

CITY OF SILVER LAKE, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Litchfield, Minnesota

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CITY OF SILVER LAKE, MINNESOTA

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CITY OF SILVER LAKE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2016

| <u>Title</u> | <u>Name</u> | <u>Term Expires</u> |
|----------------------|----------------|---------------------|
| Mayor | Bruce Bebo | 12/31/2016 |
| Council Member | Nolan Johnson | 12/31/2016 |
| Council Member | Brenda Fogarty | 12/31/2016 |
| Council Member | Ken Merrill | 12/31/2018 |
| Council Member | Joshua Mason | 12/31/2018 |
| City Clerk/Treasurer | Kerry Venier | Appointed |

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Silver Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for Qualified Opinion on Governmental Activities

As discussed in Note 1.M. to the financial statements, management has not obtained the necessary information to properly record and disclose the effects of the net pension liability and the related deferred outflows of resources and deferred inflows of resources on the governmental activities relating to the City's Fire Relief Association. Accounting principles generally accepted in the United States of America require that those pension related amounts be recorded and disclosed, which would increase or decrease net pension liability, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities. The amount by which this departure would affect these pension related amounts has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Silver Lake, Minnesota, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the City of Silver Lake, Minnesota, as of December 31, 2016, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Ambulance Special Revenue Fund and Fire Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated April 18, 2016. Refer to Note 12 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Required Supplementary Information (Cont'd)

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 Matters (Cont'd)

Supplementary and Other Information

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

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

The Elected and Appointed Officials 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2017, on our consideration of the City'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 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's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

April 17, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

This section of the basic financial statements of the City of Silver Lake (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$4,815,020. Of this amount, \$1,434,887 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position decreased by \$21,439.
- The City's governmental funds reported combined ending fund balances of \$1,090,651.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$475,510, or 73% of total General Fund expenditures of \$653,208.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City as a Whole: Statement of Net Position and Statement of Activities

Our analysis of the City of Silver Lake begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Position includes all assets and deferred outflows of resources, and liabilities and deferred inflows of resources using the accrual basis of accounting. In the Statement of Activities, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the City's financial health. Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating.

You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Silver Lake.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including general government, public safety, public works, sanitation, and culture and recreation. Property taxes, and state and federal grants finance most of these activities.

Business-Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Water, Sewer, and Municipal Liquor Store Funds are reported here.

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Silver Lake's major funds begins with the fund financial statements. These statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental Funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 15-21 of this report.

Proprietary Funds - When the City of Silver Lake charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-50 of this report.

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Statement of Net Position

The City's net position increased from a year ago. Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

| Table 1 Comparative Condensed Statement of Net Position | | | |
|--|-------------------------|---------------------|-------------------|
| | Governmental Activities | | Change |
| | 2016 | 2015 | |
| Current and Other Assets | \$ 1,274,167 | \$ 1,240,128 | \$ 34,039 |
| Net Capital Assets | 2,203,404 | 2,336,275 | (132,871) |
| Total Assets | <u>3,477,571</u> | <u>3,576,403</u> | <u>(98,832)</u> |
| Deferred Outflows of Resources | <u>384,094</u> | <u>57,780</u> | <u>326,314</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 3,861,665</u> | <u>\$ 3,634,183</u> | <u>\$ 227,482</u> |
| Current and Other Liabilities | \$ 129,978 | \$ 121,736 | \$ 8,242 |
| Long-Term Liabilities | 1,409,000 | 1,145,330 | 263,670 |
| Total Liabilities | <u>1,538,978</u> | <u>1,267,066</u> | <u>271,912</u> |
| Deferred Inflows of Resources | 81,282 | 40,731 | 40,551 |
| Net Position | | | |
| Net Investment in Capital Assets | 1,245,404 | 1,378,275 | (132,871) |
| Restricted for Debt Service | 242,123 | 296,477 | (54,354) |
| Unrestricted | 753,878 | 651,634 | 102,244 |
| Total Net Position | <u>2,241,405</u> | <u>2,326,386</u> | <u>(84,981)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 3,861,665</u> | <u>\$ 3,634,183</u> | <u>\$ 227,482</u> |

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Table 2
Comparative Condensed Statement of Net Position

| | Business-Type Activities | | Change |
|---|--------------------------|--------------|-----------|
| | 2016 | 2015 | |
| Current and Other Assets | \$ 842,947 | \$ 804,666 | \$ 38,281 |
| Net Capital Assets | 1,972,606 | 1,973,244 | (638) |
| Total Assets | 2,815,553 | 2,777,910 | 37,643 |
| Deferred Outflows of Resources | 71,755 | 15,116 | 56,639 |
| Total Assets and Deferred Outflows of Resources | \$ 2,887,308 | \$ 2,793,026 | \$ 94,282 |
| Current and Other Liabilities | \$ 74,502 | \$ 68,551 | \$ 5,951 |
| Long-Term Liabilities | 217,638 | 197,922 | 19,716 |
| Total Liabilities | 292,140 | 266,473 | 25,667 |
| Deferred Inflows of Resources | 21,553 | 16,480 | 5,073 |
| Net Position | | | |
| Net Investment in Capital Assets | 1,892,606 | 1,848,244 | 44,362 |
| Unrestricted | 681,009 | 661,829 | 19,180 |
| Total Net Position | 2,573,615 | 2,510,073 | 63,542 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 2,887,308 | \$ 2,793,026 | \$ 94,282 |

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Governmental Activities

Net position of the City's governmental activities decreased by \$84,981. Table 3 presents the key elements of the increase.

The following tables indicate the changes in net position for the City's governmental and business-type activities:

| | <u>Governmental Activities</u> | | Change |
|--|--------------------------------|---------------------|--------------------|
| | <u>2016</u> | <u>2015</u> | |
| REVENUES | | | |
| Program Revenues | | | |
| Fees, Fines, and Charges for Services | \$ 167,111 | \$ 199,831 | \$ (32,720) |
| Operating Grants and Contributions | 130,725 | 48,134 | 82,591 |
| Capital Grants and Contributions | | 29,163 | (29,163) |
| General Revenues | | | |
| Property Taxes | 475,259 | 474,128 | 1,131 |
| Grants and Contributions not Restricted | 217,486 | 232,782 | (15,296) |
| Special Assessments | 7,590 | 4,976 | 2,614 |
| Franchise Fee | 6,795 | 6,998 | (203) |
| Interest Income | 1,383 | 1,199 | 184 |
| Gain (Loss) on Trade of Asset | (245) | 11,047 | (11,292) |
| Other | 16,654 | 14,063 | 2,591 |
| Total Revenues | <u>1,022,758</u> | <u>1,022,321</u> | <u>437</u> |
| EXPENSES | | | |
| General Government | 162,585 | 145,214 | 17,371 |
| Public Safety | 454,145 | 371,851 | 82,294 |
| Public Works | 297,464 | 263,920 | 33,544 |
| Sanitation | 995 | 3,310 | (2,315) |
| Culture and Recreation | 145,678 | 139,851 | 5,827 |
| Interest on Long-Term Debt | 26,503 | 31,541 | (5,038) |
| Total Expenses | <u>1,087,370</u> | <u>955,687</u> | <u>131,683</u> |
| Change in Net Position Before Transfers and Capital Contributions | (64,612) | 66,634 | (131,246) |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | |
| Transfers | 35,000 | 20,000 | 15,000 |
| Capital Contributions | (55,369) | | (55,369) |
| Total Transfers and Capital Contributions | <u>(20,369)</u> | <u>20,000</u> | <u>(40,369)</u> |
| Change in Net Position | (84,981) | 86,634 | (171,615) |
| NET POSITION, BEGINNING OF YEAR | <u>2,326,386</u> | <u>2,239,752</u> | <u>86,634</u> |
| NET POSITION, END OF YEAR | <u>\$ 2,241,405</u> | <u>\$ 2,326,386</u> | <u>\$ (84,981)</u> |

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Business-Type Activities

The net position of our business-type activities increased by \$63,542. The Water Fund activity includes a \$35,000 transfer for debt service, while Sewer Fund activity includes a \$55,369 capital contribution. The Municipal Liquor Store's gross profit increased by approximately 1% in comparison with the prior year.

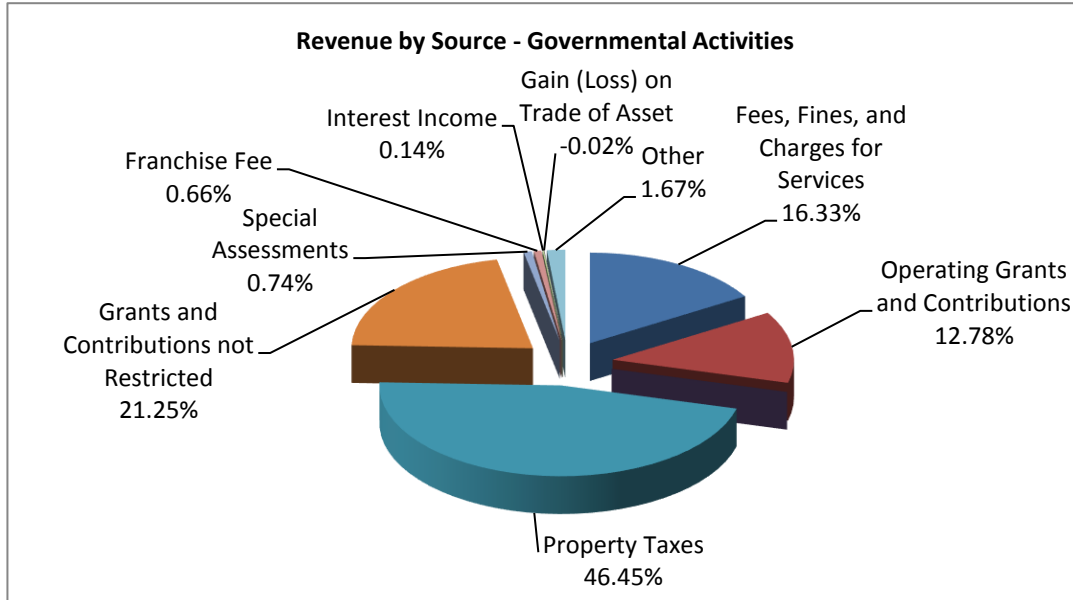
| | <u>Business-Type Activities</u> | | Change |
|--|---------------------------------|---------------------|------------------|
| | <u>2016</u> | <u>2015</u> | |
| REVENUES | | | |
| Program Revenues | | | |
| Fees, Fines, and Charges for Services | \$ 542,688 | \$ 479,871 | \$ 62,817 |
| General Revenues | | | |
| Interest Income | 1,593 | 1,583 | 10 |
| Miscellaneous | 9,525 | 10,135 | (610) |
| Total Revenues | <u>553,806</u> | <u>491,589</u> | <u>62,827</u> |
| EXPENSES | | | |
| Water | 107,310 | 87,205 | 20,105 |
| Sewer | 157,341 | 129,946 | 27,395 |
| Municipal Liquor Store | 245,982 | 222,557 | 23,425 |
| Total Expenses | <u>510,633</u> | <u>439,708</u> | <u>70,925</u> |
| Change in Net Position Before Transfers and Capital Contributions | 43,173 | 51,881 | (8,098) |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | |
| Transfers | (35,000) | (20,000) | (15,000) |
| Capital Contributions | 55,369 | | 55,369 |
| Total Transfers and Capital Contributions | <u>20,369</u> | <u>(20,000)</u> | <u>40,369</u> |
| Change in Net Position | 63,542 | 31,881 | 32,271 |
| NET POSITION, BEGINNING OF YEAR | <u>2,510,073</u> | <u>2,478,192</u> | <u>31,881</u> |
| NET POSITION, END OF YEAR | <u>\$ 2,573,615</u> | <u>\$ 2,510,073</u> | <u>\$ 63,542</u> |

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Governmental Activities

Revenues - The following chart visually illustrates the City's revenue by source for its governmental activities:



Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund Balance was \$43,475 for 2016. The increase in fund balance for 2016 was smaller compared to 2015 due to revenues remaining consistent while expenditures increased relating to capital outlay purchases, community development, highways and streets, and snow and ice control in 2016 compared to 2015.

