

**CITY OF LAKE CRYSTAL  
LAKE CRYSTAL, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

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CITY OF LAKE CRYSTAL, MINNESOTA

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CITY OF LAKE CRYSTAL, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Ahrenstorff	Mayor	December 31, 2020
Susan Gengler	Council Member	December 31, 2022
Gina Cooper	Council Member	December 31, 2022
Todd Wiens	Council Member	December 31, 2020
Larry Schultz	Council Member	December 31, 2020

APPOINTED

<u>Name</u>	<u>Title</u>
Dennis McCoy	Utilities Commissioner Chairperson
Brad Nelson	Utilities Commissioner Member
Don Johnson	Utilities Commissioner Member
Taylor Gronau	City Administrator

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# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Mankato, MN 56001  
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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Crystal, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Crystal, Minnesota, as of December 31, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and pension liability schedules as listed in the table of contents 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***

The supplemental information as listed in the table of contents under supplemental section is the responsibility of management and was derived from and relates 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Prior Year Comparative Information***

We have previously audited the City's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 20, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota  
May 15, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **MANAGEMENT'S DISCUSISON AND ANALYSIS**

As management of the City of Lake Crystal, we offer readers of the City of Lake Crystal's financial statements this narrative overview and analysis of the financial activities of the City of Lake Crystal for the fiscal year ended December 31, 2019.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2019 fiscal year include the following:

- (1) The assets and deferred outflows of resources of the City of Lake Crystal exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,993,300 (net position). Of this amount, \$7,250,092 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$22,848,863, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City of Lake Crystal's governmental funds reported combined ending fund balances of \$9,825,502. \$3,822,966 of this total amount, over 38%, is available for use within the City's designations.
- (4) At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,062,968 or 126% of total general fund expenditures.
- (5) The City of Lake Crystal had an increase in net position for governmental activities of \$1,714,022 and an increase in net position for business-type activities of \$611,845 during the current fiscal year for an overall increase of \$2,325,867.

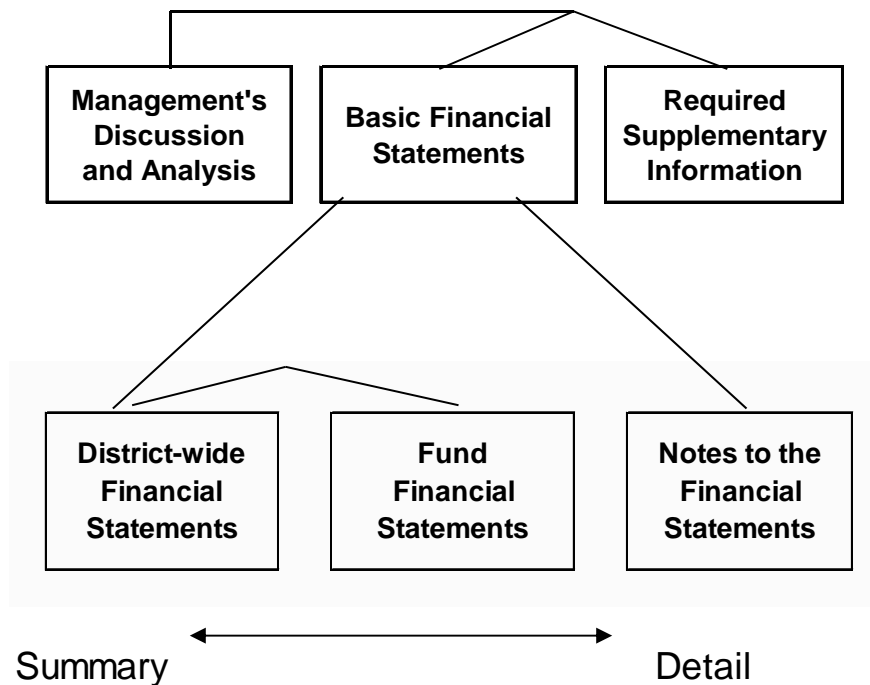
CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of the annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**FIGURE 1 – REQUIRED COMPONENTS OF THE CITY'S ANNUAL FINANCIAL REPORT**



CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Require financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital asset included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year; regardless of when cash is received or paid

**Government-Wide Financial Statements**

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

The *Statement of Net Position* presents information on all of the City of Lake Crystal’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported 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 of Lake Crystal is improving or deteriorating.

CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

The *Statement of Activities* presents 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). The 2019 Statement provides for an increase in net position in the governmental funds and an increase in the business-type activities, as the investment in capital assets in both governmental and business activities increased.

Both of the government-wide financial statements distinguish functions of the City of Lake Crystal that are principally supported by taxes and intergovernmental revenues (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 of Lake Crystal include general government, public safety, public works, parks and recreation and interest on long-term debt. The business-type activities of the City of Lake Crystal include the electric, water and sewer utilities.

The government wide financial statements can be found on pages 19 and 20 of this report.

### **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 of Lake Crystal, 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 of Lake Crystal can be divided into two categories: governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions 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 spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 of the City's near-term financial decisions. The Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lake Crystal maintains ten individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Southwest Street & Utility Project fund, and Debt Service fund. Data from the debt service and other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these debt service and nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Lake Crystal adopts an annual appropriated budget for its General, Special Revenue and Capital Projects funds. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 22 - 28 of this report.

CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

**Proprietary Funds**

The City of Lake Crystal maintains only one type of Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary funds financial statements provide separate information for the Enterprise funds, all of which are considered to be major funds of the City of Lake Crystal.

The basic Proprietary fund financial statements can be found on pages 29 - 31 of this report.

**Notes to the Financial Statements**

The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 32 - 65 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also present certain required supplementary information concerning the City of Lake Crystal's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 67 of this report.

**Other Information**

The combining statements and schedules referred to earlier in connection with debt service and nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund financial statements and schedules start on page 75 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake Crystal, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,993,300 at the close of the most recent fiscal year.

By far the largest portion of the City of Lake Crystal's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Lake Crystal uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lake Crystal'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.

CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

A condensed version of the Statement of Net Position at December 31, 2019 follows:

**City of Lake Crystal's Summary of Net Position**

	Governmental Activities			Business-type Activities		
	<i>2019</i>	<i>2018</i>	Increase (Decrease)	<i>2019</i>	<i>2018</i>	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 11,330,210	\$ 5,117,503	\$ 6,212,707	\$ 4,468,716	\$ 4,092,547	376,169
Capital assets	11,347,174	9,781,576	1,565,598	11,501,689	11,836,481	(334,792)
	<u>22,677,384</u>	<u>14,899,079</u>	<u>7,778,305</u>	<u>15,970,405</u>	<u>15,929,028</u>	<u>41,377</u>
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	404,030	455,216	(51,186)	85,886	162,413	(76,527)
Deferred refunding debits	8,361	11,218	(2,857)	22,542	25,068	(2,526)
	<u>412,391</u>	<u>466,434</u>	<u>(54,043)</u>	<u>108,428</u>	<u>187,481</u>	<u>(79,053)</u>
<i>Liabilities</i>						
Current liabilities	736,555	593,997	142,558	907,479	845,599	61,880
Long-term liabilities	7,886,888	1,854,885	6,032,003	3,165,667	3,796,937	(631,270)
	<u>8,623,443</u>	<u>2,448,882</u>	<u>6,174,561</u>	<u>4,073,146</u>	<u>4,642,536</u>	<u>(569,390)</u>
<i>Deferred Inflows of Resources</i>						
Pension plan deferments	379,921	544,235	(164,314)	98,798	178,936	(80,138)
	<u>379,921</u>	<u>544,235</u>	<u>(164,314)</u>	<u>98,798</u>	<u>178,936</u>	<u>(80,138)</u>
<b>Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources</b>	<b><u>\$ 14,086,411</u></b>	<b><u>\$ 12,372,396</u></b>	<b><u>\$ 1,714,015</u></b>	<b><u>\$ 11,906,889</u></b>	<b><u>\$ 11,295,037</u></b>	<b><u>611,852</u></b>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 3,491,594	\$ 8,102,905	(4,611,311)	\$ 8,250,654	\$ 7,977,869	272,785
Restricted	6,856,960	951,867	5,905,093	144,000	144,000	-
Unrestricted	3,737,857	3,317,624	420,233	3,512,235	3,173,168	339,067
<b>Total net position</b>	<b><u>\$ 14,086,411</u></b>	<b><u>\$ 12,372,396</u></b>	<b><u>\$ 1,714,015</u></b>	<b><u>\$ 11,906,889</u></b>	<b><u>\$ 11,295,037</u></b>	<b><u>\$ 611,852</u></b>

Assets of the governmental activities increased in 2019 by \$7,778,305. This increase is predominantly as a result of the ongoing Southwest Street & Utility Project from unspent bond proceeds of \$4,752,660 and project assessments of \$1,234,000. Long-term liabilities have increased by \$6,174,561 associated with issuance of bonds related to the project.

A portion of the City of Lake Crystal's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,250,092 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake Crystal is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.



CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

Governmental and business-type activities increased the City of Lake Crystal's net position by \$2,325,867. Key elements of this increase are as follows:

**City of Lake Crystal's Changes in Net Position**

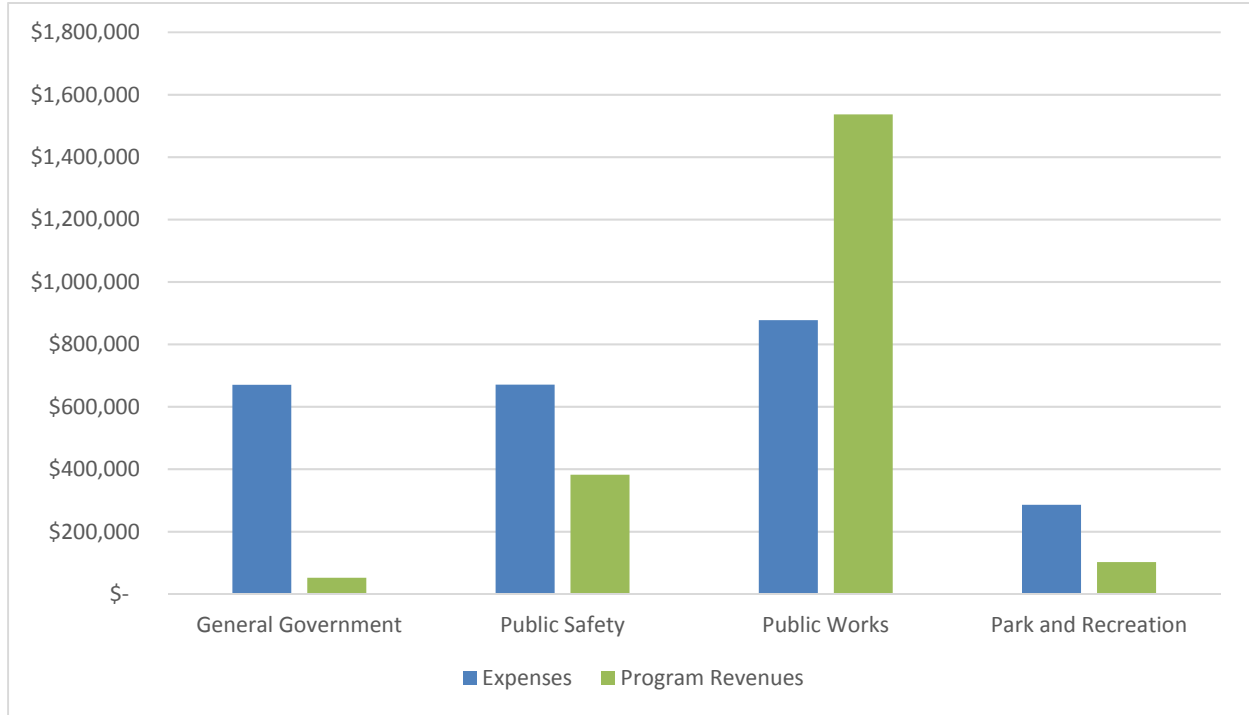
	Governmental Activities			Business-type Activities		
	<i>2019</i>	<i>2018</i>	Increase (Decrease)	<i>2019</i>	<i>2018</i>	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 477,278	\$ 447,196	\$ 30,082	\$ 4,713,788	\$ 4,479,694	\$ 234,094
Operating grants and contributions	195,111	167,642	27,469	5,000	-	5,000
Capital grants and contributions	1,401,572	1,146	1,400,426	-	-	-
General revenues						
Property taxes	1,136,963	1,095,664	41,299	-	-	-
Intergovernmental	770,856	857,131	(86,275)	-	-	-
Other sources	196,152	180,970	15,182	63,128	5,759	57,369
Total Revenue	4,177,932	2,749,749	1,428,183	4,781,916	4,485,453	296,463
<i>Expenses</i>						
General Government	670,485	565,891	104,594	-	-	-
Public Safety	670,953	706,548	(35,595)	-	-	-
Public Works	877,619	1,047,455	(169,836)	-	-	-
Park and Recreation	286,112	287,443	(1,331)	-	-	-
Electric	-	-	-	2,661,193	2,631,605	29,588
Water	-	-	-	657,835	648,888	8,947
Sewer	-	-	-	620,790	580,160	40,630
Interest on long-term debt	188,995	48,349	140,646	-	-	-
Total Expenses	2,694,164	2,655,686	38,478	3,939,818	3,860,653	79,165
Transfer	230,254	220,838	9,416	(230,254)	(220,838)	(9,416)
Change in Net Position	1,714,022	314,901	1,399,121	611,845	403,962	207,883
Net position - January 1	12,372,396	12,057,495	314,901	11,295,037	10,891,075	403,962
Net position - December 31	\$ 14,086,411	\$ 12,372,396	\$ 1,714,022	\$ 11,906,889	\$ 11,295,037	\$ 611,845

The large increase in governmental activities net position is due to increases in capital grants and contributions related to certification of special assessments from the Southwest street & utility project.

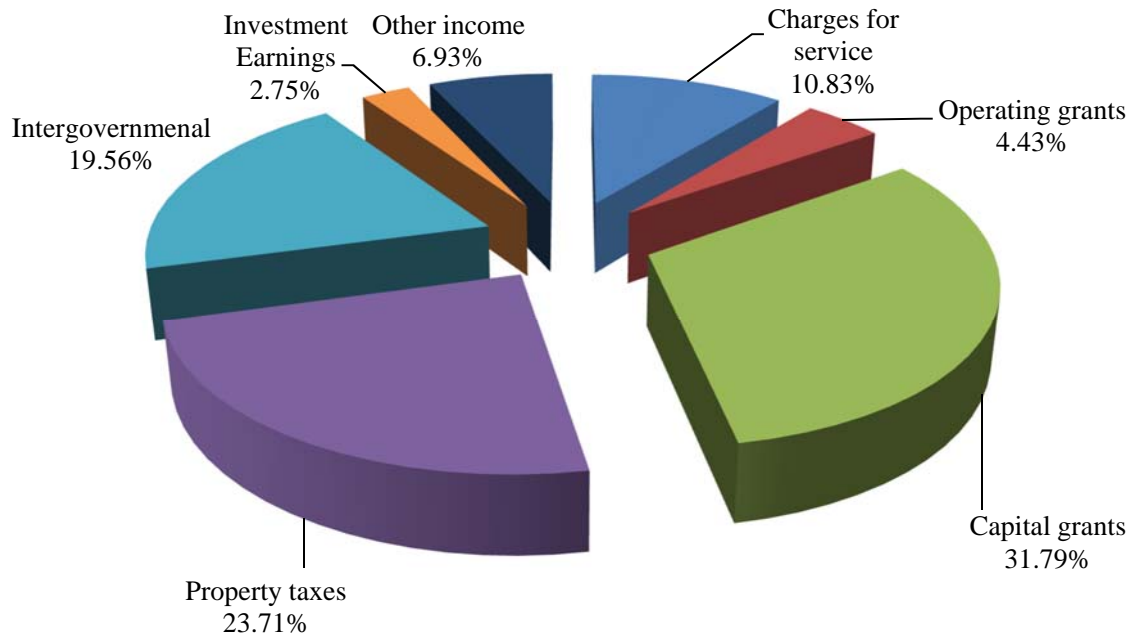
CITY OF LAKE CRYSTAL, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**Expenses and Program Revenues – Governmental Activities**



