

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF SILVER LAKE, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

<u>TITLE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
MAYOR	Dorothy Butler	12/31/2020
COUNCIL MEMBER	Nolan Johnson	12/31/2020
COUNCIL MEMBER	Brenda Fogarty	12/31/2020
COUNCIL MEMBER	Josh Winfrey	12/31/2022
COUNCIL MEMBER	Chris Penaz	12/31/2022
CITY CLERK/TREASURER	Jon Jerabek	Appointed

SECTION II

FINANCIAL SECTION

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



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 5 through 13 and 50 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Silver Lake, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and summary financial report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and summary financial report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020 on our consideration of City of Silver Lake, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Silver Lake, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Silver Lake, Minnesota's internal control over financial reporting and compliance.

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

May 18, 2020

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

FINANCIAL HIGHLIGHTS

As Management of the City of Silver Lake (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,822,454 (net position). Of this amount, \$1,773,850 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$86,008 as compared to an decrease of \$7,580 the previous year. The governmental activities net position increased during 2019 by \$84,910 and the business-type activities net position increased during 2019 by \$1,098.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,165,705 an increase of \$114,495 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$433,570, or 57.3% of General Fund expenditures of \$757,154.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

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

The Statement of Net Position (on page 14) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 15) provides information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and miscellaneous. The business-type activities of the City include water utility, sewer utility, storm sewer utility and a municipal liquor store.

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

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of nonspendable and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 16) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 18) provide a reconciliation (on pages 17 and 19) to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Ambulance Fund, Fire Fund, and 2013A GO Improvement Bond Fund; all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Water Fund, Sewer Fund and Municipal Liquor Fund; all of which are considered to be major funds of the City. The Surface Water Fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 24 through 49 of this report.

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

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis, the General Fund, Ambulance Fund and Fire Fund Budgetary Comparison, and Pension Schedule (on pages 50 - 66) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 67) includes optional financial information such as combining nonmajor governmental fund statements (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 1,307,582	\$ 1,188,093	\$ 1,006,626	\$ 904,440	\$ 2,314,208	\$ 2,092,533
Capital Assets	<u>1,424,532</u>	<u>1,530,661</u>	<u>2,312,072</u>	<u>2,417,515</u>	<u>3,736,604</u>	<u>3,948,176</u>
Total Assets	<u>2,732,114</u>	<u>2,718,754</u>	<u>3,318,698</u>	<u>3,321,955</u>	<u>6,050,812</u>	<u>6,040,709</u>
Deferred Outflows of						
Resources	<u>194,106</u>	<u>208,091</u>	<u>1,201</u>	<u>16,753</u>	<u>195,307</u>	<u>224,844</u>
Current Liabilities	105,100	44,258	26,337	26,393	131,437	70,651
Long-term Liabilities	<u>903,967</u>	<u>1,028,474</u>	<u>93,075</u>	<u>99,277</u>	<u>997,042</u>	<u>1,127,751</u>
Total Liabilities	<u>1,009,067</u>	<u>1,072,732</u>	<u>119,412</u>	<u>125,670</u>	<u>1,128,479</u>	<u>1,198,402</u>
Deferred Inflows of						
Resources	<u>280,657</u>	<u>302,527</u>	<u>14,529</u>	<u>28,178</u>	<u>295,186</u>	<u>330,705</u>
Net Position						
Net Investment in						
Capital Assets	590,215	805,661	2,310,882	2,417,515	2,901,097	3,223,176
Restricted	147,507	227,555	-	-	147,507	227,555
Unrestricted	<u>898,774</u>	<u>518,370</u>	<u>875,076</u>	<u>767,345</u>	<u>1,773,850</u>	<u>1,285,715</u>
Total Net Position	<u>\$ 1,636,496</u>	<u>\$ 1,551,586</u>	<u>\$ 3,185,958</u>	<u>\$ 3,184,860</u>	<u>\$ 4,822,454</u>	<u>\$ 4,736,446</u>

A large portion of the City's net position (60.1 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

An additional portion of the City's net position, 3.1 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (36.8 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

Changes in Net Position

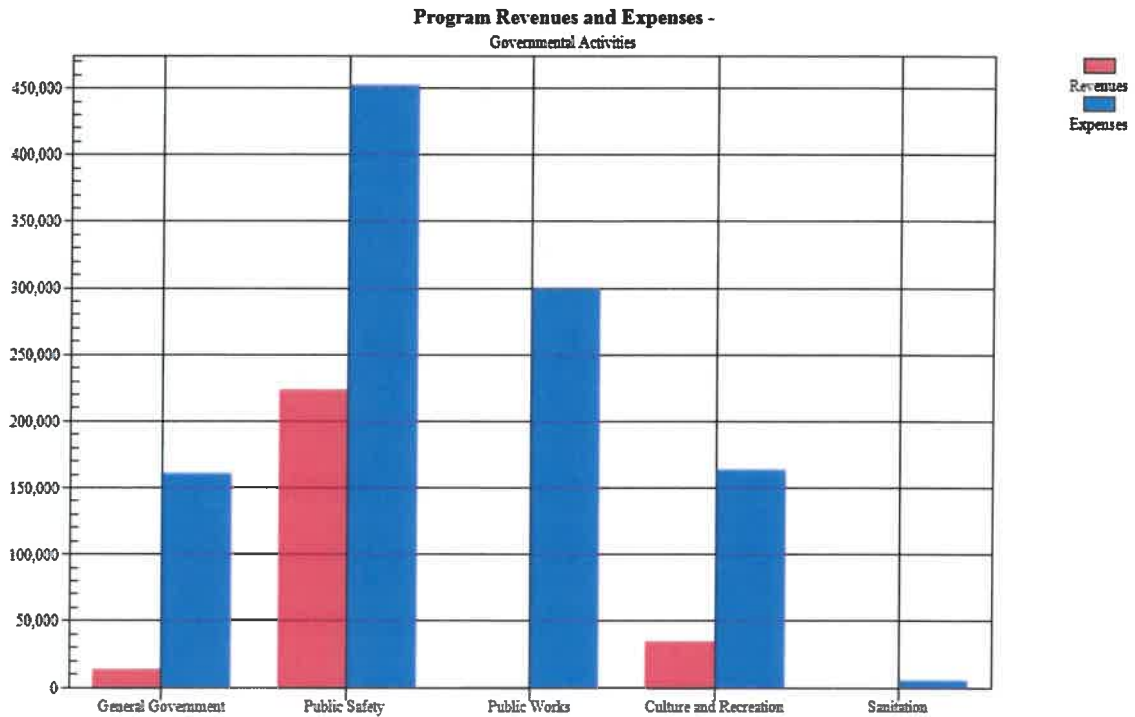
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 232,195	\$ 166,081	\$ 171,624	\$ 539,720	\$ 403,819	\$ 705,801
Contributions	40,513	-	-	-	40,513	-
Operating Grants and Contributions	-	132,299	-	-	-	132,299
Sales	13,357	-	665,437	-	678,794	-
General Revenues:						
Taxes and Assessments	536,261	516,497	1,000	-	537,261	516,497
Intergovernmental Revenue	255,014	234,464	-	-	255,014	234,464
Interest Income	1,833	1,707	7,219	6,251	9,052	7,958
Rental Income	-	-	24,689	-	24,689	-
Miscellaneous Income	35,323	6,460	7,160	8,471	42,483	14,931
Sale of Assets	-	28,810	-	-	-	28,810
Total Revenues	<u>1,114,496</u>	<u>1,086,318</u>	<u>877,129</u>	<u>554,442</u>	<u>1,991,625</u>	<u>1,640,760</u>
<u>Expenses</u>						
General Government	160,256	168,601	-	-	160,256	168,601
Public Safety	451,969	441,224	-	-	451,969	441,224
Public Works	299,578	318,235	-	-	299,578	318,235
Culture and Recreation	163,422	162,528	-	-	163,422	162,528
Sanitation	5,063	4,408	-	-	5,063	4,408
Economic Development	-	7,884	-	-	-	7,884
Interest on Long-Term Debt	-	23,903	-	-	-	23,903
Water	-	-	96,316	104,181	96,316	104,181
Sewer	-	-	151,021	116,291	151,021	116,291
Storm Sewer	-	-	33,138	45,229	33,138	45,229
Municipal Liquor Store	-	-	544,854	255,856	544,854	255,856
Total Expenses	<u>1,080,288</u>	<u>1,126,783</u>	<u>825,329</u>	<u>521,557</u>	<u>1,905,617</u>	<u>1,648,340</u>
Transfers	<u>50,702</u>	<u>40,770</u>	<u>(50,702)</u>	<u>(40,770)</u>	<u>-</u>	<u>-</u>
Change in Net Position	84,910	305	1,098	(7,885)	86,008	(7,580)
Net Position Beginning	<u>1,551,586</u>	<u>1,551,281</u>	<u>3,184,860</u>	<u>3,192,745</u>	<u>4,736,446</u>	<u>4,744,026</u>
Net Position Ending	<u>\$ 1,636,496</u>	<u>\$ 1,551,586</u>	<u>\$ 3,185,958</u>	<u>\$ 3,184,860</u>	<u>\$ 4,822,454</u>	<u>\$ 4,736,446</u>

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

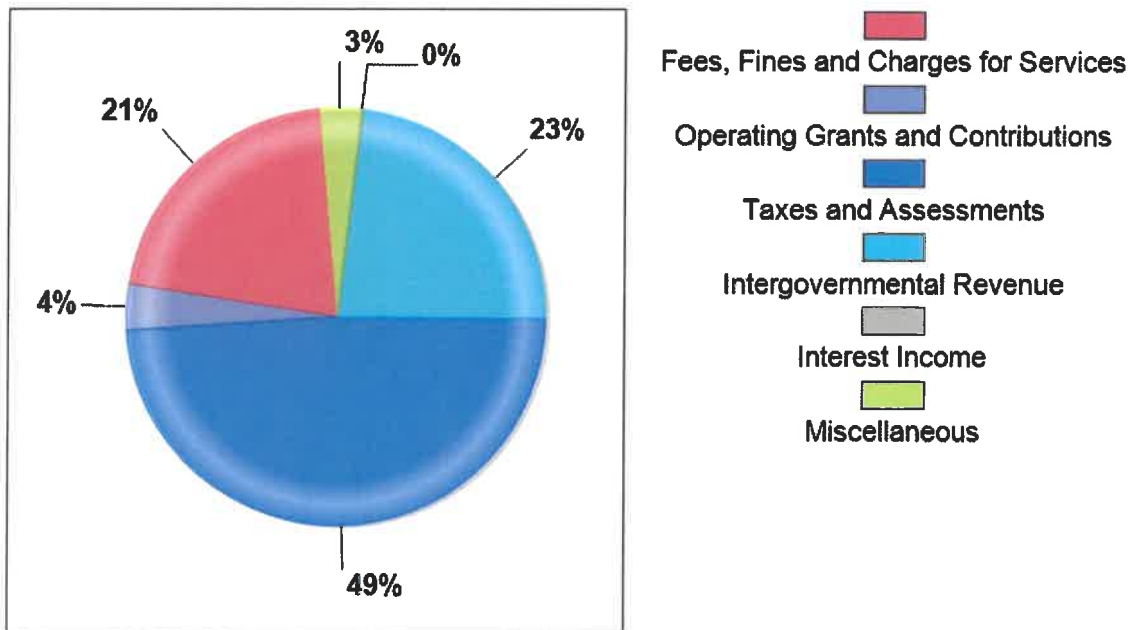
THE CITY AS A WHOLE (Cont.)