Special Revenue Funds - The change in the City's special revenue fund balances was \$22,089. The Fire Special Revenue Fund had a change in fund balance of \$10,110, an increase in fund balance for 2016 of \$31,057 more than the decrease in fund balance for 2015. This was due to a decrease in equipment purchases. The Ambulance Special Revenue Fund increased by \$11,979, \$4,491 more than the increase in fund balance for 2015.

Debt Service Funds - The debt service fund balances increased by \$17,045. The fund increase is due to early property tax and special assessment collections for the related bond during the year which will result in a spend down of cash and fund balance in future years which was the case for the 2013 bonds.

Capital Projects Fund - The capital project fund balances decreased by \$32,992. The Capital Improvement Capital Project Fund increased by \$23,611, as compared to the increase in fund balance for 2015 of \$70,104. This was due to less donations and a smaller transfer of funds from the General Fund. The Grove Avenue Reconstruction Fund Balance was \$9 as of December 31, 2016. The decrease in Grove Avenue Reconstruction Fund Balance of \$56,603 was due to capital outlay expenditures.

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

General Fund Budgetary Highlights

Over the course of the year, the City of Silver Lake City Council did not revise the budget. The General Fund budget included sufficient revenues to cover expenditures with almost no change in fund balance. Actual revenues were \$22,546 higher than were budgeted, which is due to higher than expected income from licenses and permits, charges for services, donations and miscellaneous revenues. The variance from the budgeted increase in fund balance to actual increase in fund balance was \$40,477. Actual expenditures were lower than budget by \$17,931. Public Works had less repair and snow removal costs than budgeted.

Capital Assets

At the end of 2016, the City of Silver Lake had \$8,820,752 invested in a broad range of capital assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

The City of Silver Lake's fiscal year 2017 capital budget calls for capital repairs to the City storm sewer system, repairs or relocation of City Hall, demolition of unsafe buildings along Main Street, and transfers from the General Fund to the Capital Improvement Fund for future equipment replacement.

Long-Term Debt

At year-end, the City of Silver Lake had \$1,760,638 in bonds outstanding, net pension liability, and compensated absences. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term liability activity.

Economic Factors and Next Year's Budget

The City of Silver Lake's appointed and elected officials considered many factors when setting the fiscal year 2017 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 2016 final budget.

Contacting the City's Financial Management

This financial report is designed to provide our residents, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Silver Lake, 308 Main Street West, Silver Lake, Minnesota 55381, (320)327-2412, or silver.lake.mn@mchsi.com.

