

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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SECTION I

INTRODUCTORY SECTION

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

2020

<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

2021

<u>TITLE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
MAYOR	Bruce Bebo	12/31/2022
COUNCIL MEMBER	Sandie Adams-Bruins	12/31/2024
COUNCIL MEMBER	Michelle Schneider	12/31/2024
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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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, 2020, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 5 through 13 and 49 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 and summary financial report 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 April 19, 2021 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.

April 19, 2021

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

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, 2020.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,197,629 (net position). Of this amount, \$1,992,626 (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 \$375,175 as compared to an increase of \$86,008 the previous year. The governmental activities net position increased during 2020 by \$260,056 and the business-type activities net position increased during 2020 by \$115,119.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,278,929 an increase of \$113,224 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$462,206, or 75.5% of General Fund expenditures of \$612,204.

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, 2020

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 seven 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, and Capital Equipment 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, Storm Sewer Fund and Municipal Liquor Fund; all of which are considered to be major funds of the City. 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 48 of this report.

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

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 49 - 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 1,466,396	\$ 1,307,582	\$ 1,242,008	\$ 1,006,626	\$ 2,708,404	\$ 2,314,208
Capital Assets	<u>1,485,580</u>	<u>1,424,532</u>	<u>2,183,209</u>	<u>2,312,072</u>	<u>3,668,789</u>	<u>3,736,604</u>
Total Assets	<u>2,951,976</u>	<u>2,732,114</u>	<u>3,425,217</u>	<u>3,318,698</u>	<u>6,377,193</u>	<u>6,050,812</u>
Deferred Outflows of						
Resources	<u>144,450</u>	<u>194,106</u>	<u>3,472</u>	<u>1,201</u>	<u>147,922</u>	<u>195,307</u>
Current Liabilities	116,829	105,100	22,461	26,337	139,290	131,437
Long-term Liabilities	<u>858,867</u>	<u>903,967</u>	<u>103,021</u>	<u>93,075</u>	<u>961,888</u>	<u>997,042</u>
Total Liabilities	<u>975,696</u>	<u>1,009,067</u>	<u>125,482</u>	<u>119,412</u>	<u>1,101,178</u>	<u>1,128,479</u>
Deferred Inflows of						
Resources	<u>224,178</u>	<u>280,657</u>	<u>2,130</u>	<u>14,529</u>	<u>226,308</u>	<u>295,186</u>
Net Position						
Net Investment in						
Capital Assets	876,579	590,215	2,183,209	2,310,882	3,059,788	2,901,097
Restricted	145,215	147,507	-	-	145,215	147,507
Unrestricted	<u>874,758</u>	<u>898,774</u>	<u>1,117,868</u>	<u>875,076</u>	<u>1,992,626</u>	<u>1,773,850</u>
Total Net Position	<u>\$ 1,896,552</u>	<u>\$ 1,636,496</u>	<u>\$ 3,301,077</u>	<u>\$ 3,185,958</u>	<u>\$ 5,197,629</u>	<u>\$ 4,822,454</u>

A large portion of the City's net position (58.9 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, 2020

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

An additional portion of the City's net position, 2.8 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (38.3 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

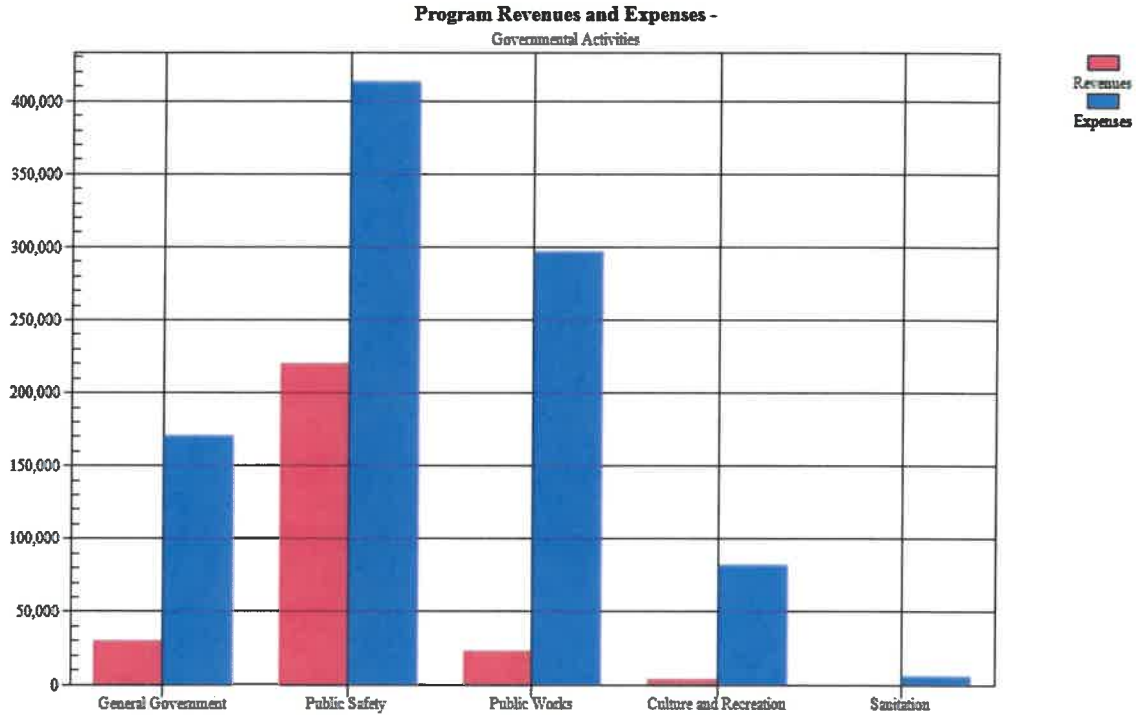
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 200,807	\$ 232,195	\$ 254,962	\$ 171,624	\$ 455,769	\$ 403,819
Contributions	77,025	40,513	-	-	77,025	40,513
Operating Grants and Contributions	-	-	10,000	-	10,000	-
Sales	-	13,357	756,099	665,437	756,099	678,794
General Revenues:						
Taxes and Assessments	544,388	536,261	1,430	1,000	545,818	537,261
Intergovernmental Revenue	282,075	255,014	-	-	282,075	255,014
Interest Income	1,883	1,833	6,323	7,219	8,206	9,052
Rental Income	-	-	31,072	24,689	31,072	24,689
Miscellaneous Income	<u>20,615</u>	<u>35,323</u>	<u>4,833</u>	<u>7,160</u>	<u>25,448</u>	<u>42,483</u>
Total Revenues	<u>1,126,793</u>	<u>1,114,496</u>	<u>1,064,719</u>	<u>877,129</u>	<u>2,191,512</u>	<u>1,991,625</u>
<u>Expenses</u>						
General Government	170,335	160,256	-	-	170,335	160,256
Public Safety	412,795	451,969	-	-	412,795	451,969
Public Works	296,405	299,578	-	-	296,405	299,578
Culture and Recreation	81,698	163,422	-	-	81,698	163,422
Sanitation	5,504	5,063	-	-	5,504	5,063
Water	-	-	89,701	96,316	89,701	96,316
Sewer	-	-	140,263	151,021	140,263	151,021
Storm Sewer	-	-	38,393	33,138	38,393	33,138
Municipal Liquor Store	-	-	<u>581,243</u>	<u>544,854</u>	<u>581,243</u>	<u>544,854</u>
Total Expenses	<u>966,737</u>	<u>1,080,288</u>	<u>849,600</u>	<u>825,329</u>	<u>1,816,337</u>	<u>1,905,617</u>
Transfers	<u>100,000</u>	<u>50,702</u>	<u>(100,000)</u>	<u>(50,702)</u>	<u>-</u>	<u>-</u>
Change in Net Position	260,056	84,910	115,119	1,098	375,175	86,008
Net Position Beginning	<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>
Net Position Ending	<u>\$ 1,896,552</u>	<u>\$ 1,636,496</u>	<u>\$ 3,301,077</u>	<u>\$ 3,185,958</u>	<u>\$ 5,197,629</u>	<u>\$ 4,822,454</u>

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

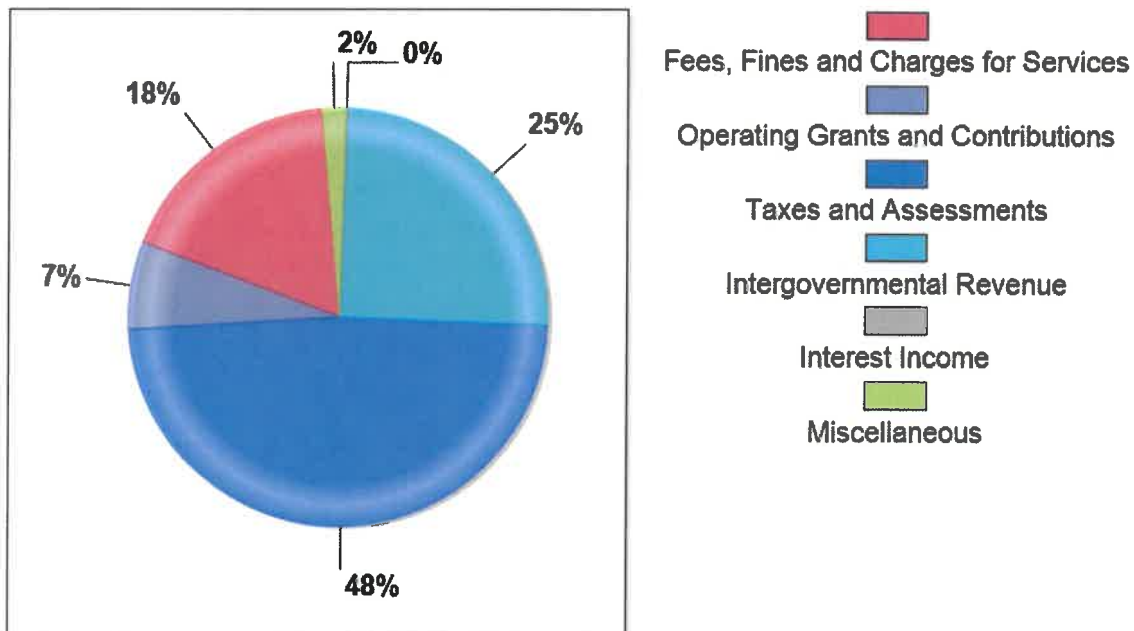
THE CITY AS A WHOLE (Cont.)

