

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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>2020</u>	<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
	<u>2021</u>	<u>TERM EXPIRES</u>
MAYOR	Mike Nelson	12/31/2022
COUNCIL MEMBER	Dean Janzen	12/31/2024
COUNCIL MEMBER	Darla Kruser	12/31/2024
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

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, 2020, 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.

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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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.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 1.Q. to the financial statements, management has not obtained the necessary information to properly record and disclose the effects of the net pension liability and the related deferred outflows of resources and deferred inflows of resources on the governmental activities relating to the City's Fire Relief Association. Accounting principles generally accepted in the United States of America require that those pension related amounts be recorded and disclosed, which would increase or decrease net pension liability, deferred outflows of resources and deferred inflows of resources, net position and expenses of the governmental activities. The amount by which this departure would affect these pension related amounts has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to on the previous page present fairly, in all material respects the respective financial position of the governmental activities of the City of Mountain Lake, Minnesota, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 business-type activities, each major fund, and the aggregate remaining funds of the City of Mountain Lake, Minnesota as of December 31, 2020, 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 69 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 governmental 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, summary financial report, and the schedule of expenditures of federal awards 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, summary financial report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021 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 7, 2021

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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, 2020.

- 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 \$24,992,213 (net position). Of this amount, \$8,504,700 (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 \$3,382,938 compared to an increase of \$1,466,945 in the previous year. The governmental activities net position increased by \$299,889 and the business-type activities net position increased \$3,083,049.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,338,737, a decrease of \$55,724 in comparison with the prior year. Approximately 55.3 percent of this total amount, \$2,954,564, is available for spending at the City's discretion, \$2,344,141 of which has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$935,180, or 76.8 percent of total General Fund expenditures.
- The City's total debt increased by \$5,845,022 or 28.5 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, 2020

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, G.O. Tax Increment Bonds of 2013B, TIF #1-6 Mt. Power, and TIF #1-4 Good Samaritan; which are considered to be a major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 - 69) 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 70) 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, 2020

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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 7,819,918	\$ 7,799,687	\$ 7,736,331	\$ 4,956,165	\$ 15,556,249	\$ 12,755,852
Capital Assets	<u>10,756,169</u>	<u>11,145,978</u>	<u>27,206,110</u>	<u>19,789,070</u>	<u>37,962,279</u>	<u>30,935,048</u>
Total Assets	<u>18,576,087</u>	<u>18,945,665</u>	<u>34,942,441</u>	<u>24,745,235</u>	<u>53,518,528</u>	<u>43,690,900</u>
Deferred Outflows of Resources	<u>223,107</u>	<u>235,184</u>	<u>85,561</u>	<u>30,006</u>	<u>308,668</u>	<u>265,190</u>
Current Liabilities	675,164	817,415	2,433,406	360,364	3,108,570	1,177,779
Long-term Liabilities	<u>7,902,103</u>	<u>8,327,397</u>	<u>17,519,598</u>	<u>12,397,182</u>	<u>25,421,701</u>	<u>20,724,579</u>
Total Liabilities	<u>8,577,267</u>	<u>9,144,812</u>	<u>19,953,004</u>	<u>12,757,546</u>	<u>28,530,271</u>	<u>21,902,358</u>
Deferred Inflows of Resources	<u>272,876</u>	<u>386,875</u>	<u>31,836</u>	<u>57,582</u>	<u>304,712</u>	<u>444,457</u>
Net Position						
Net Investment in Capital Assets	3,007,333	2,812,922	10,561,923	7,585,247	13,569,256	10,398,169
Restricted	2,382,555	2,660,594	535,702	535,702	2,918,257	3,196,296
Unrestricted	<u>4,559,163</u>	<u>4,175,646</u>	<u>3,945,537</u>	<u>3,839,164</u>	<u>8,504,700</u>	<u>8,014,810</u>
Total Net Position	<u>\$ 9,949,051</u>	<u>\$ 9,649,162</u>	<u>\$ 15,043,162</u>	<u>\$ 11,960,113</u>	<u>\$ 24,992,213</u>	<u>\$ 21,609,275</u>

A large portion of the City's net position (54.3 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 (11.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (34.0 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, 2020

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

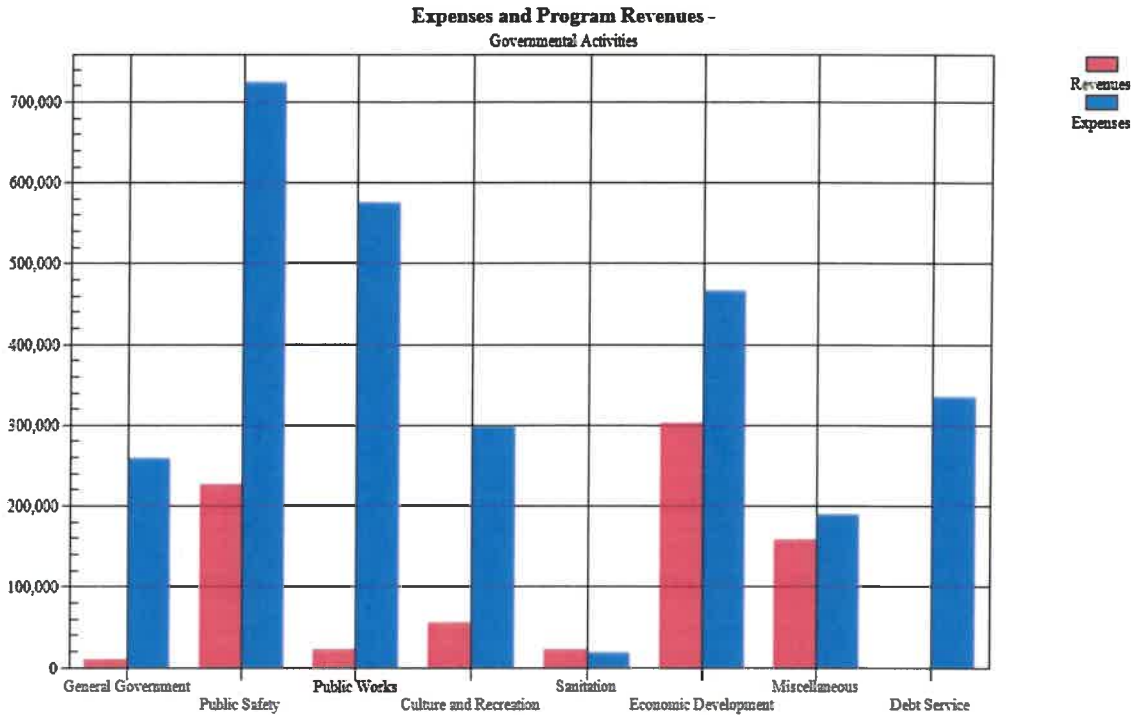
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and						
Charges for Services	\$ 549,297	\$ 537,584	\$ 4,637,286	\$ 4,636,403	\$ 5,186,583	\$ 5,173,987
Operating Grants and						
Contributions	250,225	142,635	-	-	250,225	142,635
Capital Grants and						
Contributions	-	-	1,890,001	-	1,890,001	-
Rental Income	-	-	128,862	124,315	128,862	124,315
General Revenues:						
Taxes and						
Assessments	1,127,043	931,478	-	-	1,127,043	931,478
Intergovernmental						
Revenue	982,456	936,730	-	-	982,456	936,730
Interest Income	31,596	51,183	29,400	35,559	60,996	86,742
Miscellaneous Income	173,502	213,121	240,503	166,667	414,005	379,788
Refunds and						
Reimbursements	-	-	75,069	57,969	75,069	57,969
Total Revenues	<u>3,114,119</u>	<u>2,812,731</u>	<u>7,001,121</u>	<u>5,020,913</u>	<u>10,115,240</u>	<u>7,833,644</u>
<u>Expenses</u>						
General Government	258,463	254,037	-	-	258,463	254,037
Public Safety	723,162	653,305	-	-	723,162	653,305
Public Works	575,317	602,251	-	-	575,317	602,251
Culture and Recreation	298,458	313,415	-	-	298,458	313,415
Sanitation	18,828	18,655	-	-	18,828	18,655
Economic Development	466,170	415,327	-	-	466,170	415,327
Miscellaneous	189,668	152,811	-	-	189,668	152,811
Interest on Long-Term						
Debt	334,392	291,720	-	-	334,392	291,720
Debt Issuance Costs	41,459	-	-	-	41,459	-
Loss on Disposal of						
Capital Assets	28,313	3,000	-	-	28,313	3,000
Water Utility	-	-	556,919	513,314	556,919	513,314
Sewer Utility	-	-	498,583	528,088	498,583	528,088
Electric Utility	-	-	2,592,228	2,463,094	2,592,228	2,463,094
Housing and						
Redevelopment	-	-	150,342	157,682	150,342	157,682
Total Expenses	<u>2,934,230</u>	<u>2,704,521</u>	<u>3,798,072</u>	<u>3,662,178</u>	<u>6,732,302</u>	<u>6,366,699</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	299,889	228,210	3,083,049	1,238,735	3,382,938	1,466,945
Net Position Beginning	<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>
Net Position Ending	<u>\$ 9,949,051</u>	<u>\$ 9,649,162</u>	<u>\$ 15,043,162</u>	<u>\$ 11,960,113</u>	<u>\$ 24,992,213</u>	<u>\$ 21,609,275</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2020

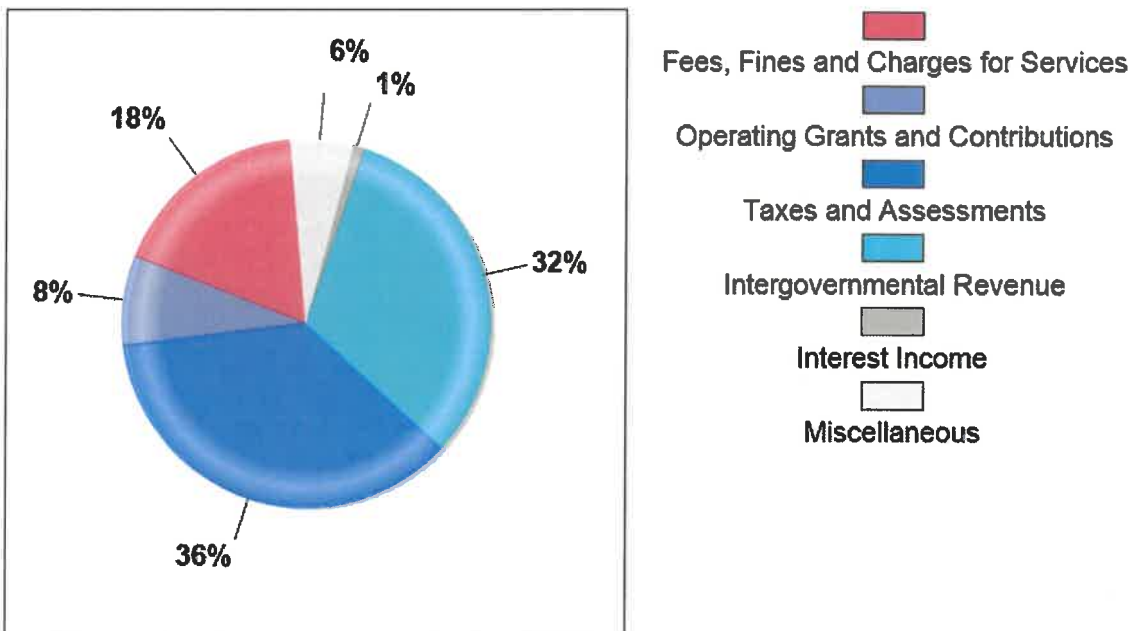
THE CITY AS A WHOLE (Cont.)

Governmental Activities

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



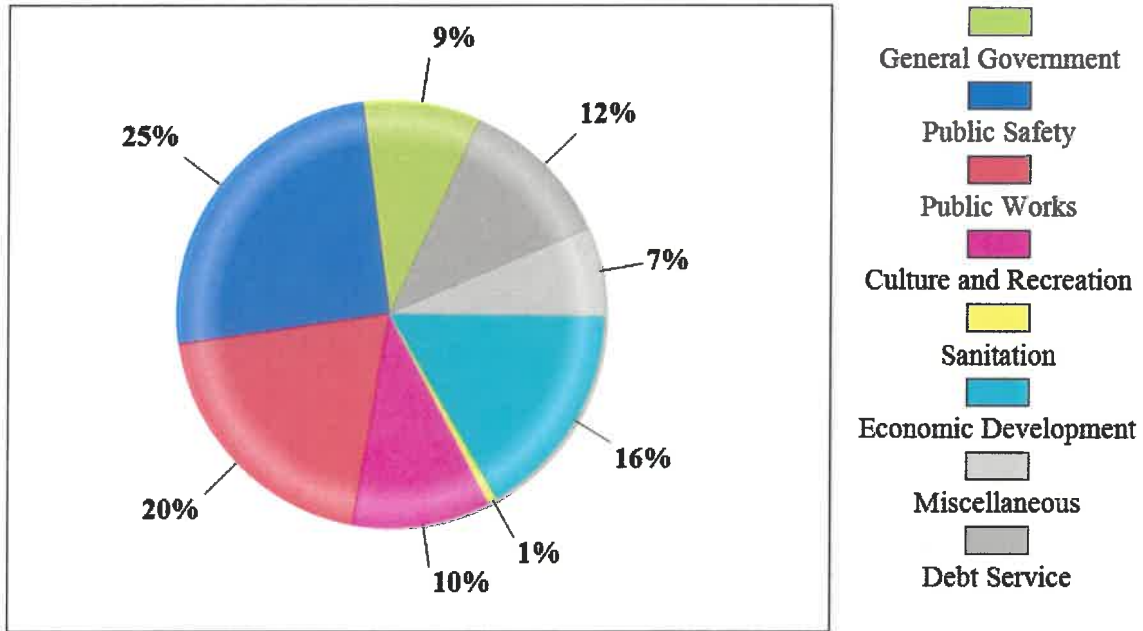
Sources of Funds in Governmental Activities



CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2020

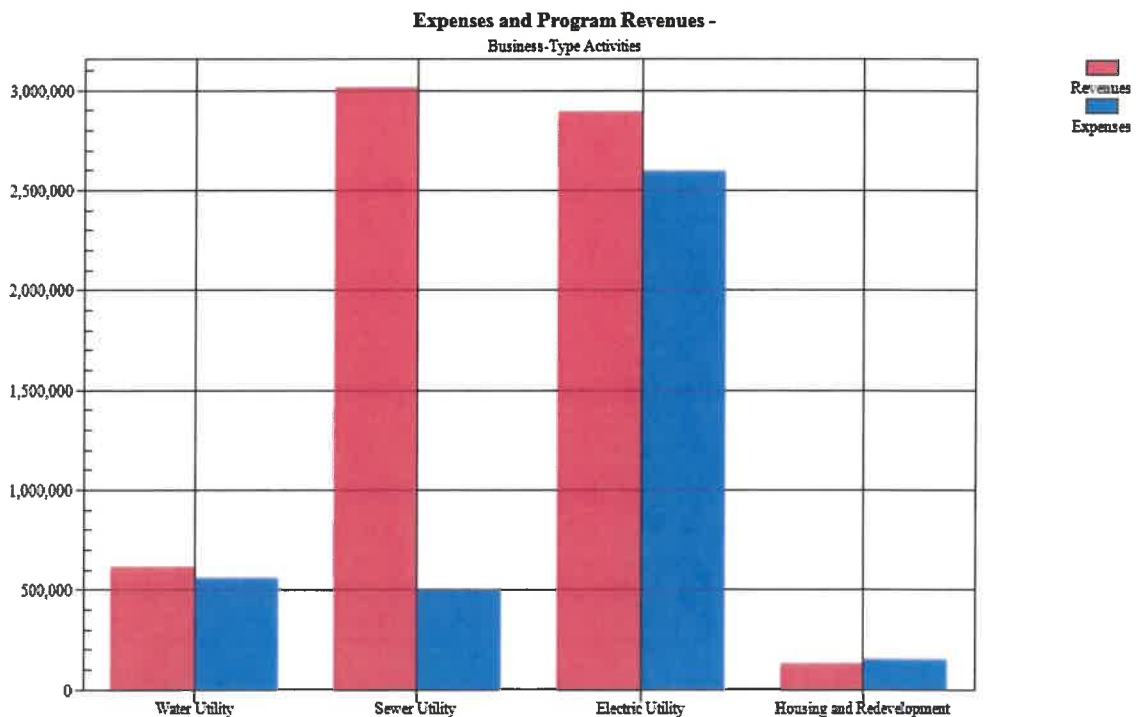
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

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.

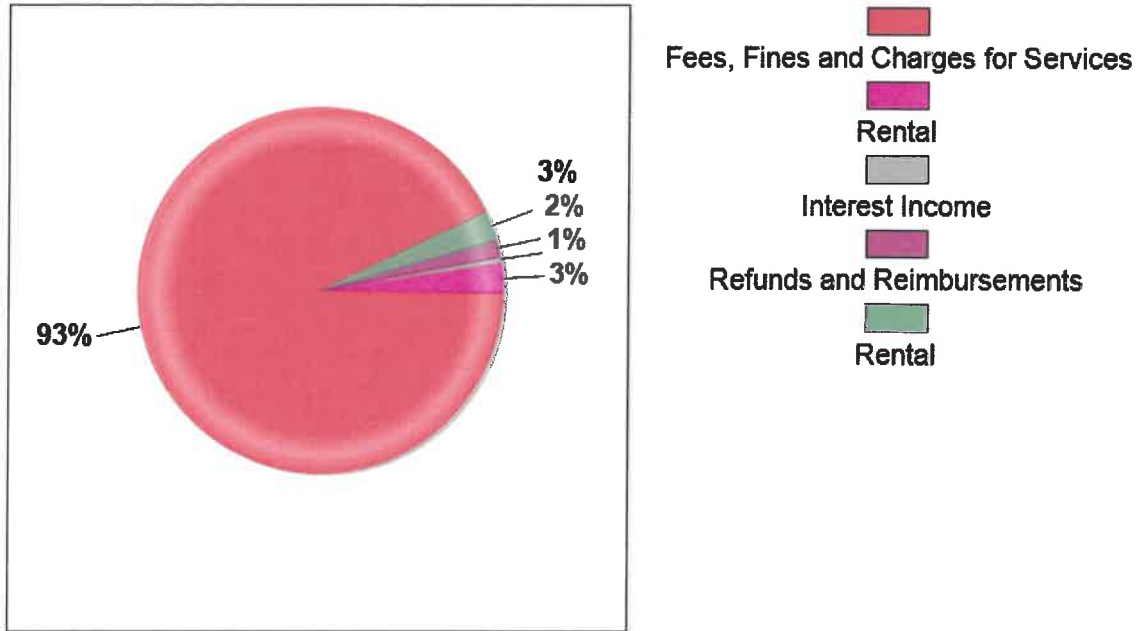


CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 \$5,338,737 a decrease of \$55,724 in comparison to the prior year. Approximately 55.3 percent of this total amount, \$2,954,564 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 \$2,382,555 or is nonspendable to offset prepaid expenses in the amount of \$1,618.

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 \$1,896,065. 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 76.8 percent of fund expenditures. The fund balance of the City's General Fund increased by \$106,848 during the current fiscal year.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 \$3,945,537.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues equal to expenditures for the year. Revenues were over expectations by \$79,266. The expenditures came in under budget by \$27,582.

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, 2020, amounts to \$37,962,279 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 22.7 percent (an 3.5 percent decrease for governmental activities and a 37.5 percent increase for business-type activities). The increase was due to capital outlay exceeding depreciation.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 716,453	\$ 744,766	\$ 124,251	\$ 64,521	\$ 840,704	\$ 809,287
Construction in Progress	3,084	3,084	8,463,638	533,708	8,466,722	536,792
Buildings and Improvements	6,143,824	6,143,824	5,336,660	5,188,055	11,480,484	11,331,879
Infrastructure and Improvements	8,682,452	8,682,452	27,784,321	27,646,476	36,466,773	36,328,928
Machinery and Equipment	735,357	607,203	939,969	918,916	1,675,326	1,526,119
Transportation and Other Equipment	<u>2,452,210</u>	<u>2,452,210</u>	<u>350,988</u>	<u>336,052</u>	<u>2,803,198</u>	<u>2,788,262</u>
Subtotal	18,733,380	18,633,539	42,999,827	34,687,728	61,733,207	53,321,267
Less: Accumulated Depreciation	<u>7,977,211</u>	<u>7,487,561</u>	<u>15,793,717</u>	<u>14,898,658</u>	<u>23,770,928</u>	<u>22,386,219</u>
Total	<u>\$ 10,756,169</u>	<u>\$ 11,145,978</u>	<u>\$ 27,206,110</u>	<u>\$ 19,789,070</u>	<u>\$ 37,962,279</u>	<u>\$ 30,935,048</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$26,354,502.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
G.O. Tax Increment Bonds	\$ -	\$ 3,584,000	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 3,584,000
G.O. Improvement Bonds	4,163,550	4,448,600	-	-	4,163,550	4,448,600
G.O. Refunding Bonds	3,382,400	64,800	414,450	526,600	3,796,850	591,400
G.O. Revenue Bonds	-	-	12,363,030	7,132,685	12,363,030	7,132,685
Revenue Bonds	-	-	4,228,186	4,517,138	4,228,186	4,517,138
Notes	191,887	214,183	-	-	191,887	214,183
Mortgage Payable	<u>10,999</u>	<u>21,474</u>	<u>-</u>	<u>-</u>	<u>10,999</u>	<u>21,474</u>
Total	<u>\$ 7,748,836</u>	<u>\$ 8,333,057</u>	<u>\$ 18,605,666</u>	<u>\$ 12,176,423</u>	<u>\$ 26,354,502</u>	<u>\$ 20,509,480</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City appointed officials considered many factors when setting the fiscal year 2021 budget, rates, and fees that will be charged by the funds of the City. The major factors accounted for when adopting the General Fund and special revenue fund budgets was to hold all line items as much as possible to the 2020 final budget levels.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 4,448,420	\$ 5,334,231	\$ 9,782,651
Escrowed Investment	480,708	-	480,708
Restricted Cash	-	1,078,497	1,078,497
Receivables:			
Accounts Receivable	33,853	893,582	927,435
Property Taxes Receivable	64,934	-	64,934
Special Assessments Receivable	1,487,219	53,365	1,540,584
Interest Receivable	1,173	-	1,173
Notes Receivable	1,172,125	-	1,172,125
Land Held for Resale	36,373	-	36,373
Prepaid Expense	1,618	11,802	13,420
Internal Balances	9,384	(9,384)	-
Inventory	-	317,340	317,340
Capital Assets:			
Nondepreciable:			
Land	716,453	124,251	840,704
Construction in Progress	3,084	8,463,638	8,466,722
Depreciable, Net of Accumulated Depreciation:			
Buildings and Improvements	3,607,612	1,951,407	5,559,019
Infrastructure and Improvements	5,494,341	16,426,853	21,921,194
Machinery and Equipment	275,914	185,632	461,546
Transportation and Other Equipment	658,765	54,329	713,094
Bond Discount	84,111	56,898	141,009
TOTAL ASSETS	<u>18,576,087</u>	<u>34,942,441</u>	<u>53,518,528</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>223,107</u>	<u>85,561</u>	<u>308,668</u>
LIABILITIES			
Accounts Payable	39,841	773,085	812,926
Accrued Interest	71,588	60,707	132,295
Accrued Payroll	7,230	5,496	12,726
Due to Other Governments	-	23,856	23,856
Customer Deposits	-	121,084	121,084
Unamortized Bond Premium	31,151	43,726	74,877
Noncurrent liabilities:			
Due within one year	525,354	1,405,452	1,930,806
Net Pension Liability	614,973	275,791	890,764
Due in more than one year	7,223,482	17,200,214	24,423,696
Accrued Compensated Absences	63,648	43,593	107,241
TOTAL LIABILITIES	<u>8,577,267</u>	<u>19,953,004</u>	<u>28,530,271</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>272,876</u>	<u>31,836</u>	<u>304,712</u>
NET POSITION			
Net Investment in Capital Assets	3,007,333	10,561,923	13,569,256
Restricted	2,382,555	535,702	2,918,257
Unrestricted	4,559,163	3,945,537	8,504,700
TOTAL NET POSITION	<u>\$ 9,949,051</u>	<u>\$ 15,043,162</u>	<u>\$ 24,992,213</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, 2020

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	Capital Grants	Rental	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
General Government	\$ 258,463	\$ 10,285	\$ -	\$ -	\$ -	\$ (248,178)	\$ -	\$ (248,178)
Public Safety	723,162	165,901	60,364	-	-	(496,897)	-	(496,897)
Public Works	575,317	22,566	-	-	-	(552,751)	-	(552,751)
Culture and Recreation	298,458	25,800	31,044	-	-	(241,614)	-	(241,614)
Sanitation	18,828	22,320	-	-	-	3,492	-	3,492
Economic Development	466,170	302,425	-	-	-	(163,745)	-	(163,745)
Miscellaneous	189,668	-	158,817	-	-	(30,851)	-	(30,851)
Debt Service	334,392	-	-	-	-	(334,392)	-	(334,392)
Total Governmental Activities	2,864,458	549,297	250,225	-	-	(2,064,936)	-	(2,064,936)
Business-Type Activities:								
Water Utility	556,919	614,548	-	-	-	-	57,629	57,629
Sewer Utility	498,583	1,138,654	-	1,876,865	-	-	2,516,936	2,516,936
Electric Utility	2,592,228	2,884,084	-	13,136	-	-	304,992	304,992
Housing and Redevelopment	150,342	-	-	-	128,862	-	(21,480)	(21,480)
Total Business-Type Activities	3,798,072	4,637,286	-	1,890,001	128,862	-	2,858,077	2,858,077
Total Primary Government	\$ 6,662,530	\$ 5,186,583	\$ 250,225	\$ 1,890,001	\$ 128,862	(2,064,936)	2,858,077	793,141
General Revenues:								
Taxes and Assessments						1,127,043	-	1,127,043
Intergovernmental Revenue						982,456	-	982,456
Loss on Disposal of Capital Assets						(28,313)	-	(28,313)
Interest Income						31,596	29,400	60,996
Refunds and Reimbursements						-	75,069	75,069
Miscellaneous						173,502	240,503	414,005
Debt Issuance Costs						(41,459)	-	(41,459)
Transfers						120,000	(120,000)	-
Total General Revenues						2,364,825	224,972	2,589,797
Changes in Net Position						299,889	3,083,049	3,382,938
Net Position- January 1						9,649,162	11,960,113	21,609,275
Net Position- December 31						\$ 9,949,051	\$ 15,043,162	\$ 24,992,213

