

**CITY OF CROSSLAKE, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

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## **INTRODUCTORY SECTION**

**CITY OF CROSSLAKE, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
DECEMBER 31, 2019**

**ELECTED OFFICIALS**

Position	Term Expires	Name
Mayor	12/31/2020	David Nevin
Council Member	12/31/2022	John Andrews
Council Member	12/31/2022	Dave Schrupp
Council Member	12/31/2020	Gary Heacox
Council Member	12/31/2020	Aaron Herzog

**APPOINTED OFFICIALS**

Position	Name
City Administrator/Treasurer	Mike Lyonais
City Clerk	Charlene Nelson

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Crosslake  
Crosslake, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Crosslake (City), Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Honorable Mayor and  
Members of the City Council  
City of Crosslake

### ***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, the discretely presented component unit, and each major fund of the City, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

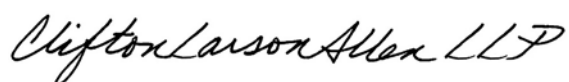
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the City's OPEB liability and related ratios, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions and budgetary comparison information on pages 4 through 12, 56 through 65 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 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 reconciling fund financial statements for the economic development authority component unit are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 17, 2020



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

This section of the City of Crosslake's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended December 31, 2019. The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information as specified by U.S. Generally Accepted Accounting Principles (GAAP). Certain comparative information between the current year, 2019, and the prior year, 2018, is also presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$23,777,111 (net position).
- ◆ The City's total net position increased during the fiscal year by \$746,115.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,179,285, an increase of \$2,987,110 in comparison with the prior year. Of the total amount, \$8,299,300 is available for spending at the City's discretion (unassigned/assigned fund balance). However, \$2,361,569 of the General Fund balance has been assigned by the City Council for future capital outlay needs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. This City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-Wide Financial Statements (Continued)**

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

The government-wide financial statements include not only the City itself (known as the primary government), but also an Economic Development Authority for which the City is financially accountable. Financial information for this component unit is discretely presented in a separate column adjacent to the financial information presented for the primary government.

The government-wide financial statements can be found on pages 13 through 15 of this report.

**Fund Financial Statements**

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

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Tax Increment Financing Fund, and Debt Service Fund. There are no nonmajor governmental funds.

The City adopts an annual appropriated budget for its General Fund and the Tax Increment Financing Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 through 19.

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

**Proprietary Fund** – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20 through 24 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$23,777,111 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (69%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position**

	Governmental Activities		Business-Type Activities		2019 Total
	2019	2018	2019	2018	
Current and Other Assets	\$ 11,719,523	\$ 8,384,809	\$ 513,211	\$ 667,913	\$ 12,232,734
Capital Assets	14,052,691	12,808,995	6,915,240	7,090,384	20,967,931
Total Assets	<u>25,772,214</u>	<u>21,193,804</u>	<u>7,428,451</u>	<u>7,758,297</u>	<u>33,200,665</u>
Deferred Outflows of Resources	441,210	615,173	2,343	5,462	443,553
Long-Term Liabilities Outstanding	6,296,083	2,819,980	1,712,434	2,004,414	8,008,517
Other Liabilities	867,430	475,162	323,125	421,237	1,190,555
Total Liabilities	<u>7,163,513</u>	<u>3,295,142</u>	<u>2,035,559</u>	<u>2,425,651</u>	<u>9,199,072</u>
Deferred Inflows of Resources	661,009	812,569	7,026	8,378	668,035
Net Position					
Net Investment in Capital Assets	10,834,688	10,885,128	5,462,344	5,228,954	16,297,032
Restricted	359,072	181,963	443,755	421,359	802,827
Unrestricted	<u>7,195,142</u>	<u>6,634,175</u>	<u>(517,890)</u>	<u>(320,583)</u>	<u>6,677,252</u>
Total Net Position	<u>\$ 18,388,902</u>	<u>\$ 17,701,266</u>	<u>\$ 5,388,209</u>	<u>\$ 5,329,730</u>	<u>\$ 23,777,111</u>

There was an increase of \$687,636 and an increase of \$58,479 in net position reported in connection with the City's governmental activities and business-type activities, respectively.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Change in Net Position**

The City's total net position increased by \$746,115. Key elements of this increase are as follows:

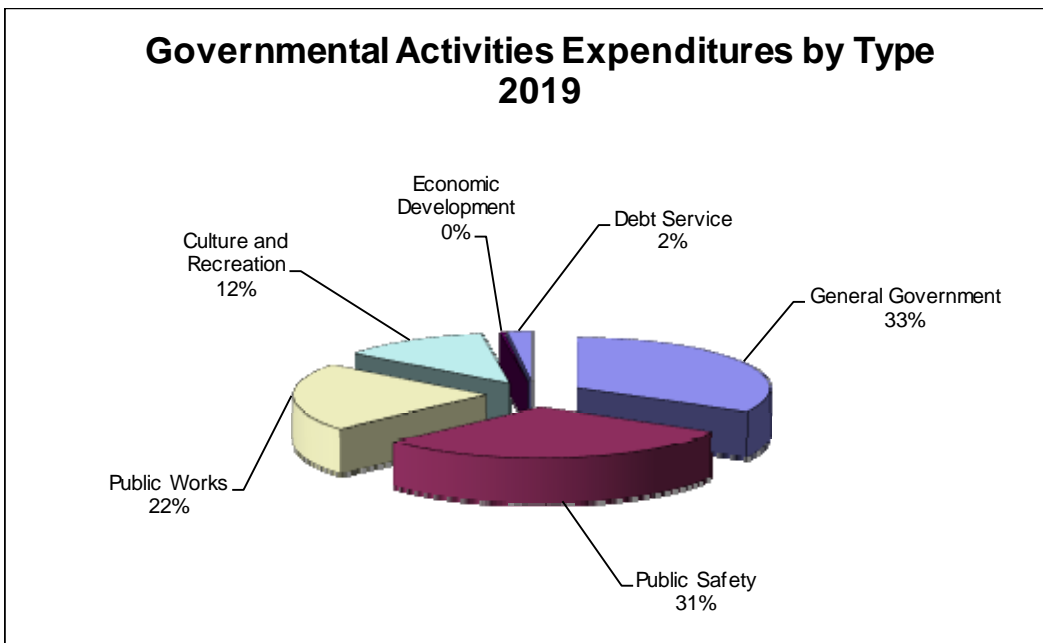
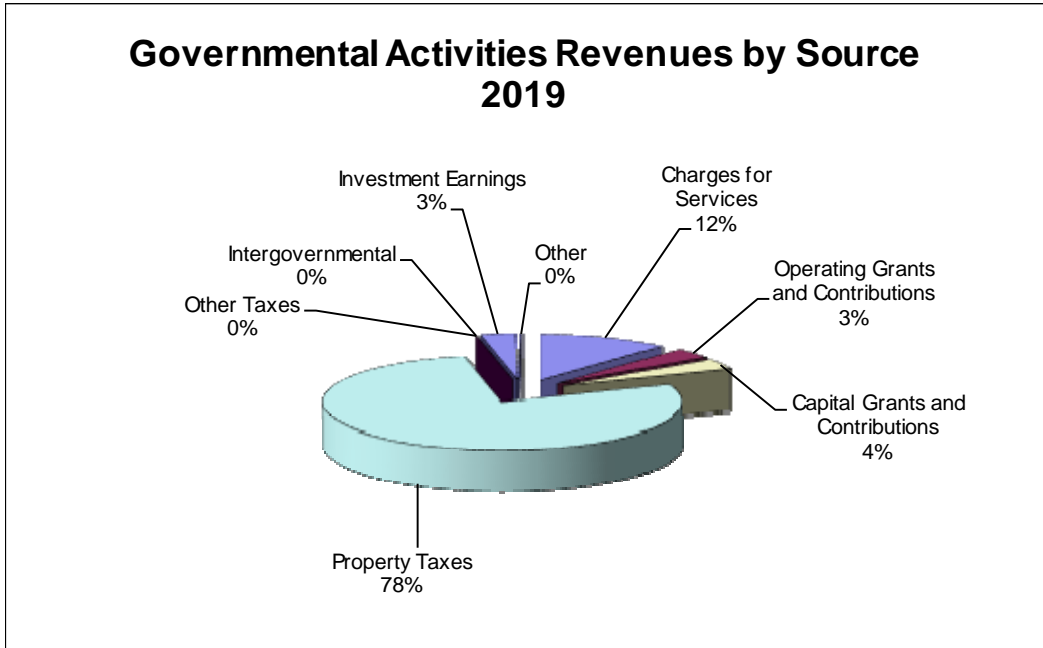
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>2019 Total</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	
<b>REVENUES</b>					
Program Revenues					
Charges for Services	\$ 540,171	\$ 520,666	\$ 299,855	\$ 282,670	\$ 840,026
Operating Grants and Contributions	189,409	153,608	-	-	189,409
Capital Grants and Contributions	55,220	159,586	6,500	194,333	61,720
General Revenues					
Property Taxes	3,614,435	3,359,825	340,747	338,347	3,955,182
Other Taxes	12,354	12,480	-	-	12,354
Intergovernmental	378	374	-	-	378
Unrestricted Investment Earnings (Loss)	191,609	137,378	433	1,161	192,042
Gain on Sale of Capital Assets	30,970	-	3,535	-	34,505
Miscellaneous	15,697	8,555	2,044	1,911	17,741
<b>Total Revenues</b>	<b>4,650,243</b>	<b>4,352,472</b>	<b>653,114</b>	<b>818,422</b>	<b>5,303,357</b>
<b>EXPENSES</b>					