Governmental Activities

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



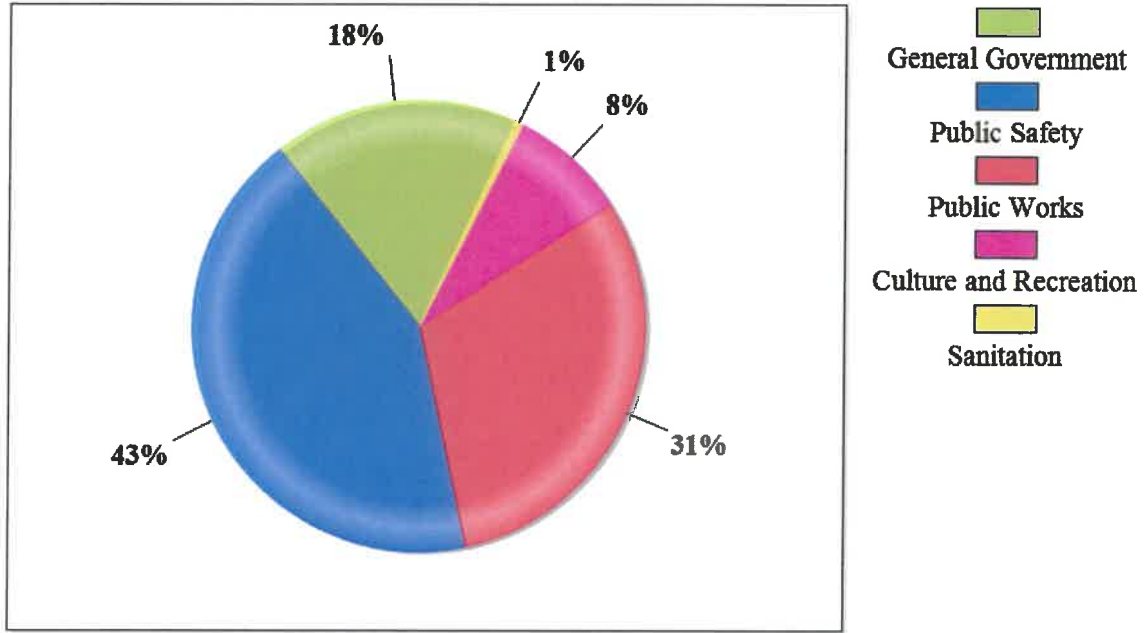
Sources of Funds in Governmental Activities



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

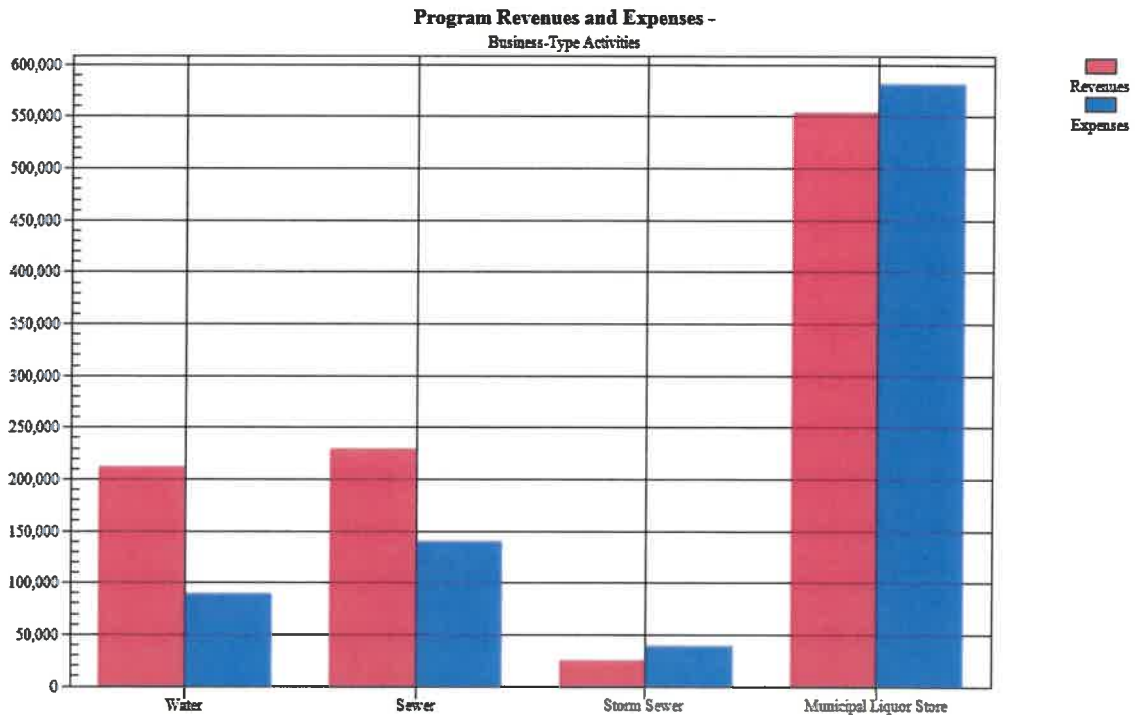
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

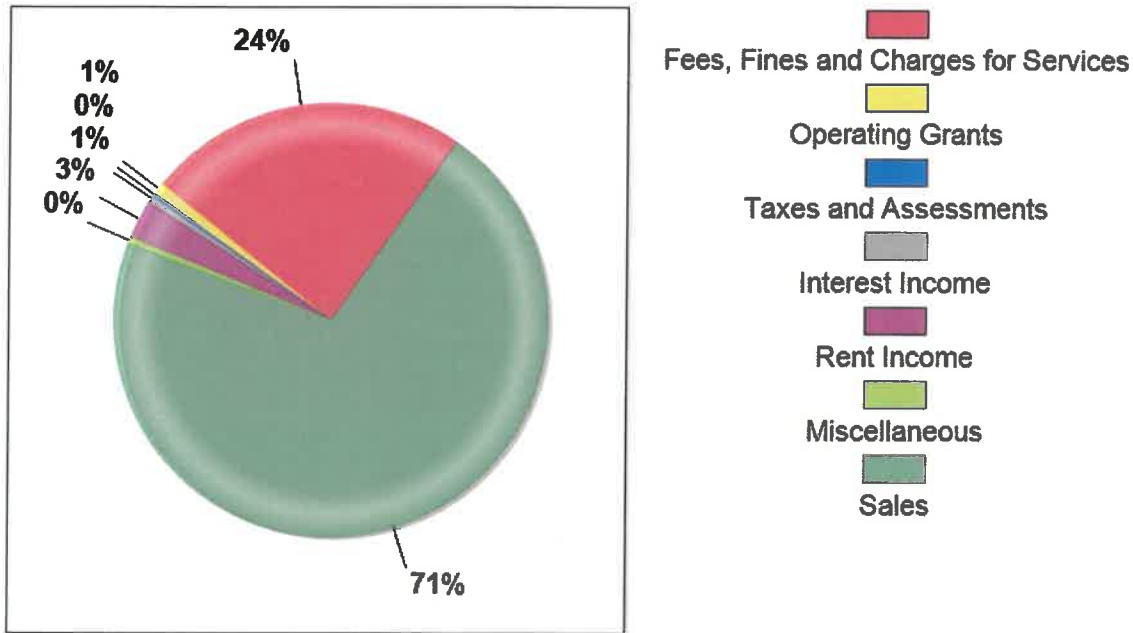
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



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

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

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$1,278,929 an increase of \$113,224 in comparison with the prior year. The fund balance is broke down into five categories, \$11,399 is nonspendable to offset prepaid expenses and inventories, \$145,215 is restricted for future debt service payments, \$490,336 is committed for specific purposes, \$187,277 is assigned for specific purposes, and \$444,702 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 \$531,598, of which \$9,121 is nonspendable to offset prepaid expenses and inventories. An additional \$60,271 has been committed for economic development of the City and the remaining fund balance of \$462,206 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 75.5 percent of the General Fund expenditures. The fund balance of the City's General Fund increased by \$34,870 during 2020.