BASIC FINANCIAL STATEMENTS

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CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION
 DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | Governmental Activities | Business-Type Activities | Totals | |
|--|----------------------------|-----------------------------|---------------------|---------------------|
| | | | 2016 | 2015 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Assets | | | | |
| Cash | \$ 1,073,047 | \$ 719,494 | \$ 1,792,541 | \$ 1,681,749 |
| Receivables | | | | |
| Accounts | 35,318 | 44,250 | 79,568 | 66,471 |
| Interest | 209 | 146 | 355 | 355 |
| Property Taxes | 24,485 | | 24,485 | 28,031 |
| Special Assessments | 127,621 | | 127,621 | 147,502 |
| Due from Other Governments | 6,225 | | 6,225 | 32,217 |
| Inventories | 764 | 71,265 | 72,029 | 72,096 |
| Prepaid Items | 6,498 | 7,792 | 14,290 | 16,373 |
| Capital Assets | | | | |
| Assets Not Being Depreciated | 1,861 | 250,947 | 252,808 | 181,323 |
| Other Capital Assets, Net of Depreciation | 2,201,543 | 1,721,659 | 3,923,202 | 4,128,196 |
| Total Assets | <u>3,477,571</u> | <u>2,815,553</u> | <u>6,293,124</u> | <u>6,354,313</u> |
| Deferred Outflows of Resources | | | | |
| Related to Pensions | <u>384,094</u> | <u>71,755</u> | <u>455,849</u> | <u>72,896</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 3,861,665</u> | <u>\$ 2,887,308</u> | <u>\$ 6,748,973</u> | <u>\$ 6,427,209</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 19,779 | \$ 13,107 | \$ 32,886 | \$ 23,097 |
| Accrued Wages Payable | 11,325 | 6,266 | 17,591 | 14,087 |
| Sales Tax Payable | 6 | 4,390 | 4,396 | 4,370 |
| Deposits Payable | 300 | | 300 | 600 |
| Accrued Interest Payable | 9,568 | | 9,568 | 10,175 |
| Due to Other Governments | | 5,739 | 5,739 | 4,958 |
| Long-Term Liabilities | | | | |
| Due Within One Year | 89,000 | 45,000 | 134,000 | 133,000 |
| Due in More Than One Year | 1,409,000 | 217,638 | 1,626,638 | 1,343,252 |
| Total Liabilities | <u>1,538,978</u> | <u>292,140</u> | <u>1,831,118</u> | <u>1,533,539</u> |
| Deferred Inflows of Resources | | | | |
| Related to Pensions | 81,282 | 21,553 | 102,835 | 57,211 |
| Net Position | | | | |
| Net Investment in Capital Assets | 1,245,404 | 1,892,606 | 3,138,010 | 3,226,519 |
| Restricted for Debt Service | 242,123 | | 242,123 | 296,477 |
| Unrestricted | 753,878 | 681,009 | 1,434,887 | 1,313,463 |
| Total Net Position | <u>2,241,405</u> | <u>2,573,615</u> | <u>4,815,020</u> | <u>4,836,459</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 3,861,665</u> | <u>\$ 2,887,308</u> | <u>\$ 6,748,973</u> | <u>\$ 6,427,209</u> |
| See Accompanying Notes to the Financial Statements | | | | |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|---------------------------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|--------------|-----------|
| | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Totals | | |
| | | | | | | 2016 | 2015 | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | |
| General Government | \$ 162,585 | \$ 20,732 | \$ 10,783 | \$ (131,070) | \$ | \$ (131,070) | \$ (132,477) | |
| Public Safety | 454,145 | 90,520 | 109,381 | (254,244) | | (254,244) | (184,652) | |
| Public Works | 297,464 | 5,285 | | (292,179) | | (292,179) | (248,716) | |
| Sanitation | 995 | | | (995) | | (995) | (3,310) | |
| Culture and Recreation | 145,678 | 50,574 | 10,561 | (84,543) | | (84,543) | (77,863) | |
| Interest on Long-Term Debt | 26,503 | | | (26,503) | | (26,503) | (31,541) | |
| Total Governmental Activities | 1,087,370 | 167,111 | 130,725 | 0 | (789,534) | 0 | (678,559) | |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Water | 107,310 | 115,020 | | | 7,710 | 7,710 | 4,281 | |
| Sewer | 157,341 | 157,281 | | | (60) | (60) | 1,904 | |
| Municipal Liquor Store | 245,982 | 270,387 | | | 24,405 | 24,405 | 33,978 | |
| Total Business-Type Activities | 510,633 | 542,688 | 0 | 0 | 32,055 | 32,055 | 40,163 | |
| Total | \$ 1,598,003 | \$ 709,799 | \$ 130,725 | \$ 0 | (789,534) | 32,055 | (757,479) | (638,396) |
| GENERAL REVENUES | | | | | | | | |
| Taxes | | | | | | | | |
| Property Taxes | | | | 475,259 | | 475,259 | 474,128 | |
| Franchise Fee | | | | 6,795 | | 6,795 | 6,998 | |
| Special Assessments | | | | 7,590 | | 7,590 | 4,976 | |
| Grants and Contributions not Restricted to Specific Programs | | | | 217,486 | | 217,486 | 232,782 | |
| Interest Income | | | | 1,383 | 1,593 | 2,976 | 2,782 | |
| Gain (Loss) on Trade of Asset | | | | (245) | | (245) | 11,047 | |
| Miscellaneous | | | | 16,654 | 9,525 | 26,179 | 24,198 | |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | | | | | |
| Transfers | | | | 35,000 | (35,000) | | | |
| Capital Contributions | | | | (55,369) | 55,369 | | | |
| Total General Revenues, Transfers, and Capital Contributions | | | | 704,553 | 31,487 | 736,040 | 756,911 | |
| Change in Net Position | | | | (84,981) | 63,542 | (21,439) | 118,515 | |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | | | | 2,326,386 | 2,510,073 | 4,836,459 | 5,061,268 | |
| PRIOR PERIOD ADJUSTMENT | | | | | | | (343,324) | |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | | | | 2,326,386 | 2,510,073 | 4,836,459 | 4,717,944 | |
| NET POSITION, END OF YEAR | | | | \$ 2,241,405 | \$ 2,573,615 | \$ 4,815,020 | \$ 4,836,459 | |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | General | Ambulance | Fire | G.O. Refunding Bonds of 2007A | G.O. Improvement Bonds of 2013 | Capital Improvement | Grove Avenue Reconstruction | Totals | |
|--|-------------------|-------------------|-------------------|--|---|------------------------|-----------------------------------|---------------------|---------------------|
| | | | | | | | | 2016 | 2015 |
| ASSETS | | | | | | | | | |
| Cash | \$ 518,798 | \$ 78,350 | \$ 138,915 | \$ 52,505 | \$ 117,166 | \$ 167,304 | \$ 9 | \$ 1,073,047 | \$ 989,864 |
| Receivables | | | | | | | | | |
| Accounts | 7,949 | 27,369 | | | | | | 35,318 | 33,061 |
| Interest | 2 | 6 | 142 | | | 59 | | 209 | 209 |
| Property Taxes | 20,090 | | | 2,770 | 1,625 | | | 24,485 | 28,031 |
| Special Assessments | | | | | 127,621 | | | 127,621 | 147,502 |
| Due from Other Governments | 5,487 | | | 373 | 365 | | | 6,225 | 32,217 |
| Inventories | 764 | | | | | | | 764 | 971 |
| Prepaid Items | 4,918 | 474 | 1,106 | | | | | 6,498 | 8,273 |
| Total Assets | \$ 558,008 | \$ 106,199 | \$ 140,163 | \$ 55,648 | \$ 246,777 | \$ 167,363 | \$ 9 | \$ 1,274,167 | \$ 1,240,128 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts Payable | \$ 15,307 | \$ 254 | \$ 4,218 | \$ | \$ | \$ | \$ | \$ 19,779 | \$ 14,135 |
| Accrued Wages Payable | 11,027 | 298 | | | | | | 11,325 | 8,826 |
| Sales Tax Payable | 6 | | | | | | | 6 | |
| Deposits Payable | 300 | | | | | | | 300 | 600 |
| Total Liabilities | 26,640 | 552 | 4,218 | 0 | 0 | 0 | 0 | 31,410 | 23,561 |
| Deferred Inflows of Resources | | | | | | | | | |
| Unavailable Revenue | | | | | | | | | |
| Delinquent Property Taxes | 20,090 | | | 2,770 | 1,625 | | | 24,485 | 28,031 |
| Special Assessments | | | | | 127,621 | | | 127,621 | 147,502 |
| Total Deferred Inflows of Resources | 20,090 | 0 | 0 | 2,770 | 129,246 | 0 | 0 | 152,106 | 175,533 |
| Fund Balance | | | | | | | | | |
| Nonspendable | 5,682 | 474 | 1,106 | | | | | 7,262 | 9,244 |
| Restricted | | | | 52,878 | 117,531 | | | 170,409 | 153,364 |
| Committed | 30,086 | 100,587 | 134,839 | | | 37,288 | | 302,800 | 274,632 |
| Assigned | | 4,586 | | | | 130,075 | 9 | 134,670 | 158,596 |
| Unassigned | 475,510 | | | | | | | 475,510 | 445,198 |
| Total Fund Balance | 511,278 | 105,647 | 135,945 | 52,878 | 117,531 | 167,363 | 9 | 1,090,651 | 1,041,034 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 558,008 | \$ 106,199 | \$ 140,163 | \$ 55,648 | \$ 246,777 | \$ 167,363 | \$ 9 | \$ 1,274,167 | \$ 1,240,128 |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,090,651 | \$ 1,041,034 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. | | |
| Governmental Capital Assets | 4,647,860 | 4,624,556 |
| Less: Accumulated Depreciation | (2,444,456) | (2,288,281) |
| Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | | |
| Delinquent Property Taxes | 24,485 | 28,031 |
| Special Assessments | 127,621 | 147,502 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred Outflows of Resources Related to Pensions | 384,094 | 57,780 |
| Deferred Inflows of Resources Related to Pensions | (81,282) | (40,731) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Bonds Payable | (870,000) | (958,000) |
| Accrued Interest Payable | (9,568) | (10,175) |
| Net Pension Liability | (609,565) | (259,904) |
| Compensated Absences | (18,435) | (15,426) |
| | <u> </u> | <u> </u> |
| Total Net Position - Governmental Activities | <u>\$ 2,241,405</u> | <u>\$ 2,326,386</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | General | Ambulance | Fire | G.O. Refunding Bonds of 2007A | G.O. Improvement Bonds of 2013 | Capital Improvement | Grove Avenue Reconstruction | Totals | |
|--|------------|------------|------------|--|---|------------------------|-----------------------------------|--------------|--------------|
| | | | | | | | | 2016 | 2015 |
| REVENUES | | | | | | | | | |
| Taxes | \$ 414,836 | \$ | \$ | \$ 45,335 | \$ 24,648 | \$ | \$ | \$ 484,819 | \$ 533,244 |
| Special Assessments | 386 | | | | 27,085 | | | 27,471 | 19,340 |
| Licenses and Permits | 14,426 | | 150 | | | | | 14,576 | 10,297 |
| Intergovernmental | 231,267 | | 22,732 | | | | | 253,999 | 262,314 |
| Charges for Services | 47,887 | 97,927 | 41,831 | | | | | 187,645 | 171,871 |
| Fines and Forfeits | 6,766 | | | | | | | 6,766 | 6,071 |
| Interest Income | 638 | 87 | 295 | 40 | 47 | 285 | 41 | 1,433 | 1,199 |
| Sales (Net of Merchandise Purchases) | 13,916 | | | | | | | 13,916 | 11,592 |
| Donations | 16,454 | 1,000 | 8,690 | | | 11,054 | | 37,198 | 46,775 |
| Miscellaneous | 18,607 | | | | | | | 18,607 | 14,063 |
| Total Revenues | 765,183 | 99,014 | 73,698 | 45,375 | 51,780 | 11,339 | 41 | 1,046,430 | 1,076,766 |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| General Government | 151,315 | | | | | | | 151,315 | 138,222 |
| Public Safety | 171,911 | 97,035 | 81,746 | | | 15,338 | | 366,030 | 330,691 |
| Public Works | 169,320 | | | | | | | 169,320 | 155,459 |
| Sanitation | 994 | | | | | | | 994 | 3,043 |
| Culture and Recreation | 135,648 | | | | | | | 135,648 | 129,904 |
| Capital Outlay | | | | | | | | | |
| General Government | | | | | | | | | 425 |
| Public Safety | 4,320 | | 7,842 | | | | | 12,162 | 48,011 |
| Public Works | 14,431 | | | | | | 56,644 | 71,075 | 7,872 |
| Culture and Recreation | 5,269 | | | | | 4,890 | | 10,159 | 16,342 |
| Debt Service | | | | | | | | | |
| Principal | | | | 35,000 | 53,000 | | | 88,000 | 86,000 |
| Interest and Other Charges | | | | 3,418 | 23,692 | | | 27,110 | 29,974 |
| Total Expenditures | 653,208 | 97,035 | 89,588 | 38,418 | 76,692 | 20,228 | 56,644 | 1,031,813 | 945,943 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 111,975 | 1,979 | (15,890) | 6,957 | (24,912) | (8,889) | (56,603) | 14,617 | 130,823 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers In | | 10,000 | 26,000 | | 35,000 | 32,500 | | 103,500 | 119,500 |
| Transfers Out | (68,500) | | | | | | | (68,500) | (99,500) |
| Total Other Financing Sources (Uses) | (68,500) | 10,000 | 26,000 | 0 | 35,000 | 32,500 | 0 | 35,000 | 20,000 |
| Net Change in Fund Balances | 43,475 | 11,979 | 10,110 | 6,957 | 10,088 | 23,611 | (56,603) | 49,617 | 150,823 |
| FUND BALANCE, BEGINNING OF YEAR | 467,803 | 93,668 | 125,835 | 45,921 | 107,443 | 143,752 | 56,612 | 1,041,034 | 890,211 |
| FUND BALANCE, END OF YEAR | \$ 511,278 | \$ 105,647 | \$ 135,945 | \$ 52,878 | \$ 117,531 | \$ 167,363 | \$ 9 | \$ 1,090,651 | \$ 1,041,034 |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 49,617 | \$ 150,823 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p> | | |
| Capital Outlay | 23,304 | 70,930 |
| Depreciation Expense | (156,175) | (147,058) |
| <p>Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p> | | |
| Delinquent Property Taxes | (3,546) | (52,118) |
| Special Assessments | (19,881) | (14,364) |
| <p>Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Compensated Absences | (3,009) | 2,152 |
| <p>In the Statement of Activities, pension expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p> | | |
| | (63,898) | (8,164) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. In the current period these amounts are:</p> | | |
| Bond Principal Retirement | 88,000 | 86,000 |
| Change in Accrued Interest Payable | <u>607</u> | <u>(1,567)</u> |
| Change in Net Position - Governmental Activities | <u>\$ (84,981)</u> | <u>\$ 86,634</u> |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | | | 2015 Actual |
|--|------------------|-----------------|-------------------|------------------------------------|-------------------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| REVENUES | | | | | |
| Taxes | \$ 413,500 | \$ 413,500 | \$ 414,836 | \$ 1,336 | \$ 423,650 |
| Special Assessments | | | 386 | 386 | 1,862 |
| Licenses and Permits | 6,700 | 6,700 | 14,426 | 7,726 | 8,097 |
| Intergovernmental | 247,487 | 247,487 | 231,267 | (16,220) | 242,447 |
| Charges for Services | 41,450 | 41,450 | 47,887 | 6,437 | 40,093 |
| Fines and Forfeits | 5,500 | 5,500 | 6,766 | 1,266 | 6,071 |
| Interest Income | 400 | 400 | 638 | 238 | 398 |
| Sales (Net of Merchandise Purchases) | 16,600 | 16,600 | 13,916 | (2,684) | 11,592 |
| Donations | 7,000 | 7,000 | 16,454 | 9,454 | 15,514 |
| Miscellaneous | 4,000 | 4,000 | 18,607 | 14,607 | 14,038 |
| Total Revenues | <u>742,637</u> | <u>742,637</u> | <u>765,183</u> | <u>22,546</u> | <u>763,762</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 157,469 | 157,469 | 151,315 | (6,154) | 138,222 |
| Public Safety | 175,551 | 175,551 | 171,911 | (3,640) | 164,811 |
| Public Works | 199,572 | 199,572 | 169,320 | (30,252) | 145,617 |
| Sanitation | 3,825 | 3,825 | 994 | (2,831) | 3,043 |
| Culture and Recreation | 130,122 | 130,122 | 135,648 | 5,526 | 129,904 |
| Capital Outlay | | | | | |
| General Government | 3,000 | 3,000 | | (3,000) | 425 |
| Public Safety | | | 4,320 | 4,320 | |
| Public Works | | | 14,431 | 14,431 | 7,872 |
| Culture and Recreation | 1,600 | 1,600 | 5,269 | 3,669 | 1,600 |
| Total Expenditures | <u>671,139</u> | <u>671,139</u> | <u>653,208</u> | <u>(17,931)</u> | <u>591,494</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 71,498 | 71,498 | 111,975 | 40,477 | 172,268 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers Out | (68,500) | (68,500) | (68,500) | | (99,500) |
| Net Change in Fund Balances | <u>\$ 2,998</u> | <u>\$ 2,998</u> | 43,475 | <u>\$ 40,477</u> | 72,768 |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>467,803</u> | | <u>395,035</u> |
| FUND BALANCE, END OF YEAR | | | <u>\$ 511,278</u> | | <u>\$ 467,803</u> |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AMBULANCE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | | | 2015 Actual |
|--|------------------|---------------|-------------------|------------------------------------|------------------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| REVENUES | | | | | |
| Charges for Services | | | | | |
| Township Contracts | \$ 15,000 | \$ 15,000 | \$ 15,183 | \$ 183 | \$ 14,914 |
| Ambulance Charges | 69,000 | 69,000 | 82,744 | 13,744 | 78,233 |
| Total Charges for Services | <u>84,000</u> | <u>84,000</u> | <u>97,927</u> | <u>13,927</u> | <u>93,147</u> |
| Interest Income | 50 | 50 | 87 | 37 | 87 |
| Donations | 2,000 | 2,000 | 1,000 | (1,000) | 538 |
| Total Revenues | <u>86,050</u> | <u>86,050</u> | <u>99,014</u> | <u>12,964</u> | <u>93,772</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Public Safety | | | | | |
| Salaries | 45,000 | 45,000 | 47,036 | 2,036 | 45,496 |
| Benefits | 4,950 | 4,950 | 5,169 | 219 | 4,858 |
| Ambulance | 18,600 | 18,600 | 13,097 | (5,503) | 12,818 |
| Insurance | 3,600 | 3,600 | 2,997 | (603) | 3,333 |
| Bad Debt | 23,000 | 23,000 | 28,736 | 5,736 | 29,779 |
| Total Expenditures | <u>95,150</u> | <u>95,150</u> | <u>97,035</u> | <u>1,885</u> | <u>96,284</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (9,100) | (9,100) | 1,979 | 11,079 | (2,512) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 10,000 | 10,000 | 10,000 | | 10,000 |
| Net Change in Fund Balances | <u>\$ 900</u> | <u>\$ 900</u> | 11,979 | <u>\$ 11,079</u> | 7,488 |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>93,668</u> | | <u>86,180</u> |
| FUND BALANCE, END OF YEAR | | | <u>\$ 105,647</u> | | <u>\$ 93,668</u> |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FIRE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | | | |
|--|------------------|-----------------|-------------------|------------------------------------|-------------------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | 2015 Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Licenses and Permits | \$ | \$ | \$ 150 | \$ 150 | \$ 2,200 |
| Intergovernmental | | | | | |
| Firefighters Relief Association | 15,000 | 15,000 | 15,842 | 842 | 17,067 |
| State Grant | 6,000 | 6,000 | 6,890 | 890 | 2,800 |
| Total Intergovernmental | <u>21,000</u> | <u>21,000</u> | <u>22,732</u> | <u>1,732</u> | <u>19,867</u> |
| Charges for Services | | | | | |
| Fire Protection Contracts | 38,700 | 38,700 | 41,831 | 3,131 | 38,631 |
| Interest Income | 400 | 400 | 295 | (105) | 320 |
| Donations | 3,000 | 3,000 | 8,690 | 5,690 | 7,060 |
| Total Revenues | <u>63,100</u> | <u>63,100</u> | <u>73,698</u> | <u>10,598</u> | <u>68,078</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Public Safety | | | | | |
| Salaries | 11,700 | 11,700 | 11,951 | 251 | 10,787 |
| Benefits | 960 | 960 | 1,459 | 499 | 1,564 |
| Payment to Fire Relief Association | 21,500 | 21,500 | 22,681 | 1,181 | 24,820 |
| Utilities | 3,590 | 3,590 | 2,813 | (777) | 2,800 |
| Fuel, Supplies and Maintenance | 16,800 | 16,800 | 24,226 | 7,426 | 14,134 |
| Insurance | 9,000 | 9,000 | 6,910 | (2,090) | 7,231 |
| Miscellaneous | 10,800 | 10,800 | 11,706 | 906 | 8,260 |
| Capital Outlay | | | | | |
| Public Safety | 10,000 | 10,000 | 7,842 | (2,158) | 43,429 |
| Total Expenditures | <u>84,350</u> | <u>84,350</u> | <u>89,588</u> | <u>5,238</u> | <u>113,025</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (21,250) | (21,250) | (15,890) | 5,360 | (44,947) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 26,000 | 26,000 | 26,000 | | 24,000 |
| Net Change in Fund Balances | <u>\$ 4,750</u> | <u>\$ 4,750</u> | 10,110 | <u>\$ 5,360</u> | (20,947) |
| FUND BALANCE, BEGINNING OF YEAR | | | 125,835 | | 146,782 |
| FUND BALANCE, END OF YEAR | | | <u>\$ 135,945</u> | | <u>\$ 125,835</u> |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | Business-Type Activities - Enterprise Funds | | | | |
|--|---|---------------------|---------------------------|---------------------|---------------------|
| | Water | Sewer | Municipal Liquor Store | Totals | |
| | | | | 2016 | 2015 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | \$ 398,367 | \$ 124,769 | \$ 196,358 | \$ 719,494 | \$ 691,885 |
| Receivables | | | | | |
| Accounts | 5,792 | 32,003 | 6,455 | 44,250 | 33,410 |
| Interest | 85 | 28 | 33 | 146 | 146 |
| Inventories | | | 71,265 | 71,265 | 71,125 |
| Prepaid Items | 266 | 482 | 7,044 | 7,792 | 8,100 |
| Total Current Assets | <u>404,510</u> | <u>157,282</u> | <u>281,155</u> | <u>842,947</u> | <u>804,666</u> |
| Noncurrent Assets | | | | | |
| Capital Assets | | | | | |
| Assets Not Being Depreciated | | 245,147 | 5,800 | 250,947 | 181,323 |
| Other Capital Assets, Net of Depreciation | 555,328 | 1,121,192 | 45,139 | 1,721,659 | 1,791,921 |
| Total Noncurrent Assets | <u>555,328</u> | <u>1,366,339</u> | <u>50,939</u> | <u>1,972,606</u> | <u>1,973,244</u> |
| Total Assets | <u>959,838</u> | <u>1,523,621</u> | <u>332,094</u> | <u>2,815,553</u> | <u>2,777,910</u> |
| Deferred Outflows of Resources | | | | | |
| Related to Pensions | 7,740 | 13,741 | 50,274 | 71,755 | 15,116 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 967,578</u> | <u>\$ 1,537,362</u> | <u>\$ 382,368</u> | <u>\$ 2,887,308</u> | <u>\$ 2,793,026</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | | |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | \$ 5,457 | \$ 3,194 | \$ 4,456 | \$ 13,107 | \$ 8,962 |
| Accrued Wages Payable | 918 | 921 | 4,427 | 6,266 | 5,261 |
| Sales Tax Payable | 32 | | 4,358 | 4,390 | 4,370 |
| Due to Other Governments | | | 5,739 | 5,739 | 4,958 |
| Current Portion of Long-Term Debt | | 45,000 | | 45,000 | 45,000 |
| Total Current Liabilities | <u>6,407</u> | <u>49,115</u> | <u>18,980</u> | <u>74,502</u> | <u>68,551</u> |
| Noncurrent Liabilities | | | | | |
| Long-Term Portion of Long-Term Debt | 20,537 | 70,921 | 126,180 | 217,638 | 197,922 |
| Total Liabilities | <u>26,944</u> | <u>120,036</u> | <u>145,160</u> | <u>292,140</u> | <u>266,473</u> |
| Deferred Inflows of Resources | | | | | |
| Related to Pensions | 2,325 | 4,127 | 15,101 | 21,553 | 16,480 |
| Net Position | | | | | |
| Net Investment in Capital Assets | 555,328 | 1,286,339 | 50,939 | 1,892,606 | 1,848,244 |
| Unrestricted | 382,981 | 126,860 | 171,168 | 681,009 | 661,829 |
| Total Net Position | <u>938,309</u> | <u>1,413,199</u> | <u>222,107</u> | <u>2,573,615</u> | <u>2,510,073</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 967,578</u> | <u>\$ 1,537,362</u> | <u>\$ 382,368</u> | <u>\$ 2,887,308</u> | <u>\$ 2,793,026</u> |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | Business-Type Activities - Enterprise Funds | | | | |
|--|---|--------------|--------------|--------------|--------------|
| | Water | Sewer | Municipal | Totals | |
| | | | Liquor Store | 2016 | 2015 |
| OPERATING REVENUES | | | | | |
| Water and Sewer Charges | \$ 115,020 | \$ 157,281 | \$ | \$ 272,301 | \$ 223,336 |
| Gross Profit on Liquor Sales | | | 243,506 | 243,506 | 234,932 |
| Other Operating Income | | | 26,881 | 26,881 | 21,603 |
| Total Operating Revenues | 115,020 | 157,281 | 270,387 | 542,688 | 479,871 |
| OPERATING EXPENSES | | | | | |
| Salaries | 14,290 | 25,434 | 109,367 | 149,091 | 140,884 |
| Benefits | 6,408 | 16,408 | 46,534 | 69,350 | 50,104 |
| Utilities | 5,505 | 9,221 | 18,894 | 33,620 | 27,508 |
| Insurance | 1,611 | 2,825 | 12,263 | 16,699 | 19,287 |
| Repairs and Maintenance | 17,508 | 13,254 | 12,264 | 43,026 | 23,870 |
| Chemicals | 4,463 | 1,977 | | 6,440 | 2,771 |
| Licenses and Permits | | 6,772 | 600 | 7,372 | 4,531 |
| Contracted Services | 6,257 | 8,754 | 1,635 | 16,646 | 6,481 |
| Professional Fees | 2,750 | 2,750 | 14,037 | 19,537 | 17,638 |
| Depreciation | 41,963 | 55,847 | 8,329 | 106,139 | 107,188 |
| Miscellaneous | 6,555 | 8,854 | 22,059 | 37,468 | 32,561 |
| Total Operating Expenses | 107,310 | 152,096 | 245,982 | 505,388 | 432,823 |
| Operating Income (Loss) | 7,710 | 5,185 | 24,405 | 37,300 | 47,048 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest Income | 1,002 | 340 | 251 | 1,593 | 1,583 |
| Gain on Sale of Fixed Assets | | | | | 610 |
| Rental Income | | 9,525 | | 9,525 | 9,525 |
| Bond Interest and Fiscal Charges | | (5,245) | | (5,245) | (6,885) |
| Total Nonoperating Revenues (Expenses) | 1,002 | 4,620 | 251 | 5,873 | 4,833 |
| Income (Loss) Before Transfers and Capital Contributions | 8,712 | 9,805 | 24,656 | 43,173 | 51,881 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | | |
| Transfers Out | (35,000) | | | (35,000) | (20,000) |
| Capital Contributions | | 55,369 | | 55,369 | |
| Total Transfers and Capital Contributions | (35,000) | 55,369 | 0 | 20,369 | (20,000) |
| Change in Net Position | (26,288) | 65,174 | 24,656 | 63,542 | 31,881 |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | 964,597 | 1,348,025 | 197,451 | 2,510,073 | 2,586,825 |
| PRIOR PERIOD ADJUSTMENT | | | | | (108,633) |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | 964,597 | 1,348,025 | 197,451 | 2,510,073 | 2,478,192 |
| NET POSITION, END OF YEAR | \$ 938,309 | \$ 1,413,199 | \$ 222,107 | \$ 2,573,615 | \$ 2,510,073 |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | Business-Type Activities - Enterprise Funds | | | | |
|---|---|-------------------|---------------------------|-------------------|-------------------|
| | Water | Sewer | Municipal Liquor Store | Totals | |
| | | | | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from Customers | \$ 116,216 | \$ 147,542 | \$ 572,526 | \$ 836,284 | \$ 779,828 |
| Payments to Suppliers | (35,716) | (47,884) | (306,021) | (389,621) | (362,141) |
| Payments to Other Sources | (4,395) | (5,729) | (80,385) | (90,509) | (80,652) |
| Payments to Employees | (20,234) | (35,744) | (148,308) | (204,286) | (189,470) |
| Net Cash Provided (Used) By Operating Activities | 55,871 | 58,185 | 37,812 | 151,868 | 147,565 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Rental Income | | 9,525 | | 9,525 | 9,525 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Cash Transfer Out | (35,000) | | | (35,000) | (20,000) |
| Acquisition of Capital Assets | (2,932) | (40,601) | (6,599) | (50,132) | (5,967) |
| Proceeds from Sale of Capital Assets | | | | | 610 |
| Interest Paid on Long Term Debt | | (5,245) | | (5,245) | (6,885) |
| Principal Paid on Long Term Debt | | (45,000) | | (45,000) | (40,000) |
| Net Cash Provided (Used) By Capital and Related Financing Activities | (37,932) | (90,846) | (6,599) | (135,377) | (72,242) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest Received | 1,002 | 340 | 251 | 1,593 | 1,583 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 18,941 | (22,796) | 31,464 | 27,609 | 86,431 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 379,426 | 147,565 | 164,894 | 691,885 | 605,454 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 398,367 | \$ 124,769 | \$ 196,358 | \$ 719,494 | \$ 691,885 |

