

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

CITY OF LAKE CRYSTAL, MINNESOTA

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CITY OF LAKE CRYSTAL, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020

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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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 (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 City'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 City'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, as of December 31, 2020 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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Emphasis of Matter

As discussed in note 7 to the financial statements, the City changed their accounting for ambulance services activities from a department of the general fund to a separate enterprise fund. The City believes the accounting change allows for better recognition of the costs associated with providing ambulatory services. In addition, the new method conforms more closely with prevalent practice in similar cities. The effect of the change on the government wide financial statements resulted in a restatement to beginning net position of \$154,839.

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 2019 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 15, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
May 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake Crystal (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020 fiscal year include the following:

- (1) The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$26,895,200 (net position). Of this amount, \$7,561,403 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$26,094,337, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,313,726. \$4,103,108 of this total amount, over 65%, 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 \$3,464,405, or 178%, of total general fund expenditures.
- (5) The City had an increase in net position for governmental activities of \$308,624 and an increase in net position for business-type activities of \$593,276 during the current fiscal year for an overall increase of \$901,900.

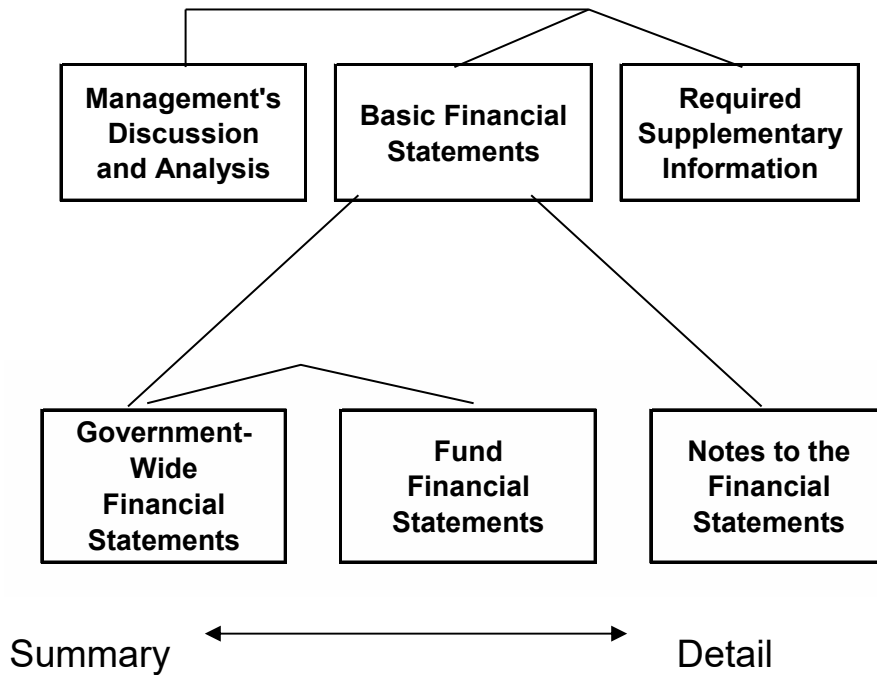
CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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 explain and support 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, 2020

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
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’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City’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 is improving or deteriorating.

CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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 2020 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 government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, parks and recreation, cemetery, economic development, and interest on long-term debt. The business-type activities of the City include the electric, water and sewer utilities and ambulance services.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same 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 maintains nine 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 adopts an annual appropriated budget for its General and Special Revenue 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, 2020

Proprietary Funds

The City 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 major funds of the City.

The basic Proprietary fund financial statements can be found on pages 29 - 34 of this report.

Notes to the Financial Statements

The notes provide 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 35 - 68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 70 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 78 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,895,200 at the close of the most recent fiscal year.

By far the largest portion of the City'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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

A condensed version of the Statement of Net Position on December 31, 2020 follows:

City of Lake Crystal's Summary of Net Position

	Governmental Activities			Business-type Activities		
	<u>2020</u>	<u>2019</u>	Increase (Decrease)	<u>2020</u>	<u>2019</u>	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 7,896,207	\$ 11,330,210	\$ (3,434,003)	\$ 4,783,027	\$ 4,468,716	314,311
Capital assets	14,734,485	11,347,174	3,387,311	11,359,852	11,501,689	(141,837)
	<u>22,630,692</u>	<u>22,677,384</u>	<u>(46,692)</u>	<u>16,142,879</u>	<u>15,970,405</u>	<u>172,474</u>
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	318,126	404,030	(85,904)	118,123	85,886	32,237
Deferred refunding debits	5,505	8,361	(2,856)	20,015	22,542	(2,527)
	<u>323,631</u>	<u>412,391</u>	<u>(88,760)</u>	<u>138,138</u>	<u>108,428</u>	<u>29,710</u>
<i>Liabilities</i>						
Current liabilities	1,037,352	736,555	300,797	944,981	907,479	37,502
Long-term liabilities	7,366,878	7,886,888	(520,010)	2,625,967	3,165,667	(539,700)
	<u>8,404,230</u>	<u>8,623,443</u>	<u>(219,213)</u>	<u>3,570,948</u>	<u>4,073,146</u>	<u>(502,198)</u>
<i>Deferred Inflows of Resources</i>						
Pension plan deferments	309,900	379,921	(70,021)	55,065	98,798	(43,733)
Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources	<u>\$ 14,240,196</u>	<u>\$ 14,086,411</u>	<u>\$ 153,785</u>	<u>\$ 12,655,004</u>	<u>\$ 11,906,889</u>	<u>748,115</u>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 7,381,398	\$ 3,491,594	3,889,804	\$ 8,741,398	\$ 8,250,654	490,744
Restricted	3,067,001	6,856,960	(3,789,959)	144,000	144,000	-
Unrestricted	3,791,797	3,737,857	53,940	3,769,606	3,512,235	257,371
Total net position	<u>\$ 14,240,196</u>	<u>\$ 14,086,411</u>	<u>\$ 153,785</u>	<u>\$ 12,655,004</u>	<u>\$ 11,906,889</u>	<u>\$ 748,115</u>

Assets of the governmental activities decreased in 2020 by \$46,692. This decrease was related to the near completion of the Southwest Street & Utility Project. Long-term liabilities have decreased by \$520,010 and \$539,700, in the governmental and business-type activities, respectively, this was largely due to scheduled principal payments on bonds payable. Business-type activities experienced an increase in total assets of \$172,474. This was primarily the result of the accounting change to include the ambulance service with the business-type activities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,561,403 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City can 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, 2020

Governmental and business-type activities increased the City's net position by \$901,900. Key elements of this increase are as follows:

City of Lake Crystal's Changes in Net Position

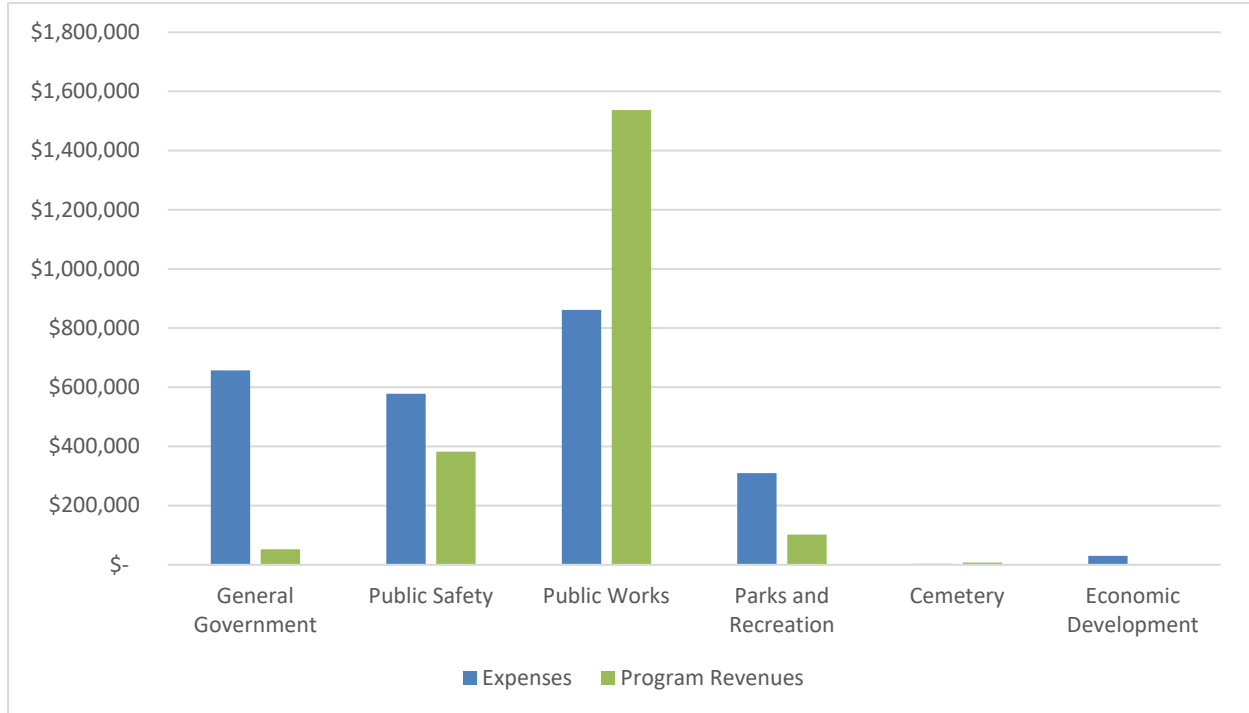
	Governmental Activities			Business-type Activities		
	<u>2020</u>	<u>2019</u>	Increase (Decrease)	<u>2020</u>	<u>2019</u>	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 286,612	\$ 477,278	\$ (190,666)	\$ 4,905,305	\$ 4,713,788	\$ 191,517
Operating grants and contributions	96,100	195,111	(99,011)	-	5,000	(5,000)
Capital grants and contributions	103,342	1,401,572	(1,298,230)	-	-	-
General revenues						
Property taxes	1,119,040	1,136,963	(17,923)	-	-	-
Intergovernmental	942,461	770,856	171,605	-	-	-
Other sources	322,424	196,152	126,272	86,548	63,128	23,420
Total Revenue	<u>2,869,979</u>	<u>4,177,932</u>	<u>(1,307,953)</u>	<u>4,991,853</u>	<u>4,781,916</u>	<u>209,937</u>
<i>Expenses</i>						
General Government	656,732	599,588	57,144	-	-	-
Public Safety	578,031	670,953	(92,922)	-	-	-
Public Works	861,571	877,619	(16,048)	-	-	-
Park and Recreation	309,589	286,112	23,477	-	-	-
Cemetery	3,417	13,611	(10,194)	-	-	-
Economic Development	29,886	57,286	(27,400)	-	-	-
Electric	-	-	-	2,749,057	2,661,193	87,864
Water	-	-	-	684,887	657,835	27,052
Sewer	-	-	-	562,970	620,790	(57,820)
Ambulance	-	-	-	237,808	-	237,808
Interest on long-term debt	285,984	188,995	96,989	-	-	-
Total Expenses	<u>2,725,210</u>	<u>2,694,164</u>	<u>31,046</u>	<u>4,234,722</u>	<u>3,939,818</u>	<u>294,904</u>
Transfer	163,855	230,254	(66,399)	(163,855)	(230,254)	66,399
Change in Net Position	<u>308,624</u>	<u>1,714,022</u>	<u>(1,405,398)</u>	<u>593,276</u>	<u>611,845</u>	<u>(18,569)</u>
Net position - January 1, as Previously	14,086,411	12,372,396	1,714,015	11,906,889	11,295,037	611,852
Prior Period Adjustment	(154,839)	-	(154,839)	154,839	-	154,839
Net position - January 1, as Previously	<u>13,931,572</u>	<u>12,372,396</u>	<u>1,559,176</u>	<u>12,061,728</u>	<u>11,295,037</u>	<u>766,691</u>
Net position - December 31	<u>\$ 14,240,196</u>	<u>\$ 14,086,411</u>	<u>\$ 153,785</u>	<u>\$ 12,655,004</u>	<u>\$ 11,906,889</u>	<u>\$ 748,115</u>

The large decrease in the change in net position for governmental activities between 2019 and 2020 was due to capital grants and contributions related to certification of special assessments from the Southwest street & utility project in 2019. Revenues and expenses increased for the business-type activities due to the accounting change related to the ambulance service.