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

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

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,117,868. The total increase in net position of the funds was \$115,119. 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 expenditures in excess of revenues in the amount of \$1,999. Revenues were under budget by \$55,961 and expenditures came in under budget by \$165,580 during 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$3,668,789 (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 1.8 percent (an 4.3 percent increase for governmental activities and a 5.6 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ -	\$ -	\$ 181,323	\$ 181,323	\$ 181,323	\$ 181,323
Construction in Progress	137,269	2,777	-	-	137,269	2,777
Buildings	507,501	494,586	192,159	192,159	699,660	686,745
Infrastructure and Improvements	2,069,449	2,069,449	3,978,837	3,978,837	6,048,286	6,048,286
Machinery and Equipment	<u>1,501,434</u>	<u>1,467,790</u>	<u>635,139</u>	<u>633,139</u>	<u>2,136,573</u>	<u>2,100,929</u>
Subtotal	4,215,653	4,034,602	4,987,458	4,985,458	9,203,111	9,020,060
Less: Accumulated Depreciation	<u>2,730,073</u>	<u>2,610,070</u>	<u>2,804,249</u>	<u>2,673,384</u>	<u>5,534,322</u>	<u>5,283,454</u>
Total	<u>\$ 1,485,580</u>	<u>\$ 1,424,532</u>	<u>\$ 2,183,209</u>	<u>\$ 2,312,074</u>	<u>\$ 3,668,789</u>	<u>\$ 3,736,606</u>

The major additions in the governmental activities included the purchase of technology with CARES funds, fire equipment purchases and public works vehicle purchase. The major addition in the business-type activities included the purchase of equipment for sewer.

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$609,000.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
G.O. Improvement Bonds	<u>\$ 609,000</u>	<u>\$ 668,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,000</u>	<u>\$ 668,000</u>
Total	<u>\$ 609,000</u>	<u>\$ 668,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,000</u>	<u>\$ 668,000</u>

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

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 2021 budget, rates, and fees that will be charged by the funds of the City. The major factors accounted for when adopting the General Fund Budget was to hold all items as much as possible to the 2020 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. In 2021, the City increased the storm sewer rates, while the water and sewer rates remain unchanged.

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: cityhall@cityofsilverlake.org.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,278,248	\$ 1,063,436	\$ 2,341,684
Receivables:			
Accounts Receivable	54,382	40,276	94,658
Property Taxes Receivable	13,909	-	13,909
Special Assessments Receivable	69,677	-	69,677
Interest Receivable	328	203	531
Due from Other Governments	4,400	-	4,400
Land Held for Resale	39,500	-	39,500
Internal Balance	(60,478)	60,478	-
Prepaid Expense	10,706	5,955	16,661
Inventory	693	71,660	72,353
Capital Assets:			
Nondepreciable:			
Land	-	181,323	181,323
Construction in Progress	137,269	-	137,269
Depreciable, Net of Accumulated Depreciation:			
Buildings	79,077	27,704	106,781
Infrastructure and Improvements	927,470	1,842,193	2,769,663
Machinery and Equipment	341,764	131,989	473,753
Net Pension Asset	55,031	-	55,031
TOTAL ASSETS	2,951,976	3,425,217	6,377,193
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	144,450	3,472	147,922
LIABILITIES			
Accounts Payable	26,242	14,324	40,566
Taxes Payable	-	2,590	2,590
Sales Tax Payable	904	-	904
Accrued Interest	6,978	-	6,978
Accrued Payroll	20,155	5,547	25,702
Deposits	1,550	-	1,550
Noncurrent liabilities:			
Due within one year	61,000	-	61,000
Compensated Absences	14,913	2,254	17,167
Net Pension Liability	295,954	100,767	396,721
Due in more than one year	548,000	-	548,000
TOTAL LIABILITIES	975,696	125,482	1,101,178
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	224,178	2,130	226,308
NET POSITION			
Net Investment in Capital Assets	876,579	2,183,209	3,059,788
Restricted	145,215	-	145,215
Unrestricted	874,758	1,117,868	1,992,626
TOTAL NET POSITION	\$ 1,896,552	\$ 3,301,077	\$ 5,197,629

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, 2020

Functions/Programs Primary Government	Program Revenues					Net Sources (Uses) and Changes in Net Position	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Operating Grants	Sales	Governmental Activities	Primary Government
							Business-Type Activities
Governmental Activities:							
General Government	\$ 170,335	\$ 18,793	\$ 11,147	\$ -	\$ -	\$ (140,395)	\$ (140,395)
Public Safety	412,795	177,880	42,307	-	-	(192,608)	(192,608)
Public Works	296,405	-	23,571	-	-	(272,834)	(272,834)
Culture and Recreation	81,698	4,134	-	-	-	(77,564)	(77,564)
Sanitation	5,504	-	-	-	-	(5,504)	(5,504)
Total Governmental Activities	966,737	200,807	77,025	-	-	(688,905)	(688,905)
Business-Type Activities:							
Water	89,701	-	-	10,000	201,881	-	122,180
Sewer	140,263	229,883	-	-	-	-	89,620
Storm Sewer	38,393	25,079	-	-	-	-	(13,314)
Municipal Liquor Store	581,243	-	-	-	554,218	-	(27,025)
Total Business-Type Activities:	849,600	254,962	-	10,000	756,099	-	171,461
Total Primary Government	\$ 1,816,337	\$ 455,769	\$ 77,025	\$ 10,000	\$ 756,099	\$ (688,905)	\$ (517,444)
General Revenues:							
		Taxes and Assessments				544,388	545,818
		Intergovernmental Revenue				282,075	282,075
		Interest Income				1,883	8,206
		Rent Income				-	31,072
		Miscellaneous				20,615	4,833
		Transfers				100,000	(100,000)
		Total General Revenues				948,961	892,619
		Changes in Net Position				260,056	375,175
		Net Position - January 1				1,636,496	4,822,454
		Net Position - December 31				\$ 1,896,552	\$ 5,197,629

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

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

	General Fund	Ambulance Fund	Capital Improvement Fund	Nonmajor Governmental Fund	Total
ASSETS:					
Cash and Investments	\$ 552,285	\$ 183,724	\$ 208,143	\$ 334,096	\$1,278,248
Accounts Receivable	1,577	29,264	-	23,541	54,382
Property Taxes Receivable	12,470	-	-	1,439	13,909
Special Assessments Receivable	1,664	-	-	68,013	69,677
Interest Receivable	5	53	112	158	328
Due from Other Governments	3,675	-	-	725	4,400
Land Held for Resale	-	-	39,500	-	39,500
Prepaid Expense	8,428	729	-	1,549	10,706
Inventory	693	-	-	-	693
Total Assets	\$ 580,797	\$ 213,770	\$ 247,755	\$ 429,521	\$1,471,843
LIABILITIES:					
Accounts Payable	\$ 21,132	\$ 1,057	\$ -	\$ 4,053	\$ 26,242
Sales Tax Payable	904	-	-	-	904
Accrued Payroll	11,479	8,602	-	74	20,155
Due to Other Funds	-	-	60,478	-	60,478
Deposits	1,550	-	-	-	1,550
Total Liabilities	35,065	9,659	60,478	4,127	109,329
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	14,134	-	-	69,451	83,585
Total Deferred Inflows of Resources	14,134	-	-	69,451	83,585
FUND BALANCES:					
Nonspendable	9,121	729	-	1,549	11,399
Restricted	-	-	-	145,215	145,215
Committed	60,271	203,382	-	226,683	490,336
Assigned	-	-	187,277	-	187,277
Unassigned (Deficit)	462,206	-	-	(17,504)	444,702
Total Fund Balances	531,598	204,111	187,277	355,943	1,278,929
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 580,797	\$ 213,770	\$ 247,755	\$ 429,521	\$1,471,843

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

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

Total Governmental Fund Balances	\$ 1,278,929
<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.	1,485,580
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	83,585
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.	(630,891)
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>(320,651)</u>
Net Position of Governmental Activities	<u>\$ 1,896,552</u>

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

	General Fund	Ambulance Fund	Capital Improvement Fund	Nonmajor Governmental Fund	Total
REVENUES					
Taxes	\$ 520,303	\$ -	\$ -	\$ 34,164	\$ 554,467
Licenses and Permits	12,906	-	-	150	13,056
Intergovernmental Revenue	259,820	21,767	-	76,085	357,672
Charges for Services	7,972	114,138	729	54,260	177,099
Fines and Forfeits	8,753	-	-	-	8,753
Interest Income	478	346	444	615	1,883
Miscellaneous	14,883	12,767	33,849	-	61,499
Operating Revenues	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899</u>
Total Revenues	<u>827,014</u>	<u>149,018</u>	<u>35,022</u>	<u>165,274</u>	<u>1,176,328</u>
EXPENDITURES					
Current Operations:					
General Government	153,184	-	-	12,621	165,805
Public Safety	185,195	126,409	-	77,879	389,483
Public Works	187,270	-	14,307	126	201,703
Culture and Recreation	79,081	-	-	-	79,081
Sanitation	5,504	-	-	-	5,504
Debt Service:					
Principal Payments	-	-	-	59,000	59,000
Interest Payments	-	-	2,826	17,559	20,385
Capital Outlay	<u>1,970</u>	<u>46,229</u>	<u>32,680</u>	<u>161,264</u>	<u>242,143</u>
Total Expenditures	<u>612,204</u>	<u>172,638</u>	<u>49,813</u>	<u>328,449</u>	<u>1,163,104</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	214,810	(23,620)	(14,791)	(163,175)	13,224
OTHER FINANCING SOURCES (USES)					
Transfer In	15,000	10,000	88,000	181,940	294,940
Transfer Out	<u>(194,940)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,940)</u>
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	34,870	(13,620)	73,209	18,765	113,224
FUND BALANCES - January 1	<u>496,728</u>	<u>217,731</u>	<u>114,068</u>	<u>337,178</u>	<u>1,165,705</u>
FUND BALANCES - December 31	<u>\$ 531,598</u>	<u>\$ 204,111</u>	<u>\$ 187,277</u>	<u>\$ 355,943</u>	<u>\$ 1,278,929</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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 113,224
<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	242,143
Depreciation Expense	(140,210)
Gain (Loss) on Disposal of Assets	(40,884)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(10,079)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	
	610
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	59,000
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	
	5,511
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>30,741</u>
Change in Net Position of Governmental Activities	<u>\$ 260,056</u>

