

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

CITY OF LAKE CRYSTAL, MINNESOTA

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CITY OF LAKE CRYSTAL, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2021

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd Wiens	Mayor	December 31, 2022
Susan Gengler	Council Member	December 31, 2022
Gina Cooper	Council Member	December 31, 2022
Michael Turgeon	Council Member	December 31, 2024
Brett Hanson (Appointed)	Council Member	December 31, 2022

APPOINTED

<u>Name</u>	<u>Title</u>
Dennis McCoy	Utilities Commissioner Chairperson
Brad Nelson	Utilities Commissioner Member
Don Johnson	Utilities Commissioner Member
Richard Almich	Interim City Administrator

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information as listed in the table of contents under supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

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Prior Year Comparative Information

We have previously audited the City's 2020 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 25, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 15, 2022

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, 2021.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021 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.

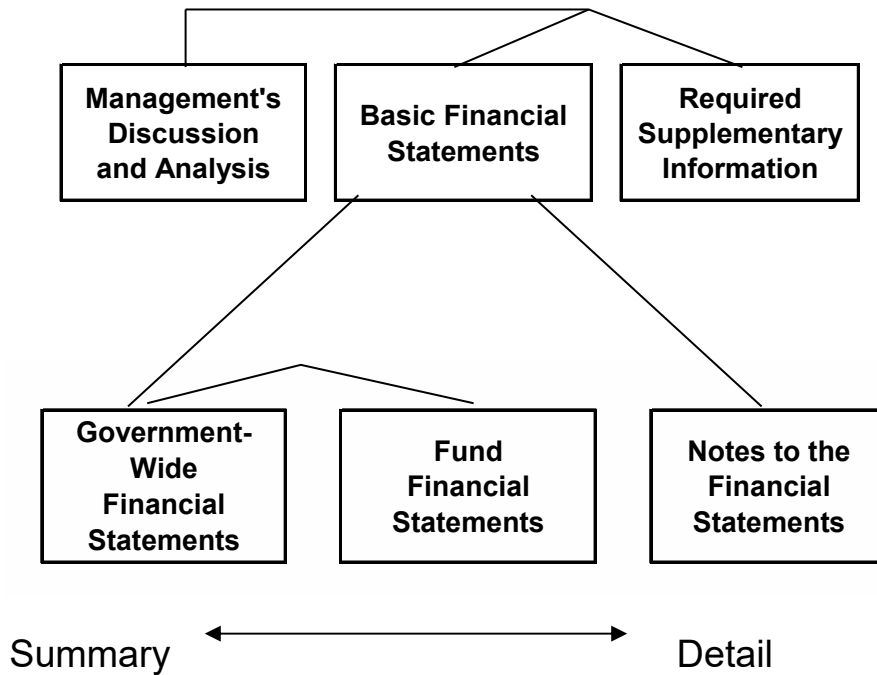
CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

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, 2021

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, 2021

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 2021 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 20 and 21 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 ten individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Southwest Street & Utility Project fund, LCARC Improvement Project 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, 2021

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 \$28,750,504 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, 2021

A condensed version of the Statement of Net Position on December 31, 2021, follows:

City of Lake Crystal's Summary of Net Position

	Governmental Activities			Business-type Activities		
	<u>2021</u>	<u>2020</u>	Increase (Decrease)	<u>2021</u>	<u>2020</u>	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 7,763,747	\$ 7,896,207	\$ (132,460)	\$ 4,872,369	\$ 4,783,027	89,342
Capital assets	14,799,454	14,734,485	64,969	12,825,708	11,359,852	1,465,856
	<u>22,563,201</u>	<u>22,630,692</u>	<u>(67,491)</u>	<u>17,698,077</u>	<u>16,142,879</u>	<u>1,555,198</u>
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	541,699	318,126	223,573	337,556	118,123	219,433
Deferred refunding debits	-	5,505	(5,505)	17,489	20,015	(2,526)
	<u>541,699</u>	<u>323,631</u>	<u>218,068</u>	<u>355,045</u>	<u>138,138</u>	<u>216,907</u>
<i>Liabilities</i>						
Current liabilities	605,459	1,037,352	(431,893)	1,078,691	944,981	133,710
Long-term liabilities	6,124,353	7,366,878	(1,242,525)	3,558,884	2,625,967	932,917
	<u>6,729,812</u>	<u>8,404,230</u>	<u>(1,674,418)</u>	<u>4,637,575</u>	<u>3,570,948</u>	<u>1,066,627</u>
<i>Deferred Inflows of Resources</i>						
Pension plan deferments	646,809	309,900	336,909	393,322	55,065	338,257
	<u>646,809</u>	<u>309,900</u>	<u>336,909</u>	<u>393,322</u>	<u>55,065</u>	<u>338,257</u>
Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources	<u>\$ 15,728,279</u>	<u>\$ 14,240,196</u>	<u>\$ 1,488,083</u>	<u>\$ 13,022,225</u>	<u>\$ 12,655,004</u>	<u>367,221</u>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 8,728,709	\$ 7,381,398	1,347,311	\$ 9,003,717	\$ 8,741,398	262,319
Restricted	2,669,861	3,067,001	(397,140)	144,000	144,000	-
Unrestricted	4,329,709	3,791,797	537,912	3,874,508	3,769,606	104,902
Total net position	<u>\$ 15,728,279</u>	<u>\$ 14,240,196</u>	<u>\$ 1,488,083</u>	<u>\$ 13,022,225</u>	<u>\$ 12,655,004</u>	<u>\$ 367,221</u>

Assets of the governmental activities decreased in 2021 by \$67,491. This decrease was related to the completion of the Southwest Street & Utility and LCARC Improvement projects. \$1,562,300 of capital assets from the Southwest project were transferred to the business-type activities. This also resulted in an increase in the business-type activities assets of \$1,555,198. The governmental activities issued \$1,035,000 of long-term liabilities for the LCARC improvement and transferred \$1,930,000 of long-term liabilities to the business-type activities related to the Southwest project.

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 \$8,204,217 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, 2021

Governmental and business-type activities increased the City's net position by \$1,855,304. Key elements of this increase are as follows:

City of Lake Crystal's Changes in Net Position

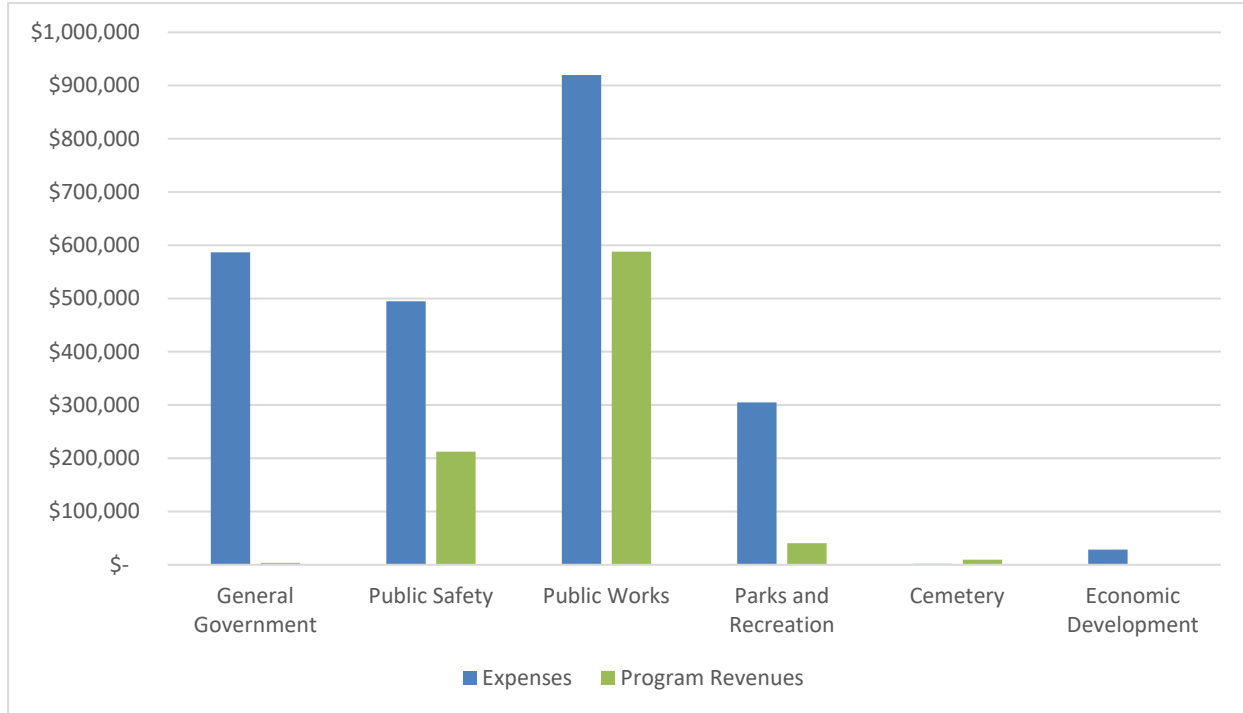
	Governmental Activities			Business-type Activities		
	<u>2021</u>	<u>2020</u>	Increase (Decrease)	<u>2021</u>	<u>2020</u>	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 290,995	\$ 286,612	\$ 4,383	\$ 5,013,991	\$ 4,905,305	\$ 108,686
Operating grants and contributions	213,159	96,100	117,059	6,450	-	6,450
Capital grants and contributions	349,321	103,342	245,979	-	-	-
General revenues						
Property taxes	1,118,806	1,119,040	(234)	-	-	-
Intergovernmental	1,245,456	942,461	302,995	-	-	-
Other sources	267,399	322,424	(55,025)	40,043	86,548	(46,505)
Total Revenue	<u>3,485,136</u>	<u>2,869,979</u>	<u>615,157</u>	<u>5,060,484</u>	<u>4,991,853</u>	<u>68,631</u>
<i>Expenses</i>						
General Government	586,818	656,732	(69,914)	-	-	-
Public Safety	494,666	578,031	(83,365)	-	-	-
Public Works	919,507	861,571	57,936	-	-	-
Park and Recreation	304,870	309,589	(4,719)	-	-	-
Cemetery	1,663	3,417	(1,754)	-	-	-
Economic Development	28,441	29,886	(1,445)	-	-	-
Electric	-	-	-	2,575,003	2,749,057	(174,054)
Water	-	-	-	727,024	684,887	42,137
Sewer	-	-	-	637,266	562,970	74,296
Ambulance	-	-	-	236,050	237,808	(1,758)
Interest on long-term debt	179,008	285,984	(106,976)	-	-	-
Total Expenses	<u>2,514,973</u>	<u>2,725,210</u>	<u>(210,237)</u>	<u>4,175,343</u>	<u>4,234,722</u>	<u>(59,379)</u>
Transfer	<u>517,920</u>	<u>163,855</u>	<u>354,065</u>	<u>(517,920)</u>	<u>(163,855)</u>	<u>(354,065)</u>
Change in Net Position	1,488,083	308,624	1,179,459	367,221	593,276	(226,055)
Net position - January 1	<u>14,240,196</u>	<u>13,931,572</u>	<u>308,624</u>	<u>12,655,004</u>	<u>12,061,728</u>	<u>593,276</u>
Net position - December 31	<u>\$ 15,728,279</u>	<u>\$ 14,240,196</u>	<u>\$ 1,488,083</u>	<u>\$ 13,022,225</u>	<u>\$ 12,655,004</u>	<u>\$ 367,221</u>

The large increase in the change in net position for governmental activities between 2021 and 2020 was due to capital grants and contributions related to federal funding for COVID-19 and a grant for a public safety vehicle. Revenues and expenses for the business-type activities were largely unchanged over the past year.

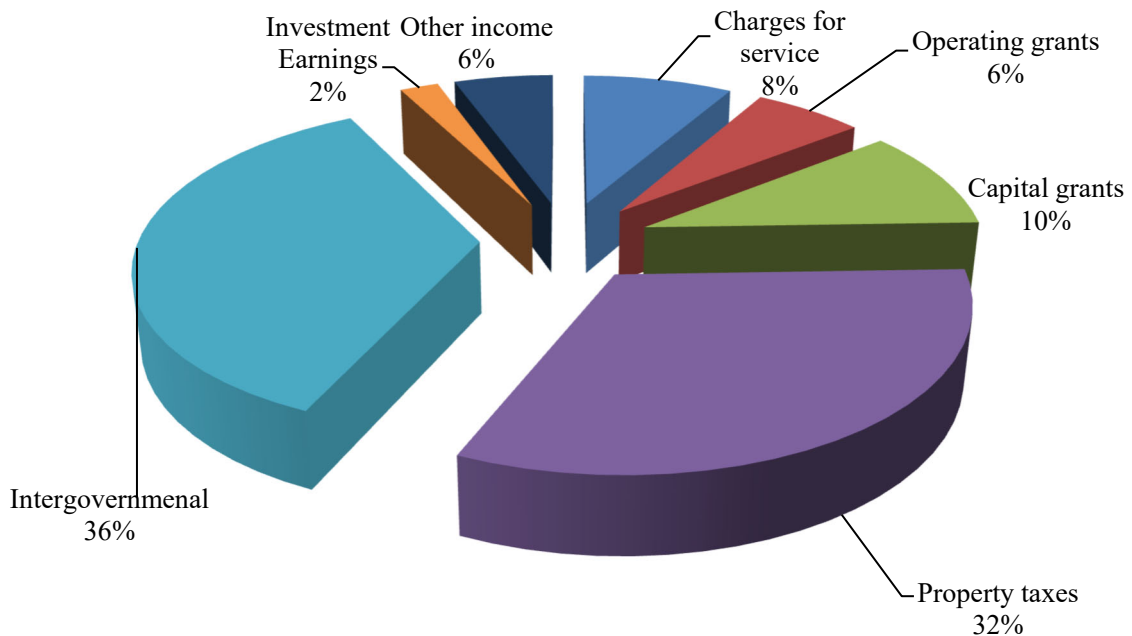
CITY OF LAKE CRYSTAL, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2021

