

CITY OF SILVER LAKE, MINNESOTA  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

This page intentionally left blank

CITY OF SILVER LAKE, MINNESOTA

TABLE OF CONTENTS  
DECEMBER 31, 2018

	<u>PAGE</u>
ELECTED AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	5-12
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Ambulance Special Revenue Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Fire Special Revenue Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Notes to the Financial Statements	26-55

CITY OF SILVER LAKE, MINNESOTA

TABLE OF CONTENTS  
DECEMBER 31, 2018

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	56
Schedule of Employer Contributions	57
Schedule of Changes in the City's Net Pension Liability and Related Ratios	58
Notes to Required Supplementary Information	59-61
SUPPLEMENTARY INFORMATION	
INDIVIDUAL FUND STATEMENTS	
Balance Sheet - General Fund	62
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	63-67
Water Enterprise Fund	
Statement of Net Position	68
Statement of Revenues, Expenses and Changes in Net Position	69
Sewer Enterprise Fund	
Statement of Net Position	70
Statement of Revenues, Expenses and Changes in Net Position	71
Storm Sewer Enterprise Fund	
Statement of Net Position	72
Statement of Revenues, Expenses and Changes in Net Position	73
Municipal Liquor Store Enterprise Fund	
Statement of Net Position	74
Statement of Revenues, Expenses and Changes in Net Position	75-76

CITY OF SILVER LAKE, MINNESOTA

TABLE OF CONTENTS  
DECEMBER 31, 2018

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION (Cont'd)	
FINANCIAL SCHEDULES	
Debt Service Requirements	
G.O. Improvement Bonds, Series 2013	77
COMPLIANCE SECTION	
Independent Auditor's Report on Minnesota Legal Compliance	78
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 <i>Government Auditing Standards</i>	79-80
Schedule of Findings	81-82
Summary Schedule of Prior Audit Findings	83

This page intentionally left blank

CITY OF SILVER LAKE, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2018

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Bruce Bebo	12/31/2018
Council Member	Nolan Johnson	12/31/2020
Council Member	Brenda Fogarty	12/31/2020
Council Member	Ken Merrill	12/31/2018
Council Member	Joshua Mason	12/31/2018
City Clerk/Treasurer	Jon Jerabek	Appointed

This page intentionally left blank





## 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, 2018, 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.

## ***Auditor's Responsibility (Cont'd)***

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Silver Lake, Minnesota, as of December 31, 2018, 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 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated April 16, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2017 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, the Schedule of Employer Contributions, and the Schedule of Changes in the City's Net Pension Liability and Related Ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary 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.

**Other Matters (Cont'd)**

*Supplementary and Other Information (Cont'd)*

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 15, 2019, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

April 15, 2019

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

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, 2018. 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 \$4,736,446. Of this amount, \$1,285,715 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 \$7,580.
- The City's governmental funds reported combined ending fund balances of \$1,051,210.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$431,064, or 58% of total General Fund expenditures of \$745,040.

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.

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

The City as a Whole: Statement of Net Position and Statement of Activities (Cont'd)

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, Storm Sewer, and Municipal Liquor Store Funds are reported here.

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 26-55 of this report.



CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

Statement of Net Position

The City's net position decreased 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
	2018	2017	
Current and Other Assets	\$ 1,188,093	\$ 1,271,007	\$ (82,914)
Net Capital Assets	1,530,661	1,614,297	(83,636)
Total Assets	2,718,754	2,885,304	(166,550)
Deferred Outflows of Resources	208,091	256,591	(48,500)
Total Assets and Deferred Outflows of Resources	\$ 2,926,845	\$ 3,141,895	\$ (215,050)
Current and Other Liabilities	\$ 44,258	\$ 190,160	\$ (145,902)
Long-Term Liabilities	1,028,474	1,104,631	(76,157)
Total Liabilities	1,072,732	1,294,791	(222,059)
Deferred Inflows of Resources	302,527	295,823	6,704
Net Position			
Net Investment in Capital Assets	805,661	833,297	(27,636)
Restricted for Debt Service	227,555	235,125	(7,570)
Unrestricted	518,370	482,859	35,511
Total Net Position	1,551,586	1,551,281	305
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,926,845	\$ 3,141,895	\$ (215,050)

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

	Business-Type Activities		Change
	2018	2017	
Current and Other Assets	\$ 904,440	\$ 845,985	\$ 58,455
Net Capital Assets	2,417,515	2,528,257	(110,742)
Total Assets	3,321,955	3,374,242	(52,287)
Deferred Outflows of Resources	16,753	27,396	(10,643)
Total Assets and Deferred Outflows of Resources	\$ 3,338,708	\$ 3,401,638	\$ (62,930)
Current and Other Liabilities	\$ 26,393	\$ 64,710	\$ (38,317)
Long-Term Liabilities	99,277	118,811	(19,534)
Total Liabilities	125,670	183,521	(57,851)
Deferred Inflows of Resources	28,178	25,372	2,806
Net Position			
Net Investment in Capital Assets	2,417,515	2,493,257	(75,742)
Unrestricted	767,345	699,488	67,857
Total Net Position	3,184,860	3,192,745	(7,885)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,338,708	\$ 3,401,638	\$ (62,930)

Governmental Activities

Net position of the City's governmental activities increased by \$305. Table 3 presents the key elements of the decrease.

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

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

Governmental Activities (Cont'd)

	Governmental Activities		Change
	2018	2017	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 166,081	\$ 138,769	\$ 27,312
Operating Grants and Contributions	132,299	122,171	10,128
Capital Grants and Contributions		127,105	(127,105)
General Revenues			
Property Taxes	502,254	465,142	37,112
Grants and Contributions not Restricted	234,464	227,744	6,720
Special Assessments	7,972	6,960	1,012
Franchise Fee	6,271	6,293	(22)
Interest Income	1,707	1,419	288
Gain (Loss) on Trade of Asset	28,810		28,810
Other	6,460	10,655	(4,195)
Total Revenues	1,086,318	1,106,258	(19,940)
<b>EXPENSES</b>			
General Government	168,601	150,638	17,963
Public Safety	441,224	433,354	7,870
Public Works	318,235	259,682	58,553
Sanitation	4,408	3,445	963
Culture and Recreation	162,528	174,053	(11,525)
Economic Development	7,884	107,277	(99,393)
Interest on Long-Term Debt	23,903	25,284	(1,381)
Total Expenses	1,126,783	1,153,733	(26,950)
Change in Net Position Before Transfers and Capital Contributions	(40,465)	(47,475)	7,010
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>			
Transfers	40,770	50,585	(9,815)
Capital Contributions		(634,980)	634,980
Total Transfers and Capital Contributions	40,770	(584,395)	625,165
Change in Net Position	305	(631,870)	632,175
<b>NET POSITION, BEGINNING OF YEAR,</b>	1,551,281	2,183,151	(631,870)
<b>NET POSITION, END OF YEAR</b>	\$ 1,551,586	\$ 1,551,281	\$ 305

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

Business-Type Activities

The net position of our business-type activities decreased by \$7,885. The Water Fund activity includes a \$35,000 transfer for debt service. The Municipal Liquor Store's gross profit increased less than 1% in comparison with the prior year.

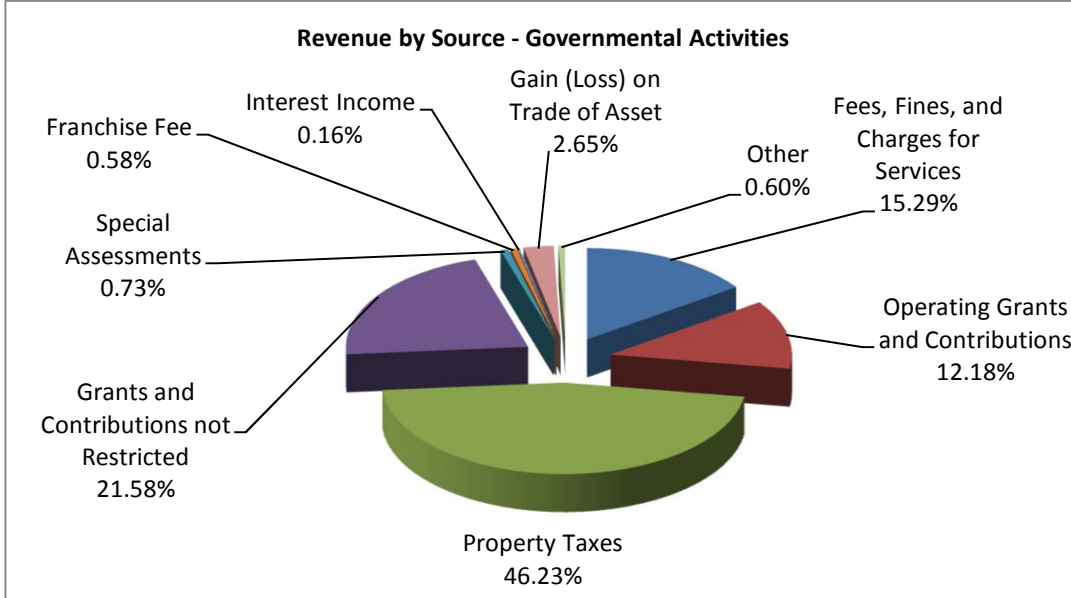
	<u>Business-Type Activities</u>		Change
	<u>2018</u>	<u>2017</u>	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 539,720	\$ 529,152	\$ 10,568
General Revenues			
Interest Income	6,251	1,830	4,421
Miscellaneous	8,471	10,029	(1,558)
Total Revenues	<u>554,442</u>	<u>541,011</u>	<u>14,989</u>
<b>EXPENSES</b>			
Water	104,181	93,947	10,234
Sewer	116,291	144,977	(28,686)
Storm Sewer	45,229	20,372	24,857
Municipal Liquor Store	255,856	246,980	8,876
Total Expenses	<u>521,557</u>	<u>506,276</u>	<u>15,281</u>
Change in Net Position Before Transfers and Capital Contributions	32,885	34,735	(292)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>			
Transfers	(40,770)	(50,585)	9,815
Capital Contributions		634,980	(634,980)
Total Transfers and Capital Contributions	<u>(40,770)</u>	<u>584,395</u>	<u>(625,165)</u>
Change in Net Position	(7,885)	619,130	(625,457)
NET POSITION, BEGINNING OF YEAR	<u>3,192,745</u>	<u>2,573,615</u>	<u>619,130</u>
NET POSITION, END OF YEAR	<u>\$ 3,184,860</u>	<u>\$ 3,192,745</u>	<u>\$ (7,885)</u>

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

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 a decrease of \$27,409 for 2018. The decrease in fund balance for 2018 was mostly due to an increase in transfers out. Expenditures also increased compared to the prior year.