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

CITY OF MOUNTAIN LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	101 - General Fund	303 - G.O. Tax Increment Bonds of 2013B	341 - TIF #1- 6 Mt Power	342 - TIF #1- 4 Good Samaritan	Nonmajor Governmental Funds	Total
ASSETS:						
Cash and Investments	\$ 1,099,692	\$ -	\$ -	\$ 21,065	\$ 3,327,661	\$ 4,448,418
Escrowed Investment	443,818	-	-	-	36,890	480,708
Accounts Receivable	4,727	-	-	-	29,126	33,853
Property Taxes Receivable	64,934	-	-	-	-	64,934
Special Assessments Receivable	1,251	-	-	-	1,485,968	1,487,219
Interest Receivable	969	-	-	-	205	1,174
Notes Receivable	-	-	-	661,696	510,429	1,172,125
Land Held for Resale	-	-	-	-	36,373	36,373
Prepaid Expense	1,618	-	-	-	-	1,618
Due from Other Funds	<u>361,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,920</u>	<u>513,577</u>
Total Assets	<u>\$ 1,978,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,761</u>	<u>\$ 5,578,572</u>	<u>\$ 8,239,999</u>
LIABILITIES:						
Accounts Payable	\$ 19,980	\$ -	\$ -	\$ 8,000	\$ 11,861	\$ 39,841
Accrued Payroll	4,850	-	-	-	2,380	7,230
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>504,193</u>	<u>504,193</u>
Total Liabilities	<u>24,830</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>518,434</u>	<u>551,264</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	<u>57,771</u>	<u>-</u>	<u>-</u>	<u>661,696</u>	<u>1,630,531</u>	<u>2,349,998</u>
Total Deferred Inflows of Resources	<u>57,771</u>	<u>-</u>	<u>-</u>	<u>661,696</u>	<u>1,630,531</u>	<u>2,349,998</u>
FUND BALANCES:						
Nonspendable	1,618	-	-	-	-	1,618
Restricted	-	-	-	13,065	2,369,490	2,382,555
Assigned	959,267	-	-	-	1,384,874	2,344,141
Unassigned (Deficit)	<u>935,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(324,757)</u>	<u>610,423</u>
Total Fund Balances	<u>1,896,065</u>	<u>-</u>	<u>-</u>	<u>13,065</u>	<u>3,429,607</u>	<u>5,338,737</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,978,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,761</u>	<u>\$ 5,578,572</u>	<u>\$ 8,239,999</u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Total Governmental Fund Balances	\$ 5,338,737
<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.	10,756,170
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	2,349,998
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.	(7,915,223)
Long-term assets, including bond discounts are not financial resources and therefore are not reported in the funds.	84,111
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>(664,742)</u>
Net Position of Governmental Activities	<u>\$ 9,949,051</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	101 - General Fund	303 - G.O. Tax Increment Bonds of 2013B	341 - TIF #1- 6 Mt Power	342 - TIF #1- 4 Good Samaritan	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 305,481	\$ 18,577	\$ 55,628	\$ 27,900	\$ 672,645	\$ 1,080,231
Licenses and Permits	10,275	-	-	-	-	10,275
Intergovernmental Revenue	885,680	-	-	-	344,269	1,229,949
Charges for Services	70,672	91,794	190,581	-	170,563	523,610
Fines and Forfeits	15,388	-	-	-	24	15,412
Interest Income	8,517	-	448	2,541	20,091	31,597
Miscellaneous	16,830	-	-	52,719	133,906	203,455
Total Revenues	<u>1,312,843</u>	<u>110,371</u>	<u>246,657</u>	<u>83,160</u>	<u>1,341,498</u>	<u>3,094,529</u>
EXPENDITURES						
Current Operations:						
General Government	238,811	-	-	-	-	238,811
Public Safety	434,227	-	-	-	246,121	680,348
Public Works	308,244	-	-	-	-	308,244
Culture and Recreation	99,593	-	-	-	160,559	260,152
Sanitation	10,505	-	-	-	8,323	18,828
Economic Development	1,250	4,625	-	46,132	348,488	400,495
Miscellaneous	86,760	-	60,809	-	42,099	189,668
Debt Service:						
Principal Payments	-	1,000,000	1,545,000	710,000	709,221	3,964,221
Interest Payments	-	64,844	90,690	39,692	158,179	353,405
Miscellaneous	-	4,349	-	1,245	743	6,337
Cost of Issuance of Debt	-	33,891	44,470	12,479	10,749	101,589
Capital Outlay	37,518	-	-	-	90,637	128,155
Total Expenditures	<u>1,216,908</u>	<u>1,107,709</u>	<u>1,740,969</u>	<u>809,548</u>	<u>1,775,119</u>	<u>6,650,253</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES						
	95,935	(997,338)	(1,494,312)	(726,388)	(433,621)	(3,555,724)
OTHER FINANCING SOURCES (USES)						
Transfer In	120,000	25,775	-	-	721,459	867,234
Issuance of Debt	-	1,015,000	1,330,000	710,000	325,000	3,380,000
Transfer Out	(109,087)	-	(42,756)	-	(595,391)	(747,234)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
	106,848	43,437	(207,068)	(16,388)	17,447	(55,724)
FUND BALANCES -						
January 1	<u>1,789,217</u>	<u>(43,437)</u>	<u>207,068</u>	<u>29,453</u>	<u>3,412,160</u>	<u>5,394,461</u>
FUND BALANCES -						
December 31	<u>\$ 1,896,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,065</u>	<u>\$ 3,429,607</u>	<u>\$ 5,338,737</u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ (55,724)
<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	128,154
Depreciation Expense	(489,651)
Gain (Loss) on Disposal of Assets	(28,313)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	104
Special Assessments	46,708
Loan Repayments	(29,953)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	27,981
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	(3,380,000)
Principal Repayments	3,964,221
Debt Premium/Discount	57,499
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	8,964
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>49,899</u>
Change in Net Position of Governmental Activities	<u>\$ 299,889</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 5,245,625	\$ 88,605	\$ 5,334,230
Restricted Cash	-	1,078,497	1,078,497
Accounts Receivable	893,582	-	893,582
Special Assessments Receivable	53,365	-	53,365
Due from Other Funds	1,537	591	2,128
Prepaid Expense	11,802	-	11,802
Inventory	317,340	-	317,340
Total Current Assets	6,523,251	1,167,693	7,690,944
NONCURRENT ASSETS			
Capital Assets:			
Land	93,227	31,024	124,251
Buildings and Improvements	3,965,388	1,371,272	5,336,660
Infrastructure and Improvements	27,784,321	-	27,784,321
Machinery and Equipment	939,969	-	939,969
Transportation and Other Equipment	350,988	-	350,988
Construction in Progress	7,755,964	707,674	8,463,638
Total Capital Assets	40,889,857	2,109,970	42,999,827
Less: Accumulated Depreciation	14,980,681	813,036	15,793,717
Net Capital Assets	25,909,176	1,296,934	27,206,110
Bond Discount	56,898	-	56,898
Total Noncurrent Assets	25,966,074	1,296,934	27,263,008
TOTAL ASSETS	32,489,325	2,464,627	34,953,952
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	85,561	-	85,561
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 32,574,886	\$ 2,464,627	\$ 35,039,513
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 601,871	\$ 171,213	\$ 773,084
Due to Other Funds	10,921	591	11,512
Accrued Interest	55,796	4,911	60,707
Accrued Payroll	5,496	-	5,496
Due to Other Governments	23,856	-	23,856
Customer Deposits	109,619	11,465	121,084
Unamortized Bond Premium	829	42,897	43,726
Current Amount of Long-Term Debt	1,363,965	41,487	1,405,452
Total Current Liabilities	2,172,353	272,564	2,444,917
LONG-TERM LIABILITIES			
Accrued Compensated Absences	43,593	-	43,593
Net Pension Liability	275,791	-	275,791
Bonds and Notes Payable	15,083,765	2,116,449	17,200,214
Total Long-Term Liabilities	15,403,149	2,116,449	17,519,598
TOTAL LIABILITIES	17,575,502	2,389,013	19,964,515
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	31,836	-	31,836
NET POSITION			
Net Investment in Capital Assets	10,461,446	100,477	10,561,923
Restricted for Debt Service	535,702	-	535,702
Unrestricted (Deficit)	3,970,400	(24,863)	3,945,537
Total Net Position	14,967,548	75,614	15,043,162
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	\$ 32,574,886	\$ 2,464,627	\$ 35,039,513

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, 2020

	<u>Public Utilities Commission</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
OPERATING REVENUES			
Sales to Consumers	\$ 4,637,286	\$ -	\$ 4,637,286
Rental Income	-	128,862	128,862
Total Operating Revenues	<u>4,637,286</u>	<u>128,862</u>	<u>4,766,148</u>
OPERATING EXPENSES			
Depreciation	845,489	49,571	895,060
Insurance	-	11,118	11,118
Miscellaneous	-	9,568	9,568
Professional Services	-	23,050	23,050
Repairs, Maintenance and Supplies	-	34,161	34,161
Utilities	-	2,373	2,373
Pumping, Treatment, Production	1,533,301	-	1,533,301
Distribution and Collection	693,759	-	693,759
Administration and General	282,172	-	282,172
Total Operating Expenses	<u>3,354,721</u>	<u>129,841</u>	<u>3,484,562</u>
NET OPERATING INCOME (LOSS)	<u>1,282,565</u>	<u>(979)</u>	<u>1,281,586</u>
NON OPERATING INCOME AND EXPENSE			
Interest Income	29,326	84	29,410
Refunds and Reimbursements	74,969	100	75,069
Grant Income	1,890,001	-	1,890,001
CAP X Credit	240,503	-	240,503
Interest Expense	(293,019)	(20,501)	(313,520)
Net Non Operating Income and Expense	<u>1,941,780</u>	<u>(20,317)</u>	<u>1,921,463</u>
INCOME (LOSS) BEFORE TRANSFERS	3,224,345	(21,296)	3,203,049
Transfer In	-	20,000	20,000
Transfer Out	<u>(120,000)</u>	<u>(20,000)</u>	<u>(140,000)</u>
CHANGE IN NET POSITION	3,104,345	(21,296)	3,083,049
NET POSITION - January 1	<u>11,863,203</u>	<u>96,910</u>	<u>11,960,113</u>
NET POSITION - December 31	<u>\$14,967,548</u>	<u>\$ 75,614</u>	<u>\$ 15,043,162</u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Public Utilities Commission</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 4,496,240	\$ 129,107	\$ 4,625,347
Payments to Vendors	(1,938,640)	(81,755)	(2,020,395)
Payments to Employees	(564,966)	-	(564,966)
Other Receipts and Payments	<u>315,472</u>	<u>100</u>	<u>315,572</u>
Net Cash Provided By Operating Activities	<u>2,308,106</u>	<u>47,452</u>	<u>2,355,558</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer to Other Funds	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
Net Cash Used By Noncapital Financing Activities	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(7,261,594)	(548,019)	(7,809,613)
Special Assessments Collected	225	-	225
Proceeds from Bond Issuance	5,842,797	1,640,946	7,483,743
Principal Paid on Capital Debt	(972,752)	(41,202)	(1,013,954)
Principal Paid on Due to Debt Service Fund	(231,839)	(20,825)	(252,664)
Capital Grants and Contributions	<u>1,890,001</u>	<u>-</u>	<u>1,890,001</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(733,162)</u>	<u>1,030,900</u>	<u>297,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Earnings	<u>29,326</u>	<u>84</u>	<u>29,410</u>
Net Cash Provided By Investing Activities	<u>29,326</u>	<u>84</u>	<u>29,410</u>
NET INCREASE IN CASH	<u>1,484,270</u>	<u>1,078,436</u>	<u>2,562,706</u>
CASH AND CASH EQUIVALENTS - January 1	<u>3,761,355</u>	<u>88,665</u>	<u>3,850,020</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 5,245,625</u>	<u>\$ 1,167,101</u>	<u>\$ 6,412,726</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
Operating Income (Loss)	\$ 1,282,565	\$ (979)	\$ 1,281,586
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities			
Depreciation	845,489	49,571	895,060
Noncash Pension Expense	(4,546)	-	(4,546)
Changes in Assets and Liabilities			
Receivables	(145,271)	-	(145,271)
Inventory	(116,236)	-	(116,236)
Accounts Payable	115,991	(1,485)	114,506
Accrued Wages	(8,877)	-	(8,877)
Accrued Compensated Absence	11,103	-	11,103
Due to Other Governments	8,191	-	8,191
Deposits Payable	4,225	245	4,470
Other Receipts and Payments	<u>315,472</u>	<u>100</u>	<u>315,572</u>
Net Cash Provided By Operating Activities	<u>\$ 2,308,106</u>	<u>\$ 47,452</u>	<u>\$ 2,355,558</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.
- G.O. Tax Increment Bonds of 2013B - This fund is used to account for the resources to pay the City's G.O. Tax Increment Bonds of 2013B.
- TIF #1-6 Mt Power - This fund is used to account for the resources related to the TIF #1-6 and related TIF debt service.
- TIF #1-4 Good Samaritan - This fund is used to account for the resources related to the TIF #1-4 and related debt service.

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.

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.)

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.

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Deposits and Investments (Cont.)

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.
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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Deposits and Investments (Cont.)

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.

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 2020. 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, 2020 was \$107,241.

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.

The City has elected not to report the pension related items for the City's Fire Relief Association.

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. Fund Balance (Cont.)

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

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, 2020.

<u>Function Area</u>	Budget	Actual	Variance
General Fund:			
Public Safety	\$ 402,145	\$ 434,227	\$ (32,082)
Culture and Recreation	\$ 104,323	\$ 105,193	\$ (870)
Special Revenue Funds:			
Fire	\$ 147,504	\$ 197,516	\$ (50,012)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2020:

Small Cities Development	(1,537)
Downtown Ross Project	(323,220)

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 \$9,957,553 and the bank balance was \$10,012,677 including certificates of deposits of \$36,890. Of the bank balance, \$9,740,160 was covered by federal depository insurance. Of the remaining balance, \$272,517 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

B. Investments

As of December 31, 2020, 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	\$ 1,326,393	\$ -	\$ 1,326,393	\$ -
Invest Co Brokerage Account	<u>57,749</u>	<u>-</u>	<u>57,749</u>	<u>-</u>
Total	<u>\$ 1,384,142</u>	<u>\$ -</u>	<u>\$ 1,384,142</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	\$ 9,957,553
Total Investments	1,384,142
Total Cash on Hand	<u>155</u>
	<u>\$11,341,850</u>
Statement of Net Position:	
Cash and Investments	\$ 9,782,645
Restricted Cash	1,078,497
Escrowed Investments	<u>480,708</u>
	<u>\$11,341,850</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 Pedersen Rental during 2020, and ML Family Fitness during 2016 that have a balance of \$94,923 at December 31, 2020.