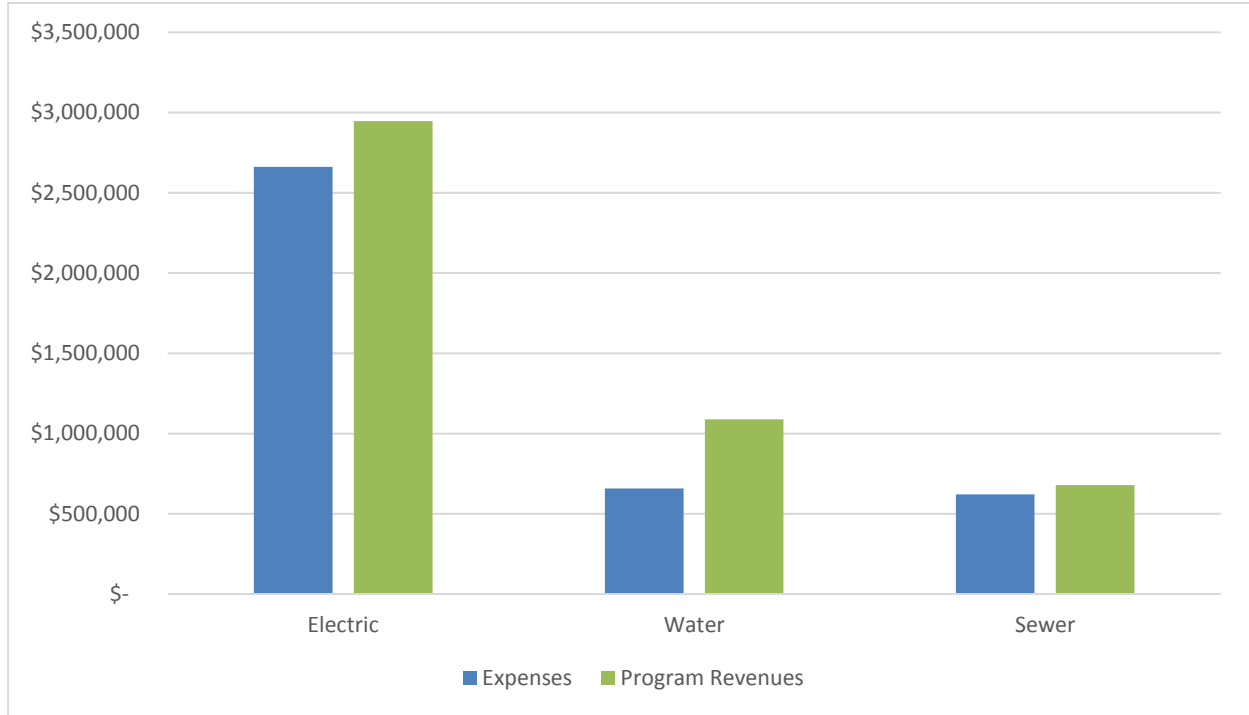
**Revenues by Source – Governmental Activities**



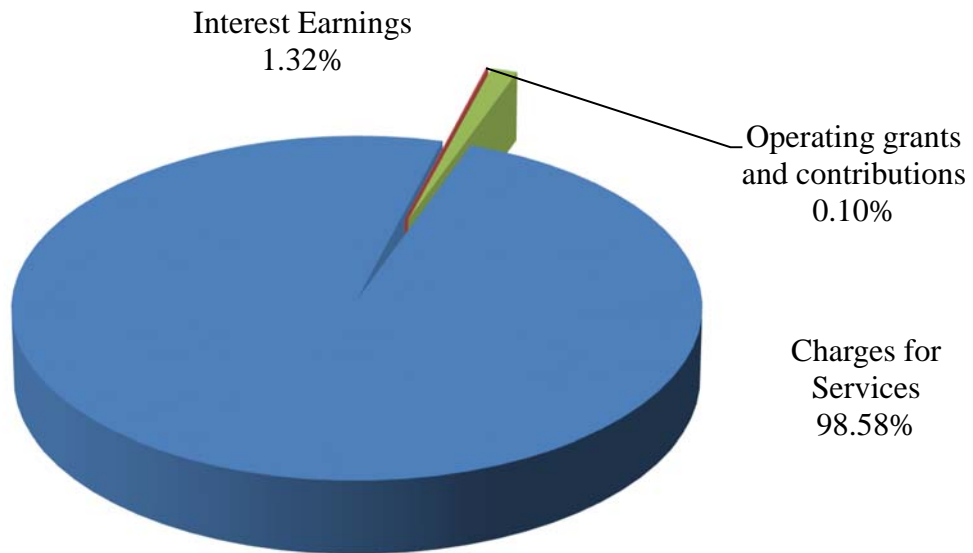
CITY OF LAKE CRYSTAL, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

**Expenses and Program Revenues – Business-Type Activities**



**Revenue by Source – Business-Type Activities**



CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

**FUND FINANCIAL ANALYSIS**

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 of Lake Crystal'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 of Lake Crystal's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Lake Crystal's governmental funds reported combined ending fund balances of \$9,825,502. The unreserved fund balance constitutes \$3,062,968 of the total combined ending fund balance. The remainder of the fund balance is either not in nonspendable form or is reserved, and is not available for new spending because it has already been committed to debt service payments and special revenue funds and other restrictions in the amount of \$6,762,534.

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 \$3,560,204. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total unassigned fund balance represents 147% of total 2019 actual expenditures. The General fund balance increased \$209,673, during the year, primarily due to collection of special assessments from tax forfeited land sales.

The Southwest Street & Utility Project fund had a fund balance of \$4,714,165. The fund was established to account for project costs relating to the construction activity of the street and utility improvement for Southwest Street. The project has construction commitments of \$4,020,073 remaining at December 31, 2019.

The Debt Service fund had a fund balance of \$821,810. The fund was established to properly account for the resources necessary to meet debt service requirements.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finance of the fund have already been addressed in the discussion of the City's business-type activities.

The City of Lake Crystal's Proprietary funds have unrestricted net position as follows:

Electric fund	\$ 596,754
Water fund	\$ 2,178,436
Sewer fund	\$ 737,045

**BUDGETARY HIGHLIGHTS**

**General Fund.**

The City of Lake Crystal increased its general tax levy collectible in 2019 by 0.7% from the 2018 levy. Local government aid from the state has stabilized and with budget surpluses at the state level the last few years it appears that source of revenue is in good shape. There were no budget amendments during the year. The City budgeted revenues to exceed expenditures by \$33,730.

Revenues were over the budgeted sources by \$336,545, with the following significant variances:

- Special assessments from tax forfeited land sales by \$147,239
- Contributions from individual donors of \$99,267
- Investment earnings of \$65,350
- Government grant for park facilities of \$59,000

CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

Expenditures were under the budgeted appropriations by \$363, with the following significant variances:

- Public safety was under budget for capital outlay by \$66,784, primarily for incomplete scheduled purchases
- Public works was over budget for capital outlay by \$124,254, primarily related to road grader purchase.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The city continued to invest in capital equipment to provide the best services for its residents. Many donations and grants were obtained to help offset purchase costs. All bonded debt was reduced with annual payments.

The City of Lake Crystal's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$22,848,863 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- John Deere 672G grader
- John Deere Z930M Ztrak mower
- Southwest street & utility project
- 2019 Ford Horton ambulance
- Building and improvements

**City of Lake Crystal's Capital Assets**

	Governmental Activities			Business-type Activities		
	<u>2019</u>	<u>2018</u>	Increase (Decrease)	<u>2019</u>	<u>2018</u>	Increase (Decrease)
Land and Improvements	\$ 501,358	\$ 501,358	\$ -	\$ 31,700	\$ 31,700	\$ -
Buildings	6,221,934	6,201,582	20,352	7,897,139	7,897,139	-
Equipment	6,056,352	2,347,728	3,708,624	3,131,660	3,084,659	47,001
Infrastructure	2,467,645	5,891,531	(3,423,886)	10,129,043	10,066,484	62,559
Construction in progress	1,568,985	164,821	1,404,164	-	62,559	(62,559)
<b>Total</b>	<b><u>\$ 16,816,273</u></b>	<b><u>\$ 15,107,019</u></b>	<b><u>\$ 1,709,254</u></b>	<b><u>\$ 21,189,541</u></b>	<b><u>\$ 21,142,540</u></b>	<b><u>\$ 47,001</u></b>

**LONG-TERM DEBT**

At the end of the fiscal year, the City of Lake Crystal had total long-term debt of \$10,740,000. This consisted of \$4,630,000 for special assessment bonds, \$4,343,000 for G.O. revenue bonds, \$917,000 for revenue bonds, \$850,000 for G.O. capital improvement bonds, \$917,786 for net pension liability, \$99,253 for compensated absences, and \$389,516 for bond premiums. State statutes limits the amount of general obligation debt a Minnesota city may issue to 3% (percent) of the total estimated market value. More detailed information on the City's long-term debt is presented in the Notes to the Financial Statement.

CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

Key elements of long-term debt are as follows:

	<u>2019</u>	<u>2018</u>	Increase (Decrease)
<b>Governmental Activities:</b>			
General Obligation Bonds	\$ 7,375,000	\$ 1,400,000	\$ 5,975,000
Revenue Bonds	192,000	260,000	(68,000)
<b>Total Governmental Activities Long-Term Debt</b>	<b>7,567,000</b>	<b>1,660,000</b>	<b>5,907,000</b>
<b>Business-type Activities:</b>			
General Obligation Revenue Bonds	2,448,000	2,911,000	(463,000)
Revenue Bonds	725,000	850,000	(125,000)
<b>Total Long-Term Debt</b>	<b>\$ 10,740,000</b>	<b>\$ 5,421,000</b>	<b>\$ 5,319,000</b>
<b>Bonded Debt:</b>			
General Obligation Bonds	\$ 7,375,000	\$ 1,400,000	\$ 5,975,000
General Obligation Revenue Bonds	2,448,000	2,911,000	(463,000)
Revenue Bonds	917,000	1,110,000	(193,000)
<b>Total Bonded Debt</b>	<b>\$ 10,740,000</b>	<b>\$ 5,421,000</b>	<b>\$ 5,319,000</b>

**FACTORS BEARING ON THE CITY'S FUTURE**

The economic outlook for Blue Earth County is uncertain, with full impacts from the COVID-19 pandemic not quite completely evident. Experts project significant contraction of the global economy in 2020, but how that will impact Blue Earth County is unknown. Furthermore, impacts to general fund revenues are unknown. During an economic downturn, property tax collections tend to decrease and state and federal aid reduced. The City of Lake Crystal does not have a general sales tax. The tax capacity of the City of Lake Crystal increased by \$127,542 or 8.2% between 2019 and 2020. New construction was strong again in 2019, with 8 permits approved for new homes. Initial indications are that tax capacity is expected to remain stable with potential for slight growth going forward. Staff continues to monitor the potential fiscal impacts of the COVID-19 pandemic and are able to adjust if conditions warrant it. All of these factors will be considered when preparing the budget for the 2021 fiscal year.

For the 2020 fiscal year, general fund revenue and expenditure projections remained conservative. The 2020 general fund budget for both revenues and expenditures is \$ 2,386,717.

The 2020 general fund budget includes funding for the following:

- \$15,000 for the purchase of a printer/scanner/fax machine
- \$30,000 for the installation of a Lilly Lakes park swing set and landscaping of the downtown pocket park
- \$10,000 for the purchase of a police squad computer and equipment
- \$55,000 for future capital purchases
- \$25,000 for sidewalk maintenance projects
- \$125,000 for street maintenance projects

The 2020 budget also reflects two structural changes:

1. The ambulance service budget was removed from the general fund budget. The service will have its own fund (Fund 06) beginning in 2020. This will help increase transparency, improve accounting for receivables and bad debt, provide for more efficient tracking and oversight, and improve cash reconciliation procedures. Contributions (if any) to the

CITY OF LAKE CRYSTAL, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019

Ambulance Fund from the General Fund are included in the General Fund "Transfer Out" expense account and the Ambulance Fund "Transfer In" revenue account.

2. All capital expenditures (e.g., equipment, major remodels, new construction, etc.) will be paid out of the City's Capital Projects Fund (Fund 20). This will allow the general fund budget to cover operational costs only, without overages caused by equipment purchases using reserve funds.

The 2020 proprietary fund (electric, water, sewer) budget is \$4,801,283 for revenues and \$4,860,893 for expenditures, resulting in a net loss of \$59,610. Reflected in the 2020 budget is a 2% general rate increase in electric, water and sewer rates, respectively. Gallons used included in the base water/sewer charge was reduced from 2,000 to 1,000 gallons. The 2020 proprietary fund budget includes funding for the following:

- \$1,752,738 for purchased power
- \$825,095 for debt expense (principal and interest)
- \$240,064 for franchise fees paid to the City Debt Service Fund
- \$120,000 for depreciation expense
- \$191,950 for electric supplies and maintenance (power plant, reconstruction project, etc.)
- \$60,000 for the purchase of a new electric work truck

The 2019/2020 Southwest Street and Utility Improvement Project began in 2019. The project is expected be substantially complete by October 2020. The City issued 20-year bonds to finance the water and sewer collection system improvements. The bonds added approximately \$133,855 in debt service payments beginning in 2020. Improvements to the electric distribution system will also be completed with the project.

Lake Crystal Municipal Utilities (LCMU) continues to plan and prepare for future, large capital projects including:

- New wastewater treatment plant/plant upgrades;
- Water plant upgrades, including well maintenance and construction of a new well; and
- Power plant engine maintenance.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Lake Crystal's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Lake Crystal, 100 E. Robinson St., Lake Crystal, MN, 56055.

## BASIC FINANCIAL STATEMENTS



## CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF NET POSITION  
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,722,333	\$ 1,161,095	\$ 3,883,428
Investments	6,759,281	2,822,406	9,581,687
Receivables:			
Property Taxes	83,123	0	83,123
Special Assessments	1,118,917	0	1,118,917
Accounts, Net	181,688	480,146	661,834
Interest	22,539	33,103	55,642
Notes, Net	3,844	0	3,844
Prepaid Expenses	103,515	76,322	179,837
Internal Balances	247,432	(247,432)	0
Inventory	0	143,076	143,076
Real Estate Held for Sale	57,000	0	57,000
Net Pension Asset	30,538	0	30,538
Capital Assets, Net	11,347,174	11,501,689	22,848,863
Total Assets	<u>22,677,384</u>	<u>15,970,405</u>	<u>38,647,789</u>
<b>Deferred Outflows of Resources:</b>			
Pension Plan Deferments	404,030	85,886	489,916
Deferred Refunding Debits	8,361	22,542	30,903
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 23,089,775</u>	<u>\$ 16,078,833</u>	<u>\$ 39,168,608</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 197,431	\$ 275,410	\$ 472,841
Accrued Expenses	50,124	27,069	77,193
Current Portion of Long-term Debt	489,000	605,000	1,094,000
Compensated Absences	42,962	56,291	99,253
Net Pension Liability	468,986	448,800	917,786
Long-term Debt, Less Current Portion	7,374,940	2,660,576	10,035,516
Total Liabilities	<u>8,623,443</u>	<u>4,073,146</u>	<u>12,696,589</u>
<b>Deferred Inflows of Resources:</b>			
Pension Plan Deferments	379,921	98,798	478,719
<b>Net Position:</b>			
Net Investment in Capital Assets	3,491,594	8,250,654	11,742,248
Restricted	6,856,960	144,000	7,000,960
Unrestricted	3,737,857	3,512,235	7,250,092
Total Net Position	<u>14,086,411</u>	<u>11,906,889</u>	<u>25,993,300</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 23,089,775</u>	<u>\$ 16,078,833</u>	<u>\$ 39,168,608</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 670,485	\$ 52,720	\$ 50	\$ 0
Public Safety	670,953	230,386	151,896	0
Public Works	877,619	194,172	0	1,342,572
Parks and Recreation	286,112	0	43,165	59,000
Interest on Long-term Debt	188,995	0	0	0
Total Governmental Activities	<u>2,694,164</u>	<u>477,278</u>	<u>195,111</u>	<u>1,401,572</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Electric	2,661,193	2,946,168	0	0
Water	657,835	1,088,534	2,500	0
Sewer	620,790	679,086	2,500	0
Total Business-Type Activities	<u>3,939,818</u>	<u>4,713,788</u>	<u>5,000</u>	<u>0</u>
Total Primary Government	<u>\$ 6,633,982</u>	<u>\$ 5,191,066</u>	<u>\$ 200,111</u>	<u>\$ 1,401,572</u>

General Revenues:

- Property Taxes, levied for General Purposes
- Property Taxes, levied for Debt Service
- Franchise Fees
- Intergovernmental
- Interest and Investment Earnings
- Other Income
- Transfers
- Total General Revenues

Changes in Net Position

Net Position - Beginning

Net Position - Ending

The Notes to the Financial Statements are an Integral Part of this Statement.