Special Revenue Funds - The change in the City's special revenue fund balances was \$29,735. The Ambulance Special Revenue Fund increased by \$17,186, \$7,482 less than the increase in fund balance for 2017. This was due to increases in the salaries and bad debt expenditures - more hours worked and decreased collections on billing. The Fire Special Revenue Fund had a change in fund balance of \$12,549, a increase in fund balance of \$16,378 from the change in 2017. This was due to an equipment purchase in the prior year paid with donations that were less than the amount of the purchase.

Debt Service Funds - The debt service fund balances increased by \$4,718. The fund increase is due to increased transfers in to help cover debt payments in the funds.

Capital Projects Fund - The Capital Improvement Capital Project Fund increased by \$10,269, as compared to the decrease in fund balance for 2017 of \$52,570. This was due to increased transfers in to cover improvement costs.

CITY OF SILVER LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

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 \$13,514 higher than were budgeted, which is due to higher than expected income from intergovernmental and donation revenues. The variance from the budgeted increase in fund balance to actual decrease in fund balance was \$30,409. Actual expenditures were higher than budget by \$42,693.

Capital Assets

At the end of 2018, the City of Silver Lake had \$8,959,527 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 2019 capital budget calls for capital repairs to the City storm sewer system, transfers from the General Fund to the Capital Improvement Fund for future equipment replacement, replacement of a public works vehicle and possible remodeling of the Municipal Liquor Store.

Long-Term Liabilities

At year-end, the City of Silver Lake had \$754,030 in bonds outstanding 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 2019 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 2018 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

This page intentionally left blank



CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION  
 DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Cash	\$ 1,078,373	\$ 710,367	\$ 1,788,740	\$ 1,786,148
Receivables				
Accounts	45,285	38,662	83,947	90,562
Interest	209	146	355	355
Property Taxes	12,477		12,477	10,105
Special Assessments	88,455		88,455	101,794
Internal Balances	(87,339)	87,339		
Due from Other Governments	2,474		2,474	4,794
Inventories	789	65,740	66,529	75,681
Prepaid Items	7,870	2,186	10,056	8,053
Land Held for Resale	39,500		39,500	39,500
Capital Assets				
Assets Not Being Depreciated		181,323	181,323	181,323
Other Capital Assets, Net of Depreciation	1,530,661	2,236,192	3,766,853	3,961,231
Total Assets	<u>2,718,754</u>	<u>3,321,955</u>	<u>6,040,709</u>	<u>6,259,546</u>
<b>Deferred Outflows of Resources</b>				
Related to Pensions	<u>208,091</u>	<u>16,753</u>	<u>224,844</u>	<u>283,987</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,926,845</u>	<u>\$ 3,338,708</u>	<u>\$ 6,265,553</u>	<u>\$ 6,543,533</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts and Contracts Payable	\$ 18,639	\$ 11,929	\$ 30,568	\$ 126,284
Accrued Wages Payable	16,279	5,442	21,721	18,319
Sales Tax Payable	333	3,647	3,980	3,866
Deposits Payable	700		700	400
Accrued Interest Payable	8,307		8,307	10,649
Due to Other Governments		5,375	5,375	4,352
<b>Long-Term Liabilities</b>				
Net Pension Liability	278,182	95,539	373,721	472,169
Other Long-Term Liabilities Due Within One Year	57,000		57,000	91,000
Other Long-Term Liabilities Due in More Than One Year	693,292	3,738	697,030	751,273
Total Liabilities	<u>1,072,732</u>	<u>125,670</u>	<u>1,198,402</u>	<u>1,478,312</u>
<b>Deferred Inflows of Resources</b>				
Related to Pensions	<u>302,527</u>	<u>28,178</u>	<u>330,705</u>	<u>321,195</u>
<b>Net Position</b>				
Net Investment in Capital Assets	805,661	2,417,515	3,223,176	3,326,554
Restricted for Debt Service	227,555		227,555	235,125
Unrestricted	518,370	767,345	1,285,715	1,182,347
Total Net Position	<u>1,551,586</u>	<u>3,184,860</u>	<u>4,736,446</u>	<u>4,744,026</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,926,845</u>	<u>\$ 3,338,708</u>	<u>\$ 6,265,553</u>	<u>\$ 6,543,533</u>

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

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		
						2018	2017	
<b>GOVERNMENTAL ACTIVITIES</b>								
General Government	\$ 168,601	\$ 10,692	\$ 6,336	\$	\$	\$ (151,573)	\$ (139,705)	
Public Safety	441,224	112,585	109,980	(218,659)		(218,659)	(103,136)	
Public Works	318,235	1,716		(316,519)		(316,519)	(253,268)	
Sanitation	4,408			(4,408)		(4,408)	(3,445)	
Culture and Recreation	162,528	41,088	15,983	(105,457)		(105,457)	(133,632)	
Economic Development	7,884			(7,884)		(7,884)	(107,277)	
Interest on Long-Term Debt	23,903			(23,903)		(23,903)	(25,284)	
Total Governmental Activities	1,126,783	166,081	132,299	0	0	(828,403)	(765,747)	
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water	104,181	114,944			10,763	10,763	16,165	
Sewer	116,291	153,252			36,961	36,961	5,794	
Storm Sewer	45,229	12,940			(32,289)	(32,289)	(13,841)	
Municipal Liquor Store	255,856	258,584			2,728	2,728	14,758	
Total Business-Type Activities	521,557	539,720	0	0	18,163	18,163	22,876	
Total	\$ 1,648,340	\$ 705,801	\$ 132,299	\$ 0	(828,403)	18,163	(810,240)	(742,871)
<b>GENERAL REVENUES</b>								
Taxes								
Property Taxes				502,254		502,254	465,142	
Franchise Fee				6,271		6,271	6,293	
Special Assessments				7,972		7,972	6,960	
Grants and Contributions not Restricted to Specific Programs				234,464		234,464	227,744	
Interest Income				1,707	6,251	7,958	3,249	
Gain (Loss) on Trade of Asset				28,810		28,810	59	
Miscellaneous				6,460	8,471	14,931	20,684	
Transfers				40,770	(40,770)			
Total General Revenues and Transfers				828,708	(26,048)	802,660	730,131	
Change in Net Position				305	(7,885)	(7,580)	(12,740)	
<b>NET POSITION, BEGINNING OF YEAR</b>				1,551,281	3,192,745	4,744,026	4,756,766	
<b>NET POSITION, END OF YEAR</b>				\$ 1,551,586	\$ 3,184,860	\$ 4,736,446	\$ 4,744,026	

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	General	Ambulance	Fire	G.O. Improvement Bonds of 2013	Capital Improvement	Totals	
						2018	2017
<b>ASSETS</b>							
Cash	\$ 498,303	\$ 115,835	\$ 145,809	\$ 145,575	\$ 172,851	\$ 1,078,373	\$ 1,157,059
Receivables							
Accounts	9,046	36,239				45,285	50,729
Interest	2	6	142		59	209	209
Property Taxes	11,014			1,463		12,477	10,105
Special Assessments				88,455		88,455	101,794
Due from Other Governments	2,105			369		2,474	4,794
Inventories	789					789	582
Prepaid Items	6,006	635	1,229			7,870	6,235
Land Held for Resale					39,500	39,500	39,500
<b>Total Assets</b>	<b>\$ 527,265</b>	<b>\$ 152,715</b>	<b>\$ 147,180</b>	<b>\$ 235,862</b>	<b>\$ 212,410</b>	<b>\$ 1,275,432</b>	<b>\$ 1,371,007</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts and Contracts Payable	\$ 16,027	\$ 172	\$ 2,440	\$	\$	\$ 18,639	\$ 111,537
Accrued Wages Payable	11,162	5,042	75			16,279	13,266
Sales Tax Payable	333					333	8
Deposits Payable	700					700	400
Due to Other Funds					87,339	87,339	100,000
<b>Total Liabilities</b>	<b>28,222</b>	<b>5,214</b>	<b>2,515</b>	<b>0</b>	<b>87,339</b>	<b>123,290</b>	<b>225,211</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue							
Delinquent Property Taxes	11,014			1,463		12,477	10,105
Special Assessments				88,455		88,455	101,794
<b>Total Deferred Inflows of Resources</b>	<b>11,014</b>	<b>0</b>	<b>0</b>	<b>89,918</b>	<b>0</b>	<b>100,932</b>	<b>111,899</b>
<b>Fund Balance</b>							
Nonspendable	6,795	635	1,229			8,659	46,317
Restricted				145,944		145,944	141,226
Committed	50,170	142,218	143,436		46,677	382,501	302,800
Assigned		4,648			108,292	112,940	134,670
Unassigned	431,064				(29,898)	401,166	408,884
<b>Total Fund Balance</b>	<b>488,029</b>	<b>147,501</b>	<b>144,665</b>	<b>145,944</b>	<b>125,071</b>	<b>1,051,210</b>	<b>1,033,897</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 527,265</b>	<b>\$ 152,715</b>	<b>\$ 147,180</b>	<b>\$ 235,862</b>	<b>\$ 212,410</b>	<b>\$ 1,275,432</b>	<b>\$ 1,371,007</b>