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



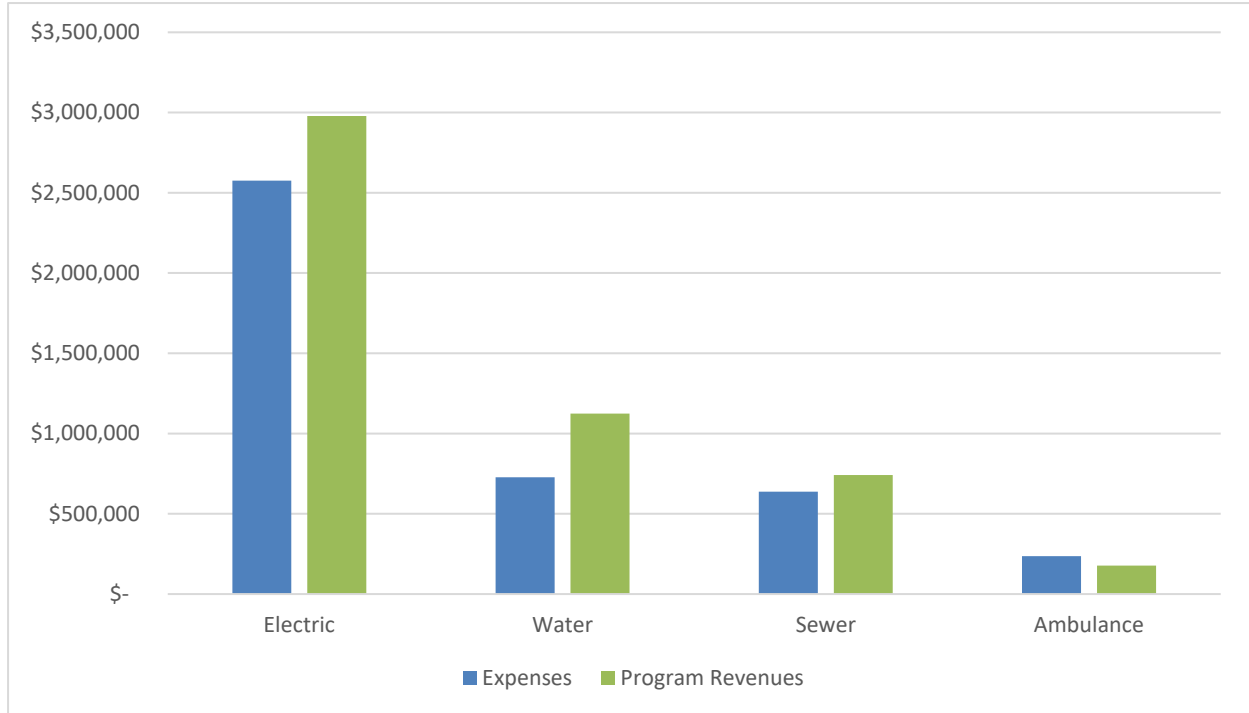
Revenues by Source – Governmental Activities



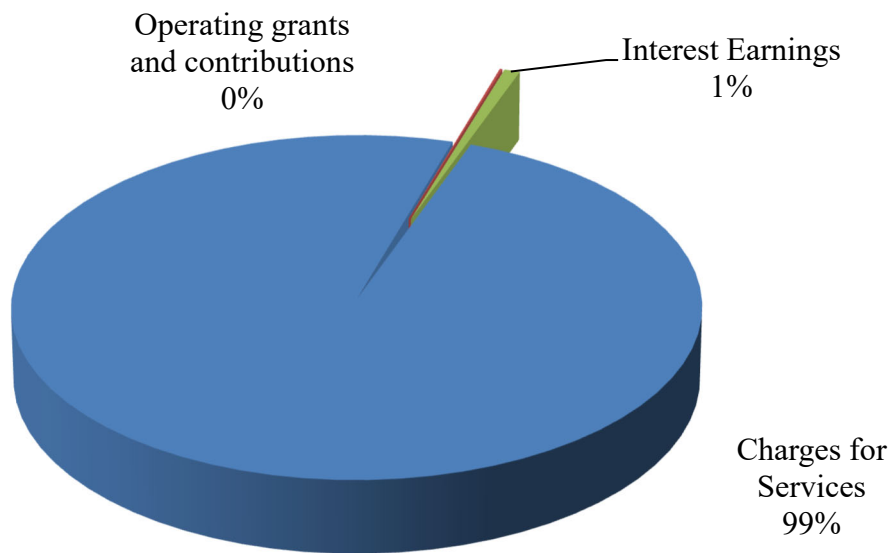
CITY OF LAKE CRYSTAL, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2021

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, 2021

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 \$6,339,249. The unreserved fund balance constitutes \$4,217,991 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 \$2,121,258.

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 \$3,984,720. 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 179% of total 2021 actual expenditures. The General fund balance increased \$273,531, during the year, primarily due to government grants.

The Southwest Street & Utility Project fund had a fund balance of \$607,474. 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 \$53,252 remaining on December 31, 2021.

The LCARC Improvement fund had a fund balance of \$98,817. The fund was established to account for project costs relating to the improvement of a city owned recreation center.

The Debt Service fund had a fund balance of \$804,243. 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	\$ 774,817
Water fund	2,076,291
Sewer fund	781,690
Ambulance fund	241,710

BUDGETARY HIGHLIGHTS

General Fund

The City reduced its general tax levy collectible in 2021 by 0.5% from the 2020 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 had a balanced budget.

Revenues were over the budgeted sources by \$682,352, with the following significant variances:

- Special assessments from tax forfeited land sales by \$147,068
- Federal COVID grants of \$141,532
- FEMA grant for public safety equipment of \$295,438
- Individual donations of \$109,306

CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

Expenditures were over the budgeted appropriations by \$165,098, with the following significant variances:

- Public safety capital outlay was over budget by \$295,825, due to the purchase of a public safety vehicle
- Public works was under budget by \$37,481, primarily related road repairs
- Parks and recreation was under budget by \$27,570, 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, 2021, amounts to \$27,625,162 (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:

- 2021 Case Track Loader
- 2022 GMC Sierra
- Well rehabilitation project
- Completion of Southwest project
- Several renovations at the Lake Crystal Recreation Center
- 2021 Ford Explorer for the Police Department
- 2016 Elgin Street Sweeper

City of Lake Crystal's Capital Assets

	Governmental Activities			Business-type Activities		
	<u>2021</u>	<u>2020</u>	Increase (Decrease)	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Land and Improvements	\$ 501,358	\$ 501,358	\$ -	\$ 31,700	\$ 31,700	\$ -
Buildings	7,235,486	6,221,934	1,013,552	7,944,036	7,897,139	46,897
Equipment	2,861,922	2,487,719	374,203	2,547,005	3,482,906	(935,901)
Infrastructure	10,265,735	6,056,352	4,209,383	11,898,044	10,129,043	1,769,001
Construction in progress	-	5,207,562	(5,207,562)	25,614	-	25,614
Total	<u>\$ 20,864,500</u>	<u>\$ 20,474,924</u>	<u>\$ 389,576</u>	<u>\$ 22,446,398</u>	<u>\$ 21,540,787</u>	<u>\$ 905,611</u>

LONG-TERM DEBT

At the end of the fiscal year, the City had total long-term debt of \$10,742,237. This consisted of \$4,070,000 for special assessment bonds, \$3,251,000 for G.O. revenue bonds, \$465,000 for revenue bonds, \$1,765,000 for G.O. capital improvement bonds, \$736,592 for net pension liability, \$95,422 for compensated absences, and \$359,223 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, 2021

Key elements of long-term debt are as follows:

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	\$ 5,835,000	\$ 6,955,000	\$ (1,120,000)
Revenue Bonds	-	123,000	(123,000)
Total Governmental Activities Long-Term Debt	5,835,000	7,078,000	(1,243,000)
Business-type Activities:			
General Obligation Revenue Bonds	3,251,000	1,973,000	1,278,000
Revenue Bonds	465,000	595,000	(130,000)
Total Long-Term Debt	\$ 9,551,000	\$ 9,646,000	\$ (95,000)
Bonded Debt:			
General Obligation Bonds	\$ 5,835,000	\$ 6,955,000	\$ (1,120,000)
General Obligation Revenue Bonds	3,251,000	1,973,000	1,278,000
Revenue Bonds	465,000	718,000	(253,000)
Total Bonded Debt	\$ 9,551,000	\$ 9,646,000	\$ (95,000)

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 2021, with 4 permits (6 in 2020, 8 in 2019, 9 in 2018) 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 2022 fiscal year, general fund revenue and expenditure projections remained conservative. The 2022 general fund budget for both revenues and expenditures is \$2,349,724.

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

The city has made the 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 2023 budget and tax levy.

CITY OF LAKE CRYSTAL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and Cash Equivalents	\$ 2,640,434	\$ 1,318,572	\$ 3,959,006
Investments	2,953,778	2,945,204	5,898,982
Receivables:			
Property Taxes	56,462	0	56,462
Special Assessments	945,415	0	945,415
Accounts, Net	104,205	560,540	664,745
Interest	3,538	8,253	11,791
Prepaid Expenses	93,709	88,029	181,738
Due From Other Governments	283,457	0	283,457
Internal Balances	256,782	(256,782)	0
Inventory	0	208,553	208,553
Real Estate Held for Sale	288,208	0	288,208
Net Pension Asset	137,759	0	137,759
Capital Assets, Net	14,799,454	12,825,708	27,625,162
Total Assets	<u>22,563,201</u>	<u>17,698,077</u>	<u>40,261,278</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	541,699	337,556	879,255
Deferred Refunding Debits	<u>0</u>	<u>17,489</u>	<u>17,489</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 23,104,900</u></u>	<u><u>\$ 18,053,122</u></u>	<u><u>\$ 41,158,022</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accounts Payable	\$ 234,029	\$ 318,655	\$ 552,684
Accrued Expenses	36,430	36,036	72,466
Current Portion of Long-term Debt	335,000	724,000	1,059,000
Compensated Absences	42,381	53,041	95,422
Net Pension Liability	346,227	390,365	736,592
Long-term Debt, Less Current Portion	5,735,745	3,115,478	8,851,223
Total Liabilities	<u>6,729,812</u>	<u>4,637,575</u>	<u>11,367,387</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	<u>646,809</u>	<u>393,322</u>	<u>1,040,131</u>
Net Position:			
Net Investment in Capital Assets	8,728,709	9,003,717	17,732,426
Restricted	2,669,861	144,000	2,813,861
Unrestricted	4,329,709	3,874,508	8,204,217
Total Net Position	<u>15,728,279</u>	<u>13,022,225</u>	<u>28,750,504</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 23,104,900</u></u>	<u><u>\$ 18,053,122</u></u>	<u><u>\$ 41,158,022</u></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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 586,818	\$ 3,402	\$ 0	\$ 0
Public Safety	494,666	79,166	133,110	0
Public Works	919,507	198,952	43,995	344,821
Parks and Recreation	304,870	0	36,054	4,500
Cemetery	1,663	9,475	0	0
Economic Development	28,441	0	0	0
Interest on Long-term Debt	179,008	0	0	0
Total Governmental Activities	<u>2,514,973</u>	<u>290,995</u>	<u>213,159</u>	<u>349,321</u>
BUSINESS-TYPE ACTIVITIES:				
Electric	2,575,003	2,978,306	0	0
Water	727,024	1,117,282	6,450	0
Sewer	637,266	740,929	0	0
Ambulance	236,050	177,474	0	0
Total Business-type Activities	<u>4,175,343</u>	<u>5,013,991</u>	<u>6,450</u>	<u>0</u>
Total Primary Government	<u>\$ 6,690,316</u>	<u>\$ 5,304,986</u>	<u>\$ 219,609</u>	<u>\$ 349,321</u>

General Revenues:

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

Changes in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expenses) Revenues and
Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (583,416)	\$ 0	\$ (583,416)
(282,390)	0	(282,390)
(331,739)	0	(331,739)
(264,316)	0	(264,316)
7,812	0	7,812
(28,441)	0	(28,441)
(179,008)	0	(179,008)
<u>(1,661,498)</u>	<u>0</u>	<u>(1,661,498)</u>
0	403,303	403,303
0	396,708	396,708
0	103,663	103,663
0	(58,576)	(58,576)
<u>0</u>	<u>845,098</u>	<u>845,098</u>
<u>(1,661,498)</u>	<u>845,098</u>	<u>(816,400)</u>
997,726	0	997,726
121,080	0	121,080
85,475	0	85,475
1,245,456	0	1,245,456
74,978	40,043	115,021
106,946	0	106,946
517,920	(517,920)	0
<u>3,149,581</u>	<u>(477,877)</u>	<u>2,671,704</u>
1,488,083	367,221	1,855,304
<u>14,240,196</u>	<u>12,655,004</u>	<u>26,895,200</u>
<u>\$ 15,728,279</u>	<u>\$ 13,022,225</u>	<u>\$ 28,750,504</u>