Net (Expenses) Revenues and  
Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (617,715)	\$ 0	\$ (617,715)
(288,671)	0	(288,671)
659,125	0	659,125
(183,947)	0	(183,947)
(188,995)	0	(188,995)
<u>(620,203)</u>	<u>0</u>	<u>(620,203)</u>
0	284,975	284,975
0	433,199	433,199
0	60,796	60,796
<u>0</u>	<u>778,970</u>	<u>778,970</u>
<u>(620,203)</u>	<u>778,970</u>	<u>158,767</u>
945,502	0	945,502
99,897	0	99,897
91,564	0	91,564
770,856	0	770,856
121,046	63,128	184,174
75,106	0	75,106
230,254	(230,254)	0
<u>2,334,225</u>	<u>(167,126)</u>	<u>2,167,099</u>
1,714,022	611,845	2,325,867
<u>12,372,389</u>	<u>11,295,044</u>	<u>23,667,433</u>
<u>\$ 14,086,411</u>	<u>\$ 11,906,889</u>	<u>\$ 25,993,300</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF LAKE CRYSTAL, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019

	General	Debt Service Funds	Southwest Street & Utility Project
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,710,099	\$ 571,915	\$ 36,236
Investments	1,725,375	16,842	4,752,660
Receivables:			
Property Taxes	77,909	5,214	0
Special Assessments	944	1,117,973	0
Franchise Fee	64,970	0	0
Accounts	116,718	0	0
Notes	0	0	0
Interest	22,508	31	0
Due From Other Funds	17,178	230,253	0
Prepaid Expenses	103,515	0	0
Real Estate Held for Sale	0	0	0
<b>TOTAL ASSETS</b>	<b><u>\$ 3,839,216</u></b>	<b><u>\$ 1,942,228</u></b>	<b><u>\$ 4,788,896</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 121,855	\$ 834	\$ 74,731
Accrued Expenses	18,479	0	0
Total Liabilities	<u>140,334</u>	<u>834</u>	<u>74,731</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	<u>138,678</u>	<u>1,119,584</u>	<u>0</u>
<b>Fund Balance:</b>			
Nonspendable	103,515	0	0
Restricted	0	821,810	4,714,165
Committed	0	0	0
Assigned	393,721	0	0
Unassigned	3,062,968	0	0
Total Fund Balance	<u>3,560,204</u>	<u>821,810</u>	<u>4,714,165</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 3,839,216</u></b>	<b><u>\$ 1,942,228</u></b>	<b><u>\$ 4,788,896</u></b>

The Notes to the Financial Statements are an Integral Part of this Statement.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 404,075	\$ 2,722,325
264,404	6,759,281
0	83,123
0	1,118,917
0	64,970
0	116,718
3,844	3,844
0	22,539
0	247,431
0	103,515
<u>57,000</u>	<u>57,000</u>
<u>\$ 729,323</u>	<u>\$ 11,299,663</u>

\$ 0	\$ 197,420
0	18,479
<u>0</u>	<u>215,899</u>

<u>0</u>	<u>1,258,262</u>
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0	103,515
233,047	5,769,022
129,999	129,999
366,277	759,998
0	3,062,968
<u>729,323</u>	<u>9,825,502</u>

<u>\$ 729,323</u>	<u>\$ 11,299,663</u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF LAKE CRYSTAL, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
December 31, 2019

Total Fund Balances - Governmental Funds	\$ 9,825,502
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds.	
Cost of capital assets:	16,816,273
Less: accumulated depreciation	(5,469,099)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the Governmental Funds.	
Bonds payable	(7,567,000)
Compensated absences	(42,962)
Bond premiums on long-term debt are recognized as revenue in the Governmental Funds but as a decrease in the Statement of Net Position	
	(296,940)
The deferral of loss on advance debt refunding is expensed in the Governmental Funds but is capitalized and amortized in the Statement of Net Position	
	8,361
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the Funds.	
Delinquent property taxes	42,917
Special assessments	1,116,029
Accounts receivable, net	99,316
Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, has no effect on fund balance	
Net pension liability - general employees retirement pension fund	(297,585)
Net pension liability - public employees police and fire pension fund	(171,401)
Net pension liability - volunteer firemen's relief pension fund	30,538
Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Deferred outflows of resources related to pensions	404,030
Deferred inflows of resources related to pensions	(379,920)
Governmental funds do not report a liability for accrued interest payable until due and payable.	
	<u>(31,645)</u>
Total Net Position - Governmental Activities	<u>\$ 14,086,411</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	General	Debt Service Funds	Southwest Street & Utility Project
<b>Revenues:</b>			
Property Taxes	\$ 941,240	\$ 101,319	\$ 0
Franchise Fees	91,564	0	0
Special Assessments	147,239	233,888	0
Intergovernmental Revenue	890,825	0	0
Licenses	32,309	0	0
Charges for Services	413,601	0	0
Fines	6,311	0	0
Other Income	269,889	590	15,357
Total Revenues	<u>2,792,978</u>	<u>335,797</u>	<u>15,357</u>
<b>Expenditures:</b>			
Current:			
General Government	521,106	0	0
Public Safety	616,098	0	0
Public Works	682,101	0	0
Parks and Recreation	209,311	0	0
Cemetery	13,611	0	0
Capital Outlay:			
General Government	2,288	0	0
Public Safety	177,716	0	0
Public Works	151,754	0	1,568,993
Park and Recreation	48,355	0	0
Debt Service:			
Principal	0	333,000	0
Interest and Fees	0	47,051	124,920
Total Expenditures	<u>2,422,340</u>	<u>380,051</u>	<u>1,693,913</u>
Excess of Revenues Over (Under) Expenditures	<u>370,638</u>	<u>(44,254)</u>	<u>(1,678,556)</u>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers Out	(163,965)	0	0
Operating Transfers In	0	304,894	0
Sale of Capital Assets	3,000	0	0
Bond Premium	0	0	282,285
Sale of Bonds	0	0	6,240,000
Total Other Financing Sources (Uses)	<u>(160,965)</u>	<u>304,894</u>	<u>6,522,285</u>
Change in Fund Balance	209,673	260,640	4,843,729
Fund Balance - January 1	<u>3,350,531</u>	<u>561,170</u>	<u>(129,564)</u>
Fund Balance - December 31	<u>\$ 3,560,204</u>	<u>\$ 821,810</u>	<u>\$ 4,714,165</u>

The Notes to the Financial Statements are an Integral Part of this Statement.



Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,042,559
0	91,564
0	381,127
0	890,825
0	32,309
0	413,601
0	6,311
40,660	326,496
<u>40,660</u>	<u>3,184,792</u>
57,286	578,392
0	616,098
0	682,101
0	209,311
0	13,611
15,000	17,288
0	177,716
33,371	1,754,118
0	48,355
0	333,000
0	171,971
<u>105,657</u>	<u>4,601,961</u>
<u>(64,997)</u>	<u>(1,417,169)</u>
0	(163,965)
89,325	394,219
0	3,000
0	282,285
0	6,240,000
<u>89,325</u>	<u>6,755,539</u>
24,328	5,338,370
<u>704,995</u>	<u>4,487,132</u>
<u>\$ 729,323</u>	<u>\$ 9,825,502</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF LAKE CRYSTAL, MINNESOTA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 5,338,370
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	1,939,592
Depreciation expense	(373,994)
The issuance of long-term debt provides current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal payments	333,000
Bonds and notes issued	(6,522,285)
Bond premiums and deferred refunding losses on long-term debt are recognized as revenues and expenditures in the Governmental Funds. However, in the Statement of Activities those revenues and expenditures are allocated over the life of the debt and amortized as a decrease or increase in interest expense.	
Amortization of bond premiums	15,234
Amortization of deferred refunding loss	(2,856)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(29,402)
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	2,841
Special assessments	961,444
Accounts receivable	25,857
Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.	
Pension expense	27,039
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(815)
Change in Net Position - Governmental Activities	<u>\$ 1,714,022</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2019

	Budget		Actual	Over (Under)
	Original	Final		Final Budget
<b>Revenues:</b>				
Property Taxes	\$ 964,246	\$ 964,246	\$ 941,240	\$ (23,006)
Franchise Fees	75,000	75,000	91,564	16,564
Special Assessments	0	0	147,239	147,239
Intergovernmental Revenue	807,065	807,065	890,825	83,760
Licenses	31,510	31,510	32,309	799
Charges for Services	388,782	388,782	413,601	24,819
Fines	12,000	12,000	6,311	(5,689)
Other Income	177,830	177,830	269,889	92,059
Total Revenues	<u>2,456,433</u>	<u>2,456,433</u>	<u>2,792,978</u>	<u>336,545</u>
<b>Expenditures:</b>				
Current:				
General Government	544,947	544,947	521,106	(23,841)
Public Safety	616,697	616,697	616,098	(599)
Public Works	730,382	730,382	682,101	(48,281)
Parks and Recreation	223,577	223,577	209,311	(14,266)
Cemetery	13,600	13,600	13,611	11
Capital Outlay:				
General Government	1,500	1,500	2,288	788
Public Safety	244,500	244,500	177,716	(66,784)
Public Works	27,500	27,500	151,754	124,254
Park and Recreation	20,000	20,000	48,355	28,355
Total Expenditures	<u>2,422,703</u>	<u>2,422,703</u>	<u>2,422,340</u>	<u>(363)</u>
Excess of Revenues Over (Under) Expenditures	33,730	33,730	370,638	336,908
<b>Other Financing Sources (Uses):</b>				
Operating Transfers Out	(148,480)	(148,480)	(163,965)	15,485
Sale of Capital Assets	5,000	5,000	3,000	(2,000)
Total Other Financing Sources (Uses)	<u>(143,480)</u>	<u>(143,480)</u>	<u>(160,965)</u>	<u>(17,485)</u>
Change in Fund Balance	<u>\$ (109,750)</u>	<u>\$ (109,750)</u>	209,673	<u>\$ 319,423</u>
Fund Balance - January 1			3,350,531	
Fund Balance - December 31			<u>\$ 3,560,204</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

## CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2019

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	Electric	Water	Sewer	Totals
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 417,546	\$ 622,244	\$ 121,305	\$ 1,161,095
Investments	491,491	1,666,214	664,701	2,822,406
Accounts Receivable, Net	323,610	84,827	71,709	480,146
Interest Receivable	4,408	27,562	1,133	33,103
Inventory	125,442	17,634	0	143,076
Prepaid Expenses	40,852	16,917	18,553	76,322
Total Current Assets	<u>1,403,349</u>	<u>2,435,398</u>	<u>877,401</u>	<u>4,716,148</u>
<b>Noncurrent Assets:</b>				
Property and Equipment	6,549,989	7,787,219	6,852,333	21,189,541
Less: Accumulated Depreciation	<u>(4,094,532)</u>	<u>(2,372,673)</u>	<u>(3,220,647)</u>	<u>(9,687,852)</u>
Total Assets	<u>3,858,806</u>	<u>7,849,944</u>	<u>4,509,087</u>	<u>16,217,837</u>
<b>Deferred Outflows of Resources:</b>				
Pension Plan Deferments	46,056	27,474	12,356	85,886
Deferred Amount on Bond Refunding	<u>0</u>	<u>0</u>	<u>22,542</u>	<u>22,542</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,904,862</u>	<u>\$ 7,877,418</u>	<u>\$ 4,543,985</u>	<u>\$ 16,326,265</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 217,463	\$ 24,910	\$ 33,038	\$ 275,411
Due to Other Funds	161,242	53,405	32,784	247,431
Accrued Expenses	11,354	9,319	6,396	27,069
Current Portion of Long-term Debt	<u>130,000</u>	<u>325,000</u>	<u>150,000</u>	<u>605,000</u>
Total Current Liabilities	<u>520,059</u>	<u>412,634</u>	<u>222,218</u>	<u>1,154,911</u>
<b>Noncurrent Liabilities:</b>				
Compensated Absences	24,942	21,634	9,715	56,291
Net Pension Liability	240,669	143,565	64,566	448,800
Bonds Payable, Less Current Portion	<u>600,996</u>	<u>1,313,267</u>	<u>746,313</u>	<u>2,660,576</u>
Total Liabilities	<u>1,386,666</u>	<u>1,891,100</u>	<u>1,042,812</u>	<u>4,320,578</u>
<b>Deferred Inflows of Resources:</b>				
Pension Plan Deferments	<u>52,981</u>	<u>31,604</u>	<u>14,213</u>	<u>98,798</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	1,724,461	3,776,278	2,749,915	8,250,654
Restricted	144,000	0	0	144,000
Unrestricted	<u>596,754</u>	<u>2,178,436</u>	<u>737,045</u>	<u>3,512,235</u>
Total Net Position	<u>2,465,215</u>	<u>5,954,714</u>	<u>3,486,960</u>	<u>11,906,889</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,904,862</u>	<u>\$ 7,877,418</u>	<u>\$ 4,543,985</u>	<u>\$ 16,326,265</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

## CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Electric	Water	Sewer	Totals
<b>Operating Revenue:</b>				
Charges for Services	\$ 2,849,792	\$ 1,064,749	\$ 648,756	\$ 4,563,297
<b>Operating Expenses:</b>				
Production	1,906,563	341,773	289,513	2,537,849
Distribution	371,761	24,172	67,568	463,501
Administration	222,115	129,678	93,702	445,495
Depreciation	138,856	126,316	146,164	411,336
Total Operating Expenses	<u>2,639,295</u>	<u>621,939</u>	<u>596,947</u>	<u>3,858,181</u>
Income (Loss) from Operations	<u>210,497</u>	<u>442,810</u>	<u>51,809</u>	<u>705,116</u>
<b>Nonoperating Revenue (Expense)</b>				
Interest Income	13,335	43,957	15,727	73,019
Investments - Fair Value Adjustment	4,642	12,296	17,084	34,022
Interest and Fiscal Expense	(21,898)	(35,896)	(23,843)	(81,637)
Other Income	91,114	9,689	10,775	111,578
Total Nonoperating Revenue (Expense)	<u>87,193</u>	<u>30,046</u>	<u>19,743</u>	<u>136,982</u>
Income Before Transfers	297,690	472,856	71,552	842,098
Transfers Out	<u>(144,064)</u>	<u>(53,405)</u>	<u>(32,784)</u>	<u>(230,254)</u>
Change in Net Position	153,626	419,451	38,768	611,845
Net Position - January 1	<u>2,311,589</u>	<u>5,535,263</u>	<u>3,448,192</u>	<u>11,295,044</u>
Net Position- December 31	<u>\$ 2,465,215</u>	<u>\$ 5,954,714</u>	<u>\$ 3,486,960</u>	<u>\$ 11,906,889</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

## CITY OF LAKE CRYSTAL, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2019

	Electric	Water	Sewer	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts From Customers and Users	\$ 2,848,768	\$ 1,042,419	\$ 652,311	\$ 4,543,498
Payments to Suppliers	(2,086,959)	(289,971)	(358,386)	(2,735,316)
Payments to Employees	(412,000)	(199,637)	(91,215)	(702,852)
Other Receipts	91,114	9,689	10,775	111,578
Net Cash Provided by Operating Activities	<u>440,923</u>	<u>562,500</u>	<u>213,485</u>	<u>1,216,908</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Transfers	(144,075)	(44,667)	(32,095)	(220,837)
Net Investment Activity	(264,920)	(424,751)	(68,122)	(757,793)
Advances (To) From Other Funds	0	50,000	50,000	100,000
Net Cash Provided (Used) by Noncapital Activities	<u>(408,995)</u>	<u>(419,418)</u>	<u>(50,217)</u>	<u>(878,630)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of Capital Assets	(26,716)	(36,638)	(13,177)	(76,531)
Principal Payments on Bonds and Loans	(125,000)	(315,000)	(148,000)	(588,000)
Interest Payments on Bonds	(23,605)	(56,251)	(23,173)	(103,029)
Net Cash Used by Capital Activities	<u>(175,321)</u>	<u>(407,889)</u>	<u>(184,350)</u>	<u>(767,560)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Received	<u>4,503</u>	<u>7,937</u>	<u>1,197</u>	<u>13,637</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(138,890)	(256,870)	(19,887)	(415,647)
Cash and Cash Equivalents - January 1	<u>556,441</u>	<u>879,112</u>	<u>141,190</u>	<u>1,576,743</u>
Cash and Cash Equivalents - December 31	<u>\$ 417,546</u>	<u>\$ 622,244</u>	<u>\$ 121,305</u>	<u>\$ 1,161,095</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 210,497	\$ 442,810	\$ 51,809	\$ 705,116
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Other Operating Receipts	91,114	9,689	10,775	111,578
Depreciation	138,856	126,316	146,164	411,336
(Increase) Decrease in Receivables	(1,024)	(22,330)	3,555	(19,799)
(Increase) Decrease in Inventory	(29,802)	(25)	0	(29,827)
(Increase) Decrease in Prepaid Expenses	2,169	(1,338)	(1,102)	(271)
(Increase) Decrease in Pension Resources	(2,316)	(882)	(412)	(3,610)
Increase (Decrease) in Net Pension Liability	(13,606)	5,636	2,115	(5,855)
Increase (Decrease) in Accounts Payable	41,058	2,527	282	43,867
Increase (Decrease) in Due to Other Funds	(141)	0	0	(141)
Increase (Decrease) in Compensated Absences	2,470	(696)	(84)	1,690
Increase (Decrease) in Accrued Expenses	1,648	793	383	2,824
Net Cash Provided by Operating Activities	<u>\$ 440,923</u>	<u>\$ 562,500</u>	<u>\$ 213,485</u>	<u>\$ 1,216,908</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting entity**

The City of Lake Crystal, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

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. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. 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 City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally from the City. Included in the City's reporting entity, based upon the application of these criteria, are the following blended component units. The blended component units presented have a December 31 year end.