General Government	1,172,852	1,178,388	-	-	1,172,852
Public Safety	1,193,703	1,102,831	-	-	1,193,703
Public Works	992,111	776,824	-	-	992,111
Culture and Recreation	482,233	445,933	-	-	482,233
Economic Development	11,325	11,392	-	-	11,325
Interest on Long-Term Debt	79,805	73,118	-	-	79,805
Sewer Utility	-	-	625,213	563,156	625,213
<b>Total Expenses</b>	<b>3,932,029</b>	<b>3,588,486</b>	<b>625,213</b>	<b>563,156</b>	<b>4,557,242</b>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>					
	718,214	763,986	27,901	255,266	746,115
Transfers	(30,578)	(1,500,000)	30,578	1,500,000	-
<b>CHANGE IN NET POSITION</b>	<b>687,636</b>	<b>(736,014)</b>	<b>58,479</b>	<b>1,755,266</b>	<b>746,115</b>
Net Position - Beginning of Year	17,701,266	18,437,280	5,329,730	3,574,464	23,030,996
<b>NET POSITION - END OF YEAR</b>	<b>\$ 18,388,902</b>	<b>\$ 17,701,266</b>	<b>\$ 5,388,209</b>	<b>\$ 5,329,730</b>	<b>\$ 23,777,111</b>