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

CITY OF LAKE CRYSTAL, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	Debt Service Funds	Southwest Street & Utility Project
ASSETS			
Cash and Cash Equivalents	\$ 1,310,007	\$ 326,621	\$ 2,004
Investments	1,800,686	208,850	658,723
Receivables:			
Property Taxes	43,729	12,733	0
Special Assessments	5,536	939,879	0
Franchise Fee	64,305	0	0
Accounts	39,900	0	0
Interest	3,538	0	0
Due From Other Funds	328,826	260,045	0
Due From Other Governments	283,457	0	0
Prepaid Expenses	93,709	0	0
Real Estate Held for Sale	0	0	0
Interfund Advance	290,000	0	0
TOTAL ASSETS	<u>\$ 4,263,693</u>	<u>\$ 1,748,128</u>	<u>\$ 660,727</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 148,978	\$ 0	\$ 53,253
Accrued Expenses	24,857	0	0
Due to Other Funds	21,169	0	0
Total Liabilities	<u>195,004</u>	<u>0</u>	<u>53,253</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>83,969</u>	<u>943,885</u>	<u>0</u>
Fund Balance:			
Nonspendable	383,709	0	0
Restricted	0	804,243	607,474
Committed	0	0	0
Assigned	162,139	0	0
Unassigned	3,438,872	0	0
Total Fund Balance	<u>3,984,720</u>	<u>804,243</u>	<u>607,474</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 4,263,693</u>	<u>\$ 1,748,128</u>	<u>\$ 660,727</u>

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

LCACR Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 436,657	\$ 565,144	\$ 2,640,433
0	285,519	2,953,778
0	0	56,462
0	0	945,415
0	0	64,305
0	0	39,900
0	0	3,538
0	0	588,871
0	0	283,457
0	0	93,709
0	288,208	288,208
0	0	290,000
<u>\$ 436,657</u>	<u>\$ 1,138,871</u>	<u>\$ 8,248,076</u>
\$ 26,920	\$ 4,876	\$ 234,027
0	0	24,857
310,920	290,000	622,089
<u>337,840</u>	<u>294,876</u>	<u>880,973</u>
0	0	1,027,854
0	0	383,709
98,817	227,015	1,737,549
0	80,020	80,020
0	536,960	699,099
0	0	3,438,872
<u>98,817</u>	<u>843,995</u>	<u>6,339,249</u>
<u>\$ 436,657</u>	<u>\$ 1,138,871</u>	<u>\$ 8,248,076</u>

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, 2021

Total Fund Balances - Governmental Funds	\$ 6,339,249
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	20,864,500
Less: accumulated depreciation	(6,065,045)
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	(5,835,000)
Compensated absences	(42,380)
Bond premiums on long-term debt are recognized as revenue in the Governmental Funds but as a decrease in the Statement of Net Position	(235,745)
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	43,877
Special assessments	945,415
Accounts receivable, net	38,562
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	(237,390)
Net pension liability - public employees police and fire pension fund	(108,837)
Net pension liability - volunteer firemen's relief pension fund	137,759
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	541,699
Deferred inflows of resources related to pensions	(646,809)
Governmental funds do not report a liability for accrued interest payable until due and payable.	<u>(11,573)</u>
Total Net Position - Governmental Activities	<u>\$ 15,728,279</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, 2021

	General	Debt Service Funds	Southwest Street & Utility Project
Revenues:			
Property Taxes	\$ 1,000,357	\$ 121,301	\$ 0
Franchise Fees	85,475	0	0
Special Assessments	147,068	218,509	0
Intergovernmental	1,353,809	0	0
Licenses and Permits	43,206	0	0
Charges for Services	267,407	0	0
Fines	4,413	0	0
Other Revenues	174,800	5,614	17,636
Total Revenues	<u>3,076,535</u>	<u>345,424</u>	<u>17,636</u>
Expenditures:			
Current:			
General Government	542,334	0	0
Public Safety	452,888	0	0
Public Works	726,444	0	0
Parks and Recreation	198,549	0	0
Cemetery	1,663	0	0
Economic Development	0	0	0
Capital Outlay:			
General Government	0	0	0
Public Safety	295,825	0	0
Public Works	0	0	564,623
Park and Recreation	0	0	0
Debt Service:			
Principal	0	428,000	0
Interest and Fees	0	162,247	0
Total Expenditures	<u>2,217,703</u>	<u>590,247</u>	<u>564,623</u>
Excess of Revenues Over (Under) Expenditures	<u>858,832</u>	<u>(244,823)</u>	<u>(546,987)</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(594,028)	0	0
Operating Transfers In	0	311,323	0
Sale of Capital Assets	8,727	0	0
Bond Premium	0	0	0
Sale of Bonds	0	0	0
Total Other Financing Sources (Uses)	<u>(585,301)</u>	<u>311,323</u>	<u>0</u>
Change in Fund Balance	273,531	66,500	(546,987)
Fund Balance - January 1	<u>3,711,189</u>	<u>737,743</u>	<u>1,154,461</u>
Fund Balance - December 31	<u>\$ 3,984,720</u>	<u>\$ 804,243</u>	<u>\$ 607,474</u>

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

LCARC Improvement Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 1,121,658
0	0	85,475
0	0	365,577
0	0	1,353,809
0	0	43,206
0	0	267,407
0	0	4,413
185	8,176	206,411
<u>185</u>	<u>8,176</u>	<u>3,447,956</u>
0	0	542,334
0	0	452,888
0	0	726,444
0	0	198,549
0	0	1,663
0	28,441	28,441
0	7,216	7,216
0	55,275	351,100
0	165,000	729,623
976,726	59,377	1,036,103
0	0	428,000
42,350	0	204,597
<u>1,019,076</u>	<u>315,309</u>	<u>4,706,958</u>
<u>(1,018,891)</u>	<u>(307,133)</u>	<u>(1,259,002)</u>
0	0	(594,028)
21,169	412,322	744,814
0	28,473	37,200
61,539	0	61,539
1,035,000	0	1,035,000
<u>1,117,708</u>	<u>440,795</u>	<u>1,284,525</u>
98,817	133,662	25,523
0	710,333	6,313,726
<u>\$ 98,817</u>	<u>\$ 843,995</u>	<u>\$ 6,339,249</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, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 25,523
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	2,098,593
Depreciation expense	(457,275)
Capital assets transferred to business-type activities	367,135
Book value of disposed assets	(14,080)
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	428,000
Bonds and notes issued	(1,096,539)
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	26,984
Amortization of deferred refunding loss	(5,505)
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.	
	4,111
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	(2,852)
Special assessments	(20,757)
Accounts receivable	23,589
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	101,561
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>9,597</u>
Change in Net Position - Governmental Activities	<u>\$ 1,488,083</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, 2021

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 997,519	\$ 997,519	\$ 1,000,357	\$ 2,838
Franchise Fees	85,000	85,000	85,475	475
Special Assessments	0	0	147,068	147,068
Intergovernmental	867,494	867,494	1,353,809	486,315
Licenses and Permits	33,990	33,990	43,206	9,216
Charges for Services	291,353	291,353	267,407	(23,946)
Fines	7,000	7,000	4,413	(2,587)
Other Revenues	111,827	111,827	174,800	62,973
Total Revenues	<u>2,394,183</u>	<u>2,394,183</u>	<u>3,076,535</u>	<u>682,352</u>
Expenditures:				
Current:				
General Government	546,525	546,525	542,334	(4,191)
Public Safety	501,536	501,536	452,888	(48,648)
Public Works	763,925	763,925	726,444	(37,481)
Parks and Recreation	226,119	226,119	198,549	(27,570)
Cemetery	14,500	14,500	1,663	(12,837)
Capital Outlay:				
Public Safety	0	0	295,825	295,825
Total Expenditures	<u>2,052,605</u>	<u>2,052,605</u>	<u>2,217,703</u>	<u>165,098</u>
Excess of Revenues Over (Under) Expenditures	<u>341,578</u>	<u>341,578</u>	<u>858,832</u>	<u>517,254</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(346,578)	(346,578)	(594,028)	247,450
Sale of Capital Assets	5,000	5,000	8,727	3,727
Total Other Financing Sources (Uses)	<u>(341,578)</u>	<u>(341,578)</u>	<u>(585,301)</u>	<u>(243,723)</u>
Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	273,531	<u>\$ 273,531</u>
Fund Balance - January 1			<u>3,711,189</u>	
Fund Balance - December 31			<u>\$ 3,984,720</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, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-type Activities - Enterprise Funds		
	Electric	Water	Sewer
Current Assets:			
Cash and Cash Equivalents	\$ 540,979	\$ 444,785	\$ 162,720
Investments	503,395	1,752,934	688,875
Accounts Receivable, Net	302,230	101,743	81,805
Interest Receivable	722	7,345	186
Inventory	193,419	15,134	0
Prepaid Expenses	44,260	15,116	21,115
Total Current Assets	<u>1,585,005</u>	<u>2,337,057</u>	<u>954,701</u>
Noncurrent Assets:			
Property and Equipment	6,674,829	8,862,427	7,637,223
Less: Accumulated Depreciation	<u>(4,358,500)</u>	<u>(2,618,542)</u>	<u>(3,510,038)</u>
Total Assets	<u>3,901,334</u>	<u>8,580,942</u>	<u>5,081,886</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	181,085	108,576	47,895
Deferred Amount on Bond Refunding	<u>0</u>	<u>0</u>	<u>17,489</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,082,419</u>	<u>\$ 8,689,518</u>	<u>\$ 5,147,270</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accounts Payable	\$ 218,603	\$ 37,962	\$ 58,276
Due to Other Funds	164,762	55,242	36,777
Accrued Expenses	15,898	10,953	6,718
Current Portion of Long-term Debt	<u>135,000</u>	<u>395,000</u>	<u>194,000</u>
Total Current Liabilities	<u>534,263</u>	<u>499,157</u>	<u>295,771</u>
Noncurrent Liabilities:			
Compensated Absences	27,594	13,110	7,940
Net Pension Liability	209,415	125,562	55,388
Bonds Payable, Less Current Portion	<u>332,998</u>	<u>1,539,740</u>	<u>1,242,740</u>
Total Liabilities	<u>1,104,270</u>	<u>2,177,569</u>	<u>1,601,839</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	<u>211,001</u>	<u>126,513</u>	<u>55,808</u>
Net Position:			
Net Investment in Capital Assets	1,848,331	4,309,145	2,707,933
Restricted	144,000	0	0
Unrestricted	<u>774,817</u>	<u>2,076,291</u>	<u>781,690</u>
Total Net Position	<u>2,767,148</u>	<u>6,385,436</u>	<u>3,489,623</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,082,419</u>	<u>\$ 8,689,518</u>	<u>\$ 5,147,270</u>

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

Business-type Activities -

<u>Ambulance</u>	<u>Totals</u>
\$ 170,088	\$ 1,318,572
0	2,945,204
74,762	560,540
0	8,253
0	208,553
7,538	88,029
<u>252,388</u>	<u>5,129,151</u>
271,923	23,446,402
<u>(133,614)</u>	<u>(10,620,694)</u>
390,697	17,954,859
0	337,556
<u>0</u>	<u>17,489</u>
<u>\$ 390,697</u>	<u>\$ 18,309,904</u>
\$ 3,815	\$ 318,656
0	256,781
2,467	36,036
0	724,000
<u>6,282</u>	<u>1,335,473</u>
4,397	53,041
0	390,365
0	3,115,478
<u>10,679</u>	<u>4,894,357</u>
<u>0</u>	<u>393,322</u>
138,308	9,003,717
0	144,000
241,710	3,874,508
<u>380,018</u>	<u>13,022,225</u>
<u>\$ 390,697</u>	<u>\$ 18,309,904</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, 2021

	Business-type Activities - Enterprise Funds		
	Electric	Water	Sewer
Operating Revenues:			
Charges for Services	\$ 2,900,751	\$ 1,101,185	\$ 729,191
Cost of Revenues:			
Wholesale Electrical Power	(1,726,070)	0	0
Gross Profit	1,174,681	1,101,185	729,191
Operating Expenses:			
Personal Services	381,346	263,198	119,994
Supplies	50,562	34,287	93,894
Other Services and Charges	87,345	23,121	54,959
Utilities	38,547	136,910	61,203
Repairs and Maintenance	77,543	80,734	111,897
Other	38,639	8,855	6,049
Depreciation	158,595	134,406	147,519
Total Operating Expenses	832,577	681,511	595,515
Income (Loss) from Operations	342,104	419,674	133,676
Nonoperating Revenues (Expenses)			
Investment Earnings	3,265	29,102	7,473
Interest and Fiscal Expense	(16,356)	(45,513)	(41,751)
Other Revenues	77,555	22,547	11,738
Total Nonoperating Revenues (Expenses)	64,464	6,136	(22,540)
Income Before Transfers and Other Items	406,568	425,810	111,136
Capital Contributions	0	(209,717)	(157,418)
Transfers In	0	0	0
Transfers Out	(146,856)	(55,242)	(36,777)
Change in Net Position	259,712	160,851	(83,059)
Net Position - January 1	2,507,436	6,224,585	3,572,682
Net Position- December 31	<u>\$ 2,767,148</u>	<u>\$ 6,385,436</u>	<u>\$ 3,489,623</u>

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

<u>Business-type Activities -</u>	
<u>Ambulance</u>	<u>Totals</u>
\$ 174,001	\$ 4,905,128
<u>0</u>	<u>(1,726,070)</u>
174,001	3,179,058
130,029	894,567
28,873	207,616
35,434	200,859
5,374	242,034
5,978	276,152
(2,395)	51,148
32,757	473,277
<u>236,050</u>	<u>2,345,653</u>
<u>(62,049)</u>	<u>833,405</u>
203	40,043
0	(103,620)
3,473	115,313
<u>3,676</u>	<u>51,736</u>
(58,373)	885,141
0	(367,135)
88,090	88,090
<u>0</u>	<u>(238,875)</u>
29,717	367,221
<u>350,301</u>	<u>12,655,004</u>
<u>\$ 380,018</u>	<u>\$ 13,022,225</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, 2021