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, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Total Fund Balances - Governmental Funds	\$ 1,051,210	\$ 1,033,897
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	3,998,309	3,980,031
Less: Accumulated Depreciation	(2,467,648)	(2,365,734)
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	12,477	10,105
Special Assessments	88,455	101,794
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	208,091	256,591
Deferred Inflows of Resources Related to Pensions	(302,527)	(295,823)
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	(725,000)	(781,000)
Accrued Interest Payable	(8,307)	(8,949)
Net Pension Liability	(278,182)	(358,752)
Compensated Absences	<u>(25,292)</u>	<u>(20,879)</u>
Total Net Position - Governmental Activities	<u>\$ 1,551,586</u>	<u>\$ 1,551,281</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Ambulance	Fire	G.O. Refunding Bonds of 2007A	G.O. Improvement Bonds of 2013	Capital Improvement	Totals	
							2018	2017
<b>REVENUES</b>								
Taxes	\$ 482,301	\$	\$	\$	\$ 23,825	\$	\$ 506,126	\$ 485,814
Special Assessments	3,822				17,489		21,311	32,787
Licenses and Permits	8,165		2,350				10,515	2,840
Intergovernmental	255,863		15,422				271,285	265,030
Charges for Services	30,740	110,142	48,776				189,658	171,312
Fines and Forfeits	12,461					3,652	16,113	11,052
Interest Income	476	146	574	7	84	420	1,707	1,419
Sales (Net of Merchandise Purchases)	14,881						14,881	7,574
Donations	17,206		1,200			12,002	30,408	154,656
Miscellaneous	6,481		120		21	52,917	59,539	13,389
Total Revenues	832,396	110,288	68,442	7	41,419	68,991	1,121,543	1,145,873
<b>EXPENDITURES</b>								
<b>Current</b>								
General Government	162,331						162,331	136,536
Public Safety	231,670	103,102	82,967			4,749	422,488	359,121
Public Works	181,594						181,594	147,100
Sanitation	4,408						4,408	3,445
Culture and Recreation	136,800					5,113	141,913	156,452
Economic Development						7,884	7,884	107,277
<b>Capital Outlay</b>								
General Government								1,680
Public Safety			11,426			64,772	76,198	208,668
Public Works	4,230					41,902	46,132	12,837
Culture and Recreation	24,007						24,007	5,193
<b>Debt Service</b>								
Principal					56,000		56,000	89,000
Interest and Other Charges					20,708	3,837	24,545	25,903
Total Expenditures	745,040	103,102	94,393	0	76,708	128,257	1,147,500	1,253,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	87,356	7,186	(25,951)	7	(35,289)	(59,266)	(25,957)	(107,339)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	10,770	10,000	36,000		45,055	69,535	171,360	185,160
Transfers Out	(125,535)			(5,055)			(130,590)	(134,575)
Sale of Assets			2,500				2,500	
Total Other Financing Sources (Uses)	(114,765)	10,000	38,500	(5,055)	45,055	69,535	40,770	50,585
Net Change in Fund Balances	(27,409)	17,186	12,549	(5,048)	9,766	10,269	17,313	(56,754)
FUND BALANCE, BEGINNING OF YEAR	515,438	130,315	132,116	5,048	136,178	114,802	1,033,897	1,090,651
FUND BALANCE, END OF YEAR	\$ 488,029	\$ 147,501	\$ 144,665	\$ 0	\$ 145,944	\$ 125,071	\$ 1,051,210	\$ 1,033,897

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, 2018  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 17,313	\$ (56,754)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		
Capital Outlay	94,559	355,348
Depreciation Expense	(140,637)	(152,035)
Capital Assets Disposals	(76,281)	(1,023,177)
Accumulated Depreciation Related to Capital Assets Disposals	38,723	230,757
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	2,372	(14,380)
Special Assessments	(13,339)	(25,827)
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.		
Compensated Absences	(4,413)	(2,444)
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).		
	25,366	(32,977)
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:		
Bond Principal Retirement	56,000	89,000
Change in Accrued Interest Payable	<u>642</u>	<u>619</u>
Change in Net Position - Governmental Activities	<u>\$ 305</u>	<u>\$ (631,870)</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, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018				
	Budgeted Amounts		Actual	Over (Under) Final Budget	2017 Actual
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 485,695	\$ 485,695	\$ 482,301	\$ (3,394)	\$ 416,952
Special Assessments			3,822	3,822	2,006
Licenses and Permits	8,300	8,300	8,165	(135)	2,840
Intergovernmental	243,637	243,637	255,863	12,226	241,783
Charges for Services	40,600	40,600	30,740	(9,860)	34,090
Fines and Forfeits	9,000	9,000	12,461	3,461	11,052
Interest Income	400	400	476	76	481
Sales (Net of Merchandise Purchases)	15,250	15,250	14,881	(369)	7,574
Donations	10,000	10,000	17,206	7,206	9,458
Miscellaneous	6,000	6,000	6,481	481	10,686
Total Revenues	<u>818,882</u>	<u>818,882</u>	<u>832,396</u>	<u>13,514</u>	<u>736,922</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	160,400	160,400	162,331	1,931	136,536
Public Safety	199,642	199,642	231,670	32,028	200,312
Public Works	191,765	191,765	181,594	(10,171)	147,100
Sanitation	3,900	3,900	4,408	508	3,445
Culture and Recreation	143,140	143,140	136,800	(6,340)	156,452
<b>Capital Outlay</b>					
General Government	1,500	1,500		(1,500)	1,680
Public Safety					132
Public Works			4,230	4,230	12,837
Culture and Recreation	2,000	2,000	24,007	22,007	4,353
Total Expenditures	<u>702,347</u>	<u>702,347</u>	<u>745,040</u>	<u>42,693</u>	<u>662,847</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,535	116,535	87,356	(29,179)	74,075
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	10,000	10,000	10,770	770	10,585
Transfers Out	(125,535)	(125,535)	(125,535)		(80,500)
Sales of Fixed Assets	2,000	2,000		(2,000)	
Total Other Financing Sources (Uses)	<u>(113,535)</u>	<u>(113,535)</u>	<u>(114,765)</u>	<u>(1,230)</u>	<u>(69,915)</u>
Net Change in Fund Balances	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>(27,409)</u>	<u>\$ (30,409)</u>	<u>4,160</u>
FUND BALANCE, BEGINNING OF YEAR			515,438		511,278
FUND BALANCE, END OF YEAR			<u>\$ 488,029</u>		<u>\$ 515,438</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, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018				2017 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
<b>REVENUES</b>					
Charges for Services					
Township Contracts	\$ 14,800	\$ 14,800	\$ 15,345	\$ 545	\$ 14,799
Ambulance Charges	75,500	75,500	94,797	19,297	80,592
Total Charges for Services	<u>90,300</u>	<u>90,300</u>	<u>110,142</u>	<u>19,842</u>	<u>95,391</u>
Intergovernmental					2,750
Interest Income	50	50	146	96	118
Donations					200
Total Revenues	<u>90,350</u>	<u>90,350</u>	<u>110,288</u>	<u>19,938</u>	<u>98,459</u>
<b>EXPENDITURES</b>					
Current					
Public Safety					
Salaries	45,000	45,000	43,136	(1,864)	41,719
Benefits	5,350	5,350	4,494	(856)	4,958
Ambulance	18,350	18,350	15,009	(3,341)	11,517
Insurance	3,600	3,600	3,754	154	2,860
Bad Debt	28,000	28,000	36,709	8,709	22,737
Total Expenditures	<u>100,300</u>	<u>100,300</u>	<u>103,102</u>	<u>2,802</u>	<u>83,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,950)	(9,950)	7,186	17,136	14,668
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	10,000	10,000	10,000		10,000
Net Change in Fund Balances	<u>\$ 50</u>	<u>\$ 50</u>	17,186	<u>\$ 17,136</u>	24,668
FUND BALANCE, BEGINNING OF YEAR			<u>130,315</u>		<u>105,647</u>
FUND BALANCE, END OF YEAR			<u>\$ 147,501</u>		<u>\$ 130,315</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, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018				
	Budgeted Amounts		Actual	Over (Under) Final Budget	2017 Actual
	Original	Final			
REVENUES					
Licenses and Permits	\$	\$	\$ 2,350	\$ 2,350	\$
Intergovernmental					
Firefighters Relief Association			15,422	15,422	15,250
State Grant	5,000	5,000		(5,000)	5,247
Total Intergovernmental	5,000	5,000	15,422	10,422	20,497
Charges for Services					
Fire Protection Contracts	48,776	48,776	48,776		41,831
Interest Income	100	100	574	474	322
Donations	3,000	3,000	1,200	(1,800)	134,105
Miscellaneous			120	120	2,591
Total Revenues	56,876	56,876	68,442	11,566	199,346
EXPENDITURES					
Current					
Public Safety					
Salaries	14,000	14,000	13,045	(955)	11,596
Benefits	1,525	1,525	1,597	72	1,402
Payment to Fire Relief Association	6,000	6,000	21,371	15,371	18,443
Utilities	3,400	3,400	3,356	(44)	2,810
Fuel, Supplies and Maintenance	21,500	21,500	27,769	6,269	22,054
Insurance	9,700	9,700	7,479	(2,221)	6,817
Miscellaneous	13,150	13,150	8,350	(4,800)	11,504
Capital Outlay					
Public Safety	18,500	18,500	11,426	(7,074)	164,549
Total Expenditures	87,775	87,775	94,393	6,618	239,175
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(30,899)	(30,899)	(25,951)	4,948	(39,829)
OTHER FINANCING SOURCES (USES)					
Transfers In	36,000	36,000	36,000		36,000
Transfers Out	(5,000)	(5,000)		5,000	
Sales of Assets			2,500	2,500	
Total Other Financing Sources (Uses)	31,000	31,000	38,500	7,500	36,000
Net Change in Fund Balances	\$ 101	\$ 101	12,549	\$ 12,448	(3,829)
FUND BALANCE, BEGINNING OF YEAR			132,116		135,945
FUND BALANCE, END OF YEAR			\$ 144,665		\$ 132,116