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

	Water Fund	Sewer Fund	Storm Sewer Fund	Municipal Liquor Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and Investments	\$ 458,151	\$ 421,761	\$ 2,653	\$ 180,871	\$ 1,063,436
Accounts Receivable	19,996	15,311	1,254	3,715	40,276
Interest Receivable	145	33	-	25	203
Due from Other Funds	60,478	667	-	-	61,145
Prepaid Expense	290	392	-	5,273	5,955
Inventory	-	-	-	71,660	71,660
Total Current Assets	<u>539,060</u>	<u>438,164</u>	<u>3,907</u>	<u>261,544</u>	<u>1,242,675</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	340,926	193,208	-	101,005	635,139
Total Capital Assets	1,158,224	2,760,384	733,444	335,406	4,987,458
Less: Accumulated Depreciation	740,221	1,616,983	168,292	278,753	2,804,249
Net Capital Assets	<u>418,003</u>	<u>1,143,401</u>	<u>565,152</u>	<u>56,653</u>	<u>2,183,209</u>
TOTAL ASSETS	<u>957,063</u>	<u>1,581,565</u>	<u>569,059</u>	<u>318,197</u>	<u>3,425,884</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to Pensions	395	724	-	2,353	3,472
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 957,458</u>	<u>\$ 1,582,289</u>	<u>\$ 569,059</u>	<u>\$ 320,550</u>	<u>\$ 3,429,356</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	\$ 2,741	\$ 540	\$ -	\$ 11,043	\$ 14,324
Taxes Payable	94	-	-	2,496	2,590
Due to Other Funds	-	-	667	-	667
Accrued Payroll	314	252	-	4,981	5,547
Total Current Liabilities	<u>3,149</u>	<u>792</u>	<u>667</u>	<u>18,520</u>	<u>23,128</u>
LONG-TERM LIABILITIES					
Compensated Absences	157	157	-	1,940	2,254
Net Pension Liability	4,282	4,895	-	91,590	100,767
Total Long-Term Liabilities	<u>4,439</u>	<u>5,052</u>	<u>-</u>	<u>93,530</u>	<u>103,021</u>
TOTAL LIABILITIES	<u>7,588</u>	<u>5,844</u>	<u>667</u>	<u>112,050</u>	<u>126,149</u>
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	56	154	-	1,920	2,130
NET POSITION					
Net Investment in Capital Assets	418,003	1,143,401	565,152	56,653	2,183,209
Unrestricted	531,811	432,890	3,240	149,927	1,117,868
Total Net Position	<u>949,814</u>	<u>1,576,291</u>	<u>568,392</u>	<u>206,580</u>	<u>3,301,077</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	<u>\$ 957,458</u>	<u>\$ 1,582,289</u>	<u>\$ 569,059</u>	<u>\$ 320,550</u>	<u>\$ 3,429,356</u>

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

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Sewer Fund</u>	<u>Municipal Liquor Fund</u>	<u>Total</u>
OPERATING REVENUES					
Sales	\$ 201,881	\$ -	\$ -	\$ 554,218	\$ 756,099
Charges for Services	-	229,883	25,079	-	254,962
Total Operating Revenues	<u>201,881</u>	<u>229,883</u>	<u>25,079</u>	<u>554,218</u>	<u>1,011,061</u>
COST OF SALES	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,465</u>	<u>328,465</u>
GROSS PROFIT	<u>201,881</u>	<u>229,883</u>	<u>25,079</u>	<u>225,753</u>	<u>682,596</u>
OPERATING EXPENSES					
Salaries	5,728	10,962	4,099	163,112	183,901
Advertising	-	-	-	5,874	5,874
Depreciation	44,241	60,186	18,366	8,072	130,865
Contracted Services	21,656	39,479	247	1,704	63,086
Insurance	1,316	1,842	-	6,600	9,758
Permits, Testing and Fees	760	2,571	-	705	4,036
Professional Services	3,789	1,960	-	14,340	20,089
Repairs, Maintenance and Supplies	1,980	11,528	15,622	10,382	39,512
Supplies	1,585	2,527	59	10,916	15,087
Telephone	733	733	-	-	1,466
Training and Travel	338	402	-	338	1,078
Utilities	5,578	7,650	-	23,752	36,980
Miscellaneous	1,997	423	-	2,852	5,272
Rentals	-	-	-	3,590	3,590
Total Operating Expenses	<u>89,701</u>	<u>140,263</u>	<u>38,393</u>	<u>252,237</u>	<u>520,594</u>
NET OPERATING INCOME (LOSS)	<u>112,180</u>	<u>89,620</u>	<u>(13,314)</u>	<u>(26,484)</u>	<u>162,002</u>
NON OPERATING INCOME AND EXPENSE					
Interest Income	4,967	837	(21)	540	6,323
Taxes and Special Assessments	1,430	-	-	-	1,430
Rent Income	-	16,453	-	14,619	31,072
Grant Income	10,000	-	-	-	10,000
Miscellaneous Income	4,289	-	-	544	4,833
Cash Over/Short	-	-	-	(541)	(541)
Net Non Operating Income and Expense	<u>20,686</u>	<u>17,290</u>	<u>(21)</u>	<u>15,162</u>	<u>53,117</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>132,866</u>	<u>106,910</u>	<u>(13,335)</u>	<u>(11,322)</u>	<u>215,119</u>
Transfer Out	<u>(85,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>(100,000)</u>
CHANGE IN NET POSITION	<u>47,866</u>	<u>101,910</u>	<u>(13,335)</u>	<u>(21,322)</u>	<u>115,119</u>
NET POSITION - January 1	<u>901,948</u>	<u>1,474,381</u>	<u>581,727</u>	<u>227,902</u>	<u>3,185,958</u>
NET POSITION - December 31	<u>\$ 949,814</u>	<u>\$ 1,576,291</u>	<u>\$ 568,392</u>	<u>\$ 206,580</u>	<u>\$ 3,301,077</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, 2020

	<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	\$ 195,439	\$ 229,883	\$ 25,240	\$ 556,162	\$ 1,006,724
Payments to Vendors	(38,834)	(69,926)	(15,928)	(414,751)	(539,439)
Payments to Employees	(6,097)	(11,915)	(4,471)	(170,243)	(192,726)
Other Receipts and Payments	<u>4,289</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>4,292</u>
Net Cash Provided (Used) By Operating Activities	<u>154,797</u>	<u>148,042</u>	<u>4,841</u>	<u>(28,829)</u>	<u>278,851</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to Other Funds	(85,000)	(5,000)	-	(10,000)	(100,000)
Due to (from) Other Funds	13,694	-	(2,167)	-	11,527
Rental Income	<u>-</u>	<u>16,453</u>	<u>-</u>	<u>14,619</u>	<u>31,072</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(71,306)</u>	<u>11,453</u>	<u>(2,167)</u>	<u>4,619</u>	<u>(57,401)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	-	(2,000)	-	-	(2,000)
Taxes and Special Assessments Collected	1,430	-	-	-	1,430
Grant Proceeds	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>11,430</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>9,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	<u>5,065</u>	<u>883</u>	<u>(21)</u>	<u>579</u>	<u>6,506</u>
Net Cash Provided (Used) By Investing Activities	<u>5,065</u>	<u>883</u>	<u>(21)</u>	<u>579</u>	<u>6,506</u>
NET INCREASE (DECREASE) IN CASH	99,986	158,378	2,653	(23,631)	237,386
CASH AND CASH EQUIVALENTS - January 1	<u>358,165</u>	<u>263,383</u>	<u>-</u>	<u>204,502</u>	<u>826,050</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 458,151</u>	<u>\$ 421,761</u>	<u>\$ 2,653</u>	<u>\$ 180,871</u>	<u>\$ 1,063,436</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, 2020

	<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)	\$ 112,180	\$ 89,620	\$ (13,314)	\$ (26,484)	\$ 162,002
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities					
Depreciation	44,241	60,186	18,366	8,072	130,865
Noncash Pension Expense	(204)	(177)	-	(6,597)	(6,978)
Changes in Assets and Liabilities					
Accounts Receivable	(6,442)	-	161	1,944	(4,337)
Inventory	-	-	-	(4,844)	(4,844)
Prepaid Items	(30)	(34)	-	(463)	(527)
Accounts Payable	926	(777)	-	1,247	1,396
Taxes Payable	2	-	-	(1,173)	(1,171)
Accrued Compensated Absences	(250)	(449)	(372)	299	(772)
Accrued Payroll	85	(327)	-	(833)	(1,075)
Other Receipts and Payments	4,289	-	-	3	4,292
Net Cash Provided (Used) By Operating Activities	<u>\$ 154,797</u>	<u>\$ 148,042</u>	<u>\$ 4,841</u>	<u>\$ (28,829)</u>	<u>\$ 278,851</u>

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

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.
- Capital Equipment Fund - This fund is used to account for the resources for future capital purchases of the City.