	Business-type Activities - Enterprise Funds		
	Electric	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts From Customers and Users	\$ 2,903,055	\$ 1,084,546	\$ 730,325
Payments to Suppliers	(2,077,484)	(328,520)	(327,488)
Payments to Employees	(395,692)	(224,696)	(100,784)
Other Receipts	77,555	22,547	11,738
Net Cash from Operating Activities	<u>507,434</u>	<u>553,877</u>	<u>313,791</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers	(143,065)	(50,836)	(35,900)
Net Investment Activity	(5,284)	(34,164)	735
Net Cash from Noncapital Financing Activities	<u>(148,349)</u>	<u>(85,000)</u>	<u>(35,165)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Capital Assets	(59,767)	(248,123)	(61,154)
Principal Payments on Long-term Debt	(130,000)	(380,000)	(192,000)
Interest Payments on Long-term Debt	(18,180)	(67,050)	(42,073)
Net Cash from Capital and Related Financing Activities	<u>(207,947)</u>	<u>(695,173)</u>	<u>(295,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	7,807	35,702	2,349
Net Increase (Decrease) in Cash and Cash Equivalents	158,945	(190,594)	(14,254)
Cash and Cash Equivalents - January 1	<u>382,039</u>	<u>635,377</u>	<u>176,972</u>
Cash and Cash Equivalents - December 31	<u>\$ 540,979</u>	<u>\$ 444,785</u>	<u>\$ 162,720</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ 342,104	\$ 419,674	\$ 133,676
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Other Operating Receipts	77,555	22,547	11,738
Depreciation	158,595	134,406	147,519
(Increase) Decrease in Receivables	2,304	(16,639)	1,134
(Increase) Decrease in Inventory	(31,834)	1,546	0
(Increase) Decrease in Prepaid Expenses	(4,783)	(2,198)	(3,681)
(Increase) Decrease in Pension Resources	66,408	36,241	16,174
Increase (Decrease) in Net Pension Liability	(97,578)	(28,420)	(14,109)
Increase (Decrease) in Accounts Payable	5,838	5,699	27,732
Increase (Decrease) in Due to Other Funds	447	0	0
Increase (Decrease) in Compensated Absences	(8,793)	(18,132)	(6,151)
Increase (Decrease) in Accrued Expenses	(2,829)	(847)	(241)
Net Cash from Operating Activities	<u>\$ 507,434</u>	<u>\$ 553,877</u>	<u>\$ 313,791</u>

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

Business-type Activities -

Ambulance	Totals
\$ 164,391	\$ 4,882,317
(71,847)	(2,805,339)
(127,251)	(848,423)
3,473	115,313
(31,234)	1,343,868
88,090	(141,711)
0	(38,713)
88,090	(180,424)
(7,818)	(376,862)
0	(702,000)
0	(127,303)
(7,818)	(1,206,165)
203	46,061
49,239	3,336
120,847	1,315,235
\$ 170,088	\$ 1,318,572
\$ (62,049)	\$ 833,405
3,473	115,313
32,757	473,277
(9,610)	(22,811)
0	(30,288)
940	(9,722)
0	118,823
0	(140,107)
929	40,198
0	447
2,094	(30,982)
232	(3,685)
\$ (31,234)	\$ 1,343,868

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021Note 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) was created pursuant to Minnesota statutes 412.321. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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

The *LCARC Improvement Project fund* accounts for improvements related to the city owned recreation center.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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:

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, 2021. 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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 2021. 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 \$50,161.

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.

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:

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

<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

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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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:

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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, 2021, the general fund had expenditures over appropriations of \$165,098. The over appropriation was funded with additional revenues.

C. Deficit Fund Equity

There were no funds that had a fund equity deficit on December 31, 2021.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the carrying amount of deposits was \$3,959,006 and the bank balance was \$3,940,763. 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.

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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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 38%

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, 2021, 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	\$ 9,694
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	603,899
Minnesota municipal money market fundmax class	N/R	N/R	NAV	N/A	N/A	54,824
Directly placed certificates of deposit	N/R	N/R	N/A	3,164,592	-	3,164,592
Investment pools/mutual funds						
U.S. Government money market	N/R	N/R	NAV	N/A	N/A	5,396
Unlisted real estate investment trusts	N/R	N/R	NAV	N/A	N/A	28,838
Mutual funds	N/R	N/R	Level 1	N/A	N/A	1,673,054
Negotiable certificates of deposit	N/R	N/R	Level 2	-	358,685	358,685
Total investments						\$ 5,898,982

Approximately 0.5% or \$28,838 of the City’s investments are held with investments that have no specific statutory authority.

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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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
Carrying amount of demand deposits	\$ 1,681,583	\$ 591,282
Time deposits	958,776	727,190
Petty Cash	<u>75</u>	<u>100</u>
Cash and Cash equivalents	2,640,434	1,318,572
Investments	<u>2,953,778</u>	<u>2,945,204</u>
Total cash and investments	<u>\$ 5,594,212</u>	<u>\$ 4,263,776</u>

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	38,618
Grants	283,457
Franchise Fees	<u>64,305</u>
Total	<u>\$ 386,380</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:

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	\$ 943,121	\$ -
Delinquent property taxes - debt service fund	6,300	-
Delinquent property taxes - general fund	39,871	-
Charges for services	<u>38,562</u>	<u>-</u>
 Total deferred inflows of resources/unearned revenue	 <u>\$ 1,027,854</u>	 <u>\$ -</u>

The only receivables not expected to be collectible within one year are the following: general fund: \$25,000 and \$800 of delinquent taxes and charges for services, respectively, debt service fund: \$2,500 and \$781,000 of delinquent taxes and special assessments, respectively.

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 501,357	\$ -	\$ -	\$ 501,357
Construction in progress	<u>5,207,562</u>	<u>-</u>	<u>(5,207,562)</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>5,708,919</u>	 <u>-</u>	 <u>(5,207,562)</u>	 <u>501,357</u>
Capital assets being depreciated				
Buildings and Improvements	6,221,934	1,013,552	-	7,235,486
Infrastructure	6,056,352	4,209,383	-	10,265,735
Machinery and equipment	<u>2,487,719</u>	<u>520,952</u>	<u>(146,749)</u>	<u>2,861,922</u>
 Total capital assets being depreciated	 <u>14,766,005</u>	 <u>5,743,887</u>	 <u>(146,749)</u>	 <u>20,363,143</u>
Less accumulated depreciation for				
Buildings and Improvements	(1,880,189)	(115,283)	-	(1,995,472)
Infrastructure	(2,401,134)	(147,834)	-	(2,548,968)
Machinery and equipment	<u>(1,459,117)</u>	<u>(194,158)</u>	<u>132,669</u>	<u>(1,520,606)</u>
 Total accumulated depreciation	 <u>(5,740,440)</u>	 <u>(457,275)</u>	 <u>132,669</u>	 <u>(6,065,046)</u>
 Total capital assets being depreciated, net	 <u>9,025,565</u>	 <u>5,286,612</u>	 <u>(14,080)</u>	 <u>14,298,097</u>
 Governmental activities capital assets, net	 <u>\$ 14,734,484</u>	 <u>\$ 5,286,612</u>	 <u>\$ (5,221,642)</u>	 <u>\$ 14,799,454</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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
Construction in progress	-	25,614	-	25,614
Total capital assets not being depreciated	<u>31,700</u>	<u>25,614</u>	<u>-</u>	<u>57,314</u>
Capital assets being depreciated				
Buildings and improvements	7,897,139	46,898	-	7,944,037
Distribution system	10,129,043	1,769,001	-	11,898,044
Machinery and equipment	3,482,906	124,008	(59,909)	3,547,005
Total capital assets being depreciated	<u>21,509,088</u>	<u>1,939,907</u>	<u>(59,909)</u>	<u>23,389,086</u>
Less accumulated depreciation for				
Buildings and improvements	(3,995,981)	(176,491)	-	(4,172,472)
Distribution system	(3,452,358)	(152,712)	-	(3,605,070)
Machinery and equipment	(2,732,596)	(144,075)	33,521	(2,843,150)
Total accumulated depreciation	<u>(10,180,935)</u>	<u>(473,278)</u>	<u>33,521</u>	<u>(10,620,692)</u>
Total capital assets being depreciated, net	<u>11,328,153</u>	<u>1,466,629</u>	<u>(26,388)</u>	<u>12,768,394</u>
Business-type activities capital assets, net	<u>\$ 11,359,853</u>	<u>\$ 1,492,243</u>	<u>\$ (26,388)</u>	<u>\$ 12,825,708</u>

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

Governmental activities	
General government	\$ 42,523
Public safety	138,900
Public works	192,082
Parks and recreation	<u>83,770</u>
Total depreciation expense - governmental activities	<u>\$ 457,275</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Business-type activities	
Electric	\$ 158,595
Water	134,407
Sewer	147,519
Ambulance	<u>32,757</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 473,278</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	\$ 201,000
G.O. Crossover Refunding					
Bonds of 2012A	755,000	2.00 - 2.50	4/4/12	12/15/27	380,000
G.O. Refunding					
Bonds of 2017B	2,160,000	3.00	9/14/17	12/1/24	895,000
G.O. Improvement					
Bonds of 2019A	1,895,000	3.00	6/26/19	12/15/39	<u>1,775,000</u>
Total general obligation revenue bonds/notes					<u><u>\$ 3,251,000</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
Electric Revenue					
Refunding Bonds of 2014B	\$ 1,440,000	2.00 - 3.10	6/3/14	12/1/24	<u>\$ 465,000</u>
Total revenue bonds					<u><u>\$ 465,000</u></u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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. Improvement					
Bonds of 2019A	\$ 4,345,000	3.00	6/26/19	12/15/39	\$ 4,070,000
Total general obligation special assessment bonds					\$ 4,070,000

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	\$ 790,000
G.O. Bonds of 2021A	1,035,000	2.00%	9/30/21	12/15/31	1,035,000
Total general obligation bonds					\$ 1,825,000

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
2022	\$ 335,000	\$ 166,373	\$ 501,373	\$ 724,000	\$ 107,483	\$ 831,483
2023	340,000	153,730	493,730	747,000	87,017	834,017
2024	355,000	145,250	500,250	500,000	65,740	565,740
2025	360,000	136,300	496,300	150,000	51,090	201,090
2026	370,000	127,200	497,200	150,000	47,175	197,175
2027-2031	1,920,000	480,650	2,400,650	540,000	180,550	720,550
2032-2036	1,320,000	241,800	1,561,800	540,000	104,400	644,400
2037-2039	835,000	50,550	885,550	365,000	22,050	387,050
Total	\$ 5,835,000	\$ 1,501,853	\$ 7,336,853	\$ 3,716,000	\$ 665,505	\$ 4,381,505

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO special assessment bonds	\$ 4,315,000	\$ -	\$ (245,000)	\$ 4,070,000	\$ 175,000
GO revenue bonds	1,850,000	-	(1,850,000)	-	-
GO capital improvement bonds	790,000	1,035,000	(60,000)	1,765,000	160,000
Bond Premium	280,593	61,539	(106,387)	235,745	-
Total GO bonds	<u>7,235,593</u>	<u>1,096,539</u>	<u>(2,261,387)</u>	<u>6,070,745</u>	<u>335,000</u>
Revenue bonds	123,000	-	(123,000)	-	-
Total bonds	<u>7,358,593</u>	<u>1,096,539</u>	<u>(2,384,387)</u>	<u>6,070,745</u>	<u>335,000</u>
Net Pension Liability	511,285	598,847	(763,905)	346,227	-
Compensated absences	51,977	42,381	(51,977)	42,381	-
Governmental activity long-term liabilities	<u>\$ 7,921,855</u>	<u>\$ 1,737,767</u>	<u>\$ (3,200,269)</u>	<u>\$ 6,459,353</u>	<u>\$ 335,000</u>
Business-type activities:					
GO revenue bonds/notes	\$ 1,973,000	\$ 1,850,000	\$ (572,000)	\$ 3,251,000	\$ 589,000
Revenue bonds	595,000	-	(130,000)	465,000	135,000
Bond Premium	70,472	79,403	(26,397)	123,478	-
Total bonds	<u>2,638,472</u>	<u>1,929,403</u>	<u>(728,397)</u>	<u>3,839,478</u>	<u>724,000</u>
Net Pension Liability	530,472	564,752	(704,859)	390,365	-
Compensated absences	84,023	53,041	(84,023)	53,041	-
Business-type activity long-term liabilities	<u>\$ 3,252,967</u>	<u>\$ 2,547,196</u>	<u>\$ (1,517,279)</u>	<u>\$ 4,282,884</u>	<u>\$ 724,000</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, 2021, 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, 2021

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

E. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2021, 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	\$ 72,447	\$ 146,856	\$ 55,242	\$ 36,777	\$ 311,323
LCARC Improvement	21,169	-	-	-	21,169
Ambulance	88,090	-	-	-	88,090
Capitla Projects	412,322	-	-	-	412,322
Total	\$ 594,028	\$ 146,856	\$ 55,242	\$ 36,777	\$ 832,904

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 General fund transfer to the capital project funds were to establish capital reserves and to the Ambulance to provide working capital.