***Economic Development Authority.*** The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

***Municipal Utilities Commission.*** The Lake Crystal Municipal Utilities Commission (the Commission) serves all the citizens of the City and is governed by a Commission comprised of three Council approved members who serve overlapping three-year terms. The Minnesota statutes provide the Council all the discretionary authority necessary to operate the utilities except as its powers have been delegated to the Commission. The utility funds are included with the enterprise funds of this report. Separate financial statements are not issued for this component unit.

**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 of the nonfiduciary activities of the City. *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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than as program 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. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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

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



CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Southwest Street & Utility Capital Project fund* accounts for the construction activity related to the street and utility improvement for Southwest Street.

The City reports the following major proprietary funds:

The *Electric fund* accounts for the costs associated with the City's electric utility system and insures that user charges are sufficient to meet those costs.

The *Water fund* accounts for the costs associated with the City's water utility system and insures that user charges are sufficient to meet those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer utility system and insures that user charges are sufficient to meet those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. 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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

**D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance**

*Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City 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. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, 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.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

**Level 1** – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

**Level 2** – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

**Level 3** – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

See Note 3 for the City’s recurring fair value measurements as of December 31, 2019. The City has adopted a formal investment policy.

***Property taxes***

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for 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 December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years’ uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Notes receivable***

Notes receivable represents loans made to various commercial entities throughout the City. An allowance has been established and was determined based on historical bad debt experience related to the nature of the receivable balance.

***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 received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

***Land held for resale***

Land held for resale is carried at the lower of cost or net realizable value.

***Inventory and Prepaid items***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

***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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

***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. Capital assets are defined by the City as assets with an initial, individual cost of more than the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

<u>Assets</u>	<u>Capitalization Threshold</u>
Land improvements	\$ 10,000
Buildings and improvements	25,000
Infrastructure	100,000
Machinery and equipment	5,000

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. 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 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.

Property, plant, and equipment of the City, as well as component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)***Compensated absences/Severance benefits***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Upon retirement or termination, employees in good standing are entitled to payout for the lesser of their vacation balance or 20 days. The City pays out sick leave benefits at 50% upon retirement for employees whom have reached 15 years of service and age 55. 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 General fund is typically used to liquidate governmental compensated absences payable.

***Postemployment benefits other than pensions***

Employees of the City pay health care premiums based on their age and level of coverage. Since the insurance rate is based on age, the City does not have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The City's personnel policy does not provide for any contributions upon employee retirement.

***Deferred outflows/inflows of resources***

In addition to liabilities, the statement of financial position and fund financial statements 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.

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

***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), Lake Crystal Volunteer Firemen's Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, except that PERA's fiscal year end is June 30. 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.

PERA has a special funding situation for their public employees police and fire pension fund in the State of Minnesota contributes \$9 million annually on October 1 until both PEPFF and MSRS State Patrol become 90% funded (on a Market Value of Asset Basis).

***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 premiums and discounts are delayed and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize 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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

***Net position***

In the government-wide financial statements, net position represents the difference between assets and liabilities. 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 - Consist of net position balances 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 balances that do not meet the definition of “restricted” or “net investment in capital assets”.

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City’s policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 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 City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, 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 department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were no budget amendments during the year.

**B. Excess of Expenditures over Appropriations**

For the year ended December 31, 2019, no funds had expenditures over appropriations.

**C. Deficit Fund Equity**

There were no funds that had a fund equity deficit at December 31, 2019.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS

**A. Deposits and investments**

*Deposits*

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 and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At December 31, 2019, the carrying amount of deposits was \$6,925,184 and the bank balance was \$6,898,552. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City's agent in the City's name.



CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**Investments**

Investments are subject to various risks, the following of which are considered the most significant:

*Custodial Credit Risk* – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the City’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

*Credit Risk* – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes 118A.07 limit the City’s investments.

*Concentration Risk* – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies do not address concentration risk.

Directly placed certificates of deposit:

MinnStar Bank 5.1%

*Interest Rate Risk* – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do not limit the maturities of investments; however, when purchasing investments the City considers such things as interest rates and cash flow needs.

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City’s agent in the City’s name:

Deposit/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Pooled investment at amortized cost						
Broker money market funds	N/R	N/R	N/A	N/A	N/A	\$ 7,815
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	1,276
Minnesota municipal money market fundmax class	N/R	N/R	NAV	N/A	N/A	104,384
Directly placed certificates of deposit	N/R	N/R	N/A	7,271,914	416,842	7,688,756
Investment pools/mutual funds						
U.S. Government money market	N/R	N/R	NAV	N/A	N/A	6,781
Unlisted real estate investment trusts	N/R	N/R	NAV	N/A	N/A	86,180
Mutual funds	N/R	N/R	Level 1	N/A	N/A	1,336,005
Negotiable certificates of deposit	N/R	N/R	Level 2	-	250,657	250,657
Federal government securities	AA+	S&P	Level 2	-	99,833	99,833
<b>Total investments</b>						<b>\$ 9,581,687</b>

Approximately 5% or \$86,180 of the City’s investments are held with investments that have no specific statutory authority.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

The City’s investment in certain money market funds are measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. For U.S. Government money market investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily and there is no redemption notice. For 4M Fund investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

The City’s investment in certain real estate funds includes 3 real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the City’s ownership interest in partners’ capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next eight to ten years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the City’s ownership interest in partners’ capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund’s management is required to approve of the buyer before the sale of the investments can be completed.

A reconciliation of cash and investment as shown on the Statement of Net Position for the City is as follows:

	Governmental Funds	Proprietary Funds
	<u>                    </u>	<u>                    </u>
Carrying amount of demand deposits	\$ 1,740,391	\$ 905,897
Time deposits	981,867	255,098
Petty Cash	75	100
	<u>                    </u>	<u>                    </u>
Cash and Cash equivalents	2,722,333	1,161,095
Investments	<u>6,759,281</u>	<u>2,822,406</u>
	<u>                    </u>	<u>                    </u>
Total cash and investments	<u>\$ 9,481,614</u>	<u>\$ 3,983,501</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**B. Receivables**

Taxes receivables as of the year-end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Accounts receivable on the statement of net position consist of the following:

Nature of Receivable	Receivable Balance	Allowance for Uncollectibles	Total
Ambulance calls	\$ 68,094	\$ (14,671)	\$ 53,423
Delinquent ambulance calls	83,949	(83,949)	-
Fire department contracts	60,895	-	60,895
Fire assistance	2,400	-	2,400
Franchise Fees	64,970	-	64,970
Total	<u>\$ 280,308</u>	<u>\$ (98,620)</u>	<u>\$ 181,688</u>

Notes receivable represents loans made to various commercial entities throughout the City. These loans all carry an interest rate of 3% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes. The amount shown on the Statement of Net Position is net of an allowance of \$57,161. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance.

Governmental funds report *deferred inflows of resources* 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 *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Special assessment not yet due	\$ 1,116,029	\$ -
Delinquent property taxes - debt service fund	4,499	-
Delinquent property taxes - general fund	38,418	-
Charges for services	99,316	-
Total deferred inflows of resources/unearned revenue	<u>\$ 1,258,262</u>	<u>\$ -</u>

The only receivables not expected to be collectible within one year are the following: General Fund: \$20,000, Debt Service Fund: \$2,500, respectively. Debt Service Fund special assessments: \$1,000,000. General Fund: \$80,000 of charges for services.

## CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**C. Capital assets**

Capital asset activity for the City for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 501,358	\$ -	\$ -	\$ 501,358
Construction in progress	164,821	1,568,985	(164,821)	1,568,985
Total capital assets not being depreciated	<u>666,179</u>	<u>1,568,985</u>	<u>(164,821)</u>	<u>2,070,343</u>
Capital assets being depreciated				
Buildings and Improvements	6,201,582	20,352	-	6,221,934
Infrastructure	5,891,531	164,821	-	6,056,352
Machinery and equipment	2,347,728	350,254	(230,337)	2,467,645
Total capital assets being depreciated	<u>14,440,841</u>	<u>535,427</u>	<u>(230,337)</u>	<u>14,745,931</u>
Less accumulated depreciation for				
Buildings and Improvements	(1,655,858)	(111,148)	-	(1,767,006)
Infrastructure	(2,123,006)	(139,064)	-	(2,262,070)
Machinery and equipment	(1,546,580)	(123,781)	230,337	(1,440,024)
Total accumulated depreciation	<u>(5,325,444)</u>	<u>(373,993)</u>	<u>230,337</u>	<u>(5,469,100)</u>
Total capital assets being depreciated, net	<u>9,115,397</u>	<u>161,434</u>	<u>-</u>	<u>9,276,831</u>
Governmental activities capital assets, net	<u>\$ 9,781,576</u>	<u>\$ 1,730,419</u>	<u>\$ (164,821)</u>	<u>\$ 11,347,174</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 31,700	\$ -	\$ -	\$ 31,700
Construction in progress	62,559	-	(62,559)	-
Total capital assets not being depreciated	94,259	-	(62,559)	31,700
Capital assets being depreciated				
Buildings and improvements	7,897,139	-	-	7,897,139
Distribution system	10,066,484	62,559	-	10,129,043
Machinery and equipment	3,084,659	76,544	(29,543)	3,131,660
Total capital assets being depreciated	21,048,282	139,103	(29,543)	21,157,842
Less accumulated depreciation for				
Buildings and improvements	(3,647,868)	(174,062)	-	(3,821,930)
Distribution system	(3,160,392)	(147,722)	-	(3,308,114)
Machinery and equipment	(2,497,800)	(89,552)	29,543	(2,557,809)
Total accumulated depreciation	(9,306,060)	(411,336)	29,543	(9,687,853)
Total capital assets being depreciated, net	11,742,222	(272,233)	-	11,469,989
Business-type activities capital assets, net	<u>\$ 11,836,481</u>	<u>\$ (272,233)</u>	<u>\$ (62,559)</u>	<u>\$ 11,501,689</u>

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

<b>Governmental activities</b>	
General government	\$ 45,885
Public safety	98,708
Public works	155,771
Parks and recreation	73,629
Total depreciation expense - governmental activities	<u>\$ 373,993</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**Business-type activities**

Electric	\$ 138,856
Water	126,316
Sewer	<u>146,164</u>
Total depreciation expense - business-type activities	<u><u>\$ 411,336</u></u>

**D. Long-term debt**

General Obligation Revenue Bonds

The City issued general obligation revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes in the event that anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. G.O. Revenue Bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Wastewater Revenue					
Bonds of 2003A	\$ 1,571,616	2.34%	10/3/03	8/20/23	\$ 393,000
G.O. Crossover Refunding					
Bonds of 2012A	755,000	2.00 - 2.50	4/4/12	12/15/27	495,000
G.O. Refunding					
Bonds of 2017B	2,160,000	3.00	9/14/17	12/1/24	1,560,000
G.O. Improvement					
Bonds of 2019A	1,025,000	3.00	6/26/19	12/15/39	<u>1,895,000</u>
Total general obligation revenue bonds					<u><u>\$ 4,343,000</u></u>

Revenue Bonds

The City issued revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. Revenue Bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Gross Revenue Recreational					
Facilities Refunding					
Bonds of 2015A	\$ 515,000	2.40%	2/19/15	12/15/21	\$ 192,000
Electric Revenue					
Refunding Bonds of 2014B	1,440,000	2.00 - 3.10	6/3/14	12/1/24	<u>725,000</u>
Total revenue bonds					<u><u>\$ 917,000</u></u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Improvement Bonds

The City issues general obligation improvement bonds to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation special assessment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Crossover Refunding					
Bonds of 2012A	\$ 520,000	2.00 - 2.50%	4/4/12	12/15/27	\$ 150,000
G.O. Refunding					
Bonds of 2014A	1,075,000	2.00	3/18/14	12/1/20	135,000
G.O. Improvement					
Bonds of 2019A	4,345,000	3.00	6/26/19	12/15/39	<u>4,345,000</u>
Total general obligation special assessment bonds					<u><u>\$ 4,630,000</u></u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement Plan					
Bonds of 2017A	\$ 960,000	1.13-3.00%	6/1/17	12/15/32	<u>\$ 850,000</u>
Total general obligation bonds					<u><u>\$ 850,000</u></u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 489,000	\$ 306,328	\$ 795,328	\$ 605,000	\$ 87,801	\$ 692,801
2021	503,000	207,252	710,252	627,000	71,803	698,803
2022	310,000	194,610	504,610	649,000	54,233	703,233
2023	315,000	186,030	501,030	672,000	36,017	708,017
2024	325,000	177,300	502,300	420,000	16,990	436,990
2025-2029	1,780,000	739,650	2,519,650	200,000	9,865	209,865
2030-2034	1,900,000	459,600	2,359,600	-	-	-
2035-2039	1,945,000	178,350	2,123,350	-	-	-
Total	<u>\$ 7,567,000</u>	<u>\$ 2,449,120</u>	<u>\$ 10,016,120</u>	<u>\$ 3,173,000</u>	<u>\$ 276,709</u>	<u>\$ 3,449,709</u>

Changes in long-term liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
GO special assessment bonds	\$ 495,000	\$ 6,240,000	\$ (210,000)	\$ 6,525,000	\$ 360,000
Revenue bonds	260,000	-	(68,000)	192,000	69,000
GO capital improvement bonds	905,000	-	(55,000)	850,000	60,000
Net Pension Liability	455,849	305,043	(291,906)	468,986	-
Compensated absences	42,147	42,962	(42,147)	42,962	-
Bond Premium	29,889	282,285	(15,234)	296,940	-
Governmental activity long-term liabilities	<u>\$ 2,187,885</u>	<u>\$ 6,870,290</u>	<u>\$ (682,287)</u>	<u>\$ 8,375,888</u>	<u>\$ 489,000</u>
<b>Business-type activities:</b>					
GO revenue bonds	\$ 2,911,000	\$ -	\$ (463,000)	\$ 2,448,000	\$ 475,000
Revenue bonds	850,000	-	(125,000)	725,000	130,000
Net Pension Liability	454,655	218,069	(223,924)	448,800	-
Compensated absences	54,601	56,291	(54,601)	56,291	-
Bond Premium	114,681	-	(22,105)	92,576	-
Business-type activity long-term liabilities	<u>\$ 4,384,937</u>	<u>\$ 274,360</u>	<u>\$ (888,630)</u>	<u>\$ 3,770,667</u>	<u>\$ 605,000</u>



CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Conduit debt obligation

During 2014, the City and the City of Owatonna entered into a joint powers agreement to authorize and sell revenue bonds in the form of notes or other obligations for the purpose of refinancing the cost of the acquisition, construction and equipping of certain senior housing assisted living facilities. Second Century Housing (nonprofit corp.) and Owatonna Senior Living (limited liability corp.) issued \$6,775,000 in Housing and Health Care Revenue Refunding Bonds of 2014B using the City’s bonding rights. In 2018, the city and Owatonna Senior Living and the City of St. Peter entered into a joint powers agreement to authorize and sell revenue refunding bonds to refund the outstanding bonds through issuance of Series 2018A and Series 2018B bonds. The balance outstanding at December 31, 2019 is unknown. The City is in no way liable for the repayment of these bonds.

**E. Interfund receivables, payables, and transfers**

Interfund transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>General</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Debt Service	\$ 74,640	\$ 144,064	\$ 53,405	\$ 32,784	\$ 304,894
Economic Development	9,325	-	-	-	9,326
Capital Project	80,000	-	-	-	80,000
Total	<u>\$ 163,965</u>	<u>\$ 144,064</u>	<u>\$ 53,405</u>	<u>\$ 32,784</u>	<u>\$ 394,220</u>

Transfer to the Debt Service fund was budgeted in the prior fiscal year and is used to support debt service in that fund. The enterprise funds make an annual transfer to debt service, as required by ordinance, of 5% of gross revenue in the respective funds. The transfer from the General fund to the Economic Development fund was to help finance local economic development activities. General fund transfer to the capital project funds were for resources to complete infrastructure improvements. The debt service fund transferred residual fund balance remaining after bond payoff.