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | Business-Type Activities - Enterprise Funds | | | | |
|--|---|------------------|---------------------------|-------------------|-------------------|
| | Water | Sewer | Municipal Liquor Store | Totals | |
| | | | | 2016 | 2015 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Operating Income (Loss) | \$ 7,710 | \$ 5,185 | \$ 24,405 | \$ 37,300 | \$ 47,048 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities | | | | | |
| Depreciation | 41,963 | 55,847 | 8,329 | 106,139 | 107,188 |
| Pension Related Adjustments | 261 | 5,681 | 7,200 | 13,142 | 1,391 |
| (Increase) Decrease In | | | | | |
| Receivables | 1,196 | (9,739) | (2,297) | (10,840) | (1,701) |
| Inventories | | | (140) | (140) | (8,453) |
| Prepaid Items | (34) | (154) | 496 | 308 | 2,788 |
| Increase (Decrease) In | | | | | |
| Accounts Payable | 4,642 | 948 | (1,445) | 4,145 | (500) |
| Accrued Wages Payable | 85 | 286 | 634 | 1,005 | (3) |
| Compensated Absences | 118 | 131 | (241) | 8 | 130 |
| Sales Tax Payable | (70) | | 90 | 20 | 121 |
| Due to Other Governments | | | 781 | 781 | (444) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 55,871</u> | <u>\$ 58,185</u> | <u>\$ 37,812</u> | <u>\$ 151,868</u> | <u>\$ 147,565</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | |
| Capital Contribution | \$ | \$ 55,369 | \$ | \$ 55,369 | \$ |

See Accompanying Notes to the Financial Statements

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CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Silver Lake, Minnesota is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the City misleading.

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, it has been determined the City has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after 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, intergovernmental revenue, charges for services, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Ambulance Special Revenue Fund is used to account for the operations of the ambulance service; financing is provided by ambulance charges, township contracts for service and interest income.

The Fire Special Revenue Fund is used to account for the operations of the fire department; financing is provided by fire contract revenue, interest income and state fire aid.

The G.O. Refunding Bonds of 2007A Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The G.O. Improvement Bonds of 2013 Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The Capital Improvement Capital Projects Fund is used to account for the financial resources used for various capital improvements projects of the City.

The Grove Avenue Reconstruction Capital Projects Fund is used to account for the financial resources used for the reconstruction of Grove Avenue.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)

The City reports the following major enterprise funds:

The Water Fund accounts for the operations of the City owned water utility system.

The Sewer Fund accounts for the operations of the City owned sewer utility system.

The Municipal Liquor Store Fund accounts for the operations of the City owned liquor store.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility 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.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The City may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash was comprised of deposits and non-negotiable certificates of deposit.

The City does not have an investment policy in place that further limits its investment choices.

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Minnesota Statutes requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City treasurer or in a financial institution other than that furnishing the collateral.

The City does not have a policy that further limits its collateral choices.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. 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 noncurrent 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."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of property.

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. McLeod County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

F. 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.

G. INVENTORIES

Inventory consists of liquor, beer and miscellaneous items held for resale and is valued at the lower of cost or market using the first in, first out method.