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.

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.

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.)

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. 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.

F. 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.

G. Property Taxes

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

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

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. 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.

J. Inventories

Inventories of the Municipal Liquor Store and General Fund 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.

K. 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."

L. 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.

M. 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.

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.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Capital Assets (Cont.)

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

N. 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.

O. 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.

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.

P. 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.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. 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.

R. 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

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.

S. 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”.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

T. 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

No sub-function of the general fund had expenditures in excess of appropriations for the year ended December 31, 2020.

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 \$2,333,124 and the bank balance was \$2,397,975 including certificates of deposits of \$374,183. Of the bank balance, \$500,000 was covered by federal depository insurance. Of the remaining balance, \$1,897,975 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.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

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	\$	2,333,124
Total Cash on Hand		<u>8,560</u>
	\$	<u>2,341,684</u>
Statement of Net Position		
Cash and Cash Investments	\$	<u>2,341,684</u>

4. DUE TO AND FROM OTHER FUNDS

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Capital Equipment Fund	\$ -	\$ 60,478
Water Fund	60,478	-
Sewer Fund	667	-
Storm Sewer Fund	<u>-</u>	<u>667</u>
	<u>\$ 61,145</u>	<u>\$ 61,145</u>

The Water Fund advanced \$60,478 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	\$ 12,470	\$ -
Special assessments receivable	1,664	-
Nonmajor Governmental Funds		
Delinquent taxes receivable	1,439	-
Special assessments receivable	<u>68,012</u>	<u>-</u>
Total	<u>\$ 83,585</u>	<u>\$ -</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. TRANSFERS

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

	Transfers to <u>Other Funds</u>	Transfers from <u>Other Funds</u>
General Fund	\$ 194,940	\$ 15,000
Ambulance Fund	-	10,000
Capital Equipment Fund	-	88,000
Nonmajor Governmental Funds	-	181,940
Water Fund	85,000	-
Sewer Fund	5,000	-
Municipal Liquor Fund	<u>10,000</u>	<u>-</u>
	<u>\$ 294,940</u>	<u>\$ 294,940</u>

- The Liquor Fund transferred \$10,000 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 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, Water Fund and the Nonmajor Governmental Funds were for future capital outlay purchases and the infrastructure project.

7. CHANGES IN CAPITAL ASSETS

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

	Balance <u>January 1</u>	Additions	Transfers/ Retirements	Balance <u>December 31</u>
Not Being Depreciated:				
Construction in Progress	\$ <u>2,777</u>	\$ <u>134,492</u>	\$ -	\$ <u>137,269</u>
Subtotal	<u>2,777</u>	<u>134,492</u>	<u>-</u>	<u>137,269</u>
Other Capital Assets:				
Buildings	494,586	12,915	-	507,501
Infrastructure and Improvements	2,069,449	-	-	2,069,449
Machinery and Equipment	<u>1,467,790</u>	<u>94,735</u>	<u>-</u>	<u>1,562,525</u>
Subtotal	<u>4,031,825</u>	<u>107,650</u>	<u>-</u>	<u>4,139,475</u>
Less: Accumulated Depreciation				
Buildings	423,111	5,313	-	428,424
Infrastructure and Improvements	1,062,434	79,544	-	1,141,978
Machinery and Equipment	<u>1,124,525</u>	<u>55,353</u>	<u>-</u>	<u>1,179,878</u>
Subtotal	<u>2,610,070</u>	<u>140,210</u>	<u>-</u>	<u>2,750,280</u>
Net Other Capital Assets	<u>1,421,755</u>	<u>(32,560)</u>	<u>-</u>	<u>1,389,195</u>
Net Capital Assets	<u>\$ 1,424,532</u>	<u>\$ 101,932</u>	<u>\$ -</u>	<u>\$ 1,526,464</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN FIXED ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2020.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 181,323	\$ -	\$ -	\$ 181,323
Subtotal	<u>181,323</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>633,139</u>	<u>2,000</u>	<u>-</u>	<u>635,139</u>
Subtotal	<u>4,804,135</u>	<u>2,000</u>	<u>-</u>	<u>4,806,135</u>
Less: Accumulated Depreciation				
Buildings	162,088	2,366	-	164,454
Infrastructure and Improvements	2,037,549	99,095	-	2,136,644
Machinery and Equipment	<u>473,747</u>	<u>29,404</u>	<u>-</u>	<u>503,151</u>
Subtotal	<u>2,673,384</u>	<u>130,865</u>	<u>-</u>	<u>2,804,249</u>
Net Other Capital Assets	<u>2,130,751</u>	<u>(128,865)</u>	<u>-</u>	<u>2,001,886</u>
Net Capital Assets	<u>\$ 2,312,074</u>	<u>\$ (128,865)</u>	<u>\$ -</u>	<u>\$ 2,183,209</u>

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

Governmental Activities:	
General Government	\$ 6,587
Public Safety	43,012
Public Works	85,147
Culture and Recreation	<u>5,464</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 140,210</u>
Business-Type Activities:	
Water	\$ 44,241
Sewer	60,186
Storm Sewer	18,366
Municipal Liquor Store	<u>8,072</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 130,865</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. FUND BALANCE

A. Classifications

	General Fund	Ambulance Fund	Capital Equipment Fund	Non Major Governmental Funds	Total
Nonspendable:					
Inventory	\$ 693	\$ -	\$ -	\$ -	\$ 693
Prepaid Expense	<u>8,428</u>	<u>729</u>	<u>-</u>	<u>1,549</u>	<u>10,706</u>
Total					
Nonspendable	<u>9,121</u>	<u>729</u>	<u>-</u>	<u>1,549</u>	<u>11,399</u>
Restricted for:					
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,215</u>	<u>145,215</u>
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,215</u>	<u>145,215</u>
Committed to:					
Economic					
Development	60,271	-	-	-	60,271
Ambulance Service	-	198,592	-	-	198,592
Ambulance					
Equipment	-	4,790	-	-	4,790
Fire Service	-	-	-	153,877	153,877
Fire Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,806</u>	<u>72,806</u>
Total Committed	<u>60,271</u>	<u>203,382</u>	<u>-</u>	<u>226,683</u>	<u>490,336</u>
Assigned to:					
Public Works					
Equipment	-	-	38,640	-	38,640
Auditorium	-	-	22,323	-	22,323
Street Improvements	-	-	31,063	-	31,063
Police Squad	-	-	63,613	-	63,613
Parks and Pool					
Improvements	<u>-</u>	<u>-</u>	<u>31,638</u>	<u>-</u>	<u>31,638</u>
Total Assigned	<u>-</u>	<u>-</u>	<u>187,277</u>	<u>-</u>	<u>187,277</u>
Unassigned	<u>462,206</u>	<u>-</u>	<u>-</u>	<u>(17,504)</u>	<u>444,702</u>
Total	<u>\$ 531,598</u>	<u>\$ 204,111</u>	<u>\$ 187,277</u>	<u>\$ 355,943</u>	<u>\$ 1,278,929</u>

B. Minimum Unassigned Fund Balance Policy

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

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2020, the unassigned fund balance of the General Fund was 59.6% 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, 2020.

	<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	\$ 668,000	\$ -	\$ 59,000	\$ 609,000	\$ 61,000
Compensated Absences	23,450	-	6,283	17,167	-
Totals	<u>\$ 691,450</u>	<u>\$ -</u>	<u>\$ 65,283</u>	<u>\$ 626,167</u>	<u>\$ 61,000</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, 2020 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

\$ 609,000
\$ 609,000

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>
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	68,000	8,855	76,855
2026-2030	<u>288,000</u>	<u>16,114</u>	<u>304,114</u>
Total	<u>\$ 609,000</u>	<u>\$ 78,280</u>	<u>\$ 687,280</u>

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

Governmental Activities:

Public Works	\$ <u>16,949</u>
Total Interest Expense - Governmental Activities	<u>\$ 16,949</u>

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.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description (Cont.)

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.

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

B. Benefits Provided (Cont.)

2. Police and Fire Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the City of 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, 2020, were \$23,057. 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 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City of Silver Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$10,909. 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, 2020, the City of Silver Lake, Minnesota reported a liability of \$257,805 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. 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 \$7,891. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City of Silver Lake, Minnesota proportionate share was 0.0043% which was unchanged from its proportion measured as of June 30, 2019.

City of Silver Lake proportionate share of the net pension liability	\$ 257,805
State of Minnesota's proportionate share of the net pension liability associated with the City of Silver Lake	<u>7,891</u>
Total	<u>\$ 265,696</u>

For the year ended December 31, 2020, the City of Silver Lake, Minnesota recognized pension expense of \$22,894 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Silver Lake, Minnesota recognized an additional \$687 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the City of 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	\$ 1,379	\$ -
Changes in actuarial assumptions	-	9,621
Net collective difference between projected and actual investment earnings	3,680	-
Changes in proportion	-	4,370
Contributions paid to PERA subsequent to the measurement date	<u>11,748</u>	<u>-</u>
Total	<u>\$ 16,807</u>	<u>\$ 13,991</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

The \$11,748 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2021	\$ (18,321)
2022	\$ (1,741)
2023	\$ 4,902
2024	\$ 6,228
2025	\$ -
Thereafter	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City of Silver Lake, Minnesota reported a liability of \$- for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City of Silver Lake, Minnesota proportionate share was 0.0105% which was an decrease of 0.0017% from its proportion measured as of June 30, 2019.