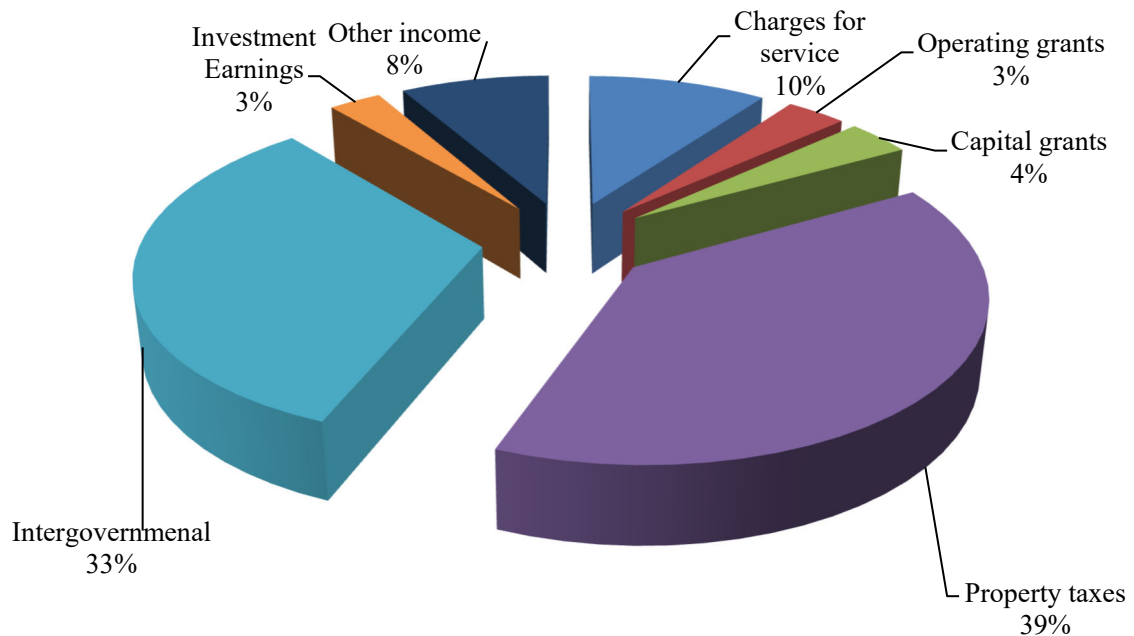
CITY OF LAKE CRYSTAL, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

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



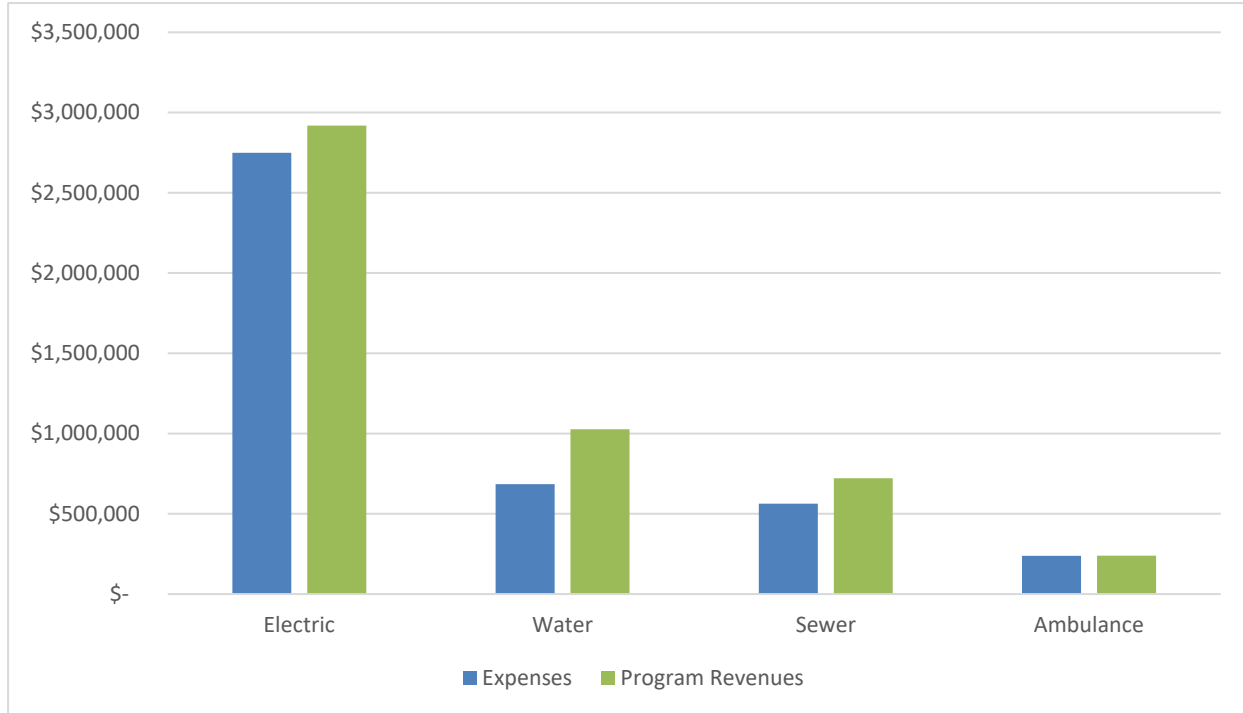
Revenues by Source – Governmental Activities



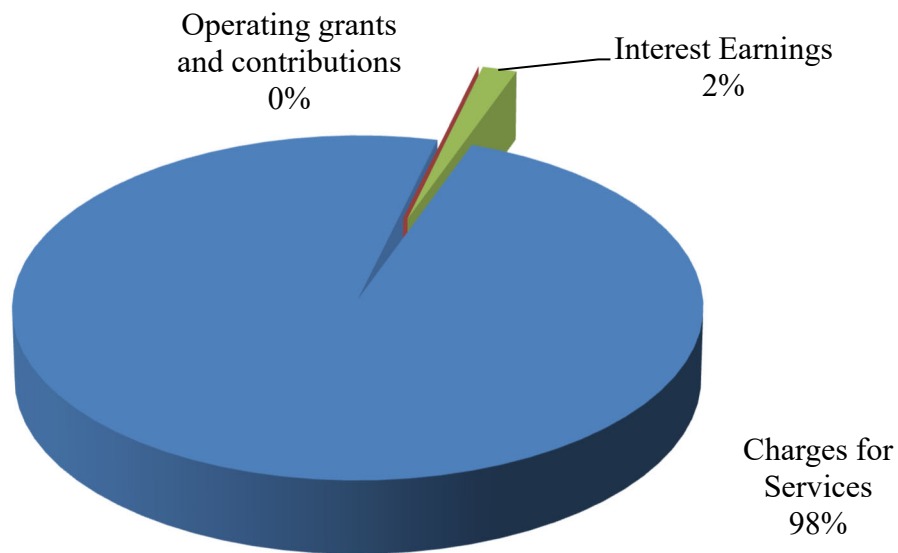
CITY OF LAKE CRYSTAL, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

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, 2020

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's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's 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's governmental funds reported combined ending fund balances of \$6,313,726. The unreserved fund balance constitutes \$3,464,405 of the total combined ending fund balance. The remainder of the fund balance is either not in spendable 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 \$2,210,618.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$3,711,189. 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 178% of total 2020 actual expenditures. The General fund balance increased \$252,401, during the year, primarily due to government grants.

The Southwest Street & Utility Project fund had a fund balance of \$1,154,461. 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 \$921,414 remaining on December 31, 2020.

The Debt Service fund had a fund balance of \$737,743. 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's Proprietary funds have unrestricted net position as follows:

Electric fund	\$ 547,775
Water fund	2,221,327
Sewer fund	813,451
Ambulance fund	187,053

BUDGETARY HIGHLIGHTS

General Fund

The City increased its general tax levy collectible in 2020 by 0.7% from the 2019 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, and the City budgeted revenues to exceed expenditures by \$33,730.

Revenues were over the budgeted sources by \$269,695, with the following significant variances:

- Special assessments from tax forfeited land sales by \$88,496
- Federal COVID grants of \$140,158
- Charges for rural fire service of \$41,284
- Individual donation of \$33,500

CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Expenditures were under the budgeted appropriations by \$96,687, with the following significant variances:

- Public safety was under budget by \$35,920, primarily due to the police department
- Public works was under budget by \$68,899, primarily related road repairs
- Parks and recreation was under budget by \$23,218, largely due to reduced subsidy to LCARC.

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's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounts to \$26,231,306 (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:

- Ditch Witch Trencher
- 2020 Chevy Silverado
- Southwest street & utility project
- Well #4 project
- 2020 Ford Explorer police vehicle
- MT55 Freightliner chassis

City of Lake Crystal's Capital Assets

	Governmental Activities			Business-type Activities		
	<u>2020</u>	<u>2019</u>	Increase (Decrease)	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Land and Improvements	\$ 501,358	\$ 501,358	\$ -	\$ 31,700	\$ 31,700	\$ -
Buildings	6,221,934	6,221,934	-	7,897,139	7,897,139	-
Equipment	2,487,719	6,056,352	(3,568,633)	3,482,906	3,131,660	351,246
Infrastructure	6,056,352	2,467,645	3,588,707	10,129,043	10,129,043	-
Construction in progress	5,207,562	1,568,985	3,638,577	-	-	-
Total	<u>\$ 20,474,924</u>	<u>\$ 16,816,273</u>	<u>\$ 3,658,651</u>	<u>\$ 21,540,787</u>	<u>\$ 21,189,541</u>	<u>\$ 351,246</u>

LONG-TERM DEBT

At the end of the fiscal year, the City had total long-term debt of \$11,174,822. This consisted of \$4,315,000 for special assessment bonds, \$3,823,000 for G.O. revenue bonds, \$718,000 for revenue bonds, \$790,000 for G.O. capital improvement bonds, \$1,041,757 for net pension liability, \$136,000 for compensated absences, and \$351,065 for bond premiums. State statutes limit 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, 2020

Key elements of long-term debt are as follows:

	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	\$ 6,955,000	\$ 7,375,000	\$ (420,000)
Revenue Bonds	123,000	192,000	(69,000)
Total Governmental Activities Long-Term Debt	7,078,000	7,567,000	(489,000)
Business-type Activities:			
General Obligation Revenue Bonds	1,973,000	2,448,000	(475,000)
Revenue Bonds	595,000	725,000	(130,000)
Total Long-Term Debt	\$ 9,646,000	\$ 10,740,000	\$ (1,094,000)
Bonded Debt:			
General Obligation Bonds	\$ 6,955,000	\$ 7,375,000	\$ (420,000)
General Obligation Revenue Bonds	1,973,000	2,448,000	(475,000)
Revenue Bonds	718,000	917,000	(199,000)
Total Bonded Debt	\$ 9,646,000	\$ 10,740,000	\$ (1,094,000)

FACTORS BEARING ON THE CITY'S FUTURE

The City of Lake Crystal is situated in one of the healthiest economic regions of Minnesota. Concerns about a protracted economic downturn created by the COVID-19 pandemic have not materialized and Lake Crystal is well positioned to participate in the economic recovery that has taken root. Despite the economic downturn, the City's tax capacity increased by \$67,461, or 4%, between 2020 and 2021. New construction was strong again in 2020, with 6 permits (8 in 2019, 9 in 2018, 5 in 2017) approved for new homes. The agricultural economy around Lake Crystal remains strong with continued strong land prices. Initial indications are that tax capacity is expected to remain stable with potential for slight growth going forward.

Additionally, The State of Minnesota appears to have moved on from the original budget deficits projected due to the pandemic, and recent budget forecasts project surpluses. These projected budget surpluses should stabilize state aid and eliminate the need for future reductions. 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 2022 fiscal year.

For the 2021 fiscal year, general fund revenue and expenditure projections remained conservative. The 2021 general fund budget for both revenues and expenditures is \$2,399,183.

The 2021 general fund budget includes funding for the following:

- \$60,000 for the purchase of a new police interceptor and equipment.
- \$30,000 for the Robinson Park parking lot improvements, Robinson Park docks, and Jones Park basketball court improvements
- \$12,000 for fire truck valve replacement
- \$25,000 for sidewalk maintenance projects
- \$125,000 for street maintenance projects

The city recently approved several maintenance and improvement projects to the Lake Crystal Area Recreation Center. In sum, the projects will cost approximately \$1,200,000. The City plans to issue debt to pay for the projects, with principal and interest payments beginning in 2022.

CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

The city will be making final payments on three (3) tax abatement agreements, totaling approximately \$40,000, and two (2) debt issuances, with payments totaling \$154,277, in 2021. This will give the City of Lake Crystal significant flexibility when developing its 2022 budget and tax levy.

The 2021 proprietary fund (electric, water, sewer) budget is \$4,874,318 for revenues and \$4,906,632 for expenditures, resulting in a net loss of \$32,314. Reflected in the 2021 budget are changes to the water and sewer rate structures. The new rates were approved following a rate study and will be effective starting July 1, 2021. The 2021 proprietary fund budget includes funding for the following:

- \$1,752,738 for purchased power
- \$829,303 for debt expense (principal and interest)
- \$235,511 for franchise fees paid to the City Debt Service Fund
- \$120,000 for depreciation expense
- \$221,950 for electric supplies and maintenance (power plant, reconstruction project, etc.)
- \$60,000 for the purchase of a new water work truck
- \$35,000 for the replacement of the ToolCat
- \$25,000 for maintenance and upgrades to the utility's meter reading software

Two (2) projects – a well relining project (\$207,513) and an Electric Facility System Study (\$24,200) – will be completed and paid for in 2021. Reserves will be used to fund these projects.

The 2019/2020 Southwest Street and Utility Improvement Project began in 2019. The project was substantially completed in the fall of 2020, with final paving and finishing work scheduled in 2021. Staff currently estimates the project will come in under budget. 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 were 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;
- Power plant engine maintenance; and
- Electric substation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City'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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and Cash Equivalents	\$ 2,651,337	\$ 1,315,235	\$ 3,966,572
Investments	3,560,042	2,901,987	6,462,029
Receivables:			
Property Taxes	66,840	0	66,840
Special Assessments	966,172	0	966,172
Accounts, Net	116,533	530,680	647,213
Interest	13,407	25,814	39,221
Notes, Net	1,516	0	1,516
Prepaid Expenses	91,412	78,307	169,719
Due From Other Governments	36,766	0	36,766
Internal Balances	247,263	(247,263)	0
Inventory	0	178,267	178,267
Real Estate Held for Sale	57,000	0	57,000
Net Pension Asset	87,919	0	87,919
Capital Assets, Net	14,734,485	11,359,852	26,094,337
Total Assets	<u>22,630,692</u>	<u>16,142,879</u>	<u>38,773,571</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	318,126	118,123	436,249
Deferred Refunding Debits	5,505	20,015	25,520
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 22,954,323</u>	<u>\$ 16,281,017</u>	<u>\$ 39,235,340</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accounts Payable	\$ 441,791	\$ 278,450	\$ 720,241
Accrued Expenses	40,581	39,531	80,112
Current Portion of Long-term Debt	503,000	627,000	1,130,000
Compensated Absences	51,977	84,023	136,000
Net Pension Liability	511,285	530,472	1,041,757
Long-term Debt, Less Current Portion	6,855,593	2,011,472	8,867,065
Total Liabilities	<u>8,404,227</u>	<u>3,570,948</u>	<u>11,975,175</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	309,900	55,065	364,965
Net Position:			
Net Investment in Capital Assets	7,381,398	8,741,398	16,122,796
Restricted	3,067,001	144,000	3,211,001
Unrestricted	3,791,797	3,769,606	7,561,403
Total Net Position	<u>14,240,196</u>	<u>12,655,004</u>	<u>26,895,200</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 22,954,323</u>	<u>\$ 16,281,017</u>	<u>\$ 39,235,340</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 656,732	\$ 1,164	\$ 0	\$ 0
Public Safety	578,031	82,254	95,900	0
Public Works	861,571	195,819	0	103,342
Parks and Recreation	309,589	0	200	0
Cemetery	3,417	7,375	0	0
Economic Development	29,886	0	0	0
Interest on Long-term Debt	285,984	0	0	0
Total Governmental Activities	<u>2,725,210</u>	<u>286,612</u>	<u>96,100</u>	<u>103,342</u>
BUSINESS-TYPE ACTIVITIES:				
Electric	2,749,057	2,918,368	0	0
Water	684,887	1,026,607	0	0
Sewer	562,970	721,619	0	0
Ambulance	237,808	238,711	0	0
Total Business-Type Activities	<u>4,234,722</u>	<u>4,905,305</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$ 6,959,932</u>	<u>\$ 5,191,917</u>	<u>\$ 96,100</u>	<u>\$ 103,342</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, as Previously Stated