H. CAPITAL ASSETS

Capital assets, both tangible and intangible, which includes property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an initial, individual cost of more than \$1,500.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. CAPITAL ASSETS (Cont'd)

Based on the age of the majority of the City's infrastructure and an exception for small governments in GASB Statement No. 34, the City has determined it is not practical to capitalize infrastructure retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. During the current period, the City did not have any capitalized interest.

Tangible and intangible assets of the City are depreciated using the straight-line, full month convention method over the following estimated useful lives:

| <u>Capital Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and Building Improvements | 15-40 |
| Improvements Other than Buildings | 15-40 |
| Equipment | 5-10 |

Capital assets not being depreciated include land and construction in progress.

The City does not possess any material amounts of intangible capital assets.

I. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The City has one item that qualifies for reporting in this category on the government-wide Statement of Net Position and the proprietary fund financial statements which is related to pensions.

J. UNEARNED REVENUE

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. 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.

L. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

M. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

The City has elected not to report the pension related items for the City's Fire Relief Association.

N. 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.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. LONG-TERM OBLIGATIONS (Cont'd)

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

O. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The City has items that qualify for reporting in this category on the government-wide Statement of Net Position and the governmental and proprietary fund financial statements related to property taxes, special assessments and pensions.

P. FUND BALANCE

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

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventories and 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 amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the City Council.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the City Clerk/Treasurer is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. FUND BALANCE (Cont'd)

The City Council has formally adopted a fund balance policy for the General Fund. The Council's policy is to maintain a minimum unassigned fund balance of three months of budgeted General Fund operating expenditures.

Q. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the governmental-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the governmental-wide and proprietary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

R. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2015, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Clerk/Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

A. BUDGETARY INFORMATION (Cont'd)

3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. The City Clerk/Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting is not used.

B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended December 31, 2016, the following funds had expenditures that exceeded appropriations:

| | <u>Expenditures</u> | <u>Appropriations</u> |
|--------------------------------|---------------------|-----------------------|
| Ambulance Special Revenue Fund | \$ 97,035 | \$ 95,150 |
| Fire Special Revenue Fund | 89,588 | 84,350 |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at a depository bank authorized by the City Council.

Custodial Credit Risk - Deposits: The City's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

| | |
|--|----------------------------|
| Pooled Cash in Checking Accounts | \$ 1,023,653 |
| Pooled Cash in Savings Account | 399,469 |
| Non-Negotiable Certificates of Deposit | 361,859 |
| Petty Cash | 300 |
| Pull Tab Cash | 4,000 |
| Minnesota Lottery Change | 500 |
| Change Fund | <u>2,760</u> |
| Total Deposits | <u><u>\$ 1,792,541</u></u> |

NOTE 4. RECEIVABLES

Receivables are as follows:

| <u>Governmental Activities</u> | <u>Total Receivables</u> | <u>Amounts not Scheduled for Collection During the Subsequent Year</u> |
|--------------------------------|------------------------------|--|
| Accounts | \$ 35,318 | \$ |
| Interest | 209 | |
| Property Taxes | 24,485 | |
| Special Assessments | <u>127,621</u> | <u>108,685</u> |
| Total Governmental Activities | <u><u>\$ 187,633</u></u> | <u><u>\$ 108,685</u></u> |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. RECEIVABLES (Cont'd)

Receivables are as follows:

| <u>Business-Type Activities</u> | <u>Total Receivables</u> | <u>Amounts not Scheduled for Collection During the Subsequent Year</u> |
|---------------------------------|------------------------------|--|
| Accounts | \$ 44,250 | \$ |
| Interest | 146 | |
| Total Business-Type Activities | <u>\$ 44,396</u> | <u>\$ 0</u> |

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|--------------------|---------------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Construction in Progress | \$ | \$ 1,861 | \$ | \$ 1,861 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 25,482 | | | 25,482 |
| Buildings | 494,586 | | | 494,586 |
| Improvements | 2,750,474 | 10,190 | | 2,760,664 |
| Machinery and Equipment | 1,354,014 | 23,899 | (12,646) | 1,365,267 |
| Total Capital Assets, Being Depreciated | 4,624,556 | 34,089 | (12,646) | 4,645,999 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | 16,136 | 850 | | 16,986 |
| Buildings | 394,742 | 9,194 | | 403,936 |
| Improvements | 791,098 | 100,097 | | 891,195 |
| Machinery and Equipment | 1,086,305 | 47,389 | (1,355) | 1,132,339 |
| Total Accumulated Depreciation | 2,288,281 | 157,530 | (1,355) | 2,444,456 |
| Total Capital Assets Being Depreciated, Net | 2,336,275 | (123,441) | (11,291) | 2,201,543 |
| Governmental Activities Net Capital Assets | <u>\$ 2,336,275</u> | <u>\$ (121,580)</u> | <u>\$ (11,291)</u> | <u>\$ 2,203,404</u> |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital asset activity for the year was as follows:

| Business-Type Activities | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|-----------------|-------------|---------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 181,323 | \$ | \$ | \$ 181,323 |
| Construction in Progress | | 69,624 | | 69,624 |
| Total Capital Assets, Not Being Depreciated | 181,323 | 69,624 | 0 | 250,947 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 42,678 | | | 42,678 |
| Buildings | 160,601 | | | 160,601 |
| Improvements | 3,086,855 | 35,877 | | 3,122,732 |
| Machinery and Equipment | 595,934 | | | 595,934 |
| Total Capital Assets, Being Depreciated | 3,886,068 | 35,877 | 0 | 3,921,945 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | 25,964 | 1,423 | | 27,387 |
| Buildings | 157,615 | 262 | | 157,877 |
| Improvements | 1,540,657 | 76,587 | | 1,617,244 |
| Machinery and Equipment | 369,911 | 27,867 | | 397,778 |
| Total Accumulated Depreciation | 2,094,147 | 106,139 | 0 | 2,200,286 |
| Total Capital Assets Being Depreciated, Net | 1,791,921 | (70,262) | 0 | 1,721,659 |
| Business-Type Activities Net Capital Assets | <u>\$ 1,973,244</u> | <u>\$ (638)</u> | <u>\$ 0</u> | <u>\$ 1,972,606</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|-------------------|
| Governmental Activities | |
| General Government | \$ 6,048 |
| Public Safety | 31,730 |
| Public Works | 107,628 |
| Culture and Recreation | 12,124 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 157,530</u> |
| Business-Type Activities | |
| Water | \$ 41,963 |
| Sewer | 55,847 |
| Municipal Liquor Store | 8,329 |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 106,139</u> |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

The composition of interfund transfers for the year is as follows:

| | Transfer In | | | | Total |
|------------------------------|-------------|-----------|---|-------------------------|------------|
| | Ambulance | Fire | G.O. Improvement Bonds of 2013 | Capital Improvements | |
| Transfer Out | | | | | |
| General | \$ 10,000 | \$ 26,000 | \$ | \$ 32,500 | \$ 68,500 |
| Water | | | 35,000 | | 35,000 |
| Total Interfund Transfers | \$ 10,000 | \$ 26,000 | \$ 35,000 | \$ 32,500 | \$ 103,500 |

The purpose of the above transfers was to assist with various financing activities in the recipient funds.

NOTE 7. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements and facility construction. Debt service is covered respectively by special assessments and property taxes.

G.O. Bonds are direct obligations and pledge the full faith and credit of the City. These G.O. Bonds generally are issued as 15 year Serial Bonds with debt service payments each year.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. COMPONENTS OF LONG-TERM LIABILITIES

| | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Balance Outstanding</u> |
|------------------------------------|---------------------------|---------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | |
| G.O. Bonds | | | |
| G.O. Refunding Bonds, Series 2007A | 3.70-4.25% | 01/01/2018 | \$ 35,000 |
| G.O. Improvement Bonds of 2013 | 2.75% | 02/01/2029 | 835,000 |
| Net Pension Liability | | | 609,565 |
| Compensated Absences | | | <u>18,435</u> |
| Total Governmental Activities | | | <u>\$ 1,498,000</u> |
| <u>Business-Type Activities</u> | | | |
| G.O. Refunding Bonds, Series 2007A | 3.75-4.25% | 01/01/2019 | \$ 80,000 |
| Net Pension Liability | | | 173,368 |
| Compensated Absences | | | <u>9,270</u> |
| Total Business-Type Activities | | | <u>\$ 262,638</u> |

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences. The Water, Sewer and Municipal Liquor Store Funds have historically been used to liquidate the outstanding business-type activities compensated absences.

C. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for all bonded debt outstanding are as follows:

| Year Ending December 31 | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|----------------------------|---------------------------------|-------------------|---------------------------------|-----------------|
| | <u>General Obligation Bonds</u> | | <u>G.O. Refunding Bonds</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 89,000 | \$ 23,708 | \$ 45,000 | \$ 3,400 |
| 2018 | 56,000 | 20,708 | 35,000 | 1,488 |
| 2019 | 57,000 | 19,154 | | |
| 2020 | 59,000 | 17,559 | | |
| 2021 | 61,000 | 15,909 | | |
| 2022-2026 | 329,000 | 53,226 | | |
| 2027-2029 | <u>219,000</u> | <u>9,143</u> | | |
| | <u>\$ 870,000</u> | <u>\$ 159,407</u> | <u>\$ 80,000</u> | <u>\$ 4,888</u> |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------------------|--------------------------|-------------------|---------------------|-----------------------|----------------------------|
| G.O. Bonds | | | | | |
| Series 2007A | \$ 70,000 | \$ | \$ (35,000) | \$ 35,000 | \$ 35,000 |
| Series 2013 | 888,000 | | (53,000) | 835,000 | 54,000 |
| Net Pension Liability | 259,904 | 533,782 | (184,121) | 609,565 | |
| Compensated Absences | 15,426 | 13,681 | (10,672) | 18,435 | |
| Total Governmental Activities | <u>\$ 1,233,330</u> | <u>\$ 547,463</u> | <u>\$ (282,793)</u> | <u>\$ 1,498,000</u> | <u>\$ 89,000</u> |
| | | | | | |
| <u>Business-Type Activities</u> | <u>Ending Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
| G.O. Refunding Bonds, Series 2007A | \$ 125,000 | \$ | \$ (45,000) | \$ 80,000 | \$ 45,000 |
| Net Pension Liability | 108,660 | 150,553 | (85,845) | 173,368 | |
| Compensated Absences | 9,262 | 6,706 | (6,698) | 9,270 | |
| Total Business-Type Activities | <u>\$ 242,922</u> | <u>\$ 6,706</u> | <u>\$ (137,543)</u> | <u>\$ 262,638</u> | <u>\$ 45,000</u> |

E. PLEDGED REVENUES

Future revenue pledged for the payment of long-term debt is as follows:

| <u>Bond Issue/ Use of Proceeds/ Type</u> | <u>Percent of Total Debt Service</u> | <u>Term of Pledge</u> | <u>Remaining Principal and Interest</u> | <u>Principal and Interest Paid</u> | <u>Pledged Revenue Received</u> |
|---|--|---------------------------|---|--|---|
| G.O. Refunding Bonds, Series 2007A Site Improvements Utility Charges | 60% | 2008-2018 | \$ 84,888 | \$ 50,245 | \$ 157,281 |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8. RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program, with other cities in the state. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2016 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2016, there are no other claims liabilities reported in the financial statements based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9. CITY OF SILVER LAKE FIRE RELIEF ASSOCIATION

The City contributes to the City of Silver Lake Fireman's Relief Association, a single employer retirement system that acts as a common investment and administrator for the City's firefighters. All active members of the fire department are members of the Association.

The Association provides retirement benefits based on years of active service. The City may be required to make contributions to fund relief association pension benefits. The City may levy property taxes for the discretion of, and for the benefit of, the fire relief association. State aids allocated to the Association are passed through the City in accordance with State statutes.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

General Employees Retirement Fund (GERF):

All full-time and certain part-time employees of the City are covered by GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF):

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

B. BENEFITS PROVIDED

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits:

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

PEPFF Benefits:

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

C. CONTRIBUTIONS

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

GERF Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5% of pay, respectively, in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The City's contributions to the GERF for the plan's year ended December 31, 2016, were \$21,668. The City's contributions were equal to the required contributions for each year as set by state statute.

PEPFF Contributions:

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the year ended December 31, 2016, were \$16,249. The City's contributions were equal to the required contributions for each year as set by state statute.

