENDITURES				
Public Safety	219,995	-	-	219,995
Culture and Recreation	157,874	-	-	157,874
Sanitation	5,958	-	-	5,958
Economic Development	297,212	34,516	7,455	339,183
Miscellaneous	-	54,773	-	54,773
Debt Service				
Principal Payments	27,944	545,550	-	573,494
Interest Payments	7,535	249,835	-	257,370
Miscellaneous	-	8,198	-	8,198
Capital Outlay	<u>82,247</u>	<u>-</u>	<u>144,053</u>	<u>226,300</u>
Total Expenditures	<u>798,765</u>	<u>892,872</u>	<u>151,508</u>	<u>1,843,145</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(7,814)	7,592	(116,461)	(116,683)
OTHER FINANCING SOURCES (USES)				
Transfer In	109,330	61,000	-	170,330
Issuance of Debt	54,013	-	-	54,013
Transfer Out	<u>(5,383)</u>	<u>-</u>	<u>(61,000)</u>	<u>(66,383)</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	150,146	68,592	(177,461)	41,277
FUND BALANCES - January 1	<u>2,021,042</u>	<u>964,135</u>	<u>578,790</u>	<u>3,563,967</u>
FUND BALANCES - December 31	<u>\$ 2,171,188</u>	<u>\$ 1,032,727</u>	<u>\$ 401,329</u>	<u>\$ 3,605,244</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
ASSETS					
Cash and Investments	\$ -	\$ 89,535	\$ 160,920	\$ 352,590	\$ 210,112
Escrowed Investment	-	-	-	18,445	-
Accounts Receivable	-	-	-	9,765	-
Notes Receivable	-	-	-	-	377,710
Due from Other Funds	-	30,000	-	-	-
Land Held for Resale	-	24,352	-	-	12,021
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 143,887</u>	<u>\$ 160,920</u>	<u>\$ 380,800</u>	<u>\$ 599,843</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 308	\$ 1,173	\$ 718	\$ -
Accrued Payroll	-	565	508	-	-
Due to Other Funds	1,537	-	-	-	-
Total Liabilities	<u>1,537</u>	<u>873</u>	<u>1,681</u>	<u>718</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	-	-	794	-	599,843
Assigned	-	143,014	158,445	380,082	-
Unassigned (Deficit)	(1,537)	-	-	-	-
Total Fund Balances (Deficit)	<u>(1,537)</u>	<u>143,014</u>	<u>159,239</u>	<u>380,082</u>	<u>599,843</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 143,887</u>	<u>\$ 160,920</u>	<u>\$ 380,800</u>	<u>\$ 599,843</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>
\$ 302,265	\$ 44,376	\$ 189,589	\$ 205,638	\$ 6,934	\$ 18,398	\$ 113,187	\$ 1,693,544
-	-	-	-	-	-	-	18,445
22,747	-	-	-	-	-	-	32,512
-	56,281	96,508	21,032	-	-	-	551,531
-	-	-	-	-	-	-	30,000
-	-	-	-	-	-	-	36,373
<u>\$ 325,012</u>	<u>\$ 100,657</u>	<u>\$ 286,097</u>	<u>\$ 226,670</u>	<u>\$ 6,934</u>	<u>\$ 18,398</u>	<u>\$ 113,187</u>	<u>\$ 2,362,405</u>
\$ 1,906	\$ 817	\$ 729	\$ -	\$ -	\$ -	\$ 167	\$ 5,818
-	-	-	-	-	-	-	1,073
-	30,000	-	-	-	-	-	31,537
<u>1,906</u>	<u>30,817</u>	<u>729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167</u>	<u>38,428</u>
-	56,282	96,507	-	-	-	-	152,789
-	56,282	96,507	-	-	-	-	152,789
-	13,558	188,861	226,670	6,934	18,398	-	1,055,058
323,106	-	-	-	-	-	113,020	1,117,667
-	-	-	-	-	-	-	(1,537)
<u>323,106</u>	<u>13,558</u>	<u>188,861</u>	<u>226,670</u>	<u>6,934</u>	<u>18,398</u>	<u>113,020</u>	<u>2,171,188</u>
<u>\$ 325,012</u>	<u>\$ 100,657</u>	<u>\$ 286,097</u>	<u>\$ 226,670</u>	<u>\$ 6,934</u>	<u>\$ 18,398</u>	<u>\$ 113,187</u>	<u>\$ 2,362,405</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, 2019