Prior Period Adjustment (See note 7)

Net Position - Beginning, as Restated

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
\$ (655,568)	\$ 0	\$ (655,568)
(399,877)	0	(399,877)
(562,410)	0	(562,410)
(309,389)	0	(309,389)
3,958	0	3,958
(29,886)	0	(29,886)
(285,984)	0	(285,984)
(2,239,156)	0	(2,239,156)
0	169,311	169,311
0	341,720	341,720
0	158,649	158,649
0	903	903
0	670,583	670,583
(2,239,156)	670,583	(1,568,573)
1,001,820	0	1,001,820
117,220	0	117,220
79,186	0	79,186
942,461	0	942,461
159,238	86,548	245,786
84,000	0	84,000
163,855	(163,855)	0
2,547,780	(77,307)	2,470,473
308,624	593,276	901,900
14,086,411	11,906,889	25,993,300
(154,839)	154,839	0
13,931,572	12,061,728	25,993,300
\$ 14,240,196	\$ 12,655,004	\$ 26,895,200

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

CITY OF LAKE CRYSTAL, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Debt Service Funds	Southwest Street & Utility Project
ASSETS			
Cash and Cash Equivalents	\$ 1,843,945	\$ 273,746	\$ 6,345
Investments	1,770,873	221,366	1,289,095
Receivables:			
Property Taxes	49,817	17,023	0
Special Assessments	6,920	959,252	0
Franchise Fee	57,395	0	0
Accounts	59,138	0	0
Notes	0	0	0
Interest	13,376	31	0
Due From Other Funds	17,459	229,804	0
Due From Other Governments	0	0	36,766
Prepaid Expenses	91,412	0	0
Real Estate Held for Sale	0	0	0
TOTAL ASSETS	<u>\$ 3,910,335</u>	<u>\$ 1,701,222</u>	<u>\$ 1,332,206</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 109,854	\$ 0	\$ 177,745
Accrued Expenses	24,897	0	0
Total Liabilities	<u>134,751</u>	<u>0</u>	<u>177,745</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>64,395</u>	<u>963,479</u>	<u>0</u>
Fund Balance:			
Nonspendable	91,412	0	0
Restricted	0	737,743	1,154,461
Committed	0	0	0
Assigned	155,372	0	0
Unassigned	3,464,405	0	0
Total Fund Balance	<u>3,711,189</u>	<u>737,743</u>	<u>1,154,461</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,910,335</u>	<u>\$ 1,701,222</u>	<u>\$ 1,332,206</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 527,301	\$ 2,651,337
278,708	3,560,042
0	66,840
0	966,172
0	57,395
0	59,138
1,516	1,516
0	13,407
0	247,263
0	36,766
0	91,412
<u>57,000</u>	<u>57,000</u>
<u>\$ 864,525</u>	<u>\$ 7,808,288</u>

\$ 154,192	\$ 441,791
0	24,897
<u>154,192</u>	<u>466,688</u>

<u>0</u>	<u>1,027,874</u>
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0	91,412
227,002	2,119,206
107,251	107,251
376,080	531,452
0	3,464,405
<u>710,333</u>	<u>6,313,726</u>

<u>\$ 864,525</u>	<u>\$ 7,808,288</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, 2020

Total Fund Balances - Governmental Funds	\$ 6,313,726
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	20,474,925
Less: accumulated depreciation	(5,740,440)
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	(7,078,000)
Compensated absences	(51,977)
Bond premiums on long-term debt are recognized as revenue in the Governmental Funds but as a decrease in the Statement of Net Position	
	(280,593)
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	
	5,505
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	46,729
Special assessments	966,172
Accounts receivable, net	14,973
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	(314,887)
Net pension liability - public employees police and fire pension fund	(196,398)
Net pension liability - volunteer firemen's relief pension fund	87,919
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	318,126
Deferred inflows of resources related to pensions	(309,900)
Governmental funds do not report a liability for accrued interest payable until due and payable.	
	<u>(15,684)</u>
Total Net Position - Governmental Activities	<u>\$ 14,240,196</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, 2020

	General	Debt Service Funds	Southwest Street & Utility Project
Revenues:			
Property Taxes	\$ 997,736	\$ 115,625	\$ 0
Franchise Fees	79,186	0	0
Special Assessments	88,496	166,570	0
Intergovernmental	1,005,061	0	0
Licenses and Permits	50,427	0	0
Charges for Services	317,533	0	0
Fines	4,389	0	0
Other Income	117,584	5,801	78,874
Total Revenues	<u>2,660,412</u>	<u>287,996</u>	<u>78,874</u>
Expenditures:			
Current:			
General Government	581,744	0	0
Public Safety	463,897	0	0
Public Works	683,308	0	0
Parks and Recreation	200,658	0	0
Cemetery	3,417	0	0
Economic Development	0	0	0
Capital Outlay:			
General Government	10,313	0	0
Public Safety	1,832	0	0
Public Works	0	0	3,638,578
Park and Recreation	2,793	0	0
Debt Service:			
Principal	0	489,000	0
Interest and Fees	0	315,436	0
Total Expenditures	<u>1,947,962</u>	<u>804,436</u>	<u>3,638,578</u>
Excess of Revenues Over (Under) Expenditures	<u>712,450</u>	<u>(516,440)</u>	<u>(3,559,704)</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(460,049)	0	0
Operating Transfers In	0	432,373	0
Sale of Capital Assets	0	0	0
Total Other Financing Sources (Uses)	<u>(460,049)</u>	<u>432,373</u>	<u>0</u>
Change in Fund Balance	<u>252,401</u>	<u>(84,067)</u>	<u>(3,559,704)</u>
Fund Balance - January 1, As Previously Stated	3,560,204	821,810	4,714,165
Prior Period Adjustment	<u>(101,416)</u>	<u>0</u>	<u>0</u>
Fund Balance - January 1, As Restated	<u>3,458,788</u>	<u>821,810</u>	<u>4,714,165</u>
Fund Balance - December 31	<u>\$ 3,711,189</u>	<u>\$ 737,743</u>	<u>\$ 1,154,461</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,113,361
0	79,186
0	255,066
0	1,005,061
0	50,427
0	317,533
0	4,389
15,597	217,856
<u>15,597</u>	<u>3,042,879</u>
0	581,744
0	463,897
0	683,308
0	200,658
0	3,417
29,886	29,886
48,394	58,707
301,899	303,731
16,322	3,654,900
28,168	30,961
0	489,000
0	315,436
<u>424,669</u>	<u>6,815,645</u>
<u>(409,072)</u>	<u>(3,772,766)</u>
0	(460,049)
386,016	818,389
4,066	4,066
<u>390,082</u>	<u>362,406</u>
<u>(18,990)</u>	<u>(3,410,360)</u>
729,323	9,825,502
0	(101,416)
<u>729,323</u>	<u>9,724,086</u>
<u>\$ 710,333</u>	<u>\$ 6,313,726</u>

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

CITY OF LAKE CRYSTAL, MINNESOTA

RECONCILIATION OF THE 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, 2020

Total Net Change in Fund Balances - Governmental Funds	\$ (3,410,360)
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	3,960,805
Depreciation expense	(573,493)
The issuance of long-term debt provides current financial resources to governmental funds, while 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, while the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal payments	489,000
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	16,347
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.	
	15,961
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	5,679
Special assessments	(151,724)
Accounts receivable	(30,920)
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	(801)
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	<u>(9,016)</u>
Change in Net Position - Governmental Activities	<u>\$ 308,624</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, 2020

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,002,388	\$ 1,002,388	\$ 997,736	\$ (4,652)
Franchise Fees	85,000	85,000	79,186	(5,814)
Special Assessments	0	0	88,496	88,496
Intergovernmental	849,339	849,339	1,005,061	155,722
Licenses and Permits	34,960	34,960	50,427	15,467
Charges for Services	291,897	291,897	317,533	25,636
Fines	9,000	9,000	4,389	(4,611)
Other Income	118,133	118,133	117,584	(549)
Total Revenues	<u>2,390,717</u>	<u>2,390,717</u>	<u>2,660,412</u>	<u>269,695</u>
Expenditures:				
Current:				
General Government	554,249	554,249	581,744	27,495
Public Safety	499,817	499,817	463,897	(35,920)
Public Works	752,207	752,207	683,308	(68,899)
Parks and Recreation	223,876	223,876	200,658	(23,218)
Cemetery	14,500	14,500	3,417	(11,083)
Capital Outlay:				
General Government	0	0	10,313	10,313
Public Safety	0	0	1,832	1,832
Park and Recreation	0	0	2,793	2,793
Total Expenditures	<u>2,044,649</u>	<u>2,044,649</u>	<u>1,947,962</u>	<u>(96,687)</u>
Excess of Revenues Over (Under) Expenditures	346,068	346,068	712,450	366,382
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(346,068)</u>	<u>(346,068)</u>	<u>(460,049)</u>	<u>113,981</u>
Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>252,401</u>	<u>\$ 252,401</u>
Fund Balance - January 1, As Previously Stated			3,560,204	
Prior Period Adjustment			<u>(101,416)</u>	
Fund Balance - January 1, As Restated			<u>3,458,788</u>	
Fund Balance - December 31			<u>\$ 3,711,189</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, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-type Activities - Enterprise Funds		
	Electric	Water	Sewer
Current Assets:			
Cash and Cash Equivalents	\$ 382,039	\$ 635,377	\$ 176,972
Investments	506,136	1,711,092	684,759
Accounts Receivable, Net	298,954	84,554	82,021
Interest Receivable	2,807	22,173	834
Inventory	161,586	16,681	0
Prepaid Expenses	39,477	12,918	17,434
Total Current Assets	<u>1,390,999</u>	<u>2,482,795</u>	<u>962,020</u>
Noncurrent Assets:			
Property and Equipment	6,637,933	7,786,419	6,852,333
Less: Accumulated Depreciation	<u>(4,222,776)</u>	<u>(2,489,461)</u>	<u>(3,367,844)</u>
Total Assets	<u>3,806,156</u>	<u>7,779,753</u>	<u>4,446,509</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	68,360	34,288	15,475
Deferred Amount on Bond Refunding	<u>0</u>	<u>0</u>	<u>20,015</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,874,516</u>	<u>\$ 7,814,041</u>	<u>\$ 4,481,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accounts Payable	\$ 212,761	\$ 32,260	\$ 30,544
Due to Other Funds	160,524	50,838	35,901
Accrued Expenses	19,051	11,449	6,796
Current Portion of Long-term Debt	<u>130,000</u>	<u>340,000</u>	<u>157,000</u>
Total Current Liabilities	<u>522,336</u>	<u>434,547</u>	<u>230,241</u>
Noncurrent Liabilities:			
Compensated Absences	36,387	31,242	14,091
Net Pension Liability	306,993	153,982	69,497
Bonds Payable, Less Current Portion	<u>469,497</u>	<u>953,701</u>	<u>588,274</u>
Total Liabilities	<u>1,335,213</u>	<u>1,573,472</u>	<u>902,103</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	<u>31,867</u>	<u>15,984</u>	<u>7,214</u>
Net Position:			
Net Investment in Capital Assets	1,815,661	4,003,258	2,759,231
Restricted	144,000	0	0
Unrestricted	<u>547,775</u>	<u>2,221,327</u>	<u>813,451</u>
Total Net Position	<u>2,507,436</u>	<u>6,224,585</u>	<u>3,572,682</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,874,516</u>	<u>\$ 7,814,041</u>	<u>\$ 4,481,999</u>

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

Business-type Activities -

<u>Ambulance</u>	<u>Totals</u>
\$ 120,847	\$ 1,315,235
0	2,901,987
65,151	530,680
0	25,814
0	178,267
8,478	78,307
<u>194,476</u>	<u>5,030,290</u>
264,106	21,540,791
<u>(100,858)</u>	<u>(10,180,939)</u>
357,724	16,390,142
0	118,123
<u>0</u>	<u>20,015</u>
<u>\$ 357,724</u>	<u>\$ 16,528,280</u>
\$ 2,885	\$ 278,450
0	247,263
2,235	39,531
0	627,000
<u>5,120</u>	<u>1,192,244</u>
2,303	84,023
0	530,472
0	2,011,472
<u>7,423</u>	<u>3,818,211</u>
<u>0</u>	<u>55,065</u>
163,248	8,741,398
0	144,000
187,053	3,769,606
<u>350,301</u>	<u>12,655,004</u>
<u>\$ 357,724</u>	<u>\$ 16,528,280</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, 2020

	Business-type Activities - Enterprise Funds		
	Electric	Water	Sewer
Operating Revenues:			
Charges for Services	\$ 2,843,773	\$ 1,013,926	\$ 712,694
Cost of Revenues:			
Wholesale Electrical Power	(1,582,990)	0	0
Gross Profit	1,260,783	1,013,926	712,694
Operating Expenses:			
Personal Services	509,033	261,220	119,502
Supplies	141,093	26,618	113,695
Other Services and Charges	75,650	48,552	59,261
Utilities	33,728	139,068	62,513
Repairs and Maintenance	172,201	44,900	37,350
Other	67,035	12,290	2,901
Depreciation	147,965	125,818	147,197
Total Operating Expenses	1,146,705	658,466	542,419
Income (Loss) from Operations	114,078	355,460	170,275
Nonoperating Revenues (Expenses)			
Investment Earnings	17,975	47,172	21,327
Interest and Fiscal Expense	(19,362)	(26,421)	(20,551)
Other Revenue	74,595	12,681	8,925
Total Nonoperating Revenues (Expenses)	73,208	33,432	9,701
Income Before Capital Contributions and Transfers	187,286	388,892	179,976
Capital Contributions	0	0	0
Transfers In	0	2,000	0
Transfers Out	(145,065)	(121,021)	(94,254)
Change in Net Position	42,221	269,871	85,722
Net Position - January 1, As Previously Stated	2,465,215	5,954,714	3,486,960
Prior Period Adjustment	0	0	0
Net Position - January 1	2,465,215	5,954,714	3,486,960
Net Position- December 31	\$ 2,507,436	\$ 6,224,585	\$ 3,572,682