See Accompanying Notes to the Financial Statements

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Totals	
	Water	Sewer	Storm Sewer	Municipal Liquor Store	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 326,516	\$ 185,116	\$	\$ 198,735	\$ 710,367	\$ 629,089
Receivables						
Accounts	13,039	20,836	1,439	3,348	38,662	39,833
Interest	85	28		33	146	146
Inventories				65,740	65,740	75,099
Prepaid Items	266	390		1,530	2,186	1,818
Due from Other Funds	87,339	4,435			91,774	100,667
Total Current Assets	<u>427,245</u>	<u>210,805</u>	<u>1,439</u>	<u>269,386</u>	<u>908,875</u>	<u>846,652</u>
<b>Noncurrent Assets</b>						
<b>Capital Assets</b>						
Assets Not Being Depreciated		175,523		5,800	181,323	181,323
Other Capital Assets, Net of Depreciation	481,117	1,086,083	601,884	67,108	2,236,192	2,346,934
Total Noncurrent Assets	<u>481,117</u>	<u>1,261,606</u>	<u>601,884</u>	<u>72,908</u>	<u>2,417,515</u>	<u>2,528,257</u>
Total Assets	<u>908,362</u>	<u>1,472,411</u>	<u>603,323</u>	<u>342,294</u>	<u>3,326,390</u>	<u>3,374,909</u>
<b>Deferred Outflows of Resources</b>						
Related to Pensions	723	779		15,251	16,753	27,396
Total Assets and Deferred Outflows of Resources	<u>\$ 909,085</u>	<u>\$ 1,473,190</u>	<u>\$ 603,323</u>	<u>\$ 357,545</u>	<u>\$ 3,343,143</u>	<u>\$ 3,402,305</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 1,294	\$ 1,241	\$	\$ 9,394	\$ 11,929	\$ 14,747
Accrued Wages Payable	240	297		4,905	5,442	5,053
Sales Tax Payable	90			3,557	3,647	3,858
Due to Other Funds			4,435		4,435	667
Due to Other Governments				5,375	5,375	4,352
Accrued Interest Payable						1,700
Total Current Liabilities	<u>1,624</u>	<u>1,538</u>	<u>4,435</u>	<u>23,231</u>	<u>30,828</u>	<u>30,377</u>
<b>Long-Term Liabilities</b>						
Net Pension Liability	4,125	4,443		86,971	95,539	113,417
Other Long-Term Liabilities						
Due Within One Year						35,000
Other Long-Term Liabilities						
Due in More Than One Year	453	491	37	2,757	3,738	5,394
Total Long-Term Liabilities	<u>4,578</u>	<u>4,934</u>	<u>37</u>	<u>89,728</u>	<u>99,277</u>	<u>153,811</u>
Total Liabilities	<u>6,202</u>	<u>6,472</u>	<u>4,472</u>	<u>112,959</u>	<u>130,105</u>	<u>184,188</u>
<b>Deferred Inflows of Resources</b>						
Related to Pensions	1,217	1,310		25,651	28,178	25,372
<b>Net Position</b>						
Net Investment in Capital Assets	481,117	1,261,606	601,884	72,908	2,417,515	2,493,257
Unrestricted	420,549	203,802	(3,033)	146,027	767,345	699,488
Total Net Position	<u>901,666</u>	<u>1,465,408</u>	<u>598,851</u>	<u>218,935</u>	<u>3,184,860</u>	<u>3,192,745</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 909,085</u>	<u>\$ 1,473,190</u>	<u>\$ 603,323</u>	<u>\$ 357,545</u>	<u>\$ 3,343,143</u>	<u>\$ 3,402,305</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, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds					Totals	
	Water	Sewer	Storm Sewer	Municipal Liquor Store	2018	2017	
<b>OPERATING REVENUES</b>							
Water, Sewer and Storm Sewer Charges	\$ 114,944	\$ 153,252	\$ 12,940	\$	\$ 281,136	\$ 267,414	
Gross Profit on Liquor Sales				233,616	233,616	242,029	
Other Operating Income				24,968	24,968	19,709	
Total Operating Revenues	114,944	153,252	12,940	258,584	539,720	529,152	
<b>OPERATING EXPENSES</b>							
Salaries	5,049	5,252	299	113,784	124,384	129,245	
Benefits	(3,542)	(3,492)	87	49,096	42,149	34,995	
Utilities	6,557	8,752		18,950	34,259	29,054	
Insurance	1,632	2,464		13,082	17,178	17,538	
Repairs and Maintenance	20,907	10,181	11,928	13,533	56,549	57,218	
Chemicals						350	
Licenses and Permits	561	1,423		1,465	3,449	3,955	
Contracted Services	22,045	23,554	14,549	1,525	61,673	55,015	
Professional Fees	4,439	4,200		12,353	20,992	20,732	
Depreciation	42,347	58,854	18,366	8,497	128,064	126,626	
Miscellaneous	4,186	4,571		23,571	32,328	28,148	
Total Operating Expenses	104,181	115,759	45,229	255,856	521,025	502,876	
Operating Income (Loss)	10,763	37,493	(32,289)	2,728	18,695	26,276	
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest Income	5,300	560		391	6,251	1,830	
Gain (Loss) on Sale of Fixed Assets						(41)	
Rental Income		8,471			8,471	10,070	
Bond Interest and Fiscal Charges		(532)			(532)	(3,400)	
Total Nonoperating Revenues (Expenses)	5,300	8,499		391	14,190	8,459	
Income (Loss) Before Transfers and Capital Contributions	16,063	45,992	(32,289)	3,119	32,885	34,735	
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>							
Transfers In			10,000		10,000		
Transfers Out	(35,000)	(5,000)		(10,770)	(50,770)	(50,585)	
Capital Contributions						634,980	
Total Transfers and Capital Contributions	(35,000)	(5,000)	10,000	(10,770)	(40,770)	584,395	
Change in Net Position	(18,937)	40,992	(22,289)	(7,651)	(7,885)	619,130	
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>920,603</b>	<b>1,424,416</b>	<b>621,140</b>	<b>226,586</b>	<b>3,192,745</b>	<b>2,573,615</b>	
<b>NET POSITION, END OF YEAR</b>	<b>\$ 901,666</b>	<b>\$ 1,465,408</b>	<b>\$ 598,851</b>	<b>\$ 218,935</b>	<b>\$ 3,184,860</b>	<b>\$ 3,192,745</b>	

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds					
	Water	Sewer	Storm Sewer	Municipal Liquor Store	Totals	
					2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers	\$ 115,846	\$ 152,022	\$ 13,058	\$ 550,861	\$ 831,787	\$ 837,926
Payments to Suppliers	(54,198)	(48,431)	(11,928)	(284,463)	(399,020)	(425,082)
Payments to Other Sources	(6,048)	(6,610)	(14,549)	(84,112)	(111,319)	(89,424)
Payments to Employees	(7,253)	(7,510)	(349)	(157,117)	(172,229)	(181,102)
Net Cash Provided (Used) By Operating Activities	48,347	89,471	(13,768)	25,169	149,219	142,318
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Rental Income		8,471			8,471	10,070
Cash Transfer In			10,000		10,000	
Cash Transfer Out	(35,000)	(5,000)		(10,770)	(50,770)	(50,585)
Interfund Loans	12,661	(3,768)	3,768		12,661	(100,000)
Net Cash Provided (Used) By Noncapital Financing Activities	(22,339)	(297)	13,768	(10,770)	(19,638)	(140,515)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets		(12,513)		(4,809)	(17,322)	(47,297)
Proceeds from Sale of Capital Assets						(41)
Interest Paid on Long Term Debt		(2,232)			(2,232)	(1,700)
Principal Paid on Long Term Debt		(35,000)			(35,000)	(45,000)
Net Cash Provided (Used) By Capital and Related Financing Activities	0	(49,745)	0	(4,809)	(54,554)	(94,038)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	5,300	560		391	6,251	1,830
Net Increase (Decrease) in Cash and Cash Equivalents	31,308	39,989	0	9,981	81,278	(90,405)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>						
	295,208	145,127		188,754	629,089	719,494
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>						
	\$ 326,516	\$ 185,116	\$ 0	\$ 198,735	\$ 710,367	\$ 629,089

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds					
	Water	Sewer	Storm Sewer	Municipal Liquor Store	Totals	
					2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 10,763	\$ 37,493	\$ (32,289)	\$ 2,728	\$ 18,695	\$ 26,276
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By						
Operating Activities						
Depreciation	42,347	58,854	18,366	8,497	128,064	126,626
Pension Related Adjustments	(5,284)	(5,325)		6,180	(4,429)	(11,773)
(Increase) Decrease In						
Receivables	902	(1,230)	118	1,381	1,171	4,417
Inventories				9,359	9,359	(3,834)
Prepaid Items	(4)	54		(418)	(368)	5,974
Increase (Decrease) In						
Accounts Payable	58	50		(2,926)	(2,818)	1,640
Accrued Wages Payable	(5)	45		349	389	(1,213)
Compensated Absences	(457)	(470)	37	(766)	(1,656)	(3,876)
Sales Tax Payable	27			(238)	(211)	(532)
Due to Other Governments				1,023	1,023	(1,387)
Net Cash Provided (Used) By Operating Activities	<u>\$ 48,347</u>	<u>\$ 89,471</u>	<u>\$ (13,768)</u>	<u>\$ 25,169</u>	<u>\$ 149,219</u>	<u>\$ 142,318</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Capital Contribution	\$	\$	\$	\$	\$	\$ 634,980

This page intentionally left blank

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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, 2018

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.



CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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 Storm Sewer Fund accounts for the operations of the City owned storm 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;

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

- (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;
- (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 of total deposits less FDIC coverage.

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.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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.

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.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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.

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.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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.

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 participates in various pension plans; total pension expense for the fiscal year ended was \$134,229. The components of pension expense are noted in the plan summaries.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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.

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.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

P. FUND BALANCE (Cont'd)

*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.