D. PENSION COSTS

GERF Pension Costs:

At December 31, 2016, the City reported a liability of \$381,617 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$4,920. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0047% at the end of the measurement period and 0.0047% at the beginning of the period.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERF Pension Costs: (Cont'd)

For the year ended December 31, 2016, the City recognized pension expense of \$52,893 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,467 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ | \$ 31,001 |
| Changes in actuarial assumptions | 74,722 | |
| Differences between projected and actual investment earnings | 72,432 | |
| Changes in proportion | | 16,441 |
| Contributions paid to PERA subsequent to measurement date | <u>10,793</u> | |
| Totals | <u>\$ 157,947</u> | <u>\$ 47,442</u> |

\$10,793 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Pension Expense Amount</u> |
|--------------------------------|-------------------------------|
| 2017 | \$ 24,538 |
| 2018 | 24,538 |
| 2019 | 36,852 |
| 2020 | 13,784 |

PEPFF Pension Cost:

At December 31, 2016, the City reported a liability of \$401,317 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0100% at the end of the measurement period and 0.0110% at the beginning of the period.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

PEPFF Pension Cost: (Cont'd)

For the year ended December 31, 2016, the City recognized pension expense of \$66,346 for its proportionate share of PEPFF's pension expense. The City also recognized \$900 for the year ended December 31, 2016, of pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2016 the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ | \$ 46,039 |
| Changes in actuarial assumptions | 220,863 | |
| Differences between projected and actual investment earnings | 61,244 | |
| Changes in proportion | 7,200 | 9,354 |
| Contributions paid to PERA subsequent to measurement date | <u>8,595</u> | |
| Totals | <u>\$ 297,902</u> | <u>\$ 55,393</u> |

\$8,595 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Pension Expense Amount</u> | |
|--------------------------------|-------------------------------|--------|
| 2017 | \$ | 50,705 |
| 2018 | | 50,705 |
| 2019 | | 50,705 |
| 2020 | | 45,757 |
| 2021 | | 36,042 |

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the 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% per year |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP Plan was completed in 2015. The experience study for the PEPFF Plan was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

GERF:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

PEPFF:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.

The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

PEPFF: (Cont'd)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|---|
| Domestic Stocks | 45.00% | 5.50% |
| International Stocks | 15.00% | 6.00% |
| Bonds | 18.00% | 1.45% |
| Alternative Assets | 20.00% | 6.40% |
| Cash | 2.00% | 0.50% |

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan participants. 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.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

G. PENSION LIABILITY SENSITIVITY

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|--|------------------------------------|------------------|------------------------------------|
| | <u>Rate</u> | <u>Rate</u> | <u>Rate</u> |
| GERF Discount Rate | 6.50% | 7.50% | 8.50% |
| City's proportionate share of the GERF net pension liability | \$ 542,009 | \$ 381,617 | \$ 249,497 |
| PEPFF Discount Rate | 4.60% | 5.60% | 6.60% |
| City's proportionate share of the PEPFF net pension liability | 561,791 | 401,317 | 270,198 |

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 report may be obtained on the Internet at www.mnpera.org.

NOTE 11. FUND BALANCE

The following is a summary of fund balance components at December 31, 2016:

| | <u>General</u> | <u>Ambulance</u> | <u>Fire</u> |
|----------------------|-------------------|-------------------|-------------------|
| Nonspendable | | | |
| Inventories | \$ 764 | \$ | \$ |
| Prepaid Items | 4,918 | 474 | 1,106 |
| Total Nonspendable | <u>5,682</u> | <u>474</u> | <u>1,106</u> |
| Committed | | | |
| Ambulance Service | | 100,587 | |
| Economic Development | 30,086 | | |
| Fire Protection | | | 94,441 |
| Fire Equipment | | | 40,398 |
| Total Committed | <u>30,086</u> | <u>100,587</u> | <u>134,839</u> |
| Assigned | | | |
| Ambulance Unit | | 4,586 | |
| Unassigned | <u>475,510</u> | | |
| | <u>\$ 511,278</u> | <u>\$ 105,647</u> | <u>\$ 135,945</u> |

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 11. FUND BALANCE (Cont'd)

The following is a summary of fund balance components at December 31, 2016:

| | G.O. Refunding Bonds of 2007A | G.O. Refunding Bonds of 2013 | Capital Improvement | Grove Avenue Reconstruction | Total |
|---------------------|--|---------------------------------------|------------------------|-----------------------------------|--------------|
| Nonspendable | | | | | |
| Inventories | \$ | \$ | \$ | \$ | 764 |
| Prepaid Items | | | | | 6,498 |
| Total | | | | | 7,262 |
| Nonspendable | 0 | 0 | 0 | 0 | 7,262 |
| Restricted for | | | | | |
| Debt Service | 52,878 | 117,531 | | | 170,409 |
| Committed | | | | | |
| Ambulance Service | | | | | 100,587 |
| Ambulance | | | | | |
| Equipment | | | 37,288 | | 37,288 |
| Economic | | | | | |
| Development | | | | | 30,086 |
| Fire Protection | | | | | 94,441 |
| Fire Equipment | | | | | 40,398 |
| Total Committed | 0 | 0 | 37,288 | 0 | 302,800 |
| Assigned | | | | | |
| Parks and | | | | | |
| Pool Improvements | | | 6,373 | | 6,373 |
| Police Squad | | | 41,902 | | 41,902 |
| Ambulance Unit | | | | | 4,586 |
| Street Improvements | | | 50,130 | 9 | 50,139 |
| Public Works | | | | | |
| Equipment | | | 19,940 | | 19,940 |
| Auditorium Repair | | | 11,730 | | 11,730 |
| Total Assigned | 0 | 0 | 130,075 | 9 | 134,670 |
| Unassigned | | | | | 475,510 |
| | \$ 52,878 | \$ 117,531 | \$ 167,363 | \$ 9 | \$ 1,090,651 |

NOTE 12. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to the current year's presentation. There was no affect on total net position or fund balance.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2016

| Fiscal Year Ending | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b) | Employer's Covered-Employee Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---------------------|--|---|---|---|---|---|--|
| <u>Pension</u> | | | | | | | |
| <u>PERA - GERS</u> | | | | | | | |
| 6/30/2016 | 0.0047% | \$ 381,617 | \$ 4,920 | \$ 386,537 | \$ 289,536 | 133.50% | 68.91% |
| 6/30/2015 | 0.0047% | 243,578 | | 243,578 | 279,042 | 87.29% | 78.20% |
| <u>PERA - PEPFF</u> | | | | | | | |
| 6/30/2016 | 0.0100% | 401,317 | | 401,317 | 98,086 | 409.15% | 63.88% |
| 6/30/2015 | 0.0110% | 124,986 | | 124,986 | 99,942 | 125.06% | 86.60% |

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

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CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (b/d) |
|-----------------------|--|---|---|--|---|
| <u>Pension</u> | | | | | |
| <u>PERA - GERF</u> | | | | | |
| 2016 | \$ 21,668 | \$ 21,668 | \$ | \$ 288,908 | 7.50% |
| 2015 | 21,237 | 21,237 | | 283,610 | 7.49% |
| <u>PERA - PEPFF</u> | | | | | |
| 2016 | 16,249 | 16,249 | | 100,300 | 16.20% |
| 2015 | 15,552 | 15,552 | | 97,210 | 16.00% |

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

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SUPPLEMENTARY INFORMATION

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CITY OF SILVER LAKE, MINNESOTA

BALANCE SHEET
 GENERAL FUND
 DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 518,798 | \$ 463,633 |
| Receivables | | |
| Accounts | 7,949 | 5,564 |
| Interest | 2 | 2 |
| Property Taxes | 20,090 | 22,245 |
| Due from Other Governments | 5,487 | 11,402 |
| Inventories | 764 | 971 |
| Prepaid Items | 4,918 | 6,566 |
| | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 558,008</u> | <u>\$ 510,383</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts Payable | \$ 15,307 | \$ 10,939 |
| Accrued Wages Payable | 11,027 | 8,796 |
| Sales Tax Payable | 6 | |
| Deposits Payable | 300 | 600 |
| Total Liabilities | <u>26,640</u> | <u>20,335</u> |
| Deferred Inflows of Resources | | |
| Unavailable Revenue | | |
| Delinquent Property Taxes | 20,090 | 22,245 |
| Fund Balance | | |
| Nonspendable | 5,682 | 7,537 |
| Committed | 30,086 | 15,068 |
| Unassigned | 475,510 | 445,198 |
| Total Fund Balance | <u>511,278</u> | <u>467,803</u> |
| | <u> </u> | <u> </u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 558,008</u> | <u>\$ 510,383</u> |

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | Over (Under) Final Budget | 2015 Actual |
|--------------------------------------|-----------------|----------------|---------------------------------|----------------|
| | Final Budget | Actual | | |
| REVENUES | | | | |
| Taxes | | | | |
| Property Taxes | \$ 406,000 | \$ 408,041 | \$ 2,041 | \$ 416,652 |
| Franchise Fees | 7,500 | 6,795 | (705) | 6,998 |
| Total Taxes | <u>413,500</u> | <u>414,836</u> | <u>1,336</u> | <u>423,650</u> |
| Special Assessments | | 386 | 386 | 1,862 |
| Licenses and Permits | 6,700 | 14,426 | 7,726 | 8,097 |
| Intergovernmental | | | | |
| Local Government Aid | 230,137 | 215,082 | (15,055) | 213,504 |
| Police State Aid | 14,000 | 13,781 | (219) | 11,105 |
| PERA Aid | 850 | 846 | (4) | 846 |
| Other State Grants | <u>2,500</u> | <u>1,558</u> | <u>(942)</u> | <u>16,992</u> |
| Total Intergovernmental | <u>247,487</u> | <u>231,267</u> | <u>(16,220)</u> | <u>242,447</u> |
| Charges for Services | 41,450 | 47,887 | 6,437 | 40,093 |
| Fines and Forfeits | 5,500 | 6,766 | 1,266 | 6,071 |
| Interest Income | 400 | 638 | 238 | 398 |
| Sales (Net of Merchandise Purchases) | 16,600 | 13,916 | (2,684) | 11,592 |
| Donations | 7,000 | 16,454 | 9,454 | 15,514 |
| Miscellaneous | | | | |
| Insurance Dividend | 4,000 | 16,362 | 12,362 | 10,887 |
| Other | | <u>2,245</u> | <u>2,245</u> | <u>3,151</u> |
| Total Miscellaneous | <u>4,000</u> | <u>18,607</u> | <u>14,607</u> | <u>14,038</u> |
| Total Revenues | <u>742,637</u> | <u>765,183</u> | <u>22,546</u> | <u>763,762</u> |

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | Over (Under) Final Budget | 2015 Actual |
|-------------------------------|-----------------|---------------|---------------------------------|----------------|
| | Final Budget | Actual | | |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | | | | |
| City Council | | | | |
| Salaries | \$ 8,200 | \$ 8,300 | \$ 100 | \$ 7,125 |
| Benefits | 620 | 635 | 15 | 545 |
| Miscellaneous | 1,390 | 1,884 | 494 | 2,821 |
| Total City Council | <u>10,210</u> | <u>10,819</u> | <u>609</u> | <u>10,491</u> |
| Mayor | | | | |
| Salaries | 2,500 | 2,475 | (25) | 2,450 |
| Benefits | 190 | 189 | (1) | 188 |
| Miscellaneous | 590 | 534 | (56) | 649 |
| Total Mayor | <u>3,280</u> | <u>3,198</u> | <u>(82)</u> | <u>3,287</u> |
| Administration | | | | |
| Salaries | 38,500 | 36,540 | (1,960) | 38,081 |
| Benefits | 16,936 | 11,887 | (5,049) | 16,015 |
| Supplies | 1,235 | 1,292 | 57 | 532 |
| Insurance | 1,125 | 959 | (166) | 1,075 |
| Assessor Fees | 3,350 | 3,157 | (193) | 3,164 |
| Legal Services | 200 | | (200) | 31 |
| Audit and Accounting Services | 8,000 | 8,250 | 250 | 7,550 |
| Miscellaneous | 6,850 | 7,943 | 1,093 | 2,956 |
| Total Administration | <u>76,196</u> | <u>70,028</u> | <u>(6,168)</u> | <u>69,404</u> |
| Elections | | | | |
| Salaries and Benefits | 3,630 | 2,687 | (943) | 141 |
| Miscellaneous | 2,855 | 668 | (2,187) | |
| Total Elections | <u>6,485</u> | <u>3,355</u> | <u>(3,130)</u> | <u>141</u> |
| Community Development | | | | |
| Salaries | 19,300 | 17,627 | (1,673) | 17,114 |
| Benefits | 8,926 | 7,667 | (1,259) | 9,448 |
| Engineering Fees | 2,500 | | (2,500) | 4,000 |
| Miscellaneous | 4,100 | 10,633 | 6,533 | 2,628 |
| Building Inspection Fees | 11,000 | 17,104 | 6,104 | 9,366 |
| Total Community Development | <u>45,826</u> | <u>53,031</u> | <u>7,205</u> | <u>42,556</u> |

