

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA

REQUIRED COMMUNICATIONS
AND FINANCIAL ANALYSIS
For the Year Ended December 31, 2024

CITY OF SILVER LAKE
REQUIRED COMMUNICATIONS

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May 19, 2025

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Silver Lake for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 23, 2024. Professional standards also require that we communicate to you with the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Silver Lake are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the basic financial statement's were:

Management's estimate of the accumulated depreciation and related depreciation expense accounts is based on estimated useful lives of the related capital assets. We evaluated the key factors and assumptions used to develop the accumulated depreciation and related depreciation expense accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows of resources related to pensions and deferred inflows of resources related to pensions are based on the City's proportionate share of the plans net pension liability and related deferred outflows of resources related to pensions and deferred inflows of resources related to pensions. We evaluated the factors and assumptions used to develop the proportionate share and the related net pension liability and related deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion units financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 19, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Silver Lake's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Honorable Mayor and
Members of the City Council
May 19, 2025
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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Silver Lake's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the managements discussion and analysis, budgetary comparison schedule, schedule of proportionate share of the net pension liability, and schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining fund financial statements and summary financial report, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on elected and appointed officials, which accompany the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express as opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of City Council and management of City of Silver Lake and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

CITY OF SILVER LAKE
FINANCIAL ANALYSIS

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City of Silver Lake
Silver Lake, Minnesota

Financial Analysis
December 31, 2024

The following pages provide a graphic representation of certain financial data pertaining to the City's operations.

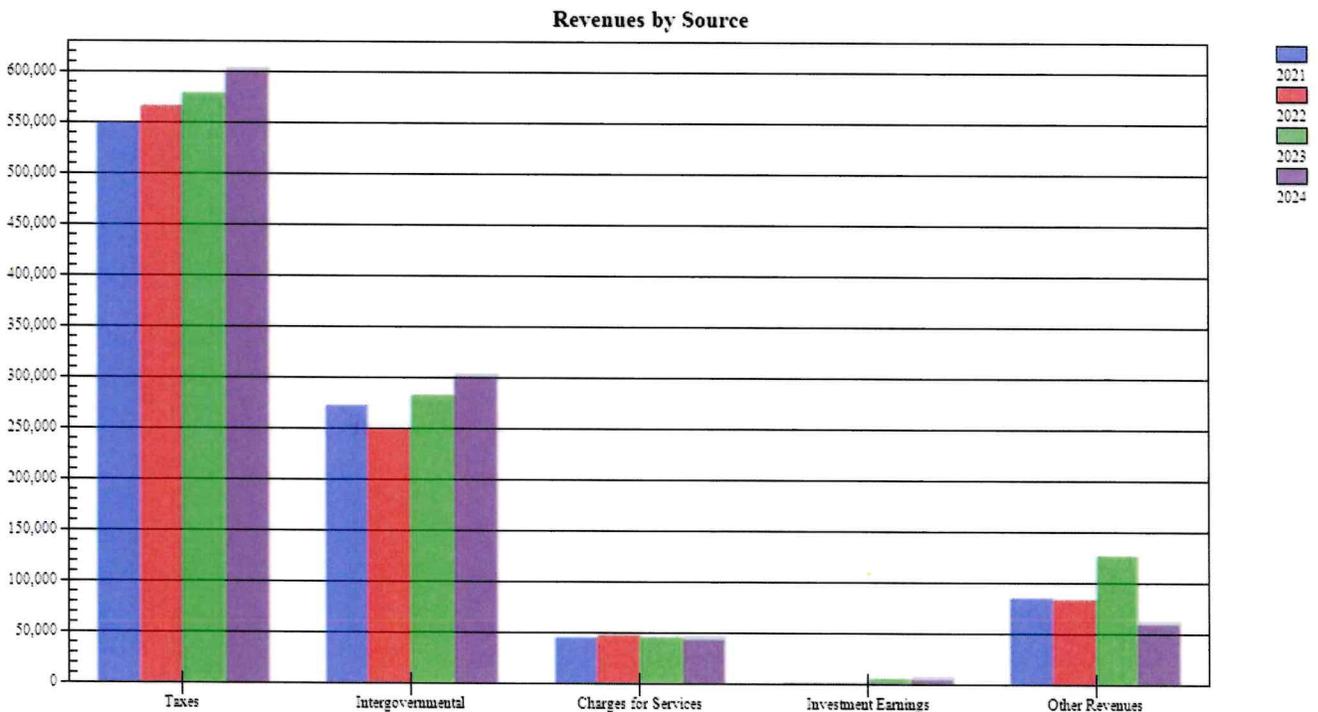
Our analysis of each graph is presented to provide a basis for discussion of past performance and so future performance may be enhanced by implementing certain changes. A subsequent discussion of this information should be useful for planning purposes.