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

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City of Silver Lake, Minnesota recognized pension expense of \$3,246 for its proportionate share of the Police and Fire Fund's pension expense. In addition, the City of Silver Lake, Minnesota recognized an additional \$ as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

The State of Minnesota is not included as a non-employer contribution entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City of Silver Lake, Minnesota also recognized \$999 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City of 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	\$ -	\$ 2
Changes in actuarial assumptions	44,170	82,791
Net collective difference between projected and actual investment earnings	4,549	-
Changes in proportion	-	1,678
Contributions paid to PERA subsequent to the measurement date	<u>2,278</u>	<u>-</u>
Total	<u>\$ 50,997</u>	<u>\$ 84,471</u>

The \$2,278 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, 2021. Other amount reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2021	\$ (10,065)
2022	\$ (35,375)
2023	\$ 7,338
2024	\$ 5,272
2025	\$ (2,922)
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

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

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent five-year experience study for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

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

General Employees Fund

Changes in Actuarial Assumptions:

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

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

Changed in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
Alternative Assets (Private Markets)	25.0%	5.90%
Bonds (Fixed Income)	20.0%	0.75%
International Stocks	17.5%	5.30%
Cash	<u>2.0%</u>	0.00%
Total	100%	

CITY OF 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 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City of 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:	\$ 413,171	\$ 257,805	\$ 129,640
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Police and Fire Fund	\$ 275,854	\$ 138,401	\$ 24,664

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 (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, 2020 the plan covered 27 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.

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.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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 \$18,347 in fire state aid to the fund for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City had no required annual contribution for December 31, 2020.

D. Pension Costs

At December 31, 2020, the City of Silver Lake, Minnesota reported a net pension asset of \$55,031 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2020. 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 Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance December 31, 2021	\$ 358,826	\$ 368,528	\$ (9,702)
Changes for the Year			
Service Cost	10,632	-	10,632
TPL Interest	22,168	-	22,168
Projected Investment Earnings	(4,249)	-	(4,249)
Contributions (ER/State)	-	18,347	(18,347)
Difference between Projected and Actual			
Investment Earnings	-	56,108	(56,108)
PERA Administrative Fee	-	(575)	575
Net Changes	<u>28,551</u>	<u>73,880</u>	<u>(45,329)</u>
Balance End of Year December 31, 2020	<u>\$ 387,377</u>	<u>\$ 442,408</u>	<u>\$ (55,031)</u>

For the year ended December 31, 2020 the City of Silver Lake, Minnesota recognized pension expense of \$3,615.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

At December 31, 2020 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	\$ -	\$ 41,160
Changes in proportion	-	6,567
Total	<u>\$ -</u>	<u>\$ 47,727</u>

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2021	\$ (15,136)
2022	\$ (8,851)
2023	\$ (16,091)
2024	\$ (7,649)
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the December 31, 2020, 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)	\$ (48,873)	\$ (55,031)	\$ (61,209)

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 investment 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%
Unallocated 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 2020 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, 2020, 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 2020.

14. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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 April 19, 2021 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

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

	<u>2020</u>			Variance	<u>2019</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
REVENUES:					
TAXES:					
General Property Taxes	\$ 516,484	\$ 516,484	\$ 512,829	\$ (3,655)	\$ 499,781
Special Assessments	-	-	1,351	1,351	-
Cable Franchise Tax	<u>6,500</u>	<u>6,500</u>	<u>6,123</u>	<u>(377)</u>	<u>6,131</u>
Total Taxes	<u>522,984</u>	<u>522,984</u>	<u>520,303</u>	<u>(2,681)</u>	<u>505,912</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>9,750</u>	<u>9,750</u>	<u>12,906</u>	<u>3,156</u>	<u>10,242</u>
INTERGOVERNMENTAL					
REVENUE:					
Local Government Aid	239,641	239,641	240,116	475	224,897
PERA Rate Increase Aid	-	-	-	-	846
State Police Aid	18,300	18,300	16,539	(1,761)	18,319
Other State Grants	<u>6,000</u>	<u>6,000</u>	<u>3,165</u>	<u>(2,835)</u>	<u>8,962</u>
Total Intergovernmental Revenue	<u>263,941</u>	<u>263,941</u>	<u>259,820</u>	<u>(4,121)</u>	<u>253,024</u>
CHARGES FOR SERVICES:					
General Government	3,850	3,850	5,737	1,887	4,053
Public Safety	1,000	1,000	-	(1,000)	220
Public Works	-	-	-	-	73
Culture and Recreation	<u>33,850</u>	<u>33,850</u>	<u>2,235</u>	<u>(31,615)</u>	<u>34,572</u>
Total Charges for Services	<u>38,700</u>	<u>38,700</u>	<u>7,972</u>	<u>(30,728)</u>	<u>38,918</u>
FINES AND FORFEITS	<u>12,500</u>	<u>12,500</u>	<u>8,753</u>	<u>(3,747)</u>	<u>12,723</u>
INTEREST INCOME	<u>450</u>	<u>450</u>	<u>478</u>	<u>28</u>	<u>483</u>
MISCELLANEOUS:					
Refunds and Reimbursements	2,000	2,000	3,267	1,267	1,467
Donations	12,500	12,500	9,834	(2,666)	13,391
Insurance Proceeds	-	-	-	-	9,345
Miscellaneous Income	6,000	6,000	1,782	(4,218)	729
Sales, Net of Merchandise Purchased	<u>14,150</u>	<u>14,150</u>	<u>1,899</u>	<u>(12,251)</u>	<u>13,357</u>
Total Miscellaneous	<u>34,650</u>	<u>34,650</u>	<u>16,782</u>	<u>(17,868)</u>	<u>38,289</u>
TOTAL REVENUES	<u>882,975</u>	<u>882,975</u>	<u>827,014</u>	<u>(55,961)</u>	<u>859,591</u>
OTHER FINANCING SOURCES					
Transfer In	<u>5,750</u>	<u>5,750</u>	<u>15,000</u>	<u>9,250</u>	<u>15,702</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>888,725</u>	<u>888,725</u>	<u>842,014</u>	<u>(46,711)</u>	<u>875,293</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 11,941	\$ 11,941	\$ 11,821	\$ 120	\$ 11,807
Other Current Expenditures	2,900	2,900	1,382	1,518	1,581
Election:					
Personnel Services	3,406	3,406	4,268	(862)	-
Other Current Expenditures	2,135	2,135	2,410	(275)	3,873
Administrative and Finance:					
Personnel Services	62,599	62,599	64,585	(1,986)	60,317
Contracted Services	1,500	1,500	1,614	(114)	963
Insurance	1,000	1,000	967	33	911
Supplies	1,950	1,950	1,284	666	2,015
Other Current Expenditures	3,005	3,005	1,810	1,195	3,417
Community Development:					
Personnel Services	31,841	31,841	31,284	557	28,541
Contracted Services	1,000	1,000	501	499	416
Supplies	175	175	-	175	1
Other Current Expenditures	1,725	1,725	583	1,142	2,593
Other General Government:					
Contracted Services	-	-	-	-	2,588
Insurance	2,875	2,875	3,026	(151)	2,291
Repairs and Supplies	1,750	1,750	850	900	3,106
Utilities	11,670	11,670	8,780	2,890	10,100
Other Current Expenditures	1,692	1,692	1,333	359	937
Assessor Fees					
Current Expenditures	4,800	4,800	4,559	241	4,530
Independent Auditing					
Current Expenditures	4,000	4,000	3,920	80	8,400
Legal					
Current Expenditures	<u>3,500</u>	<u>3,500</u>	<u>8,207</u>	<u>(4,707)</u>	<u>4,075</u>
Total General Government	<u>155,464</u>	<u>155,464</u>	<u>153,184</u>	<u>2,280</u>	<u>152,462</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance	<u>2019</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	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	\$ 181,584	\$ 181,584	\$ 75,594	\$ 105,990	\$ 186,743
Insurance	14,500	14,500	16,093	(1,593)	14,350
Legal Fees	22,000	22,000	12,236	9,764	14,248
Repairs and Maintenance	1,650	1,650	5,555	(3,905)	4,430
Supplies	3,500	3,500	796	2,704	5,126
Meetings, Training and Travel	3,500	3,500	235	3,265	873
Utilities	2,940	2,940	1,988	952	2,711
Other Current Expenditures	14,630	14,630	57,007	(42,377)	13,850
Building Inspection	<u>11,000</u>	<u>11,000</u>	<u>15,691</u>	<u>(4,691)</u>	<u>11,731</u>
Total Public Safety	<u>255,304</u>	<u>255,304</u>	<u>185,195</u>	<u>70,109</u>	<u>254,062</u>
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	97,728	97,728	109,208	(11,480)	88,967
Contracted Services	2,300	2,300	1,855	445	900
Insurance	14,500	14,500	14,778	(278)	13,832
Repairs and Supplies	17,800	17,800	8,051	9,749	9,510
Vehicle Expense	6,000	6,000	5,556	444	4,993
Utilities	500	500	-	500	-
Other Current Expenditures	1,475	1,475	1,695	(220)	940
Capital Outlay	-	-	1,970	(1,970)	-
Ice and Snow Removal:					
Personnel Services	21,921	21,921	16,077	5,844	22,282
Contracted Services	8,000	8,000	2,428	5,572	15,471
Vehicle Expense	14,800	14,800	10,926	3,874	15,791
Other Current Expenditures	-	-	338	(338)	331
Street Lighting:					
Current Expenditures	<u>17,000</u>	<u>17,000</u>	<u>16,358</u>	<u>642</u>	<u>16,168</u>
Total Public Works	<u>202,024</u>	<u>202,024</u>	<u>189,240</u>	<u>12,784</u>	<u>189,185</u>
CULTURE AND RECREATION:					
Parks:					
Personnel Services	11,919	11,919	12,005	(86)	10,976
Contracted Services	5,000	5,000	5,341	(341)	5,237
Insurance	3,400	3,400	3,620	(220)	3,278
Repairs and Supplies	3,500	3,500	3,589	(89)	3,593
Utilities	1,618	1,618	3,548	(1,930)	1,376
Capital Outlay	1,800	1,800	-	1,800	-
Participant Recreation:					
Personnel Services	2,153	2,153	953	1,200	1,687