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

Business-type Activities -	
Ambulance	Totals
\$ 185,011	\$ 4,755,404
<u>0</u>	<u>(1,582,990)</u>
185,011	3,172,414
110,745	1,000,500
44,918	326,324
17,602	201,065
5,466	240,775
4,392	258,843
23,448	105,674
31,237	452,217
<u>237,808</u>	<u>2,585,398</u>
<u>(52,797)</u>	<u>587,016</u>
74	86,548
0	(66,334)
53,700	149,901
<u>53,774</u>	<u>170,115</u>
977	757,131
194,485	194,485
0	2,000
0	(360,340)
<u>195,462</u>	<u>593,276</u>
0	11,906,889
<u>154,839</u>	<u>154,839</u>
<u>154,839</u>	<u>12,061,728</u>
<u>\$ 350,301</u>	<u>\$ 12,655,004</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, 2020

	Business-type Activities - Enterprise Funds		
	Electric	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts From Customers and Users	\$ 2,868,429	\$ 1,014,199	\$ 702,385
Payments to Suppliers	(2,151,790)	(310,167)	(299,994)
Payments to Employees	(426,835)	(209,644)	(96,184)
Other Receipts	74,595	12,681	8,925
Net Cash from Operating Activities	<u>364,399</u>	<u>507,069</u>	<u>315,132</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers	(146,064)	(121,590)	(91,138)
Net Investment Activity	(6,642)	(34,653)	(1,707)
Net Cash from Noncapital Financing Activities	<u>(152,706)</u>	<u>(156,243)</u>	<u>(92,845)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Capital Assets	(107,662)	(8,230)	0
Principal Payments on Long-term Debt	(130,000)	(325,000)	(150,000)
Interest Payments on Long-term Debt	(21,105)	(46,801)	(19,897)
Net Cash from Capital and Related Financing Activities	<u>(258,767)</u>	<u>(380,031)</u>	<u>(169,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	11,572	42,336	3,277
Net Increase (Decrease) in Cash and Cash Equivalents	(35,502)	13,131	55,665
Cash and Cash Equivalents - January 1	417,546	622,244	121,305
Cash and Cash Equivalents - December 31	<u>\$ 382,039</u>	<u>\$ 635,377</u>	<u>\$ 176,972</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ 114,078	\$ 355,460	\$ 170,275
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Other Operating Receipts	74,595	12,681	8,925
Depreciation	147,965	125,818	147,197
(Increase) Decrease in Receivables	24,656	273	(10,309)
(Increase) Decrease in Inventory	(36,144)	953	0
(Increase) Decrease in Prepaid Expenses	1,374	3,999	1,119
(Increase) Decrease in Pension Resources	(43,418)	(22,435)	(10,119)
Increase (Decrease) in Net Pension Liability	66,324	10,417	4,931
Increase (Decrease) in Accounts Payable	(4,697)	7,353	(2,496)
Increase (Decrease) in Due to Other Funds	281	0	0
Increase (Decrease) in Compensated Absences	11,444	9,607	4,376
Increase (Decrease) in Accrued Expenses	7,941	2,943	1,233
Net Cash from Operating Activities	<u>\$ 364,399</u>	<u>\$ 507,069</u>	<u>\$ 315,132</u>

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

Business-type Activities -

<u>Ambulance</u>	<u>Totals</u>
------------------	---------------

\$ 173,283	\$ 4,758,296
(101,827)	(2,863,778)
(105,798)	(838,461)
<u>53,700</u>	<u>149,901</u>
<u>19,358</u>	<u>1,205,958</u>

0	(358,792)
0	(43,002)
<u>0</u>	<u>(401,794)</u>

0	(115,892)
0	(605,000)
0	(87,803)
<u>0</u>	<u>(808,695)</u>

<u>74</u>	<u>57,259</u>
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19,430	52,724
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<u>101,415</u>	<u>1,262,510</u>
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<u>\$ 120,847</u>	<u>\$ 1,315,235</u>
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\$ (52,797)	\$ 587,016
-------------	------------

53,700	149,901
31,237	452,217
(11,728)	2,892
0	(35,191)
(8,478)	(1,986)
0	(75,972)
0	81,672
2,886	3,046
0	281
2,303	27,730
<u>2,235</u>	<u>14,352</u>
<u>\$ 19,358</u>	<u>\$ 1,205,958</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020Note 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 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 separate 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 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 segment 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, 2020

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 *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 susceptible to accrual as revenue of the current period. All other revenue items are 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, entitlements, 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, 2020

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 ensures 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 ensures 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 ensures that user charges are sufficient to meet those costs.

The *Ambulance fund* accounts for the costs associated with the City's ambulance service.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 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 based on 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, 2020

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, 2020. 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 includes 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 and ambulance enterprise fund receivables are also included for services provided in 2020. 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 for utility accounts receivable. Ambulance accounts receivable was shown net of an allowance of \$118,988.

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, 2020

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 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, 2020Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)***Compensated absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time-off or some other means. The liability for vacation benefits is recorded as part of long-term obligations. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees that have reached ten years of service by age 50. All compensated absences are 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 (OPEB)

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. Employees of the City pay health care premiums based on level of coverage, without consideration to age. The City's personnel policy does not provide for any contributions upon employee retirement; thus, the City does not expect any future retirees to elect to continue coverage and has no experience with past retirees electing coverage. The implicit rate subsidy factor in postemployment health care expenses is considered immaterial, therefore, no liability is accrued for OPEB.

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 Fire 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 PEPFP 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

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.

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 - Consists 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, 2020

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, 2020, no funds had expenditures over appropriations.

C. Deficit Fund Equity

There were no funds that had a fund equity deficit on December 31, 2020.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

On December 31, 2020, the carrying amount of deposits was \$3,966,572 and the bank balance was \$3,943,372. 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, 2020

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 Statute 118A.07 limits 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 19.4%

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, 2020, 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	\$ 10,077
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	834,291
Minnesota municipal money market fundmax class	N/R	N/R	NAV	N/A	N/A	54,804
Directly placed certificates of deposit	N/R	N/R	N/A	3,521,130	-	3,521,130
Investment pools/mutual funds						
U.S. Government money market	N/R	N/R	NAV	N/A	N/A	1,571
Unlisted real estate investment trusts	N/R	N/R	NAV	N/A	N/A	81,956
Mutual funds	N/R	N/R	Level 1	N/A	N/A	1,588,879
Negotiable certificates of deposit	N/R	N/R	Level 2	-	369,321	369,321
Total investments						\$ 6,462,029

Approximately 1% or \$81,956 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, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

The City’s investment in certain money market funds is 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	\$ 1,666,280	\$ 596,367
Time deposits	984,982	718,768
Petty Cash	75	100
	<u> </u>	<u> </u>
Cash and Cash equivalents	2,651,337	1,315,235
Investments	<u>3,560,042</u>	<u>2,901,987</u>
	<u> </u>	<u> </u>
Total cash and investments	<u>\$ 6,211,379</u>	<u>\$ 4,217,222</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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:

<u>Nature of Receivable</u>	<u>Receivable Balance</u>
Fire department contracts	57,488
Fire assistance	1,650
Franchise Fees	<u>57,395</u>
 Total	 <u>\$ 116,533</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 \$55,661. 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:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	\$ 966,172	\$ -
Delinquent property taxes - debt service fund	4,227	-
Delinquent property taxes - general fund	42,502	-
Charges for services	<u>14,973</u>	<u>-</u>
 Total deferred inflows of resources/unearned revenue	 <u>\$ 1,027,874</u>	 <u>\$ -</u>

The only receivables not expected to be collectible within one year are the following: general fund: \$30,000 and \$800 of delinquent taxes and charges for services, respectively, debt service fund: \$2,500 and \$943,000 of delinquent taxes and special assessments, respectively.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 501,358	\$ -	\$ -	\$ 501,358
Construction in progress	1,568,985	3,638,577	-	5,207,562
Total capital assets not being depreciated	2,070,343	3,638,577	-	5,708,920
Capital assets being depreciated				
Buildings and Improvements	6,221,934	-	-	6,221,934
Infrastructure	6,056,352	-	-	6,056,352
Machinery and equipment	2,467,645	322,226	(302,152)	2,487,719
Total capital assets being depreciated	14,745,931	322,226	(302,152)	14,766,005
Less accumulated depreciation for				
Buildings and Improvements	(1,767,006)	(113,183)	-	(1,880,189)
Infrastructure	(2,262,070)	(139,064)	-	(2,401,134)
Machinery and equipment	(1,440,024)	(126,760)	107,667	(1,459,117)
Total accumulated depreciation	(5,469,100)	(379,007)	107,667	(5,740,440)
Total capital assets being depreciated, net	9,276,831	(56,781)	(194,485)	9,025,565
Governmental activities capital assets, net	\$ 11,347,174	\$ 3,581,796	\$ (194,485)	\$ 14,734,485

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 31,700	\$ -	\$ -	\$ 31,700
Total capital assets not being depreciated	<u>31,700</u>	<u>-</u>	<u>-</u>	<u>31,700</u>
Capital assets being depreciated				
Buildings and improvements	7,897,139	-	-	7,897,139
Distribution system	10,129,043	-	-	10,129,043
Machinery and equipment	3,131,660	379,997	(28,751)	3,482,906
Total capital assets being depreciated	<u>21,157,842</u>	<u>379,997</u>	<u>(28,751)</u>	<u>21,509,088</u>
Less accumulated depreciation for				
Buildings and improvements	(3,821,930)	(174,052)	-	(3,995,982)
Distribution system	(3,308,114)	(144,244)	-	(3,452,358)
Machinery and equipment	(2,557,809)	(203,538)	28,751	(2,732,596)
Total accumulated depreciation	<u>(9,687,853)</u>	<u>(521,834)</u>	<u>28,751</u>	<u>(10,180,936)</u>
Total capital assets being depreciated, net	<u>11,469,989</u>	<u>(141,837)</u>	<u>-</u>	<u>11,328,152</u>
Business-type activities capital assets, net	<u>\$ 11,501,689</u>	<u>\$ (141,837)</u>	<u>\$ -</u>	<u>\$ 11,359,852</u>

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

Governmental activities	
General government	\$ 45,496
Public safety	83,007
Public works	172,534
Parks and recreation	<u>77,970</u>
Total depreciation expense - governmental activities	<u>\$ 379,007</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Business-type activities	
Electric	\$ 147,965
Water	125,818
Sewer	147,197
Ambulance	<u>31,237</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 452,217</u></u>

D. Long-term debt

General Obligation Revenue Bonds/Notes

The City issued general obligation revenue bonds/notes 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/Notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Wastewater Revenue					
Note of 2003A	\$ 1,571,616	2.34%	10/3/03	8/20/23	\$ 298,000
G.O. Crossover Refunding					
Bonds of 2012A	755,000	2.00 - 2.50	4/4/12	12/15/27	440,000
G.O. Refunding					
Bonds of 2017B	2,160,000	3.00	9/14/17	12/1/24	1,235,000
G.O. Improvement					
Bonds of 2019A	1,895,000	3.00	6/26/19	12/15/39	<u>1,850,000</u>
Total general obligation revenue bonds/notes					<u><u>\$ 3,823,000</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	\$ 123,000
Electric Revenue					
Refunding Bonds of 2014B	1,440,000	2.00 - 3.10	6/3/14	12/1/24	<u>595,000</u>
Total revenue bonds					<u><u>\$ 718,000</u></u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 75,000
G.O. Improvement					
Bonds of 2019A	4,345,000	3.00	6/26/19	12/15/39	<u>4,240,000</u>
Total general obligation special assessment bonds					<u>\$ 4,315,000</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>\$ 790,000</u>
Total general obligation bonds					<u>\$ 790,000</u>

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
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	335,000	168,150	503,150	65,000	4,740	69,740
2026-2030	1,830,000	686,850	2,516,850	135,000	5,125	140,125
2031-2035	1,880,000	402,600	2,282,600	-	-	-
2036-2039	1,580,000	120,000	1,700,000	-	-	-
Total	<u>\$ 7,078,000</u>	<u>\$ 2,142,792</u>	<u>\$ 9,220,792</u>	<u>\$ 2,568,000</u>	<u>\$ 188,908</u>	<u>\$ 2,756,908</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO special assessment bonds	\$ 4,630,000	\$ -	\$ (315,000)	\$ 4,315,000	\$ 245,000
GO revenue bonds	1,895,000	-	(45,000)	1,850,000	75,000
GO capital improvement bonds	850,000	-	(60,000)	790,000	60,000
Bond Premium	296,940	-	(16,347)	280,593	-
Total GO bonds	7,671,940	-	(436,347)	7,235,593	380,000
Revenue bonds	192,000	-	(69,000)	123,000	123,000
Total bonds	7,863,940	-	(505,347)	7,358,593	503,000
Net Pension Liability	468,986	207,281	(164,982)	511,285	-
Compensated absences	42,962	51,977	(42,962)	51,977	-
Governmental activity long-term liabilities	<u>\$ 8,375,888</u>	<u>\$ 259,258</u>	<u>\$ (713,291)</u>	<u>\$ 7,921,855</u>	<u>\$ 503,000</u>
Business-type activities:					
GO revenue bonds/notes	\$ 2,448,000	\$ -	\$ (475,000)	\$ 1,973,000	\$ 497,000
Revenue bonds	725,000	-	(130,000)	595,000	130,000
Bond Premium	92,576	-	(22,104)	70,472	-
Total bonds	3,265,576	-	(627,104)	2,638,472	627,000
Net Pension Liability	448,800	248,756	(167,084)	530,472	-
Compensated absences	56,291	84,023	(56,291)	84,023	-
Business-type activity long-term liabilities	<u>\$ 3,770,667</u>	<u>\$ 332,779</u>	<u>\$ (850,479)</u>	<u>\$ 3,252,967</u>	<u>\$ 627,000</u>

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 on December 31, 2020 is unknown. The City is in no way liable for the repayment of these bonds.

CITY OF LAKE CRYSTAL, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

E. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2020, 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	\$ 74,033	\$ 143,065	\$ 121,021	\$ 94,254	\$ 432,373
Water	-	2,000	-	-	2,000
Capital Projects	386,016	-	-	-	386,016
Total	\$ 460,049	\$ 145,065	\$ 121,021	\$ 94,254	\$ 820,389

Transfer to the Debt Service fund from the General 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 Water and Sewer funds made an additional transfer to the Debt Service Fund for revenue portion of the 2019A bond payments. The General fund transfer to the capital project funds were to establish capital reserves for public safety and public works.