GENERAL FUND

In 2024, the City's General Fund experienced a 2.7 percent decrease or \$27,923 in revenues from \$1,035,687 to \$1,007,764. The following graphs illustrate the source of the revenues for the past four years. Revenues from taxes increased 3.9 percent or \$22,422. Intergovernmental revenues increased due to the increase in Local Government Aid (LGA). Revenues from other sources decreased 38.9 percent, due to the decrease in charges for services and other revenues over the increase in investment earnings.

A comparison of General Fund revenues for the past four years is presented below:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	2024 Percent of <u>Total</u>
Taxes	\$ 549,273	\$ 566,081	\$ 577,999	\$ 600,421	59.58
Intergovernmental	272,158	249,471	282,419	300,334	29.80
Charges for Services	44,988	46,801	45,001	42,540	4.22
Investment Earnings	532	902	4,343	4,753	0.47
Other Revenues	<u>84,188</u>	<u>83,326</u>	<u>125,925</u>	<u>59,716</u>	5.93
Total Revenues	<u>\$ 951,139</u>	<u>\$ 946,581</u>	<u>\$ 1,035,687</u>	<u>\$ 1,007,764</u>	<u>100.00</u>



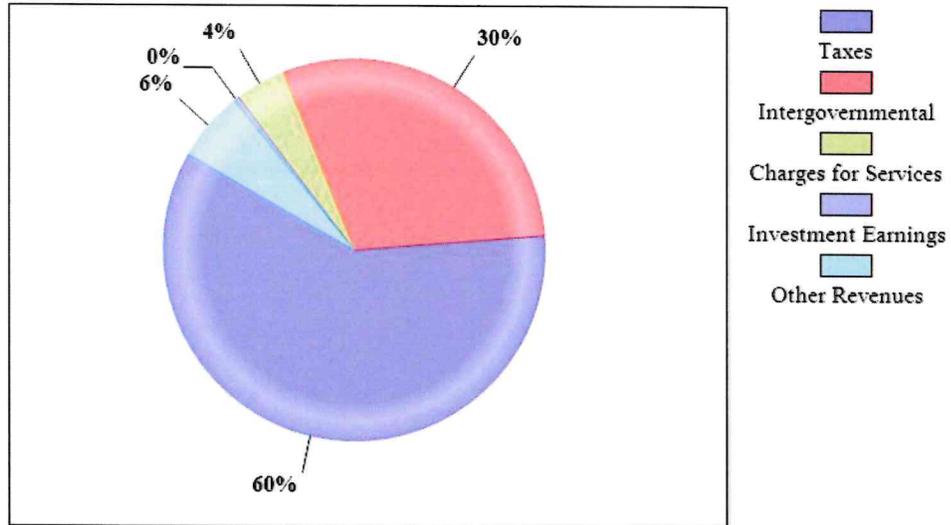
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Financial Analysis
December 31, 2024

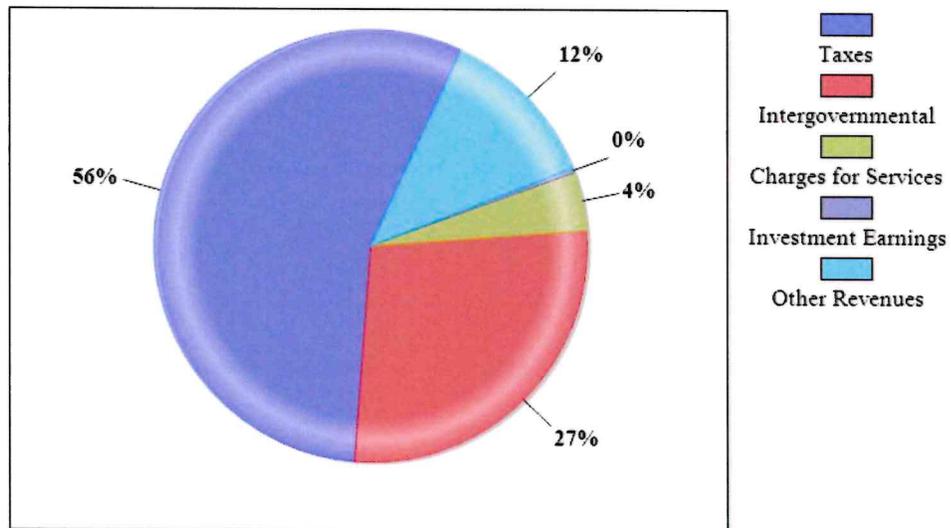
GENERAL FUND (Cont.)