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
REVENUES					
Taxes	\$ -	\$ 12,835	\$ 138,466	\$ 43,057	\$ -
Intergovernmental Revenue	-	-	50,450	103,859	-
Charges for Services	-	-	-	23,015	7,750
Fines and Forfeits	-	-	136	-	-
Interest Income	-	472	684	2,040	12,596
Miscellaneous	-	21,400	13	11,785	51,750
Total Revenues	<u>-</u>	<u>34,707</u>	<u>189,749</u>	<u>183,756</u>	<u>72,096</u>
EXPENDITURES					
Public Safety	-	-	-	82,989	-
Culture and Recreation	-	-	157,874	-	-
Sanitation	-	-	-	-	-
Economic Development	-	129,368	-	-	120,965
Principal Payments	-	-	4,461	13,507	9,976
Interest Payments	-	-	1,618	4,344	1,573
Capital Outlay	-	3,084	-	59,747	-
Total Expenditures	<u>-</u>	<u>132,452</u>	<u>163,953</u>	<u>160,587</u>	<u>132,514</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(97,745)</u>	<u>25,796</u>	<u>23,169</u>	<u>(60,418)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	-	109,330	-	-	-
Issuance of Debt	-	-	-	54,013	-
Transfer Out	-	-	-	-	(5,383)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	11,585	25,796	77,182	(65,801)
FUND BALANCES (DEFICIT) -					
January 1	<u>(1,537)</u>	<u>131,429</u>	<u>133,443</u>	<u>302,900</u>	<u>665,644</u>
FUND BALANCES (DEFICIT) -					
December 31	<u>\$ (1,537)</u>	<u>\$ 143,014</u>	<u>\$ 159,239</u>	<u>\$ 380,082</u>	<u>\$ 599,843</u>

231 - Ambulance Fund	235 - SW Housing Grant	240 - Protient - DTED Loan	280 - MSC - DEED Loan	360 - TIF #1-3 Pinebrook	470 - TIF #1 Hospital Project	507 - Lake Commission Fund	Total
\$ 31,919	\$ -	\$ -	\$ -	\$ 9,151	\$ 12,028	\$ 5,950	\$ 253,406
30,391	-	-	-	-	-	35,000	219,700
118,177	14,300	-	-	-	-	-	163,242
-	-	-	-	-	-	-	136
1,649	248	1,238	2,659	42	109	578	22,315
<u>24,992</u>	<u>15,122</u>	<u>6,132</u>	<u>754</u>	<u>-</u>	<u>-</u>	<u>204</u>	<u>132,152</u>
<u>207,128</u>	<u>29,670</u>	<u>7,370</u>	<u>3,413</u>	<u>9,193</u>	<u>12,137</u>	<u>41,732</u>	<u>790,951</u>
137,006	-	-	-	-	-	-	219,995
-	-	-	-	-	-	-	157,874
-	-	-	-	-	-	5,958	5,958
-	25,246	592	-	9,226	11,815	-	297,212
-	-	-	-	-	-	-	27,944
-	-	-	-	-	-	-	7,535
<u>19,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,247</u>
<u>156,422</u>	<u>25,246</u>	<u>592</u>	<u>-</u>	<u>9,226</u>	<u>11,815</u>	<u>5,958</u>	<u>798,765</u>
<u>50,706</u>	<u>4,424</u>	<u>6,778</u>	<u>3,413</u>	<u>(33)</u>	<u>322</u>	<u>35,774</u>	<u>(7,814)</u>
-	-	-	-	-	-	-	109,330
-	-	-	-	-	-	-	54,013
-	-	-	-	-	-	-	<u>(5,383)</u>
50,706	4,424	6,778	3,413	(33)	322	35,774	150,146
<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>2,021,042</u>
<u>\$ 323,106</u>	<u>\$ 13,558</u>	<u>\$ 188,861</u>	<u>\$ 226,670</u>	<u>\$ 6,934</u>	<u>\$ 18,398</u>	<u>\$ 113,020</u>	<u>\$ 2,171,188</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2019