Governmental Activities

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



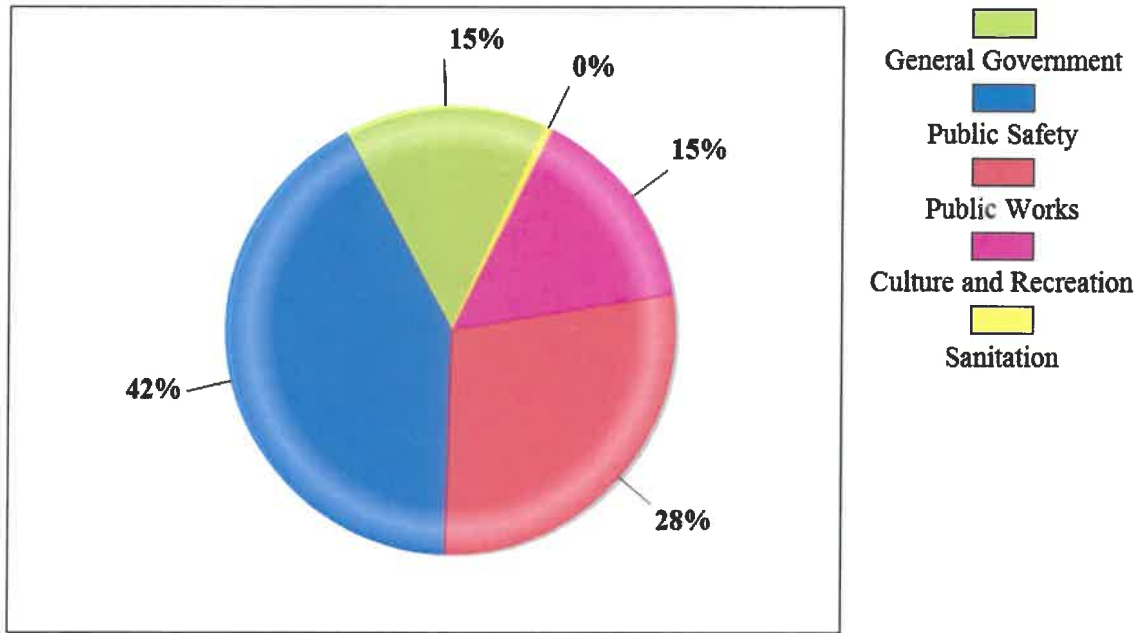
Sources of Funds in Governmental Activities



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

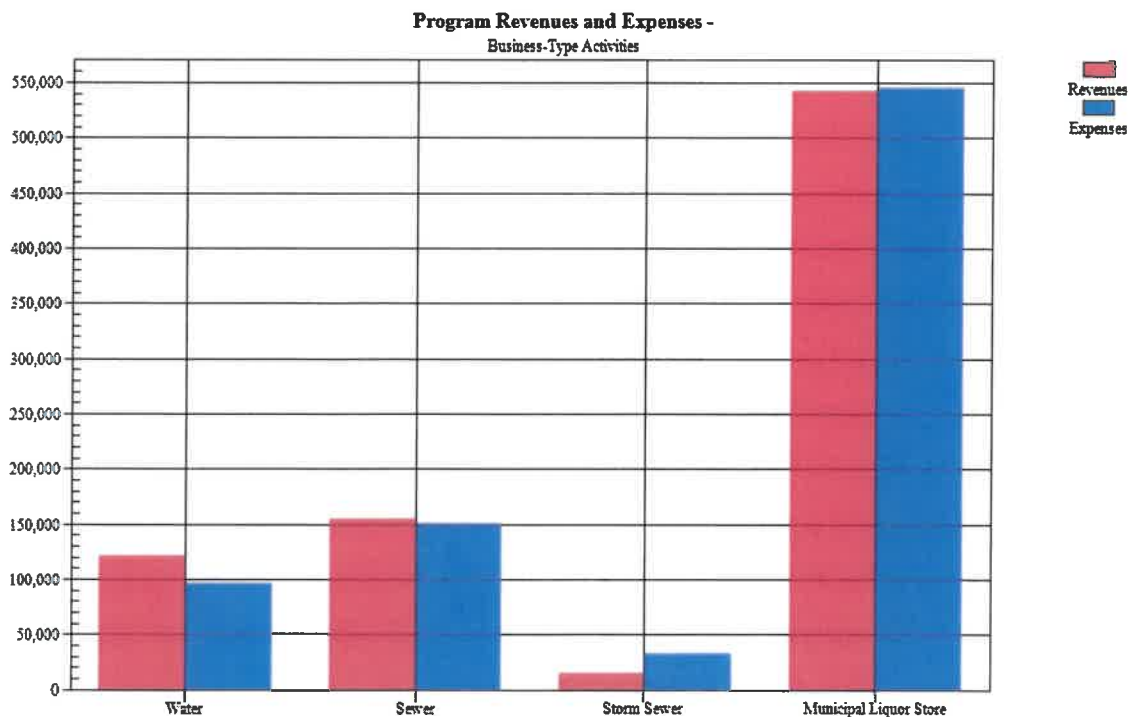
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

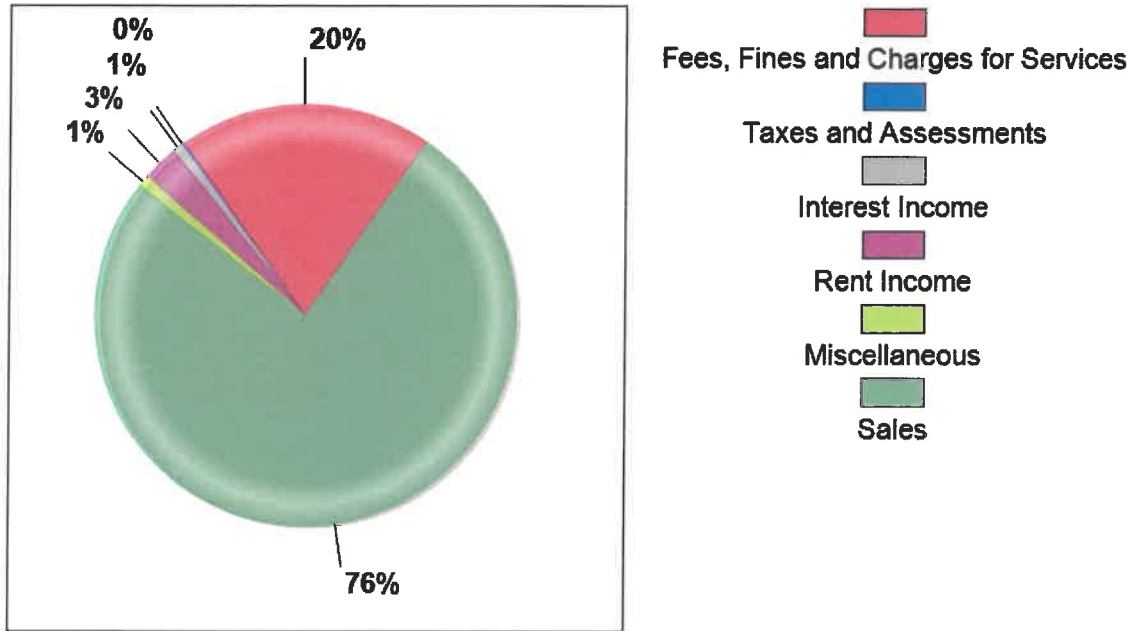
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



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

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,165,705 an increase of \$114,495 in comparison with the prior year. The fund balance is broke down into five categories, \$9,971 is nonspendable to offset prepaid expenses and inventories, \$147,507 is restricted for future debt service payments, \$463,366 is committed for specific purposes, \$114,068 is assigned for specific purposes, and \$430,793 is unassigned.

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 \$496,728, of which \$7,937 is nonspendable to offset prepaid expenses and inventories. An additional \$55,221 has been committed for economic development of the City and the remaining fund balance of \$433,570 is unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 57.3 percent of the General Fund expenditures. The fund balance of the City's General Fund increased by \$8,699 during 2019.

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

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Cont.)

The change in the City's special revenue fund balances was an increase of \$118,013. The Ambulance Special Revenue Fund increased by \$70,230. Committed fund balance for the Ambulance Fund was \$217,117 and nonspendable fund balance was \$614. The Fire Special Revenue Fund increased \$47,783. Committed fund balance for the Fire Fund was \$191,028 and nonspendable fund balance was \$1,420.

The 2013A GO Improvement Bond Debt Service Fund had \$147,507 of restricted fund balance at the end of 2019. The fund balance increased by \$1,563 during 2019.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$875,076. The total increase in net position of the funds was \$1,098. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues in excess of expenditures in the amount of \$3,000. Revenues were over budget by \$8,984 and expenditures came in over budget by \$8,687 during 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$3,736,606 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 10.0 percent (an 6.9 percent decrease for governmental activities and a 11.9 percent decrease for business-type activities). The decrease was due to depreciation exceeding capital outlay.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ -	\$ -	\$ 181,323	\$ 181,323	\$ 181,323	\$ 181,323
Construction in Progress	2,777	-	-	-	2,777	-
Buildings	494,586	494,586	192,159	192,159	686,745	686,745
Infrastructure and Improvements	2,069,449	2,069,452	3,978,837	3,978,837	6,048,286	6,048,289
Machinery and Equipment	<u>1,467,790</u>	<u>1,434,271</u>	<u>633,139</u>	<u>608,899</u>	<u>2,100,929</u>	<u>2,043,170</u>
Subtotal	4,034,602	3,998,309	4,985,458	4,961,218	9,020,060	8,959,527
Less: Accumulated Depreciation	<u>2,610,070</u>	<u>2,467,648</u>	<u>2,673,384</u>	<u>2,543,703</u>	<u>5,283,454</u>	<u>5,011,351</u>
Total	<u>\$ 1,424,532</u>	<u>\$ 1,530,661</u>	<u>\$ 2,312,074</u>	<u>\$ 2,417,515</u>	<u>\$ 3,736,606</u>	<u>\$ 3,948,176</u>

The major additions in the governmental activities included fire equipment purchases and public works vehicle purchase. The major addition in the business-type activities included the purchase of a pump for the water department.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Cont.)