Internal Balances

<u>Fund Type and Fund</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ -	\$ 17,178
Debt Service	-	230,253
Electric	161,242	-
Water	53,405	-
Sewer	32,784	-
Total	<u>\$ 247,431</u>	<u>\$ 247,431</u>

The outstanding balances for Due to/Due from between funds result mainly from the time lag between the date’s interfund goods and services are provided, or reimbursable expenditures occur, and when payments between funds are made.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**F. Net Position/Fund Balance**

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2019 included the following:

	General	Debt Service	Southwest Street & Utility	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:					
Prepaid expense	\$ 103,515	\$ -	\$ -	\$ -	\$ 103,515
Restricted:					
Debt service	-	821,810	-	-	821,810
Capital projects	-	-	4,714,165	-	4,714,165
Minnesota investment funds	-	-	-	215,990	215,990
Small cities development	-	-	-	17,057	17,057
Total restricted	<u>-</u>	<u>821,810</u>	<u>4,714,165</u>	<u>233,047</u>	<u>5,769,022</u>
Committed:					
Economic development	-	-	-	129,999	129,999
Assigned:					
Cemetery	148,430	-	-	-	148,430
Police forfeiture	1,713	-	-	-	1,713
Donated fire services	25,019	-	-	-	25,019
Ambulance operations	12,564	-	-	-	12,564
Fire relief	181,623	-	-	-	181,623
Fire equipment	24,372	-	-	-	24,372
Capital projects	-	-	-	366,277	366,277
Total assigned	<u>393,721</u>	<u>-</u>	<u>-</u>	<u>366,277</u>	<u>759,998</u>
Unassigned:					
General fund	3,062,968	-	-	-	3,062,968
<b>Total fund balance</b>	<b><u>\$ 3,560,204</u></b>	<b><u>\$ 821,810</u></b>	<b><u>\$ 4,714,165</u></b>	<b><u>\$ 729,323</u></b>	<b><u>\$ 9,825,502</u></b>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets:

Land	\$ 501,358
Construction in progress	1,568,985
Buildings and improvements	6,221,934
Infrastructure	6,056,352
Machinery and equipment	2,467,645
Less: accumulated depreciation	(5,469,100)
Less: long-term debt outstanding	(7,567,000)
Less: bond premiums	(296,940)
Add: deferred amount on refunding	8,361
Total Net Investment in Capital Assets	<u>3,491,594</u>

Restricted for:

Debt Service	1,909,748
Construction commitments	4,714,166
Minnesota investment funds	215,990
Small cities development	17,056
Total restricted	<u>6,856,960</u>

Unrestricted

3,737,857

Total Governmental Activities Net Position

\$ 14,086,411

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets:

Land	\$ 31,700
Buildings and improvements	7,897,139
Distribution system	10,129,043
Machinery and equipment	3,131,660
Less: accumulated depreciation	(9,687,853)
Less: long-term debt outstanding	(3,173,000)
Less: bond premiums	(92,576)
Add: deferred amount on refunding	22,542
Total Net Investment in Capital Assets	<u>8,250,654</u>

Restricted for:

Debt Service	144,000
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Unrestricted

3,512,235

Total Business-Type Activities Net Position

\$ 11,906,889

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

**A. *Plan Description***

The City 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.

*General Employees Retirement Plan (GERF)*

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

*Public Employees Police and Fire Fund (PEPFF)*

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association 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.

*GERF Benefits*

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

*PEPFF 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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Beginning in 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

**C. Contributions**

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

*GERF Contributions*

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019 were \$70,261. The City's contributions were equal to the required contributions as set by state statute.

*PEPFF Contributions*

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2019. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$27,468. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

*GERF Pension Costs*

At December 31, 2019, the City reported a liability of \$746,385 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 totaled \$23,166. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0135% which was an increase of .0002% from its proportion measured as of June 30, 2018. For the year ended December 31, 2019, the City recognized pension expense of \$12,682 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,735 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.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

At December 31, 2019, the City reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,664	\$ (1,425)
Net difference between projected and actual earnings on plan investments	46,736	106,289
Changes in actuarial assumptions	3,780	53,484
Changes in proportion	38,018	5,960
Contributions paid to PERA subsequent to the measurement date	33,636	-
<b>Total</b>	<u>\$ 142,834</u>	<u>\$ 164,308</u>

\$33,636 reported as deferred outflows of resources related to pensions resulting from City contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2020	\$ (13,248)
2021	(32,022)
2022	(11,042)
2023	1,200
2024	-
Thereafter	-

*PEPFF Pension Costs*

At December 31, 2019, the City reported a liability of \$171,401 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0161% which was a decrease of .0001% from its proportion measured as of June 30, 2018. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$33,738 for its proportionate share of the PEPFF's pension expense. The City also recognized \$2,173 for the year ended December 31, 2019, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

At December 31, 2019, the City reported its proportionate share of the PEPFF'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 experience	\$ 7,259	\$ 23,993
Net difference between projected and actual earnings on plan investments	21,772	52,805
Changes in actuarial assumptions	143,121	173,736
Changes in proportion	13,813	9,145
Contributions paid to PERA subsequent to the measurement date	13,552	-
<b>Total</b>	<u>\$ 199,516</u>	<u>\$ 259,678</u>

\$13,552 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2020	\$ (5,268)
2021	(15,515)
2022	(55,225)
2023	2,439
2024	(145)
Thereafter	

**E. Actuarial Assumptions**

*GERF and PEPFF*

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

**Actuarial Information:**

Measurement Date	June 30, 2019
Valuation Date	July 1, 2019
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	7.50%
Inflation	2.50% per year
Projected Salary Increase	3.25% after 26 years of service

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1.25% per year for all future years for the General Employees Plan, 1.0% per year for the Police and Fire Plan.

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

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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

Police and Fire Fund

- The mortality projection scale was changed from MP-2017 to MP-2018.

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	36%	5.10%
International Stocks	17%	5.90%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

**F. Discount Rate**

*GERF and PEPFF*

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, 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.



NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)**G. Pension Liability Sensitivity***GERF and PEPFF*

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Plan	City's proportionate share of NPL			
	Rate	1 % Decrease	Current	1 % Increase
City's proportionate share of the GERF net pension liability:	Rate	6.50%	7.50%	8.50%
		\$ 1,227,016	\$ 746,385	\$ 349,825
City's proportionate share of the PEPFF net pension liability:	Rate	6.50%	7.50%	8.50%
		\$ 374,650	\$ 171,401	\$ 3

**H. Pension Plan Fiduciary Net Position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**VOLUNTEER FIRE RELIEF ASSOCIATION****A. Plan Description***Fire Relief Association*

All active or probationary members of the Lake Crystal Fire Department are covered by a Defined Benefit Plan (the Plan) administered by the Lake Crystal Fire Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association issues a publicly available financial report. The report may be obtained by writing to Lake Crystal Fire Relief Association, P.O. Box 200, Lake Crystal, Minnesota 56055.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Fire Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

If a member is terminated prior to age 50 with at least 5 years of service a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination reduced for less than 20 years of service. For members that terminate with at least 5 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability without regard to vesting.

A survivor benefit is paid based on years of service (not less than 5 years) times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Benefit in the amount of 20% of the total benefit paid, but not more than \$2,000.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Summary of Participant Data	
Active members	24
Inactive members entitled to future benefits	2
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	<u>26</u>

**B. Benefits Provided**

*Relief Association Benefits*

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$2,100 (effective January 1, 2018) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. If a member is both age 50 and has completed 5 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

**C. Contributions**

*Relief Association Contributions*

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$34,012 in fire state aid to the plan for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily-required contributions to the pension plan for the year ended December 31, 2019. In addition, the City made voluntary contributions of \$11,250 to the plan.

**D. Pension Costs**

*Relief Association Costs*

At December 31, 2018, the Association reported an asset of \$30,538. The net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

The following table presents the changes in net pension liability during the year:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at Previous Fiscal Year 12/31/2017</b>	\$ 651,073	\$ 754,565	\$ (103,492)
<b>Changes for the year:</b>			
Service cost	27,656	-	27,656
Interest	35,633	-	35,633
Differences between expected and actual experience	(21,743)	-	(21,743)
Changes of assumptions	2,582	-	2,582
Changes of benefit terms	32,329	-	32,329
Contributions - State and local	-	45,262	(45,262)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	(39,959)	39,959
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	-	-	-
Administrative expense	-	(1,800)	1,800
Other deductions (e.g. payables)	-	-	-
<b>Net changes</b>	<u>76,457</u>	<u>3,503</u>	<u>72,954</u>
<b>Balance at Current Fiscal Year 12/31/2018</b>	<u>\$ 727,530</u>	<u>\$ 758,068</u>	<u>\$ (30,538)</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2019 the City recognized pension expense of \$(3,810).

At December 31, 2019, the Association reported 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 experience	\$ -	\$ 46,958
Net difference between projected and actual earnings on plan investments	87,500	-
Changes in actuarial assumptions	15,826	7,774
Contributions made subsequent to measurement date	44,240	-
<b>Total</b>	<u>\$ 147,566</u>	<u>\$ 54,733</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

\$44,240 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2020	\$ 24,690
2021	15,175
2022	9,908
2023	8,828
2024	(6,474)
Thereafter	(3,535)

**E. Actuarial Assumptions**

*Relief Association*

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

**Actuarial Information:**

Measurement Date	December 31, 2018
Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	5.25%
Inflation	2.50% per year
Lump Sum Benefit Increase	N/A*

\* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments as follows:

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2018, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2018.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

The following changes in actuarial assumptions occurred in 2018:

- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption rate was reduced from 2.75% to 2.50%

The long-term expected rate of return on pension plan investments is 5.25%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's assets allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	32.0%	4.95%	7.45%
International Equity	9.0%	5.24%	7.74%
Fixed Income	26.0%	1.99%	4.49%
Real estate and alternative	13.0%	4.19%	6.69%
Cash and equivalents	20.0%	0.58%	3.08%
 Total	 100.00%		 6.17%
Reduced for assumed investment expense			(1.00%)
Net assumed investment return			5.25%

**F. Discount Rate**

*Relief Association*

The discount rate used to measure the total pension liability was 5.25%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation." The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

**G. Pension Liability Sensitivity**

*Relief Association*

The following presents the Association's net pension liability for plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Association's net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Association's Net Pension Liability		
1 Percent Decrease	Current	1 Percent Increase
4.25%	5.25%	6.25%
\$ (17,792)	\$ (30,538)	\$ (43,157)

**H. Pension Plan Fiduciary Net Position**

Detailed information about the relief association's defined benefit pension plan's fiduciary net position is available in a separately-issued financial report. That report may be obtained by writing to the City of Lake Crystal at 100 E Robinson St Lake Crystal, Minnesota, 56055; or by calling (507) 726-2538.

Note 5 OTHER INFORMATION

**A. Risk management**

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

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

**B. Legal debt margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has no debt outstanding subjected to this limit at December 31, 2019.

**C. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2019 was \$722,639 for LGA. This accounted for 28 percent of General fund revenues.

The City receives a significant amount of its water revenues from a single customer. During the year ended December 31, 2019 the amount received was \$660,367. This accounted for 74 percent of the water fund's operating revenue.

CITY OF LAKE CRYSTAL, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

Note 5 OTHER INFORMATION – (Continued)

**D. Commitments**

*Power Purchase Contract*

The Lake Crystal Municipal Utilities Commission (Commission) entered into a purchase agreement, effective November 1, 2006 and expiring December 31, 2025, with Heartland Consumer Power District (Heartland) to purchase and receive all electric power which the Commission shall require for the operation of its municipal electrical system at rates established by Heartland per their applicable schedules. Payments are made monthly per the agreement set forth and increases per said agreement. On or before January 1, 2021, and on or before January 1 of every year thereafter, either Party may notify the other that this Agreement shall terminate at 11:59 P.M. Central Standard Time on the 31<sup>st</sup> day of December, of the 5<sup>th</sup> year following such notice, but in no case shall this Agreement terminate prior to December 31, 2025, except as provided by the Agreement.

*Capacity Purchase Agreement*

On October 1, 2007 and ending on December 31, 2026, the Commission entered into a Participation Power Sale and Interchange (PSI) Agreement with Heartland Consumer Power District (Heartland) whereby Heartland is entitled to purchase power from the Commission up to 5,825 kW per month per year starting at \$1.52 per kW per month and increasing incrementally throughout the agreement as stated by the schedule in said agreement. By no later than November 1, 2026, Heartland shall give the Commission notice in writing, either an offer to purchase (with kW per month per year pricing) the maximum available Firm Accredited Capacity (5,825 kW) for five more years, or notice of “no interest to purchase,” giving the Commission the time and ability to market the capacity to other interested parties.

*Nonexchange Financial Guarantees*

Chapter 469 of the Minnesota Statutes as amended authorizes the Economic Development Authority to make loans to prospective private businesses. This Statute also permits EDAs to extend nonexchange financial guarantees on certain debt issued by unrelated entities located within the government’s physical boundaries. In accordance with the statute, the EDA has guaranteed certain debt of the various businesses, which are legally separate entities located within the City boundaries but is not a component unit of the City or part of the City’s financial reporting entity.

*Construction commitments*

As of December 31, 2019, the City has signed contracts in place for one construction project. The following summarizes these commitments:

Project	Spent to Date	Remaining Commitment
Southwest Street and Utility Project	\$ 1,231,168	\$ 4,020,073

Note 6 TAX ABATEMENT

The City is authorized by Minnesota statute §469.1813 to enter into property tax abatement agreements for the purpose of attracting or retaining businesses as long as the City expects the benefits to the City of the proposed abatement agreement to at least equal the costs of the proposed agreement. Tax abatements may be granted only after holding a public hearing on the proposed abatement. In any year, the total amount of property taxes abated by the City may not exceed ten percent of the net tax capacity of the City for the taxes payable year to which the abatement applies, or \$200,000, whichever is greater. The City determines the percentage amount and duration of the tax abatement, which generally is not to exceed 15 years, except in certain cases where abatement duration can be increased to 20 years.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

Note 6 TAX ABATEMENT – (Continued)

For the ended December 31, 2019, the City abated property taxes totaling \$23,705 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

<u>Type Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Term</u>	<u>Ending</u>	<u>Amount Abated</u>
Kevin’s Market	To purchase a grocery store and make improvements to a storefront in the business district	100%	15 years	2021	\$ 13,783
Champlin Bus Service	To construct bus storage facilities and increase the tax base within the city.	100%	10 years	2021	\$ 6,008
Ward Jackson Multi-Family Development	To construct and improve real property associated with the multi-family housing	100%	5 years	2021	\$ 3,914

Note 7 SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY  
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN  
 Year Ended December 31, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2019	6/30/2019	0.0135%	\$ 746,385	\$ 23,166	\$ 769,551	\$ 894,855	86.0%	80.2%
12/31/2018	6/30/2018	0.0133%	\$ 737,829	\$ 24,314	\$ 762,143	\$ 930,544	81.9%	79.5%
12/31/2017	6/30/2017	0.0124%	\$ 791,608	\$ 9,950	\$ 801,558	\$ 786,945	101.9%	75.9%
12/31/2016	6/30/2016	0.0128%	\$ 1,039,297	\$ 13,609	\$ 1,052,906	\$ 765,122	137.6%	68.9%
12/31/2015	6/30/2015	0.0127%	\$ 658,180	\$ -	\$ 658,180	\$ 742,346	88.7%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS  
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN  
 Year Ended December 31, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2019	6/30/2019	\$ 71,470	\$ 71,470	\$ -	\$ 952,933	7.50%
12/31/2018	6/30/2018	\$ 67,174	\$ 67,174	\$ -	\$ 895,653	7.50%
12/31/2017	6/30/2017	\$ 59,888	\$ 59,888	\$ -	\$ 798,507	7.50%
12/31/2016	6/30/2016	\$ 59,673	\$ 59,673	\$ -	\$ 795,640	7.50%
12/31/2015	6/30/2015	\$ 54,926	\$ 54,926	\$ -	\$ 732,347	7.50%

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN  
Year Ended December 31, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2019	6/30/2019	0.0161%	\$ 171,401	\$ -	\$ 171,401	\$ 174,984	98.0%	89.3%
12/31/2018	6/30/2018	0.0162%	\$ 172,675	\$ -	\$ 172,675	\$ 175,030	98.7%	88.8%
12/31/2017	6/30/2017	0.0153%	\$ 202,518	\$ -	\$ 202,518	\$ 193,981	104.4%	85.4%
12/31/2016	6/30/2016	0.0152%	\$ 601,976	\$ -	\$ 601,976	\$ 181,302	332.0%	63.9%
12/31/2015	6/30/2015	0.0168%	\$ 193,160	\$ -	\$ 193,160	\$ 190,205	101.6%	86.6%

SCHEDULE OF CITY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN  
Year Ended December 31, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2019	6/30/2019	\$ 28,070	\$ 28,070	\$ -	\$ 173,272	16.2%
12/31/2018	6/30/2018	\$ 27,638	\$ 27,638	\$ -	\$ 170,605	16.2%
12/31/2017	6/30/2017	\$ 25,374	\$ 25,374	\$ -	\$ 156,630	16.2%
12/31/2016	6/30/2016	\$ 23,724	\$ 23,724	\$ -	\$ 146,444	16.2%
12/31/2015	6/30/2015	\$ 24,286	\$ 24,286	\$ -	\$ 149,914	16.2%