The loans receivable in the Southwest Housing Loan special revenue fund of \$52,914 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 \$343,846. 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, 2020 balance was \$661,696. 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, 2020, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 361,657	\$ -
Public Utilities Fund	1,537	10,921
Nonmajor Governmental Funds	151,920	504,193
Nonmajor Enterprise Funds	<u>591</u>	<u>591</u>
	<u>\$ 515,705</u>	<u>\$ 515,705</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 \$591 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	\$ 33,106	\$ -
Special Assessments Receivable	24,665	-
TIF #1-4 Good Samaritan		
Loans Receivable	661,696	-
Nonmajor Governmental Funds		
Special assessments receivable	10,389	1,472,305
Loans Receivable	<u>147,837</u>	<u>-</u>
Total	<u>\$ 877,693</u>	<u>\$ 1,472,305</u>

7. TRANSFERS

Transfers to and from other funds at December 31, 2020, follows:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 109,087	\$ 120,000
G.O. Tax Increment Bonds of 2013B	-	25,775
TIF #1-6 Mt Power	42,756	-
Nonmajor Governmental Funds	595,391	721,459
Public Utilities Fund	<u>120,000</u>	<u>-</u>
	<u>\$ 867,234</u>	<u>\$ 867,234</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 \$109,087 to the Nonmajor Governmental Funds for operating purposes. The G.O. Tax Increment Bond of 2013B fund transferred \$25,775 to Nonmajor Governmental Funds and the Nonmajor Governmental Funds transferred \$42,756 to the TIF #1-6 Mt Power Fund to close out from the bond refunding. Nonmajor Governmental Funds transferred \$678,703 to other Nonmajor Governmental Funds for operating purposes.

8. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance December 31</u>
Not Being Depreciated:				
Land	\$ 744,766	\$ -	\$ (28,313)	\$ 716,453
Construction in Progress	<u>3,084</u>	<u>-</u>	<u>-</u>	<u>3,084</u>
Subtotal	<u>747,850</u>	<u>-</u>	<u>(28,313)</u>	<u>719,537</u>
Other Capital Assets:				
Buildings	6,143,824	-	-	6,143,824
Infrastructure and Improvements	8,682,452	-	-	8,682,452
Machinery and Equipment	607,203	128,154	-	735,357
Transportation and Other Equipment	<u>2,452,210</u>	<u>-</u>	<u>-</u>	<u>2,452,210</u>
Subtotal	<u>17,885,689</u>	<u>128,154</u>	<u>-</u>	<u>18,013,843</u>
Less: Accumulated Depreciation				
Buildings	2,410,160	126,052	-	2,536,212
Infrastructure and Improvements	2,953,829	234,282	-	3,188,111
Machinery and Equipment	421,816	37,627	-	459,443
Transportation and Other Equipment	<u>1,701,756</u>	<u>91,689</u>	<u>-</u>	<u>1,793,445</u>
Subtotal	<u>7,487,561</u>	<u>489,650</u>	<u>-</u>	<u>7,977,211</u>
Net Other Capital Assets	<u>10,398,128</u>	<u>(361,496)</u>	<u>-</u>	<u>10,036,632</u>
Net Capital Assets	<u>\$ 11,145,978</u>	<u>\$ (361,496)</u>	<u>\$ (28,313)</u>	<u>\$ 10,756,169</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, 2020.

	Balance <u>January 1</u>	<u>Additions</u>	Transfers/ <u>Retirements</u>	Balance <u>December 31</u>
Not Being Depreciated:				
Land	\$ 64,521	\$ 59,730	\$ -	\$ 124,251
Construction in Progress	<u>533,708</u>	<u>7,929,930</u>	<u>-</u>	<u>8,463,638</u>
Subtotal	<u>598,229</u>	<u>7,989,660</u>	<u>-</u>	<u>8,587,889</u>
Other Capital Assets:				
Buildings	5,188,055	148,605	-	5,336,660
Infrastructure and Improvements	27,646,476	137,845	-	27,784,321
Machinery and Equipment	918,917	21,052	-	939,969
Transportation and Other Equipment	<u>336,051</u>	<u>14,937</u>	<u>-</u>	<u>350,988</u>
Subtotal	<u>34,089,499</u>	<u>322,439</u>	<u>-</u>	<u>34,411,938</u>
Less: Accumulated Depreciation				
Buildings	3,212,844	172,409	-	3,385,253
Infrastructure and Improvements	10,697,402	660,066	-	11,357,468
Machinery and Equipment	711,957	42,380	-	754,337
Transportation and Other Equipment	<u>276,454</u>	<u>20,205</u>	<u>-</u>	<u>296,659</u>
Subtotal	<u>14,898,657</u>	<u>895,060</u>	<u>-</u>	<u>15,793,717</u>
Net Other Capital Assets	<u>19,190,842</u>	<u>(572,621)</u>	<u>-</u>	<u>18,618,221</u>
Net Capital Assets	<u>\$ 19,789,071</u>	<u>\$ 7,417,039</u>	<u>\$ -</u>	<u>\$ 27,206,110</u>

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

Governmental Activities:	
General Government	\$ 23,916
Public Safety	74,724
Public Works	270,299
Culture and Recreation	48,276
Economic Development	<u>72,435</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 489,650</u>
Business-Type Activities:	
Public Utilities Commission	\$ 845,489
Nonmajor Enterprise Funds	<u>49,571</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 895,060</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE

A. Classifications

	<u>General Fund</u>	<u>TIF #1-4 Good Samaritan</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	\$ 1,618	\$ -	\$ -	\$ 1,618
Total Nonspendable	<u>1,618</u>	<u>-</u>	<u>-</u>	<u>1,618</u>
Restricted for:				
Debt Service	-	13,065	1,319,351	1,332,416
Economic Development	-	-	1,049,345	1,049,345
Library	-	-	794	794
Total Restricted	<u>-</u>	<u>13,065</u>	<u>2,369,490</u>	<u>2,382,555</u>
Assigned to:				
Capital Outlay and Improvements	872,879	-	227,625	1,100,504
Cemetery	86,388	-	-	86,388
Ambulance	-	-	374,979	374,979
Fire	-	-	368,142	368,142
Library	-	-	184,853	184,853
Lake Commission	-	-	113,222	113,222
Economic Development	-	-	116,053	116,053
Total Assigned	<u>959,267</u>	<u>-</u>	<u>1,384,874</u>	<u>2,344,141</u>
Unassigned	<u>935,180</u>	<u>-</u>	<u>(324,757)</u>	<u>610,423</u>
Total	<u>\$1,896,065</u>	<u>\$ 13,065</u>	<u>\$ 3,429,607</u>	<u>\$5,338,737</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, 2020, the unassigned fund balance of the General Fund was 74.8% 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, 2020.

	Balance <u>January 1</u>	Debt Issued	Debt <u>Retired</u>	Balance <u>December 31</u>	Current <u>Amount</u>
G.O. Tax Increment Bonds	\$ 3,584,000	\$ 1,600,000	\$3,584,000	\$ 1,600,000	\$ -
G.O. Improvement Bonds	4,448,600	-	285,050	4,163,550	285,050
G.O. Refunding Bonds	591,400	3,380,000	174,550	3,796,850	319,950
G.O. Revenue Bonds	7,132,685	5,842,797	612,452	12,363,030	999,665
Revenue Bonds	4,517,138	-	288,952	4,228,186	293,237
Notes Payable	<u>235,657</u>	<u>-</u>	<u>32,771</u>	<u>202,886</u>	<u>32,904</u>
Totals	<u>\$20,509,480</u>	<u>\$10,822,797</u>	<u>\$4,977,775</u>	<u>\$26,354,502</u>	<u>\$ 1,930,806</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, 2020 are comprised of the following issues:

Governmental Activities

\$710,000 G.O. Tax Increment Refunding Bonds of 2020C, due in annual installments of \$35,000 to \$50,000 through February 1, 2036, plus interest from 1.0-2.25% due in semi-annual installments.	\$ 710,000
\$2,670,000 G.O. Taxable Refunding Bonds 2020A, due in annual of \$35,000 to \$225,000 through February 1, 2046, plus interest from 1.8-4.0% due in semi-annual installments.	2,670,000
\$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.	1,610,000
\$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.	2,400
\$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.	203,550
\$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.	2,350,000
\$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%.	43,148
\$125,000 USDA Fire Truck Note, due in annual installments of \$10,662 through December 21, 2033 including interest at 3.25%.	111,587
\$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%.	37,152
\$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>10,999</u>
Total Governmental Activities	<u>7,748,836</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

Business-Type Activities

\$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.	506,000
\$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.	323,000
\$47,444 G.O. Revenue Bonds, due in annual installments through August 20, 2034, plus interest at 1.0% due in semi-annual installments.	27,482
\$370,000 G.O. Refunding Bond of 2011A, due in annual installments through February 1, 2022, plus interest from 2.0-3.0% due in semi-annual installments.	91,450
\$7,754,480 2012 G.O. Revenue Bond, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	4,509,000
\$8,018,787 G.O. Revenue Bonds, due in annual installments through August 20, 2039, plus interest at 1.0% due in semi-annual installments.	5,840,010
\$2,060,000 G.O. 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.	1,460,000
\$38,440 2013 G.O. Revenue Bond, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	20,538
\$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.	355,000
\$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.	202,936
\$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.	184,000
\$2,060,000 Electric Revenue CREB Bonds of 2007B, due in annual installments of \$128,750 through June 1, 2023. The interest rate on this bond is 0.0%.	386,250
\$1,600,000 G.O. Tax Abatement Bonds of 2020B, due in annual installments of \$45,000 to \$130,000 through February 1, 2042, plus interest from 1.0-2.65% due in semi-annual installments.	1,600,000

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.	190,000
\$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>2,910,000</u>
Total Business-Type Activities	18,605,666
Total Long-Term Debt	<u>\$26,354,502</u>

The annual requirements to maturity for long-term liabilities are as follows assuming full issuance of the \$8,018,787 G.O. Revenue Bonds of:

	G.O. Tax Increment Bonds			G.O. Improvement Bonds		
	Governmental Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 205,000	\$ 78,829	\$ 283,829	\$ 285,050	\$ 124,442	\$ 409,492
2022	235,000	78,013	313,013	293,500	118,280	411,780
2023	240,000	73,585	313,585	195,000	113,127	308,127
2024	245,000	69,085	314,085	200,000	109,178	309,178
2025	245,000	64,335	309,335	205,000	104,022	309,022
2026-2030	1,130,000	239,687	1,369,687	1,030,000	438,473	1,468,473
2031-2035	480,000	142,469	622,469	990,000	278,525	1,268,525
2036-2040	270,000	87,003	357,003	570,000	137,600	707,600
2041-2045	270,000	40,000	310,000	395,000	24,300	419,300
2046-2050	<u>60,000</u>	<u>1,200</u>	<u>61,200</u>	-	-	-
Total	<u>\$3,380,000</u>	<u>\$ 874,206</u>	<u>\$4,254,206</u>	<u>\$4,163,550</u>	<u>\$1,447,947</u>	<u>\$ 5,611,497</u>

	Business-Type Activities			G.O. Refunding Bond		
	Governmental Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	-	\$ 30,880	\$ 30,880	\$ 2,400	\$ 22	\$ 2,422
2022	-	41,793	41,793	-	-	-
2023	\$ 45,000	41,568	86,568	-	-	-
2024	45,000	41,118	86,118	-	-	-
2025	50,000	40,643	90,643	-	-	-
2026-2030	290,000	189,586	479,586	-	-	-
2031-2035	390,000	142,715	532,715	-	-	-
2036-2040	535,000	74,389	609,389	-	-	-
2041-2045	245,000	6,692	251,692	-	-	-
2046-2050	-	-	-	-	-	-
Total	<u>\$1,600,000</u>	<u>\$ 609,384</u>	<u>\$2,209,384</u>	<u>\$ 2,400</u>	<u>\$ 22</u>	<u>\$ 2,422</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

	G.O. Refunding Bonds			GO Revenue Bond		
	Business-Type Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 112,550	\$ 9,820	\$ 122,370	\$ 999,665	\$ 176,408	\$ 1,176,073
2022	76,500	7,478	83,978	1,010,665	158,451	1,169,116
2023	30,000	6,000	36,000	1,025,665	145,998	1,171,663
2024	30,000	5,220	35,220	862,665	134,955	997,620
2025	30,000	4,440	34,440	869,665	125,284	994,949
2026-2030	135,000	8,325	143,325	4,510,325	473,150	4,983,475
2031-2035	-	-	-	3,444,370	204,465	3,648,835
2036-2040	-	-	-	1,816,000	45,630	1,861,630
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-
Total	<u>\$ 414,050</u>	<u>\$ 41,283</u>	<u>\$ 455,333</u>	<u>\$14,539,020</u>	<u>\$ 1,464,341</u>	<u>\$16,003,361</u>

	Revenue Bonds			Mortgage Note		
	Business-Type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	237,764	112,858	350,622	13,480	3,261	16,741
2026-2030	1,224,508	450,724	1,675,232	55,576	9,869	65,445
2031-2035	1,305,715	223,570	1,529,285	29,998	1,970	31,968
2036-2040	337,157	18,493	355,650	-	1,203	1,203
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-
Total	<u>\$4,228,186</u>	<u>\$1,310,612</u>	<u>\$5,538,798</u>	<u>\$ 202,886</u>	<u>\$ 39,054</u>	<u>\$ 241,940</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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 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 2020 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, 2020, were \$62,695. 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 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City of Mountain Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$41,268. 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, 2020, the City of Mountain Lake, Minnesota reported a liability of \$653,505 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. 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 \$20,267. The net pension liability was measured as of June 30, 2020 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City of Mountain Lake, Minnesota proportionate share was 0.0109% which was an increase of 0.0012% from its proportion measured as of June 30, 2019.

City of Mountain Lake proportionate share of the net pension liability	\$ 653,505
State of Minnesota's proportionate share of the net pension liability associated with the City of Mountain Lake	<u>20,267</u>
Total	<u>\$ 673,772</u>

For the year ended December 31, 2020, the City of Mountain Lake, Minnesota recognized pension expense of \$74,619 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Mountain Lake, Minnesota recognized an additional \$1,764 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, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 5,339	\$ 2,472
Changes in actuarial assumptions	-	22,983
Net collective difference between projected and actual investment earnings	14,990	-
Changes in proportion	52,951	14,287
Contributions paid to PERA subsequent to the measurement date	<u>33,272</u>	<u>-</u>
Total	<u>\$ 106,552</u>	<u>\$ 39,742</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

The \$33,272 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, 2021. 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>
2021	\$ (22,626)
2022	\$ 11,292
2023	\$ 28,903
2024	\$ 15,789
2025	\$ -
Thereafter	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City of Mountain Lake, Minnesota reported a liability of \$237,259 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City of Mountain Lake, Minnesota proportionate share was 0.0180% which was an decrease of 0.0032% from its proportion measured as of June 30, 2019.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City of Mountain Lake, Minnesota recognized pension expense of \$1,717 for its proportionate share of the Police and Fire Fund's pension expense. In addition, the City of Mountain Lake, Minnesota recognized an additional \$1,620 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

The State of Minnesota is not included as a non-employer contribution entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City of Mountain Lake, Minnesota also recognized \$1,717 for the year ended December 31, 2020 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.