Internal Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$ 17,906
General	LCARC Improvement	310,920
General	Economic Development Authority	290,000
Debt Service	General	21,169
Debt Service	Electric	146,856
Debt Service	Water	55,242
Debt Service	Sewer	36,777
Total		\$ 878,870

The purpose of the above interfund loans was to provide financing for operating purposes and 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, 2021

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, 2021, included the following:

	General	Debt Service	Southwest Street & Utility	LCARC Improvement Project	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:						
Prepaid expense	\$ 93,709	\$ -	\$ -	\$ -	\$ -	\$ 93,709
Interfund advance	290,000	-	-	-	-	290,000
Total nonspendable	<u>383,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,709</u>
Restricted:						
Debt service	-	804,243	-	-	-	804,243
Capital projects	-	-	607,474	98,817	-	706,291
Minnesota investment funds	-	-	-	-	215,990	215,990
Small cities development	-	-	-	-	11,025	11,025
Total restricted	<u>-</u>	<u>804,243</u>	<u>607,474</u>	<u>98,817</u>	<u>227,015</u>	<u>1,737,549</u>
Committed:						
Economic development	-	-	-	-	80,020	80,020
Assigned:						
Cemetery	160,155	-	-	-	-	160,155
Police forfeiture	1,984	-	-	-	-	1,984
Fire relief	-	-	-	-	70,107	70,107
Fire equipment	-	-	-	-	52,199	52,199
Capital equipment	-	-	-	-	414,654	414,654
Total assigned	<u>162,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,960</u>	<u>699,099</u>
Unassigned:						
General fund	<u>3,438,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,438,872</u>
Total fund balance	<u>\$ 3,984,720</u>	<u>\$ 804,243</u>	<u>\$ 607,474</u>	<u>\$ 98,817</u>	<u>\$ 843,995</u>	<u>\$ 6,339,249</u>

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, includes the following:

Net Investment in Capital Assets:	
Land	\$ 501,358
Buildings and improvements	7,235,486
Infrastructure	10,265,735
Machinery and equipment	2,861,922
Less: accumulated depreciation	(6,065,046)
Less: long-term debt outstanding	(5,835,000)
Less: bond premiums	<u>(235,745)</u>
Total Net Investment in Capital Assets	<u>8,728,709</u>
Restricted for:	
Debt Service	1,736,553
Construction commitments	706,293
Minnesota investment funds	215,990
Small cities development	<u>11,025</u>
Total restricted	<u>2,669,861</u>
Unrestricted	<u>4,329,709</u>
Total Governmental Activities Net Position	<u>\$ 15,728,279</u>

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2021, includes the following:

Net Investment in Capital Assets:	
Land	\$ 31,700
Construction in progress	25,614
Buildings and improvements	7,944,037
Distribution system	11,898,044
Machinery and equipment	3,547,005
Less: accumulated depreciation	(10,620,692)
Less: long-term debt outstanding	(3,716,000)
Less: bond premiums	(123,478)
Add: deferred amount on refunding	<u>17,489</u>
Total Net Investment in Capital Assets	9,003,717
Restricted for:	
Debt Service	144,000
Unrestricted	<u>3,874,508</u>
Total Business-Type Activities Net Position	<u>\$ 13,022,225</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021Note 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 Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

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

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, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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 2021; 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, 2021, were \$77,289. The City's contributions were equal to the required contributions as set by state statute.

PEPPF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$29,327. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERP Pension Costs

On December 31, 2021, the City reported a liability of \$627,756 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 2021. 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 \$19,108.

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2021, the City's proportion was 0.0147% which was an increase of 0.0006% from its proportion measured as of June 30, 2020. For the year ended December 31, 2021, the City recognized pension expense of \$(27,436) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$1,542 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, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

On December 31, 2021, the City reported its proportionate share of GERP’s deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,063	\$ 18,996
Differences between projected and actual investment earnings	67,539	602,178
Changes in actuarial assumptions	382,664	11,336
Changes in proportion	49,518	-
City's contributions subsequent to the measurement date	39,048	-
Total	\$ 542,832	\$ 632,510

\$39,048 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ 1,609
2023	12,664
2024	5,043
2025	(148,042)
2026	-
Thereafter	-

PEPPF Pension Costs

On December 31, 2021, the City reported a liability of \$108,836 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021, 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 proportionate share 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. On June 30, 2021, the City’s proportion was 0.0141% which was a decrease of 0.0008% from its proportion measured as of June 30, 2020.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2021, the City recognized pension expense of \$(43,932) for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$889 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$1,269 for the year ended December 31, 2021, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

On December 31, 2021, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 21,144	\$ 572
Differences between projected and actual investment earnings	25,841	235,959
Changes in actuarial assumptions	156,510	70,284
Changes in proportion	6,906	22,457
City's contributions subsequent to the measurement date	14,400	-
Total	<u>\$ 224,801</u>	<u>\$ 329,272</u>

\$14,400 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (79,869)
2023	(22,204)
2024	(23,420)
2025	(26,598)
2026	33,220
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**E. Actuarial Assumptions***GERP and PEPFP*

The total pension liability in the June 30, 2021, 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, 2021
Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	6.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 26 years of service

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

F. Discount Rate

GERP and PEPFP

The discount rate used to measure the total pension liability in 2021 was 6.50. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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:

Plan	City’s proportionate share of NPL			
	Rate	1 % Decrease	Current	1 % Increase
City’s proportionate share of the GERP net pension liability:		\$ 1,280,301	\$ 627,756	\$ 92,302
City’s proportionate share of the PEPFP net pension liability:		\$ 345,539	\$ 108,837	\$ (85,200)

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.

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.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Summary of Participant Data	
Active members	25
Inactive members entitled to future benefits	2
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	27

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 \$36,111 in fire state aid to the plan for the year ended December 31, 2021. 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, 2021. In addition, the City made voluntary contributions of \$11,940 to the plan.

D. Pension Costs

On December 31, 2020, the Association reported a net pension asset of \$137,759. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at Previous Fiscal Year 12/31/2019	\$ 765,495	\$ 853,414	\$ (87,919)
Changes for the year:			
Service cost	26,761	-	26,761
Interest	37,495	-	37,495
Differences between expected and actual experience	(17,920)	-	(17,920)
Changes of assumptions	8,988	-	8,988
Changes of benefit terms	-	-	-
Contributions - State and local	-	50,372	(50,372)
Contributions - Donation and other income	-	30,000	(30,000)
Contributions - Member	-	-	-
Net investment incomes	-	26,792	(26,792)
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	(156,125)	(156,125)	-
Administrative expense	-	(2,000)	2,000
Other deductions (e.g. payables)	-	-	-
Net changes	(100,801)	(50,961)	(49,840)
Balance at Current Fiscal Year 12/31/2020	\$ 664,694	\$ 802,453	\$ (137,759)

There were no provision changes during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of \$(51,475).

On December 31, 2020, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 45,906
Differences between projected and actual investment earnings	45,610	28,078
Changes in actuarial assumptions	17,961	4,365
City's contributions subsequent to the measurement date	48,051	-
Total	\$ 111,622	\$ 78,349

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$48,051 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ 2,575
2023	1,495
2024	(13,807)
2025	(1,509)
2026	(1,080)
Thereafter	(2,452)

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, 2020
Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	4.75%
Inflation	2.25% per year
Lump Sum Benefit Increase	N/A*

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

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

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 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, 2020, valuation was based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2020.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2020:

- The expected investment return and discount rate decreased from 5.25% to 4.75% to reflect updated capital market assumptions.
- The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%.

The long-term expected rate of return on pension plan investments is 4.75%. 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 (2.25%). All results are then rounded to the nearest quarter percentage point.

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

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	31.0%	4.90%	7.15%
International Equity	9.0%	5.32%	7.57%
Fixed Income	29.0%	1.40%	3.65%
Real estate and alternative	12.0%	4.43%	6.68%
Cash and equivalents	19.0%	0.09%	2.34%
Total	100.00%		5.64%
Reduced for assumed investment expense			(1.00%)
Net assumed investment return			4.75%

F. Discount Rate

The discount rate used to measure the total pension liability was 4.75%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation.” The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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
3.75%	4.75%	5.75%
\$ 124,803	\$ 137,759	\$ 150,512

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 \$1,765,000 of debt outstanding subjected to this limit on December 31, 2021.

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 2021 was \$797,494 for LGA. This accounted for 26 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, 2021, the amount received was \$792,474. This accounted for 72 percent of the Water fund’s operating revenue.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 5 OTHER INFORMATION – (Continued)

D. Commitments

Power Purchase Contract

The Lake Crystal Municipal Utilities Commission (Commission) entered into a purchase agreement, effective November 1, 2006, and expiring December 31, 2040, 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, 2036, 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, 2040, 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.

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, 2021, 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:

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6 TAX ABATEMENT – (Continued)

<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	\$ 14,948
Champlin Bus Service	To construct bus storage facilities and increase the tax base within the city.	100%	10 years	2021	\$ 10,015
Ward Jackson Multi-Family Development	To construct and improve real property associated with the multi-family housing	100%	5 years	2021	\$ 9,371

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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, 2021

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
12/31/2021	6/30/2021	0.0147%	\$ 627,756	\$ 19,108	\$ 646,864	\$ 1,057,713	61.2%	87.0%
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, 2021

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
12/31/2021	6/30/2021	\$ 79,241	\$ 79,241	\$ -	\$ 1,056,547	7.50%
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, 2021

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
12/31/2021	6/30/2021	0.0141%	\$ 108,837	\$ 4,882	\$ 113,719	\$ 201,939	56.3%	93.7%
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, 2021

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
12/31/2021	6/30/2021	\$ 29,462	\$ 29,462	\$ -	\$ 181,864	17.70%
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	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 26,761	\$ 26,108	\$ 27,656	\$ 26,185	\$ 24,732	\$ 25,906	\$ 25,213
Interest	37,495	38,857	35,633	33,813	40,191	30,667	27,591
Difference between expected and actual experience	(17,920)	-	(21,743)	-	(44,074)	-	-
Changes of assumptions	8,988	-	2,582	2,482	18,325	(14,594)	-
Changes in benefit terms	-	-	32,329	-	-	-	-
Benefit payments, including member contribution refunds	(156,125)	(27,000)	-	-	-	-	-
Net change in total pension liability	(100,801)	37,965	76,457	62,480	39,174	41,979	52,804
Total Pension Liability - beginning	765,495	727,530	651,073	588,593	549,419	507,440	454,636
Total Pension Liability - ending	\$ 664,694	\$ 765,495	\$ 727,530	\$ 651,073	\$ 588,593	\$ 549,419	\$ 507,440
Plan Fiduciary Net Position							
Contributions - state and local	\$ 50,372	\$ 38,240	\$ 45,262	\$ 37,411	\$ 41,971	\$ 48,695	\$ 66,601
Contributions - donation and other income	30,000	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-
Net investment income	26,792	86,106	(39,959)	32,839	18,264	(13,278)	30,015
Other additions (e.g. receivable)	-	-	-	-	-	-	-
Benefit payments, including member contribution refunds	(156,125)	(27,000)	-	-	-	-	-
Administrative expenses	(2,000)	(2,000)	(1,800)	(1,800)	(1,800)	(1,800)	(6,435)
Other deductions (e.g. payables)	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(50,961)	95,346	3,503	68,450	58,435	33,617	90,181
Plan Fiduciary Net Position - beginning	853,414	758,068	754,565	686,115	627,680	594,063	503,882
Plan Fiduciary Net Position - ending	\$ 802,453	\$ 853,414	\$ 758,068	\$ 754,565	\$ 686,115	\$ 627,680	\$ 594,063
Net Pension (Asset) Liability - ending	\$ (137,759)	\$ (87,919)	\$ (30,538)	\$ (103,492)	\$ (97,522)	\$ (78,261)	\$ (86,623)
FNP as a percentage of the TPL	120.73%	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, 2020	-	\$ 11,940	\$ (11,940)	-	-	-
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, 2021

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2021 changes:

Changes in Actuarial Assumptions. The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

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

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

2016 changes:

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

2015 changes:

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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

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

2021 changes:

Changes in Actuarial Assumptions. The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions. There have been no changes since the previous valuation.

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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

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

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

2017 changes:

Change of Assumptions. 1) Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. 2) Assumed rates of retirement were changed, resulting in fewer retirements. 3) The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. 4) The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. 5) Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. 6) Assumed percentage of married female members was decreased from 65 percent to 60 percent. 7) Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. 8) The assumed percentage of female members electing Joint and Survivor annuities was increased. 9) The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

2016 changes:

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

2015 changes:

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

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

C. Volunteer Fire Relief Association

2020 changes:

Changes in Actuarial Assumptions: 1) The expected investment return and discount rate decreased from 5.25% to 4.75% to reflect updated capital market assumptions. 2) The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation. 3) The inflation assumption decreased from 2.50% to 2.25%.

2019 changes:

None.

CITY OF LAKE CRYSTAL, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

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

C. Volunteer Fire Relief Association Fund – (Continued)

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, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	EDA Fund	Small Cities Development Program	Capital Projects Fund	
ASSETS				
Cash and Cash Equivalents	\$ 300,440	\$ 11,025	\$ 253,679	\$ 565,144
Investments	0	0	285,519	285,519
Real Estate Held for Sale	288,208	0	0	288,208
TOTAL ASSETS	<u>\$ 588,648</u>	<u>\$ 11,025</u>	<u>\$ 539,198</u>	<u>\$ 1,138,871</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 2,638	\$ 0	\$ 2,238	\$ 4,876
Advance from Other Funds	290,000	0	0	290,000
Total Liabilities	<u>292,638</u>	<u>0</u>	<u>2,238</u>	<u>294,876</u>
Fund Balance:				
Restricted:				
Minnesota Investment Funds	215,990	0	0	215,990
Small Cities Development Program	0	11,025	0	11,025
Committed for:				
Economic Development	80,020	0	0	80,020
Assigned for:				
Capital Projects	0	0	536,960	536,960
Total Fund Balance	<u>296,010</u>	<u>11,025</u>	<u>536,960</u>	<u>843,995</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 588,648</u>	<u>\$ 11,025</u>	<u>\$ 539,198</u>	<u>\$ 1,138,871</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, 2021

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	EDA Fund	Small Cities Development Program		
Revenues:				
Investment Earnings	\$ 1,210	\$ 13	\$ 6,953	\$ 8,176
Expenditures:				
Current:				
Economic Development	28,441	0	0	28,441
Capital Outlay:				
General Government	0	0	7,216	7,216
Public Safety	0	0	55,275	55,275
Public Works	0	0	165,000	165,000
Parks and Recreation	0	0	59,377	59,377
Total Expenditures	<u>28,441</u>	<u>0</u>	<u>286,868</u>	<u>315,309</u>
Excess of Revenue Over (Under) Expenditures	<u>(27,231)</u>	<u>13</u>	<u>(279,915)</u>	<u>(307,133)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	28,473	28,473
Transfer In	0	0	412,322	412,322
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>440,795</u>	<u>440,795</u>
Change in Fund Balance	(27,231)	13	160,880	133,662
Fund Balance - January 1	<u>323,241</u>	<u>11,012</u>	<u>376,080</u>	<u>710,333</u>
Fund Balance - December 31	<u>\$ 296,010</u>	<u>\$ 11,025</u>	<u>\$ 536,960</u>	<u>\$ 843,995</u>