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

	<u>2020</u>			Variance with Final	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
EXPENDITURES (Cont.):					
CULTURE AND RECREATION (Cont.):					
Other Current Expenditures	\$ 3,550	\$ 3,550	\$ 156	\$ 3,394	\$ 2,904
Auditorium:					
Personnel Services	15,172	15,172	10,578	4,594	14,087
Contracted Services	2,800	2,800	2,748	52	2,867
Insurance	4,050	4,050	4,349	(299)	3,893
Repairs and Supplies	6,100	6,100	2,348	3,752	6,303
Utilities	11,642	11,642	9,014	2,628	10,665
Other Current Expenditures	2,950	2,950	1,261	1,689	3,207
Community Events:					
Personnel Services	2,478	2,478	101	2,377	2,364
Other Current Expenditures	6,300	6,300	729	5,571	7,252
Swimming Pool:					
Personnel Services	37,822	37,822	7,012	30,810	34,835
Chemicals	7,500	7,500	3,287	4,213	7,548
Insurance	4,500	4,500	4,789	(289)	4,304
Repairs and Supplies	12,060	12,060	500	11,560	20,206
Utilities	9,334	9,334	2,656	6,678	5,769
Other Current Expenditures	4,175	4,175	497	3,678	4,031
Total Culture and Recreation	<u>159,823</u>	<u>159,823</u>	<u>79,081</u>	<u>80,742</u>	<u>156,382</u>
SANITATION:					
Personnel Services	2,169	2,169	3,595	(1,426)	2,359
Other Current Expenditures	<u>3,000</u>	<u>3,000</u>	<u>1,909</u>	<u>1,091</u>	<u>2,704</u>
Total Sanitation	<u>5,169</u>	<u>5,169</u>	<u>5,504</u>	<u>(335)</u>	<u>5,063</u>
TOTAL EXPENDITURES	<u>777,784</u>	<u>777,784</u>	<u>612,204</u>	<u>165,580</u>	<u>757,154</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, 2020
With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 110,941	\$ 110,941	\$ 229,810	\$ (118,869)	\$ 118,139
OTHER FINANCING USES: Transfer Out	<u>(112,940)</u>	<u>(112,940)</u>	<u>(194,940)</u>	<u>(82,000)</u>	<u>(109,440)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,999)	(1,999)	34,870	36,869	8,699
FUND BALANCES - January 1	<u>496,728</u>	<u>496,728</u>	<u>496,728</u>	<u>-</u>	<u>488,029</u>
FUND BALANCES - December 31	<u>\$ 494,729</u>	<u>\$ 494,729</u>	<u>\$ 531,598</u>	<u>\$ 36,869</u>	<u>\$ 496,728</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES:					
Intergovernmental Revenue	\$ 1,500	\$ 1,500	\$ 21,767	\$ 20,267	\$ 1,100
Charges for Services					
Ambulance Contracts	15,000	15,000	15,074	74	15,458
Ambulance Charges	82,000	82,000	99,064	17,064	101,054
Interest Income	100	100	344	244	374
Miscellaneous	<u>7,000</u>	<u>7,000</u>	<u>12,767</u>	<u>5,767</u>	<u>7,185</u>
TOTAL REVENUES	<u>105,600</u>	<u>105,600</u>	<u>149,016</u>	<u>43,416</u>	<u>125,171</u>
OTHER FINANCING SOURCES:					
Transfer In	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>56,678</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>115,600</u>	<u>115,600</u>	<u>159,016</u>	<u>43,416</u>	<u>181,849</u>
EXPENDITURES:					
Personnel Services	50,382	50,382	52,294	(1,912)	46,660
Contracted Services	7,000	7,000	7,740	(740)	6,462
Insurance	3,900	3,900	6,519	(2,619)	3,549
Repairs and Supplies	6,725	6,725	10,435	(3,710)	7,175
Vehicle Expense	1,050	1,050	1,035	15	631
Utilities	350	350	701	(351)	313
Bad Debt	37,000	37,000	39,467	(2,467)	40,538
Other Current Expenditures	5,256	5,256	8,216	(2,960)	6,291
Capital Outlay	<u>-</u>	<u>-</u>	<u>46,229</u>	<u>(46,229)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>111,663</u>	<u>111,663</u>	<u>172,636</u>	<u>(60,973)</u>	<u>111,619</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	3,937	3,937	(13,620)	(17,557)	70,230
FUND BALANCES - January 1	<u>217,731</u>	<u>217,731</u>	<u>217,731</u>	<u>-</u>	<u>147,501</u>
FUND BALANCES - December 31	<u>\$ 221,668</u>	<u>\$ 221,668</u>	<u>\$ 204,111</u>	<u>\$ (17,557)</u>	<u>\$ 217,731</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, 2020
 With Comparative Amounts for the year ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Licenses and Permits	\$ -	\$ -	\$ 150	\$ 150	\$ 2,450
Intergovernmental Revenue	5,000	5,000	18,347	13,347	39,413
Fire Contracts	54,259	54,259	54,260	1	50,881
Interest Income	100	100	510	410	454
Miscellaneous					
Donations	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>1,769</u>
TOTAL REVENUES	<u>62,359</u>	<u>62,359</u>	<u>73,267</u>	<u>10,908</u>	<u>94,967</u>
OTHER FINANCING SOURCES					
Transfer In	<u>46,940</u>	<u>46,940</u>	<u>41,940</u>	<u>(5,000)</u>	<u>44,940</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>109,299</u>	<u>109,299</u>	<u>115,207</u>	<u>5,908</u>	<u>139,907</u>
EXPENDITURES					
Personnel Services	20,811	20,811	32,606	(11,795)	29,696
Insurance	6,500	6,500	6,523	(23)	6,466
Repairs and Supplies	21,620	21,620	21,231	389	12,615
Meetings and Travel	500	500	-	500	942
Utilities	3,794	3,794	3,019	775	3,136
Gas and Oil	2,500	2,500	1,672	828	1,547
Other Current Expenditures	19,050	19,050	12,197	6,853	16,872
Capital Outlay	<u>24,500</u>	<u>24,500</u>	<u>2,178</u>	<u>22,322</u>	<u>15,847</u>
TOTAL EXPENDITURES	<u>99,275</u>	<u>99,275</u>	<u>79,426</u>	<u>19,849</u>	<u>87,121</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>10,024</u>	<u>10,024</u>	<u>35,781</u>	<u>25,757</u>	<u>52,786</u>
OTHER FINANCING USES:					
Transfer Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,024	5,024	35,781	30,757	47,786
FUND BALANCE - January 1	<u>192,451</u>	<u>192,451</u>	<u>192,451</u>	<u>-</u>	<u>144,665</u>
FUND BALANCE - December 31	<u>\$ 197,475</u>	<u>\$ 197,475</u>	<u>\$ 228,232</u>	<u>\$ 30,757</u>	<u>\$ 192,451</u>

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

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	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, 2020	0.0043 %	\$ 257,805	\$ 7,891	\$ 265,696	\$ 306,413	86.71 %	79.10 %
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, 2020

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2020	\$ 23,057	\$ 23,057	-	\$ 307,427	7.50 %
December 31, 2019	\$ 22,818	\$ 22,818	-	\$ 304,240	7.50 %
December 31, 2018	\$ 22,742	\$ 22,742	-	\$ 303,224	7.50 %
December 31, 2017	\$ 21,339	\$ 21,339	-	\$ 284,520	7.50 %
December 31, 2016	\$ 21,668	\$ 21,668	-	\$ 288,908	7.50 %
December 31, 2015	\$ 21,237	\$ 21,237	-	\$ 283,160	7.50 %

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

CITY OF SILVER LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND
DECEMBER 31, 2020

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0105 %	138,401	120,991	114.39 %	87.20 %
June 30, 2019	0.0122 %	129,881	128,186	101.32 %	89.30 %
June 30, 2018	0.0109 %	116,183	114,760	101.24 %	88.80 %
June 30, 2017	0.0100 %	135,012	106,342	126.96 %	85.40 %
June 30, 2016	0.0100 %	401,317	98,086	409.15 %	63.90 %
June 30, 2015	0.0110 %	124,986	97,210	128.57 %	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, 2020