Revenues as a percent of total for 2024 and 2023 are as follows:

General Fund
2024 Revenues



General Fund
2023 Revenues



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Silver Lake, Minnesota

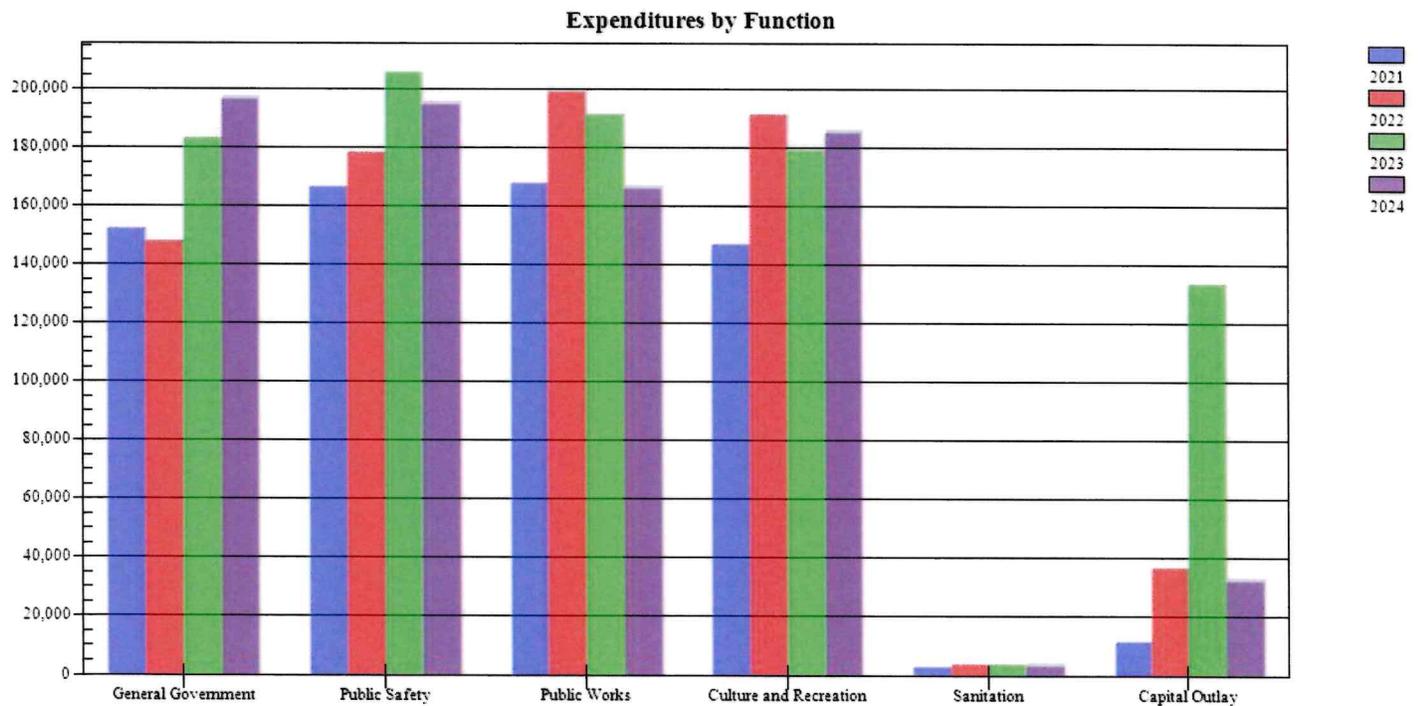
Financial Analysis
December 31, 2024

GENERAL FUND (Cont.)

Total General Fund expenditures decreased from 2023 to 2024 from \$896,497 to \$778,550 or 13.2 percent. The graphs illustrate the expenditure breakdown for the past four years. We recommend the City continue to be conservative in its spending and be aware of the possible future budget cuts at the state level.

A comparison of General Fund expenditures for the last four years is presented below:

<u>Program</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024 Percent of Total</u>
Current					
General Government	\$ 152,294	\$ 148,120	\$ 182,914	\$ 196,619	25.25
Public Safety	166,756	178,285	205,759	194,810	25.02
Public Works	168,121	199,203	191,241	166,225	21.35
Culture and Recreation	147,246	191,345	179,294	185,121	23.78
Sanitation	<u>2,743</u>	<u>3,556</u>	<u>3,810</u>	<u>3,281</u>	<u>0.42</u>
Total Current	637,160	720,509	763,018	746,056	95.82
Capital Outlay					
	<u>11,381</u>	<u>36,681</u>	<u>133,479</u>	<u>32,494</u>	<u>4.17</u>
Total Expenditures	<u>\$ 648,541</u>	<u>\$ 757,190</u>	<u>\$ 896,497</u>	<u>\$ 778,550</u>	<u>99.99</u>