At December 31, 2020, 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	\$ 10,853	\$ 6,260
Changes in actuarial assumptions	44,173	138,622
Net collective difference between projected and actual investment earnings	3,476	-
Changes in proportion	30,787	29,477
Contributions paid to PERA subsequent to the measurement date	<u>22,215</u>	<u>-</u>
Total	<u>\$ 111,504</u>	<u>\$ 174,359</u>

The \$22,215 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, 2021. 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>
2021	\$ (38,705)
2022	\$ (54,148)
2023	\$ 6,778
2024	\$ 6,519
2025	\$ (5,514)
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, 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%

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

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 after retirement 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.

Actuarial assumptions used in the June 30, 2020, 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 assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent five-year experience study for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for year 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer prediction disability retirements for males and females.
- The base mortality table for health annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disability annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changed in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- 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 geometric 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%
Alternative Assets (Private Markets)	25.0%	5.90%
Bonds (Fixed Income)	20.0%	0.75%
International Stocks	17.5%	5.30%
Cash	<u>2.0%</u>	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 2020 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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
General Employees Fund:	\$ 1,047,341	\$ 653,505	\$ 328,621
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Police and Fire Fund	\$ 472,892	\$ 237,259	\$ 42,315

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. OTHER POST EMPLOYMENT BENEFITS

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

13. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2020.

14. 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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS AND CONTINGENCIES (Cont.)

A. Risk Management (Cont.)

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

B. Claims and Judgments

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

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.

D. Construction Contracts

The City has entered into construction contracts with Mathiowetz Construction Company for the improvements to the sewer infrastructure. The total contract including approved change orders is for \$8,346,000. As of December 31, 2020 the City had \$1,982,292 remaining on the contract.

15. SUBSEQUENT EVENTS

Management evaluated all activity of City of Mountain Lake through June 7, 2021 (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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>				<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ 297,429	\$ 297,429	\$ 305,481	\$ 8,052	\$ 170,114
Total Taxes	<u>297,429</u>	<u>297,429</u>	<u>305,481</u>	<u>8,052</u>	<u>170,114</u>
LICENSES AND PERMITS:					
Business	675	675	680	5	1,025
Nonbusiness	<u>8,300</u>	<u>8,300</u>	<u>9,595</u>	<u>1,295</u>	<u>10,664</u>
Total Licenses and Permits	<u>8,975</u>	<u>8,975</u>	<u>10,275</u>	<u>1,300</u>	<u>11,689</u>
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	829,572	829,572	830,271	699	808,856
Market Value Credit	-	-	262	262	245
PERA Rate Increase Aid	-	-	-	-	1,228
State Police Aid	27,000	27,000	32,291	5,291	35,605
Other State Grants	2,500	2,500	13,043	10,543	5,376
County and Township Revenue	-	-	9,813	9,813	4,707
Total Intergovernmental Revenue	<u>859,072</u>	<u>859,072</u>	<u>885,680</u>	<u>26,608</u>	<u>856,017</u>
CHARGES FOR SERVICES:					
General Government	400	400	10	(390)	160
Public Works	10,000	10,000	22,566	12,566	23,691
Culture and Recreation	24,000	24,000	25,776	1,776	21,653
Miscellaneous	<u>21,000</u>	<u>21,000</u>	<u>22,320</u>	<u>1,320</u>	<u>21,000</u>
Total Charges for Services	<u>55,400</u>	<u>55,400</u>	<u>70,672</u>	<u>15,272</u>	<u>66,504</u>
FINES AND FORFEITS	<u>5,700</u>	<u>5,700</u>	<u>15,388</u>	<u>9,688</u>	<u>6,847</u>
INTEREST INCOME	<u>2,500</u>	<u>2,500</u>	<u>8,516</u>	<u>6,016</u>	<u>17,605</u>
MISCELLANEOUS:					
Loan Repayments	2,000	2,000	5,964	3,964	25,212
Sale of Property	-	-	100	100	-
Miscellaneous Income	<u>2,500</u>	<u>2,500</u>	<u>10,766</u>	<u>8,266</u>	<u>9,620</u>
Total Miscellaneous	<u>4,500</u>	<u>4,500</u>	<u>16,830</u>	<u>12,330</u>	<u>34,832</u>
TOTAL REVENUES	<u>1,233,576</u>	<u>1,233,576</u>	<u>1,312,842</u>	<u>79,266</u>	<u>1,163,608</u>
OTHER FINANCING SOURCES					
Transfer In	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>1,353,576</u>	<u>1,353,576</u>	<u>1,432,842</u>	<u>79,266</u>	<u>1,283,608</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	15,270	15,270	14,380	890	14,949
Other Current Expenditures	<u>1,730</u>	<u>1,730</u>	<u>248</u>	<u>1,482</u>	<u>286</u>
Total Mayor and Council	<u>17,000</u>	<u>17,000</u>	<u>14,628</u>	<u>2,372</u>	<u>15,235</u>
Election:					
Personnel Services	4,875	4,875	2,116	2,759	-
Other Current Expenditures	<u>250</u>	<u>250</u>	<u>248</u>	<u>2</u>	<u>-</u>
Total Election	<u>5,125</u>	<u>5,125</u>	<u>2,364</u>	<u>2,761</u>	<u>-</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES (Cont.):					
GENERAL GOVERNMENT (Cont.):					
Administrative and Finance:					
Personnel Services	\$ 188,678	\$ 188,678	\$ 150,300	\$ 38,378	\$ 140,432
Supplies	6,000	6,000	7,980	(1,980)	8,463
Other Current Expenditures	30,045	30,045	24,816	5,229	24,341
Capital Outlay	<u>5,750</u>	<u>5,750</u>	<u>13,544</u>	<u>(7,794)</u>	<u>-</u>
Total Administrative and Finance	<u>230,473</u>	<u>230,473</u>	<u>196,640</u>	<u>33,833</u>	<u>173,236</u>
Community Center:					
Personnel Services	3,875	3,875	2,689	1,186	3,644
Supplies	1,250	1,250	191	1,059	318
Other Current Expenditures	11,250	11,250	9,580	1,670	11,738
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,988</u>
Total Community Center	<u>16,375</u>	<u>16,375</u>	<u>12,460</u>	<u>3,915</u>	<u>46,688</u>
Planning and Zoning:					
Personnel Services	500	500	170	330	370
Other Current Expenditures	<u>6,700</u>	<u>6,700</u>	<u>5,833</u>	<u>867</u>	<u>5,158</u>
Total Planning and Zoning	<u>7,200</u>	<u>7,200</u>	<u>6,003</u>	<u>1,197</u>	<u>5,528</u>
Independent Auditing:					
Current Expenditures	<u>8,000</u>	<u>8,000</u>	<u>7,073</u>	<u>927</u>	<u>7,178</u>
Legal:					
Current Expenditures	<u>8,000</u>	<u>8,000</u>	<u>13,187</u>	<u>(5,187)</u>	<u>8,812</u>
Total Legal	<u>8,000</u>	<u>8,000</u>	<u>13,187</u>	<u>(5,187)</u>	<u>8,812</u>
Total General Government	<u>292,173</u>	<u>292,173</u>	<u>252,355</u>	<u>39,818</u>	<u>256,677</u>
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	351,658	351,658	373,300	(21,642)	313,113
Supplies	15,900	15,900	12,892	3,008	14,636
Other Current Expenditures	34,587	34,587	46,665	(12,078)	34,610
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,595</u>
Total Police Protection	<u>402,145</u>	<u>402,145</u>	<u>432,857</u>	<u>(30,712)</u>	<u>363,954</u>
Civil Defense:					
Current Expenditures	<u>-</u>	<u>-</u>	<u>1,370</u>	<u>(1,370)</u>	<u>1,245</u>
Total Civil Defense	<u>-</u>	<u>-</u>	<u>1,370</u>	<u>(1,370)</u>	<u>1,245</u>
Total Public Safety	<u>402,145</u>	<u>402,145</u>	<u>434,227</u>	<u>(32,082)</u>	<u>365,199</u>
PUBLIC WORKS:					
Streets and Alleys:					
Personnel Services	155,602	155,602	160,797	(5,195)	152,803
Supplies	38,000	38,000	32,272	5,728	21,871
Other Current Expenditures	64,821	64,821	62,444	2,377	115,817
Capital Outlay	<u>31,750</u>	<u>31,750</u>	<u>18,374</u>	<u>13,376</u>	<u>43,327</u>
Total Streets and Alleys	<u>290,173</u>	<u>290,173</u>	<u>273,887</u>	<u>16,286</u>	<u>333,818</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, 2020

With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance	<u>2019</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
EXPENDITURES (Cont.):					
PUBLIC WORKS (Cont.):					
Street Lighting:					
Current Expenditures	\$ 33,000	\$ 33,000	\$ 45,569	\$ (12,569)	\$ 43,641
Capital Outlay	-	-	-	-	5,605
Total Street Lighting	33,000	33,000	45,569	(12,569)	49,246
Storm Sewer:					
Supplies	1,500	1,500	391	1,109	1,836
Other Current Expenditures	6,000	6,000	6,771	(771)	-
Total Storm Sewer	7,500	7,500	7,162	338	1,836
Total Public Works	330,673	330,673	326,618	4,055	384,900
CULTURE AND RECREATION:					
Parks and Recreation:					
Personnel Services	53,023	53,023	54,113	(1,090)	58,849
Supplies	4,000	4,000	3,326	674	5,042
Other Current Expenditures	29,705	29,705	32,271	(2,566)	37,250
Capital Outlay	6,000	6,000	5,600	400	-
Total Parks and Recreation	92,728	92,728	95,310	(2,582)	101,141
Campgrounds:					
Personnel Services	4,285	4,285	2,626	1,659	1,749
Other Current Expenditures	7,310	7,310	7,257	53	6,649
Total Campgrounds	11,595	11,595	9,883	1,712	8,398
Total Culture and Recreation	104,323	104,323	105,193	(870)	109,539
SANITATION:					
Waste Collection and Disposal:					
Current Expenditures	12,000	12,000	10,505	1,495	12,697
Total Waste Collection and Disposal	12,000	12,000	10,505	1,495	12,697
Total Sanitation	12,000	12,000	10,505	1,495	12,697
ECONOMIC DEVELOPMENT:					
Current Expenditures	1,250	1,250	1,250	-	1,250
MISCELLANEOUS:					
Cemetery					
Personnel Services	52,100	52,100	46,129	5,971	48,380
Other Current Expenditures	2,280	2,280	3,483	(1,203)	4,511
Capital Outlay	-	-	-	-	4,997
Insurance	28,000	28,000	27,378	622	26,051
Current Expenditures	19,546	19,546	9,770	9,776	19,096
Total Miscellaneous	101,926	101,926	86,760	15,166	103,035
TOTAL EXPENDITURES	1,244,490	1,244,490	1,216,908	27,582	1,233,297

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, 2020
With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			<u>Variance</u> <u>with Final</u>	<u>2019</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
EXCESS REVENUES OVER EXPENDITURES	\$ <u>109,086</u>	\$ <u>109,086</u>	\$ <u>215,934</u>	\$ <u>106,848</u>	\$ <u>50,311</u>
OTHER FINANCING USES: Transfer Out	<u>109,086</u>	<u>109,086</u>	<u>109,086</u>	<u>-</u>	<u>103,947</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	106,848	106,848	(53,636)
FUND BALANCES - January 1	<u>1,789,217</u>	<u>1,789,217</u>	<u>1,789,217</u>	<u>-</u>	<u>1,842,853</u>
FUND BALANCES - December 31	<u>\$ 1,789,217</u>	<u>\$ 1,789,217</u>	<u>\$ 1,896,065</u>	<u>\$ 106,848</u>	<u>\$ 1,789,217</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES					
General Property Taxes	\$ 143,251	\$ 143,251	\$ 143,251	\$ -	\$ 138,466
Intergovernmental Revenue					
Local Government Aid	18,232	18,232	18,248	16	17,777
County and Township Revenue	22,000	22,000	31,044	9,044	32,673
Fines and Forfeits	-	-	24	24	136
Interest Income	-	-	464	464	684
Miscellaneous Income	-	-	15	15	13
	<u>183,483</u>	<u>183,483</u>	<u>193,046</u>	<u>9,563</u>	<u>189,749</u>
TOTAL REVENUES					
EXPENDITURES					
Personnel Services	134,529	134,529	115,914	18,615	121,214
Supplies	17,600	17,600	17,903	(303)	14,803
Other Current Expenditures	25,275	25,275	26,742	(1,467)	21,857
Debt Service					
Principal Payments	4,617	4,617	4,617	-	4,461
Interest Payments	1,462	1,462	1,462	-	1,618
	<u>183,483</u>	<u>183,483</u>	<u>166,638</u>	<u>16,845</u>	<u>163,953</u>
TOTAL EXPENDITURES					
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>26,408</u>	<u>26,408</u>	<u>25,796</u>
FUND BALANCES - January 1	<u>159,239</u>	<u>159,239</u>	<u>159,239</u>	<u>-</u>	<u>133,443</u>
FUND BALANCES - December 31	<u>\$ 159,239</u>	<u>\$ 159,239</u>	<u>\$ 185,647</u>	<u>\$ 26,408</u>	<u>\$ 159,239</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES:					
General Property Taxes	\$ 45,269	\$ 45,269	\$ 45,269	\$ -	\$ 43,057
Intergovernmental Revenue					
Local Government Aid	36,465	36,465	36,495	30	35,554
State Fire Aid	14,000	14,000	27,523	13,523	26,615
Other State Grants	-	-	550	550	2,420
County and Township Revenue	39,270	39,270	39,270	-	39,270
Charges for Services	12,000	12,000	14,805	2,805	23,015
Interest Income	500	500	911	411	2,039
Miscellaneous	-	-	20,750	20,750	11,785
TOTAL REVENUES	147,504	147,504	185,573	38,069	183,755
OTHER FINANCING SOURCES:					
Issuance of Debt	-	-	-	-	54,013
EXPENDITURES:					
Personnel Services	42,696	42,696	53,607	(10,911)	51,213
Supplies	3,000	3,000	1,297	1,703	2,116
Other Current Expenditures	50,452	50,452	39,733	10,719	29,660
Debt Service					
Principal Payments	6,814	6,814	17,679	(10,865)	13,507
Interest Payments	3,848	3,848	5,000	(1,152)	4,344
Capital Outlay	40,694	40,694	80,200	(39,506)	59,747
TOTAL EXPENDITURES	147,504	147,504	197,516	(50,012)	160,587
EXCESS EXPENDITURES OVER REVENUES	-	-	(11,943)	(11,943)	77,181
FUND BALANCE - January 1	344,633	344,633	344,633	-	267,452
FUND BALANCE - December 31	\$ 344,633	\$ 344,633	\$ 332,690	\$ (11,943)	\$ 344,633