CITY OF LAKE CRYSTAL, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICES FUNDS
December 31, 2021

	Debt Service	2015A Recreation Center Bonds	2017A G.O. CIP Bonds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 138,976	\$ 0	\$ 15,915
Investments	0	0	0
Receivables:			
Property Taxes	4,158	0	0
Special Assessments	154,585	0	0
Due From Other Funds	<u>21,169</u>	<u>0</u>	<u>90,296</u>
TOTAL ASSETS	<u><u>\$ 318,888</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 106,211</u></u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources:			
Unavailable Revenue	\$ 158,591	\$ 0	\$ 0
Fund Balance:			
Restricted	<u>160,297</u>	<u>0</u>	<u>106,211</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 318,888</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 106,211</u></u>

2019A G.O. Improvement Bonds	Total Debt Service Funds
\$ 171,730	\$ 326,621
208,850	208,850
8,575	12,733
785,294	939,879
<u>148,580</u>	<u>260,045</u>
<u>\$ 1,323,029</u>	<u>\$ 1,748,128</u>

\$ 785,294	\$ 943,885
<u>537,735</u>	<u>804,243</u>

<u>\$ 1,323,029</u>	<u>\$ 1,748,128</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, 2021

	Debt Service	2015A Recreation Center Bonds	2017A G.O. CIP Bonds
Revenues:			
Property Taxes	\$ 1,303	\$ 0	\$ 0
Special Assessments	0	0	0
Other Revenues	209	484	62
Total Revenues	<u>1,512</u>	<u>484</u>	<u>62</u>
Expenditures:			
Debt Service:			
Principal	75,000	123,000	60,000
Interest and Fees	10,339	2,951	20,681
Total Expenditures	<u>85,339</u>	<u>125,951</u>	<u>80,681</u>
Excess of Revenues Over (Under) Expenditures	(83,827)	(125,467)	(80,619)
Other Financing Sources (Uses):			
Operating Transfers	<u>0</u>	<u>72,447</u>	<u>90,295</u>
Change in Fund Balance	(83,827)	(53,020)	9,676
Fund Balance - January 1	<u>244,124</u>	<u>53,020</u>	<u>96,535</u>
Fund Balance - December 31	<u>\$ 160,297</u>	<u>\$ 0</u>	<u>\$ 106,211</u>

2019A G.O. Improvement Bonds	Total Debt Service Funds
\$ 119,998	\$ 121,301
218,509	218,509
4,859	5,614
<u>343,366</u>	<u>345,424</u>
170,000	428,000
128,276	162,247
<u>298,276</u>	<u>590,247</u>
45,090	(244,823)
<u>148,581</u>	<u>311,323</u>
193,671	66,500
<u>344,064</u>	<u>737,743</u>
<u>\$ 537,735</u>	<u>\$ 804,243</u>

CITY OF LAKE CRYSTAL, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2021

(With Comparative Amounts for December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,310,007	\$ 1,843,945
Investments	1,800,686	1,770,873
Receivables:		
Property Taxes	43,729	49,817
Special Assessments	5,536	6,920
Franchise Fee	64,305	57,395
Accounts	39,900	59,138
Interest	3,538	13,376
Due From Other Funds	328,826	17,459
Due from Other Governments	283,457	0
Prepaid Expenses	93,709	91,412
Advance to Other Funds	<u>290,000</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 4,263,693</u>	<u>\$ 3,910,335</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 148,978	\$ 109,854
Accrued Expenses	24,857	24,897
Due to Other Funds	<u>21,169</u>	<u>0</u>
Total Liabilities	<u>195,004</u>	<u>134,751</u>
Deferred Inflows of Resources:		
Unavailable Revenue	<u>83,969</u>	<u>64,395</u>
Fund Balance:		
Nonspendable for:		
Interfund Advance	290,000	0
Prepaid Expense	93,709	91,412
Assigned for:		
Cemetery	160,155	153,388
Public Safety	1,984	1,984
Unassigned	<u>3,438,872</u>	<u>3,464,405</u>
Total Fund Balance	<u>3,984,720</u>	<u>3,711,189</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 4,263,693</u>	<u>\$ 3,910,335</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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
Revenues:					
Taxes:					
Property	\$ 997,519	997,519	\$ 1,000,357	\$ 2,838	\$ 997,736
Franchise	85,000	85,000	85,475	475	79,186
Total Taxes	<u>1,082,519</u>	<u>1,082,519</u>	<u>1,085,832</u>	<u>3,313</u>	<u>1,076,922</u>
Special Assessments	<u>0</u>	<u>0</u>	<u>147,068</u>	<u>147,068</u>	<u>88,496</u>
Intergovernmental:					
Local Government Aid	797,494	797,494	797,494	0	782,027
State Police Aid	26,000	26,000	23,747	(2,253)	26,778
Police Grants	5,000	5,000	5,992	992	7,426
Fire Relief 2% State Aid	34,000	34,000	36,111	2,111	35,822
Fire Department Grants	5,000	5,000	300,438	295,438	12,850
Street Aid	0	0	43,995	43,995	0
Government Grants	0	0	4,500	4,500	0
Other Federal Aids	0	0	141,532	141,532	140,158
Total Intergovernmental	<u>867,494</u>	<u>867,494</u>	<u>1,353,809</u>	<u>486,315</u>	<u>1,005,061</u>
Licenses and Permits	<u>33,990</u>	<u>33,990</u>	<u>43,206</u>	<u>9,216</u>	<u>50,427</u>
Charges for Services:					
Liaison Officer	28,915	28,915	31,376	2,461	24,891
Rural Fire Department Receipts	45,000	45,000	24,202	(20,798)	88,284
Refuse Collection Fees	197,543	197,543	198,952	1,409	195,819
Supplies and Services	775	775	1,992	1,217	694
Cemetery Fees	18,120	18,120	9,475	(8,645)	7,375
Rental	1,000	1,000	1,410	410	470
Total Charges for Services	<u>291,353</u>	<u>291,353</u>	<u>267,407</u>	<u>(23,946)</u>	<u>317,533</u>
Fines	<u>7,000</u>	<u>7,000</u>	<u>4,413</u>	<u>(2,587)</u>	<u>4,389</u>
Other Revenues:					
Insurance Dividend	5,000	5,000	12,980	7,980	5,227
Donations	0	0	109,306	109,306	33,500
Miscellaneous	90,827	90,827	22,127	(68,700)	25,118
Adjust Investments to Fair Value	0	0	(861)	(861)	1,735
Interest Earnings	16,000	16,000	31,248	15,248	52,004
Total Other Revenues	<u>111,827</u>	<u>111,827</u>	<u>174,800</u>	<u>62,973</u>	<u>117,584</u>
Total Revenues	<u>2,394,183</u>	<u>2,394,183</u>	<u>3,076,535</u>	<u>682,352</u>	<u>2,660,412</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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
Current Expenditures:					
General Government:					
Mayor and Council:					
Salaries	\$ 14,700	\$ 14,700	\$ 14,700	\$ 0	\$ 14,700
Election Salaries	0	0	0	0	2,858
Travel, Conferences, and Schools	500	500	0	(500)	698
General Supplies	1,500	1,500	500	(1,000)	4,028
Pera	330	330	409	79	330
Social Security/Medicare	715	715	618	(97)	715
Government Building:					
General Supplies	12,000	12,000	7,363	(4,637)	16,677
Utilities	11,000	11,000	8,498	(2,502)	8,481
Building Repairs	3,500	3,500	6,165	2,665	1,841
Janitor Services	14,000	14,000	12,164	(1,836)	11,330
Finance:					
Salaries	43,723	43,723	43,726	3	43,360
FT Hourly Salaries	83,904	83,904	84,493	589	86,691
Safety Program Expense	9,000	9,000	6,823	(2,177)	6,948
Building Inspector	29,000	29,000	35,930	6,930	43,922
Contracted services	1,200	1,200	873	(327)	1,307
Legal Fees	10,000	10,000	7,815	(2,185)	6,176
Abatement	22,750	22,750	24,516	1,766	16,221
Computer Expense	4,500	4,500	5,183	683	4,725
Telephone	2,500	2,500	2,269	(231)	1,662
Printing	7,500	7,500	6,232	(1,268)	6,507
Travel, Conferences, and Schools	6,000	6,000	1,851	(4,149)	754
Equipment Repair	1,200	1,200	978	(222)	1,130
Professional Services	8,400	8,400	8,360	(40)	7,940
Office Supplies	2,500	2,500	1,581	(919)	3,048
General Supplies	2,000	2,000	177	(1,823)	4,320
Membership Dues	500	500	180	(320)	180
Pera - Employer Share	9,573	9,573	9,564	(9)	9,766
Social Security/Medicare - Employer Share	9,763	9,763	9,421	(342)	9,673
Other Expenditures:					
Payment Processing Fees	0	0	90	90	5
Grant Projects	0	0	0	0	47,343
Minnesota Surcharge	1,500	1,500	1,762	262	1,828
Insurance Expense	97,400	97,400	97,613	213	95,339
Membership Dues	9,000	9,000	8,975	(25)	9,358
Miscellaneous Expense	5,000	5,000	5,140	140	9,140
Economic Development	5,000	5,000	0	(5,000)	0
Health Insurance	111,367	111,367	105,884	(5,483)	100,677
Unemployment Compensation	0	0	0	0	4
Labor Relations	0	0	486	486	0
Engineering Costs	5,000	5,000	21,995	16,995	2,062
Total General Government	<u>546,525</u>	<u>546,525</u>	<u>542,334</u>	<u>(4,191)</u>	<u>581,744</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, 2021
 (With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Public Safety:					
Police Department:					
FT Hourly Salaries	\$ 187,588	\$ 187,588	\$ 175,176	\$ (12,412)	\$ 169,058
Part-Time Hourly Salaries	38,218	38,218	26,763	(11,455)	33,846
Consulting Fees	12,240	12,240	12,000	(240)	12,000
Legal Expense	6,000	6,000	4,549	(1,451)	4,939
Record Keeping	2,500	2,500	2,448	(52)	2,448
Computer Expense	3,500	3,500	2,893	(607)	2,724
Telephone	3,000	3,000	2,469	(531)	2,424
Travel, Conferences, and Schools	3,500	3,500	2,199	(1,301)	1,220
Equipment Repair	3,500	3,500	2,107	(1,393)	2,409
General Supplies	8,500	8,500	4,808	(3,692)	9,692
Utilities	5,500	5,500	4,501	(999)	4,312
Janitor Service	0	0	2,321	2,321	0
Care of Cats and Dogs	500	500	0	(500)	0
Gas and Oil	11,500	11,500	6,825	(4,675)	7,323
Maintenance and Repairs	6,750	6,750	1,341	(5,409)	2,604
Clothing	3,500	3,500	1,704	(1,796)	2,113
Membership Dues	0	0	120	120	300
Pera - Employer Share	37,259	37,259	31,535	(5,724)	31,739
Social Security/Medicare - Employer Share	6,180	6,180	4,457	(1,723)	4,909
Labor Relation Expense	500	500	0	(500)	0
Towing Fees	500	500	0	(500)	251
Fire Department:					
Salaries	9,000	9,000	9,000	0	9,000
Annual Pay	30,000	30,000	28,625	(1,375)	32,916
Grant Projects	0	0	0	0	11,315
Telephone	1,000	1,000	994	(6)	986
Travel, Conferences, and Schools	8,500	8,500	14,827	6,327	13,526
Equipment Repair	8,500	8,500	7,951	(549)	2,373
General Supplies	13,500	13,500	9,752	(3,748)	14,006
Utilities	6,180	6,180	4,534	(1,646)	5,008
Janitor Sevices	750	750	429	(321)	698
Gas and Oil	1,000	1,000	1,272	272	695
Maintenance and Repairs	6,000	6,000	9,835	3,835	10,093
Property & Liability Insurance	200	200	696	496	158
Fire Relief Pension Expense	44,650	44,650	48,051	3,401	45,172
Rural Fire Department Expenses	25,000	25,000	23,914	(1,086)	15,384
Membership Dues	750	750	285	(465)	923
Social Security/Medicare - Employer Share	3,001	3,001	2,878	(123)	3,207