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | Over (Under) Final Budget | 2015 Actual |
|------------------------------------|-----------------|----------------|---------------------------------|----------------|
| | Final Budget | Actual | | |
| EXPENDITURES (Cont'd) | | | | |
| Current (Cont'd) | | | | |
| General Government (Cont'd) | | | | |
| General Government Buildings | | | | |
| Salaries | \$ 750 | \$ 728 | \$ (22) | \$ 570 |
| Benefits | 492 | 174 | (318) | 365 |
| Repairs and Maintenance | 1,500 | 266 | (1,234) | 402 |
| Telephone | 2,040 | 1,729 | (311) | 1,760 |
| Utilities | 7,650 | 5,334 | (2,316) | 6,821 |
| Insurance | 3,040 | 2,653 | (387) | 2,425 |
| Total General Government Buildings | <u>15,472</u> | <u>10,884</u> | <u>(4,588)</u> | <u>12,343</u> |
| Total General Government | 157,469 | 151,315 | (6,154) | 138,222 |
| Public Safety | | | | |
| Police Protection | | | | |
| Salaries | 104,000 | 103,775 | (225) | 100,598 |
| Benefits | 32,631 | 28,501 | (4,130) | 28,761 |
| Legal Fees | 5,000 | 7,017 | 2,017 | 5,434 |
| Uniforms | 1,000 | 3,705 | 2,705 | 3,041 |
| Vehicle Expense | 7,840 | 6,345 | (1,495) | 8,161 |
| Contract Services | 5,000 | 4,658 | (342) | 4,527 |
| Insurance | 9,700 | 7,628 | (2,072) | 9,289 |
| Miscellaneous | 10,380 | 10,282 | (98) | 5,000 |
| Total Public Safety | <u>175,551</u> | <u>171,911</u> | <u>(3,640)</u> | <u>164,811</u> |
| Public Works | | | | |
| Highways and Streets | | | | |
| Salaries | 54,000 | 58,628 | 4,628 | 50,460 |
| Benefits | 26,146 | 27,810 | 1,664 | 26,208 |
| Repairs and Maintenance | 33,200 | 10,365 | (22,835) | 12,567 |
| Street Lighting | 19,500 | 19,389 | (111) | 15,780 |
| Engineering Fees | | 12,514 | 12,514 | |
| Contract Services | 6,500 | 4,441 | (2,059) | |
| Vehicle Expense | 5,000 | 2,464 | (2,536) | 2,920 |
| Insurance | 13,100 | 9,544 | (3,556) | 15,228 |
| Miscellaneous | 1,625 | 1,968 | 343 | 1,466 |
| Total Highways and Streets | <u>159,071</u> | <u>147,123</u> | <u>(11,948)</u> | <u>124,629</u> |

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | Over (Under) Final Budget | 2015 Actual |
|----------------------------|-----------------|---------------|---------------------------------|----------------|
| | Final Budget | Actual | | |
| EXPENDITURES (Cont'd) | | | | |
| Current (Cont'd) | | | | |
| Public Works (Cont'd) | | | | |
| Snow and Ice Control | | | | |
| Salaries | \$ 13,500 | \$ 4,931 | \$ (8,569) | \$ 7,376 |
| Benefits | 5,532 | 3,430 | (2,102) | 4,302 |
| Repairs and Maintenance | 10,969 | 6,013 | (4,956) | 6,323 |
| Contract Services | 6,500 | 6,483 | (17) | 1,820 |
| Vehicle Expense | 4,000 | 873 | (3,127) | 1,167 |
| Miscellaneous | | 467 | 467 | |
| Total Snow and Ice Control | <u>40,501</u> | <u>22,197</u> | <u>(18,304)</u> | <u>20,988</u> |
| Total Public Works | 199,572 | 169,320 | (30,252) | 145,617 |
| Sanitation | | | | |
| Solid Waste | 3,825 | 994 | (2,831) | 3,043 |
| Culture and Recreation | | | | |
| Swimming Pool | | | | |
| Salaries | 23,000 | 27,736 | 4,736 | 24,906 |
| Benefits | 3,320 | 3,518 | 198 | 3,403 |
| Repairs and Maintenance | 3,000 | 4,024 | 1,024 | 4,872 |
| Utilities | 7,850 | 6,295 | (1,555) | 7,165 |
| Insurance | 6,400 | 5,453 | (947) | 5,716 |
| Supplies | 8,600 | 10,580 | 1,980 | 8,299 |
| License and Permits | 700 | 595 | (105) | 655 |
| Miscellaneous | 1,310 | 2,607 | 1,297 | 1,566 |
| Total Swimming Pool | <u>54,180</u> | <u>60,808</u> | <u>6,628</u> | <u>56,582</u> |
| Summer Recreation | 7,180 | 5,275 | (1,905) | 5,980 |
| Community Events | 8,804 | 10,698 | 1,894 | 12,418 |
| Auditorium | | | | |
| Salaries | 10,000 | 9,072 | (928) | 10,601 |
| Benefits | 2,395 | 2,903 | 508 | 3,853 |
| Repairs and Maintenance | 7,750 | 6,031 | (1,719) | 6,076 |
| Utilities | 10,150 | 9,028 | (1,122) | 7,975 |
| Insurance | 3,600 | 3,133 | (467) | 3,328 |
| Miscellaneous | 6,255 | 5,384 | (871) | 5,412 |
| Total Auditorium | <u>40,150</u> | <u>35,551</u> | <u>(4,599)</u> | <u>37,245</u> |

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2016 | | Over (Under) Final Budget | 2015 Actual |
|--|-----------------|-------------------|---------------------------------|-------------------|
| | Final Budget | Actual | | |
| EXPENDITURES (Cont'd) | | | | |
| Current (Cont'd) | | | | |
| Culture and Recreation (Cont'd) | | | | |
| Parks | | | | |
| Salaries | \$ 7,500 | \$ 7,353 | \$ (147) | \$ 8,401 |
| Benefits | 4,433 | 3,366 | (1,067) | 4,480 |
| Repairs and Maintenance | 875 | 3,880 | 3,005 | 429 |
| Contract Services | 3,500 | 4,351 | 851 | 1,255 |
| Miscellaneous | 550 | 379 | (171) | 493 |
| Utilities | 500 | 1,879 | 1,379 | 293 |
| Insurance | 2,450 | 2,108 | (342) | 2,328 |
| Total Parks | <u>19,808</u> | <u>23,316</u> | <u>3,508</u> | <u>17,679</u> |
| Total Culture and Recreation | <u>130,122</u> | <u>135,648</u> | <u>5,526</u> | <u>129,904</u> |
| Total Current | <u>666,539</u> | <u>629,188</u> | <u>(37,351)</u> | <u>581,597</u> |
| Capital Outlay | | | | |
| General Government | | | | |
| General Government Buildings | 3,000 | | (3,000) | 425 |
| Public Safety | | | | |
| Police Protection | | 4,320 | 4,320 | |
| Public Works | | | | |
| Highways and Streets | | 14,431 | 14,431 | 7,872 |
| Culture and Recreation | | | | |
| Parks | 1,600 | 5,269 | 3,669 | 1,600 |
| Total Capital Outlay | <u>4,600</u> | <u>24,020</u> | <u>19,420</u> | <u>9,897</u> |
| Total Expenditures | <u>671,139</u> | <u>653,208</u> | <u>(17,931)</u> | <u>591,494</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 71,498 | 111,975 | 40,477 | 172,268 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>(68,500)</u> | <u>(68,500)</u> | | <u>(99,500)</u> |
| Net Change in Fund Balances | <u>\$ 2,998</u> | <u>43,475</u> | <u>\$ 40,477</u> | <u>72,768</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>467,803</u> | | <u>395,035</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 511,278</u> | | <u>\$ 467,803</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION
 WATER ENTERPRISE FUND
 DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash | \$ 398,367 | \$ 379,426 |
| Receivables | | |
| Accounts | 5,792 | 6,988 |
| Interest | 85 | 85 |
| Prepaid Items | 266 | 232 |
| Total Current Assets | <u>404,510</u> | <u>386,731</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Other Capital Assets, Net of Depreciation | 555,328 | 594,359 |
| Total Assets | <u>959,838</u> | <u>981,090</u> |
| Deferred Outflows of Resources | | |
| Related to Pensions | <u>7,740</u> | <u>1,789</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 967,578</u> | <u>\$ 982,879</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 5,457 | \$ 815 |
| Accrued Wages Payable | 918 | 833 |
| Sales Tax Payable | 32 | 102 |
| Total Current Liabilities | <u>6,407</u> | <u>1,750</u> |
| Noncurrent Liabilities | | |
| Long-Term Portion of Long-Term Debt | <u>20,537</u> | <u>14,581</u> |
| Total Liabilities | <u>26,944</u> | <u>16,331</u> |
| Deferred Inflows of Resources | | |
| Related to Pensions | 2,325 | 1,951 |
| Net Position | | |
| Net Investment in Capital Assets | 555,328 | 594,359 |
| Unrestricted | <u>382,981</u> | <u>370,238</u> |
| Total Net Position | <u>938,309</u> | <u>964,597</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 967,578</u> | <u>\$ 982,879</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| OPERATING REVENUES | | |
| Water Charges | \$ 115,020 | \$ 91,486 |
| OPERATING EXPENSES | | |
| Salaries | 14,290 | 14,995 |
| Benefits | 6,408 | 6,939 |
| Utilities | 5,505 | 5,679 |
| Insurance | 1,611 | 1,516 |
| Repairs and Maintenance | 17,508 | 3,763 |
| Chemicals | 4,463 | 1,251 |
| Licenses and Permits | | 23 |
| Contracted Services | 6,257 | 571 |
| Professional Fees | 2,750 | 2,600 |
| Depreciation | 41,963 | 41,874 |
| Miscellaneous | 6,555 | 7,994 |
| Total Operating Expenses | <u>107,310</u> | <u>87,205</u> |
| Operating Income (Loss) | 7,710 | 4,281 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest Income | 1,002 | 1,011 |
| Income (Loss) Before Transfers | <u>8,712</u> | <u>5,292</u> |
| TRANSFERS | | |
| Transfers Out | <u>(35,000)</u> | <u>(20,000)</u> |
| Change in Net Position | (26,288) | (14,708) |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | 964,597 | 992,163 |
| PRIOR PERIOD ADJUSTMENT | | <u>(12,858)</u> |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | <u>964,597</u> | <u>979,305</u> |
| NET POSITION, END OF YEAR | <u>\$ 938,309</u> | <u>\$ 964,597</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2016