Internal Balances

<u>Fund Type and Fund</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ -	\$ 17,459
Debt Service	-	229,804
Electric	160,524	-
Water	50,837	-
Sewer	35,901	-
Total	\$ 247,263	\$ 247,263

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, 2020

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 on December 31, 2020 included the following:

	General	Debt Service	Southwest Street & Utility	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:					
Prepaid expense	\$ 91,412	\$ -	\$ -	\$ -	\$ 91,412
Restricted:					
Debt service	-	737,743	-	-	737,743
Capital projects	-	-	1,154,461	-	1,154,461
Minnesota investment func	-	-	-	215,990	215,990
Small cities development	-	-	-	11,012	11,012
Total restricted	<u>-</u>	<u>737,743</u>	<u>1,154,461</u>	<u>227,002</u>	<u>2,119,206</u>
Committed:					
Economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,251</u>	<u>107,251</u>
Assigned:					
Cemetery	153,388	-	-	-	153,388
Police forfeiture	1,984	-	-	-	1,984
Fire relief	-	-	-	(26,129)	(26,129)
Fire equipment	-	-	-	40,781	40,781
Capital equipment	-	-	-	361,428	361,428
Total assigned	<u>155,372</u>	<u>-</u>	<u>-</u>	<u>376,080</u>	<u>531,452</u>
Unassigned:					
General fund	<u>3,464,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,464,405</u>
Total fund balance	<u>\$ 3,711,189</u>	<u>\$ 737,743</u>	<u>\$ 1,154,461</u>	<u>\$ 710,333</u>	<u>\$ 6,313,726</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 on December 31, 2020 includes the following:

Net Investment in Capital Assets:

Land	\$ 501,358
Construction in progress	5,207,562
Buildings and improvements	6,221,934
Infrastructure	6,056,352
Machinery and equipment	2,487,719
Less: accumulated depreciation	(5,740,440)
Less: long-term debt outstanding	(7,078,000)
Less: bond premiums	(280,593)
Add: deferred amount on refunding	5,505
Total Net Investment in Capital Assets	<u>7,381,398</u>

Restricted for:

Debt Service	1,685,538
Construction commitments	1,154,461
Minnesota investment funds	215,990
Small cities development	11,012
Total restricted	<u>3,067,001</u>

Unrestricted

3,791,797

Total Governmental Activities Net Position \$ 14,240,196

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2020 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	3,482,906
Less: accumulated depreciation	(10,180,936)
Less: long-term debt outstanding	(2,568,000)
Less: bond premiums	(70,472)
Add: deferred amount on refunding	20,015
Total Net Investment in Capital Assets	<u>8,741,398</u>

Restricted for:

Debt Service	144,000
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Unrestricted

3,769,606

Total Business-Type Activities Net Position \$ 12,655,004

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020Note 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 (GERP)

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 (PEFPF)

The PEPFP, 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 PEPFP 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.

GERP 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 Minneapolis Employee Retirement Fund (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.

Benefit increases are provided to benefit recipients each January. 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.

PEFPF 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, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020; 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, 2020 were \$82,621. The City's contributions were equal to the required contributions as set by state statute.

PEPPF Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 11.30 percent of pay to 11.80 percent and employer rates increase from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$30,152. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERP Pension Costs

On December 31, 2020, the City reported a liability of \$845,359 for its proportionate share of the GERP'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 2020. 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 \$26,005. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2020, the City's proportion was 0.0141% which was an increase of 0.0006 percent from its proportion measured as of June 30, 2019. For the year ended December 31, 2020, the City recognized pension expense of \$(18,465) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$2,263 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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

On December 31, 2020, the City reported its proportionate share of GERP'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	\$ 8,044	\$ 3,117
Net difference between projected and actual earnings on plan investments	89,735	56,256
Changes in actuarial assumptions	246	28,379
Changes in proportion	49,217	-
Contributions paid to PERA subsequent to the measurement date	41,000	-
Total	<u>\$ 188,242</u>	<u>\$ 87,752</u>

\$41,000 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2021	\$ (4,635)
2022	16,344
2023	27,399
2024	20,382
2025	-
Thereafter	-

PEPFP Pension Costs

On December 31, 2020, the City reported a liability of \$196,398 for its proportionate share of the PEPFP's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2020, the City's proportion was 0.0149% which was a decrease of 0.0012% from its proportion measured as of June 30, 2019. 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 paid \$4.5 million during the plan year on October 1 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. As a result, the State of Minnesota is included as a non-employer contributing entity and the state's contribution meets the definition of a special funding situation for the \$4.5 million in direct state aid, however, not for the \$9 million in fire state aid.

For the year ended December 31, 2020, the City recognized pension expense of \$25,678 for its proportionate share of the PEPFP's pension expense. The City also recognized \$1,428 for the year ended December 31, 2020, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFP.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

On December 31, 2020, the City reported its proportionate share of the PEPFP'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	\$ 8,651	\$ 9,800
Net difference between projected and actual earnings on plan investments	35,498	33,213
Changes in actuarial assumptions	65,263	130,643
Changes in proportion	10,360	21,494
Contributions paid to PERA subsequent to the measurement date	14,535	-
Total	<u>\$ 134,307</u>	<u>\$ 195,150</u>

\$14,535 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2021	\$ (16,783)
2022	(56,494)
2023	1,171
2024	(46)
2025	(3,226)
Thereafter	

E. Actuarial Assumptions

GERP and PEPFP

The total pension liability in the June 30, 2020, 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, 2020
Valuation Date	July 1, 2020
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, 2020

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 to fit PERA's experience. 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for the plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuations.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

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%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

F. Discount Rate

GERP and PEPFP

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at 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.

G. Pension Liability Sensitivity

GERP and PEPFP

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:

<u>Plan</u>	City's proportionate share of NPL			
	<u>Rate</u>	<u>1 % Decrease</u>	<u>Current</u>	<u>1 % Increase</u>
City's proportionate share of the GERP net pension liability:	Rate	6.50%	7.50%	8.50%
		\$ 1,354,818	\$ 845,359	\$ 425,097
City's proportionate share of the PEPFP net pension liability:	Rate	6.50%	7.50%	8.50%
		\$ 391,449	\$ 196,398	\$ 35,027

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; 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.

CITY OF LAKE CRYSTAL, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

All active or probationary members of the Lake Crystal Fire Department (the 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.

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	26

B. Benefits Provided

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

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 \$35,822 in fire state aid to the plan for the year ended December 31, 2020. 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, 2020. In addition, the City made voluntary contributions of \$3,750 to the plan.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

D. Pension Costs

On December 31, 2019, the Association reported an asset of \$87,919. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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)
Balance at Previous			
Fiscal Year 12/31/2018	\$ 727,530	\$ 758,068	\$ (30,538)
Changes for the year:			
Service cost	26,108	-	26,108
Interest	38,857	-	38,857
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	38,240	(38,240)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	86,106	(86,106)
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	(27,000)	(27,000)	-
Administrative expense	-	(2,000)	2,000
Other deductions (e.g. payables)	-	-	-
Net changes	37,965	95,346	(57,381)
Balance at Current			
Fiscal Year 12/31/2019	\$ 765,495	\$ 853,414	\$ (87,919)

There were no provision changes during the measurement period.

For the year ended December 31, 2020 the City recognized pension expense of \$3,815.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

On December 31, 2020, 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	\$ -	\$ 38,556
Net difference between projected and actual earnings on plan investments	55,585	37,438
Changes in actuarial assumptions	12,943	6,069
Contributions made subsequent to measurement date	45,172	-
Total	<u>\$ 113,700</u>	<u>\$ 82,063</u>

\$45,172 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2021	\$ 5,816
2022	549
2023	(531)
2024	(15,834)
2025	(3,535)
Thereafter	-

E. Actuarial Assumptions

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, 2019
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:

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

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.

The following changes in actuarial assumptions occurred in 2019:

- None

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:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
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			<u>(1.00%)</u>
Net assumed investment return			<u><u>5.25%</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

F. Discount Rate

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.

G. Pension Liability Sensitivity

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%
\$ 78,840	\$ 87,919	\$ 96,868

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 \$790,000 of debt outstanding subjected to this limit on December 31, 2020.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 5 OTHER INFORMATION – (Continued)

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 2020 was \$782,027 for LGA. This accounted for 29 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, 2020 the amount received was \$742,418. This accounted for 77 percent of the water fund’s operating revenue.

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 31st day of December, of the 5th 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, 2020, the City has signed contracts in place for two construction projects. The following summarizes these commitments:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Southwest Street and Utility Project	\$ 4,432,717	\$ 921,414
Well No. Rehabilitation	-	<u>207,513</u>
Total Commitments		<u>\$ 1,128,927</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

For the ended December 31, 2020, the City abated property taxes totaling \$16,222 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	\$ 9,455
Champlin Bus Service	To construct bus storage facilities and increase the tax base within the city.	100%	10 years	2021	\$ 6,334
Ward Jackson Multi-Family Development	To construct and improve real property associated with the multi-family housing	100%	5 years	2021	\$ 433

Note 7 PRIOR PERIOD ADJUSTMENT

During 2020, the City changed their accounting for ambulance services activities from a department of the general fund to a separate enterprise fund. The City believes the accounting change allows for better recognition of the costs associated with providing ambulatory services. In addition, the new method conforms more closely with prevalent practice in similar cities. The effect of the change on the government wide financial statements resulted in a restatement to beginning net position of \$154,839. Details of that restatement are as follows:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 101,416
Accounts receivable, net	<u>53,423</u>
Prior period adjustment	<u>\$ 154,839</u>

In addition to the assets shown above, governmental activities transferred capital assets (net of accumulated depreciation) totaling \$194,485 to the business-type activities.

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, 2020

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
12/31/2020	6/30/2020	0.0141%	\$ 845,359	\$ 26,005	\$ 871,364	\$ 1,007,346	86.5%	79.1%
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, 2020

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
12/31/2020	6/30/2020	\$ 75,260	\$ 75,260	\$ -	\$ 1,003,467	7.50%
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, 2020

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 Pension 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
12/31/2020	6/30/2020	0.0149%	\$ 196,398	\$ 4,642	\$ 201,040	\$ 202,903	99.1%	87.2%
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, 2020

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
12/31/2020	6/30/2020	\$ 29,169	\$ 29,169	\$ -	\$ 180,056	17.70%
12/31/2019	6/30/2019	\$ 28,070	\$ 28,070	\$ -	\$ 173,272	16.95%
12/31/2018	6/30/2018	\$ 27,638	\$ 27,638	\$ -	\$ 170,605	16.20%
12/31/2017	6/30/2017	\$ 25,374	\$ 25,374	\$ -	\$ 156,630	16.20%
12/31/2016	6/30/2016	\$ 23,724	\$ 23,724	\$ -	\$ 146,444	16.20%
12/31/2015	6/30/2015	\$ 24,286	\$ 24,286	\$ -	\$ 149,914	16.20%

CITY OF LAKE CRYSTAL, MINNESOTA

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

Total Pension Liability	2019	2018	2017	2016	2015	2014
Service cost	\$ 26,108	\$ 27,656	\$ 26,185	\$ 24,732	\$ 25,906	\$ 25,213
Interest	38,857	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	(27,000)	-	-	-	-	-
Net change in total pension liability	37,965	76,457	62,480	39,174	41,979	52,804
Total Pension Liability - beginning	727,530	651,073	588,593	549,419	507,440	454,636
Total Pension Liability - ending	\$ 765,495	\$ 727,530	\$ 651,073	\$ 588,593	\$ 549,419	\$ 507,440
Plan Fiduciary Net Position						
Contributions - state and local	\$ 38,240	\$ 45,262	\$ 37,411	\$ 41,971	\$ 48,695	\$ 66,601
Contributions - donation and other income	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-
Net investment income	86,106	(39,959)	32,839	18,264	(13,278)	30,015
Other additions (e.g. receivable)	-	-	-	-	-	-
Benefit payments, including member contribution refunds	(27,000)	-	-	-	-	-
Administrative expenses	(2,000)	(1,800)	(1,800)	(1,800)	(1,800)	(6,435)
Other deductions (e.g. payables)	-	-	-	-	-	-
Net change in plan fiduciary net position	95,346	3,503	68,450	58,435	33,617	90,181
Plan Fiduciary Net Position - beginning	758,068	754,565	686,115	627,680	594,063	503,882
Plan Fiduciary Net Position - ending	\$ 853,414	\$ 758,068	\$ 754,565	\$ 686,115	\$ 627,680	\$ 594,063
Net Pension (Asset) Liability - ending	\$ (87,919)	\$ (30,538)	\$ (103,492)	\$ (97,522)	\$ (78,261)	\$ (86,623)
FNP as a percentage of the TPL	111.49%	104.20%	115.90%	116.57%	114.24%	117.07%

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)

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2019	-	\$ 3,750	\$ (3,750)	-	-	-
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, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2020 changes:

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

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

2019 changes:

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 2044 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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (Continued)

A. Public Employees Retirement Association – General Employees Retirement Fund (Continued)

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

2020 changes:

Changes in Actuarial Assumptions. 1) The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions. 1) There have been no changes since the prior valuation.

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.

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. 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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (Continued)

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

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

2019 changes:

None.