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAKE CRYSTAL FIRE RELIEF ASSOCIATION  
(Last 10 Fiscal Years)

<b>Total Pension Liability</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Service cost	\$ 27,656	\$ 26,185	\$ 24,732	\$ 25,906	\$ 25,213
Interest	35,633	33,813	40,191	30,667	27,591
Difference between expected and actual experience	(21,743)	-	(44,074)	-	-
Changes of assumptions	2,582	2,482	18,325	(14,594)	-
Changes in benefit terms	32,329	-	-	-	-
Benefit payments, including member contribution refunds	-	-	-	-	-
<b>Net change in total pension liability</b>	<b>76,457</b>	<b>62,480</b>	<b>39,174</b>	<b>41,979</b>	<b>52,804</b>
<b>Total Pension Liability - beginning</b>	<b>651,073</b>	<b>588,593</b>	<b>549,419</b>	<b>507,440</b>	<b>454,636</b>
<b>Total Pension Liability - ending</b>	<b>\$ 727,530</b>	<b>\$ 651,073</b>	<b>\$ 588,593</b>	<b>\$ 549,419</b>	<b>\$ 507,440</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - state and local	\$ 45,262	\$ 37,411	\$ 41,971	\$ 48,695	\$ 66,601
Contributions - donation and other income	-	-	-	-	-
Contributions - member	-	-	-	-	-
Net investment income	(39,959)	32,839	18,264	(13,278)	30,015
Other additions (e.g. receivable)	-	-	-	-	-
Benefit payments, including member contribution refunds	-	-	-	-	-
Administrative expenses	(1,800)	(1,800)	(1,800)	(1,800)	(6,435)
Other deductions (e.g. payables)	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>3,503</b>	<b>68,450</b>	<b>58,435</b>	<b>33,617</b>	<b>90,181</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>754,565</b>	<b>686,115</b>	<b>627,680</b>	<b>594,063</b>	<b>503,882</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 758,068</b>	<b>\$ 754,565</b>	<b>\$ 686,115</b>	<b>\$ 627,680</b>	<b>\$ 594,063</b>
<b>Net Pension (Asset) Liability - ending</b>	<b>\$ (30,538)</b>	<b>\$ (103,492)</b>	<b>\$ (97,522)</b>	<b>\$ (78,261)</b>	<b>\$ (86,623)</b>
<b>FNP as a percentage of the TPL</b>	<b>104.20%</b>	<b>115.90%</b>	<b>116.57%</b>	<b>114.24%</b>	<b>117.07%</b>

**Note:** Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL  
 LAKE CRYSTAL FIRE RELIEF ASSOCIATION  
 (Last 10 Fiscal Years)

<b>Fiscal year ending</b>	<b>Actuarially determined contribution</b>	<b>Contributions in relation to the ADC</b>	<b>Contribution deficiency (excess)</b>	<b>Payroll</b>	<b>Contributions as a percentage of payroll</b>	<b>NPL as a percent of payroll</b>
December 31, 2018	-	\$ 11,250	\$ (11,250)	-	-	-
December 31, 2017	-	\$ 3,750	\$ (3,750)	-	-	-
December 31, 2016	-	\$ 7,500	\$ (7,500)	-	-	-
December 31, 2015	-	\$ 11,868	\$ (11,868)	-	-	-
December 31, 2014	-	\$ 32,882	\$ (32,882)	-	-	-

**Note:** Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2019

Note 1 CHANGE IN PLAN PROVISIONS

**A. Public Employees Retirement Association – General Employees Retirement Fund**

2019 changes:

**Changes 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.

2018 changes:

**Change of Assumptions.** The mortality 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.

2017 changes:

**Change of Assumptions.** The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2 044 and 2.5 percent per year thereafter.

2016 changes:

**Changes in Actuarial Assumptions:** 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

**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.

**Changes in Actuarial Assumptions:** The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**B. Public Employees Retirement Association – Public Employees Police and Fire Fund**

2019 changes:

**Change of Assumptions.** 1) The mortality projection scale was changed from MP-2017 to MP-2018.

2018 changes:

**Change of Assumptions.** 1) The mortality projection scale was changed from MP-2016 to MP-2017.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2019

Note 1 CHANGE IN PLAN PROVISIONS (Continued)

**B. Public Employees Retirement Association – Public Employees Police and Fire Fund (Continued)**

2017 changes:

**Change of Assumptions.** 1) 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. 2) Assumed rates of retirement were changed, resulting in fewer retirements. 3) The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. 4) 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. 5) Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. 6) Assumed percentage of married female members was decreased from 65 percent to 60 percent.

2017 changes: (Continued)

7) 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. 8) The assumed percentage of female members electing Joint and Survivor annuities was increased. 9) The assumed post-retirement 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.

2016 changes:

**Changes in Actuarial Assumptions:** 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%. 3) The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

**Changes in Plan Provisions:** The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

**Changes in Actuarial Assumptions:** The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

**C. Volunteer Fire Relief Association**

2018 changes:

**Changes in Actuarial Assumptions:** A) The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. B) The inflation assumption rate was reduced from 2.75% to 2.50%

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2019

Note 1 CHANGE IN PLAN PROVISIONS (Continued)

**C. Volunteer Fire Relief Association (Continued)**

2017 changes:

**Changes in Actuarial Assumptions:** The discount rate was reduced from 5.50% to 5.25%.

2016 changes:

**Changes in Actuarial Assumptions:** Discount rate decreased from 7.00% to 5.50%.

2015 changes:

None.

2014 changes:

None.



SUPPLEMENTARY INFORMATION SECTION

CITY OF LAKE CRYSTAL, MINNESOTA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	EDA Fund	Small Cities Development Program	Capital Projects Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 286,489	\$ 15,713	\$ 101,873	\$ 404,075
Investments	0	0	264,404	264,404
Notes Receivable - Less Allowance	2,500	1,344	0	3,844
Real Estate Held for Sale	57,000	0	0	57,000
<b>TOTAL ASSETS</b>	<u>\$ 345,989</u>	<u>\$ 17,057</u>	<u>\$ 366,277</u>	<u>\$ 729,323</u>
<b>Fund Balance:</b>				
Restricted:				
Minnesota Investment Funds	\$ 215,990	\$ 0	\$ 0	\$ 215,990
Small Cities Development Program	0	17,057	0	17,057
Committed for:				
Economic Development	129,999	0	0	129,999
Assigned for:				
Capital Projects	0	0	366,277	366,277
Total Fund Balance	<u>\$ 345,989</u>	<u>\$ 17,057</u>	<u>\$ 366,277</u>	<u>\$ 729,323</u>

CITY OF LAKE CRYSTAL, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	EDA Fund	Small Cities Development Program		
<b>Revenues:</b>				
Investment Earnings	\$ 570	\$ 178	\$ 29,662	\$ 30,410
Miscellaneous Revenue	10,250	0	0	10,250
Total Revenue	<u>10,820</u>	<u>178</u>	<u>29,662</u>	<u>40,660</u>
<b>Expenditures:</b>				
General Government	57,286	0	0	57,286
Capital Outlay	15,000	0	33,371	48,371
Total Expenditures	<u>72,286</u>	<u>0</u>	<u>33,371</u>	<u>105,657</u>
Excess of Revenue Over (Under) Expenditures	(61,466)	178	(3,709)	(64,997)
<b>Other Financing Sources (Uses):</b>				
Transfer In	<u>9,325</u>	<u>0</u>	<u>80,000</u>	<u>89,325</u>
Change in Fund Balance	(52,141)	178	76,291	24,328
Fund Balance - January 1	<u>398,130</u>	<u>16,879</u>	<u>289,986</u>	<u>704,995</u>
Fund Balance - December 31	<u>\$ 345,989</u>	<u>\$ 17,057</u>	<u>\$ 366,277</u>	<u>\$ 729,323</u>

CITY OF LAKE CRYSTAL, MINNESOTA

COMBINING BALANCE SHEET  
DEBT SERVICES FUNDS  
December 31, 2019

	Debt Service	2015A Recreation Center Bonds	2017A G.O. CIP Bonds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 301,265	\$ 35,294	\$ 4,323
Investments	0	16,842	0
Receivables:			
Property Taxes	4,658	0	556
Special Assessments	154,585	0	0
Interest	0	31	0
Due From Other Funds	<u>230,253</u>	<u>0</u>	<u>0</u>
 TOTAL ASSETS	 <u>\$ 690,761</u>	 <u>\$ 52,167</u>	 <u>\$ 4,879</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 417	\$ 0	\$ 417
 <b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	159,084	0	0
 <b>Fund Balance:</b>			
Restricted	<u>531,260</u>	<u>52,167</u>	<u>4,462</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 690,761</u>	 <u>\$ 52,167</u>	 <u>\$ 4,879</u>

2019A G.O. Improvement Bonds	Total Debt Service Funds
\$ 231,033	\$ 571,915
0	16,842
0	5,214
963,388	1,117,973
0	31
0	230,253
\$ 1,194,421	\$ 1,942,228

\$ 0	\$ 834
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960,500	1,119,584
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233,921	821,810
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\$ 1,194,421	\$ 1,942,228
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CITY OF LAKE CRYSTAL, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

For the Year Ended December 31, 2019

	Debt Service	2015A Recreation Center Bonds	2017A G.O. CIP Bonds
<b>Revenues:</b>			
Property Taxes	\$ 22,337	\$ 0	\$ 78,982
Special Assessments	0	0	0
Other Income	369	176	12
Total Revenues	<u>22,706</u>	<u>176</u>	<u>78,994</u>
<b>Expenditures:</b>			
Debt Service:			
Principal	210,000	68,000	55,000
Interest and Fees	18,435	6,640	21,976
Total Expenditures	<u>228,435</u>	<u>74,640</u>	<u>76,976</u>
Excess of Revenues Over (Under) Expenditures	(205,729)	(74,464)	2,018
<b>Other Financing Sources (Uses):</b>			
Operating Transfers	<u>230,254</u>	<u>74,640</u>	<u>0</u>
Change in Fund Balance	24,525	176	2,018
Fund Balance - January 1	<u>506,735</u>	<u>51,991</u>	<u>2,444</u>
Fund Balance - December 31	<u>\$ 531,260</u>	<u>\$ 52,167</u>	<u>\$ 4,462</u>

2019A G.O. Improvement Bonds	Total Debt Service Funds
\$ 0	\$ 101,319
233,888	233,888
33	590
<u>233,921</u>	<u>335,797</u>
0	333,000
0	47,051
<u>0</u>	<u>380,051</u>
233,921	(44,254)
<u>0</u>	<u>304,894</u>
233,921	260,640
<u>0</u>	<u>561,170</u>
<u>\$ 233,921</u>	<u>\$ 821,810</u>

CITY OF LAKE CRYSTAL, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2019

(With Comparative Amounts for December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,105,515	\$ 2,984,623
Investments	329,959	310,702
Receivables:		
Property Taxes	77,909	50,822
Special Assessments	944	0
Franchise Fee	64,970	70,022
Accounts	116,718	73,623
Interest	22,508	32
Due From Other Funds	17,178	17,319
Prepaid Expenses	103,515	107,402
Advance to Other Funds	<u>0</u>	<u>50,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,839,216</u></u>	<u><u>\$ 3,664,545</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 121,855	\$ 190,675
Accrued Expenses	18,479	15,725
Total Liabilities	<u>140,334</u>	<u>206,400</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable Revenue	<u>138,678</u>	<u>107,614</u>
<b>Fund Balance:</b>		
Nonspendable for:		
Interfund Advance	0	50,000
Prepaid Expense	103,515	107,402
Assigned for:		
Cemetery	148,430	148,159
Public Safety	245,291	283,800
Unassigned	3,062,968	2,761,170
Total Fund Balance	<u>3,560,204</u>	<u>3,350,531</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 3,839,216</u></u>	<u><u>\$ 3,664,545</u></u>



CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Budget		2019 Actual Amounts	Over (Under) Final Budget	2018 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Taxes:					
Property Taxes	\$ 964,246	964,246	\$ 941,240	\$ (23,006)	\$ 989,773
Franchise Taxes	75,000	75,000	91,564	16,564	96,781
Total Taxes	<u>1,039,246</u>	<u>1,039,246</u>	<u>1,032,804</u>	<u>(6,442)</u>	<u>1,086,554</u>
Special Assessments	<u>0</u>	<u>0</u>	<u>147,239</u>	<u>147,239</u>	<u>0</u>
Intergovernmental Revenue:					
Local Government Aid	746,915	746,915	746,915	0	745,545
PERA Rate Increase Aid	2,900	2,900	2,912	12	2,912
State Police Aid	22,550	22,550	27,479	4,929	26,100
Police Grants	200	200	9,824	9,624	9,656
Fire Relief 2% State Aid	32,000	32,000	33,490	1,490	34,012
Fire Department Grants	2,500	2,500	11,205	8,705	97,592
Street Aid	0	0	0	0	19,212
Government Grants	0	0	59,000	59,000	0
Grant Receipts	0	0	0	0	1,426
Total Intergovernmental Revenue	<u>807,065</u>	<u>807,065</u>	<u>890,825</u>	<u>83,760</u>	<u>936,455</u>
Licenses	<u>31,510</u>	<u>31,510</u>	<u>32,309</u>	<u>799</u>	<u>35,325</u>
Charges for Services:					
Rural Fire Department Receipts	42,000	42,000	42,902	902	19,121
Ambulance Rescue Squad	130,000	130,000	156,116	26,116	144,676
Refuse Collection Fees	195,587	195,587	194,172	(1,415)	194,965
Supplies and Services	825	825	6,311	5,486	2,164
Cemetery Fees	19,370	19,370	12,375	(6,995)	4,250
Rental	1,000	1,000	1,725	725	1,575
Total Charges for Services	<u>388,782</u>	<u>388,782</u>	<u>413,601</u>	<u>24,819</u>	<u>366,751</u>
Fines	<u>12,000</u>	<u>12,000</u>	<u>6,311</u>	<u>(5,689)</u>	<u>5,184</u>
Other Income:					
Insurance Dividend	15,000	15,000	2,339	(12,661)	6,082
Donations	35,000	35,000	134,267	99,267	90,475
Other Income	120,830	120,830	60,933	(59,897)	68,829
Adjust Investments to Fair Value	0	0	11,188	11,188	(8,612)
Interest Income	7,000	7,000	61,162	54,162	11,190
Total Other Income	<u>177,830</u>	<u>177,830</u>	<u>269,889</u>	<u>92,059</u>	<u>167,964</u>
Total Revenues	<u>2,456,433</u>	<u>2,456,433</u>	<u>2,792,978</u>	<u>336,545</u>	<u>2,598,233</u>
<b>Current Expenditures:</b>					
General Government:					
Mayor and Council:					
Salaries	14,700	14,700	14,700	0	14,700
Election Salaries	0	0	0	0	2,494
Travel, Conferences, and Schools	500	500	0	(500)	375
General Supplies	1,500	1,500	500	(1,000)	2,052
Pera	465	465	330	(135)	330
Social Security/Medicare	1,125	1,125	715	(410)	715