	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	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	\$ -	\$ 18,086	\$ 95,942	\$ 518,906	\$ 9,854	\$ 207,068	\$ 29,453	\$ 27,484	\$ 112,865	\$ 1,019,658
Escrowed Investment	-	-	-	-	44,119	-	-	-	-	44,119
Special Assessments Receivable	-	-	23,284	1,415,666	-	-	-	-	572	1,439,522
Interest Receivable	-	-	-	-	205	-	-	-	-	205
Notes Receivable	-	-	-	-	-	-	686,696	-	-	686,696
Due from Other Funds	-	8,047	2,873	-	-	-	-	-	-	10,920
TOTAL ASSETS	\$ -	\$ 26,133	\$ 122,099	\$ 1,934,572	\$ 54,178	\$ 207,068	\$ 716,149	\$ 27,484	\$ 113,437	\$ 3,201,120
LIABILITIES										
Accounts Payable	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Due to Other Funds	38,437	-	-	-	-	-	-	-	-	38,437
Total Liabilities	43,437	-	-	-	-	-	-	-	-	43,437
DEFERRED INFLOWS OF RESOURCES:										
Unavailable Revenue	-	-	23,283	1,414,977	-	-	686,696	-	-	2,124,956
FUND BALANCES										
Restricted	-	26,133	98,816	519,595	54,178	207,068	29,453	27,484	113,437	1,076,164
Unassigned (Deficit)	(43,437)	-	-	-	-	-	-	-	-	(43,437)
Total Fund Balances (Deficit)	(43,437)	26,133	98,816	519,595	54,178	207,068	29,453	27,484	113,437	1,032,727
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 26,133	\$ 122,099	\$ 1,934,572	\$ 54,178	\$ 207,068	\$ 716,149	\$ 27,484	\$ 113,437	\$ 3,201,120

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, 2019

		303 - G.O.	307 - G.O.	308 - G.O.	312 - G.O.	332 - G.O.	341 - TIF	342 - TIF	361 -	385 - ML	
		Increment	Improvement	Crossover	Improvement	Improvement	#1-6 Mt	#1-4 Good	Pankratz	Comm Park	Total
		Bonds of	Bonds of	Refunding	Bonds of	Bonds of	Power	Samaritan	Land Debt	Debt	
		2013B	2007C	2011A	2013A	2009A			Service	Service	
REVENUES											
Taxes		\$ 19,640	\$ 47,103	\$ 103,266	\$ 141,785	\$ 4,444	\$ 49,745	\$ 27,179	\$ 11,834	\$ 144,319	\$ 549,315
Charges for Services		104,340	-	-	-	-	184,826	-	-	-	289,166
Interest Income		(1)	3	183	3,187	1,241	849	83	186	21	5,752
Miscellaneous		-	-	-	-	-	-	56,231	-	-	56,231
Total Revenues		<u>123,979</u>	<u>47,106</u>	<u>103,449</u>	<u>144,972</u>	<u>5,685</u>	<u>235,420</u>	<u>83,493</u>	<u>12,020</u>	<u>144,340</u>	<u>900,464</u>
EXPENDITURES											
Economic Development		4,425	1,922	-	-	-	-	28,169	-	-	34,516
Miscellaneous		-	-	-	-	-	54,773	-	-	-	54,773
Debt Service											
Principal Payments		80,000	55,000	93,150	95,000	2,400	125,000	25,000	20,000	50,000	545,550
Interest Payments		42,115	1,550	9,602	43,408	108	61,714	31,648	11,834	47,856	249,835
Miscellaneous		6,465	-	248	-	-	-	495	495	495	8,198
Total Expenditures		<u>133,005</u>	<u>58,472</u>	<u>103,000</u>	<u>138,408</u>	<u>2,508</u>	<u>241,487</u>	<u>85,312</u>	<u>32,329</u>	<u>98,351</u>	<u>892,872</u>
EXCESS REVENUES OVER (UNDER)		(9,026)	(11,366)	449	6,564	3,177	(6,067)	(1,819)	(20,309)	45,989	7,592
OTHER FINANCING SOURCES											
(USES)											
Transfer In		-	-	-	-	-	-	-	-	61,000	61,000
EXCESS REVENUES AND OTHER											
SOURCES OVER (UNDER)											
EXPENDITURES AND OTHER											
USES		(9,026)	(11,366)	449	6,564	3,177	(6,067)	(1,819)	(20,309)	106,989	68,592
FUND BALANCES (Deficit) - January 1		<u>(34,411)</u>	<u>37,499</u>	<u>98,367</u>	<u>513,031</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>
FUND BALANCES (Deficit) - December		<u>\$ (43,437)</u>	<u>\$ 26,133</u>	<u>\$ 98,816</u>	<u>\$ 519,595</u>	<u>\$ 54,178</u>	<u>\$ 207,068</u>	<u>\$ 29,453</u>	<u>\$ 27,484</u>	<u>\$ 113,437</u>	<u>\$ 1,032,727</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2019