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 government-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, 2017, from which the partial information was derived.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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.
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, 2018, the following fund had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 745,040	\$ 702,347
Fire Special Revenue Fund	94,393	87,775
Ambulance Special Revenue Fund	103,102	100,300



CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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	\$ 1,014,266
Pooled Cash in Savings Account	400,670
Non-Negotiable Certificates of Deposit	366,244
Petty Cash	300
Pull Tab Cash	4,000
Minnesota Lottery Change	500
Change Fund	<u>2,760</u>
Total Deposits	<u><u>\$ 1,788,740</u></u>

NOTE 4. RECEIVABLES

Receivables are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Accounts	\$ 45,285	\$
Interest	209	
Property Taxes	12,477	
Special Assessments	<u>88,455</u>	<u>78,600</u>
Total Governmental Activities	<u><u>\$ 146,426</u></u>	<u><u>\$ 78,600</u></u>
<u>Business-Type Activities</u>		
Accounts	\$ 38,662	\$
Interest	<u>146</u>	
Total Business-Type Activities	<u><u>\$ 38,808</u></u>	<u><u>\$ 0</u></u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Being Depreciated				
Land Improvements	\$ 25,482	\$ 7,275	\$	\$ 32,757
Buildings	494,586			494,586
Improvements	2,030,806	5,889		2,036,695
Machinery and Equipment	1,429,157	81,395	(76,281)	1,434,271
Total Capital Assets, Being Depreciated	3,980,031	94,559	(76,281)	3,998,309
Less Accumulated Depreciation for				
Land Improvements	17,835	1,153		18,988
Buildings	413,301	4,819		418,120
Improvements	877,260	82,199		959,459
Machinery and Equipment	1,057,338	52,466	(38,723)	1,071,081
Total Accumulated Depreciation	2,365,734	140,637	(38,723)	2,467,648
Total Capital Assets Being Depreciated, Net	1,614,297	(46,078)	(37,558)	1,530,661
Governmental Activities Net Capital Assets	<u>\$ 1,614,297</u>	<u>\$ (46,078)</u>	<u>\$ (37,558)</u>	<u>\$ 1,530,661</u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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
Capital Assets, Being Depreciated				
Land Improvements	42,678			42,678
Buildings	192,159			192,159
Improvements	3,936,159			3,936,159
Machinery and Equipment	591,577	17,322		608,899
Total Capital Assets, Being Depreciated	4,762,573	17,322	0	4,779,895
Less Accumulated Depreciation for				
Land Improvements	28,810	1,423		30,233
Buildings	157,355	2,366		159,721
Improvements	1,810,109	98,028		1,908,137
Machinery and Equipment	419,365	26,247		445,612
Total Accumulated Depreciation	2,415,639	128,064	0	2,543,703
Total Capital Assets Being Depreciated, Net	2,346,934	(110,742)	0	2,236,192
Business-Type Activities Net Capital Assets	<u>\$ 2,528,257</u>	<u>\$ (110,742)</u>	<u>\$ 0</u>	<u>\$ 2,417,515</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 6,828
Public Safety	37,405
Public Works	90,267
Culture and Recreation	6,137
Total Depreciation Expense - Governmental Activities	<u>\$ 140,637</u>
Business-Type Activities	
Water	\$ 42,347
Sewer	58,854
Storm Sewer	18,366
Municipal Liquor Store	8,497
Total Depreciation Expense - Business-Type Activities	<u>\$ 128,064</u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	Capital Improvements	\$ 87,339
Sewer	Storm Sewer	4,435
Total Interfund Receivables and Payables		<u>\$ 91,774</u>

The purpose of the above interfund loans was to cover project costs and deficit cash.

B. INTERFUND TRANSFERS

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

	<u>Transfer In</u>		
	<u>General</u>	<u>Ambulance</u>	<u>Fire</u>
Transfer Out			
General	\$	\$ 10,000	\$ 36,000
Municipal			
Liquor Store	<u>10,770</u>		
Total Interfund Transfers	<u>\$ 10,770</u>	<u>\$ 10,000</u>	<u>\$ 36,000</u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Cont'd)

B. INTERFUND TRANSFERS (Cont'd)

	Transfer In			Total
	G.O. Improvement Bonds of 2013	Capital Improvements	Storm Sewer	
Transfer Out				
General	\$	\$ 69,535	\$ 10,000	\$ 125,535
G.O. Refunding Bonds of 2007A	5,055			5,055
Water	35,000			35,000
Sewer	5,000			5,000
Municipal Liquor Store				10,770
 Total Interfund Transfers	 \$ 45,055	 \$ 69,535	 \$ 10,000	 \$ 181,360

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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.

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. Improvement Bonds of 2013	2.75%	02/01/2029	\$ 725,000
Compensated Absences			<u>25,292</u>
Total Governmental Activities			<u>\$ 750,292</u>
<u>Business-Type Activities</u>			
Compensated Absences			<u>\$ 3,738</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 and pension liability.

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>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 57,000	\$ 19,154
2020	59,000	17,559
2021	61,000	15,909
2022	62,000	14,218
2023	64,000	12,486
2024-2028	347,000	34,636
2029	<u>75,000</u>	<u>1,031</u>
	<u>\$ 725,000</u>	<u>\$ 114,993</u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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 2013	\$ 781,000	\$	\$ (56,000)	\$ 725,000	\$ 57,000
Compensated Absences	20,879	17,808	(13,395)	25,292	
Total Governmental Activities	<u>\$ 801,879</u>	<u>\$ 17,808</u>	<u>\$ (69,395)</u>	<u>\$ 750,292</u>	<u>\$ 57,000</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	\$ 35,000	\$	\$ (35,000)	\$	\$
Compensated Absences	5,394	3,077	(4,733)	3,738	
Total Business-Type Activities	<u>\$ 40,394</u>	<u>\$ 3,077</u>	<u>\$ (39,733)</u>	<u>\$ 3,738</u>	<u>\$ 0</u>

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 2018 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2018, 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.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 9. CITY OF SILVER LAKE FIRE RELIEF ASSOCIATION

A. PLAN DESCRIPTION

The Fire Department of the City participates in the Statewide Volunteer Firefighting Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. The plan covered 26 active firefighters and 4 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G.

B. BENEFITS PROVIDED

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

C. CONTRIBUTIONS

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$15,251 in fire state aid to the fund. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund were \$3,193. The City's contributions were equal to the required contributions as set by state statute.



CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 9. CITY OF SILVER LAKE FIRE RELIEF ASSOCIATION (Cont'd)

D. PENSION COSTS

The City reported a net pension liability (asset) of \$13,444 for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balances at 1/1/2017	\$ 396,709	\$ 346,829	\$ 49,880
Changes for the Year:			
Service Cost	9,637		9,637
Interest	23,657		23,657
Differences Between Expected and Actual Experience	(6,371)		(6,371)
Contributions - Employer		3,193	(3,193)
Contributions - State		15,251	(15,251)
Net Investment Income		45,866	(45,866)
Benefit Payments	(24,125)	(24,125)	
Administrative Expense		(951)	951
Net Change	<u>2,798</u>	<u>39,234</u>	<u>(36,436)</u>
Balances at 12/31/2017	<u>\$ 399,507</u>	<u>\$ 386,063</u>	<u>\$ 13,444</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2018, the City recognized pension expense of \$(15,826).

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual economic experience	\$	\$ 7,816
Net differences between projected and actual investment earnings		22,141
Contributions paid to plan subsequent to measurement date	21,371	
State aid received for the plan subsequent to measurement date		15,422
Totals	<u>\$ 21,371</u>	<u>\$ 45,379</u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 9. CITY OF SILVER LAKE FIRE RELIEF ASSOCIATION (Cont'd)

D. PENSION COSTS (Cont'd)

\$21,371 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. \$15,422 reported as deferred inflows of resources related to pensions resulting from state aid received for the plan subsequent to the measurement date will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension plans will be recognized in pension expense as follows:

<u>December 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (7,889)
2020	(7,889)
2021	(7,889)
2022	(6,290)

E. ACTUARIAL ASSUMPTIONS

The total pension liability was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6%
- Inflation rate of 3%

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 9. CITY OF SILVER LAKE FIRE RELIEF ASSOCIATION (Cont'd)

G. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) for the Volunteer Firefighter Fund, calculated using the discount rate as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.00%)	Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
City's Net Pension Liability (Asset)	\$ 20,324	\$ 13,444	\$ 6,589

H. PLAN INVESTMENTS/INVESTMENT POLICY:

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

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

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

I. ASSET ALLOCATION

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Cash	5%	0.00%
Total	<u>100%</u>	

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 9. CITY OF SILVER LAKE FIRE RELIEF ASSOCIATION (Cont'd)

I. ASSET ALLOCATION (Cont'd)

The 6% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during 2018 for the Volunteer Firefighter Fund.

J. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2018, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

**General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):**

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

**Public Employees Police and Fire Plan (PEFPF; Police and Fire Plan; accounted for in the Police and Fire Fund):**

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

B. BENEFITS PROVIDED

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

B. BENEFITS PROVIDED (Cont'd)

**GERP Benefits:**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

**PEPFP Benefits:**

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

Beginning in 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

C. CONTRIBUTIONS

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

C. CONTRIBUTIONS (Cont'd)

**GERP Contributions:**

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$22,742. The City's contributions were equal to the required contributions as set by state statute.

**PEPFP Contributions:**

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2018. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$19,453. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

**GERP Pension Costs:**

At December 31, 2018 the City reported a liability of \$244,094 for its proportionate share of the General Employees Fund's net pension liability. The City net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$8,105. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportion share was 0.0044% which was a decrease of 0.0001% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019;

For the year ended December 31, 2018, the City recognized pension expense of \$7,724 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$1,890 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, 2018, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

D. PENSION COSTS (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 6,601	\$ 7,605
Changes in actuarial assumptions	24,907	27,853
Differences between projected and actual investment earnings		23,628
Changes in proportion		12,907
Contributions paid to PERA subsequent to measurement date	<u>11,297</u>	
 Totals	 <u>\$ 42,805</u>	 <u>\$ 71,993</u>

\$11,297 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Pension Expense Amount</u>
2019	\$ 4,675
2020	(18,392)
2021	(21,673)
2022	(5,095)

**PEFP Pension Costs:**

At December 31, 2018 the City reported a liability of \$116,183 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportion was 0.0109% which was an increase of 0.0009% from its proportion measured as of June 30, 2017. The City also recognized \$981 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

D. PENSION COSTS (Cont'd)

For the year ended December 31, 2018 the City recognized pension expense of \$981 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,459	\$ 26,886
Changes in actuarial assumptions	132,518	157,235
Differences between projected and actual investment earnings		23,531
Changes in proportion	13,726	5,681
Contributions paid to PERA subsequent to measurement date	<u>9,965</u>	
Totals	<u>\$ 160,668</u>	<u>\$ 213,333</u>

\$9,965 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2019	\$ (1,022)
2020	(6,417)
2021	(15,762)
2022	(41,071)
2023	1,642