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$668,000.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
G.O. Improvement						
Bonds	\$ <u>668,000</u>	\$ <u>725,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>668,000</u>	\$ <u>725,000</u>
Total	\$ <u>668,000</u>	\$ <u>725,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>668,000</u>	\$ <u>725,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Silver Lake's appointed and elected officials considered many factors when setting the fiscal year 2020 budget, rates, and fees that will be charged by the funds of the City. The major factors accounted for when adopting the General Fund Budget was to hold all items as much as possible to the 2019 final budget.

During 2020 the City increased water, sewer and storm sewer user charges. The increase in rates was to offset future expenses related to the Infrastructure Improvement Project. The City is in the early stages working with the City engineer on infrastructure needs of the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Silver Lake, 308 Main Street West, Silver Lake, MN 55381, phone 320-327-2412, email: silver.lake.mn@mchsi.com.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,177,854	\$ 826,045	\$ 2,003,899
Receivables:			
Accounts Receivable	45,602	35,939	81,541
Property Taxes Receivable	9,192	-	9,192
Special Assessments Receivable	84,470	-	84,470
Interest Receivable	429	391	820
Due from Other Governments	2,867	-	2,867
Land Held for Resale	39,500	-	39,500
Internal Balance	(72,005)	72,005	-
Prepaid Expense	9,301	5,428	14,729
Inventory	670	66,816	67,486
Capital Assets:			
Nondepreciable:			
Land	-	181,323	181,323
Construction in Progress	2,777	-	2,777
Depreciable, Net of Accumulated Depreciation:			
Buildings	71,475	30,071	101,546
Infrastructure and Improvements	1,007,015	1,941,287	2,948,302
Machinery and Equipment	343,265	159,393	502,658
Net Pension Asset	9,702	-	9,702
TOTAL ASSETS	<u>2,732,114</u>	<u>3,318,698</u>	<u>6,050,812</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	194,106	1,201	195,307
LIABILITIES			
Accounts Payable	22,012	12,928	34,940
Taxes Payable	-	3,761	3,761
Sales Tax Payable	1,063	-	1,063
Accrued Interest	7,588	-	7,588
Accrued Payroll	14,537	6,622	21,159
Deposits	900	-	900
Noncurrent liabilities:			
Due within one year	59,000	-	59,000
Compensated Absences	20,424	3,026	23,450
Net Pension Liability	274,543	93,075	367,618
Due in more than one year	609,000	-	609,000
TOTAL LIABILITIES	<u>1,009,067</u>	<u>119,412</u>	<u>1,128,479</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	280,657	14,529	295,186
NET POSITION			
Net Investment in Capital Assets	590,215	2,310,882	2,901,097
Restricted	147,507	-	147,507
Unrestricted	898,774	875,076	1,773,850
TOTAL NET POSITION	<u>\$ 1,636,496</u>	<u>\$ 3,185,958</u>	<u>\$ 4,822,454</u>

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

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs Primary Government	Program Revenues			Net Sources (Uses) and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 160,256	\$ 14,295	\$ -	\$ -	\$ (145,961)	\$ -	\$ (145,961)
Public Safety	451,969	183,255	40,513	-	(228,201)	-	(228,201)
Public Works	299,578	73	-	-	(299,505)	-	(299,505)
Culture and Recreation	163,422	34,572	-	13,357	(115,493)	-	(115,493)
Sanitation	5,063	-	-	-	(5,063)	-	(5,063)
Total Governmental Activities	<u>1,080,288</u>	<u>232,195</u>	<u>40,513</u>	<u>13,357</u>	<u>(794,223)</u>	<u>-</u>	<u>(794,223)</u>
Business-Type Activities:							
Water	96,316	-	-	122,071	-	25,755	25,755
Sewer	151,021	155,593	-	-	-	4,572	4,572
Storm Sewer	33,138	16,031	-	-	-	(17,107)	(17,107)
Municipal Liquor Store	544,854	-	-	543,366	-	(1,488)	(1,488)
Total Business-Type Activities:	<u>825,329</u>	<u>171,624</u>	<u>-</u>	<u>665,437</u>	<u>-</u>	<u>11,732</u>	<u>11,732</u>
Total Primary Government	<u>\$ 1,905,617</u>	<u>\$ 403,819</u>	<u>\$ 40,513</u>	<u>\$ 678,794</u>	<u>(794,223)</u>	<u>11,732</u>	<u>(782,491)</u>
General Revenues:							
Taxes and Assessments					536,261	1,000	537,261
Intergovernmental Revenue					255,014	-	255,014
Interest Income					1,833	7,219	9,052
Rent Income					-	24,689	24,689
Miscellaneous					35,323	7,160	42,483
Transfers					50,702	(50,702)	-
Total General Revenues					<u>879,133</u>	<u>(10,634)</u>	<u>868,499</u>
Changes in Net Position					84,910	1,098	86,008
Net Position - January 1					1,551,586	3,184,860	4,736,446
Net Position - December 31					<u>\$ 1,636,496</u>	<u>\$ 3,185,958</u>	<u>\$ 4,822,454</u>

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

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

	General Fund	Ambulance Fund	Fire Fund	2013A GO Improvement Bond	Nonmajor Governmental Fund	Total
ASSETS:						
Cash and Investments	\$ 511,130	\$ 201,148	\$ 170,088	\$ 146,864	\$ 148,624	\$1,177,854
Accounts Receivable	1,577	20,484	23,541	-	-	45,602
Property Taxes Receivable	7,965	-	-	1,227	-	9,192
Special Assessments Receivable	5,129	-	-	79,341	-	84,470
Interest Receivable	5	63	245	-	116	429
Due from Other Governments	2,223	-	-	644	-	2,867
Land Held for Resale	-	-	-	-	39,500	39,500
Prepaid Expense	7,267	614	1,420	-	-	9,301
Inventory	670	-	-	-	-	670
Due from Other Funds	4,944	-	-	-	-	4,944
Total Assets	<u>\$ 540,910</u>	<u>\$ 222,309</u>	<u>\$ 195,294</u>	<u>\$ 228,076</u>	<u>\$ 188,240</u>	<u>\$1,374,829</u>
LIABILITIES:						
Accounts Payable	\$ 18,701	\$ 559	\$ 2,752	\$ -	\$ -	\$ 22,012
Sales Tax Payable	1,063	-	-	-	-	1,063
Accrued Payroll	10,424	4,019	94	-	-	14,537
Due to Other Funds	-	-	-	-	76,949	76,949
Deposits	900	-	-	-	-	900
Total Liabilities	<u>31,088</u>	<u>4,578</u>	<u>2,846</u>	<u>-</u>	<u>76,949</u>	<u>115,461</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	13,094	-	-	80,569	-	93,663
Total Deferred Inflows of Resources	<u>13,094</u>	<u>-</u>	<u>-</u>	<u>80,569</u>	<u>-</u>	<u>93,663</u>
FUND BALANCES:						
Nonspendable	7,937	614	1,420	-	-	9,971
Restricted	-	-	-	147,507	-	147,507
Committed	55,221	217,117	191,028	-	-	463,366
Assigned	-	-	-	-	114,068	114,068
Unassigned (Deficit)	433,570	-	-	-	(2,777)	430,793
Total Fund Balances	<u>496,728</u>	<u>217,731</u>	<u>192,448</u>	<u>147,507</u>	<u>111,291</u>	<u>1,165,705</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 540,910</u>	<u>\$ 222,309</u>	<u>\$ 195,294</u>	<u>\$ 228,076</u>	<u>\$ 188,240</u>	<u>\$1,374,829</u>

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

Total Governmental Fund Balances	\$ 1,165,705
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,424,531
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	93,664
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(696,012)
Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in governmental activities are not current financial resources and therefore not reported in the governmental funds.	<u>(351,392)</u>
Net Position of Governmental Activities	<u>\$ 1,636,496</u>

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

	General Fund	Ambulance Fund	Fire Fund	2013A GO Improvement Bond	Nonmajor Governmental Fund	Total
REVENUES						
Taxes	\$ 505,912	\$ -	\$ -	\$ 37,618	\$ -	\$ 543,530
Licenses and Permits	10,242	-	2,450	-	-	12,692
Intergovernmental Revenue	253,024	1,100	39,413	-	-	293,537
Charges for Services	38,918	116,512	50,881	-	469	206,780
Fines and Forfeits	12,723	-	-	-	-	12,723
Interest Income	483	371	451	99	434	1,838
Miscellaneous	24,932	7,185	1,769	-	1,437	35,323
Operating Revenues	<u>13,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,357</u>
Total Revenues	<u>859,591</u>	<u>125,168</u>	<u>94,964</u>	<u>37,717</u>	<u>2,340</u>	<u>1,119,780</u>
EXPENDITURES						
Current Operations:						
General Government	152,462	-	-	-	-	152,462
Public Safety	254,062	111,616	71,274	-	141	437,093
Public Works	189,185	-	-	-	-	189,185
Culture and Recreation	156,382	-	-	-	-	156,382
Sanitation	5,063	-	-	-	-	5,063
Debt Service:						
Principal Payments	-	-	-	57,000	-	57,000
Interest Payments	-	-	-	19,154	3,351	22,505
Capital Outlay	<u>-</u>	<u>-</u>	<u>15,847</u>	<u>-</u>	<u>20,450</u>	<u>36,297</u>
Total Expenditures	<u>757,154</u>	<u>111,616</u>	<u>87,121</u>	<u>76,154</u>	<u>23,942</u>	<u>1,055,987</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES						
	102,437	13,552	7,843	(38,437)	(21,602)	63,793
OTHER FINANCING SOURCES (USES)						
Transfer In	15,702	56,678	44,940	40,000	54,500	211,820
Transfer Out	<u>(109,440)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(46,678)</u>	<u>(161,118)</u>
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES						
	8,699	70,230	47,783	1,563	(13,780)	114,495
FUND BALANCES -						
January 1	<u>488,029</u>	<u>147,501</u>	<u>144,665</u>	<u>145,944</u>	<u>125,071</u>	<u>1,051,210</u>
FUND BALANCES -						
December 31	<u>\$ 496,728</u>	<u>\$ 217,731</u>	<u>\$ 192,448</u>	<u>\$ 147,507</u>	<u>\$ 111,291</u>	<u>\$1,165,705</u>