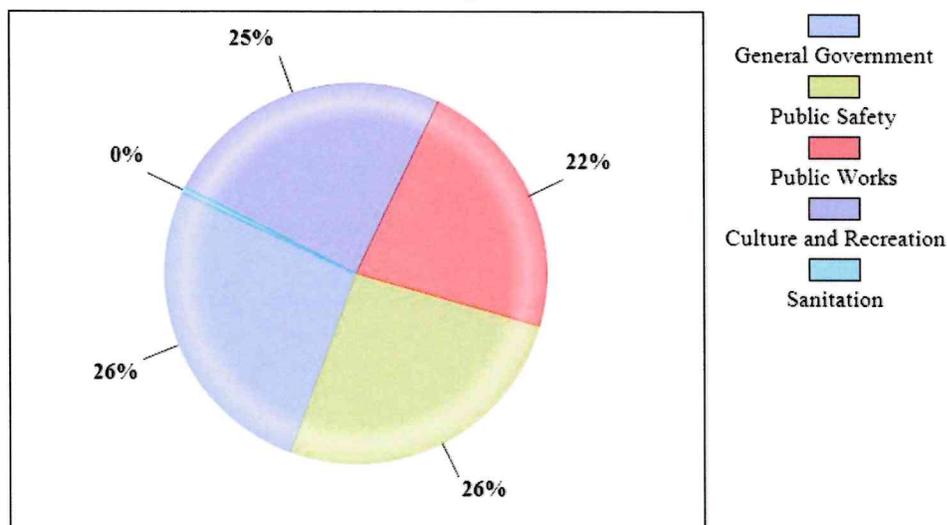
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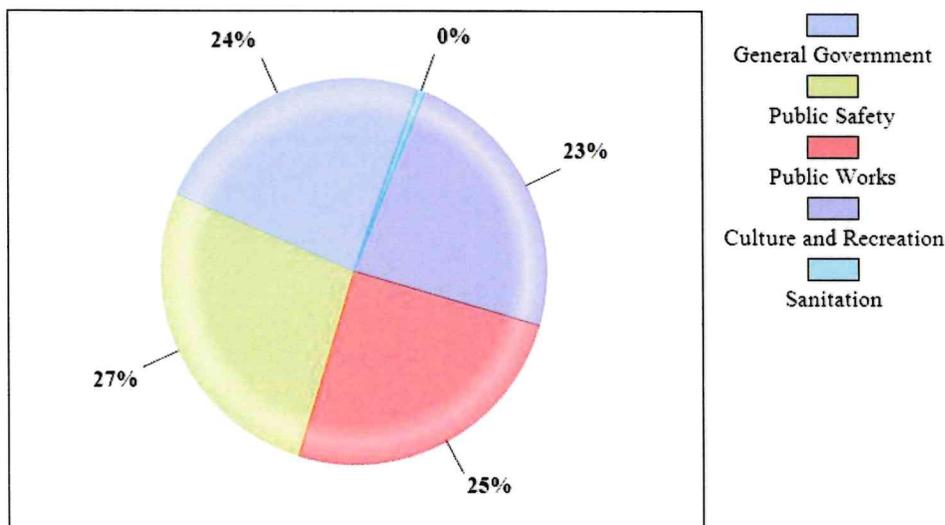
GENERAL FUND (Cont.)

The next graphs illustrate the General Fund expenditures by function for fiscal years 2024 and 2023. Public Safety accounted for the largest portion of General Fund expenditures at 26 percent. Public Safety expenditures consist of expenditures related to police services and building inspections. General government accounted for the second largest portion of General Fund expenditures at 26 percent. General government expenditures consist of expenditures for Mayor and City Council, elections, administrative and finance, community development, legal, assessor, independent auditor, and other general government expenditures. Public works accounted for the third largest portion of expenditures at 22 percent. Public works expenditures consist of expenditures for highways and streets, ice and snow removal, and street lighting.