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

<u>Actuarial Assumptions</u>	<u>GERP</u>	<u>PEFP</u>
Inflation	2.50% per year	2.50% per year
Salary Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.50%	7.50%



CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

**GERP:**

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**PEFPF:**

The mortality projection scale was changed from MP-2016 to MP-2017.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 positions of the General Employees Fund, and the Police and Fire Fund. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

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

	<u>GERP</u>		<u>PEPFP</u>	
1% Lower	6.50%	\$ 396,684	15.20%	\$ 249,103
Current Discount Rate	7.50%	244,094	16.20%	116,183
1% Higher	8.50%	118,135	17.20%	6,263

H. PENSION PLAN FIDUCIARY NET POSITION

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

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 11. FUND BALANCE

The following is a summary of fund balance components at December 31, 2018:

	<u>General</u>	<u>Ambulance</u>	<u>Fire</u>
Nonspendable			
Inventories	\$ 789	\$	\$
Prepaid Items	6,006	635	1,229
Total Nonspendable	<u>6,795</u>	<u>635</u>	<u>1,229</u>
Committed			
Ambulance Service		142,218	
Economic Development	50,170		
Fire Protection			85,314
Fire Equipment			58,122
Total Committed	<u>50,170</u>	<u>142,218</u>	<u>143,436</u>
Assigned			
Ambulance Unit		4,648	
Unassigned	<u>431,064</u>		
	<u>\$ 488,029</u>	<u>\$ 147,501</u>	<u>\$ 144,665</u>

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 11. FUND BALANCE (Cont'd)

The following is a summary of fund balance components at December 31, 2018:

	G.O. Refunding Bonds of 2013	Capital Improvement	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Nonspendable			
Inventories	\$	\$	\$ 789
Prepaid Items			7,870
Land Held for Resale		-	-
Total Nonspendable	<u>0</u>	<u>0</u>	<u>8,659</u>
Restricted for			
Debt Service	145,944		145,944
Committed			
Ambulance Service			142,218
Ambulance Equipment		46,677	46,677
Economic Development			50,170
Fire Protection			85,314
Fire Equipment			58,122
Total Committed	<u>0</u>	<u>46,677</u>	<u>382,501</u>
Assigned			
Parks and Pool Improvements		6,388	6,388
Police Squad		15,338	15,338
Ambulance Unit			4,648
Street Improvements		24,501	24,501
Public Works Equipment		36,993	36,993
Auditorium Repair		25,072	25,072
Total Assigned	<u>0</u>	<u>108,292</u>	<u>112,940</u>
Unassigned		<u>(29,898)</u>	<u>401,166</u>
	<u>\$ 145,944</u>	<u>\$ 125,071</u>	<u>\$ 1,051,210</u>

NOTE 12. RECLASSIFICATIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

City of Silver Lake, Minnesota

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DECEMBER 31, 2018

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 Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>GERP</u>							
6/30/2018	0.0044%	\$ 244,094	\$ 8,105	\$ 252,199	\$ 299,536	84.20%	79.53%
6/30/2017	0.0045%	287,277	3,632	290,909	291,475	99.81%	75.90%
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	283,610	85.88%	78.19%
<u>PEPFP</u>							
6/30/2018	0.0109%	116,183		116,183	114,760	101.24%	88.84%
6/30/2017	0.0100%	135,012		135,012	106,342	126.96%	85.43%
6/30/2016	0.0100%	401,317		401,317	98,086	409.15%	63.88%
6/30/2015	0.0110%	124,986		124,986	97,210	128.57%	86.61%

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

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>GERP</u>					
12/31/2018	\$ 22,742	\$ 22,742	\$	\$ 303,224	7.50%
12/31/2017	21,339	21,339		284,520	7.50%
12/31/2016	21,668	21,668		288,908	7.50%
12/31/2015	21,237	21,237		283,160	7.50%
<u>PEPFP</u>					
12/31/2018	19,453	19,453		120,080	16.20%
12/31/2017	17,736	17,736		109,481	16.20%
12/31/2016	16,249	16,249		100,302	16.20%
12/31/2015	15,552	15,552		96,000	16.20%

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



CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2018

	December 31	
	2017	2016
Service Cost	\$ 9,637	\$ 10,032
Interest	23,657	22,712
Differences Between Expected and Actual Experience	(6,371)	(4,531)
Benefit Payments	<u>(24,125)</u>	<u>(24,125)</u>
Net Change in Total Pension Liability	2,798	28,213
Total Pension Liability - Beginning of Year	<u>396,709</u>	<u>368,496</u>
Total Pension Liability - End of Year	<u>\$ 399,507</u>	<u>\$ 396,709</u>
Contributions - Employer	\$ 3,193	\$ 6,839
Contributions - State	15,251	15,842
Net Investment Income	45,866	21,696
Benefit Payments	(24,125)	(24,125)
Administrative Expense	<u>(951)</u>	<u>(951)</u>
Net Change in Plan Fiduciary Net Position	39,234	43,426
Total Plan Fiduciary Net Position - Beginning of Year	<u>346,829</u>	<u>303,403</u>
Total Plan Fiduciary Net Position - End of Year	<u>\$ 386,063</u>	<u>\$ 346,829</u>
City's Net Pension Liability (Asset) - End of Year	<u>\$ 13,444</u>	<u>\$ 49,880</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	97%	87%

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017. Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

No changes.

2017 Changes:

No changes.

2016 Changes:

No changes.

2015 Changes:

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

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP)

2018 Changes:

No changes.

2017 Changes:

No changes.

2016 Changes:

No changes.

2015 Changes:

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

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

The mortality projection was changes from MP-2015 to MP-2017.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2018 Changes: (Cont'd)

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:

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 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.

2015 Changes:

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

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP)

2018 Changes:

The mortality projection was changes from MP-2016 to MP-2017.

2017 Changes:

Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.

Assumed rates of retirement were changed, resulting in fewer retirements.

CITY OF SILVER LAKE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEFPF) (Cont'd)

2017 Changes: (Cont'd)

The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

Assumed percentage of married female members was decreased from 65% to 60%.

Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

The assumed percentage of female members electing Joint and Survivor annuities was increased.

The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes:

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.

2015 Changes:

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

SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF SILVER LAKE, MINNESOTA

BALANCE SHEET  
 GENERAL FUND  
 DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 498,303	\$ 532,495
Receivables		
Accounts	9,046	10,404
Interest	2	2
Property Taxes	11,014	9,051
Due from Other Governments	2,105	4,155
Inventories	789	582
Prepaid Items	6,006	4,675
	<u>6,006</u>	<u>4,675</u>
<b>Total Assets</b>	<u><u>\$ 527,265</u></u>	<u><u>\$ 561,364</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 16,027	\$ 23,490
Accrued Wages Payable	11,162	12,977
Sales Tax Payable	333	8
Deposits Payable	700	400
<b>Total Liabilities</b>	<u>28,222</u>	<u>36,875</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue		
Delinquent Property Taxes	11,014	9,051
<b>Fund Balance</b>		
Nonspendable	6,795	5,257
Committed	50,170	40,123
Unassigned	431,064	470,058
<b>Total Fund Balance</b>	<u>488,029</u>	<u>515,438</u>
	<u><u>\$ 527,265</u></u>	<u><u>\$ 561,364</u></u>
<b>Total Liabilities, Deferred Inflows of Resources     and Fund Balance</b>	<u><u>\$ 527,265</u></u>	<u><u>\$ 561,364</u></u>

## CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
<b>Taxes</b>				
Property Taxes	\$ 478,195	\$ 476,030	\$ (2,165)	\$ 410,659
Franchise Fees	7,500	6,271	(1,229)	6,293
<b>Total Taxes</b>	<u>485,695</u>	<u>482,301</u>	<u>(3,394)</u>	<u>416,952</u>
Special Assessments		3,822	3,822	2,006
Licenses and Permits	8,300	8,165	(135)	2,840
<b>Intergovernmental</b>				
Local Government Aid	224,287	224,288	1	215,782
Police State Aid	16,000	21,228	5,228	14,631
PERA Aid	850	846	(4)	846
Other State Grants	2,500	9,501	7,001	10,524
<b>Total Intergovernmental</b>	<u>243,637</u>	<u>255,863</u>	<u>12,226</u>	<u>241,783</u>
Charges for Services	40,600	30,740	(9,860)	34,090
Fines and Forfeits	9,000	12,461	3,461	11,052
Interest Income	400	476	76	481
Sales (Net of Merchandise Purchases)	15,250	14,881	(369)	7,574
Donations	10,000	17,206	7,206	9,458
<b>Miscellaneous</b>				
Insurance Dividend	4,000	1,765	(2,235)	3,942
Other	2,000	4,716	2,716	6,744
<b>Total Miscellaneous</b>	<u>6,000</u>	<u>6,481</u>	<u>481</u>	<u>10,686</u>
<b>Total Revenues</b>	<u>818,882</u>	<u>832,396</u>	<u>13,514</u>	<u>736,922</u>



CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General Government</b>				
<b>City Council</b>				
Salaries	\$ 8,200	\$ 8,525	\$ 325	\$ 8,675
Benefits	620	653	33	664
Miscellaneous	1,870	1,404	(466)	2,414
<b>Total City Council</b>	<b>10,690</b>	<b>10,582</b>	<b>(108)</b>	<b>11,753</b>
<b>Mayor</b>				
Salaries	2,500	2,550	50	2,500
Benefits	190	195	5	191
Miscellaneous	610	695	85	545
<b>Total Mayor</b>	<b>3,300</b>	<b>3,440</b>	<b>140</b>	<b>3,236</b>
<b>Administration</b>				
Salaries	36,400	41,357	4,957	43,343
Benefits	15,415	15,051	(364)	12,679
Supplies	1,235	767	(468)	1,122
Contract Services	3,000	1,382	(1,618)	787
Insurance	1,125	904	(221)	1,035
Assessor Fees	3,350	4,533	1,183	3,178
Legal Services	200		(200)	
Audit and Accounting Services	8,500	8,400	(100)	7,425
Miscellaneous	4,273	3,871	(402)	4,444
<b>Total Administration</b>	<b>73,498</b>	<b>76,265</b>	<b>2,767</b>	<b>74,013</b>
<b>Elections</b>				
Salaries and Benefits	3,330	2,477	(853)	55
Miscellaneous	2,915	1,455	(1,460)	
<b>Total Elections</b>	<b>6,245</b>	<b>3,932</b>	<b>(2,313)</b>	<b>55</b>
<b>Community Development</b>				
Salaries	17,400	22,611	5,211	19,240
Benefits	8,136	10,351	2,215	7,927
Contract Services	9,570	7,577	(1,993)	
Miscellaneous	5,200	4,552	(648)	3,310
Building Inspection Fees	11,000	7,568	(3,432)	2,914
<b>Total Community Development</b>	<b>51,306</b>	<b>52,659</b>	<b>1,353</b>	<b>33,391</b>