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

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

Net Change in Fund Balances - Total Governmental Funds	\$ 114,495
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	40,566
Depreciation Expense	(146,696)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(7,268)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	719
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.	
Principal Repayments	57,000
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	4,866
Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>21,228</u>
Change in Net Position of Governmental Activities	<u>\$ 84,910</u>

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Sewer Fund</u>	<u>Municipal Liquor Fund</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and Investments	\$ 358,163	\$ 263,380	\$ -	\$ 204,502	\$ 826,045
Accounts Receivable	13,554	15,311	1,415	5,659	35,939
Interest Receivable	245	82	-	64	391
Due from Other Funds	74,172	667	-	-	74,839
Prepaid Expense	260	358	-	4,810	5,428
Inventory	-	-	-	66,816	66,816
Total Current Assets	<u>446,394</u>	<u>279,798</u>	<u>1,415</u>	<u>281,851</u>	<u>1,009,458</u>
NONCURRENT ASSETS					
Capital Assets:					
Land	-	175,523	-	5,800	181,323
Buildings	-	12,835	-	179,324	192,159
Infrastructure and Improvements	817,298	2,378,818	733,444	49,277	3,978,837
Machinery and Equipment	<u>340,926</u>	<u>191,208</u>	<u>-</u>	<u>101,005</u>	<u>633,139</u>
Total Capital Assets	1,158,224	2,758,384	733,444	335,406	4,985,458
Less: Accumulated Depreciation	<u>695,980</u>	<u>1,556,797</u>	<u>149,926</u>	<u>270,681</u>	<u>2,673,384</u>
Net Capital Assets	<u>462,244</u>	<u>1,201,587</u>	<u>583,518</u>	<u>64,725</u>	<u>2,312,074</u>
TOTAL ASSETS	<u>908,638</u>	<u>1,481,385</u>	<u>584,933</u>	<u>346,576</u>	<u>3,321,532</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to Pensions	<u>375</u>	<u>431</u>	<u>-</u>	<u>395</u>	<u>1,201</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 909,013</u>	<u>\$ 1,481,816</u>	<u>\$ 584,933</u>	<u>\$ 346,971</u>	<u>\$ 3,322,733</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	\$ 1,815	\$ 1,317	\$ -	\$ 9,796	\$ 12,928
Taxes Payable	92	-	-	3,669	3,761
Due to Other Funds	-	-	2,834	-	2,834
Accrued Payroll	<u>229</u>	<u>579</u>	<u>-</u>	<u>5,814</u>	<u>6,622</u>
Total Current Liabilities	<u>2,136</u>	<u>1,896</u>	<u>2,834</u>	<u>19,279</u>	<u>26,145</u>
LONG-TERM LIABILITIES					
Compensated Absences	407	606	372	1,641	3,026
Net Pension Liability	<u>4,005</u>	<u>4,323</u>	<u>-</u>	<u>84,747</u>	<u>93,075</u>
Total Long-Term Liabilities	<u>4,412</u>	<u>4,929</u>	<u>372</u>	<u>86,388</u>	<u>96,101</u>
TOTAL LIABILITIES	<u>6,548</u>	<u>6,825</u>	<u>3,206</u>	<u>105,667</u>	<u>122,246</u>
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	<u>517</u>	<u>610</u>	<u>-</u>	<u>13,402</u>	<u>14,529</u>
NET POSITION					
Net Investment in Capital Assets	462,244	1,201,587	581,727	65,324	2,310,882
Unrestricted	<u>439,704</u>	<u>272,794</u>	<u>-</u>	<u>162,578</u>	<u>875,076</u>
Total Net Position	<u>901,948</u>	<u>1,474,381</u>	<u>581,727</u>	<u>227,902</u>	<u>3,185,958</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	<u>\$ 909,013</u>	<u>\$ 1,481,816</u>	<u>\$ 584,933</u>	<u>\$ 346,971</u>	<u>\$ 3,322,733</u>

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Sewer Fund</u>	<u>Municipal Liquor Fund</u>	<u>Total</u>
OPERATING REVENUES					
Sales	\$ 122,071	\$ -	\$ -	\$ 543,366	\$ 665,437
Charges for Services	-	155,593	16,031	-	171,624
Total Operating Revenues	<u>122,071</u>	<u>155,593</u>	<u>16,031</u>	<u>543,366</u>	<u>837,061</u>
COST OF SALES					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,041</u>	<u>289,041</u>
GROSS PROFIT					
	<u>122,071</u>	<u>155,593</u>	<u>16,031</u>	<u>254,325</u>	<u>548,020</u>
OPERATING EXPENSES					
Salaries	5,868	8,845	2,355	158,761	175,829
Advertising	-	-	-	10,987	10,987
Depreciation	43,113	60,019	18,366	8,783	130,281
Contracted Services	24,494	34,103	122	2,416	61,135
Insurance	1,233	1,770	-	6,949	9,952
Permits, Testing and Fees	423	2,365	-	1,211	3,999
Professional Services	4,619	4,200	-	13,912	22,731
Repairs, Maintenance and Supplies	6,857	26,603	12,236	14,401	60,097
Supplies	1,154	1,951	59	9,961	13,125
Telephone	761	765	-	-	1,526
Training and Travel	331	331	-	656	1,318
Utilities	5,600	9,890	-	18,368	33,858
Miscellaneous	1,863	179	-	3,805	5,847
Rentals	-	-	-	3,244	3,244
Total Operating Expenses	<u>96,316</u>	<u>151,021</u>	<u>33,138</u>	<u>253,454</u>	<u>533,929</u>
NET OPERATING INCOME (LOSS)					
	<u>25,755</u>	<u>4,572</u>	<u>(17,107)</u>	<u>871</u>	<u>14,091</u>
NON OPERATING INCOME AND EXPENSE					
Interest Income	5,668	932	(17)	636	7,219
Taxes and Special Assessments	1,000	-	-	-	1,000
Rent Income	-	8,471	-	16,218	24,689
Miscellaneous Income	2,857	-	-	4,303	7,160
Cash Over/Short	-	-	-	(2,359)	(2,359)
Net Non Operating Income and Expense	<u>9,525</u>	<u>9,403</u>	<u>(17)</u>	<u>18,798</u>	<u>37,709</u>
INCOME (LOSS) BEFORE TRANSFERS					
	35,280	13,975	(17,124)	19,669	51,800
Transfer Out	<u>(35,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(10,702)</u>	<u>(50,702)</u>
CHANGE IN NET POSITION					
	280	8,975	(17,124)	8,967	1,098
NET POSITION - January 1					
	<u>901,668</u>	<u>1,465,406</u>	<u>598,851</u>	<u>218,935</u>	<u>3,184,860</u>
NET POSITION - December 31					
	<u>\$ 901,948</u>	<u>\$ 1,474,381</u>	<u>\$ 581,727</u>	<u>\$ 227,902</u>	<u>\$ 3,185,958</u>

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

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Sewer Fund</u>	<u>Municipal Liquor Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 121,556	\$ 161,116	\$ 16,056	\$ 541,055	\$ 839,783
Payments to Vendors	(46,806)	(82,049)	(12,417)	(384,767)	(526,039)
Payments to Employees	(6,397)	(8,920)	(2,020)	(158,585)	(175,922)
Other Receipts and Payments	<u>2,857</u>	<u>-</u>	<u>-</u>	<u>1,944</u>	<u>4,801</u>
Net Cash Provided (Used) By Operating Activities	<u>71,210</u>	<u>70,147</u>	<u>1,619</u>	<u>(353)</u>	<u>142,623</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to Other Funds	(35,000)	(5,000)	-	(10,702)	(50,702)
Due to (from) Other Funds	13,167	-	2,167	-	15,334
Rental Income	<u>-</u>	<u>8,471</u>	<u>-</u>	<u>16,218</u>	<u>24,689</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(21,833)</u>	<u>3,471</u>	<u>2,167</u>	<u>5,516</u>	<u>(10,679)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(24,240)	-	-	-	(24,240)
Taxes and Special Assessments Collected	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Net Cash Used By Capital and Related Financing Activities	<u>(23,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	<u>5,508</u>	<u>878</u>	<u>(17)</u>	<u>605</u>	<u>6,974</u>
Net Cash Provided (Used) By Investing Activities	<u>5,508</u>	<u>878</u>	<u>(17)</u>	<u>605</u>	<u>6,974</u>
NET INCREASE IN CASH	31,645	74,496	3,769	5,768	115,678
CASH AND CASH EQUIVALENTS - January 1	<u>326,518</u>	<u>188,884</u>	<u>(3,769)</u>	<u>198,734</u>	<u>710,367</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 358,163</u>	<u>\$ 263,380</u>	<u>\$ -</u>	<u>\$ 204,502</u>	<u>\$ 826,045</u>

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

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Sewer Fund</u>	<u>Municipal Liquor Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating Income (Loss)	\$ 25,755	\$ 4,572	\$ (17,107)	\$ 871	\$ 14,091
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities					
Depreciation	43,113	60,019	18,366	8,783	130,281
Noncash Pension Expense	(472)	(472)	-	383	(561)
Changes in Assets and Liabilities					
Accounts Receivable	(515)	5,523	25	(2,310)	2,723
Inventory	-	-	-	(1,076)	(1,076)
Prepaid Items	6	32	-	(3,880)	(3,842)
Accounts Payable	521	76	-	402	999
Taxes Payable	2	-	-	(5,263)	(5,261)
Accrued Compensated Absences	(46)	115	335	(1,116)	(712)
Accrued Payroll	(11)	282	-	909	1,180
Other Receipts and Payments	<u>2,857</u>	<u>-</u>	<u>-</u>	<u>1,944</u>	<u>4,801</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 71,210</u>	<u>\$ 70,147</u>	<u>\$ 1,619</u>	<u>\$ (353)</u>	<u>\$ 142,623</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Silver Lake (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: general government, public safety, public works, public health and welfare, culture, recreation, waterworks, sanitary sewer services, surface water, and municipal liquor sales.