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash | \$ 124,769 | \$ 147,565 |
| Receivables | | |
| Accounts | 32,003 | 22,264 |
| Interest | 28 | 28 |
| Prepaid Items | 482 | 328 |
| Total Current Assets | <u>157,282</u> | <u>170,185</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Assets Not Being Depreciated | 245,147 | 175,523 |
| Other Capital Assets, Net of Depreciation | 1,121,192 | 1,150,693 |
| Total Noncurrent Assets | <u>1,366,339</u> | <u>1,326,216</u> |
| Total Assets | <u>1,523,621</u> | <u>1,496,401</u> |
| Deferred Outflows of Resources | | |
| Related to Pensions | <u>13,741</u> | <u>2,460</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,537,362</u> | <u>\$ 1,498,861</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 3,194 | \$ 2,246 |
| Accrued Wages Payable | 921 | 635 |
| Current Portion of Long-Term Debt | 45,000 | 45,000 |
| Total Current Liabilities | <u>49,115</u> | <u>47,881</u> |
| Noncurrent Liabilities | | |
| Long-Term Portion of Long-Term Debt | <u>70,921</u> | <u>100,273</u> |
| Total Liabilities | <u>120,036</u> | <u>148,154</u> |
| Deferred Inflows of Resources | | |
| Related to Pensions | 4,127 | 2,682 |
| Net Position | | |
| Net Investment in Capital Assets | 1,286,339 | 1,201,216 |
| Unrestricted | 126,860 | 146,809 |
| Total Net Position | <u>1,413,199</u> | <u>1,348,025</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 1,537,362</u> | <u>\$ 1,498,861</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Sewer Charges | \$ 157,281 | \$ 131,850 |
| OPERATING EXPENSES | | |
| Salaries | 25,434 | 20,001 |
| Benefits | 16,408 | 9,913 |
| Utilities | 9,221 | 6,162 |
| Insurance | 2,825 | 2,714 |
| Repairs and Maintenance | 13,254 | 8,221 |
| Chemicals | 1,977 | 1,520 |
| Licenses and Permits | 6,772 | 3,958 |
| Contracted Services | 8,754 | 4,798 |
| Professional Fees | 2,750 | 2,644 |
| Depreciation | 55,847 | 55,514 |
| Miscellaneous | 8,854 | 7,616 |
| Total Operating Expenses | <u>152,096</u> | <u>123,061</u> |
| Operating Income (Loss) | 5,185 | 8,789 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest Income | 340 | 346 |
| Rental Income | 9,525 | 9,525 |
| Bond Interest and Fiscal Charges | (5,245) | (6,885) |
| Total Nonoperating Revenues (Expenses) | <u>4,620</u> | <u>2,986</u> |
| Income (Loss) Before Capital Contributions | 9,805 | 11,775 |
| CAPITAL CONTRIBUTIONS | | |
| Capital Contributions | <u>55,369</u> | |
| Change in Net Position | 65,174 | 11,775 |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | 1,348,025 | 1,353,929 |
| PRIOR PERIOD ADJUSTMENT | | <u>(17,679)</u> |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | <u>1,348,025</u> | <u>1,336,250</u> |
| NET POSITION, END OF YEAR | <u>\$ 1,413,199</u> | <u>\$ 1,348,025</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
DECEMBER 31, 2016

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash | \$ 196,358 | \$ 164,894 |
| Receivables | | |
| Accounts | 6,455 | 4,158 |
| Interest | 33 | 33 |
| Inventories | 71,265 | 71,125 |
| Prepaid Items | 7,044 | 7,540 |
| Total Current Assets | <u>281,155</u> | <u>247,750</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Assets Not Being Depreciated | 5,800 | 5,800 |
| Other Capital Assets, Net of Depreciation | 45,139 | 46,869 |
| Total Noncurrent Assets | <u>50,939</u> | <u>52,669</u> |
| Total Assets | <u>332,094</u> | <u>300,419</u> |
| Deferred Outflows of Resources | | |
| Related to Pensions | <u>50,274</u> | <u>10,867</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 382,368</u> | <u>\$ 311,286</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 4,456 | \$ 5,901 |
| Accrued Wages Payable | 4,427 | 3,793 |
| Sales Tax Payable | 4,358 | 4,268 |
| Due to Other Governments | 5,739 | 4,958 |
| Total Current Liabilities | <u>18,980</u> | <u>18,920</u> |
| Noncurrent Liabilities | | |
| Long-Term Portion of Long-Term Debt | <u>126,180</u> | <u>83,068</u> |
| Total Liabilities | <u>145,160</u> | <u>101,988</u> |
| Deferred Inflows of Resources | | |
| Related to Pensions | 15,101 | 11,847 |
| Net Position | | |
| Net Investment in Capital Assets | 50,939 | 52,669 |
| Unrestricted | 171,168 | 144,782 |
| Total Net Position | <u>222,107</u> | <u>197,451</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 382,368</u> | <u>\$ 311,286</u> |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-----------------|-----------------|
| OPERATING REVENUES | | |
| Sales | \$ 547,942 | \$ 536,590 |
| Cost of Sales | | |
| Inventory at Beginning of Year | 71,125 | 62,672 |
| Purchases - Net of Purchase Discounts | 302,521 | 308,075 |
| Freight | 2,055 | 2,036 |
| Total Merchandise Available for Sale | <u>375,701</u> | <u>372,783</u> |
| Less Ending Inventory | <u>(71,265)</u> | <u>(71,125)</u> |
| Total Cost of Sales | <u>304,436</u> | <u>301,658</u> |
| Gross Profit on Sales | 243,506 | 234,932 |
| Percentage of Gross Profit to Sales | 44.44% | 43.78% |
| Other Operating Income | | |
| Vending Income | 1,765 | 2,083 |
| Lotto Income | 2,140 | 2,359 |
| Rental Income | 13,577 | 12,548 |
| Donations | 5,000 | 1,940 |
| Miscellaneous | 4,399 | 2,673 |
| Total Other Operating Income | <u>26,881</u> | <u>21,603</u> |
| Total Operating Revenues | <u>270,387</u> | <u>256,535</u> |
| OPERATING EXPENSES | | |
| Salaries | 109,367 | 105,888 |
| Benefits | 46,534 | 33,252 |
| Utilities | 18,894 | 15,667 |
| Insurance | 12,263 | 15,057 |
| Repairs and Maintenance | 12,264 | 11,886 |
| Licenses and Permits | 600 | 550 |
| Contracted Services | 1,635 | 1,112 |
| Professional Fees | 14,037 | 12,394 |
| Depreciation | 8,329 | 9,800 |
| Miscellaneous | 22,059 | 16,951 |
| Total Operating Expenses | <u>245,982</u> | <u>222,557</u> |
| Operating Income (Loss) | 24,405 | 33,978 |

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest Income | \$ 251 | \$ 226 |
| Gain (Loss) on Sale of Fixed Assets | | <u>610</u> |
| Total Nonoperating Revenues (Expenses) | <u>251</u> | <u>836</u> |
| Change in Net Position | 24,656 | 34,814 |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | 197,451 | 240,733 |
| PRIOR PERIOD ADJUSTMENT | | <u>(78,096)</u> |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | <u>197,451</u> | <u>162,637</u> |
| NET POSITION, END OF YEAR | <u>\$ 222,107</u> | <u>\$ 197,451</u> |

CITY OF SILVER LAKE, MINNESOTA

G.O. REFUNDING BONDS, SERIES 2007A - DEBT SERVICE FUND PORTION
 DECEMBER 31, 2016

\$320,000 General Obligation Refunding Bonds, Series 2007A
 Payable At: Northland Trust Services, Inc.

| Due Date | Interest Rate | Principal | Interest | Total |
|------------|---------------|-----------|----------|-----------|
| 07/01/2017 | | \$ | \$ 744 | \$ 744 |
| 01/01/2018 | 4.25% | 35,000 | 744 | 35,744 |
| TOTAL | | \$ 35,000 | \$ 1,488 | \$ 36,488 |

CITY OF SILVER LAKE, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2013
DECEMBER 31, 2016

\$939,000 General Obligation Improvement Bonds, Series 2013

Payable At: Minnesota Rural Water Association

| Due Date | Interest Rate | Principal | Interest | Total |
|------------|---------------|------------|------------|------------|
| 02/01/2017 | 2.75% | \$ 54,000 | \$ 11,481 | \$ 65,481 |
| 08/01/2017 | | | 10,739 | 10,739 |
| 02/01/2018 | 2.75% | 56,000 | 10,739 | 66,739 |
| 08/01/2018 | | | 9,969 | 9,969 |
| 02/01/2019 | 2.75% | 57,000 | 9,969 | 66,969 |
| 08/01/2019 | | | 9,185 | 9,185 |
| 02/01/2020 | 2.75% | 59,000 | 9,185 | 68,185 |
| 08/01/2020 | | | 8,374 | 8,374 |
| 02/01/2021 | 2.75% | 61,000 | 8,374 | 69,374 |
| 08/01/2021 | | | 7,535 | 7,535 |
| 02/01/2022 | 2.75% | 62,000 | 7,535 | 69,535 |
| 08/01/2022 | | | 6,683 | 6,683 |
| 02/01/2023 | 2.75% | 64,000 | 6,682 | 70,682 |
| 08/01/2023 | | | 5,803 | 5,803 |
| 02/01/2024 | 2.75% | 66,000 | 5,802 | 71,802 |
| 08/01/2024 | | | 4,895 | 4,895 |
| 02/01/2025 | 2.75% | 68,000 | 4,895 | 72,895 |
| 08/01/2025 | | | 3,960 | 3,960 |
| 02/01/2026 | 2.75% | 69,000 | 3,960 | 72,960 |
| 08/01/2026 | | | 3,011 | 3,011 |
| 02/01/2027 | 2.75% | 71,000 | 3,011 | 74,011 |
| 08/01/2027 | | | 2,035 | 2,035 |
| 02/01/2028 | 2.75% | 73,000 | 2,035 | 75,035 |
| 08/01/2028 | | | 1,031 | 1,031 |
| 02/01/2029 | 2.75% | 75,000 | 1,031 | 76,031 |
| TOTAL | | \$ 835,000 | \$ 157,919 | \$ 992,919 |

CITY OF SILVER LAKE, MINNESOTA

G.O. REFUNDING BONDS, SERIES 2007A - SEWER FUND PORTION
 DECEMBER 31, 2016

\$425,000 General Obligation Refunding Bonds, Series 2007A
 Payable At: Northland Trust Services, Inc.

| <u>Due Date</u> | <u>Interest Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|----------------------|------------------|-----------------|------------------|
| 07/01/2017 | | \$ | \$ 1,700 | \$ 1,700 |
| 01/01/2018 | 4.25% | 45,000 | 1,700 | 46,700 |
| 07/01/2018 | | | 744 | 744 |
| 01/01/2019 | 4.25% | 35,000 | 744 | 35,744 |
| TOTAL | | <u>\$ 80,000</u> | <u>\$ 4,888</u> | <u>\$ 84,888</u> |

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City 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 the governmental activities, business-type activities, and each major fund of the City of Silver Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2017.

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

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

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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

April 17, 2017

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INDEPENDENT AUDITOR'S 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 City 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 the governmental activities, the business-type activities, and each major fund of the City of Silver Lake, Minnesota, as of and for the year ended December 31, 2016, 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 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings that we consider to be material weaknesses: Findings 2016-001 and 2016-002.

Willmar Office
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P (320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
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Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
P (320) 693-7975

St. Cloud-Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
P (320) 252-7565
T (800) 862-1337

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

April 17, 2017

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2016

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2016-001 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the City's current internal control.

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Findings:

The City is aware of this; however, due to significant cost and a limited number of employees, it is in the City's best financial interest to contract for the preparation of the financial statements.

Official Responsible for Ensuring CAP:

Kerry Venier, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2017

Plan to Monitor Completion of CAP:

City Council

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2016

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd)

FINDING: 2016-002 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.

Effect: The lack of adequate segregation of 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.

Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Findings:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Kerry Venier, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2017

Plan to Monitor Completion of CAP:

City Council

CITY OF SILVER LAKE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

| <u>Comment Reference</u> | <u>Comment Title</u> | <u>Status</u> | <u>Year Finding Initially Occurred</u> | <u>If not corrected, Provide Planned Corrective Action or Other Explanation</u> |
|-------------------------------|---------------------------------------|---------------|--|---|
| Financial Statement Findings: | | | | |
| 2006-001 | Auditor Prepared Financial Statements | Not Corrected | 2006 | See current year finding 2016-001 |
| 2006-002 | Limited Segregation of Duties | Not Corrected | 2006 | See current year finding 2016-002 |

Minnesota Legal Compliance Findings:

None