	501 - Capital Outlay	415 - MSG Construction	450 - Downtown Ross Project	485 - ML Comm Park Infrastructure	Total
ASSETS:					
Cash and Investments	\$ 110,533	\$ 83,415	\$ -	\$ 529,372	\$ 723,320
TOTAL ASSETS	\$ 110,533	\$ 83,415	\$ -	\$ 529,372	\$ 723,320
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ 321,991	\$ -	\$ 321,991
Total Liabilities	-	-	321,991	-	321,991
FUND BALANCES:					
Restricted	-	-	-	529,372	529,372
Assigned	110,533	83,415	-	-	193,948
Unassigned (Deficit)	-	-	(321,991)	-	(321,991)
Total Fund Balances (Deficit)	110,533	83,415	(321,991)	529,372	401,329
TOTAL LIABILITIES AND FUND BALANCE	\$ 110,533	\$ 83,415	\$ -	\$ 529,372	\$ 723,320

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, 2019

	501 - Capital Outlay	415 - MSG Construction	450 - Downtown Ross Project	485 - ML Comm Park Infrastructure	Total
REVENUES					
Taxes	-	\$ 29,532	-	-	\$ 29,532
Interest Income	656	432	1	4,427	5,516
Total Revenues	<u>656</u>	<u>29,964</u>	<u>1</u>	<u>4,427</u>	<u>35,048</u>
EXPENDITURES					
Economic Development	-	2,740	1,278	3,438	7,456
Capital Outlay	-	-	-	144,053	144,053
Total Expenditures	<u>-</u>	<u>2,740</u>	<u>1,278</u>	<u>147,491</u>	<u>151,509</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	656	27,224	(1,277)	(143,064)	(116,461)
OTHER FINANCING SOURCES (USES):					
Transfer Out	-	-	-	(61,000)	(61,000)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	656	27,224	(1,277)	(204,064)	(177,461)
FUND BALANCES (DEFICIT) - January 1	<u>109,877</u>	<u>56,191</u>	<u>(320,714)</u>	<u>733,436</u>	<u>578,790</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 110,533</u>	<u>\$ 83,415</u>	<u>\$ (321,991)</u>	<u>\$ 529,372</u>	<u>\$ 401,329</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2019