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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Civil Defense:					
Salaries	\$ 250	\$ 250	\$ 250	\$ 0	\$ 250
Equipment Repair	2,500	2,500	1,360	(1,140)	3,857
Social Security/Medicare - Employer Share	20	20	19	(1)	19
Total Public Safety	<u>501,536</u>	<u>501,536</u>	<u>452,888</u>	<u>(48,648)</u>	<u>463,897</u>
Public Works:					
Streets:					
Salaries	77,060	77,060	77,507	447	77,305
Full-time Hourly Salaries	161,541	161,541	153,519	(8,022)	152,786
Part-time Salaries	13,019	13,019	8,476	(4,543)	12,130
State aid expense	0	0	43,995	43,995	0
Telephone	1,200	1,200	1,196	(4)	998
Travel, Conferences, and Schools	500	500	0	(500)	100
Equipment Repair	24,000	24,000	25,365	1,365	19,958
General Supplies	17,000	17,000	16,765	(235)	16,143
Equipment Rental	5,000	5,000	6,804	1,804	7,532
Utilities	10,500	10,500	7,565	(2,935)	7,630
Vehicle Gas and Oil	22,000	22,000	17,590	(4,410)	17,592
Maintenance and Repairs	172,000	172,000	120,066	(51,934)	127,092
Clothing	1,300	1,300	673	(627)	1,008
Snow Removal	12,000	12,000	4,608	(7,392)	4,726
Pera	18,956	18,956	17,327	(1,629)	17,257
Medicare and Social Security	19,304	19,304	17,783	(1,521)	18,021
Labor Relation	500	500	0	(500)	0
Street Lighting	18,000	18,000	17,974	(26)	17,871
Sanitation:					
Part-time Hourly Salaries	5,000	5,000	2,873	(2,127)	4,650
Refuse Disposal Fees	128,876	128,876	130,593	1,717	125,375
Recycling Fees	49,611	49,611	47,801	(1,810)	47,342
Miscellaneous Expense	0	0	216	216	0
Pera Employer Share	375	375	216	(159)	349
Medicare and Social Security	383	383	220	(163)	356
Weeds:					
General Supplies	5,500	5,500	7,171	1,671	7,087
Insect and Pest Control	300	300	141	(159)	0
Total Public Works	<u>763,925</u>	<u>763,925</u>	<u>726,444</u>	<u>(37,481)</u>	<u>683,308</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, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Budget		2021 Actual Amounts	Over (Under) Final Budget	2020 Actual Amounts
	Original	Final			
Current Expenditures (Continued):					
Parks and Recreation:					
Parks:					
Grant Projects	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,000
Equipment Repairs	1,000	1,000	1,108	108	581
General Supplies	10,000	10,000	9,042	(958)	9,088
Utilities	2,000	2,000	1,490	(510)	1,407
Maintenance and Repairs	3,500	3,500	11,516	8,016	7,556
LCARC Subsidy	196,600	196,600	167,798	(28,802)	163,090
Library:					
Part-time Hourly Salaries	10,694	10,694	6,131	(4,563)	10,433
Telephone	500	500	535	35	377
General supplies	200	200	0	(200)	546
Pera	803	803	460	(343)	782
Medicare and Social Security	822	822	469	(353)	798
Total Parks and Recreation	<u>226,119</u>	<u>226,119</u>	<u>198,549</u>	<u>(27,570)</u>	<u>200,658</u>
Cemetery:					
General Supplies	2,000	2,000	1,988	(12)	1,885
Maintenance and Repairs	10,000	10,000	0	(10,000)	32
Open Graves	2,500	2,500	(325)	(2,825)	1,500
Total Cemetery	<u>14,500</u>	<u>14,500</u>	<u>1,663</u>	<u>(12,837)</u>	<u>3,417</u>
Capital Outlay:					
General Government	0	0	0	0	10,313
Public Safety	0	0	295,825	295,825	1,832
Park and Recreation	0	0	0	0	2,793
Total Capital Outlay	<u>0</u>	<u>0</u>	<u>295,825</u>	<u>295,825</u>	<u>14,938</u>
Total Expenditures	<u>2,052,605</u>	<u>2,052,605</u>	<u>2,217,703</u>	<u>165,098</u>	<u>1,947,962</u>
Excess of Revenues Over (Under) Expenditures	<u>341,578</u>	<u>341,578</u>	<u>858,832</u>	<u>517,254</u>	<u>712,450</u>
Other Financing Sources (Uses):					
Operating Transfers Out	(346,578)	(346,578)	(594,028)	247,450	(460,049)
Sale of Capital Assets	5,000	5,000	8,727	3,727	0
Total Other Financing Sources (Uses)	<u>(341,578)</u>	<u>(341,578)</u>	<u>(585,301)</u>	<u>(243,723)</u>	<u>(460,049)</u>
Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	273,531	<u>\$ 273,531</u>	252,401
Fund Balance - January 1			3,711,189		3,458,788
Fund Balance - December 31			<u>\$ 3,984,720</u>		<u>\$ 3,711,189</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION
ELECTRIC FUND
December 31, 2021
(With Comparative Amounts for December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 540,979	\$ 382,039
Investments	503,395	506,136
Accounts Receivable, Net	302,230	298,954
Interest Receivable	722	2,807
Inventory	193,419	161,586
Prepaid Expenses	44,260	39,477
Total Current Assets	<u>1,585,005</u>	<u>1,390,999</u>
Noncurrent Assets:		
Property and Equipment	6,674,829	6,637,933
Less: Accumulated Depreciation	<u>(4,358,500)</u>	<u>(4,222,776)</u>
Total Assets	<u>3,901,334</u>	<u>3,806,156</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>181,085</u>	<u>68,360</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,082,419</u>	<u>\$ 3,874,516</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 218,603	\$ 212,761
Due to Other Funds	164,762	160,524
Accrued Expenses	15,898	19,051
Current Portion of Long-term Debt	135,000	130,000
Total Current Liabilities	<u>534,263</u>	<u>522,336</u>
Noncurrent Liabilities:		
Compensated Absences	27,594	36,387
Net Pension Liability	209,415	306,993
Bonds Payable, Less Current Portion	332,998	469,497
Total Liabilities	<u>1,104,270</u>	<u>1,335,213</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>211,001</u>	<u>31,867</u>
Net Position:		
Net Investment in Capital Assets	1,848,331	1,815,661
Restricted	144,000	144,000
Unrestricted	774,817	547,775
Total Net Position	<u>2,767,148</u>	<u>2,507,436</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,082,419</u>	<u>\$ 3,874,516</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Revenues					
Charges for Services	\$ 2,939,788	\$ 2,939,788	\$ 2,900,751	\$ (39,037)	\$ 2,843,773
Operating Expenses					
Production:					
Salaries	53,041	53,041	62,006	8,965	53,661
Contracted services	0	0	11,609	11,609	8,600
Power Plant Leave Adjustment	0	0	(1,588)	(1,588)	396
Load management credit	5,500	5,500	5,047	(453)	4,966
Telephone	2,250	2,250	2,398	148	1,817
Travel, Conference, School	2,000	2,000	0	(2,000)	644
Equipment Repair	1,500	1,500	0	(1,500)	133
General Supplies	26,000	26,000	10,092	(15,908)	26,582
Small Equipment	0	0	0	0	10,239
Utilities	24,000	24,000	24,868	868	22,832
Maintenance and Repairs	85,000	85,000	31,379	(53,621)	93,691
Clothing	1,250	1,250	0	(1,250)	170
NSP Power	1,752,738	1,752,738	1,726,070	(26,668)	1,582,990
Fuel Oil	10,000	10,000	0	(10,000)	2,626
Natural Gas	5,250	5,250	5,052	(198)	3,957
Lube Oil	500	500	0	(500)	0
Legal	0	0	6,615	6,615	0
Pera Employer Share	3,978	3,978	4,244	266	4,025
Social Security Medicare	4,057	4,057	4,722	665	3,741
Distribution:					
Salaries	53,041	53,041	62,006	8,965	53,661
FT Hourly Salaries	185,079	185,079	142,890	(42,189)	197,518
Leave Hour Adjustment	0	0	(6,310)	(6,310)	7,527
Telephone	2,500	2,500	2,633	133	2,327
Travel, Conference, School	4,000	4,000	2,512	(1,488)	811
Equipment Repair	12,000	12,000	33,150	21,150	16,181
General Supplies	85,000	85,000	26,486	(58,514)	100,614
Equipment Rental	500	500	0	(500)	1,792
Small Equipment	0	0	2,800	2,800	9,174
Utilities	1,500	1,500	1,188	(312)	918
Gas & Oil	4,200	4,200	5,271	1,071	3,243
Maintenance & Repairs	25,000	25,000	9,629	(15,371)	42,047
Clothing	4,000	4,000	3,692	(308)	3,099
Miscellaneous	0	0	375	375	0
Pera Employer Share	17,859	17,859	14,961	(2,898)	18,838
Social Security Medicare	18,216	18,216	15,903	(2,313)	18,942

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Expenses (Continued)					
Administration:					
Salaries	\$ 21,851	\$ 21,851	\$ 21,863	\$ 12	\$ 21,680
FT Hourly Salaries	43,109	43,109	38,159	(4,950)	39,299
Safety Program Expense	6,500	6,500	6,401	(99)	6,455
Commissioners Salaries	4,650	4,650	4,650	0	4,650
Payment Processing Fees	6,000	6,000	5,693	(307)	5,215
Uncollectable Accounts	3,000	3,000	0	(3,000)	12,648
Electric Admin Leave Adjustment	0	0	(894)	(894)	3,616
CIP Expense	18,000	18,000	2,541	(15,459)	7,515
CIP Commercial	18,000	18,000	24,837	6,837	44,267
CIP Low Income	2,000	2,000	3,706	1,706	1,196
Permits & Licenses	25	25	10	(15)	0
Computer Expense	7,500	7,500	8,930	1,430	7,486
Telephone Expense	1,000	1,000	1,183	183	897
Printing & Telephone	1,250	1,250	1,225	(25)	980
Travel, Conference, School	1,000	1,000	488	(512)	422
Equipment Repair	700	700	585	(115)	736
Professional Services	4,200	4,200	4,180	(20)	3,970
Office Supplies	1,250	1,250	1,424	174	1,323
General Supplies	750	750	352	(398)	414
Small Equipment	60,000	60,000	0	(60,000)	0
Maintenance & Repairs	200	200	0	(200)	0
Property & Liability Insurance	42,000	42,000	40,242	(1,758)	39,079
Postage & Freight	3,500	3,500	3,245	(255)	3,022
Membership Dues	4,200	4,200	3,242	(958)	4,242
Miscellaneous Expense	1,500	1,500	7,180	5,680	1,409
Health Insurance	42,623	42,623	30,654	(11,969)	40,175
Legal	500	500	378	(122)	300
Pera Employer Share	4,873	4,873	(26,387)	(31,260)	27,777
Social Security Medicare	4,969	4,969	5,066	97	5,195
Labor Relations	0	0	1,399	1,399	0
Depreciation	40,000	40,000	158,595	118,595	147,965
Total Operating Expenses	<u>2,735,109</u>	<u>2,735,109</u>	<u>2,558,647</u>	<u>(176,462)</u>	<u>2,729,695</u>
Income (Loss) from Operations	<u>204,679</u>	<u>204,679</u>	<u>342,104</u>	<u>137,425</u>	<u>114,078</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Nonoperating Revenues (Expenses):					
Investment Earnings	\$ (13,500)	\$ (13,500)	\$ 3,265	\$ 16,765	\$ 17,975
Interest and Fiscal Expense	(148,180)	(148,180)	(16,356)	(131,824)	(19,362)
Other Revenues	75,680	75,680	77,555	1,875	74,595
Total Nonoperating Revenues (Expenses)	<u>(86,000)</u>	<u>(86,000)</u>	<u>64,464</u>	<u>(113,184)</u>	<u>73,208</u>
Income Before Transfers	118,679	118,679	406,568	287,889	187,286
Transfers Out	<u>(146,667)</u>	<u>(146,667)</u>	<u>(146,856)</u>	<u>189</u>	<u>(145,065)</u>
Change in Net Position	<u>\$ (27,988)</u>	<u>\$ (27,988)</u>	259,712	<u>\$ 287,700</u>	42,221
Net Position - January 1			<u>2,507,436</u>		<u>2,465,215</u>
Net Position - December 31			<u>\$ 2,767,148</u>		<u>\$ 2,507,436</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION
WATER FUND
December 31, 2021
(With Comparative Amounts for December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 444,785	\$ 635,377
Investments	1,752,934	1,711,092
Accounts Receivable, Net	101,743	84,554
Interest Receivable	7,345	22,173
Inventory	15,134	16,681
Prepaid Expenses	15,116	12,918
Total Current Assets	<u>2,337,057</u>	<u>2,482,795</u>
Noncurrent Assets:		
Property and Equipment	8,862,427	7,786,419
Less: Accumulated Depreciation	<u>(2,618,542)</u>	<u>(2,489,461)</u>
Total Assets	<u>8,580,942</u>	<u>7,779,753</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>108,576</u>	<u>34,288</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,689,518</u>	<u>\$ 7,814,041</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 37,962	\$ 32,260
Due to Other Funds	55,242	50,838
Accrued Expenses	10,953	11,449
Current Portion of Long-term Debt	<u>395,000</u>	<u>340,000</u>
Total Current Liabilities	499,157	434,547
Noncurrent Liabilities:		
Compensated Absences	13,110	31,242
Net Pension Liability	125,562	153,982
Bonds Payable, Less Current Portion	<u>1,539,740</u>	<u>953,701</u>
Total Liabilities	<u>2,177,569</u>	<u>1,573,472</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>126,513</u>	<u>15,984</u>
Net Position:		
Net Investment in Capital Assets	4,309,145	4,003,258
Unrestricted	<u>2,076,291</u>	<u>2,221,327</u>
Total Net Position	<u>6,385,436</u>	<u>6,224,585</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 8,689,518</u>	<u>\$ 7,814,041</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Revenues					
Charges for Services	\$ 1,055,264	\$ 1,055,264	\$ 1,101,185	\$ 45,921	\$ 1,013,926
Operating Expenses					
Production:					
Salaries	66,588	66,588	83,638	17,050	64,161
Full-time Hourly Salaries	85,035	85,035	80,325	(4,710)	86,814
Consulting Fees	500	500	467	(33)	503
Leave Hour Adjustment	0	0	(17,667)	(17,667)	7,846
Telephone	3,350	3,350	3,149	(201)	2,852
Travel, Conferences, and Schools	1,000	1,000	345	(655)	753
Equipment Repair	2,000	2,000	1,000	(1,000)	124
General Supplies	5,000	5,000	7,616	2,616	2,615
Small Equipment	0	0	0	0	6,682
Utilities	138,000	138,000	132,958	(5,042)	135,524
Maintenance and Repairs	15,000	15,000	14,845	(155)	15,518
Water and Chemicals	16,000	16,000	15,167	(833)	15,861
Pera	11,372	11,372	10,739	(633)	11,323
Medicare and Social Security	11,600	11,600	9,842	(1,758)	10,417
Engineering Costs	0	0	1,310	1,310	13,625
Distribution:					
Travel, Conferences, and Schools	0	0	0	0	30
Equipment Repair	500	500	599	99	0
General Supplies	6,500	6,500	5,450	(1,050)	3,467
Utilities	500	500	260	(240)	309
Vehicle Gas and Oil	3,250	3,250	2,468	(782)	1,783
Maintenance and Repairs	40,000	40,000	59,601	19,601	18,488
Clothing	900	900	932	32	450
Engineering fees	5,000	5,000	150	(4,850)	0
Administration:					
Salaries	10,926	10,926	10,932	6	10,840
Full-time Hourly Salaries	21,550	21,550	21,123	(427)	21,673
Safety Program Expense	2,500	2,500	2,221	(279)	2,249
Commissioners Salaries	2,325	2,325	2,325	0	2,325
Payment Processing Fees	2,600	2,600	2,846	246	2,526
Uncollectable Accounts	350	350	0	(350)	701
Water Admin Leave Adjustment	0	0	(464)	(464)	1,761