General Fund
2024 Expenditures



General Fund
2023 Expenditures



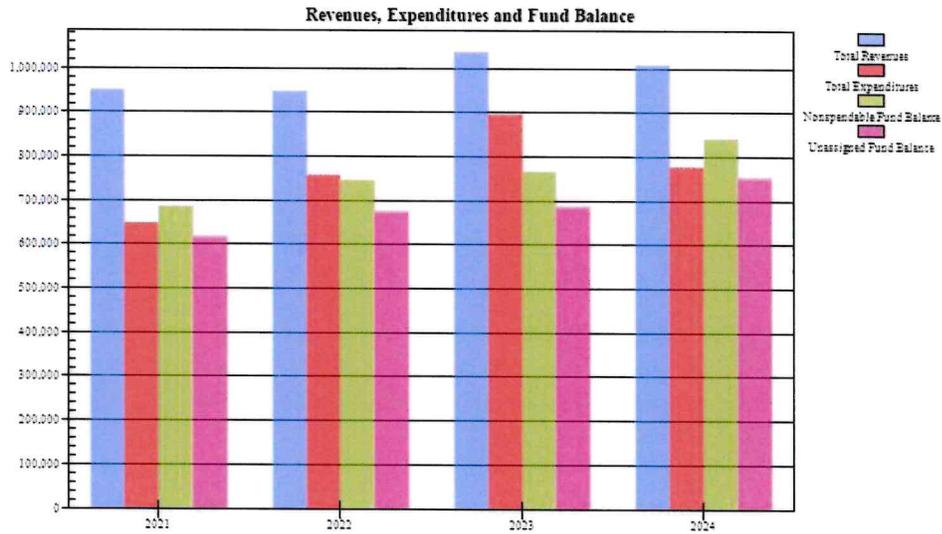
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December 31, 2024

GENERAL FUND (Cont.)

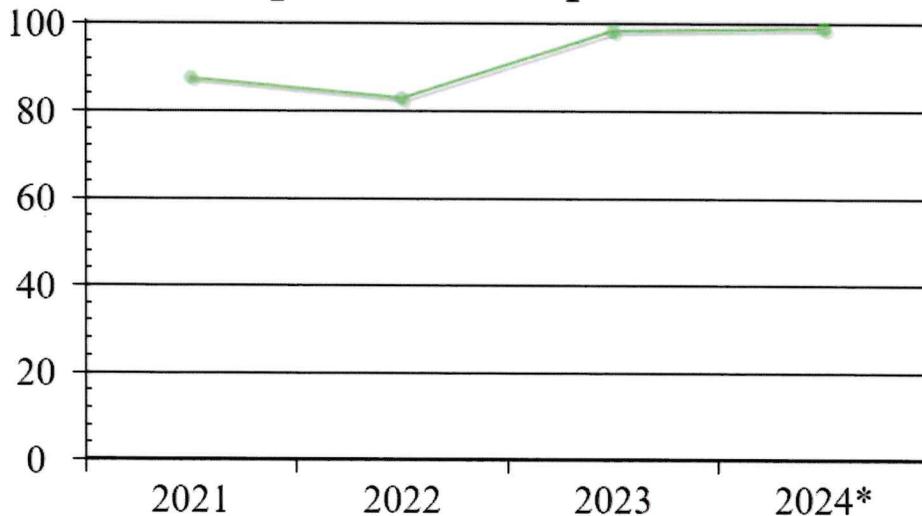
The fund balance of the General Fund increased by \$75,236 in 2024 as a result of revenues exceeding expenditures. The State Auditor recommends cities to attempt to maintain a fund balance of 35% to 50% of fund operating revenues or no less than 5 months of operating expenditures. The current unassigned fund balance of \$751,896 represents 74.6 percent of 2024 revenues. Maintaining a fund balance as described above will ensure adequate working capital and cash flow for the City.

The following graph compares the revenues, expenditures and fund balance for the past four years.



The following graph shows General Fund total fund balance as a percentage of the following years expenditures.

Unassigned Fund Balance as a Percentage of Subsequent Years Expenditures



* Using 2025 budgeted expenditures

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City of Silver Lake
Silver Lake, Minnesota

Financial Analysis
December 31, 2024

GENERAL FUND (Cont.)

The purposes and benefits of a fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the governmental fund expenditures.
- The City is vulnerable to legislative actions at the State and Federal level. The State continually adjusts the local government aid and property tax credit formulas.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in maintaining, improving or obtaining its bond rating. The result will be better interest rates in future bond sales.

SPECIAL REVENUE FUNDS

Special revenue funds have revenues from specific sources to be expended for specific purposes. Listed below are the special revenue funds of the City along with their respective fund balance.

	Fund Balance December 31			
<u>Fund</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Major:				
Ambulance Fund	\$ 238,903	\$ 269,389	\$ 330,217	\$ 392,478
Fire Fund	<u>242,348</u>	<u>300,744</u>	<u>294,099</u>	<u>296,936</u>
Total	<u>\$ 481,251</u>	<u>\$ 570,133</u>	<u>\$ 624,316</u>	<u>\$ 689,414</u>

DEBT SERVICE FUNDS

Debt Service funds are governmental funds used to account for the accumulation of resources for the payment of interest and principal on general government debt issues.