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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 33,236	\$ 33,236	\$ 33,236	\$ -	\$ 31,919
Intergovernmental Revenue					
Local Government Aid	27,349	27,349	27,372	23	26,666
Other State Grants	-	-	4,950	4,950	3,725
Charges for Services	101,390	101,390	135,708	34,318	118,177
Interest Income	-	-	1,052	1,052	1,649
Miscellaneous					
Miscellaneous Income	<u>500</u>	<u>500</u>	<u>5,478</u>	<u>4,978</u>	<u>24,992</u>
TOTAL REVENUES	<u>162,475</u>	<u>162,475</u>	<u>207,796</u>	<u>45,321</u>	<u>207,128</u>
EXPENDITURES					
Personnel Services	105,355	105,355	114,755	(9,400)	94,852
Other	10,000	10,000	8,480	1,520	10,631
Current Expenditures	43,120	43,120	28,249	14,871	31,523
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>4,439</u>	<u>(439)</u>	<u>19,416</u>
TOTAL EXPENDITURES	<u>162,475</u>	<u>162,475</u>	<u>155,923</u>	<u>6,552</u>	<u>156,422</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>51,873</u>	<u>51,873</u>	<u>50,706</u>
FUND BALANCE - January 1	<u>323,106</u>	<u>323,106</u>	<u>323,106</u>	<u>-</u>	<u>272,400</u>
FUND BALANCE - December 31	<u>\$ 323,106</u>	<u>\$ 323,106</u>	<u>\$ 374,979</u>	<u>\$ 51,873</u>	<u>\$ 323,106</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	\$ 5,950
Intergovernmental Revenue					
Other State Grants	7,500	7,500	-	(7,500)	35,000
Interest Income	-	-	356	356	576
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>2,169</u>	<u>669</u>	<u>206</u>
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>8,525</u>	<u>(6,475)</u>	<u>41,732</u>
EXPENDITURES					
Personnel Services	4,150	4,150	1,469	2,681	2,189
Supplies	600	600	315	285	200
Other Current Expenditures	5,250	5,250	6,539	(1,289)	3,569
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>15,000</u>	<u>15,000</u>	<u>8,323</u>	<u>6,677</u>	<u>5,958</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>202</u>	<u>202</u>	<u>35,774</u>
FUND BALANCES - January 1	<u>113,020</u>	<u>113,020</u>	<u>113,020</u>	<u>-</u>	<u>77,246</u>
FUND BALANCES - December 31	<u>\$ 113,020</u>	<u>\$ 113,020</u>	<u>\$ 113,222</u>	<u>\$ 202</u>	<u>\$ 113,020</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 PERA GENERAL EMPLOYEES RETIREMENT FUND
 DECEMBER 31, 2020

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	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, 2020	0.0109 %	653,505	20,267	673,772	782,293	86.13 %	79.10 %
June 30, 2019	0.0097 %	536,291	16,668	546,791	685,854	79.72 %	80.20 %
June 30, 2018	0.0101 %	560,306	18,324	572,111	672,907	85.02 %	79.50 %
June 30, 2017	0.0101 %	644,777	8,153	649,851	654,307	99.32 %	75.90 %
June 30, 2016	0.0102 %	828,190	10,781	834,889	633,214	131.85 %	68.90 %
June 30, 2015	0.0105 %	544,290	-	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, 2020

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, 2020	\$ 62,695	\$ 62,695	-	\$ 835,933	7.50 %
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, 2020

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, 2020	0.0180 %	237,259	207,333	114.43 %	87.20 %
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, 2020

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, 2020	\$ 41,268	\$ 41,268	-	\$ 233,152	17.70 %
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

2020 Changes

Change in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Change in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Change in Actuarial Assumptions

- The mortality 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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

2020 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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, 2020

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and Investments	\$ 1,640,648	\$ 1,459,388	\$ 227,627	\$ 3,327,663
Escrowed Investment	36,890	-	-	36,890
Accounts Receivable	29,126	-	-	29,126
Special Assessments Receivable	-	1,485,968	-	1,485,968
Interest Receivable	-	205	-	205
Notes Receivable	510,429	-	-	510,429
Due from Other Funds	141,000	10,920	-	151,920
Land Held for Resale	36,373	-	-	36,373
 TOTAL ASSETS	 \$ 2,394,466	 \$ 2,956,481	 \$ 227,627	 \$ 5,578,574
 LIABILITIES:				
Accounts Payable	\$ 6,861	\$ 5,000	\$ 2	\$ 11,863
Accrued Payroll	2,380	-	-	2,380
Due to Other Funds	31,537	149,436	323,220	504,193
 Total Liabilities	 40,778	 154,436	 323,222	 518,436
 DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	147,837	1,482,694	-	1,630,531
Total Deferred Inflows of Resources	147,837	1,482,694	-	1,630,531
 FUND BALANCES:				
Restricted	1,050,139	1,319,351	-	2,369,490
Assigned	1,157,249	-	227,625	1,384,874
Unassigned (Deficit)	(1,537)	-	(323,220)	(324,757)
Total Fund Balances (Deficit)	2,205,851	1,319,351	(95,595)	3,429,607
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 2,394,466	 \$ 2,956,481	 \$ 227,627	 \$ 5,578,574

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Taxes	\$ 263,508	\$ 375,125	\$ 34,012	\$ 672,645
Intergovernmental Revenue	344,269	-	-	344,269
Charges for Services	170,563	-	-	170,563
Fines and Forfeits	24	-	-	24
Interest Income	15,160	2,763	2,168	20,091
Miscellaneous	62,874	71,032	-	133,906
Total Revenues	856,398	448,920	36,180	1,341,498
EXPENDITURES				
Public Safety	246,121	-	-	246,121
Culture and Recreation	160,559	-	-	160,559
Sanitation	8,323	-	-	8,323
Economic Development	340,775	-	7,713	348,488
Miscellaneous	42,099	-	-	42,099
Debt Service				
Principal Payments	32,771	676,450	-	709,221
Interest Payments	7,536	150,643	-	158,179
Miscellaneous	-	743	-	743
Capital Outlay	90,637	-	-	90,637
Total Expenditures	928,821	827,836	7,713	1,764,370
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(72,423)	(378,916)	28,467	(422,872)
OTHER FINANCING SOURCES (USES)				
Transfer In	107,086	614,373	-	721,459
Issuance of Debt	-	325,000	-	325,000
Cost of Issuance of Debt	-	(10,749)	-	(10,749)
Transfer Out	-	(70,000)	(525,391)	(595,391)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	34,663	479,708	(496,924)	17,447
FUND BALANCES - January 1	2,171,188	839,643	401,329	3,412,160
FUND BALANCES (DEFICIT) - December 31	\$ 2,205,851	\$ 1,319,351	\$ (95,595)	\$ 3,429,607

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund	231 - Ambulance Fund
ASSETS						
Cash and Investments	\$ -	\$ 62,187	\$ 189,549	\$ 325,252	\$ 238,011	\$ 353,004
Escrowed Investment	-	-	-	36,890	-	-
Accounts Receivable	-	-	-	6,120	-	23,006
Notes Receivable	-	-	-	-	343,846	-
Due from Other Funds	-	30,000	-	-	-	-
Land Held for Resale	-	24,352	-	-	12,021	-
TOTAL ASSETS	\$ -	\$ 116,539	\$ 189,549	\$ 368,262	\$ 593,878	\$ 376,010
LIABILITIES						
Accounts Payable	\$ -	\$ 141	\$ 1,867	\$ 120	\$ -	\$ 1,032
Accrued Payroll	-	345	2,035	-	-	-
Due to Other Funds	1,537	-	-	-	-	-
Total Liabilities	1,537	486	3,902	120	-	1,032
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES						
Restricted	-	-	794	-	593,878	-
Assigned	-	116,053	184,853	368,142	-	374,979
Unassigned (Deficit)	(1,537)	-	-	-	-	-
Total Fund Balances (Deficit)	(1,537)	116,053	185,647	368,142	593,878	374,979
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 116,539	\$ 189,549	\$ 368,262	\$ 593,878	\$ 376,011

<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>219 - Coronavirus Relief Fund</u>	<u>Total</u>
\$ 56,500	\$ 177,335	\$ 97,852	\$ 6,911	\$ 18,724	\$ 115,323	\$ -	\$ 1,640,648
-	-	-	-	-	-	-	36,890
-	-	-	-	-	-	-	29,126
52,914	94,923	18,746	-	-	-	-	510,429
-	-	111,000	-	-	-	-	141,000
-	-	-	-	-	-	-	36,373
<u>\$ 109,414</u>	<u>\$ 272,258</u>	<u>\$ 227,598</u>	<u>\$ 6,911</u>	<u>\$ 18,724</u>	<u>\$ 115,323</u>	<u>\$ -</u>	<u>\$ 2,394,466</u>
\$ -	\$ 1,600	\$ -	\$ -	\$ -	\$ 2,101	\$ -	\$ 6,861
-	-	-	-	-	-	-	2,380
<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,537</u>
<u>30,000</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,101</u>	<u>-</u>	<u>40,778</u>
<u>52,914</u>	<u>94,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,837</u>
<u>52,914</u>	<u>94,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,837</u>
26,500	175,735	227,597	6,911	18,724	-	-	1,050,139
-	-	-	-	-	113,222	-	1,157,249
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,537)</u>
<u>26,500</u>	<u>175,735</u>	<u>227,597</u>	<u>6,911</u>	<u>18,724</u>	<u>113,222</u>	<u>-</u>	<u>2,205,851</u>
<u>\$ 109,414</u>	<u>\$ 272,258</u>	<u>\$ 227,597</u>	<u>\$ 6,911</u>	<u>\$ 18,724</u>	<u>\$ 115,323</u>	<u>\$ -</u>	<u>\$ 2,394,466</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, 2020

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund	231 - Ambulance Fund
REVENUES						
Taxes	\$ -	\$ 13,726	\$ 143,251	\$ 45,269	\$ -	\$ 33,236
Intergovernmental Revenue	-	-	49,292	103,838	-	32,322
Charges for Services	-	-	-	14,805	6,550	135,708
Fines and Forfeits	-	-	24	-	-	-
Interest Income	-	255	464	914	10,694	1,052
Miscellaneous	-	21,400	15	20,750	-	5,478
Total Revenues	<u>-</u>	<u>35,381</u>	<u>193,046</u>	<u>185,576</u>	<u>17,244</u>	<u>207,796</u>
EXPENDITURES						
Public Safety	-	-	-	94,637	-	151,484
Culture and Recreation	-	-	160,559	-	-	-
Sanitation	-	-	-	-	-	-
Economic Development	-	169,428	-	-	11,660	-
Miscellaneous	-	-	-	-	-	-
Principal Payments	-	-	4,617	17,679	10,475	-
Interest Payments	-	-	1,462	5,000	1,074	-
Capital Outlay	-	-	-	80,200	-	4,439
Total Expenditures	<u>-</u>	<u>169,428</u>	<u>166,638</u>	<u>197,516</u>	<u>23,209</u>	<u>155,923</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(134,047)</u>	<u>26,408</u>	<u>(11,940)</u>	<u>(5,965)</u>	<u>51,873</u>
OTHER FINANCING SOURCES (USES) Transfer In	<u>-</u>	<u>107,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(26,961)	26,408	(11,940)	(5,965)	51,873
FUND BALANCES (DEFICIT) - January 1	<u>(1,537)</u>	<u>143,014</u>	<u>159,239</u>	<u>380,082</u>	<u>599,843</u>	<u>323,106</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ (1,537)</u>	<u>\$ 116,053</u>	<u>\$ 185,647</u>	<u>\$ 368,142</u>	<u>\$ 593,878</u>	<u>\$ 374,979</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>219 - Coronavirus Relief Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 9,458	\$ 12,568	\$ 6,000	\$ -	\$ 263,508
-	-	-	-	-	-	158,817	344,269
13,500	-	-	-	-	-	-	170,563
-	-	-	-	-	-	-	24
124	686	456	22	59	356	79	15,160
<u>8,452</u>	<u>4,138</u>	<u>472</u>	<u>-</u>	<u>-</u>	<u>2,169</u>	<u>-</u>	<u>62,874</u>
<u>22,076</u>	<u>4,824</u>	<u>928</u>	<u>9,480</u>	<u>12,627</u>	<u>8,525</u>	<u>158,896</u>	<u>856,398</u>
-	-	-	-	-	-	-	246,121
-	-	-	-	-	-	-	160,559
-	-	-	-	-	8,323	-	8,323
9,134	17,950	-	9,502	12,301	-	110,800	340,775
-	-	-	-	-	-	42,099	42,099
-	-	-	-	-	-	-	32,771
-	-	-	-	-	-	-	7,536
-	-	-	-	-	-	5,998	90,637
<u>9,134</u>	<u>17,950</u>	<u>-</u>	<u>9,502</u>	<u>12,301</u>	<u>8,323</u>	<u>158,897</u>	<u>928,821</u>
<u>12,942</u>	<u>(13,126)</u>	<u>928</u>	<u>(22)</u>	<u>326</u>	<u>202</u>	<u>(1)</u>	<u>(72,423)</u>
-	-	-	-	-	-	-	107,086
12,942	(13,126)	928	(22)	326	202	(1)	34,663
<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>-</u>	<u>2,171,188</u>
<u>\$ 26,500</u>	<u>\$ 175,735</u>	<u>\$ 227,598</u>	<u>\$ 6,912</u>	<u>\$ 18,724</u>	<u>\$ 113,222</u>	<u>\$ (1)</u>	<u>\$ 2,205,851</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2020