The financial statements of the City of Silver Lake, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) sales. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year which the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

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 unavailable revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- Ambulance Special Revenue Fund - This is used to account for the operations of the ambulance service; financing is provided by ambulance charges, township contracts for service and interest income.
- Fire Special Revenue Fund - This is used to account for the operations of the fire department; financing is provided by fire contract revenue, interest income and state fire aid.
- G.O. Improvement Bonds of 2013 Debt Service Fund - This is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The City reports the following major proprietary funds:

- Water Fund - This fund is used to account for the costs associated with the City's water system and insures that user charges are sufficient to pay for those costs.
- Sewer Fund - This fund is used to account for the costs associated with the City's sewer system and insures that user charges are sufficient to pay for those costs.
- Municipal Liquor - This fund is used to account for the costs associated with the City's municipal liquor store and insures that user charges are sufficient to pay for those costs.
- Storm Sewer Fund - This fund is used to account for the costs associated with the City's storm sewer system and insures that the user charges are sufficient to pay these costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Use of Estimates

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

E. Restricted Assets

Certain funds of the City are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

G. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

H. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Property Taxes (Cont.)

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

I. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

J. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash during the year or within 60 days after year end. All governmental special assessments receivable are offset by an unearned revenue liability in the fund financial statements.

K. Inventories

Inventories of the Municipal Liquor Store are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

L. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

M. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

N. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and proprietary fund types in the fund financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, and proprietary fund types in the fund financial statements.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Capital Assets (Cont.)

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

Capital Assets are depreciated using the straight line method over the following estimated useful lives: buildings 15 to 40 years; infrastructure and improvements 15 to 40 years, and machinery and equipment 5 to 10 years

O. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary fund Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and compensatory time.

Full-time, permanent City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Employees are entitled to paid sick leave at the rate of one day per month up to a total of 480 hours. Employees are not compensated for unused sick leave upon termination of employment. Sick pay is recorded as an expenditure when payment is made.

P. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Long-term Obligations (Cont.)

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

S. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. Fund Equity (Cont.)

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

T. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

U. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

In July of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2019.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 248,301	\$ 254,062	\$ (5,761)
Public Works	\$ 188,332	\$ 189,185	\$ (853)
Culture and Recreation	\$ 154,417	\$ 156,382	\$ (1,965)
Sanitation	\$ 2,500	\$ 2,704	\$ (204)

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$1,995,339 and the bank balance was \$2,025,939 including certificates of deposits of \$369,941. Of the bank balance, \$250,000 was covered by federal depository insurance. Of the remaining balance, \$1,775,939 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts other than certificates of deposit listed above.

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$8,560.

D. Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Total Deposits	\$	1,995,339
Total Cash on Hand		<u>8,560</u>
	\$	<u>2,003,899</u>
Statement of Net Position		
Cash and Cash Investments	\$	<u>2,003,899</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

4. DUE TO AND FROM OTHER FUNDS

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 4,944	\$ -
Nonmajor Governmental Funds	-	76,949
Water Fund	74,172	-
Sewer Fund	667	-
Storm Sewer Fund	-	2,834
	<u>\$ 79,783</u>	<u>\$ 79,783</u>

The Water Fund advanced \$74,172 to the Capital Project Fund to cover project costs. The advance will be repayed over 15 years with interest at 4.0%. All other interfund balances are for cash flow purposes and will be liquidated through available cash funds.

5. UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent taxes receivable	\$ 7,965	\$ -
Special assessments receivable	7	5,122
2013 A GO Improvement Bond		
Delinquent taxes receivable	1,227	-
Special Assessments Receivable	<u>743</u>	<u>78,599</u>
Total	<u>\$ 9,942</u>	<u>\$ 83,721</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. TRANSFERS

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

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 109,440	\$ 15,702
Ambulance Fund	-	56,678
Fire Fund	5,000	44,940
2013A GO Improvement Bond	-	40,000
Nonmajor Governmental Funds	46,678	54,500
Water Fund	35,000	-
Sewer Fund	5,000	-
Municipal Liquor Fund	10,702	-
	<u>\$ 211,820</u>	<u>\$ 211,820</u>

- The Liquor Fund transferred \$10,702 to the General Fund for operating purposes.
- The General Fund transferred \$39,940 to the Fire Fund and \$10,000 to the Ambulance Fund for operating purposes..
- The Nonmajor Governmental Funds transferred \$46,678 to reallocate committed funds for the purchase of a new ambulance.
- The Water Fund transferred \$35,000 and the Sewer Fund transferred \$5,000 to the 2013A Go Improvement Bond Fund for a portion of the bond repayment.
- The remaining transfers between the General Fund and the Nonmajor Governmental Funds were for future capital outlay purchases.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	Balance <u>December 31</u>
Not Being Depreciated:				
Construction in Progress	\$ -	\$ 2,777	\$ -	\$ 2,777
Subtotal	<u>117,419</u>	<u>2,777</u>	<u>-</u>	<u>2,777</u>
Other Capital Assets:				
Buildings	494,586	-	-	494,586
Infrastructure and Improvements	2,069,449	-	-	2,069,449
Machinery and Equipment	<u>1,434,271</u>	<u>33,519</u>	<u>-</u>	<u>1,467,790</u>
Subtotal	<u>9,605,832</u>	<u>33,519</u>	<u>-</u>	<u>4,031,825</u>
Less: Accumulated Depreciation				
Buildings	418,120	4,991	-	423,111
Infrastructure and Improvements	978,449	83,985	-	1,062,434
Machinery and Equipment	<u>1,071,081</u>	<u>53,444</u>	<u>-</u>	<u>1,124,525</u>
Subtotal	<u>2,467,650</u>	<u>142,420</u>	<u>-</u>	<u>2,610,070</u>
Net Other Capital Assets	<u>7,138,182</u>	<u>(108,901)</u>	<u>-</u>	<u>1,421,755</u>
Net Capital Assets	<u>\$ 7,255,601</u>	<u>\$ (106,124)</u>	<u>\$ -</u>	<u>\$ 1,424,532</u>

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2019.

	Balance <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	Balance <u>December 31</u>
Not Being Depreciated:				
Land	\$ 181,323	\$ -	\$ -	\$ 181,323
Subtotal	<u>581,681</u>	<u>-</u>	<u>-</u>	<u>181,323</u>
Other Capital Assets:				
Buildings	192,159	-	-	192,159
Infrastructure and Improvements	3,978,837	-	-	3,978,837
Machinery and Equipment	<u>608,899</u>	<u>24,240</u>	<u>-</u>	<u>633,139</u>
Subtotal	<u>11,908,815</u>	<u>24,240</u>	<u>-</u>	<u>4,804,135</u>
Less: Accumulated Depreciation				
Buildings	159,722	2,366	-	162,088
Infrastructure and Improvements	1,938,369	99,180	-	2,037,549
Machinery and Equipment	<u>445,012</u>	<u>28,735</u>	<u>-</u>	<u>473,747</u>
Subtotal	<u>2,543,103</u>	<u>130,281</u>	<u>-</u>	<u>2,673,384</u>
Net Other Capital Assets	<u>9,365,712</u>	<u>(106,041)</u>	<u>-</u>	<u>2,130,751</u>
Net Capital Assets	<u>\$ 9,947,393</u>	<u>\$ (106,041)</u>	<u>\$ -</u>	<u>\$ 2,312,074</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN FIXED ASSETS (Cont.)

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

Governmental Activities:

General Government	\$	6,506
Public Safety		41,844
Public Works		87,569
Culture and Recreation		<u>6,601</u>
Total Depreciation Expense - Governmental Activities	\$	<u>142,520</u>

Business-Type Activities:

Water	\$	43,113
Sewer		60,019
Storm Sewer		18,366
Municipal Liquor Store		<u>8,783</u>
Total Depreciation Expense - Business-Type Activities	\$	<u>130,281</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. FUND BALANCE
A. Classifications

	General Fund	Ambulance Fund	Fire Fund	2013A GO Improvement Bond Fund	Non Major Governmental Funds	Total
Nonspendable:						
Inventory	\$ 670	\$ -	\$ -	\$ -	\$ -	\$ 670
Prepaid Expense	<u>7,267</u>	<u>614</u>	<u>1,420</u>	<u>-</u>	<u>-</u>	<u>9,301</u>
Total	<u>7,937</u>	<u>614</u>	<u>1,420</u>	<u>-</u>	<u>-</u>	<u>9,971</u>
Restricted for:						
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,507</u>	<u>-</u>	<u>147,507</u>
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,507</u>	<u>-</u>	<u>147,507</u>
Committed to:						
Economic						
Development	55,221	-	-	-	-	55,221
Ambulance						
Service	-	164,030	-	-	-	164,030
Ambulance						
Equipment	-	53,087	-	-	-	53,087
Fire Service	-	-	123,647	-	-	123,647
Fire Equipment	<u>-</u>	<u>-</u>	<u>67,381</u>	<u>-</u>	<u>-</u>	<u>67,381</u>
Total	<u>55,221</u>	<u>217,117</u>	<u>191,028</u>	<u>-</u>	<u>-</u>	<u>463,366</u>
Assigned to:						
Public Works						
Equipment	-	-	-	-	30,111	30,111
Auditorium	-	-	-	-	30,147	30,147
Street						
Improvements	-	-	-	-	18,502	18,502
Police Squad	-	-	-	-	28,912	28,912
Parks and Pool						
Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,396</u>	<u>6,396</u>
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,068</u>	<u>114,068</u>
Unassigned	<u>433,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,777)</u>	<u>430,793</u>
Total	<u>\$ 496,728</u>	<u>\$ 217,731</u>	<u>\$ 192,448</u>	<u>\$ 147,507</u>	<u>\$ 111,291</u>	<u>\$1,165,705</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2019, the unassigned fund balance of the General Fund was 56.7% of the subsequent year's budgeted expenditures.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2019.

	<u>Balance</u> <u>January 1</u>	<u>Debt Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
G.O. Improvement Bonds	\$ 725,000	\$ -	\$ 57,000	\$ 668,000	\$ 59,000
Compensated Absences	<u>25,292</u>	<u>18,900</u>	<u>20,742</u>	<u>23,450</u>	<u>-</u>
Totals	<u>\$ 750,292</u>	<u>\$ 18,900</u>	<u>\$ 77,742</u>	<u>\$ 691,450</u>	<u>\$ 59,000</u>

General Obligation Improvement Bonds issued for governmental activities are liquidated by the debt service fund. Compensated Absences will be liquidated through the General Fund, Water Fund, Sewer Fund, Storm Sewer Fund and Municipal Liquor Store Fund.