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Change in Net Position (Continued)**

**Governmental Activities** – Governmental activities increased the City's net position by \$687,636 in 2019 as compared to a decrease of \$736,014 in 2018. The key element of this increase is due to the General Fund internally funding a sewer project for \$1.5 million in 2018.

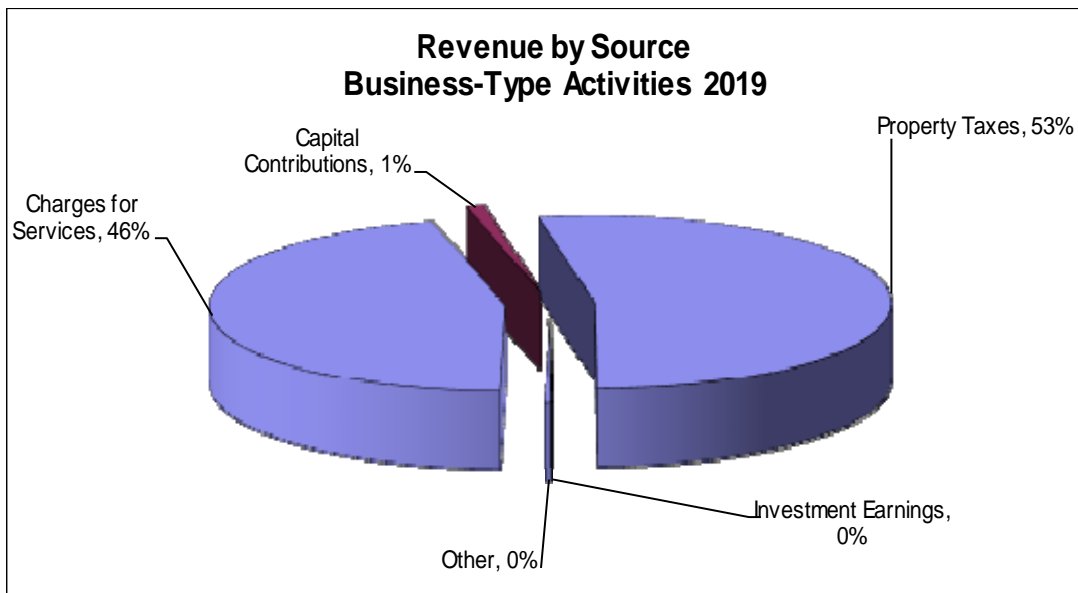
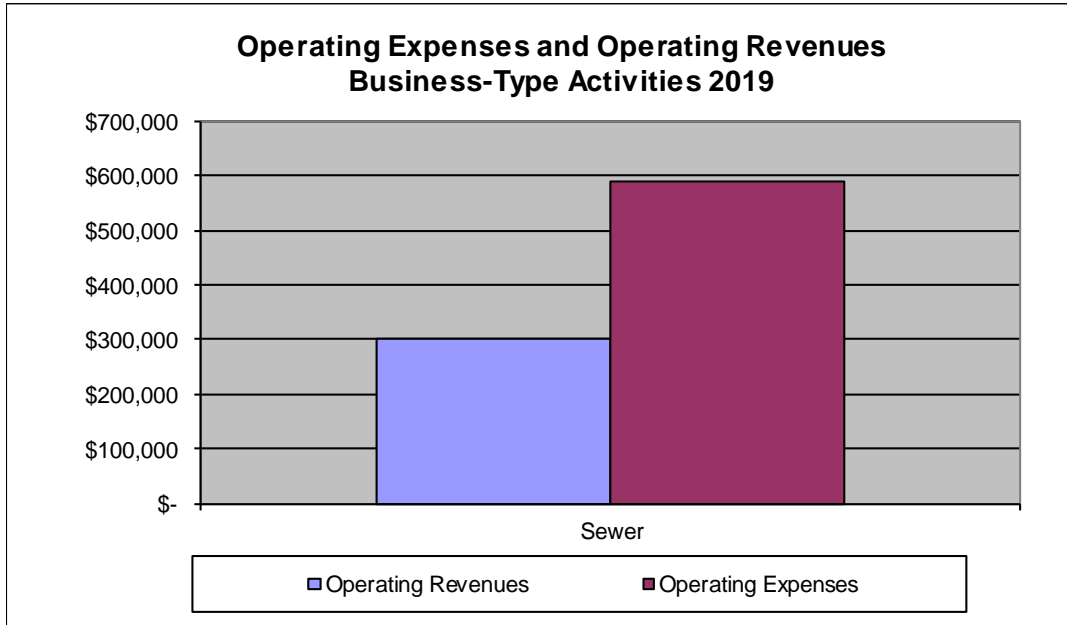


**CITY OF CROSSLAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Change in Net Position (Continued)**

**Business-Type Activities** – Business-type activities increased the City’s net position by \$58,479 in 2019 as compared to the \$1,755,266 increase in 2018. The key element of this decrease is due to an interfund transfer from the General Fund of \$1,500,000 to help fund a sewer project in 2018.



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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements and to provide distinct, separate accounting for certain funds at the direction of the City Council.

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned/assigned fund balances may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,179,285, an increase of \$2,987,110 in comparison with the prior year. Of this amount \$8,299,300 is unassigned/assigned, which is available for spending at the City's discretion. A portion of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted by contractual or legal agreements with outside parties related to 2019 (\$2,844,227). In addition, a portion of unassigned/assigned fund balance has been assigned by the City Council for future years' capital outlay (\$2,361,569).

The General Fund is the primary operating fund of the City. At the end of the current year, unassigned/assigned fund balance of the General Fund was \$8,299,300. Total fund balance was \$10,807,120. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned/assigned fund balance and total fund balance to total fund expenditures. Unassigned/assigned fund balance and total fund balance represent 158% and 192% of total 2019 General Fund expenditures, respectively. The fund balance of the City's General Fund increased by \$2,807,055, during the current fiscal year.