	320 - 2020A GO Taxable Refunding Bonds	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	361 - Pankratz Land Debt Service	385 - ML Comm Park Debt Service	Total
ASSETS								
Cash and Investments								
Special Assessments Receivable								
Interest Receivable								
Due from Other Funds								
TOTAL ASSETS	\$ 231,116	\$ 5,352	\$ 61,940	\$ 526,443	\$ 52,195	\$ -	\$ 582,342	\$ 1,459,388
	-	-	11,237	1,317,842	-	-	156,889	1,485,968
	-	-	-	-	205	-	-	205
	-	8,047	2,873	-	-	-	-	10,920
	<u>\$ 231,116</u>	<u>\$ 13,399</u>	<u>\$ 76,050</u>	<u>\$ 1,844,285</u>	<u>\$ 52,400</u>	<u>\$ -</u>	<u>\$ 739,231</u>	<u>\$ 2,956,481</u>
LIABILITIES								
Accounts Payable	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Due to Other Funds	149,436	-	-	-	-	-	-	149,436
Total Liabilities	<u>154,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,436</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue	-	-	10,957	1,314,848	-	-	156,889	1,482,694
FUND BALANCES								
Restricted								
Total Fund Balances	76,680	13,399	65,093	529,437	52,400	-	582,342	1,319,351
	<u>76,680</u>	<u>13,399</u>	<u>65,093</u>	<u>529,437</u>	<u>52,400</u>	<u>-</u>	<u>582,342</u>	<u>1,319,351</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 231,116</u>	<u>\$ 13,399</u>	<u>\$ 76,050</u>	<u>\$ 1,844,285</u>	<u>\$ 52,400</u>	<u>\$ -</u>	<u>\$ 739,231</u>	<u>\$ 2,956,481</u>

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, 2020

	320 - 2020A GO	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	361 - Pankratz Land Debt Service	385 - ML Comm Park Debt Service	Total
REVENUES								
Taxes	\$ -	\$ 26,378	\$ 73,721	\$ 150,237	\$ -	\$ 17,301	\$ 107,488	\$ 375,125
Interest Income	-	-	61	1,683	689	83	247	2,763
Miscellaneous	-	21,443	-	-	-	49,589	-	71,032
Total Revenues	<u>-</u>	<u>47,821</u>	<u>73,782</u>	<u>151,920</u>	<u>689</u>	<u>66,973</u>	<u>107,735</u>	<u>448,920</u>
EXPENDITURES								
Debt Service								
Principal Payments	-	60,000	100,050	100,000	2,400	329,000	85,000	676,450
Interest Payments	10,302	555	7,207	42,078	67	9,708	80,726	150,643
Miscellaneous	-	-	248	-	-	-	495	743
Total Expenditures	<u>10,302</u>	<u>60,555</u>	<u>107,505</u>	<u>142,078</u>	<u>2,467</u>	<u>338,708</u>	<u>166,221</u>	<u>827,836</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(10,302)</u>	<u>(12,734)</u>	<u>(33,723)</u>	<u>9,842</u>	<u>(1,778)</u>	<u>(271,735)</u>	<u>(58,486)</u>	<u>(378,916)</u>
OTHER FINANCING SOURCES (USES)								
Transfer In	86,982	-	-	-	-	-	527,391	614,373
Issuance of Debt	-	-	-	-	-	325,000	-	325,000
Cost of Issuance of Debt	-	-	-	-	-	(10,749)	-	(10,749)
Transfer Out	-	-	-	-	-	(70,000)	-	(70,000)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>76,680</u>	<u>(12,734)</u>	<u>(33,723)</u>	<u>9,842</u>	<u>(1,778)</u>	<u>(27,484)</u>	<u>468,905</u>	<u>479,708</u>
FUND BALANCES - January 1	<u>-</u>	<u>26,133</u>	<u>98,816</u>	<u>519,595</u>	<u>54,178</u>	<u>27,484</u>	<u>113,437</u>	<u>839,643</u>
FUND BALANCES - December 31	<u>\$ 76,680</u>	<u>\$ 13,399</u>	<u>\$ 65,093</u>	<u>\$ 529,437</u>	<u>\$ 52,400</u>	<u>\$ -</u>	<u>\$ 582,342</u>	<u>\$ 1,319,351</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2020

	501 - Capital Outlay	415 - MSG Construction	450 - Downtown Ross Project	485 - ML Comm Park Infrastructure	Total
ASSETS:					
Cash and Investments	\$ 110,883	\$ 116,742	\$ -	\$ -	\$ 227,625
TOTAL ASSETS	\$ 110,883	\$ 116,742	\$ -	\$ -	\$ 227,625
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ 323,220	\$ -	\$ 323,220
Total Liabilities	-	-	323,220	-	323,220
FUND BALANCES:					
Assigned	110,883	116,742	-	-	227,625
Unassigned (Deficit)	-	-	(323,220)	-	(323,220)
Total Fund Balances (Deficit)	110,883	116,742	(323,220)	-	(95,595)
TOTAL LIABILITIES AND FUND BALANCE	\$ 110,883	\$ 116,742	\$ -	\$ -	\$ 227,625

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, 2020

	501 - Capital		415 - MSG	450 -	485 - ML	
	Outlay		Construction	Downtown	Comm Park	
	Fund	Ross Project	Infrastructure	Infrastructure	Infrastructure	Total
REVENUES						
Taxes	-	-	-	-	-	-
Interest Income	350	-	34,012	-	-	\$ 34,012
Total Revenues	<u>350</u>	<u>2</u>	<u>305</u>	<u>2</u>	<u>1,511</u>	<u>2,168</u>
EXPENDITURES						
Economic Development	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>1,231</u>	<u>990</u>	<u>1,231</u>	<u>5,492</u>	<u>7,713</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>350</u>	<u>(1,229)</u>	<u>33,327</u>	<u>(1,229)</u>	<u>(3,981)</u>	<u>28,467</u>
OTHER FINANCING SOURCES (USES):						
Transfer Out	-	-	-	-	(525,391)	(525,391)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>350</u>	<u>(1,229)</u>	<u>33,327</u>	<u>(1,229)</u>	<u>(529,372)</u>	<u>(496,924)</u>
FUND BALANCES (DEFICIT) - January 1	<u>110,533</u>	<u>(321,991)</u>	<u>83,415</u>	<u>(321,991)</u>	<u>529,372</u>	<u>401,329</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 110,883</u>	<u>\$ (323,220)</u>	<u>\$ 116,742</u>	<u>\$ (323,220)</u>	<u>\$ -</u>	<u>\$ (95,595)</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2020

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	610 - EDA Midway	Total
ASSETS					
Current Assets:					
Cash and Investments	\$ 19,330	\$ 41,319	\$ 27,956	\$ -	\$ 88,605
Restricted Cash	-	-	-	1,078,497	1,078,497
Due from Other Funds	-	591	-	-	591
Total Current Assets	<u>19,330</u>	<u>41,910</u>	<u>27,956</u>	<u>1,078,497</u>	<u>1,167,693</u>
NONCURRENT ASSETS					
Capital Assets:					
Land	6,175	12,350	2,304	10,195	31,024
Buildings and Improvements	366,147	695,366	309,759	-	1,371,272
Construction in Progress	-	-	-	707,674	707,674
Total Capital Assets	<u>372,322</u>	<u>707,716</u>	<u>312,063</u>	<u>717,869</u>	<u>2,109,970</u>
Less: Accumulated					
Depreciation	<u>199,382</u>	<u>477,390</u>	<u>136,264</u>	<u>-</u>	<u>813,036</u>
Net Capital Assets	<u>172,940</u>	<u>230,326</u>	<u>175,799</u>	<u>717,869</u>	<u>1,296,934</u>
Total Assets	<u>\$ 192,270</u>	<u>\$ 272,236</u>	<u>\$ 203,755</u>	<u>\$ 1,796,366</u>	<u>\$ 2,464,627</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 329	\$ 658	\$ 320	\$ 169,906	\$ 171,213
Due to Other Funds	-	-	591	-	591
Accrued Interest	925	3,232	594	160	4,911
Customer Deposits	2,610	5,345	3,510	-	11,465
Unamortized Bond Premium	654	1,297	-	40,946	42,897
Current Amount of Long-Term					
Debt	<u>15,000</u>	<u>20,000</u>	<u>6,487</u>	<u>-</u>	<u>41,487</u>
Total Current Liabilities	<u>19,518</u>	<u>30,532</u>	<u>11,502</u>	<u>211,012</u>	<u>272,564</u>
LONG-TERM LIABILITIES					
Bonds and Notes Payable	<u>70,000</u>	<u>250,000</u>	<u>196,449</u>	<u>1,600,000</u>	<u>2,116,449</u>
Total Liabilities	<u>89,518</u>	<u>280,532</u>	<u>207,951</u>	<u>1,811,012</u>	<u>2,389,013</u>
NET POSITION					
Net Investment in Capital Assets					
(Deficit)	87,940	39,674	(27,137)	-	100,477
Unrestricted (Deficit)	<u>14,812</u>	<u>(47,970)</u>	<u>22,941</u>	<u>(14,646)</u>	<u>(24,863)</u>
Total Net Position (Deficit)	<u>102,752</u>	<u>(8,296)</u>	<u>(4,196)</u>	<u>(14,646)</u>	<u>75,614</u>
Total Liabilities and Net Position	<u>\$ 192,270</u>	<u>\$ 272,236</u>	<u>\$ 203,755</u>	<u>\$ 1,796,366</u>	<u>\$ 2,464,627</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	610 - EDA Midway	Total
OPERATING REVENUES					
Rental Income	\$ 32,260	\$ 62,172	\$ 34,430	\$ -	\$ 128,862
Total Operating Revenues	<u>32,260</u>	<u>62,172</u>	<u>34,430</u>	<u>-</u>	<u>128,862</u>
OPERATING EXPENSES					
Depreciation	9,366	27,815	12,390	-	49,571
Insurance	2,733	5,670	2,715	-	11,118
Miscellaneous	2,018	5,827	1,723	-	9,568
Professional Services	3,600	7,200	2,200	10,050	23,050
Repairs, Maintenance and Supplies	5,853	20,748	3,960	3,600	34,161
Utilities	161	937	1,189	86	2,373
Total Operating Expenses	<u>23,731</u>	<u>68,197</u>	<u>24,177</u>	<u>13,736</u>	<u>129,841</u>
Net Operating Income (Loss)	<u>8,529</u>	<u>(6,025)</u>	<u>10,253</u>	<u>(13,736)</u>	<u>(979)</u>
NON OPERATING REVENUE (EXPENSE)					
Interest Income	16	36	32	-	84
Refunds and Reimbursements	-	100	-	-	100
Interest Expense	<u>(2,389)</u>	<u>(7,956)</u>	<u>(9,246)</u>	<u>(910)</u>	<u>(20,501)</u>
Total Non Operating Revenue (Expense)	<u>(2,373)</u>	<u>(7,820)</u>	<u>(9,214)</u>	<u>(910)</u>	<u>(20,317)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS					
	6,156	(13,845)	1,039	(14,646)	(21,296)
Transfer to Other Funds	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	26,156	(33,845)	1,039	(14,646)	(21,296)
NET POSITION (DEFICIT) - January 1	<u>76,596</u>	<u>25,549</u>	<u>(5,235)</u>	<u>-</u>	<u>96,910</u>
NET POSITION (DEFICIT) - December 31	<u>\$ 102,752</u>	<u>\$ (8,296)</u>	<u>\$ (4,196)</u>	<u>\$ (14,646)</u>	<u>\$ 75,614</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	610 - EDA Midway	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 32,260	\$ 62,417	\$ 34,430	\$ -	\$ 129,107
Payments to Vendors	(15,667)	(40,542)	(11,866)	(13,680)	(81,755)
Other Receipts and Payments	-	100	-	-	100
Net Cash Provided (Used) By Operating Activities	<u>16,593</u>	<u>21,975</u>	<u>22,564</u>	<u>(13,680)</u>	<u>47,452</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from (to) Other Funds	20,000	(20,000)	-	-	-
Due to (from) Other Funds	-	2,800	(2,800)	-	-
Net Cash Provided (Used) By Noncapital Financing Activities	<u>20,000</u>	<u>(17,200)</u>	<u>(2,800)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	-	-	-	(548,019)	(548,019)
Issuance of Capital Debt	-	-	-	1,640,946	1,640,946
Principal Paid on Capital Debt	(15,000)	(20,000)	(6,202)	-	(41,202)
Interest Paid on Capital Debt	(2,604)	(8,186)	(9,285)	(750)	(20,825)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(17,604)</u>	<u>(28,186)</u>	<u>(15,487)</u>	<u>1,092,177</u>	<u>1,030,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	16	36	32	-	84
Net Cash Provided By Investing Activities	<u>16</u>	<u>36</u>	<u>32</u>	<u>-</u>	<u>84</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS - January 1	19,005	(23,375)	4,309	1,078,497	1,078,436
CASH AND INVESTMENTS - December 31	<u>324</u>	<u>64,694</u>	<u>23,647</u>	<u>-</u>	<u>88,665</u>
	<u>\$ 19,329</u>	<u>\$ 41,319</u>	<u>\$ 27,956</u>	<u>\$ 1,078,497</u>	<u>\$ 1,167,101</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Income (Loss)	\$ 8,529	\$ (6,025)	\$ 10,253	\$ (13,736)	\$ (979)
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	(1,302)	(160)	(79)	56	(1,485)
Customer Deposits'	-	245	-	-	245
Other Receipts and Payments	-	100	-	-	100
Net Cash Provided (Used) By Operating Activities	<u>\$ 16,593</u>	<u>\$ 21,975</u>	<u>\$ 22,564</u>	<u>\$ (13,680)</u>	<u>\$ 47,452</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 PUBLIC UTILITIES COMMISSION
 DECEMBER 31, 2020