Bonds outstanding at December 31, 2019 are comprised of the following issues:

Governmental Activities

\$939,000 G.O. Improvement Bonds of 2013A, due in annual installments of \$51,000 to \$75,000, plus interest at 2.75% due in semi-annual installments.

This bond matures on 2/1/2029.

Total Long-Term Debt

\$ 668,000
\$ 668,000

The annual requirements to maturity for long-term liabilities are as follows:

	<u>GO Improvement Bonds</u> <u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 59,000	\$ 811	\$ 59,811
2021	61,000	15,909	76,909
2022	62,000	14,218	76,218
2023	64,000	12,486	76,486
2024	66,000	10,698	76,698
2025-2029	<u>356,000</u>	<u>24,969</u>	<u>380,969</u>
Total	<u>\$ 668,000</u>	<u>\$ 79,091</u>	<u>\$ 747,091</u>

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

Governmental Activities:

General Government	\$ 1,436
Public Safety	8,432
Public Works	11,912
Culture and Recreation	<u>13,609</u>
Total Interest Expense - Governmental Activities	<u>\$ 35,389</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

The City of Silver Lake, Minnesota participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

2. Public Employees Police and Fire Plan (Police and Fire Fund (accounted for in the Police and Fire Fund))

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

B. Benefits Provided (Cont.)

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City of Silver Lake, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Silver Lake, Minnesota contributions to the General Employees Fund for the year ended December 31, 2019, were \$22,818. The City of Silver Lake, Minnesota contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City of Silver Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$23,189. The City of Silver Lake, Minnesota contributions were equal to the required contributions as set by state statute.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City of Silver Lake, Minnesota reported a liability of \$237,737 for its proportionate share of the General Employees Fund's net pension liability. The City of Silver Lake, Minnesota's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Silver Lake, Minnesota totaled \$7,500. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Silver Lake, Minnesota proportion share of the net pension liability was based on the City of Silver Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Silver Lake, Minnesota proportionate share was 0.0043% which was an decrease of 0.0001% from its proportion measured as of June 30, 2018.

City of Silver Lake proportionate share of the net pension liability	\$ 237,737
State of Minnesota's proportionate share of the net pension liability associated with the City of Silver Lake	<u>7,500</u>
Total	<u>\$ 245,237</u>

For the year ended December 31, 2019, the City of Silver Lake, Minnesota recognized pension expense of \$19,614 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Silver Lake, Minnesota recognized an additional \$562 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City of Silver Lake, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 6,734	\$ -
Changes in actuarial assumptions	-	19,242
Difference between projected and actual investment earnings	-	24,358
Changes in proportion	-	11,412
Contributions paid to PERA subsequent to the measurement date	<u>11,641</u>	<u>-</u>
Total	<u>\$ 18,375</u>	<u>\$ 55,012</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

The \$11,641 reported as deferred outflows of resources related to pensions resulting from City of Silver Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, . Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ (19,561)
2021	\$ (22,840)
2022	\$ (6,260)
2023	\$ 383
2024	\$ -
Thereafter	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City of Silver Lake, Minnesota reported a liability of \$129,881 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Silver Lake, Minnesota proportion of the net pension liability was based on the City of Silver Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Silver Lake, Minnesota proportion was 0.0122% which was an increase of 0.0130% from its proportion measured as of June 30, 2018. The City of Silver Lake, Minnesota also recognized \$1,647 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition the state will pay \$4.5 million on October 1, 2019 in direct state aid. Thereafter, by October 1 of each year the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City of Silver Lake, Minnesota recognized pension expense of \$23,962 for its proportionate share of the Police and Fire Fund's pension expense.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

At December 31, 2019, the City of Silver Lake, Minnesota reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 11,657
Changes in actuarial assumptions	-	31,799
Difference between projected and actual investment earnings	-	23,104
Changes in proportion	17,662	-
Contributions paid to PERA subsequent to the measurement date	<u>11,877</u>	<u>-</u>
Total	<u>\$ 29,539</u>	<u>\$ 66,560</u>

The \$11,877 reported as deferred outflows of resources related to pensions resulting from City of Silver Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, . Other amount reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ (3,064)
2021	\$ (13,135)
2022	\$ (38,445)
2023	\$ 4,268
2024	\$ 1,478
Thereafter	\$ -

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the correctional Plan.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

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

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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

Police and Fire Fund

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20%	0.75%
International Equity	17.5%	5.90%
Cash	<u>2%</u>	0.00%
Total	100%	

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
General Employees Fund:	\$ 390,827	\$ 237,737	\$ 111,331
Police and Fire Fund	\$ 283,896	\$ 129,881	\$ 3

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA

A. Plan Description

The City of Silver Lake, Minnesota participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019 the plan covered 25 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Silver Lake, Minnesota. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Silver Lake, Minnesota contributions. The State of Minnesota contributed \$18,321 in fire state aid to the fund for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City had no required annual contribution for December 31, 2019.

D. Pension Costs

At December 31, 2019, the City of Silver Lake, Minnesota reported a net pension asset of \$9,701 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension Liability <u>(Asset)</u>
Beginning Balance December 31, 2018	\$ 369,863	\$ 332,168	\$ 37,695
Changes for the Year			
Service Cost	10,240	-	10,240
TPL Interest	21,619	-	21,619
Actuarial Experience (Gains)/Losses	(3,320)	-	(3,320)
Projected Investment Earnings	-	19,930	(19,930)
Contributions (ER/State)	-	18,321	(18,321)
Difference between Projected and Actual			
Investment Earnings	-	38,892	(38,892)
Benefit Payouts	(39,576)	(39,576)	-
PERA Administrative Fee	-	(1,208)	1,208
Net Changes	<u>(11,037)</u>	<u>36,359</u>	<u>(47,396)</u>
Balance End of Year December 31, 2019	<u>\$ 358,826</u>	<u>\$ 368,527</u>	<u>\$ (9,701)</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

For the year ended December 31, 2019 the City of Silver Lake, Minnesota recognized pension expense of \$4,694.

At December 31, 2019 the City of Silver Lake, Minnesota reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ -	\$ 20,261
Difference between actuarial assumptions and actual experience	-	5,963
Total	<u>\$ -</u>	<u>\$ 26,224</u>

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ (9,091)
2021	\$ (7,487)
2022	\$ (1,202)
2023	\$ (8,444)
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the December 31, 2019, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net pension was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City of Silver Lake, Minnesota net pension liability for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City of Silver Lake, Minnesota net pension liability would be if it were calculated using a discount rate one percent lower or one percent high than the current discount rate:

	<u>1% Decrease in Discount Rate (5.0%)</u>	<u>Discount Rate (6.0%)</u>	<u>1% Increase in Discount Rate (7.0%)</u>
Net Pension Liability (Asset)	\$ (3,269)	\$ (9,701)	\$ (16,166)

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

H. Plan Investments Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and that target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2017 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

12. OTHER POST EMPLOYMENT BENEFITS

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2019.

14. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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