Primary revenue sources in debt service funds are property taxes, tax increments, special assessments and capitalized interest from bond proceeds.

Listed below are the debt service funds of the City along with their respective fund balance.

	Fund Balance December 31			
<u>Fund</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Nonmajor:				
317 - 2013A GO Improvement Bond	<u>\$ 145,843</u>	<u>\$ 64,518</u>	<u>\$ 135,414</u>	<u>\$ 132,265</u>
Total	<u>\$ 145,843</u>	<u>\$ 64,518</u>	<u>\$ 135,414</u>	<u>\$ 132,265</u>

**City of Silver Lake
Silver Lake, Minnesota**

**Financial Analysis
December 31, 2024**

CAPITAL PROJECT FUNDS

Capital project funds account for the acquisition and construction of major capital assets and facilities other than those financed by proprietary funds.

The following table compares the fund balances (deficits) of capital project funds for the last four years.

<u>Fund</u>	Fund Balance (Deficit) December 31			
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Major:				
419 - Infrastructure Improvement Project	(27,407)	(27,440)	(31,439)	(719,855)
Nonmajor:				
Capital Improvement Fund	\$ <u>171,051</u>	\$ <u>234,013</u>	\$ <u>252,740</u>	\$ <u>320,942</u>
Total	\$ <u>143,644</u>	\$ <u>206,573</u>	\$ <u>221,301</u>	\$ <u>(398,913)</u>

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City of Silver Lake
Silver Lake, Minnesota

Financial Analysis
December 31, 2024

ENTERPRISE FUNDS

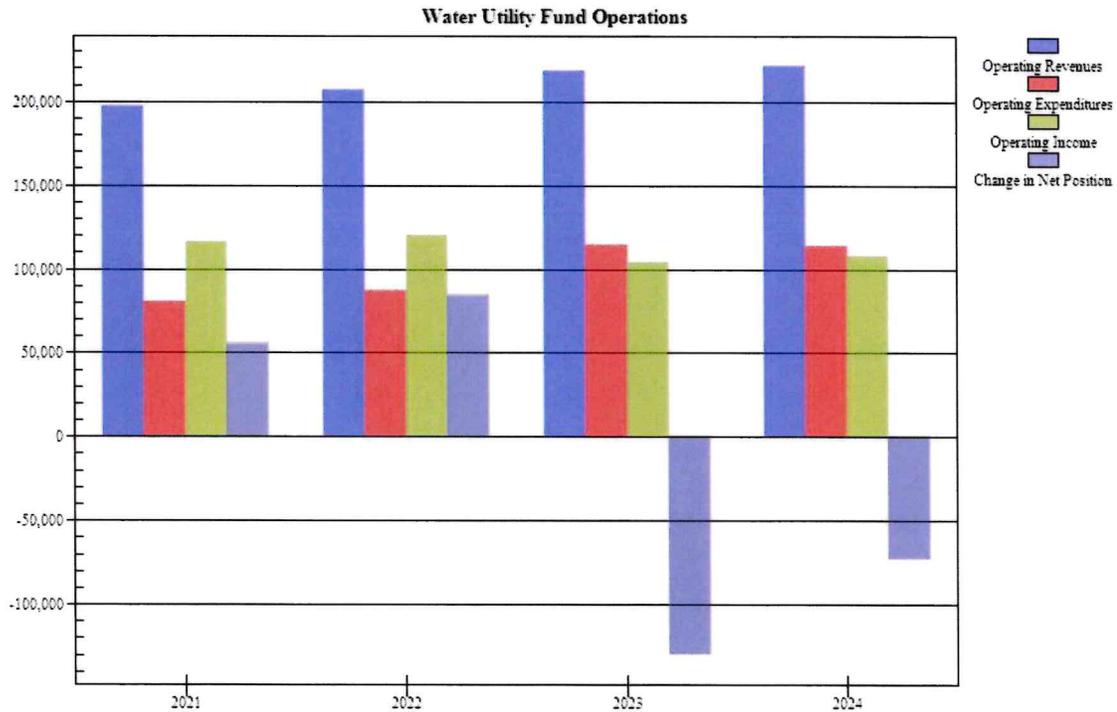
The City uses Enterprise Funds to account for operations that are financed and operated in a manner similar to private business enterprises. Enterprise funds are used where the intent is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The following analysis is of the City's enterprise funds which were in operation during 2024.