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 267,682	\$ 2,542,127	\$ 2,435,816	\$ 5,245,625
Accounts Receivable	86,278	157,256	650,048	893,582
Special Assessments Receivable	-	53,365	-	53,365
Due from Other Funds	1,537	-	-	1,537
Prepaid Expense	-	11,802	-	11,802
Inventory	19,097	190	298,053	317,340
Total Current Assets	374,594	2,764,740	3,383,917	6,523,251
NONCURRENT ASSETS				
Capital Assets:				
Land	24,350	3,500	65,377	93,227
Buildings and Improvements	3,342,383	283,953	339,052	3,965,388
Infrastructure and Improvements	5,215,081	9,641,773	12,927,467	27,784,321
Machinery and Equipment	122,005	352,901	465,063	939,969
Transportation and Other Equipment	39,553	25,527	285,908	350,988
Construction in Progress	-	7,755,964	-	7,755,964
Total Capital Assets	8,743,372	18,063,618	14,082,867	40,889,857
Less: Accumulated Depreciation	4,138,426	2,974,321	7,867,934	14,980,681
Net Capital Assets	4,604,946	15,089,297	6,214,933	25,909,176
Net Bond Discount	81	7,358	49,459	56,898
Total Assets	4,979,621	17,861,395	9,648,309	32,489,325
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	17,564	17,564	50,433	85,561
Total Assets and Deferred Outflows of Resources	\$ 4,997,185	\$ 17,878,959	\$ 9,698,742	\$ 32,574,886
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 9,305	\$ 345,881	\$ 246,686	\$ 601,872
Due to Other Funds	5,460	5,460	-	10,920
Accrued Interest	5,288	40,997	9,511	55,796
Accrued Payroll	882	882	3,732	5,496
Due to Other Governments	-	-	23,856	23,856
Customer Deposits	430	-	109,189	109,619
Unamortized Bond Premium	415	414	-	829
Current Amount of Long-Term Debt	287,340	824,875	251,750	1,363,965
Total Current Liabilities	309,120	1,218,509	644,724	2,172,353
LONG-TERM LIABILITIES				
Accrued Compensated Absences	3,875	3,875	35,843	43,593
Net Pension Liability	54,144	54,144	167,503	275,791
Bonds and Notes Payable	1,777,605	9,887,660	3,418,500	15,083,765
Total Long-Term Liabilities	1,835,624	9,945,679	3,621,846	15,403,149
Total Liabilities	2,144,744	11,164,188	4,266,570	17,575,502
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	10,895	10,895	10,046	31,836
NET POSITION				
Net Investment in Capital Assets	2,540,001	4,376,762	3,544,683	10,461,446
Restricted for Debt Service	-	435,728	99,974	535,702
Unrestricted	301,545	1,891,386	1,777,469	3,970,400
Total Net Position	2,841,546	6,703,876	5,422,126	14,967,548
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,997,185	\$ 17,878,959	\$ 9,698,742	\$ 32,574,886

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, 2020

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
OPERATING REVENUES				
Sales to Consumers	\$ 614,548	\$ 1,138,654	\$ 2,884,084	\$ 4,637,286
Total Operating Revenues	<u>614,548</u>	<u>1,138,654</u>	<u>2,884,084</u>	<u>4,637,286</u>
OPERATING EXPENSES				
Pumping, Treatment, Production				
Utilities	4,738	448	17,117	22,303
Power for Pumping	32,367	22,391	-	54,758
Supplies and Chemicals	1,993	1,017	6,922	9,932
Travel and Meetings	300	711	416	1,427
Outside Services	-	-	7,097	7,097
Repairs and Maintenance	31,175	16,303	25,512	72,990
Miscellaneous	704	293	-	997
Purchased Power	-	-	1,363,797	1,363,797
Total Pumping, Treatment, Production	<u>71,277</u>	<u>41,163</u>	<u>1,420,861</u>	<u>1,533,301</u>
Distribution and Collection				
Salaries	79,292	78,820	272,406	430,518
Supplies and Chemicals	50,550	-	18	50,568
Outside Services	678	4,345	70,022	75,045
Repairs and Maintenance	22,706	14,500	93,014	130,220
Miscellaneous	3,486	1,002	2,920	7,408
Total Distribution and Collection	<u>156,712</u>	<u>98,667</u>	<u>438,380</u>	<u>693,759</u>
Administration and General				
Salaries	18,302	19,284	94,542	132,128
Supplies	1,441	-	-	1,441
Outside Services	2,938	2,075	37,427	42,440
Insurance	8,580	4,858	31,458	44,896
Repairs and Maintenance	4,338	4,802	14,496	23,636
Miscellaneous	5,187	3,359	29,085	37,631
Total Administration and General	<u>40,786</u>	<u>34,378</u>	<u>207,008</u>	<u>282,172</u>
Depreciation	239,021	241,399	365,069	845,489
Total Operating Expenses	<u>507,796</u>	<u>415,607</u>	<u>2,431,318</u>	<u>3,354,721</u>
Net Operating Income	<u>106,752</u>	<u>723,047</u>	<u>452,766</u>	<u>1,282,565</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	1,205	5,146	22,975	29,326
Refunds and Reimbursements	1,716	5,195	68,058	74,969
Grant Income	-	1,876,865	13,136	1,890,001
CAP X Credit	-	-	240,503	240,503
Interest Expense	(49,133)	(82,976)	(160,910)	(293,019)
Total Non Operating Revenue (Expense)	<u>(46,212)</u>	<u>1,804,230</u>	<u>183,762</u>	<u>1,941,780</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	60,540	2,527,277	636,528	3,224,345
Transfer to Other Funds	-	-	(120,000)	(120,000)
CHANGE IN NET POSITION	60,540	2,527,277	516,528	3,104,345
NET POSITION - January 1	2,781,006	4,176,599	4,905,598	11,863,203
NET POSITION - December 31	<u>\$ 2,841,546</u>	<u>\$ 6,703,876</u>	<u>\$ 5,422,126</u>	<u>\$ 14,967,548</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2020

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 617,546	\$ 1,093,261	\$ 2,785,433	\$ 4,496,240
Payments to Vendors	(161,685)	(77,750)	(1,699,205)	(1,938,640)
Payments to Employees	(100,022)	(100,532)	(364,412)	(564,966)
Other Receipts and Payments	1,716	5,195	308,561	315,472
Net Cash Provided By Operating Activities	357,555	920,174	1,030,377	2,308,106
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Other Funds	-	-	(120,000)	(120,000)
Net Cash Used By Noncapital Financing Activities	-	-	(120,000)	(120,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(63,131)	(6,895,940)	(302,523)	(7,261,594)
Proceeds from Bond Issuance	-	5,842,797	-	5,842,797
Principal Paid on Capital Debt	(285,340)	(439,662)	(247,750)	(972,752)
Interest Paid on Capital Debt	(50,160)	(63,642)	(118,037)	(231,839)
Special Assessments Received	-	225	-	225
Grant Income	-	1,876,865	13,136	1,890,001
Net Cash Provided (Used) By Capital and Related Financing Activities	(398,631)	320,643	(655,174)	(733,162)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	1,205	5,146	22,975	29,326
Net Cash Provided By Investing Activities	1,205	5,146	22,975	29,326
NET INCREASE (DECREASE) IN CASH	(39,871)	1,245,963	278,178	1,484,270
CASH AND INVESTMENTS - January 1	307,553	1,296,164	2,157,638	3,761,355
CASH AND INVESTMENTS - December 31	\$ 267,682	\$ 2,542,127	\$ 2,435,816	\$ 5,245,625
 Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 106,752	\$ 723,047	\$ 452,766	\$ 1,282,565
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	239,021	241,399	365,069	845,489
Noncash Pension Expense	(895)	(895)	(2,756)	(4,546)
Changes in Assets and Liabilities				
Receivables	2,998	(45,393)	(102,876)	(145,271)
Inventory	269	-	(116,505)	(116,236)
Accounts Payable	9,227	(1,646)	108,410	115,991
Accrued Wages	(1,369)	(1,369)	(6,139)	(8,877)
Accrued Compensated Absences	(164)	(164)	11,431	11,103
Due to Other Governments	-	-	8,191	8,191
Deposits Payable	-	-	4,225	4,225
Other Receipts and Payments	1,716	5,195	308,561	315,472
Net Cash Provided By Operating Activities	\$ 357,555	\$ 920,174	\$ 1,030,377	\$ 2,308,106

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

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> 2020	<u>Total</u> 2019	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 1,080,231	\$ 1,002,367	7.77 %
Licenses and Permits	10,275	11,689	(12.10)%
Intergovernmental	1,229,949	1,075,717	14.34 %
Charges for Services	523,610	518,912	0.91 %
Fines	15,412	6,983	120.71 %
Investment Earnings	31,597	51,187	(38.27)%
Miscellaneous	203,455	223,215	(8.85)%
Transfer In	867,234	290,331	198.71 %
Issuance of Debt	<u>3,380,000</u>	<u>54,013</u>	6,157.75 %
Total Revenues	<u>\$ 7,341,763</u>	<u>\$ 3,234,414</u>	126.99 %
Per Capita	<u>3,509</u>	<u>1,539</u>	
EXPENDITURES:			
Current			
General Government	\$ 238,811	\$ 225,689	5.81 %
Public Safety	680,348	583,599	16.58 %
Public Works	308,244	335,968	(8.25)%
Culture and Recreation	260,152	267,413	(2.72)%
Sanitation	18,828	18,655	0.93 %
Economic Development	400,495	340,433	17.64 %
Miscellaneous	189,668	152,811	24.12 %
Debt Service:			
Principal Payments	3,964,221	573,494	591.24 %
Interest Payments	353,405	257,370	37.31 %
Other Debt Service	107,926	8,198	1,216.49 %
Capital Outlay	128,155	2,264,489	(94.34)%
Transfer Out	<u>747,234</u>	<u>170,331</u>	338.70 %
Total Expenditures	<u>\$ 7,397,487</u>	<u>\$ 3,246,773</u>	127.84 %
Per Capita	<u>3,536</u>	<u>1,545</u>	
Governmental Long-term Indebtedness	<u>\$ 7,748,836</u>	<u>\$ 8,333,057</u>	(7.01)%
Per Capita	<u>3,704</u>	<u>3,983</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 935,180</u>	<u>\$ 825,751</u>	13.25 %
Per Capita	<u>447</u>	<u>395</u>	

SECTION IV

ADDITIONAL INFORMATION

CITY OF MOUNTAIN LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Environmental Protection Agency Pass-through Minnesota Public Facilities Administration Point Source Implementation Grant Program	66.458	MPFA-PSIG-G-043-FY20	\$ 1,876,865
Clean Water State Revolving Fund	66.458	MPFA-CWRF-L-043-FY20	<u>5,842,797</u>
Total U.S. Environmental Protection Agency			7,719,662
U.S. Department of the Treasury Coronavirus Relief Fund	21.019		<u>158,817</u>
			<u>\$ 7,878,479</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Mountain Lake under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City of Mountain Lake it is not intended to and does not present the financial position, change in net position, or cash flows of the City of Mountain Lake.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. The City of Mountain Lake has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Loans and Loan Guarantees Outstanding

The City of Mountain Lake had no outstanding loan and loan guarantees at December 31, 2020.

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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, 2020, 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 7, 2021.

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 questioned costs that we consider to be significant deficiencies. Items 2020-001 and 2020-002.

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 questioned costs. 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 7, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Mountain Lake, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of City of Mountain Lake, Minnesota's major federal programs for the year ended December 31, 2020. City of Mountain Lake, Minnesota's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of City of Mountain Lake, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Mountain Lake, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Mountain Lake, Minnesota's compliance.

Opinion on Each of the Major Federal Programs

In our opinion City of Mountain Lake, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of City of Mountain Lake, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first page of this letter. In planning and performing our audit of compliance, we considered City of Mountain Lake, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Mountain Lake, Minnesota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be significant deficiencies.

City of Mountain Lake, Minnesota's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mountain Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

June 7, 2021

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements for the business-type activities, each major fund and the aggregate remaining funds and unmodified for the governmental activities of City of Mountain Lake.
2. Two significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements of City of Mountain Lake, Minnesota, as required to be reported in accordance with *Government Auditing Standards*.
3. There were no matters of noncompliance which is material to the financial statements of the City of Mountain Lake, Minnesota required to be reported in accordance with *Government Auditing Standards*.
4. The auditors' report on compliance for the major federal award programs for City of Mountain Lake, Minnesota expresses an unmodified opinion.
5. Two significant deficiencies in internal control over major federal award programs were noted by the audit and are reported in Part C. of this schedule.
6. The program tested as a major program included: Clean Water Revolving Fund Loan MPFA-CWRF-L-043-FY20 and Point Source Implementation Grant Program MPFA-PSIG-G-043-FY20.
7. The threshold for distinguishing Types A and B programs was \$750,000.
8. City of Mountain Lake, Minnesota was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT
INTERNAL CONTROL OVER FINANCIAL REPORTING
INTERNAL CONTROL FINDINGS

Audit Finding 2020-001

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 or Potential 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.

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

B. FINDINGS - FINANCIAL STATEMENT AUDIT
INTERNAL CONTROL OVER FINANCIAL REPORTING

Questioned Cost: None.

Context: During our audit, adjustments were made to the trial balance to prepare financial statements.

Repeat of Prior-Year Finding: 2019-001

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.

Views of Responsible Officials and Planned Corrective Actions: 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 2020-002

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 or Potential 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.

Questioned Cost: None.

Context: During our audit, we noted the City does not maintain proper separation within the accounting function of the City to ensure proper segregation of accounting duties.

Repeat of Prior-Year Finding: 2019-002

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.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
INTERNAL CONTROL OVER COMPLIANCE

Significant Deficiencies 2020-001 and 2020-002.

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019

2019-001 Auditor Prepared Financial Statements - This finding is unresolved and appears as finding 2020-001.

2019-002 Lack of Segregation of Duties - This finding is unresolved and appears as finding 2020-002.

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MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT

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 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2021.

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 Cities*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 7, 2021