B. Claims and Judgments

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

15. SUBSEQUENT EVENTS

Management evaluated all activity of City of Silver Lake through May 18, 2020 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ 496,264	\$ 496,264	\$ 499,781	\$ 3,517	\$ 476,030
Special Assessments	-	-	-	-	3,822
Cable Franchise Tax	<u>7,500</u>	<u>7,500</u>	<u>6,131</u>	<u>(1,369)</u>	<u>6,271</u>
Total Taxes	<u>503,764</u>	<u>503,764</u>	<u>505,912</u>	<u>2,148</u>	<u>486,123</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>9,200</u>	<u>9,200</u>	<u>10,242</u>	<u>1,042</u>	<u>8,165</u>
INTERGOVERNMENTAL					
REVENUE:					
Local Government Aid	224,897	224,897	224,897	-	224,288
PERA Rate Increase Aid	846	846	846	-	846
State Police Aid	17,500	17,500	18,319	819	21,228
Other State Grants	<u>7,200</u>	<u>7,200</u>	<u>8,962</u>	<u>1,762</u>	<u>9,501</u>
Total Intergovernmental Revenue	<u>250,443</u>	<u>250,443</u>	<u>253,024</u>	<u>2,581</u>	<u>255,863</u>
CHARGES FOR SERVICES:					
General Government	3,200	3,200	4,053	853	-
Public Safety	1,000	1,000	220	(780)	-
Public Works	-	-	73	73	-
Culture and Recreation	<u>34,750</u>	<u>34,750</u>	<u>34,572</u>	<u>(178)</u>	<u>30,740</u>
Total Charges for Services	<u>38,950</u>	<u>38,950</u>	<u>38,918</u>	<u>(32)</u>	<u>30,740</u>
FINES AND FORFEITS	<u>12,500</u>	<u>12,500</u>	<u>12,723</u>	<u>223</u>	<u>12,461</u>
INTEREST INCOME	<u>450</u>	<u>450</u>	<u>483</u>	<u>33</u>	<u>476</u>
MISCELLANEOUS:					
Refunds and Reimbursements	4,000	4,000	1,467	(2,533)	1,765
Donations	10,000	10,000	13,391	3,391	17,206
Insurance Proceeds	-	-	9,345	9,345	-
Sale of Property	2,000	2,000	-	(2,000)	-
Miscellaneous Income	6,000	6,000	729	(5,271)	4,716
Sales, Net of Merchandise Purchased	<u>13,300</u>	<u>13,300</u>	<u>13,357</u>	<u>57</u>	<u>14,881</u>
Total Miscellaneous	<u>35,300</u>	<u>35,300</u>	<u>38,289</u>	<u>2,989</u>	<u>38,568</u>
TOTAL REVENUES	<u>850,607</u>	<u>850,607</u>	<u>859,591</u>	<u>8,984</u>	<u>832,396</u>
OTHER FINANCING SOURCES					
Transfer In	<u>10,000</u>	<u>10,000</u>	<u>15,702</u>	<u>5,702</u>	<u>10,770</u>
TOTAL REVENUES AND OTHER					
FINANCING SOURCES	<u>860,607</u>	<u>860,607</u>	<u>875,293</u>	<u>14,686</u>	<u>843,166</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 11,941	\$ 11,941	\$ 11,807	\$ 134	\$ 11,923
Other Current Expenditures	3,365	3,365	1,581	1,784	2,099
Election:					
Personnel Services	195	195	-	195	2,477
Other Current Expenditures	200	200	3,873	(3,673)	1,455
Administrative and Finance:					
Personnel Services	55,718	55,718	60,317	(4,599)	56,408
Contracted Services	2,700	2,700	963	1,737	1,382
Insurance	1,000	1,000	911	89	904
Supplies	2,100	2,100	2,015	85	767
Other Current Expenditures	3,055	3,055	3,417	(362)	3,871
Capital Outlay	1,200	1,200	-	1,200	-
Community Development:					
Personnel Services	34,738	34,738	28,541	6,197	32,962
Contracted Services	3,500	3,500	416	3,084	7,577
Supplies	700	700	1	699	-
Other Current Expenditures	2,400	2,400	2,593	(193)	4,552
Other General Government:					
Personnel Services	-	-	-	-	1,116
Contracted Services	-	-	2,588	(2,588)	-
Insurance	2,850	2,850	2,291	559	2,276
Repairs and Supplies	1,300	1,300	3,106	(1,806)	-
Utilities	8,930	8,930	10,100	(1,170)	6,578
Current Expenditures	1,514	1,514	937	577	5,483
Assessor Fees					
Current Expenditures	4,750	4,750	4,530	220	4,533
Independent Auditing					
Current Expenditures	8,600	8,600	8,400	200	8,400
Legal					
Current Expenditures	2,200	2,200	4,075	(1,875)	-
Total General Government	<u>152,956</u>	<u>152,956</u>	<u>152,462</u>	<u>494</u>	<u>154,763</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
EXPENDITURES (Cont.):					
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	\$ 176,031	\$ 176,031	\$ 186,743	\$ (10,712)	\$ 164,124
Insurance	11,500	11,500	14,350	(2,850)	10,880
Contracted Services	-	-	-	-	5,380
Legal Fees	25,000	25,000	14,248	10,752	30,334
Repairs and Maintenance	1,900	1,900	4,430	(2,530)	-
Supplies	3,500	3,500	5,126	(1,626)	11,000
Meetings, Training and Travel	4,000	4,000	873	3,127	-
Utilities	2,750	2,750	2,711	39	-
Current Expenditures	13,620	13,620	13,850	(230)	9,952
Building Inspection	<u>10,000</u>	<u>10,000</u>	<u>11,731</u>	<u>(1,731)</u>	<u>7,568</u>
Total Public Safety	<u>248,301</u>	<u>248,301</u>	<u>254,062</u>	<u>(5,761)</u>	<u>239,238</u>
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	90,241	90,241	88,967	1,274	91,291
Contracted Services	3,000	3,000	900	2,100	1,136
Insurance	12,000	12,000	13,832	(1,832)	11,199
Repairs and Supplies	16,800	16,800	9,510	7,290	7,007
Vehicle Expense	6,000	6,000	4,993	1,007	3,340
Utilities	550	550	-	550	-
Other Current Expenditures	1,675	1,675	940	735	4,255
Capital Outlay	-	-	-	-	4,230
Ice and Snow Removal:					
Personnel Services	20,116	20,116	22,282	(2,166)	24,580
Contracted Services	6,500	6,500	15,471	(8,971)	5,928
Vehicle Expense	14,300	14,300	15,791	(1,491)	10,716
Current Expenditures	350	350	331	19	5,346
Street Lighting:					
Current Expenditures	<u>16,800</u>	<u>16,800</u>	<u>16,168</u>	<u>632</u>	<u>16,796</u>
Total Public Works	<u>188,332</u>	<u>188,332</u>	<u>189,185</u>	<u>(853)</u>	<u>185,824</u>
CULTURE AND RECREATION:					
Parks:					
Personnel Services	12,719	12,719	10,976	1,743	11,656
Contracted Services	5,000	5,000	5,237	(237)	4,805
Insurance	2,900	2,900	3,278	(378)	2,687
Repairs and Supplies	2,750	2,750	3,593	(843)	645
Utilities	1,010	1,010	1,376	(366)	994
Current Expenditures	-	-	-	-	1,056
Capital Outlay	2,000	2,000	-	2,000	24,007

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES (Cont.):					
CULTURE AND RECREATION (Cont.):					
Participant Recreation:					
Personnel Services	\$ 2,153	\$ 2,153	\$ 1,687	\$ 466	\$ -
Current Expenditures	3,050	3,050	2,904	146	3,033
Auditorium:					
Personnel Services	14,784	14,784	14,087	697	15,601
Contracted Services	2,600	2,600	2,867	(267)	2,622
Insurance	3,440	3,440	3,893	(453)	3,255
Repairs and Supplies	6,300	6,300	6,303	(3)	4,470
Utilities	10,530	10,530	10,665	(135)	10,133
Other Current Expenditures	1,750	1,750	3,207	(1,457)	4,712
Community Events:					
Personnel Services	2,731	2,731	2,364	367	-
Current Expenditures	6,900	6,900	7,252	(352)	5,965
Swimming Pool:					
Personnel Services	36,600	36,600	34,835	1,765	32,317
Chemicals	8,200	8,200	7,548	652	8,045
Insurance	3,900	3,900	4,304	(404)	5,737
Repairs and Supplies	11,660	11,660	20,206	(8,546)	7,315
Utilities	9,160	9,160	5,769	3,391	8,246
Other Current Expenditures	4,280	4,280	4,031	249	3,506
Total Culture and Recreation	<u>154,417</u>	<u>154,417</u>	<u>156,382</u>	<u>(1,965)</u>	<u>160,807</u>
SANITATION:					
Personnel Services	1,961	1,961	2,359	(398)	-
Other Current Expenditures	2,500	2,500	2,704	(204)	4,408
Total Sanitation	<u>4,461</u>	<u>4,461</u>	<u>5,063</u>	<u>(602)</u>	<u>4,408</u>
TOTAL EXPENDITURES	<u>748,467</u>	<u>748,467</u>	<u>757,154</u>	<u>(8,687)</u>	<u>745,040</u>

CITY OF SILVER LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 112,140	\$ 112,140	\$ 118,139	\$ (5,999)	\$ 98,126
OTHER FINANCING USES:					
Transfer Out	<u>(109,140)</u>	<u>(109,140)</u>	<u>(109,440)</u>	<u>(300)</u>	<u>(125,535)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,000	3,000	8,699	5,699	(27,409)
FUND BALANCES - January 1	<u>488,029</u>	<u>488,029</u>	<u>488,029</u>	<u>-</u>	<u>515,438</u>
FUND BALANCES - December 31	<u>\$ 491,029</u>	<u>\$ 491,029</u>	<u>\$ 496,728</u>	<u>\$ 5,699</u>	<u>\$ 488,029</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 AMBULANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:					
Intergovernmental Revenue	\$ 1,500	\$ 1,500	\$ 1,100	\$ (400)	\$ -
Charges for Services					
Ambulance Contracts	15,000	15,000	15,458	458	15,345
Ambulance Charges	79,500	79,500	101,054	21,554	94,797
Interest Income	50	50	374	324	146
Miscellaneous	<u>-</u>	<u>-</u>	<u>7,185</u>	<u>7,185</u>	<u>-</u>
TOTAL REVENUES	<u>96,050</u>	<u>96,050</u>	<u>125,171</u>	<u>29,121</u>	<u>110,288</u>
OTHER FINANCING SOURCES:					
Transfer In	<u>10,000</u>	<u>10,000</u>	<u>56,678</u>	<u>46,678</u>	<u>10,000</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>106,050</u>	<u>106,050</u>	<u>181,849</u>	<u>75,799</u>	<u>120,288</u>
EXPENDITURES:					
Personnel Services	51,782	51,782	46,660	5,122	47,630
Contracted Services	6,500	6,500	6,462	38	-
Insurance	4,250	4,250	3,549	701	3,754
Repairs and Supplies	6,850	6,850	7,175	(325)	15,009
Vehicle Expense	1,000	1,000	631	369	-
Utilities	350	350	313	37	-
Bad Debt	33,700	33,700	40,538	(6,838)	36,709
Other Current Expenditures	<u>1,550</u>	<u>1,550</u>	<u>6,291</u>	<u>(4,741)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>105,982</u>	<u>105,982</u>	<u>111,619</u>	<u>(5,637)</u>	<u>103,102</u>
EXCESS REVENUES OVER EXPENDITURES	68	68	70,230	70,162	17,186
EXCESS REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	68	68	70,230	70,162	17,186
FUND BALANCES - January 1	<u>147,501</u>	<u>147,501</u>	<u>147,501</u>	<u>-</u>	<u>130,315</u>
FUND BALANCES - December 31	<u>\$ 147,569</u>	<u>\$ 147,569</u>	<u>\$ 217,731</u>	<u>\$ 70,162</u>	<u>\$ 147,501</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES					
Licenses and Permits	\$ -	\$ -	\$ 2,450	\$ 2,450	\$ 2,350
Intergovernmental Revenue	5,000	5,000	39,413	34,413	15,422
Fire Contracts	50,881	50,881	50,881	-	48,776
Interest Income	100	100	454	354	574
Miscellaneous					
Sale of Property	-	-	-	-	2,500
Donations	3,000	3,000	1,769	(1,231)	1,200
Other Miscellaneous	-	-	-	-	120
TOTAL REVENUES	<u>58,981</u>	<u>58,981</u>	<u>94,967</u>	<u>35,986</u>	<u>70,942</u>
OTHER FINANCING SOURCES					
Transfer In	<u>44,640</u>	<u>44,640</u>	<u>44,940</u>	<u>300</u>	<u>36,000</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>103,621</u>	<u>103,621</u>	<u>139,907</u>	<u>36,286</u>	<u>106,942</u>
EXPENDITURES					
Personnel Services	21,130	21,130	29,696	(8,566)	36,013
Insurance	5,500	5,500	6,466	(966)	7,479
Repairs and Supplies	18,620	18,620	12,615	6,005	27,769
Meetings and Travel	500	500	942	(442)	-
Utilities	3,522	3,522	3,136	386	3,356
Gas and Oil	2,500	2,500	1,547	953	-
Other Current Expenditures	19,250	19,250	16,872	2,378	8,350
Capital Outlay	<u>22,500</u>	<u>22,500</u>	<u>15,847</u>	<u>6,653</u>	<u>11,426</u>
TOTAL EXPENDITURES	<u>93,522</u>	<u>93,522</u>	<u>87,121</u>	<u>6,401</u>	<u>94,393</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>10,099</u>	<u>10,099</u>	<u>52,786</u>	<u>42,687</u>	<u>12,549</u>
OTHER FINANCING USES:					
Transfer Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - January 1	<u>144,665</u>	<u>144,665</u>	<u>144,665</u>	<u>-</u>	<u>132,116</u>
FUND BALANCE - December 31	<u>\$ 149,764</u>	<u>\$ 149,764</u>	<u>\$ 192,451</u>	<u>\$ 42,687</u>	<u>\$ 144,665</u>