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2020	\$ 10,909	\$ 10,909	-	\$ 64,360	16.95 %
December 31, 2019	\$ 23,189	\$ 23,189	-	\$ 136,808	16.95 %
December 31, 2018	\$ 19,453	\$ 19,453	-	\$ 120,080	16.20 %
December 31, 2017	\$ 17,736	\$ 17,736	-	\$ 109,481	16.20 %
December 31, 2016	\$ 16,249	\$ 16,249	-	\$ 100,302	16.20 %
December 31, 2015	\$ 15,552	\$ 15,552	-	\$ 96,000	16.20 %

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

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 SILVER LAKE FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2020

Fiscal Year	2020	2019	2018	2017	2016
Total Pension Liability					
Service Cost	\$ 10,632	\$ 10,240	\$ 9,942	\$ 9,637	\$ 10,032
Interest on the Total Pension Liability	22,168	21,619	22,691	23,657	22,712
Difference Between Expected and Actual Experience	(4,249)	(3,320)	247	(6,371)	(4,531)
Changes in Assumptions	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-
Benefit Payments	<u>-</u>	<u>(39,576)</u>	<u>(62,524)</u>	<u>(24,125)</u>	<u>-</u>
Net change in total pension liability	28,551	(11,037)	(29,644)	2,798	28,213
Total Pension Liability - Beginning	<u>358,826</u>	<u>369,863</u>	<u>399,507</u>	<u>396,709</u>	<u>368,496</u>
Total Pension Liability - Ending (a)	<u>\$ 387,377</u>	<u>\$ 358,826</u>	<u>\$ 369,863</u>	<u>\$ 399,507</u>	<u>\$ 396,709</u>
Plan Fiduciary Net Position					
Contributions State	\$ 18,347	\$ 18,321	\$ 16,422	\$ 18,444	\$ 22,681
Contributions Local	-	-	5,949	-	-
Net Investment Income	56,108	58,822	(12,790)	45,866	21,696
Asset (Gain)/Loss	-	-	-	-	-
Benefit Payments	-	(39,576)	(62,524)	(24,125)	-
Pension Plan Administrative Expense	<u>(575)</u>	<u>(1,207)</u>	<u>(952)</u>	<u>(951)</u>	<u>(951)</u>
Net Change in Total Pension Liability	73,880	36,360	(53,895)	39,234	44,377
Plan Fiduciary Net Position - Beginning	<u>368,528</u>	<u>332,168</u>	<u>386,063</u>	<u>346,829</u>	<u>303,403</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 442,408</u>	<u>\$ 368,528</u>	<u>\$ 332,168</u>	<u>\$ 386,063</u>	<u>\$ 347,780</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (55,031)</u>	<u>\$ (9,702)</u>	<u>\$ 37,695</u>	<u>\$ 13,444</u>	<u>\$ 48,929</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.21 %	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
SILVER LAKE FIRE DEPARTMENT RELIEF ASSOCIATION
DECEMBER 31, 2020

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2020	\$ 18,347	\$ 18,347	-	N/A	N/A
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

2020 Changes

Change in Actuarial Assumptions

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

Change in Plan Provisions

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

2019 Changes

Change in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF 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, 2020

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	
	<u>CARES Fund</u>	<u>Fire Fund</u>	<u>2013A GO Improvement Bond</u>	<u>Infrastructure Improvement Project</u>	<u>Total</u>
ASSETS:					
Cash and Investments	\$ -	\$ 207,111	\$ 144,489	\$ (17,504)	\$ 334,096
Accounts Receivable	-	23,541	-	-	23,541
Property Taxes Receivable	-	-	1,439	-	1,439
Special Assessments Receivable	-	-	68,013	-	68,013
Interest Receivable	-	158	-	-	158
Due from Other Governments	-	-	725	-	725
Prepaid Expense	-	1,549	-	-	1,549
	<u>-</u>	<u>1,549</u>	<u>-</u>	<u>-</u>	<u>1,549</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 232,359</u>	<u>\$ 214,666</u>	<u>\$ (17,504)</u>	<u>\$ 429,521</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ 4,053	\$ -	\$ -	\$ 4,053
Accrued Payroll	-	74	-	-	74
	<u>-</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>74</u>
Total Liabilities	<u>-</u>	<u>4,127</u>	<u>-</u>	<u>-</u>	<u>4,127</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	-	-	69,451	-	69,451
	<u>-</u>	<u>-</u>	<u>69,451</u>	<u>-</u>	<u>69,451</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>69,451</u>	<u>-</u>	<u>69,451</u>
FUND BALANCES:					
Nonspendable	-	1,549	-	-	1,549
Restricted	-	-	145,215	-	145,215
Committed	-	226,683	-	-	226,683
Unassigned (Deficit)	-	-	-	(17,504)	(17,504)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,504)</u>	<u>(17,504)</u>
Total Fund Balances (Deficit)	<u>-</u>	<u>228,232</u>	<u>145,215</u>	<u>(17,504)</u>	<u>355,943</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 232,359</u>	<u>\$ 214,666</u>	<u>\$ (17,504)</u>	<u>\$ 429,521</u>

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

	<u>Special Revenue Fund</u>		<u>Debt Service Fund 2013A GO Improvement Bond</u>	<u>Capital Project Fund Infrastructure Improvement Project</u>	<u>Total</u>
	<u>CARES Fund</u>	<u>Fire Fund</u>			
REVENUES					
Taxes	\$ -	\$ -	\$ 34,164	\$ -	\$ 34,164
Licenses and Permits	-	150	-	-	150
Intergovernmental Revenue	57,737	18,347	-	-	76,084
Charges for Services	-	54,260	-	-	54,260
Interest Income	-	513	103	-	616
Total Revenues	<u>57,737</u>	<u>73,270</u>	<u>34,267</u>	<u>-</u>	<u>165,274</u>
EXPENDITURES					
General Government	12,621	-	-	-	12,621
Public Safety	631	77,248	-	-	77,879
Public Works	126	-	-	-	126
Principal Payments	-	-	59,000	-	59,000
Interest Payments	-	-	17,559	-	17,559
Capital Outlay	44,359	2,178	-	114,727	161,264
Total Expenditures	<u>57,737</u>	<u>79,426</u>	<u>76,559</u>	<u>114,727</u>	<u>328,449</u>
EXCESS REVENUES OVER EXPENDITURES	-	(6,156)	(42,292)	(114,727)	(163,175)
OTHER FINANCING SOURCES (USES)					
Transfer In	-	41,940	40,000	100,000	181,940
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	35,784	(2,292)	(14,727)	18,765
FUND BALANCES (DEFICIT) - January 1	-	192,448	147,507	(2,777)	337,178
FUND BALANCES (DEFICIT) - December 31	<u>\$ -</u>	<u>\$ 228,232</u>	<u>\$ 145,215</u>	<u>\$ (17,504)</u>	<u>\$ 355,943</u>

CITY OF SILVER LAKE, MINNESOTA

SUMMARY FINANCIAL REPORT

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

The purpose of this report is to provide a summary of financial information concerning the City of 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>2020</u>	<u>Total</u> <u>2019</u>	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 554,467	\$ 543,530	2.01 %
Licenses and Permits	13,056	12,692	2.87 %
Intergovernmental	357,672	293,537	21.85 %
Charges for Services	177,099	206,780	(14.35)%
Fines	8,753	12,723	(31.20)%
Investment Earnings	1,883	1,838	2.45 %
Miscellaneous	61,499	35,323	74.10 %
Transfer In	294,940	211,820	39.24 %
Sales, Net of Merchandise Purchased	<u>1,899</u>	<u>13,357</u>	<u>(85.78)%</u>
Total Revenues	<u>\$ 1,471,268</u>	<u>\$ 1,331,600</u>	<u>10.49 %</u>
Per Capita	<u>\$ 1,557</u>	<u>\$ 1,628</u>	
EXPENDITURES:			
Current			
General Government	\$ 165,805	\$ 152,462	8.75 %
Public Safety	389,483	437,093	(10.89)%
Public Works	201,703	189,185	6.62 %
Culture and Recreation	79,081	156,382	(49.43)%
Sanitation	5,504	5,063	8.71 %
Debt Service:			
Principal Payments	59,000	57,000	3.51 %
Interest Payments	20,385	22,505	(9.42)%
Capital Outlay	242,143	146,337	65.47 %
Transfer Out	<u>194,940</u>	<u>161,118</u>	<u>20.99 %</u>
Total Expenditures	<u>\$ 1,358,044</u>	<u>\$ 1,217,105</u>	<u>11.58 %</u>
Per Capita	<u>\$ 1,437</u>	<u>\$ 1,488</u>	
Total Governmental Long-term Indebtedness	<u>\$ 609,000</u>	<u>\$ 668,000</u>	<u>(8.83)%</u>
Per Capita	<u>\$ 644</u>	<u>\$ 707</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 471,327</u>	<u>\$ 433,570</u>	<u>8.71 %</u>
Per Capita	<u>\$ 499</u>	<u>\$ 459</u>	

SECTION IV

ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA
Sara J. 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, 2020, 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 April 19, 2021.

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 2020-001 and 2020-002.

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.

April 19, 2021

CITY OF SILVER LAKE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020

INTERNAL CONTROL FINDINGS

Audit Finding 2020-001

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

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

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

Effect: 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 2020-002

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

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

Cause: There are a limited number of office employees.

Effect: 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.

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MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT

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 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 19, 2021.

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 Cities*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Silver Lake, Minnesota's noncompliance with the above reference provisions, insofar as they relate to accounting matters.

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

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

April 19, 2021