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 324	\$ 64,694	\$ 23,647	\$ 88,665
Due from Other Funds	-	3,391	-	3,391
Total Current Assets	324	68,085	23,647	92,056
NONCURRENT ASSETS				
Capital Assets:				
Land	6,175	12,350	2,304	20,829
Buildings and Improvements	366,147	695,366	309,759	1,371,272
Total Capital Assets	372,322	707,716	312,063	1,392,101
Less: Accumulated Depreciation	190,016	449,576	123,873	763,465
Net Capital Assets	182,306	258,140	188,190	628,636
Total Assets	\$ 182,630	\$ 326,225	\$ 211,837	\$ 720,692
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,631	\$ 817	\$ 400	\$ 2,848
Due to Other Funds	-	-	3,391	3,391
Accrued Interest	1,029	3,353	633	5,015
Customer Deposits	2,610	5,100	3,510	11,220
Unamortized Bond Premium	764	1,406	-	2,170
Current Amount of Long-Term Debt	15,000	20,000	6,202	41,202
Total Current Liabilities	21,034	30,676	14,136	65,846
LONG-TERM LIABILITIES				
Bonds and Notes Payable	85,000	270,000	202,936	557,936
Total Liabilities	106,034	300,676	217,072	623,782
NET POSITION				
Net Investment in Capital Assets (Deficit)	82,306	(31,860)	(20,948)	29,498
Unrestricted (Deficit)	(5,710)	57,409	15,713	67,412
Total Net Position	76,596	25,549	(5,235)	96,910
Total Liabilities and Net Position	\$ 182,630	\$ 326,225	\$ 211,837	\$ 720,692

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, 2019

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
OPERATING REVENUES				
Rental Income	\$ 29,220	\$ 62,630	\$ 32,465	\$ 124,315
Total Operating Revenues	29,220	62,630	32,465	124,315
OPERATING EXPENSES				
Depreciation	9,366	27,815	12,390	49,571
Insurance	2,622	5,270	2,547	10,439
Miscellaneous	2,027	4,146	1,667	7,840
Professional Services	3,600	7,200	2,200	13,000
Repairs, Maintenance and Supplies	23,416	25,588	6,482	55,486
Utilities	303	376	30	709
Total Operating Expenses	41,334	70,395	25,316	137,045
Net Operating Income (Loss)	(12,114)	(7,765)	7,149	(12,730)
NON OPERATING REVENUE (EXPENSE)				
Interest Income	11	57	37	105
Refunds and Reimbursements	55	265	25	345
Interest Expense	(2,810)	(8,288)	(9,539)	(20,637)
Total Non Operating Revenue (Expense)	(2,744)	(7,966)	(9,477)	(20,187)
CHANGE IN NET POSITION	(14,858)	(15,731)	(2,328)	(32,917)
NET POSITION - January 1	91,454	41,280	(2,907)	129,827
NET POSITION - December 31	\$ 76,596	\$ 25,549	\$ (5,235)	\$ 96,910

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>607 - EDA - 4 Plex Fund</u>	<u>608 - EDA - 8 Plex Fund</u>	<u>609 - EDA - Mason Manor</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 29,360	\$ 62,680	\$ 32,465	\$ 124,505
Payments to Vendors	(31,817)	(45,888)	(13,501)	(91,206)
Other Receipts and Payments	<u>55</u>	<u>265</u>	<u>25</u>	<u>345</u>
Net Cash Provided (Used) By Operating Activities	<u>(2,402)</u>	<u>17,057</u>	<u>18,989</u>	<u>33,644</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)	(5,930)	(40,930)
Interest Paid on Capital Debt	<u>(3,031)</u>	<u>(8,546)</u>	<u>(9,556)</u>	<u>(21,133)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(18,031)</u>	<u>(28,546)</u>	<u>(15,486)</u>	<u>(62,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>11</u>	<u>57</u>	<u>37</u>	<u>105</u>
Net Cash Provided By Investing Activities	<u>11</u>	<u>57</u>	<u>37</u>	<u>105</u>
NET INCREASE (DECREASE) IN CASH	(20,422)	(8,632)	740	(28,314)
CASH AND INVESTMENTS - January 1	<u>20,746</u>	<u>73,326</u>	<u>22,907</u>	<u>116,979</u>
CASH AND INVESTMENTS - December 31	<u>\$ 324</u>	<u>\$ 64,694</u>	<u>\$ 23,647</u>	<u>\$ 88,665</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Income (Loss)	\$ (12,114)	\$ (7,765)	\$ 7,149	\$ (12,730)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities				
Depreciation	9,366	27,815	12,390	49,571
Changes in Assets and Liabilities				
Accounts Payable	151	(3,308)	(575)	(3,732)
Customer Deposits'	140	50	-	190
Other Receipts and Payments	<u>55</u>	<u>265</u>	<u>25</u>	<u>345</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (2,402)</u>	<u>\$ 17,057</u>	<u>\$ 18,989</u>	<u>\$ 33,644</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 PUBLIC UTILITIES COMMISSION
 DECEMBER 31, 2019