**Proprietary Fund** – The City's proprietary fund provide the same type of information found in the business activities portion of the financial statements, but in more detail. During 2019, the City finalized improvements to its wastewater treatment plant. \$99,121 of sanitary sewer additions related to this project is reported in the Sewer Enterprise Fund as of December 31, 2019. The project consists of improvements include the construction of new flow equalization tank, computer and electrical systems, new filter backwash equipment, piping improvements, new generator, and the construction of a new well and storage tank to be used in the backwash system. The City used a combination of existing cash and new debt to finance the project. In addition, \$39,510 of construction in progress was reflected in capital assets related to primary feasibility work and engineering work on future wastewater sewer extensions along the CSAH 66 corridor.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no budget revisions during the year.

Revenues were over budget by \$330,349, or approximately 8% due in part to the following: \$36,405 increase in residential and commercial building permits, \$21,900 in additional park dedication fees due to increased building construction, \$131,109 of interest, and \$50,903 contributions and donations utilized to fund Police, Fire, Parks and Recreation and Library capital purchases.

Expenditures were over budget by \$767,635, or approximately 17% due to timing issues, budgeted Public Works projects of approximately \$460,480 and approximately \$90,000 of Parks and Recreation improvements were moved to 2020 – levy funds were received in 2019 for these projects and related amounts are included in the "General Fund – Fund Balance Assigned for Capital".

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

**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

In addition, the City moved ahead late in 2019 with construction (unbudgeted project in 2019) of a new City Hall/Police Facility and a complete renovation of its Fire Hall, total project costs approximate \$5,000,000 of which \$1,575,918 fell into 2019, with the remainder budgeted in 2020. The project was funded in part with \$3,815,000 of new bonds issued in 2019, with the remainder funded with existing cash.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$20,967,779 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and other infrastructure.

**Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		2019 Total
	2019	2018	2019	2018	
Land	\$ 1,012,971	\$ 1,012,971	\$ 8,713	\$ 8,713	\$ 1,021,684
Construction in Progress	1,760,225	15,312	39,510	-	1,799,735
Buildings	2,765,024	2,914,890	2,252,467	2,345,612	5,017,491
Improvements Other than Buildings	414,741	445,372	17,743	17,743	432,484
Machinery and Equipment	1,752,183	1,596,045	40,711	61,476	1,792,894
Infrastructure	6,347,547	6,824,405	4,556,096	4,656,840	10,903,643
<b>Total</b>	<b>\$ 14,052,691</b>	<b>\$ 12,808,995</b>	<b>\$ 6,915,240</b>	<b>\$ 7,090,384</b>	<b>\$ 20,967,931</b>

Detailed information on the City's capital assets can be found in the Notes to the Financial Statements (3.A.4, Capital Assets).

**Long-Term Debt**

**Governmental Activities** – At the end of the current fiscal year, the City's governmental activities had total debt outstanding of \$5,514,355. Of this amount, \$5,506,826 is debt for which the City is liable and which will be paid with taxes and special assessments. The outstanding principal on various equipment leases is \$7,529.

**Governmental Activities Outstanding Long-Term Debt**

	2019	2018
General Obligation Bonds	\$ 5,506,826	\$ 1,999,193
Capital Leases	7,529	4,451
<b>Total</b>	<b>\$ 5,514,355</b>	<b>\$ 2,003,644</b>

Detailed information on the City's long term debt can be found in the Notes to the Financial Statements (3.B.1, Long Term Debt).



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

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Debt (Continued)**

**Governmental Activities (Continued)** – The City's total governmental activities debt increased by \$3,510,711 (165%) during the current fiscal year. This was primarily due to new debt issued in the amount of \$3,815,000 offset with current year payments made on outstanding debt.

**Business-Type Activities** – At the end of the current fiscal year, the business-type activities had total long-term debt of \$1,912,783, consisting of general obligation and revenue bonds. This decrease of \$277,594 (12%) from 2018 reflects the payments made on bonds in the current year.

**Component Unit** – At the end of the current fiscal year, the Economic Development Authority Component Unit did not have any debt outstanding.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- ◆ The City of Crosslake continues to see modest construction growth in both residential and commercial sectors in comparison to prior years. The City's taxable market value increased 6.61% from \$1,227,696,933 to \$1,308,828,278 and the taxable tax capacity increased 7.12% from \$13,100,647 to \$14,034,062 for taxes payable in 2020. These increases in values along with an overall increase in the City's levy request from 2019 resulted in an increase of 0.527% in the City's tax rate from 30.157% to 30.684% for taxes payable in 2020.