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Budget		2019 Actual Amounts	Over (Under) Final Budget	2018 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Government Building:					
General Supplies	\$ 10,000	\$ 10,000	\$ 7,496	\$ (2,504)	\$ 14,945
Utilities	12,000	12,000	10,153	(1,847)	9,718
Building Repairs	1,500	1,500	5,191	3,691	660
Janitor Services	12,000	12,000	12,723	723	12,970
Finance:					
Salaries	40,000	40,000	41,981	1,981	44,404
FT Hourly Salaries	80,252	80,252	79,286	(966)	77,691
Safety Program Expense	8,400	8,400	7,923	(477)	8,079
Building Inspector	25,650	25,650	28,698	3,048	28,152
Contracted services	1,200	1,200	877	(323)	3,006
Legal Fees	12,000	12,000	9,608	(2,392)	6,027
Abatement	25,000	25,000	23,704	(1,296)	20,125
Computer Expense	4,000	4,000	4,753	753	4,137
Telephone	2,000	2,000	1,648	(352)	1,723
Printing	10,000	10,000	5,945	(4,055)	6,334
Travel, Conferences, and Schools	7,000	7,000	5,824	(1,176)	4,500
Equipment Repair	1,200	1,200	1,172	(28)	1,227
Professional Services	8,200	8,200	7,870	(330)	7,787
Office Supplies	2,500	2,500	2,155	(345)	2,386
General Supplies	2,000	2,000	2,269	269	966
Membership Dues	500	500	180	(320)	180
Pera - Employer Share	9,019	9,019	9,095	76	9,157
Social Security/Medicare - Employer Share	9,199	9,199	8,850	(349)	8,912
Other Expenditures:					
Legal Expense	0	0	0	0	1,600
Grant Projects	0	0	0	0	1,184
Minnesota Surcharge	1,500	1,500	1,177	(323)	1,653
Insurance Expense	97,400	97,400	104,823	7,423	98,117
Membership Dues	9,000	9,000	9,334	334	8,960
Miscellaneous Expense	7,500	7,500	1,340	(6,160)	18,072
Economic Development	5,000	5,000	18,705	13,705	1,676
Health Insurance	112,637	112,637	91,791	(20,846)	94,255
Engineering Costs	10,000	10,000	290	(9,710)	1,568
Total General Government	<u>544,947</u>	<u>544,947</u>	<u>521,106</u>	<u>(23,841)</u>	<u>520,837</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Budget		2019 Actual Amounts	Over (Under) Final Budget	2018 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Ambulance Department:					
Salaries	\$ 6,050	\$ 6,050	\$ 5,775	\$ (275)	\$ 5,775
Payment Processing Fees	0	0	134	134	0
Rent Expense	12,000	12,000	10,800	(1,200)	8,361
Uncollectible Accounts	1,000	1,000	26,758	25,758	44,775
Annual Pay	52,000	52,000	53,502	1,502	53,629
Billing Service	7,400	7,400	7,230	(170)	7,772
Computer expense	400	400	40	(360)	524
Telephone	3,000	3,000	3,560	560	3,085
Travel, Conferences, and Schools	10,000	10,000	11,788	1,788	10,544
Equipment Repair	3,500	3,500	3,550	50	9,396
General Supplies	16,000	16,000	23,681	7,681	15,242
Utilities	515	515	2,620	2,105	1,034
Vehicle Gas and Oil	3,000	3,000	2,714	(286)	3,131
Clothing	2,000	2,000	1,575	(425)	1,336
Insurance-Property & Liability	10,600	10,600	0	(10,600)	0
Membership Dues	1,000	1,000	400	(600)	389
Medicare and Social Security	4,354	4,354	4,535	181	4,544
Collection Agency Fees	1,500	1,500	629	(871)	657
Police Department:					
FT Hourly Salaries	179,424	179,424	174,984	(4,440)	175,030
Part-Time Hourly Salaries	36,555	36,555	29,510	(7,045)	30,263
Consulting Fees	10,000	10,000	7,298	(2,702)	7,107
Legal Expense	6,000	6,000	5,749	(251)	4,749
Record Keeping	2,500	2,500	1,836	(664)	2,064
Computer Expense	3,500	3,500	2,544	(956)	2,544
Telephone	3,000	3,000	2,409	(591)	2,606
Travel, Conferences, and Schools	3,500	3,500	3,478	(22)	3,043
Equipment Repair	3,500	3,500	2,237	(1,263)	3,952
General Supplies	7,000	7,000	4,421	(2,579)	8,107
Utilities	5,500	5,500	4,357	(1,143)	4,611
Care of Cats and Dogs	1,000	1,000	126	(874)	219
Gas and Oil	14,500	14,500	10,513	(3,987)	13,712
Maintenance and Repairs	7,000	7,000	6,487	(513)	4,376
Clothing	3,500	3,500	3,088	(412)	2,977
Membership Dues	0	0	120	120	250
Pera - Employer Share	35,637	35,637	30,705	(4,932)	30,348
Social Security/Medicare - Employer Share	5,911	5,911	4,664	(1,247)	4,808
Labor Relation Expense	500	500	0	(500)	0
Towing Fees	500	500	(115)	(615)	668

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Budget		2019 Actual Amounts	Over (Under) Final Budget	2018 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Fire Department:					
Salaries	\$ 9,000	\$ 9,000	\$ 9,000	\$ 0	\$ 9,000
Equipment reserve expense	3,500	3,500	0	(3,500)	0
Annual Pay	30,000	30,000	32,583	2,583	24,664
Telephone	1,000	1,000	916	(84)	1,005
Travel, Conferences, and Schools	7,500	7,500	10,227	2,727	3,719
Equipment Repair	8,500	8,500	7,099	(1,401)	19,804
General Supplies	12,500	12,500	9,813	(2,687)	10,288
Utilities	6,180	6,180	5,408	(772)	5,498
Janitor Sevices	1,000	1,000	675	(325)	699
Gas and Oil	1,000	1,000	1,285	285	754
Maintenance and Repairs	2,500	2,500	10,739	8,239	792
Property & Liability Insurance	1,000	1,000	100	(900)	527
Fire Relief Pension Expense	42,650	42,650	44,240	1,590	43,062
Donated Funds Expenditure	0	0	0	0	6,970
Rural Fire Department Expenses	20,000	20,000	24,800	4,800	28,394
Membership Dues	750	750	541	(209)	649
Social Security/Medicare - Employer Share	3,001	3,001	3,181	180	2,575
Civil Defense:					
Salaries	250	250	250	0	250
Equipment Repair	2,500	2,500	1,520	(980)	500
General Supplies	500	500	0	(500)	0
Social Security/Medicare - Employer Share	20	20	19	(1)	19
Total Public Safety	<u>616,697</u>	<u>616,697</u>	<u>616,098</u>	<u>(599)</u>	<u>630,797</u>
Public Works:					
Streets:					
Salaries	73,706	73,706	75,882	2,176	72,975
Full-time Hourly Salaries	155,583	155,583	148,216	(7,367)	142,587
Part-time Salaries	12,453	12,453	7,742	(4,711)	8,896
State aid expense	0	0	0	0	19,609
Telephone	2,000	2,000	1,064	(936)	1,660
Travel, Conferences, and Schools	1,000	1,000	18	(982)	600
Equipment Repair	18,000	18,000	26,406	8,406	25,891
General Supplies	15,000	15,000	14,683	(317)	13,371
Equipment Rental	1,000	1,000	0	(1,000)	0
Utilities	10,000	10,000	9,917	(83)	9,368
Vehicle Gas and Oil	20,000	20,000	20,222	222	26,483
Maintenance and Repairs	172,000	172,000	127,116	(44,884)	134,036
Clothing	1,250	1,250	1,225	(25)	1,191
Membership dues	100	100	0	(100)	0
Miscellaneous Expense	0	0	0	0	46,517
Snow Removal	8,000	8,000	12,777	4,777	8,028
Pera	18,131	18,131	16,807	(1,324)	16,167
Medicare and Social Security	18,464	18,464	17,207	(1,257)	16,571
Labor Relation	500	500	0	(500)	0
Street Lighting	18,000	18,000	17,866	(134)	17,843

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Budget		2019 Actual Amounts	Over (Under) Final Budget	2018 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Sanitation:					
Part-time Hourly Salaries	\$ 4,000	\$ 4,000	\$ 4,544	\$ 544	\$ 4,007
Refuse Disposal Fees	127,660	127,660	129,094	1,434	127,053
Recycling Fees	48,980	48,980	45,669	(3,311)	45,430
Pera Employer Share	325	325	341	16	301
Medicare and Social Security	330	330	348	18	306
Weeds:					
General Supplies	3,500	3,500	4,728	1,228	4,632
Insect and Pest Control	300	300	229	(71)	208
Wood Chipper	100	100	0	(100)	0
Total Public Works	<u>730,382</u>	<u>730,382</u>	<u>682,101</u>	<u>(48,281)</u>	<u>743,730</u>
Parks and Recreation:					
Parks:					
Telephone	500	500	0	(500)	0
Equipment Repairs	1,000	1,000	661	(339)	1,684
General Supplies	8,000	8,000	4,789	(3,211)	6,513
Utilities	2,000	2,000	1,944	(56)	1,666
Maintenance and Repairs	3,000	3,000	6,628	3,628	2,608
LCARC Subsidy	196,600	196,600	182,692	(13,908)	181,600
Library:					
Part-time Hourly Salaries	10,228	10,228	10,619	391	10,108
Telephone	500	500	370	(130)	359
General supplies	200	200	0	(200)	345
Pera	767	767	796	29	758
Medicare and Social Security	782	782	812	30	773
Total Parks and Recreation	<u>223,577</u>	<u>223,577</u>	<u>209,311</u>	<u>(14,266)</u>	<u>206,414</u>
Cemetery:					
General Supplies	100	100	1,786	1,686	1,693
Small Equipment	1,000	1,000	0	(1,000)	0
Maintenance and Repairs	10,000	10,000	0	(10,000)	0
Open Graves	2,500	2,500	2,250	(250)	300
Maintenance & Repairs	0	0	9,575	9,575	11,120
Total Cemetery	<u>13,600</u>	<u>13,600</u>	<u>13,611</u>	<u>11</u>	<u>13,113</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Budget		2019 Actual Amounts	Over (Under) Final Budget	2018 Actual Amounts
	Original	Final			
<b>Capital Outlay:</b>					
General Government	\$ 1,500	\$ 1,500	\$ 2,288	\$ 788	\$ 1,022
Public Safety	244,500	244,500	177,716	(66,784)	131,704
Public Works	27,500	27,500	151,754	124,254	61,055
Park and Recreation	20,000	20,000	48,355	28,355	203,003
Total Capital Outlay	<u>293,500</u>	<u>293,500</u>	<u>380,113</u>	<u>86,613</u>	<u>396,784</u>
Total Expenditures	<u>2,422,703</u>	<u>2,422,703</u>	<u>2,422,340</u>	<u>(363)</u>	<u>2,511,675</u>
Excess of Revenues Over (Under) Expenditures	<u>33,730</u>	<u>33,730</u>	<u>370,638</u>	<u>336,908</u>	<u>86,558</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers Out	(148,480)	(148,480)	(163,965)	15,485	(108,053)
Operating Transfers In	0	0	0	0	14,290
Sale of Capital Assets	5,000	5,000	3,000	(2,000)	0
Total Other Financing Sources (Uses)	<u>(143,480)</u>	<u>(143,480)</u>	<u>(160,965)</u>	<u>(17,485)</u>	<u>(93,763)</u>
Change in Fund Balance	<u>\$ (109,750)</u>	<u>\$ (109,750)</u>	209,673	<u>\$ 319,423</u>	(7,205)
Fund Balance - January 1			<u>3,350,531</u>		<u>3,357,736</u>
Fund Balance - December 31			<u>\$ 3,560,204</u>		<u>\$ 3,350,531</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION

ELECTRIC FUND

December 31, 2019

(With Comparative Amounts for December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 417,546	\$ 556,441
Investments	491,491	217,506
Accounts Receivable, Net	323,610	322,587
Interest Receivable	4,408	0
Inventory	125,442	95,640
Prepaid Expenses	40,852	43,021
Total Current Assets	<u>1,403,349</u>	<u>1,235,195</u>
<b>Noncurrent Assets:</b>		
Property and Equipment	6,549,989	6,552,374
Less: Accumulated Depreciation	<u>(4,094,532)</u>	<u>(3,984,785)</u>
Total Assets	<u>3,858,806</u>	<u>3,802,784</u>
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	<u>46,056</u>	<u>90,833</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 3,904,862</u></u>	<u><u>\$ 3,893,617</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 217,463	\$ 176,404
Due to Other Funds	161,242	161,394
Accrued Expenses	11,354	9,914
Current Portion of Long-term Debt	130,000	125,000
Total Current Liabilities	<u>520,059</u>	<u>472,712</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	24,942	22,472
Net Pension Liability	240,669	254,275
Bonds Payable, Less Current Portion	600,996	732,495
Total Liabilities	<u>1,386,666</u>	<u>1,481,954</u>
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	<u>52,981</u>	<u>100,074</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	1,724,461	1,710,094
Restricted	144,000	144,000
Unrestricted	596,754	457,495
Total Net Position	<u>2,465,215</u>	<u>2,311,589</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 3,904,862</u></u>	<u><u>\$ 3,893,617</u></u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - ELECTRIC FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Operating Revenue</b>					
Charges for Services	\$ 2,861,290	\$ 2,861,290	\$ 2,849,792	\$ (11,498)	\$ 2,856,706
<b>Operating Expenses</b>					
Production:					
Salaries	46,100	46,100	50,881	4,781	46,431
Contracted services	43,600	43,600	20,919	(22,681)	27,349
Power Plant Leave Adjustment	0	0	6	6	407
Load management credit	7,000	7,000	4,572	(2,428)	5,261
Telephone	2,500	2,500	1,993	(507)	3,389
Travel, Conference, School	1,200	1,200	1,790	590	2,499
Equipment Repair	1,500	1,500	1,282	(218)	845
General Supplies	17,500	17,500	25,187	7,687	22,709
Equipment Rental	500	500	85	(415)	0
Small Equipment	0	0	861	861	0
Utilities	22,000	22,000	26,862	4,862	20,815
Maintenance and Repairs	35,000	35,000	71,231	36,231	54,154
Clothing	1,000	1,000	1,178	178	1,732
NSP Power	1,791,860	1,791,860	1,687,073	(104,787)	1,746,270
Fuel Oil	10,000	10,000	0	(10,000)	0
Natural Gas	5,500	5,500	5,051	(449)	5,531
Lube Oil	500	500	227	(273)	0
Legal	500	500	0	(500)	0
Pera Employer Share	3,458	3,458	3,816	358	3,482
Social Security Medicare	3,527	3,527	3,549	22	3,224
Distribution:					
Salaries	46,100	46,100	50,881	4,781	46,431
FT Hourly Salaries	156,942	156,942	178,477	21,535	157,848
Leave Hour Adjustment	0	0	2,018	2,018	(1,379)
Telephone	3,000	3,000	2,417	(583)	2,440
Travel, Conference, School	4,000	4,000	3,375	(625)	2,378
Equipment Repair	12,000	12,000	10,421	(1,579)	9,778
General Supplies	110,000	110,000	65,436	(44,564)	46,846
Equipment Rental	500	500	215	(285)	7,516
Small Equipment	12,500	12,500	7,249	(5,251)	7,344
Utilities	2,000	2,000	1,254	(746)	1,436
Gas & Oil	3,500	3,500	4,340	840	4,297
Maintenance & Repairs	12,000	12,000	7,982	(4,018)	7,151
Clothing	5,000	5,000	3,344	(1,656)	5,600
Pera Employer Share	15,229	15,229	17,202	1,973	15,321
Social Security Medicare	15,533	15,533	17,150	1,617	15,227



CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - ELECTRIC FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Operating Expenses (Continued)</b>					
Administration:					
Salaries	\$ 20,000	\$ 20,000	\$ 20,990	\$ 990	\$ 22,202
FT Hourly Salaries	41,233	41,233	35,699	(5,534)	35,137
Safety Program Expense	5,600	5,600	5,719	119	5,279
Commissioners Salaries	4,650	4,650	4,650	0	4,650
Consulting Fees	500	500	0	(500)	18
Payment Processing Fees	7,000	7,000	5,007	(1,993)	6,144
Uncollectable Accounts	5,000	5,000	426	(4,574)	2,284
Electric Admin Leave Adjustment	0	0	446	446	394
CIP Expense	18,000	18,000	5,751	(12,249)	8,120
CIP Commercial	18,000	18,000	38,124	20,124	10,040
CIP Low Income	2,000	2,000	2,841	841	2,821
Permits & Licenses	250	250	25	(225)	25
Computer Expense	7,000	7,000	7,766	766	6,797
Telephone Expense	750	750	901	151	905
Printing & Telephone	1,500	1,500	1,249	(251)	1,287
Travel, Conference, School	1,500	1,500	892	(608)	802
Equipment Repair	700	700	691	(9)	684
Professional Services	4,200	4,200	3,935	(265)	3,894
Office Supplies	1,250	1,250	1,375	125	1,105
General Supplies	1,500	1,500	609	(891)	717
Small Equipment	0	0	1,229	1,229	530
Maintenance & Repairs	1,000	1,000	157	(843)	0
Property & Liability Insurance	42,000	42,000	41,213	(787)	36,774
Postage & Freight	3,500	3,500	3,632	132	3,393
Membership Dues	3,500	3,500	4,159	659	3,096
Miscellaneous Expense	3,000	3,000	1,013	(1,987)	(1,280)
Health Insurance	40,500	40,500	40,104	(396)	37,246
Legal	1,500	1,500	0	(1,500)	1,506
Pera Employer Share	4,593	4,593	(11,374)	(15,967)	(2,770)
Social Security Medicare	4,685	4,685	4,886	201	5,043
Labor Relations	100	100	0	(100)	0
Engineering costs	500	500	0	(500)	0
Depreciation	40,000	40,000	138,856	98,856	138,032
Total Operating Expenses	<u>2,677,060</u>	<u>2,677,060</u>	<u>2,639,295</u>	<u>(37,765)</u>	<u>2,607,207</u>
Income (Loss) from Operations	<u>184,230</u>	<u>184,230</u>	<u>210,497</u>	<u>26,267</u>	<u>249,499</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - ELECTRIC FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Nonoperating Revenue (Expense):</b>					
Interest Income	\$ 5,500	\$ 5,500	\$ 13,335	\$ 7,835	\$ 4,256
Investments - Fair Value Adjustment	0	0	4,642	4,642	(2,264)
Interest Expense	(148,605)	(148,605)	(21,898)	(126,707)	(24,398)
Miscellaneous Income	83,500	83,500	91,114	7,614	78,835
Total Nonoperating Revenue (Expense)	<u>(59,605)</u>	<u>(59,605)</u>	<u>87,193</u>	<u>(106,616)</u>	<u>56,429</u>
Income Before Transfers	124,625	124,625	297,690	173,065	305,928
Transfers Out	<u>(150,409)</u>	<u>(150,409)</u>	<u>(144,064)</u>	<u>(6,345)</u>	<u>(144,075)</u>
Change in Net Position	<u>\$ (25,784)</u>	<u>\$ (25,784)</u>	153,626	<u>\$ 179,410</u>	161,853
Net Position - January 1			<u>2,311,589</u>		<u>2,149,736</u>
Net Position - December 31			<u>\$ 2,465,215</u>		<u>\$ 2,311,589</u>

## CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION  
WATER FUND

December 31, 2019

(With Comparative Amounts for December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 622,244	\$ 879,112
Investments	1,666,214	1,220,298
Accounts Receivable, Net	84,827	62,498
Interest Receivable	27,562	411
Inventory	17,634	17,609
Prepaid Expenses	16,917	15,579
Total Current Assets	<u>2,435,398</u>	<u>2,195,507</u>
<b>Noncurrent Assets:</b>		
Advance To Other Funds	0	50,000
Property and Equipment	7,787,219	7,751,014
Less: Accumulated Depreciation	<u>(2,372,673)</u>	<u>(2,246,791)</u>
Total Assets	<u>7,849,944</u>	<u>7,749,730</u>
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	<u>27,474</u>	<u>49,271</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 7,877,418</b></u>	<u><b>\$ 7,799,001</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 24,910	\$ 22,380
Due to Other Funds	53,405	44,667
Accrued Expenses	9,319	9,314
Current Portion of Long-term Debt	<u>325,000</u>	<u>315,000</u>
Total Current Liabilities	412,634	391,361
<b>Noncurrent Liabilities:</b>		
Compensated Absences	21,634	22,330
Net Pension Liability	143,565	137,929
Bonds Payable, Less Current Portion	<u>1,313,267</u>	<u>1,657,834</u>
Total Liabilities	<u>1,891,100</u>	<u>2,209,454</u>
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	<u>31,604</u>	<u>54,284</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	3,776,278	3,531,389
Unrestricted	<u>2,178,436</u>	<u>2,003,874</u>
Total Net Position	<u>5,954,714</u>	<u>5,535,263</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><b>\$ 7,877,418</b></u>	<u><b>\$ 7,799,001</b></u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - WATER FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Operating Revenue</b>					
Charges for Services	\$ 961,000	\$ 961,000	\$ 1,064,749	\$ 103,749	\$ 891,422
<b>Operating Expenses</b>					
Production:					
Salaries	63,689	63,689	62,848	(841)	61,272
Full-time Hourly Salaries	81,355	81,355	79,647	(1,708)	76,735
PT hourly salaries	0	0	0	0	435
Consulting Fees	1,000	1,000	467	(533)	382
Leave Hour Adjustment	0	0	(919)	(919)	1,491
Telephone	3,350	3,350	2,947	(403)	3,328
Travel, Conferences, and Schools	2,500	2,500	401	(2,099)	718
Equipment Repair	2,000	2,000	2,640	640	2,412
General Supplies	3,500	3,500	5,514	2,014	6,793
Small Equipment	4,000	4,000	5,561	1,561	0
Utilities	144,000	144,000	136,422	(7,578)	140,700
Maintenance and Repairs	25,000	25,000	10,618	(14,382)	22,514
Membership dues	0	0	45	45	0
Miscellaneous expense	0	0	0	0	495
Water and Chemicals	15,000	15,000	15,039	39	13,471
Pera	10,878	10,878	10,589	(289)	10,383
Medicare and Social Security	11,096	11,096	9,954	(1,142)	9,966
Engineering Costs	1,500	1,500	0	(1,500)	0
Distribution:					
Equipment Repair	1,000	1,000	512	(488)	45
General Supplies	4,500	4,500	7,231	2,731	6,099
Utilities	750	750	442	(308)	427
Vehicle Gas and Oil	3,000	3,000	2,955	(45)	3,532
Maintenance and Repairs	15,000	15,000	12,278	(2,722)	9,519
Clothing	400	400	754	354	609
Engineering fees	5,000	5,000	0	(5,000)	0
Administration:					
Salaries	10,000	10,000	10,495	495	11,101
Full-time Hourly Salaries	20,612	20,612	19,822	(790)	19,441
Safety Program Expense	1,800	1,800	1,939	139	1,739
Commissioners Salaries	2,325	2,325	2,325	0	2,325
Consulting Fees	0	0	0	0	9
Payment Processing Fees	3,500	3,500	2,417	(1,083)	3,006
Uncollectable Accounts	1,000	1,000	78	(922)	253
Water Admin Leave Adjustment	0	0	223	223	197

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - WATER FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Operating Expenses (Continued)</b>					
Administration (Continued):					
Permits and Licenses	\$ 500	\$ 500	\$ 0	\$ (500)	\$ 0
Computer Expenses	3,500	3,500	3,883	383	3,330
Telephone	400	400	403	3	413
Printing and Publishing	1,200	1,200	1,310	110	1,187
Travel, Conferences, and Schools	750	750	124	(626)	352
Equipment Repair	300	300	324	24	319
Professional Services	2,200	2,200	1,968	(232)	1,947
Office Supplies	800	800	642	(158)	499
General Supplies	500	500	235	(265)	351
Small Equipment	12,500	12,500	572	(11,928)	0
Maintenance and Repairs	100	100	73	(27)	0
Insurance Expense	15,000	15,000	15,253	253	11,804
Postage and Freight	2,000	2,000	1,797	(203)	1,697
Membership Dues	1,500	1,500	1,149	(351)	1,179
Miscellaneous Expense	8,500	8,500	8,420	(80)	8,114
Health Insurance	35,616	35,616	46,532	10,916	32,171
Legal Fees	250	250	190	(60)	78
Pera	2,296	2,296	7,028	4,732	5,982
Medicare and Social Security	2,342	2,342	2,476	134	2,573
Engineering costs	500	500	0	(500)	0
Depreciation	40,000	40,000	126,316	86,316	111,424
Total Operating Expenses	<u>568,509</u>	<u>568,509</u>	<u>621,939</u>	<u>53,430</u>	<u>592,817</u>
Income (Loss) from Operations	<u>392,491</u>	<u>392,491</u>	<u>442,810</u>	<u>157,179</u>	<u>298,605</u>
<b>Nonoperating Revenue (Expense)</b>					
Interest Income	20,500	20,500	43,957	23,457	13,228
Investments - Fair Value Adjustment	0	0	12,296	12,296	(9,662)
Interest and Fiscal Expense	(371,250)	(371,250)	(35,896)	(335,354)	(56,071)
Miscellaneous Income	7,500	7,500	9,689	2,189	7,011
Total Nonoperating Revenue (Expense)	<u>(343,250)</u>	<u>(343,250)</u>	<u>30,046</u>	<u>(297,412)</u>	<u>(45,494)</u>
Income Before Transfers	49,241	49,241	472,856	423,615	253,111
Transfers Out	<u>(47,975)</u>	<u>(47,975)</u>	<u>(53,405)</u>	<u>5,430</u>	<u>(44,667)</u>
Change in Net Position	<u>\$ 1,266</u>	<u>\$ 1,266</u>	419,451	<u>\$ 429,045</u>	208,444
Net Position - January 1			<u>5,535,263</u>		<u>5,326,819</u>
Net Position - December 31			<u>\$ 5,954,714</u>		<u>\$ 5,535,263</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION  
SEWER FUND

December 31, 2019

(With Comparative Amounts for December 31, 2018)

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	2019	2018
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 121,305	\$ 141,190
Investments	664,701	566,098
Accounts Receivable, Net	71,709	75,264
Interest Receivable	1,133	0
Prepaid Expenses	18,553	17,451
Total Current Assets	877,401	800,003
<b>Noncurrent Assets:</b>		
Advance To Other Funds	0	50,000
Property and Equipment	6,852,333	6,839,152
Less: Accumulated Depreciation	(3,220,647)	(3,074,483)
Total Assets	4,509,087	4,614,672
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	12,356	22,309
Deferred Amount on Refunding	22,542	25,068
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,543,985</b>	<b>\$ 4,662,049</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 33,038	\$ 32,751
Due to Other Funds	32,784	32,096
Accrued Expenses	6,396	6,830
Current Portion of Long-term Debt	150,000	148,000
Total Current Liabilities	222,218	219,677
<b>Noncurrent Liabilities:</b>		
Compensated Absences	9,715	9,799
Net Pension Liability	64,566	62,451
Bonds Payable, Less Current Portion	746,313	897,352
Total Liabilities	1,042,812	1,189,279
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	14,213	24,578
<b>Net Position:</b>		
Net Investment in Capital Assets	2,749,915	2,736,386
Unrestricted	737,045	711,806
Total Net Position	3,486,960	3,448,192
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 4,543,985</b>	<b>\$ 4,662,049</b>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - SEWER FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Operating Revenue</b>					
Charges for Services	\$ 618,148	\$ 618,148	\$ 648,756	\$ 30,608	\$ 636,607
<b>Operating Expenses</b>					
Production:					
Salaries	21,940	21,940	20,908	(1,032)	20,436
Full-time Salaries	27,119	27,119	26,517	(602)	25,574
Part-time Hourly Salaries	0	0	0	0	145
Leave Hour Adjustment	0	0	(306)	(306)	497
Telephone	3,000	3,000	5,751	2,751	3,246
Travel, Conferences, and Schools	2,000	2,000	1,213	(787)	2,026
Equipment Repair	1,500	1,500	577	(923)	291
General Supplies	7,500	7,500	4,069	(3,431)	12,740
Small Equipment	15,000	15,000	7,126	(7,874)	0
Utilities	47,600	47,600	41,722	(5,878)	44,612
Maintenance and Repairs	30,000	30,000	19,706	(10,294)	21,626
Membership charges	0	0	15	15	0
Water and Chemicals	70,000	70,000	108,227	38,227	87,244
Sludge Removal	10,000	10,000	13,108	3,108	10,859
Pera	3,680	3,680	3,525	(155)	3,462
Medicare and Social Security	3,753	3,753	3,312	(441)	3,322
Engineering Costs	1,000	1,000	33,403	32,403	0
Engineering Costs	0	0	640	640	0
Distribution:					
Equipment Repair	1,500	1,500	89	(1,411)	0
General Supplies	1,000	1,000	64	(936)	926
Utilities	12,560	12,560	13,672	1,112	12,381
Vehicle Gas and Oil	3,250	3,250	3,807	557	3,537
Maintenance and Repairs	35,000	35,000	49,502	14,502	69,249
Clothing	250	250	54	(196)	0
Miscellaneous expense	250	250	0	(250)	248
Water and Chemicals	0	0	0	0	201
Engineering Costs	5,000	5,000	380	(4,620)	73
Administration:					
Salaries	10,000	10,000	10,450	450	11,101
Full-time Hourly Salaries	20,612	20,612	19,867	(745)	19,441
Safety Program Expense	1,900	1,900	1,939	39	1,739
Commissioners Salaries	2,325	2,325	2,325	0	2,325
Contracted services	0	0	0	0	9
Payment Processing Fees	3,500	3,500	2,438	(1,062)	3,006
Uncollectable Accounts	1,250	1,250	125	(1,125)	621
Wastewater Admin Leave Adjustment	0	0	223	223	197
Permits and Licenses	1,450	1,450	0	(1,450)	1,450
Computer Expenses	3,500	3,500	3,883	383	3,330
Telephone	500	500	403	(97)	397

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - SEWER FUND

For the Year Ended December 31, 2019

(With Comparative Amounts for the Year Ended December 31, 2018)

	Original Budget	Final Budget	2019 Actual Amounts	Over (Under) Final Budget	2018 Amounts
<b>Operating Expenses (Continued)</b>					
Administration (Continued):					
Printing and Publishing	\$ 500	\$ 500	\$ 683	\$ 183	\$ 548
Travel, Conferences, and Schools	650	650	124	(526)	452
Equipment Repair	300	300	324	24	319
Professional Services	2,100	2,100	1,968	(132)	1,947
Office Supplies	600	600	642	42	499
General Supplies	450	450	235	(215)	349
Small Equipment	12,500	12,500	572	(11,928)	0
Maintenance and Repairs	250	250	73	(177)	0
Insurance Expense	15,000	15,000	17,498	2,498	12,228
Postage and Freight	2,000	2,000	3,247	1,247	1,696
Membership Dues	1,000	1,000	1,097	97	1,138
Miscellaneous Expense	1,250	1,250	683	(567)	1,004
Health Insurance	15,411	15,411	18,507	3,096	13,929
Legal Expense	500	500	0	(500)	78
Pera	2,296	2,296	3,977	1,681	9,313
Medicare and Social Security	2,342	2,342	2,419	77	2,462
Depreciation	40,000	40,000	146,164	(106,164)	140,891
Total Operating Expenses	<u>445,088</u>	<u>445,088</u>	<u>596,947</u>	<u>(60,469)</u>	<u>553,164</u>
Income (Loss) from Operations	<u>173,060</u>	<u>173,060</u>	<u>51,809</u>	<u>(29,861)</u>	<u>83,443</u>
<b>Nonoperating Revenue (Expense):</b>					
Interest Income	15,200	15,200	15,727	527	12,127
Investments - Fair Value Adjustment	0	0	(4,971)	(4,971)	(11,926)
Interest Expense	(171,172)	(171,172)	(23,843)	(147,329)	(26,996)
Other Income	9,300	9,300	10,775	1,475	9,113
Total Nonoperating Revenue (Expense)	<u>(146,672)</u>	<u>(146,672)</u>	<u>(2,312)</u>	<u>(150,298)</u>	<u>(17,682)</u>
Income Before Transfers	26,388	26,388	49,497	(23,109)	65,761
Transfers Out	<u>(30,845)</u>	<u>(30,845)</u>	<u>(32,784)</u>	<u>1,939</u>	<u>(32,096)</u>
Change in Net Position	<u>\$ (4,457)</u>	<u>\$ (4,457)</u>	16,713	<u>\$ (21,170)</u>	33,665
Net Position - January 1			<u>3,448,192</u>		<u>3,414,527</u>
Net Position - December 31			<u>\$ 3,464,905</u>		<u>\$ 3,448,192</u>



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## OTHER REQUIRED REPORTS



# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate fund information of the City of Lake Crystal as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories except tax increment financing because the city does not have any tax increment districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake Crystal failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying schedule of findings and responses. 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's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City of Lake Crystal and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota  
May 15, 2020

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Lake Crystal as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Lake Crystal's internal control over financial reporting (internal control) as a basis for designing 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 Lake Crystal's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Crystal's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. As described in the accompanying schedule of findings, we consider the following deficiencies in internal control to be significant deficiencies as items 2019-001.

This communication is intended solely for the information and use of the City Council and management, of the City of Lake Crystal and is not intended to be and should not be used by anyone other than these specified parties.

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota  
May 15, 2020

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CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON  
LEGAL COMPLIANCE AND INTERNAL CONTROL  
December 31, 2019

**INTERNAL CONTROL FINDINGS**

SIGNIFICANT DEFICIENCIES:

2019-001	<u>Preparation of Financial Statements</u>
<i>Condition:</i>	The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements and accompanying notes to the financial statements.
<i>Criteria</i>	A good system of internal control contemplates an adequate system for drafting of the financial statements.
<i>Cause:</i>	The City does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.
<i>Effect:</i>	This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.
<i>Recommendation:</i>	This control deficiency is not unusual in a City of your size. It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of the cost and other conditions.
<i>Response:</i>	The City is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cities. Management recognizes that it is not economically feasible to fully correct this finding. However, we are aware of the deficiency and will rely on oversight by management and the Council to monitor the deficiency. The City will also explore options and cost effective feasibility of training existing personnel to adequately prepare the annual financial reports.

**MINNESOTA LEGAL COMPLIANCE FINDINGS**

2019-002 Deposits and Investments

The City held deposits with an investment broker that didn't meet the requirements of the legal compliance guide and didn't have a signed broker acknowledgement certificate prior to making investment transactions.

City's response:

The City will work with their investment broker to bring all City investments into compliance with Minnesota Statutes.

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