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 307,553	\$ 1,296,164	\$ 2,157,638	\$ 3,761,355
Accounts Receivable	89,277	111,863	547,172	748,312
Special Assessments Receivable	-	53,590	-	53,590
Due from Other Funds	1,537	-	-	1,537
Prepaid Expense	-	11,802	-	11,802
Inventory	19,366	190	181,548	201,104
Total Current Assets	<u>417,733</u>	<u>1,473,609</u>	<u>2,886,358</u>	<u>4,777,700</u>
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	12,835,725	27,646,476
Machinery and Equipment	108,711	350,315	459,890	918,916
Transportation and Other Equipment	35,819	21,793	278,440	336,052
Construction in Progress	-	533,708	-	533,708
Total Capital Assets	<u>8,680,241</u>	<u>10,835,042</u>	<u>13,780,344</u>	<u>33,295,627</u>
Less: Accumulated Depreciation	3,899,406	2,732,922	7,502,865	14,135,193
Net Capital Assets	<u>4,780,835</u>	<u>8,102,120</u>	<u>6,277,479</u>	<u>19,160,434</u>
Net Bond Discount	161	8,175	92,384	100,720
Total Assets	<u>5,198,729</u>	<u>9,583,904</u>	<u>9,256,221</u>	<u>24,038,854</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	8,496	8,496	13,014	30,006
Total Assets and Deferred Outflows of Resources	<u>\$ 5,207,225</u>	<u>\$ 9,592,400</u>	<u>\$ 9,269,235</u>	<u>\$ 24,068,860</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 78	\$ 14,891	\$ 138,276	\$ 153,245
Due to Other Funds	5,460	5,460	-	10,920
Accrued Interest	6,187	22,272	9,563	38,022
Accrued Payroll	2,251	2,251	9,871	14,373
Due to Other Governments	-	-	15,665	15,665
Customer Deposits	430	-	104,964	105,394
Unamortized Bond Premium	623	622	-	1,245
Current Amount of Long-Term Debt	285,340	436,875	247,750	969,965
Total Current Liabilities	<u>300,369</u>	<u>482,371</u>	<u>526,089</u>	<u>1,308,829</u>
LONG-TERM LIABILITIES				
Accrued Compensated Absences	4,039	4,039	24,412	32,490
Net Pension Liability	41,846	41,846	115,344	199,036
Bonds and Notes Payable	2,064,945	4,872,525	3,670,250	10,607,720
Total Long-Term Liabilities	<u>2,110,830</u>	<u>4,918,410</u>	<u>3,810,006</u>	<u>10,839,246</u>
Total Liabilities	<u>2,411,199</u>	<u>5,400,781</u>	<u>4,336,095</u>	<u>12,148,075</u>
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	15,020	15,020	27,542	57,582
NET POSITION				
Net Investment in Capital Assets	2,403,550	2,792,720	2,359,479	7,555,749
Restricted for Debt Service	-	435,728	99,974	535,702
Unrestricted	377,456	948,151	2,446,145	3,771,752
Total Net Position	<u>2,781,006</u>	<u>4,176,599</u>	<u>4,905,598</u>	<u>11,863,203</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,207,225</u>	<u>\$ 9,592,400</u>	<u>\$ 9,269,235</u>	<u>\$ 24,068,860</u>