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Current (Cont'd)				
General Government (Cont'd)				
General Government Buildings				
Salaries	\$ 750	\$ 845	\$ 95	\$ 455
Benefits	446	271	(175)	267
Repairs and Maintenance	700		(700)	130
Utilities	7,450	6,578	(872)	8,578
Insurance	3,040	2,276	(764)	2,511
Miscellaneous	2,975	5,483	2,508	2,147
Total General Government Buildings	<u>15,361</u>	<u>15,453</u>	<u>92</u>	<u>14,088</u>
Total General Government	160,400	162,331	1,931	136,536
Sanitation				
Solid Waste	3,900	4,408	508	3,445
Public Safety				
Police Protection				
Salaries	110,180	120,946	10,766	110,532
Benefits	42,442	43,178	736	42,476
Legal Fees	9,000	30,334	21,334	15,556
Uniforms	2,000	1,505	(495)	1,900
Vehicle Expense	8,640	9,495	855	7,297
Contract Services	5,000	5,380	380	4,287
Insurance	9,700	10,880	1,180	7,902
Miscellaneous	12,680	9,952	(2,728)	10,362
Total Public Safety	<u>199,642</u>	<u>231,670</u>	<u>32,028</u>	<u>200,312</u>
Public Works				
Highways and Streets				
Salaries	57,750	67,710	9,960	65,779
Benefits	21,349	23,581	2,232	24,908
Repairs and Maintenance	27,700	7,007	(20,693)	7,310
Street Lighting	15,000	16,796	1,796	16,568
Contract Services	6,500	1,136	(5,364)	1,634
Vehicle Expense	4,500	3,340	(1,160)	2,596
Insurance	13,100	11,199	(1,901)	8,981
Miscellaneous	9,425	4,255	(5,170)	4,962
Total Highways and Streets	<u>155,324</u>	<u>135,024</u>	<u>(20,300)</u>	<u>132,738</u>

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Works (Cont'd)				
Snow and Ice Control				
Salaries	\$ 14,000	\$ 17,477	\$ 3,477	\$ 4,609
Benefits	4,141	7,103	2,962	2,219
Repairs and Maintenance	8,500	7,625	(875)	2,558
Contract Services	4,000	5,928	1,928	1,810
Vehicle Expense	2,000	3,091	1,091	1,156
Miscellaneous	3,800	5,346	1,546	2,010
Total Snow and Ice Control	<u>36,441</u>	<u>46,570</u>	<u>10,129</u>	<u>14,362</u>
Total Public Works	191,765	181,594	(10,171)	147,100
Culture and Recreation				
Swimming Pool				
Salaries	27,000	28,798	1,798	31,222
Benefits	3,776	3,519	(257)	4,626
Repairs and Maintenance	10,000	5,506	(4,494)	12,593
Utilities	8,350	8,246	(104)	19,242
Insurance	5,650	5,737	87	5,294
Supplies	1,850	1,809	(41)	903
Chemicals	9,000	8,045	(955)	9,183
License and Permits	700	865	165	695
Miscellaneous	1,840	2,641	801	2,129
Total Swimming Pool	<u>68,166</u>	<u>65,166</u>	<u>(3,000)</u>	<u>85,887</u>
Summer Recreation	7,180	3,033	(4,147)	3,890
Community Events	9,432	5,965	(3,467)	8,892
Auditorium				
Salaries	9,000	12,550	3,550	9,845
Benefits	2,973	3,051	78	2,863
Repairs and Maintenance	4,000	4,470	470	2,305
Contract Services	2,200	2,622	422	1,581
Utilities	8,500	10,133	1,633	8,207
Insurance	3,350	3,255	(95)	3,054
Miscellaneous	6,500	4,712	(1,788)	3,622
Total Auditorium	<u>36,523</u>	<u>40,793</u>	<u>4,270</u>	<u>31,477</u>

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Culture and Recreation (Cont'd)				
Parks				
Salaries	\$ 7,750	\$ 8,401	\$ 651	\$ 9,356
Benefits	3,689	3,255	(434)	4,051
Repairs and Maintenance	900	645	(255)	3,067
Contract Services	4,500	4,805	305	4,725
Miscellaneous	2,250	1,056	(1,194)	2,918
Utilities	500	994	494	151
Insurance	2,250	2,687	437	2,038
Total Parks	<u>21,839</u>	<u>21,843</u>	<u>4</u>	<u>26,306</u>
Total Culture and Recreation	<u>143,140</u>	<u>136,800</u>	<u>(6,340)</u>	<u>156,452</u>
Total Current	<u>698,847</u>	<u>716,803</u>	<u>17,956</u>	<u>643,845</u>
Capital Outlay				
General Government	1,500		(1,500)	1,680
Public Safety				132
Public Works		4,230	4,230	12,837
Culture and Recreation	2,000	24,007	22,007	4,353
Total Capital Outlay	<u>3,500</u>	<u>28,237</u>	<u>24,737</u>	<u>19,002</u>
Total Expenditures	<u>702,347</u>	<u>745,040</u>	<u>42,693</u>	<u>662,847</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,535	87,356	(29,179)	74,075
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,770	770	10,585
Transfers Out	(125,535)	(125,535)		(80,500)
Sales of Fixed Assets	2,000		(2,000)	
Total Other Financing Sources (Uses)	<u>(113,535)</u>	<u>(114,765)</u>	<u>(1,230)</u>	<u>(69,915)</u>
Net Change in Fund Balances	<u>\$ 3,000</u>	<u>(27,409)</u>	<u>\$ (30,409)</u>	<u>4,160</u>
FUND BALANCE, BEGINNING OF YEAR		<u>515,438</u>		<u>511,278</u>
FUND BALANCE, END OF YEAR		<u>\$ 488,029</u>		<u>\$ 515,438</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION  
 WATER ENTERPRISE FUND  
 DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Assets		
Current Assets		
Cash	\$ 326,516	\$ 295,208
Receivables		
Accounts	13,039	13,941
Interest	85	85
Prepaid Items	266	262
Due from Other Funds	87,339	100,000
Total Current Assets	<u>427,245</u>	<u>409,496</u>
Noncurrent Assets		
Capital Assets		
Other Capital Assets, Net of Depreciation	481,117	523,464
Total Assets	<u>908,362</u>	<u>932,960</u>
Deferred Outflows of Resources		
Related to Pensions	723	2,436
Total Assets and Deferred Outflows of Resources	<u>\$ 909,085</u>	<u>\$ 935,396</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 1,294	\$ 1,236
Accrued Wages Payable	240	245
Sales Tax Payable	90	63
Total Current Liabilities	<u>1,624</u>	<u>1,544</u>
Long-Term Liabilities		
Net Pension Liability	4,125	10,083
Other Long-Term Liabilities Due in More Than One Year	453	910
Total Long-Term Liabilities	<u>4,578</u>	<u>10,993</u>
Total Liabilities	<u>6,202</u>	<u>12,537</u>
Deferred Inflows of Resources		
Related to Pensions	1,217	2,256
Net Position		
Net Investment in Capital Assets	481,117	523,464
Unrestricted	420,549	397,139
Total Net Position	<u>901,666</u>	<u>920,603</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 909,085</u>	<u>\$ 935,396</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 WATER ENTERPRISE FUND  
 YEAR ENDED DECEMBER 31, 2018  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Water Charges	\$ 114,944	\$ 110,112
OPERATING EXPENSES		
Salaries	5,049	8,882
Benefits	(3,542)	100
Utilities	6,557	5,660
Insurance	1,632	1,621
Repairs and Maintenance	20,907	3,135
Licenses and Permits	561	666
Contracted Services	22,045	25,604
Professional Fees	4,439	3,200
Depreciation	42,347	42,223
Miscellaneous	4,186	2,856
Total Operating Expenses	<u>104,181</u>	<u>93,947</u>
Operating Income (Loss)	10,763	16,165
NONOPERATING REVENUES (EXPENSES)		
Interest Income	5,300	1,129
Income (Loss) Before Transfers	<u>16,063</u>	<u>17,294</u>
TRANSFERS		
Transfers Out	<u>(35,000)</u>	<u>(35,000)</u>
Change in Net Position	(18,937)	(17,706)
NET POSITION, BEGINNING OF YEAR	<u>920,603</u>	<u>938,309</u>
NET POSITION, END OF YEAR	<u>\$ 901,666</u>	<u>\$ 920,603</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION  
SEWER ENTERPRISE FUND  
DECEMBER 31, 2018  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Assets</b>		
Current Assets		
Cash	\$ 185,116	\$ 145,127
Receivables		
Accounts	20,836	19,606
Interest	28	28
Prepaid Items	390	444
Due from Other Funds	4,435	667
Total Current Assets	<u>210,805</u>	<u>165,872</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	175,523	175,523
Other Capital Assets, Net of Depreciation	1,086,083	1,132,424
Total Noncurrent Assets	<u>1,261,606</u>	<u>1,307,947</u>
Total Assets	<u>1,472,411</u>	<u>1,473,819</u>
Deferred Outflows of Resources		
Related to Pensions	<u>779</u>	<u>2,533</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,473,190</u>	<u>\$ 1,476,352</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	\$ 1,241	\$ 1,191
Accrued Wages Payable	297	252
Accrued Interest Payable		1,700
Total Current Liabilities	<u>1,538</u>	<u>3,143</u>
Long-Term Liabilities		
Net Pension Liability	4,443	10,486
Other Long-Term Liabilities Due Within One Year		35,000
Other Long-Term Liabilities Due in More Than One Year	491	961
Total Long-Term Liabilities	<u>4,934</u>	<u>11,447</u>
Total Liabilities	<u>6,472</u>	<u>49,590</u>
Deferred Inflows of Resources		
Related to Pensions	1,310	2,346
Net Position		
Net Investment in Capital Assets	1,261,606	1,272,947
Unrestricted	203,802	151,469
Total Net Position	<u>1,465,408</u>	<u>1,424,416</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,473,190</u>	<u>\$ 1,476,352</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEWER ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2018  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Sewer Charges	\$ 153,252	\$ 150,771
OPERATING EXPENSES		
Salaries	5,252	8,403
Benefits	(3,492)	(9,753)
Utilities	8,752	6,642
Insurance	2,464	2,781
Repairs and Maintenance	10,181	36,723
Chemicals		350
Licenses and Permits	1,423	2,584
Contracted Services	23,554	27,954
Professional Fees	4,200	3,200
Depreciation	58,854	58,392
Miscellaneous	4,571	4,301
Total Operating Expenses	<u>115,759</u>	<u>141,577</u>
Operating Income (Loss)	37,493	9,194
NONOPERATING REVENUES (EXPENSES)		
Interest Income	560	353
Rental Income	8,471	10,070
Bond Interest and Fiscal Charges	(532)	(3,400)
Total Nonoperating Revenues (Expenses)	<u>8,499</u>	<u>7,023</u>
Income (Loss) Before Transfers	45,992	16,217
TRANSFERS		
Transfers Out	(5,000)	(5,000)
Change in Net Position	<u>40,992</u>	<u>11,217</u>
NET POSITION, BEGINNING OF YEAR	<u>1,424,416</u>	<u>1,413,199</u>
NET POSITION, END OF YEAR	<u>\$ 1,465,408</u>	<u>\$ 1,424,416</u>



CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION  
STORM SEWER ENTERPRISE FUND  
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Assets		
Current Assets		
Receivables		
Accounts	\$ 1,439	\$ 1,557
Noncurrent Assets		
Capital Assets		
Other Capital Assets, Net of Depreciation	<u>601,884</u>	<u>620,250</u>
Total Assets	<u>\$ 603,323</u>	<u>\$ 621,807</u>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Current Liabilities		
Due to Other Funds	\$ 4,435	\$ 667
Long-Term Liabilities		
Other Long-Term Liabilities Due in More Than One Year	<u>37</u>	
Total Liabilities	4,472	<u>667</u>
Net Position		
Net Investment in Capital Assets	601,884	620,250
Unrestricted	<u>(3,033)</u>	<u>890</u>
Total Net Position	<u>598,851</u>	<u>621,140</u>
Total Liabilities and Net Position	<u>\$ 603,323</u>	<u>\$ 621,807</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 STORM SEWER ENTERPRISE FUND  
 YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Storm Sewer Charges	\$ 12,940	\$ 6,531
OPERATING EXPENSES		
Salaries	299	
Benefits	87	
Contracted Services	14,549	
Repairs and Maintenance	11,928	2,056
Depreciation	18,366	18,316
Total Operating Expenses	<u>45,229</u>	<u>20,372</u>
Operating Income (Loss)	(32,289)	(13,841)
NONOPERATING REVENUES (EXPENSES)		
Interest Income		1
Income (Loss) Before Transfers and Capital Contributions	<u>(32,289)</u>	<u>(13,840)</u>
TRANSFERS		
Transfers In	10,000	
CAPITAL CONTRIBUTIONS		634,980
Change in Net Position	<u>(22,289)</u>	<u>621,140</u>
NET POSITION, BEGINNING OF YEAR	<u>621,140</u>	
NET POSITION, END OF YEAR	<u>\$ 598,851</u>	<u>\$ 621,140</u>

## CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF NET POSITION  
MUNICIPAL LIQUOR STORE ENTERPRISE FUND  
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 198,735	\$ 188,754
Receivables		
Accounts	3,348	4,729
Interest	33	33
Inventories	65,740	75,099
Prepaid Items	1,530	1,112
Total Current Assets	<u>269,386</u>	<u>269,727</u>
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Assets Not Being Depreciated	5,800	5,800
Other Capital Assets, Net of Depreciation	67,108	70,796
Total Noncurrent Assets	<u>72,908</u>	<u>76,596</u>
Total Assets	<u>342,294</u>	<u>346,323</u>
<b>Deferred Outflows of Resources</b>		
Related to Pensions	<u>15,251</u>	<u>22,427</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 357,545</u>	<u>\$ 368,750</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 9,394	\$ 12,320
Accrued Wages Payable	4,905	4,556
Sales Tax Payable	3,557	3,795
Due to Other Governments	5,375	4,352
Total Current Liabilities	<u>23,231</u>	<u>25,023</u>
<b>Long-Term Liabilities</b>		
Net Pension Liability	86,971	92,848
Other Long-Term Liabilities Due in More Than One Year	2,757	3,523
Total Long-Term Liabilities	<u>89,728</u>	<u>96,371</u>
Total Liabilities	<u>112,959</u>	<u>121,394</u>
<b>Deferred Inflows of Resources</b>		
Related to Pensions	25,651	20,770
<b>Net Position</b>		
Net Investment in Capital Assets	72,908	76,596
Unrestricted	146,027	149,990
Total Net Position	<u>218,935</u>	<u>226,586</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 357,545</u>	<u>\$ 368,750</u>

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MUNICIPAL LIQUOR STORE ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2018  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Sales	\$ 524,512	\$ 546,386
<b>Cost of Sales</b>		
Inventory at Beginning of Year	75,099	71,265
Purchases - Net of Purchase Discounts	279,851	306,263
Freight	1,686	1,928
Total Merchandise Available for Sale	<u>356,636</u>	<u>379,456</u>
Less Ending Inventory	<u>(65,740)</u>	<u>(75,099)</u>
Total Cost of Sales	<u>290,896</u>	<u>304,357</u>
Gross Profit on Sales	233,616	242,029
Percentage of Gross Profit to Sales	44.54%	44.30%
<b>Other Operating Income</b>		
Vending Income	3,578	3,587
Lotto Income	2,088	351
Rental Income	11,555	14,151
Donations	1,607	10
Miscellaneous	6,140	1,610
Total Other Operating Income	<u>24,968</u>	<u>19,709</u>
Total Operating Revenues	<u>258,584</u>	<u>261,738</u>
<b>OPERATING EXPENSES</b>		
Salaries	113,784	111,960
Benefits	49,096	44,648
Utilities	18,950	16,752
Insurance	13,082	13,136
Repairs and Maintenance	13,533	15,304
Licenses and Permits	1,465	705
Contracted Services	1,525	1,457
Professional Fees	12,353	14,332
Depreciation	8,497	7,695
Miscellaneous	23,571	20,991
Total Operating Expenses	<u>255,856</u>	<u>246,980</u>
Operating Income (Loss)	2,728	14,758

CITY OF SILVER LAKE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MUNICIPAL LIQUOR STORE ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2018  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	\$ 391	\$ 347
Gain (Loss) on Sale of Fixed Assets		<u>(41)</u>
Total Nonoperating Revenues (Expenses)	<u>391</u>	<u>306</u>
Income (Loss) Before Transfers	3,119	15,064
TRANSFERS		
Transfers Out	<u>(10,770)</u>	<u>(10,585)</u>
Net Change in Net Position	(7,651)	4,479
NET POSITION, BEGINNING OF YEAR	<u>226,586</u>	<u>222,107</u>
NET POSITION, END OF YEAR	<u>\$ 218,935</u>	<u>\$ 226,586</u>

CITY OF SILVER LAKE, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2013  
DECEMBER 31, 2018

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

Payable At: Minnesota Rural Water Association

Due Date	Interest Rate	Principal	Interest	Total
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	6,683	70,683
08/01/2023			5,803	5,803
02/01/2024	2.75%	66,000	5,803	71,803
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		\$ 725,000	\$ 114,993	\$ 839,993

COMPLIANCE SECTION

This page intentionally left blank





## 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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Silver Lake, Minnesota's basic financial statements, and have issued our report thereon dated April 15, 2019.

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  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

April 15, 2019

---

**Willmar Office**  
331 Third St SW, Ste 2  
PO Box 570  
Willmar, MN 56201  
(320) 235-3311  
(888) 388-1040

**Benson Office**  
1209 Pacific Ave, Ste 3  
Benson, MN 56215  
(320) 843-2302

**Morris Office**  
401 Atlantic Ave  
Morris, MN 56267  
(320) 589-2602

**Litchfield Office**  
820 Sibley Ave N  
Litchfield, MN 55355  
(320) 693-7975

**Sartell Office**  
Ste 110  
2351 Connecticut Ave  
Sartell, MN 56377  
(320) 252-7565  
(800) 862-1337

This page intentionally left blank



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, 2018, 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 15, 2019.

**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 2018-001 and 2018-002.

---

**Willmar Office**  
331 Third St SW, Ste 2  
PO Box 570  
Willmar, MN 56201  
(320) 235-3311  
(888) 388-1040

**Benson Office**  
1209 Pacific Ave, Ste 3  
Benson, MN 56215  
(320) 843-2302

**Morris Office**  
401 Atlantic Ave  
Morris, MN 56267  
(320) 589-2602

**Litchfield Office**  
820 Sibley Ave N  
Litchfield, MN 55355  
(320) 693-7975

**Sartell Office**  
Ste 110  
2351 Connecticut Ave  
Sartell, MN 56377  
(320) 252-7565  
(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  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

April 15, 2019

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

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

FINDING 2018-001 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:  
Jon Jerabek, City Clerk/Treasurer

Planned Completion Date for CAP:  
December 31, 2019

Plan to Monitor Completion of CAP:  
The City Council will monitor the completion of this plan.

CITY OF SILVER LAKE, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

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

FINDING 2018-002 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:

Jon Jerabek, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2019

Plan to Monitor Completion of CAP:

The City Council will monitor the completion of this plan.

CITY OF SILVER LAKE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018

Comment Reference	Comment Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
-------------------	---------------	--------	---------------------------------	--

Financial Statement Findings:

2017-001	Auditor Prepared Financial Statements	Not Corrected	2006	See current year finding 2018-001
2017-002	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2018-002

Minnesota Legal Compliance Findings:

None