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

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0043 %	\$ 237,737	\$ 7,500	\$ 245,237	\$ 299,627	81.85 %	80.20 %
June 30, 2018	0.0044 %	\$ 244,094	\$ 8,105	\$ 252,199	\$ 299,536	84.20 %	79.50 %
June 30, 2017	0.0045 %	\$ 287,277	\$ 3,632	\$ 290,909	\$ 291,475	99.81 %	75.90 %
June 30, 2016	0.0047 %	\$ 381,617	\$ 4,920	\$ 386,537	\$ 289,536	133.50 %	68.90 %
June 30, 2015	0.0047 %	\$ 243,578	\$ -	\$ 243,578	\$ 283,610	85.88 %	78.19 %

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

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

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2019	\$ 22,818	\$ 22,818	-	\$ 304,240	7.50 %
December 31, 2018	\$ 22,742	\$ 22,742	-	\$ 303,224	0.08 %
December 31, 2017	\$ 21,339	\$ 21,339	-	\$ 284,520	0.08 %
December 31, 2016	\$ 21,668	\$ 21,668	-	\$ 288,908	0.07 %
December 31, 2015	\$ 21,237	\$ 21,237	-	\$ 283,160	0.08 %

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

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

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0122 %	129,881	128,186	1.01 %	89.30 %
June 30, 2018	0.0109 %	116,183	114,760	1.01 %	88.80 %
June 30, 2017	0.0100 %	135,012	106,342	1.27 %	85.40 %
June 30, 2016	0.0100 %	401,317	98,086	4.09 %	63.90 %
June 30, 2015	0.0110 %	124,986	97,210	1.29 %	86.60 %

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

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

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2019	\$ 23,189	\$ 23,189	-	\$ 136,808	0.17 %
December 31, 2018	\$ 19,453	\$ 19,453	-	\$ 120,080	0.16 %
December 31, 2017	\$ 17,736	\$ 17,736	-	\$ 109,481	0.16 %
December 31, 2016	\$ 16,249	\$ 16,249	-	\$ 100,302	16.20 %
December 31, 2015	\$ 15,552	\$ 15,552	-	\$ 96,000	0.16 %

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

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 ECHO FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2019

Fiscal Year	2019	2018	2017	2016
Total Pension Liability				
Service Cost	\$ 10,240	\$ 9,942	\$ 9,637	\$ 10,032
Interest on the Total Pension Liability	21,619	22,691	23,657	22,712
Difference Between Expected and Actual Experience	(3,320)	247	(6,371)	(4,531)
Changes in Assumptions	-	-	-	-
Changes of Benefit Terms	-	-	-	-
Benefit Payments	<u>(39,576)</u>	<u>(62,524)</u>	<u>(24,125)</u>	<u>-</u>
Net change in total pension liability	(11,037)	(29,644)	2,798	-
Total Pension Liability - Beginning	<u>369,863</u>	<u>399,507</u>	<u>396,709</u>	<u>368,496</u>
Total Pension Liability - Ending (a)	<u>\$ 358,826</u>	<u>\$ 369,863</u>	<u>\$ 399,507</u>	<u>\$ -</u>
Plan Fiduciary Net Position				
Contributions State	\$ 18,321	\$ 16,422	\$ 18,444	\$ 22,681
Contributions Local	-	5,949	-	-
Net Investment Income	58,822	(12,790)	45,866	21,696
Asset (Gain)/Loss	-	-	-	-
Benefit Payments	(39,576)	(62,524)	(24,125)	-
Pension Plan Administrative Expense	<u>(1,207)</u>	<u>(952)</u>	<u>(951)</u>	<u>(951)</u>
Net Change in Total Pension Liability	36,360	(53,895)	39,234	44,377
Plan Fiduciary Net Position - Beginning	<u>332,168</u>	<u>386,063</u>	<u>346,829</u>	<u>303,403</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 368,528</u>	<u>\$ 332,168</u>	<u>\$ 386,063</u>	<u>\$ 347,780</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (9,702)</u>	<u>\$ 37,695</u>	<u>\$ 13,444</u>	<u>\$ (347,780)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.70 %	89.81 %	97.00 %	87.00 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2016. Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY (ASSET)
AS A PERCENT OF PAYROLL
ECHO FIRE DEPARTMENT RELIEF ASSOCIATION
DECEMBER 31, 2019

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2019	\$ 18,321	\$ 18,321	-	N/A	N/A
December 31, 2018	\$ 22,371	\$ 22,371	-	N/A	N/A
December 31, 2017	\$ 18,444	\$ 18,444	-	N/A	N/A
December 31, 2016	\$ 22,681	\$ 22,681	-	N/A	N/A

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2016.
Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General Employees Fund

2019 Changes

Change in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SECTION III

SUPPLEMENTAL SECTION

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

	<u>Special Revenue Funds</u>		
	<u>Infrastructure</u>	<u>Capital</u>	
	<u>Improvement</u>	<u>Improvement</u>	
	<u>Project</u>	<u>Fund</u>	<u>Total</u>
ASSETS:			
Cash and Investments	\$ -	\$ 148,624	\$ 148,624
Interest Receivable	-	116	116
Land Held for Resale	-	39,500	39,500
 TOTAL ASSETS	 \$ -	 \$ 188,240	 \$ 188,240
LIABILITIES:			
Due to Other Funds	\$ 2,777	\$ 74,172	\$ 76,949
 Total Liabilities	 2,777	 74,172	 76,949
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES:			
Assigned	-	114,068	114,068
Unassigned (Deficit)	(2,777)	-	(2,777)
Total Fund Balances (Deficit)	(2,777)	114,068	111,291
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ -	 \$ 188,240	 \$ 188,240

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

	<u>Special Revenue Fund</u>		
	<u>Infrastructure</u>	<u>Capital</u>	
	<u>Improvement</u>	<u>Improvement</u>	
	<u>Project</u>	<u>Fund</u>	<u>Total</u>
REVENUES			
Charges for Services	\$ -	\$ 469	\$ 469
Interest Income	-	434	434
Miscellaneous	-	1,437	1,437
Total Revenues	<u>-</u>	<u>2,340</u>	<u>2,340</u>
EXPENDITURES			
Public Safety	-	141	141
Interest Payments	-	3,351	3,351
Capital Outlay	<u>2,777</u>	<u>17,673</u>	<u>20,450</u>
Total Expenditures	<u>2,777</u>	<u>21,165</u>	<u>23,942</u>
EXCESS REVENUES OVER EXPENDITURES	(2,777)	(18,825)	(21,602)
OTHER FINANCING SOURCES (USES)			
Transfer In	-	54,500	54,500
Transfer Out	<u>-</u>	<u>(46,678)</u>	<u>(46,678)</u>
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(2,777)	(11,003)	(13,780)
FUND BALANCES - January 1	<u>-</u>	<u>125,071</u>	<u>125,071</u>
FUND BALANCES (DEFICIT) - December 31	<u><u>\$(2,777)</u></u>	<u><u>\$ 114,068</u></u>	<u><u>\$ 111,291</u></u>

CITY OF SILVER LAKE, MINNESOTA

SUMMARY FINANCIAL REPORT

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

The purpose of this report is to provide a summary of financial information concerning the City of Silver Lake to interested citizens. The complete financial statements may be examined at the City Hall, 308 Main Street West Silver Lake, MN Questions about this report should be directed to Jon Jerabek, City Clerk, at 320-327-2412

	<u>Total</u> <u>2019</u>	<u>Total</u> <u>2018</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
REVENUES:			
Taxes and Assessments	\$ 543,530	\$ 527,437	3.05 %
Licenses and Permits	12,692	10,515	20.70 %
Intergovernmental	293,537	271,285	8.20 %
Charges for Services	206,780	189,658	9.03 %
Fines	12,723	16,113	(21.04)%
Investment Earnings	1,838	1,707	7.67 %
Miscellaneous	35,323	89,947	(60.73)%
Transfer In	211,820	185,160	14.40 %
Sales, Net of Merchandise Purchased	<u>13,357</u>	<u>14,881</u>	<u>(10.24)%</u>
Total Revenues	<u>\$ 1,331,600</u>	<u>\$ 1,306,703</u>	<u>1.91 %</u>
Per Capita	<u>\$ 1,628</u>	<u>\$ 1,597</u>	
EXPENDITURES:			
Current			
General Government	\$ 152,462	\$ 162,331	(6.08)%
Public Safety	437,093	422,488	3.46 %
Public Works	189,185	181,594	4.18 %
Culture and Recreation	156,382	141,913	10.20 %
Sanitation	5,063	4,408	14.86 %
Economic Development	-	7,884	(100.00)%
Debt Service:			
Principal Payments	57,000	56,000	1.79 %
Interest Payments	22,505	24,545	(8.31)%
Capital Outlay	36,297	146,337	(75.20)%
Transfer Out	<u>161,118</u>	<u>130,590</u>	<u>23.38 %</u>
Total Expenditures	<u>\$ 1,217,105</u>	<u>\$ 1,278,090</u>	<u>(4.77)%</u>
Per Capita	<u>\$ 1,488</u>	<u>\$ 1,562</u>	
Total Governmental Long-term Indebtedness	<u>\$ 668,000</u>	<u>\$ 725,000</u>	<u>(7.86)%</u>
Per Capita	<u>\$ 817</u>	<u>\$ 886</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 433,570</u>	<u>\$ 431,064</u>	<u>0.58 %</u>
Per Capita	<u>\$ 530</u>	<u>\$ 527</u>	

SECTION IV

ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Silver Lake, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Silver Lake, Minnesota's basic financial statements, and have issued our report thereon dated May 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Silver Lake, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Silver Lake, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Silver Lake, Minnesota's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Silver Lake, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City of Silver Lake, Minnesota's Response to Findings

City of Silver Lake, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Silver Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 18, 2020

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

INTERNAL CONTROL FINDINGS

Audit Finding 2019-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2019-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

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



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INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the basic financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Silver Lake, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2020.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that City of Silver Lake, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Silver Lake, Minnesota's noncompliance with the above reference provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 18, 2020