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, 2019

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
OPERATING REVENUES				
Sales to Consumers	\$ 597,442	\$ 1,101,194	\$ 2,937,767	\$ 4,636,403
Total Operating Revenues	<u>597,442</u>	<u>1,101,194</u>	<u>2,937,767</u>	<u>4,636,403</u>
OPERATING EXPENSES				
Pumping, Treatment, Production				
Utilities	3,606	963	22,826	27,395
Power for Pumping	31,607	24,658	-	56,265
Supplies and Chemicals	1,037	744	10,916	12,697
Travel and Meetings	976	1,568	1,161	3,705
Outside Services	-	-	10,974	10,974
Repairs and Maintenance	28,638	66,183	13,835	108,656
Miscellaneous	210	-	-	210
Purchased Power	-	-	1,333,196	1,333,196
Total Pumping, Treatment, Production	<u>66,074</u>	<u>94,116</u>	<u>1,392,908</u>	<u>1,553,098</u>
Distribution and Collection				
Salaries	58,274	58,056	230,787	347,117
Supplies and Chemicals	35,918	-	7,040	42,958
Outside Services	848	6,637	54,396	61,881
Repairs and Maintenance	22,622	24,324	71,654	118,600
Miscellaneous	2,725	441	3,512	6,678
Total Distribution and Collection	<u>120,387</u>	<u>89,458</u>	<u>367,389</u>	<u>577,234</u>
Administration and General				
Salaries	18,434	18,652	86,235	123,321
Supplies	958	-	-	958
Outside Services	2,070	2,183	32,172	36,425
Insurance	4,674	7,456	33,256	45,386
Repairs and Maintenance	4,240	4,510	17,320	26,070
Miscellaneous	2,970	4,176	35,875	43,021
Total Administration and General	<u>33,346</u>	<u>36,977</u>	<u>204,858</u>	<u>275,181</u>
Depreciation	240,983	243,958	366,497	851,438
Total Operating Expenses	<u>460,790</u>	<u>464,509</u>	<u>2,331,652</u>	<u>3,256,951</u>
Net Operating Income	<u>136,652</u>	<u>636,685</u>	<u>606,115</u>	<u>1,379,452</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	1,774	7,569	26,121	35,464
Refunds and Reimbursements	320	2,233	55,071	57,624
CAP X Credit	-	-	166,667	166,667
Interest Expense	(52,534)	(63,579)	(131,442)	(247,555)
Total Non Operating Revenue (Expense)	<u>(50,440)</u>	<u>(53,777)</u>	<u>116,417</u>	<u>12,200</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	86,212	582,908	722,532	1,391,652
Transfer to Other Funds	-	-	(120,000)	(120,000)
CHANGE IN NET POSITION	86,212	582,908	602,532	1,271,652
NET POSITION - January 1	2,694,794	3,593,691	4,303,066	10,591,551
NET POSITION - December 31	<u>\$ 2,781,006</u>	<u>\$ 4,176,599</u>	<u>\$ 4,905,598</u>	<u>\$ 11,863,203</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2019