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%

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, 2020

	Special Revenue Funds			Total Nonmajor Governmental Funds
	EDA Fund	Small Cities Development Program	Capital Projects Fund	
ASSETS				
Cash and Cash Equivalents	\$ 266,266	\$ 18,000	\$ 243,035	\$ 527,301
Investments	0	0	278,708	278,708
Notes Receivable - Less Allowance	0	1,516	0	1,516
Real Estate Held for Sale	57,000	0	0	57,000
TOTAL ASSETS	<u>\$ 323,266</u>	<u>\$ 19,516</u>	<u>\$ 521,743</u>	<u>\$ 864,525</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 25	\$ 8,504	\$ 145,663	\$ 154,192
Fund Balance:				
Restricted:				
Minnesota Investment Funds	215,990	0	0	215,990
Small Cities Development Program	0	11,012	0	11,012
Committed for:				
Economic Development	107,251	0	0	107,251
Assigned for:				
Capital Projects	0	0	376,080	376,080
Total Fund Balance	<u>323,241</u>	<u>11,012</u>	<u>376,080</u>	<u>710,333</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 323,266</u>	<u>\$ 19,516</u>	<u>\$ 521,743</u>	<u>\$ 864,525</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, 2020

	Special Revenue Funds			Total Nonmajor Governmental Funds
	EDA Fund	Small Cities Development Program	Capital Projects Fund	
Revenues:				
Investment Earnings	\$ 1,044	\$ 49	\$ 14,504	\$ 15,597
Expenditures:				
Current:				
Economic Development	23,792	6,094	0	29,886
Capital Outlay:				
General Government	0	0	48,394	48,394
Public Safety	0	0	301,899	301,899
Public Works	0	0	16,322	16,322
Parks and Recreation	0	0	28,168	28,168
Total Expenditures	<u>23,792</u>	<u>6,094</u>	<u>394,783</u>	<u>424,669</u>
Excess of Revenue Over (Under) Expenditures	<u>(22,748)</u>	<u>(6,045)</u>	<u>(380,279)</u>	<u>(409,072)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	4,066	4,066
Transfer In	0	0	386,016	386,016
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>390,082</u>	<u>390,082</u>
Change in Fund Balance	(22,748)	(6,045)	9,803	(18,990)
Fund Balance - January 1	<u>345,989</u>	<u>17,057</u>	<u>366,277</u>	<u>729,323</u>
Fund Balance - December 31	<u>\$ 323,241</u>	<u>\$ 11,012</u>	<u>\$ 376,080</u>	<u>\$ 710,333</u>

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CITY OF LAKE CRYSTAL, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICES FUNDS
December 31, 2020

	Debt Service	2015A Recreation Center Bonds	2017A G.O. CIP Bonds
ASSETS			
Cash and Cash Equivalents	\$ 163,760	\$ 35,969	\$ 12,430
Investments	0	17,020	0
Receivables:			
Property Taxes	4,265	0	0
Special Assessments	154,585	0	0
Interest	0	31	0
Due From Other Funds	80,326	0	84,105
TOTAL ASSETS	<u>\$ 402,936</u>	<u>\$ 53,020</u>	<u>\$ 96,535</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources:			
Unavailable Revenue	\$ 158,812	\$ 0	\$ 0
Fund Balance:			
Restricted	244,124	53,020	96,535
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 402,936</u>	<u>\$ 53,020</u>	<u>\$ 96,535</u>

2019A G.O. Improvement Bonds	Total Debt Service Funds
\$ 61,587	\$ 273,746
204,346	221,366
12,758	17,023
804,667	959,252
0	31
<u>65,373</u>	<u>229,804</u>
<u>\$ 1,148,731</u>	<u>\$ 1,701,222</u>

\$ 804,667	\$ 963,479
<u>344,064</u>	<u>737,743</u>

<u>\$ 1,148,731</u>	<u>\$ 1,701,222</u>
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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, 2020

	Debt Service	2015A Recreation Center Bonds	2017A G.O. CIP Bonds
Revenues:			
Property Taxes	\$ 664	\$ 0	\$ 0
Special Assessments	0	0	0
Other Income	362	853	30
Total Revenues	<u>1,026</u>	<u>853</u>	<u>30</u>
Expenditures:			
Debt Service:			
Principal	210,000	69,000	60,000
Interest and Fees	13,888	5,033	20,940
Total Expenditures	<u>223,888</u>	<u>74,033</u>	<u>80,940</u>
Excess of Revenues Over (Under) Expenditures	(222,862)	(73,180)	(80,910)
Other Financing Sources (Uses):			
Operating Transfers	<u>(64,274)</u>	<u>74,033</u>	<u>172,983</u>
Change in Fund Balance	(287,136)	853	92,073
Fund Balance - January 1	<u>531,260</u>	<u>52,167</u>	<u>4,462</u>
Fund Balance - December 31	<u>\$ 244,124</u>	<u>\$ 53,020</u>	<u>\$ 96,535</u>

2019A G.O. Improvement Bonds	Total Debt Service Funds
\$ 114,961	\$ 115,625
166,570	166,570
4,556	5,801
<u>286,087</u>	<u>287,996</u>
150,000	489,000
275,575	315,436
<u>425,575</u>	<u>804,436</u>
(139,488)	(516,440)
<u>249,631</u>	<u>432,373</u>
110,143	(84,067)
<u>233,921</u>	<u>821,810</u>
<u>\$ 344,064</u>	<u>\$ 737,743</u>

CITY OF LAKE CRYSTAL, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2020

(With Comparative Amounts for December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,843,945	\$ 1,710,099
Investments	1,770,873	1,725,375
Receivables:		
Property Taxes	49,817	77,909
Special Assessments	6,920	944
Franchise Fee	57,395	64,970
Accounts	59,138	116,718
Interest	13,376	22,508
Due From Other Funds	17,459	17,178
Prepaid Expenses	<u>91,412</u>	<u>103,515</u>
TOTAL ASSETS	<u><u>\$ 3,910,335</u></u>	<u><u>\$ 3,839,216</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 109,854	\$ 121,855
Accrued Expenses	24,897	18,479
Total Liabilities	<u>134,751</u>	<u>140,334</u>
Deferred Inflows of Resources:		
Unavailable Revenue	<u>64,395</u>	<u>138,678</u>
Fund Balance:		
Nonspendable for:		
Prepaid Expense	91,412	103,515
Assigned for:		
Cemetery	153,388	148,430
Public Safety	1,984	245,291
Unassigned	<u>3,464,405</u>	<u>3,062,968</u>
Total Fund Balance	<u>3,711,189</u>	<u>3,560,204</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 3,910,335</u></u>	<u><u>\$ 3,839,216</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, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Revenues:					
Taxes:					
Property	\$ 1,002,388	1,002,388	\$ 997,736	\$ (4,652)	\$ 941,240
Franchise	85,000	85,000	79,186	(5,814)	91,564
Total Taxes	<u>1,087,388</u>	<u>1,087,388</u>	<u>1,076,922</u>	<u>(10,466)</u>	<u>1,032,804</u>
Special Assessments	<u>0</u>	<u>0</u>	<u>88,496</u>	<u>88,496</u>	<u>147,239</u>
Intergovernmental:					
Local Government Aid	780,789	780,789	782,027	1,238	746,915
PERA Rate Increase Aid	0	0	0	0	2,912
State Police Aid	22,550	22,550	26,778	4,228	27,479
Police Grants	7,000	7,000	7,426	426	9,824
Fire Relief 2% State Aid	34,000	34,000	35,822	1,822	33,490
Fire Department Grants	5,000	5,000	12,850	7,850	11,205
Government Grants	0	0	0	0	59,000
Other Federal Aids	0	0	140,158	140,158	0
Total Intergovernmental	<u>849,339</u>	<u>849,339</u>	<u>1,005,061</u>	<u>155,722</u>	<u>890,825</u>
Licenses and Permits	<u>34,960</u>	<u>34,960</u>	<u>50,427</u>	<u>15,467</u>	<u>32,309</u>
Charges for Services:					
Liaison Officer	28,915	28,915	24,891	(4,024)	29,114
Rural Fire Department Receipts	47,000	47,000	88,284	41,284	42,902
Ambulance Rescue Squad	0	0	0	0	156,116
Refuse Collection Fees	195,587	195,587	195,819	232	194,172
Supplies and Services	775	775	694	(81)	6,311
Cemetery Fees	18,120	18,120	7,375	(10,745)	12,375
Rental	1,500	1,500	470	(1,030)	1,725
Total Charges for Services	<u>291,897</u>	<u>291,897</u>	<u>317,533</u>	<u>25,636</u>	<u>442,715</u>
Fines	<u>9,000</u>	<u>9,000</u>	<u>4,389</u>	<u>(4,611)</u>	<u>6,311</u>
Other Income:					
Insurance Dividend	10,000	10,000	5,227	(4,773)	2,339
Donations	0	0	33,500	33,500	134,267
Miscellaneous	92,133	92,133	25,118	(67,015)	31,819
Adjust Investments to Fair Value	0	0	1,735	1,735	11,188
Interest Earnings	16,000	16,000	52,004	36,004	61,162
Total Other Income	<u>118,133</u>	<u>118,133</u>	<u>117,584</u>	<u>(549)</u>	<u>240,775</u>
Total Revenues	<u>2,390,717</u>	<u>2,390,717</u>	<u>2,660,412</u>	<u>269,695</u>	<u>2,792,978</u>
Current Expenditures:					
General Government:					
Mayor and Council:					
Salaries	14,700	14,700	14,700	0	14,700
Election Salaries	4,000	4,000	2,858	(1,142)	0
Travel, Conferences, and Schools	500	500	698	198	0
General Supplies	1,500	1,500	4,028	2,528	500
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, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Government Building:					
General Supplies	\$ 10,000	\$ 10,000	\$ 16,677	\$ 6,677	\$ 7,496
Utilities	12,000	12,000	8,481	(3,519)	10,153
Building Repairs	3,500	3,500	1,841	(1,659)	5,191
Janitor Services	14,000	14,000	11,330	(2,670)	12,723
Finance:					
Salaries	42,866	42,866	43,360	494	41,981
FT Hourly Salaries	82,259	82,259	86,691	4,432	79,286
Safety Program Expense	8,600	8,600	6,948	(1,652)	7,923
Building Inspector	28,210	28,210	43,922	15,712	28,698
Contracted services	1,200	1,200	1,307	107	877
Legal Fees	10,000	10,000	6,176	(3,824)	9,608
Abatement	25,000	25,000	16,221	(8,779)	23,704
Computer Expense	4,500	4,500	4,725	225	4,753
Telephone	2,500	2,500	1,662	(838)	1,648
Printing	10,000	10,000	6,507	(3,493)	5,945
Travel, Conferences, and Schools	7,000	7,000	754	(6,246)	5,824
Equipment Repair	1,200	1,200	1,130	(70)	1,172
Professional Services	8,400	8,400	7,940	(460)	7,870
Office Supplies	2,500	2,500	3,048	548	2,155
General Supplies	2,000	2,000	4,320	2,320	2,269
Membership Dues	500	500	180	(320)	180
Pera - Employer Share	9,385	9,385	9,766	381	9,095
Social Security/Medicare - Employer Share	9,572	9,572	9,673	101	8,850
Other Expenditures:					
Payment Processing Fees	0	0	5	5	0
Grant Projects	0	0	47,343	47,343	0
Minnesota Surcharge	1,500	1,500	1,828	328	1,177
Insurance Expense	97,400	97,400	95,339	(2,061)	104,823
Membership Dues	9,000	9,000	9,358	358	9,334
Miscellaneous Expense	7,500	7,500	9,140	1,640	1,340
Economic Development	5,000	5,000	0	(5,000)	18,705
Health Insurance	111,367	111,367	100,677	(10,690)	91,791
Unemployment Compensation	0	0	4	4	0
Engineering Costs	5,000	5,000	2,062	(2,938)	290
Total General Government	<u>554,249</u>	<u>554,249</u>	<u>581,744</u>	<u>27,495</u>	<u>521,106</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, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Public Safety:					
Ambulance Department:					
Salaries	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,775
Payment Processing Fees	0	0	0	0	134
Rent Expense	0	0	0	0	10,800
Uncollectible Accounts	0	0	0	0	26,758
Annual Pay	0	0	0	0	53,502
Billing Service	0	0	0	0	7,230
Computer expense	0	0	0	0	40
Telephone	0	0	0	0	3,560
Travel, Conferences, and Schools	0	0	0	0	11,788
Equipment Repair	0	0	0	0	3,550
General Supplies	0	0	0	0	23,681
Utilities	0	0	0	0	2,620
Vehicle Gas and Oil	0	0	0	0	2,714
Clothing	0	0	0	0	1,575
Membership Dues	0	0	0	0	400
Medicare and Social Security	0	0	0	0	4,535
Collection Agency Fees	0	0	0	0	629
Police Department:					
FT Hourly Salaries	183,910	183,910	169,058	(14,852)	174,984
Part-Time Hourly Salaries	37,469	37,469	33,846	(3,623)	29,510
Consulting Fees	12,000	12,000	12,000	0	7,298
Legal Expense	6,000	6,000	4,939	(1,061)	5,749
Record Keeping	2,500	2,500	2,448	(52)	1,836
Computer Expense	3,500	3,500	2,724	(776)	2,544
Telephone	3,000	3,000	2,424	(576)	2,409
Travel, Conferences, and Schools	3,500	3,500	1,220	(2,280)	3,478
Equipment Repair	3,500	3,500	2,409	(1,091)	2,237
General Supplies	7,500	7,500	9,692	2,192	4,421
Utilities	5,500	5,500	4,312	(1,188)	4,357
Care of Cats and Dogs	1,000	1,000	0	(1,000)	126
Gas and Oil	14,500	14,500	7,323	(7,177)	10,513
Maintenance and Repairs	7,500	7,500	2,604	(4,896)	6,487
Clothing	3,500	3,500	2,113	(1,387)	3,088
Membership Dues	0	0	300	300	120
Pera - Employer Share	36,528	36,528	31,739	(4,789)	30,705
Social Security/Medicare - Employer Share	6,059	6,059	4,909	(1,150)	4,664
Labor Relation Expense	500	500	0	(500)	0
Towing Fees	500	500	251	(249)	(115)