Water Utility Fund

A comparison of the Water Utility Fund operations for the past four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 197,472	\$ 207,689	\$ 218,965	\$ 222,056
Operating Expenses	<u>80,898</u>	<u>87,239</u>	<u>114,812</u>	<u>114,077</u>
Operating Income	116,574	120,450	104,153	107,979
Net Nonoperating Revenue (Expense)	6,704	3,757	16,915	21,478
Transfers In (Out)	<u>(67,734)</u>	<u>(39,786)</u>	<u>(250,846)</u>	<u>(201,777)</u>
Change in Net Position	<u>\$ 55,544</u>	<u>\$ 84,421</u>	<u>\$ (129,778)</u>	<u>\$ (72,320)</u>
Cash and Investments	<u>\$ 559,658</u>	<u>\$ 670,169</u>	<u>\$ 573,510</u>	<u>\$ 247,027</u>



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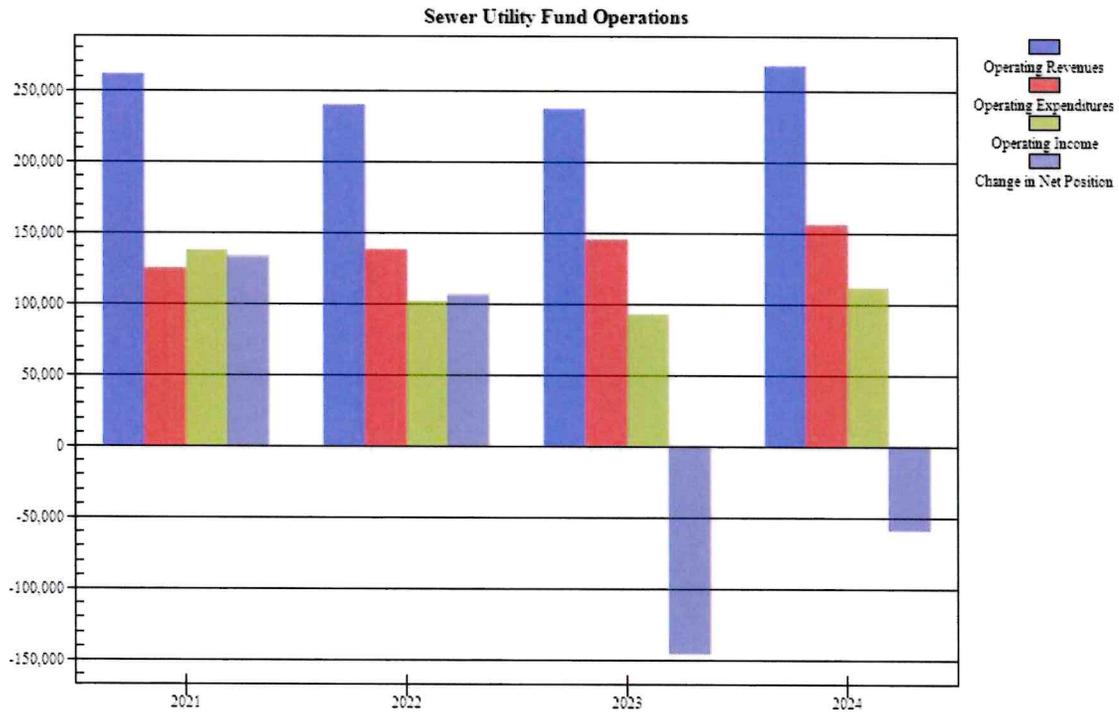
Financial Analysis
December 31, 2024

ENTERPRISE FUNDS (Cont.)

Sewer Utility Fund

A comparison of the Sewer Utility Fund operations for the past four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 261,839	\$ 240,520	\$ 237,672	\$ 268,036
Operating Expenses	<u>124,513</u>	<u>138,654</u>	<u>145,140</u>	<u>156,282</u>
Operating Income	137,326	101,866	92,532	111,754
Net Nonoperating Revenue (Expense)	-	8,499	9,403	30,590
Transfers In (Out)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(259,487)</u>	<u>(201,634)</u>
Change in Net Position	<u>\$ 132,846</u>	<u>\$ 106,233</u>	<u>\$ (145,758)</u>	<u>\$ (59,290)</u>
Cash and Investments	<u>\$ 607,829</u>	<u>\$ 699,782</u>	<u>\$ 624,505</u>	<u>\$ 228,881</u>



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City of Silver Lake
Silver Lake, Minnesota