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Expenses (Continued)					
Administration (Continued):					
Computer Expenses	\$ 4,000	\$ 4,000	\$ 4,415	\$ 415	\$ 3,743
Telephone	400	400	543	143	383
Printing and Publishing	1,250	1,250	1,350	100	1,265
Travel, Conferences, and Schools	250	250	114	(136)	167
Equipment Repair	350	350	274	(76)	345
Professional Services	2,200	2,200	2,090	(110)	1,985
Office Supplies	700	700	673	(27)	621
General Supplies	400	400	143	(257)	197
Small Equipment	25,000	25,000	0	(25,000)	0
Insurance Expense	15,000	15,000	13,770	(1,230)	13,346
Postage and Freight	2,000	2,000	1,838	(162)	1,624
Membership Dues	1,500	1,500	228	(1,272)	2,072
Miscellaneous Expense	9,000	9,000	8,855	(145)	11,589
Health Insurance	47,858	47,858	46,980	(878)	47,845
Legal Fees	250	250	149	(101)	105
Pera	2,436	2,436	10,212	7,776	(9,583)
Medicare and Social Security	2,485	2,485	2,533	48	2,599
Labor Relations	0	0	761	761	0
Engineering costs	0	0	0	0	13,125
Depreciation	40,000	40,000	134,406	94,406	125,818
Total Operating Expenses	<u>607,425</u>	<u>607,425</u>	<u>681,511</u>	<u>74,086</u>	<u>658,466</u>
Income (Loss) from Operations	<u>447,839</u>	<u>447,839</u>	<u>419,674</u>	<u>120,007</u>	<u>355,460</u>
Nonoperating Revenues (Expenses)					
Investment Earnings	(33,000)	(33,000)	29,102	62,102	47,172
Interest and Fiscal Expense	(447,050)	(447,050)	(45,513)	(401,537)	(26,421)
Other Revenues	7,800	7,800	22,547	14,747	12,681
Total Nonoperating Revenues (Expenses)	<u>(472,250)</u>	<u>(472,250)</u>	<u>6,136</u>	<u>(324,688)</u>	<u>33,432</u>
Income Before Transfers and Other Items	(24,411)	(24,411)	425,810	450,221	388,892
Capital Contributions	0	0	(209,717)	209,717	0
Transfers In	0	0	0	0	2,000
Transfers Out	<u>(52,700)</u>	<u>(52,700)</u>	<u>(55,242)</u>	<u>2,542</u>	<u>(121,021)</u>
Change in Net Position	<u>\$ (77,111)</u>	<u>\$ (77,111)</u>	160,851	<u>\$ 662,480</u>	269,871
Net Position - January 1			<u>6,224,585</u>		<u>5,954,714</u>
Net Position - December 31			<u>\$ 6,385,436</u>		<u>\$ 6,224,585</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2021

(With Comparative Amounts for December 31, 2020)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents	\$ 162,720	\$ 176,972
Investments	688,875	684,759
Accounts Receivable, Net	81,805	82,021
Interest Receivable	186	834
Prepaid Expenses	21,115	17,434
Total Current Assets	<u>954,701</u>	<u>962,020</u>
Noncurrent Assets:		
Property and Equipment	7,637,223	6,852,333
Less: Accumulated Depreciation	<u>(3,510,038)</u>	<u>(3,367,844)</u>
Total Assets	<u>5,081,886</u>	<u>4,446,509</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	47,895	15,475
Deferred Amount on Refunding	<u>17,489</u>	<u>20,015</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,147,270</u>	<u>\$ 4,481,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 58,276	\$ 30,544
Due to Other Funds	36,777	35,901
Accrued Expenses	6,718	6,796
Current Portion of Long-term Debt	<u>194,000</u>	<u>157,000</u>
Total Current Liabilities	<u>295,771</u>	<u>230,241</u>
Noncurrent Liabilities:		
Compensated Absences	7,940	14,091
Net Pension Liability	55,388	69,497
Bonds Payable, Less Current Portion	<u>1,242,740</u>	<u>588,274</u>
Total Liabilities	<u>1,601,839</u>	<u>902,103</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>55,808</u>	<u>7,214</u>
Net Position:		
Net Investment in Capital Assets	2,707,933	2,759,231
Unrestricted	<u>781,690</u>	<u>813,451</u>
Total Net Position	<u>3,489,623</u>	<u>3,572,682</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,147,270</u>	<u>\$ 4,481,999</u>

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Revenues					
Charges for Services	\$ 724,386	\$ 724,386	\$ 729,191	\$ 4,805	\$ 712,694
Operating Expenses					
Production:					
Salaries	22,938	22,938	27,691	4,753	21,395
Full-time Salaries	28,353	28,353	26,728	(1,625)	28,906
Leave Hour Adjustment	0	0	(5,889)	(5,889)	2,615
Telephone	3,000	3,000	3,093	93	2,852
Travel, Conferences, and Schools	1,500	1,500	1,295	(205)	1,041
Equipment Repair	1,000	1,000	490	(510)	0
General Supplies	6,500	6,500	6,302	(198)	6,086
Utilities	43,000	43,000	47,173	4,173	43,422
Maintenance and Repairs	22,000	22,000	88,535	66,535	13,656
Water and Chemicals	100,000	100,000	81,690	(18,310)	100,796
Sludge Removal	11,000	11,000	14,848	3,848	10,850
Pera	3,847	3,847	3,562	(285)	3,773
Medicare and Social Security	3,923	3,923	3,264	(659)	3,471
Engineering Costs	6,000	6,000	14,098	8,098	15,708
Distribution:					
Equipment Repair	100	100	0	(100)	0
General Supplies	100	100	97	(3)	8
Utilities	14,500	14,500	10,394	(4,106)	15,856
Vehicle Gas and Oil	3,750	3,750	2,541	(1,209)	1,886
Maintenance and Repairs	65,000	65,000	18,183	(46,817)	19,606
Clothing	250	250	0	(250)	0
Miscellaneous expense	250	250	0	(250)	0
Water and Chemicals	0	0	0	0	492
Engineering Costs	0	0	713	713	0
Administration:					
Salaries	10,926	10,926	10,932	6	10,840
Full-time Hourly Salaries	21,550	21,550	21,117	(433)	21,673
Safety Program Expense	2,500	2,500	2,221	(279)	2,249
Commissioners Salaries	2,325	2,325	2,325	0	2,325
Payment Processing Fees	2,600	2,600	2,846	246	2,526
Uncollectable Accounts	500	500	0	(500)	1,338
Wastewater Admin Leave Adjustment	0	0	(262)	(262)	1,761
Permits and Licenses	0	0	1,450	1,450	0
Computer Expenses	4,000	4,000	4,415	415	3,743
Telephone	400	400	543	143	383

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Expenses (Continued)					
Administration (Continued):					
Printing and Publishing	\$ 550	\$ 550	\$ 621	\$ 71	\$ 537
Travel, Conferences, and Schools	500	500	114	(386)	167
Equipment Repair	350	350	274	(76)	345
Professional Services	2,100	2,100	2,090	(10)	1,985
Office Supplies	600	600	673	73	611
General Supplies	400	400	143	(257)	205
Small Equipment	25,000	25,000	0	(25,000)	0
Insurance Expense	18,000	18,000	19,584	1,584	19,187
Postage and Freight	3,250	3,250	1,827	(1,423)	3,074
Membership Dues	1,100	1,100	1,101	1	1,096
Miscellaneous Expense	1,000	1,000	3,498	2,498	467
Health Insurance	19,201	19,201	19,907	706	19,440
Legal Expense	500	500	19	(481)	55
Pera	2,436	2,436	4,456	2,020	(2,752)
Medicare and Social Security	2,485	2,485	2,533	48	2,598
Labor Relations	0	0	761	761	0
Bonds Paid	35,000	35,000	0	(35,000)	0
Engineering costs	0	0	0	0	8,950
Depreciation	40,000	40,000	147,519	(107,519)	147,197
Total Operating Expenses	<u>534,284</u>	<u>534,284</u>	<u>595,515</u>	<u>(153,807)</u>	<u>542,419</u>
Income (Loss) from Operations	<u>190,102</u>	<u>190,102</u>	<u>133,676</u>	<u>(149,002)</u>	<u>170,275</u>
Nonoperating Revenues (Expenses):					
Investment Earnings	16,000	16,000	7,473	(8,527)	21,327
Interest and Fiscal Expense	(199,073)	(199,073)	(41,751)	(157,322)	(20,551)
Other Revenues	8,900	8,900	11,738	2,838	8,925
Total Nonoperating Revenues (Expenses)	<u>(174,173)</u>	<u>(174,173)</u>	<u>(22,540)</u>	<u>(163,011)</u>	<u>9,701</u>
Income Before Transfers and Other Items	15,929	15,929	111,136	(95,207)	179,976
Capital Contributions	0	0	(157,418)	(157,418)	0
Transfers Out	<u>(36,144)</u>	<u>(36,144)</u>	<u>(36,777)</u>	<u>633</u>	<u>(94,254)</u>
Change in Net Position	<u>\$ (20,215)</u>	<u>\$ (20,215)</u>	<u>(83,059)</u>	<u>\$ (251,992)</u>	<u>85,722</u>
Net Position - January 1			<u>3,572,682</u>		<u>3,486,960</u>
Net Position - December 31			<u>\$ 3,489,623</u>		<u>\$ 3,572,682</u>

CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF NET POSITION
 AMBULANCE FUND
 December 31, 2021

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 170,088	\$ 120,847
Accounts Receivable, Net	74,762	65,151
Prepaid Expenses	7,538	8,478
Total Current Assets	252,388	194,476
Noncurrent Assets:		
Property and Equipment	271,923	264,106
Less: Accumulated Depreciation	(133,614)	(100,858)
Total Noncurrent Assets	138,309	163,248
TOTAL ASSETS	\$ 390,697	\$ 357,724
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 3,815	\$ 2,885
Accrued Expenses	2,467	2,235
Total Current Liabilities	6,282	5,120
Noncurrent Liabilities:		
Compensated Absences	4,397	2,303
Total Liabilities	10,679	7,423
Net Position:		
Net Investment in Capital Assets	138,308	163,248
Unrestricted	241,710	187,053
Total Net Position	380,018	350,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 390,697	\$ 357,724

CITY OF LAKE CRYSTAL, MINNESOTA

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

For the Year Ended December 31, 2021

	Original Budget	Final Budget	2021 Actual Amounts	Over (Under) Final Budget	2020 Amounts
Operating Revenues					
Charges for Services	\$ 140,000	\$ 140,000	\$ 174,001	\$ 34,001	\$ 185,011
Operating Expenses					
Personal Services	144,774	144,774	130,029	(14,745)	110,745
Supplies	30,000	30,000	28,873	(1,127)	44,918
Other Services and Charges	32,000	32,000	35,434	3,434	17,602
Repair and Maintenance	6,500	6,500	5,978	(522)	4,392
Utilities	6,900	6,900	5,374	(1,526)	5,466
Other	2,500	2,500	(2,395)	(4,895)	23,448
Depreciation	0	0	32,757	(32,757)	31,237
Total Operating Expenses	<u>222,674</u>	<u>222,674</u>	<u>236,050</u>	<u>(52,138)</u>	<u>237,808</u>
Income (Loss) from Operations	<u>(82,674)</u>	<u>(82,674)</u>	<u>(62,049)</u>	<u>(18,137)</u>	<u>(52,797)</u>
Nonoperating Revenues (Expenses):					
Investment Earnings	0	0	203	203	74
Interest and Fiscal Expense	0	0	0	0	0
Other Revenues	2,500	2,500	3,473	973	53,700
Total Nonoperating Revenues (Expenses)	<u>2,500</u>	<u>2,500</u>	<u>3,676</u>	<u>1,176</u>	<u>53,774</u>
Income Before Transfers and Other Items	(80,174)	(80,174)	(58,373)	(21,801)	977
Transfers In	90,174	90,174	88,090	(2,084)	0
Capital Contributions	0	0	0	0	194,485
Change in Net Position	<u>\$ 10,000</u>	<u>\$ 10,000</u>	29,717	<u>\$ (23,885)</u>	195,462
Net Position - January 1			<u>350,301</u>		<u>154,839</u>
Net Position - December 31			<u>\$ 380,018</u>		<u>\$ 350,301</u>

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate fund information of the City of Lake Crystal (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2022.

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
June 15, 2022

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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, 2021, 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 deficiency in internal control to be a significant deficiency as item 2021-001.

This communication is intended solely for the information and use of the City Council and management, of the City 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
June 15, 2022

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CITY OF LAKE CRYSTAL, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2021

INTERNAL CONTROL FINDINGS

SIGNIFICANT DEFICIENCIES:

2021-001	<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

2021-002 Deposits and Investments

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

City's response:

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

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