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, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
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	32,916	2,916	32,583
Grant Projects	0	0	11,315	11,315	0
Telephone	1,000	1,000	986	(14)	916
Travel, Conferences, and Schools	7,500	7,500	13,526	6,026	10,227
Equipment Repair	8,500	8,500	2,373	(6,127)	7,099
General Supplies	12,500	12,500	14,006	1,506	9,813
Utilities	6,180	6,180	5,008	(1,172)	5,408
Janitor Sevices	1,000	1,000	698	(302)	675
Gas and Oil	1,000	1,000	695	(305)	1,285
Maintenance and Repairs	3,500	3,500	10,093	6,593	10,739
Property & Liability Insurance	1,000	1,000	158	(842)	100
Fire Relief Pension Expense	44,650	44,650	45,172	522	44,240
Rural Fire Department Expenses	25,000	25,000	15,384	(9,616)	24,800
Membership Dues	750	750	923	173	541
Social Security/Medicare - Employer Share	3,001	3,001	3,207	206	3,181
Civil Defense:					
Salaries	250	250	250	0	250
Equipment Repair	2,500	2,500	3,857	1,357	1,520
General Supplies	500	500	0	(500)	0
Social Security/Medicare - Employer Share	20	20	19	(1)	19
Total Public Safety	<u>499,817</u>	<u>499,817</u>	<u>463,897</u>	<u>(35,920)</u>	<u>616,098</u>
Public Works:					
Streets:					
Salaries	75,549	75,549	77,305	1,756	75,882
Full-time Hourly Salaries	159,473	159,473	152,786	(6,687)	148,216
Part-time Salaries	12,764	12,764	12,130	(634)	7,742
Telephone	1,800	1,800	998	(802)	1,064
Travel, Conferences, and Schools	1,000	1,000	100	(900)	18
Equipment Repair	20,000	20,000	19,958	(42)	26,406
General Supplies	16,000	16,000	16,143	143	14,683
Equipment Rental	5,000	5,000	7,532	2,532	0
Utilities	10,500	10,500	7,630	(2,870)	9,917
Vehicle Gas and Oil	22,000	22,000	17,592	(4,408)	20,222
Maintenance and Repairs	172,000	172,000	127,092	(44,908)	127,116
Clothing	1,300	1,300	1,008	(292)	1,225
Membership dues	100	100	0	(100)	0
Snow Removal	12,000	12,000	4,726	(7,274)	12,777
Pera	18,584	18,584	17,257	(1,327)	16,807
Medicare and Social Security	18,926	18,926	18,021	(905)	17,207
Labor Relation	500	500	0	(500)	0
Street Lighting	18,000	18,000	17,871	(129)	17,866

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, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Sanitation:					
Part-time Hourly Salaries	\$ 4,100	\$ 4,100	\$ 4,650	\$ 550	\$ 4,544
Refuse Disposal Fees	127,660	127,660	125,375	(2,285)	129,094
Recycling Fees	48,980	48,980	47,342	(1,638)	45,669
Pera Employer Share	333	333	349	16	341
Medicare and Social Security	338	338	356	18	348
Weeds:					
General Supplies	5,000	5,000	7,087	2,087	4,728
Insect and Pest Control	300	300	0	(300)	229
Total Public Works	<u>752,207</u>	<u>752,207</u>	<u>683,308</u>	<u>(68,899)</u>	<u>682,101</u>
Parks and Recreation:					
Parks:					
Grant Projects	0	0	6,000	6,000	0
Equipment Repairs	1,000	1,000	581	(419)	661
General Supplies	8,000	8,000	9,088	1,088	4,789
Utilities	2,000	2,000	1,407	(593)	1,944
Maintenance and Repairs	3,500	3,500	7,556	4,056	6,628
LCARC Subsidy	196,600	196,600	163,090	(33,510)	182,692
Library:					
Part-time Hourly Salaries	10,484	10,484	10,433	(51)	10,619
Telephone	500	500	377	(123)	370
General supplies	200	200	546	346	0
Pera	786	786	782	(4)	796
Medicare and Social Security	806	806	798	(8)	812
Total Parks and Recreation	<u>223,876</u>	<u>223,876</u>	<u>200,658</u>	<u>(23,218)</u>	<u>209,311</u>
Cemetery:					
General Supplies	2,000	2,000	1,885	(115)	1,786
Maintenance and Repairs	10,000	10,000	32	(9,968)	0
Open Graves	2,500	2,500	1,500	(1,000)	2,250
Maintenance & Repairs	0	0	0	0	9,575
Total Cemetery	<u>14,500</u>	<u>14,500</u>	<u>3,417</u>	<u>(11,083)</u>	<u>13,611</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, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Budget		2020 Actual Amounts	Over (Under) Final Budget	2019 Actual Amounts
	Original	Final			
Capital Outlay:					
General Government	\$ 0	\$ 0	\$ 10,313	\$ 10,313	\$ 2,288
Public Safety	0	0	1,832	1,832	177,716
Public Works	0	0	0	0	151,754
Park and Recreation	0	0	2,793	2,793	48,355
Total Capital Outlay	<u>0</u>	<u>0</u>	<u>14,938</u>	<u>14,938</u>	<u>380,113</u>
Total Expenditures	<u>2,044,649</u>	<u>2,044,649</u>	<u>1,947,962</u>	<u>(96,687)</u>	<u>2,422,340</u>
Excess of Revenues Over (Under) Expenditures	<u>346,068</u>	<u>346,068</u>	<u>712,450</u>	<u>366,382</u>	<u>370,638</u>
Other Financing Sources (Uses):					
Operating Transfers Out	(346,068)	(346,068)	(460,049)	113,981	(163,965)
Sale of Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>
Total Other Financing Sources (Uses)	<u>(346,068)</u>	<u>(346,068)</u>	<u>(460,049)</u>	<u>(113,981)</u>	<u>(160,965)</u>
Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>252,401</u>	<u>\$ 252,401</u>	<u>209,673</u>
Fund Balance - January 1, as Previously Stated			3,560,204		3,350,531
Prior Period Adjustment			<u>(101,416)</u>		<u>0</u>
Fund Balance - January 1, as Restated			<u>3,458,788</u>		<u>3,350,531</u>
Fund Balance - December 31			<u>\$ 3,711,189</u>		<u>\$ 3,560,204</u>

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CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION
 ELECTRIC FUND
 December 31, 2020
 (With Comparative Amounts for December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 382,039	\$ 417,546
Investments	506,136	491,491
Accounts Receivable, Net	298,954	323,610
Interest Receivable	2,807	4,408
Inventory	161,586	125,442
Prepaid Expenses	39,477	40,852
Total Current Assets	<u>1,390,999</u>	<u>1,403,349</u>
Noncurrent Assets:		
Property and Equipment	6,637,933	6,549,989
Less: Accumulated Depreciation	<u>(4,222,776)</u>	<u>(4,094,532)</u>
Total Assets	<u>3,806,156</u>	<u>3,858,806</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>68,360</u>	<u>46,056</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,874,516</u>	<u>\$ 3,904,862</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 212,761	\$ 217,463
Due to Other Funds	160,524	161,242
Accrued Expenses	19,051	11,354
Current Portion of Long-term Debt	130,000	130,000
Total Current Liabilities	<u>522,336</u>	<u>520,059</u>
Noncurrent Liabilities:		
Compensated Absences	36,387	24,942
Net Pension Liability	306,993	240,669
Bonds Payable, Less Current Portion	469,497	600,996
Total Liabilities	<u>1,335,213</u>	<u>1,386,666</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>31,867</u>	<u>52,981</u>
Net Position:		
Net Investment in Capital Assets	1,815,661	1,724,461
Restricted	144,000	144,000
Unrestricted	547,775	596,754
Total Net Position	<u>2,507,436</u>	<u>2,465,215</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,874,516</u>	<u>\$ 3,904,862</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Operating Revenues					
Charges for Services	\$ 2,939,488	\$ 2,939,488	\$ 2,843,773	\$ (95,715)	\$ 2,849,792
Operating Expenses					
Production:					
Salaries	52,001	52,001	53,661	1,660	50,881
Contracted services	43,600	43,600	8,600	(35,000)	20,919
Power Plant Leave Adjustment	0	0	396	396	6
Load management credit	6,000	6,000	4,966	(1,034)	4,572
Telephone	2,500	2,500	1,817	(683)	1,993
Travel, Conference, School	2,000	2,000	644	(1,356)	1,790
Equipment Repair	1,500	1,500	133	(1,367)	1,282
General Supplies	22,500	22,500	26,582	4,082	25,187
Equipment Rental	100	100	0	(100)	85
Small Equipment	0	0	10,239	10,239	861
Utilities	22,000	22,000	22,832	832	26,862
Maintenance and Repairs	48,000	48,000	93,691	45,691	71,231
Clothing	1,500	1,500	170	(1,330)	1,178
NSP Power	1,752,738	1,752,738	1,582,990	(169,748)	1,687,073
Fuel Oil	10,000	10,000	2,626	(7,374)	0
Natural Gas	5,500	5,500	3,957	(1,543)	5,051
Lube Oil	500	500	0	(500)	227
Legal	500	500	0	(500)	0
Pera Employer Share	3,900	3,900	4,025	125	3,816
Social Security Medicare	3,978	3,978	3,741	(237)	3,549
Distribution:					
Salaries	52,001	52,001	53,661	1,660	50,881
FT Hourly Salaries	181,450	181,450	197,518	16,068	178,477
Leave Hour Adjustment	0	0	7,527	7,527	2,018
Telephone	3,000	3,000	2,327	(673)	2,417
Travel, Conference, School	4,000	4,000	811	(3,189)	3,375
Equipment Repair	10,000	10,000	16,181	6,181	10,421
General Supplies	110,000	110,000	100,614	(9,386)	65,436
Equipment Rental	500	500	1,792	1,292	215
Small Equipment	0	0	9,174	9,174	7,249
Utilities	1,750	1,750	918	(832)	1,254
Gas & Oil	4,200	4,200	3,243	(957)	4,340
Maintenance & Repairs	10,000	10,000	42,047	32,047	7,982
Clothing	5,000	5,000	3,099	(1,901)	3,344
Pera Employer Share	17,509	17,509	18,838	1,329	17,202
Social Security Medicare	17,859	17,859	18,942	1,083	17,150

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Operating Expenses (Continued)					
Administration:					
Salaries	\$ 21,423	\$ 21,423	\$ 21,680	\$ 257	\$ 20,990
FT Hourly Salaries	42,264	42,264	39,299	(2,965)	35,699
Safety Program Expense	6,000	6,000	6,455	455	5,719
Commissioners Salaries	4,650	4,650	4,650	0	4,650
Payment Processing Fees	7,000	7,000	5,215	(1,785)	5,007
Uncollectable Accounts	3,000	3,000	12,648	9,648	426
Electric Admin Leave Adjustment	0	0	3,616	3,616	446
CIP Expense	18,000	18,000	7,515	(10,485)	5,751
CIP Commercial	18,000	18,000	44,267	26,267	38,124
CIP Low Income	2,000	2,000	1,196	(804)	2,841
Permits & Licenses	50	50	0	(50)	25
Computer Expense	7,500	7,500	7,486	(14)	7,766
Telephone Expense	1,000	1,000	897	(103)	901
Printing & Telephone	1,500	1,500	980	(520)	1,249
Travel, Conference, School	1,200	1,200	422	(778)	892
Equipment Repair	700	700	736	36	691
Professional Services	4,200	4,200	3,970	(230)	3,935
Office Supplies	1,250	1,250	1,323	73	1,375
General Supplies	1,250	1,250	414	(836)	609
Small Equipment	60,000	60,000	0	(60,000)	1,229
Maintenance & Repairs	200	200	0	(200)	157
Property & Liability Insurance	42,000	42,000	39,079	(2,921)	41,213
Postage & Freight	3,500	3,500	3,022	(478)	3,632
Membership Dues	4,100	4,100	4,242	142	4,159
Miscellaneous Expense	1,500	1,500	1,409	(91)	1,013
Health Insurance	42,000	42,000	40,175	(1,825)	40,104
Legal	750	750	300	(450)	0
Pera Employer Share	4,777	4,777	27,777	23,000	(11,374)
Social Security Medicare	4,872	4,872	5,195	323	4,886
Depreciation	40,000	40,000	147,965	107,965	138,856
Total Operating Expenses	<u>2,740,772</u>	<u>2,740,772</u>	<u>2,729,695</u>	<u>(11,077)</u>	<u>2,639,295</u>
Income (Loss) from Operations	<u>198,716</u>	<u>198,716</u>	<u>114,078</u>	<u>(84,638)</u>	<u>210,497</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION - ELECTRIC FUND
 For the Year Ended December 31, 2020
 (With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Nonoperating Revenues (Expenses):					
Investment Earnings	(8,000)	(8,000)	17,975	25,975	17,977
Interest and Fiscal Expense	(151,105)	(151,105)	(19,362)	(131,743)	(21,898)
Other Revenue	81,630	81,630	74,595	(7,035)	91,114
Total Nonoperating Revenues (Expenses)	<u>(77,475)</u>	<u>(77,475)</u>	<u>73,208</u>	<u>(112,803)</u>	<u>87,193</u>
Income Before Transfers	121,241	121,241	187,286	66,045	297,690
Transfers Out	<u>(146,667)</u>	<u>(146,667)</u>	<u>(145,065)</u>	<u>(1,602)</u>	<u>(144,064)</u>
Change in Net Position	<u>\$ (25,426)</u>	<u>\$ (25,426)</u>	42,221	<u>\$ 67,647</u>	153,626
Net Position - January 1			<u>2,465,215</u>		<u>2,311,589</u>
Net Position - December 31			<u>\$ 2,507,436</u>		<u>\$ 2,465,215</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION

WATER FUND

December 31, 2020

(With Comparative Amounts for December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 635,377	\$ 622,244
Investments	1,711,092	1,666,214
Accounts Receivable, Net	84,554	84,827
Interest Receivable	22,173	27,562
Inventory	16,681	17,634
Prepaid Expenses	12,918	16,917
Total Current Assets	<u>2,482,795</u>	<u>2,435,398</u>
Noncurrent Assets:		
Property and Equipment	7,786,419	7,787,219
Less: Accumulated Depreciation	<u>(2,489,461)</u>	<u>(2,372,673)</u>
Total Assets	<u>7,779,753</u>	<u>7,849,944</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>34,288</u>	<u>27,474</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,814,041</u>	<u>\$ 7,877,418</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 32,260	\$ 24,910
Due to Other Funds	50,838	53,405
Accrued Expenses	11,449	9,319
Current Portion of Long-term Debt	<u>340,000</u>	<u>325,000</u>
Total Current Liabilities	434,547	412,634
Noncurrent Liabilities:		
Compensated Absences	31,242	21,634
Net Pension Liability	153,982	143,565
Bonds Payable, Less Current Portion	<u>953,701</u>	<u>1,313,267</u>
Total Liabilities	<u>1,573,472</u>	<u>1,891,100</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>15,984</u>	<u>31,604</u>
Net Position:		
Net Investment in Capital Assets	4,003,258	3,776,278
Unrestricted	<u>2,221,327</u>	<u>2,178,436</u>
Total Net Position	<u>6,224,585</u>	<u>5,954,714</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 7,814,041</u>	<u>\$ 7,877,418</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Operating Revenues					
Charges for Services	\$ 1,029,670	\$ 1,029,670	\$ 1,013,926	\$ (15,744)	\$ 1,064,749
Operating Expenses					
Production:					
Salaries	65,282	65,282	64,161	(1,121)	62,848
Full-time Hourly Salaries	83,368	83,368	86,814	3,446	79,647
Consulting Fees	500	500	503	3	467
Leave Hour Adjustment	0	0	7,846	7,846	(919)
Telephone	3,350	3,350	2,852	(498)	2,947
Travel, Conferences, and Schools	1,500	1,500	753	(747)	401
Equipment Repair	2,000	2,000	124	(1,876)	2,640
General Supplies	5,000	5,000	2,615	(2,385)	5,514
Small Equipment	0	0	6,682	6,682	5,561
Utilities	144,000	144,000	135,524	(8,476)	136,422
Maintenance and Repairs	20,000	20,000	15,518	(4,482)	10,618
Membership dues	0	0	0	0	45
Water and Chemicals	15,000	15,000	15,861	861	15,039
Pera	11,149	11,149	11,323	174	10,589
Medicare and Social Security	11,372	11,372	10,417	(955)	9,954
Engineering Costs	0	0	13,625	13,625	0
Distribution:					
Travel, Conferences, and Schools	0	0	30	30	0
Equipment Repair	500	500	0	(500)	512
General Supplies	6,500	6,500	3,467	(3,033)	7,231
Utilities	500	500	309	(191)	442
Vehicle Gas and Oil	3,500	3,500	1,783	(1,717)	2,955
Maintenance and Repairs	35,000	35,000	18,488	(16,512)	12,278
Clothing	900	900	450	(450)	754
Engineering fees	5,000	5,000	0	(5,000)	0
Administration:					
Salaries	10,712	10,712	10,840	128	10,495
Full-time Hourly Salaries	21,127	21,127	21,673	546	19,822
Safety Program Expense	2,000	2,000	2,249	249	1,939
Commissioners Salaries	2,325	2,325	2,325	0	2,325
Payment Processing Fees	3,250	3,250	2,526	(724)	2,417
Uncollectable Accounts	350	350	701	351	78
Water Admin Leave Adjustment	0	0	1,761	1,761	223

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Operating Expenses (Continued)					
Administration (Continued):					
Computer Expenses	\$ 3,500	\$ 3,500	\$ 3,743	\$ 243	\$ 3,883
Telephone	400	400	383	(17)	403
Printing and Publishing	1,200	1,200	1,265	65	1,310
Travel, Conferences, and Schools	500	500	167	(333)	124
Equipment Repair	350	350	345	(5)	324
Professional Services	2,200	2,200	1,985	(215)	1,968
Office Supplies	700	700	621	(79)	642
General Supplies	400	400	197	(203)	235
Small Equipment	0	0	0	0	572
Maintenance and Repairs	100	100	0	(100)	73
Insurance Expense	15,000	15,000	13,346	(1,654)	15,253
Postage and Freight	2,000	2,000	1,624	(376)	1,797
Membership Dues	1,500	1,500	2,072	572	1,149
Miscellaneous Expense	8,500	8,500	11,589	3,089	8,420
Health Insurance	53,000	53,000	47,845	(5,155)	46,532
Legal Fees	250	250	105	(145)	190
Pera	2,388	2,388	(9,583)	(11,971)	7,028
Medicare and Social Security	2,436	2,436	2,599	163	2,476
Engineering costs	0	0	13,125	13,125	0
Depreciation	40,000	40,000	125,818	85,818	126,316
Total Operating Expenses	<u>588,609</u>	<u>588,609</u>	<u>658,466</u>	<u>69,857</u>	<u>621,939</u>
Income (Loss) from Operations	<u>441,061</u>	<u>441,061</u>	<u>355,460</u>	<u>54,113</u>	<u>442,810</u>
Nonoperating Revenues (Expenses)					
Investment Earnings	(18,000)	(18,000)	47,172	65,172	56,253
Interest and Fiscal Expense	(441,985)	(441,985)	(26,421)	(415,564)	(35,896)
Other Revenue	8,100	8,100	12,681	4,581	9,689
Total Nonoperating Revenues (Expenses)	<u>(451,885)</u>	<u>(451,885)</u>	<u>33,432</u>	<u>(345,811)</u>	<u>30,046</u>
Income Before Transfers	(10,824)	(10,824)	388,892	399,716	472,856
Transfers In	0	0	2,000	(2,000)	0
Transfers Out	<u>(52,380)</u>	<u>(52,380)</u>	<u>(121,021)</u>	<u>68,641</u>	<u>(53,405)</u>
Change in Net Position	<u>\$ (63,204)</u>	<u>\$ (63,204)</u>	269,871	<u>\$ 466,357</u>	419,451
Net Position - January 1			<u>5,954,714</u>		<u>5,535,263</u>
Net Position - December 31			<u>\$ 6,224,585</u>		<u>\$ 5,954,714</u>

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CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2020

(With Comparative Amounts for December 31, 2019)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 176,972	\$ 121,305
Investments	684,759	664,701
Accounts Receivable, Net	82,021	71,709
Interest Receivable	834	1,133
Prepaid Expenses	17,434	18,553
Total Current Assets	<u>962,020</u>	<u>877,401</u>
Noncurrent Assets:		
Property and Equipment	6,852,333	6,852,333
Less: Accumulated Depreciation	<u>(3,367,844)</u>	<u>(3,220,647)</u>
Total Assets	<u>4,446,509</u>	<u>4,509,087</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	15,475	12,356
Deferred Amount on Refunding	<u>20,015</u>	<u>22,542</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,481,999</u>	<u>\$ 4,543,985</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 30,544	\$ 33,038
Due to Other Funds	35,901	32,784
Accrued Expenses	6,796	6,396
Current Portion of Long-term Debt	<u>157,000</u>	<u>150,000</u>
Total Current Liabilities	<u>230,241</u>	<u>222,218</u>
Noncurrent Liabilities:		
Compensated Absences	14,091	9,715
Net Pension Liability	69,497	64,566
Bonds Payable, Less Current Portion	<u>588,274</u>	<u>746,313</u>
Total Liabilities	<u>902,103</u>	<u>1,042,812</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>7,214</u>	<u>14,213</u>
Net Position:		
Net Investment in Capital Assets	2,759,231	2,749,915
Unrestricted	<u>813,451</u>	<u>737,045</u>
Total Net Position	<u>3,572,682</u>	<u>3,486,960</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,481,999</u>	<u>\$ 4,543,985</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Operating Revenues					
Charges for Services	\$ 691,595	\$ 691,595	\$ 712,694	\$ 21,099	\$ 648,756
Operating Expenses					
Production:					
Salaries	22,488	22,488	21,395	(1,093)	20,908
Full-time Salaries	27,797	27,797	28,906	1,109	26,517
Leave Hour Adjustment	0	0	2,615	2,615	(306)
Telephone	3,000	3,000	2,852	(148)	5,751
Travel, Conferences, and Schools	2,000	2,000	1,041	(959)	1,213
Equipment Repair	1,000	1,000	0	(1,000)	577
General Supplies	7,500	7,500	6,086	(1,414)	4,069
Small Equipment	0	0	0	0	7,126
Utilities	47,600	47,600	43,422	(4,178)	41,722
Maintenance and Repairs	22,000	22,000	13,656	(8,344)	19,706
Membership charges	0	0	0	0	15
Water and Chemicals	100,000	100,000	100,796	796	108,227
Sludge Removal	10,000	10,000	10,850	850	13,108
Pera	3,772	3,772	3,773	1	3,525
Medicare and Social Security	3,846	3,846	3,471	(375)	3,312
Engineering Costs	1,000	1,000	15,708	14,708	33,403
Engineering Costs	0	0	0	0	640
Distribution:					
Equipment Repair	100	100	0	(100)	89
General Supplies	500	500	8	(492)	64
Utilities	13,750	13,750	15,856	2,106	13,672
Vehicle Gas and Oil	3,750	3,750	1,886	(1,864)	3,807
Maintenance and Repairs	65,000	65,000	19,606	(45,394)	49,502
Clothing	250	250	0	(250)	54
Miscellaneous expense	250	250	0	(250)	0
Water and Chemicals	0	0	492	492	0
Engineering Costs	5,000	5,000	0	(5,000)	380
Administration:					
Salaries	10,712	10,712	10,840	128	10,450
Full-time Hourly Salaries	21,127	21,127	21,673	546	19,867
Safety Program Expense	2,000	2,000	2,249	249	1,939
Commissioners Salaries	2,325	2,325	2,325	0	2,325
Payment Processing Fees	3,250	3,250	2,526	(724)	2,438
Uncollectable Accounts	500	500	1,338	838	125
Wastewater Admin Leave Adjustment	0	0	1,761	1,761	223
Permits and Licenses	1,450	1,450	0	(1,450)	0
Computer Expenses	3,750	3,750	3,743	(7)	3,883
Telephone	400	400	383	(17)	403

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

(With Comparative Amounts for the Year Ended December 31, 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget	2019 Amounts
Operating Expenses (Continued)					
Administration (Continued):					
Printing and Publishing	\$ 550	\$ 550	\$ 537	\$ (13)	\$ 683
Travel, Conferences, and Schools	500	500	167	(333)	124
Equipment Repair	350	350	345	(5)	324
Professional Services	2,100	2,100	1,985	(115)	1,968
Office Supplies	550	550	611	61	642
General Supplies	400	400	205	(195)	235
Small Equipment	0	0	0	0	572
Maintenance and Repairs	250	250	0	(250)	73
Insurance Expense	15,000	15,000	19,187	4,187	17,498
Postage and Freight	2,500	2,500	3,074	574	3,247
Membership Dues	1,200	1,200	1,096	(104)	1,097
Miscellaneous Expense	1,000	1,000	467	(533)	683
Health Insurance	18,500	18,500	19,440	940	18,507
Legal Expense	500	500	55	(445)	0
Pera	2,388	2,388	(2,752)	(5,140)	3,977
Medicare and Social Security	2,436	2,436	2,598	162	2,419
Bonds Paid	21,864	21,864	0	(21,864)	0
Engineering costs	0	0	8,950	8,950	0
Depreciation	40,000	40,000	147,197	(107,197)	146,164
Total Operating Expenses	<u>496,205</u>	<u>496,205</u>	<u>542,419</u>	<u>(168,180)</u>	<u>596,947</u>
Income (Loss) from Operations	<u>195,390</u>	<u>195,390</u>	<u>170,275</u>	<u>(147,081)</u>	<u>51,809</u>
Nonoperating Revenues (Expenses):					
Investment Earnings	16,000	16,000	21,327	5,327	32,811
Interest and Fiscal Expense	(206,385)	(206,385)	(20,551)	(185,834)	(23,843)
Other Revenue	8,800	8,800	8,925	125	10,775
Total Nonoperating Revenues (Expenses)	<u>(181,585)</u>	<u>(181,585)</u>	<u>9,701</u>	<u>(180,382)</u>	<u>19,743</u>
Income Before Transfers	13,805	13,805	179,976	(166,171)	71,552
Transfers Out	<u>(36,785)</u>	<u>(36,785)</u>	<u>(94,254)</u>	<u>57,469</u>	<u>(32,784)</u>
Change in Net Position	<u>\$ (22,980)</u>	<u>\$ (22,980)</u>	85,722	<u>\$ (108,702)</u>	38,768
Net Position - January 1			<u>3,486,960</u>		<u>3,448,192</u>
Net Position - December 31			<u>\$ 3,572,682</u>		<u>\$ 3,486,960</u>

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CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION

AMBULANCE FUND

December 31, 2020

	<u>2020</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 120,847
Accounts Receivable, Net	65,151
Prepaid Expenses	8,478
Total Current Assets	<u>194,476</u>
Noncurrent Assets:	
Property and Equipment	264,106
Less: Accumulated Depreciation	<u>(100,858)</u>
Total Noncurrent Assets	163,248
TOTAL ASSETS	<u><u>\$ 357,724</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 2,885
Accrued Expenses	2,235
Total Current Liabilities	<u>5,120</u>
Noncurrent Liabilities:	
Compensated Absences	<u>2,303</u>
Total Liabilities	<u>7,423</u>
Net Position:	
Net Investment in Capital Assets	163,248
Unrestricted	<u>187,053</u>
Total Net Position	<u>350,301</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 357,724</u></u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2020

	Original Budget	Final Budget	2020 Actual Amounts	Over (Under) Final Budget
Operating Revenues				
Charges for Services	\$ 140,000	\$ 140,000	\$ 185,011	\$ 45,011
Operating Expenses				
Personal Services	138,352	138,352	110,745	(27,607)
Supplies	23,000	23,000	44,918	21,918
Other Services and Charges	20,000	20,000	17,602	(2,398)
Repair and Maintenance	6,500	6,500	4,392	(2,108)
Utilities	6,500	6,500	5,466	(1,034)
Other	2,500	2,500	23,448	20,948
Depreciation	0	0	31,237	(31,237)
Total Operating Expenses	<u>196,852</u>	<u>196,852</u>	<u>237,808</u>	<u>(21,518)</u>
Income (Loss) from Operations	<u>(56,852)</u>	<u>(56,852)</u>	<u>(52,797)</u>	<u>23,493</u>
Nonoperating Revenues (Expenses):				
Investment Earnings	0	0	74	74
Interest and Fiscal Expense	0	0	0	0
Other Revenue	2,500	2,500	53,700	51,200
Total Nonoperating Revenues (Expenses)	<u>2,500</u>	<u>2,500</u>	<u>53,774</u>	<u>51,274</u>
Income Before Capital Contributions	(54,352)	(54,352)	977	(55,329)
Capital Contributions	<u>0</u>	<u>0</u>	<u>194,485</u>	<u>(194,485)</u>
Change in Net Position	<u>\$ (54,352)</u>	<u>\$ (54,352)</u>	<u>195,462</u>	<u>\$ (249,814)</u>
Net Position - January 1, As Previously Stated			0	
Prior Period Adjustment			<u>154,839</u>	
Net Position - January 1, As Restated			<u>154,839</u>	
Net Position - December 31			<u>\$ 350,301</u>	

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

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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 (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2021.

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 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 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 25, 2021

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Certified Public Accountants

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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 (the City) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 2020-001.

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 25, 2021

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2020

INTERNAL CONTROL FINDINGS

SIGNIFICANT DEFICIENCIES:

2020-001	<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

2020-002 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.