	601 - Water <u>Fund</u>	602 - Sewer <u>Fund</u>	604 - Electric <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 596,910	\$ 1,114,051	\$ 2,891,155	\$ 4,602,116
Payments to Vendors	(146,843)	(140,256)	(1,675,485)	(1,962,584)
Payments to Employees	(77,149)	(77,149)	(308,530)	(462,828)
Other Receipts and Payments	320	2,233	221,738	224,291
Net Cash Provided By Operating Activities	<u>373,238</u>	<u>898,879</u>	<u>1,128,878</u>	<u>2,400,995</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Other Funds	-	-	(120,000)	(120,000)
Due to (from) Other Funds	(4,724)	(5,477)	-	(10,201)
Net Cash Used By Noncapital Financing Activities	<u>(4,724)</u>	<u>(5,477)</u>	<u>(120,000)</u>	<u>(130,201)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(14,153)	(162,747)	(72,802)	(249,702)
Principal Paid on Capital Debt	(276,790)	(430,925)	(248,750)	(956,465)
Interest Paid on Capital Debt	(54,330)	(64,748)	(120,377)	(239,455)
Special Assessments Received	-	112	-	112
Net Cash Used By Capital and Related Financing Activities	<u>(345,273)</u>	<u>(658,308)</u>	<u>(441,929)</u>	<u>(1,445,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	1,774	7,569	26,121	35,464
Net Cash Provided By Investing Activities	<u>1,774</u>	<u>7,569</u>	<u>26,121</u>	<u>35,464</u>
NET INCREASE IN CASH	25,015	242,663	593,070	860,748
CASH AND INVESTMENTS - January 1	282,538	1,053,501	1,564,568	2,900,607
CASH AND INVESTMENTS - December 31	<u>\$ 307,553</u>	<u>\$ 1,296,164</u>	<u>\$ 2,157,638</u>	<u>\$ 3,761,355</u>
Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 136,652	\$ 636,685	\$ 606,115	\$ 1,379,452
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	240,983	243,958	366,497	851,438
Noncash Pension Expense	(40)	(40)	(2,298)	(2,378)
Changes in Assets and Liabilities				
Receivables	(532)	12,857	(52,487)	(40,162)
Inventory	2,761	-	(41,289)	(38,528)
Accounts Payable	(6,505)	3,587	10,780	7,862
Accrued Wages	1,006	1,006	1,832	3,844
Accrued Compensated Absences	(1,407)	(1,407)	8,958	6,144
Due to Other Governments	-	-	3,157	3,157
Deposits Payable	-	-	5,875	5,875
Other Receipts and Payments	320	2,233	221,738	224,291
Net Cash Provided By Operating Activities	<u>\$ 373,238</u>	<u>\$ 898,879</u>	<u>\$ 1,128,878</u>	<u>\$ 2,400,995</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

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 Administrator, at 507-427-2999

	<u>Total</u> <u>2019</u>	<u>Total</u> <u>2018</u>	Percent Increase <u>(Decrease)</u>
REVENUES:			
Taxes and Assessments	\$ 1,002,367	\$ 949,135	5.61 %
Licenses and Permits	11,689	7,316	59.77 %
Intergovernmental	1,075,717	1,125,746	(4.44)%
Charges for Services	518,912	516,982	0.37 %
Fines	6,983	7,446	(6.22)%
Investment Earnings	51,187	39,291	30.28 %
Miscellaneous	223,215	296,724	(24.77)%
Transfer In	290,331	250,960	15.69 %
Issuance of Debt	<u>54,013</u>	<u>125,000</u>	(56.79)%
Total Revenues	<u>\$ 3,234,414</u>	<u>\$ 3,318,600</u>	(2.54)%
Per Capita	<u>1,539</u>	<u>1,579</u>	
EXPENDITURES:			
Current			
General Government	\$ 225,689	\$ 288,670	(21.82)%
Public Safety	583,599	575,950	1.33 %
Public Works	335,968	335,835	0.04 %
Culture and Recreation	267,413	273,969	(2.39)%
Sanitation	18,655	14,413	29.43 %
Economic Development	340,433	216,175	57.48 %
Miscellaneous	152,811	138,755	10.13 %
Debt Service:			
Principal Payments	573,494	507,708	12.96 %
Interest Payments	257,370	228,663	12.55 %
Other Debt Service	8,198	4,233	93.67 %
Capital Outlay	312,812	2,264,489	(86.19)%
Transfer Out	<u>170,331</u>	<u>130,960</u>	30.06 %
Total Expenditures	<u>\$ 3,246,773</u>	<u>\$ 3,953,405</u>	(17.87)%
Per Capita	<u>1,545</u>	<u>1,881</u>	
Governmental Long-term Indebtedness	<u>\$ 8,333,057</u>	<u>\$ 8,852,538</u>	(5.87)%
Per Capita	<u>3,964</u>	<u>4,211</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 825,751</u>	<u>\$ 535,240</u>	54.28 %
Per Capita	<u>393</u>	<u>255</u>	

SECTION IV

ADDITIONAL INFORMATION

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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, 2019, 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 15, 2020.

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 2019-001 and 2019-002.

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 15, 2020

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

INTERNAL CONTROL FINDINGS

Audit Finding 2019-001

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 2019-002

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.

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INDEPENDENT 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2020.

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 15, 2020