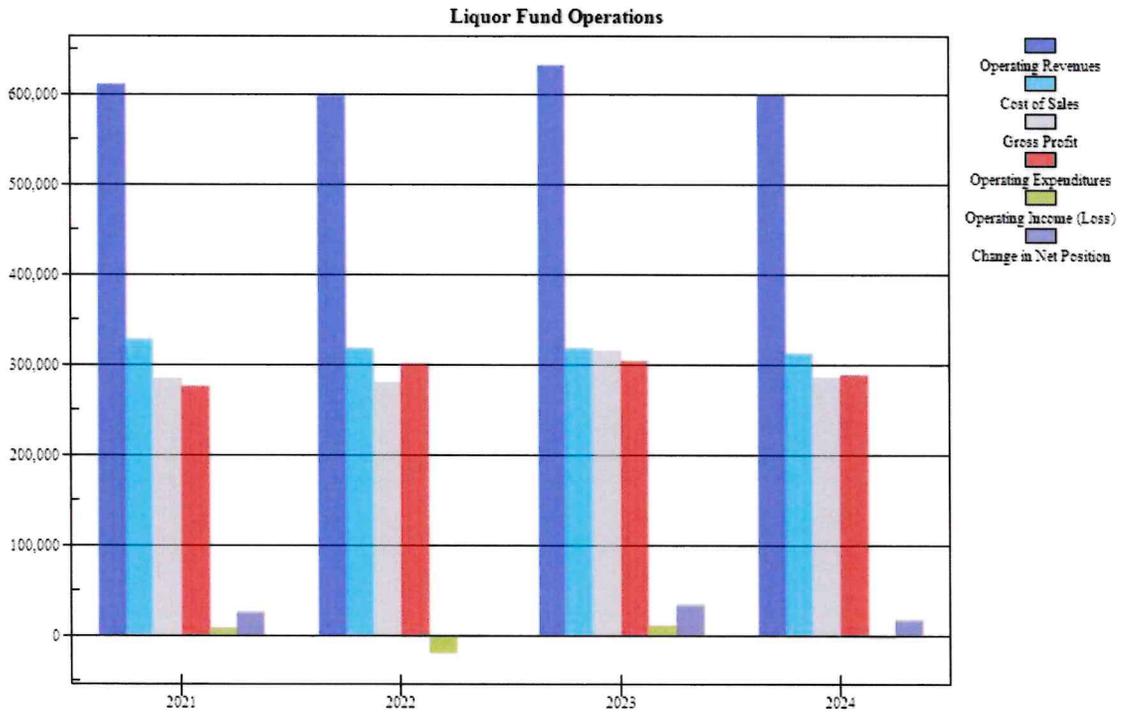
Financial Analysis
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ENTERPRISE FUNDS (Cont.)

Municipal Liquor Fund

A comparison of the Municipal Liquor Fund operations for the past four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 611,085	\$ 597,862	\$ 632,111	\$ 598,735
Cost of Sales	<u>327,128</u>	<u>317,474</u>	<u>317,412</u>	<u>312,704</u>
Gross Profit	283,957	280,388	314,699	286,031
Operating Expenditures	<u>276,000</u>	<u>300,704</u>	<u>303,790</u>	<u>288,982</u>
Operating Income (Loss)	7,957	(20,316)	10,909	(2,951)
Net Nonoperating Revenue (Expense)	27,488	23,173	32,497	30,356
Transfers In (Out)	<u>(10,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Change in Net Position	<u>\$ 25,445</u>	<u>\$ (2,143)</u>	<u>\$ 33,406</u>	<u>\$ 17,405</u>
Cash and Investments	<u>\$ 206,773</u>	<u>\$ 221,212</u>	<u>\$ 252,217</u>	<u>\$ 247,481</u>
Gross Profit Percentage	<u>46.5 %</u>	<u>46.9 %</u>	<u>49.8 %</u>	<u>47.8 %</u>



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City of Silver Lake
Silver Lake, Minnesota

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ENTERPRISE FUNDS (Cont.)

Storm Sewer Fund

A comparison of the Storm Sewer Fund operations for the past four years is as follows:

	2021	2022	2023	2024
Operating Revenues	\$ 37,780	\$ 39,346	\$ 46,290	\$ 46,057
Operating Expenses	<u>34,871</u>	<u>24,166</u>	<u>23,919</u>	<u>21,417</u>
Operating Income (Loss)	2,909	15,180	22,371	24,640
Net Nonoperating Revenue (Expense)	(23)	(37)	285	152
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(77,216)</u>	<u>-</u>
Change in Net Position	<u>\$ 2,886</u>	<u>\$ 15,143</u>	<u>\$ (54,560)</u>	<u>\$ 24,792</u>
Cash and Investments	<u>\$ 22,731</u>	<u>\$ 56,050</u>	<u>\$ 20,357</u>	<u>\$ 63,242</u>