These factors were taken into account by the City of Crosslake when preparing the 2020 budget. The City has reviewed and adjusted various fees for services and will continue to closely monitor expenses in order to proactively adjust to changes in the economy and/or further reductions in state aid.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator/Treasurer, City of Crosslake, 37028 County Road 66, Crosslake, Minnesota 56442.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF CROSSLAKE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and Investments	\$ 11,437,032	\$ -	\$ 11,437,032	\$ 15,001
Receivables				
Taxes	166,838	15,505	182,343	440
Accounts	9,867	27,008	36,875	-
Special Assessments	39,715	-	39,715	-
Connection Charges	-	6,976	6,976	-
Due from Other Governments	30,313	-	30,313	-
Prepayments	35,758	3,835	39,593	-
Restricted, Designated and Long-Term Assets				
Cash and Investments	-	459,887	459,887	-
Capital Assets				
Land and Construction In Progress	2,773,196	48,223	2,821,419	-
Other Capital Assets, Net of Depreciation	11,279,495	6,867,017	18,146,512	-
Total Assets	<u>25,772,214</u>	<u>7,428,451</u>	<u>33,200,665</u>	<u>15,441</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	379,268	2,177	381,445	-
OPEB Related	2,109	166	2,275	-
Loss on Refunding	59,833	-	59,833	-
Total Deferred Outflows	<u>441,210</u>	<u>2,343</u>	<u>443,553</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	300,057	10,939	310,996	375
Accrued Liabilities	52,242	2,677	54,919	-
Accrued Interest Payable	35,038	16,132	51,170	-
Due to Other Governments	20,699	-	20,699	-
Other Postemployment Benefits	2,109	166	2,275	-
Unearned Revenue	12,311	-	12,311	-
Long-Term Liabilities				
Due within One Year	444,974	293,211	738,185	-
Due in More than One Year, Net of				
Unamortized Discount	5,226,530	1,660,542	6,887,072	-
Other Postemployment Benefits	321,633	25,354	346,987	-
Net Pension Liability	747,920	26,538	774,458	-
Total Liabilities	<u>7,163,513</u>	<u>2,035,559</u>	<u>9,199,072</u>	<u>375</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	652,926	6,389	659,315	-
OPEB Related	8,083	637	8,720	-
Total Deferred Inflows	<u>661,009</u>	<u>7,026</u>	<u>668,035</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	10,834,688	5,462,344	16,297,032	-
Restricted for:				
Tax Increment Financing	8,759	-	8,759	-
Capital Outlay	76	-	76	-
Debt Service	350,237	443,755	793,992	-
Unrestricted	<u>7,195,142</u>	<u>(517,890)</u>	<u>6,677,252</u>	<u>15,066</u>
Total Net Position	<u>\$ 18,388,902</u>	<u>\$ 5,388,209</u>	<u>\$ 23,777,111</u>	<u>\$ 15,066</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,172,852	\$ 178,201	\$ 36,444	\$ 685
Public Safety	1,193,703	112,129	137,104	11,500
Public Works	992,111	146,884	-	26,900
Culture and Recreation	482,233	102,957	15,861	756
Economic Development	11,325	-	-	-
Interest on Long-Term Debt	79,805	-	-	15,379
Total Governmental Activities	<u>3,932,029</u>	<u>540,171</u>	<u>189,409</u>	<u>55,220</u>
Business-Type Activities				
Sewer	625,213	299,855	-	6,500
Total Business-Type Activities	<u>625,213</u>	<u>299,855</u>	<u>-</u>	<u>6,500</u>
Total Primary Government	<u>\$ 4,557,242</u>	<u>\$ 840,026</u>	<u>\$ 189,409</u>	<u>\$ 61,720</u>
Component Unit				
Economic Development Authority	<u>\$ 11,554</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>

General Revenues  
 Taxes  
   Property Taxes, Levied for General Purpose  
   Other Taxes  
 Intergovernmental Revenues  
 Unrestricted Investment Earnings  
 Gain on Sale of Capital Assets  
 Miscellaneous  
 Transfers  
   Total General Revenues  
 Change in Net Position  
 Net Position - Beginning of Year  
 Net Position - End of Year

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Authority
\$ (957,522)	\$ -	\$ (957,522)	\$ -
(932,970)	-	(932,970)	-
(818,327)	-	(818,327)	-
(362,659)	-	(362,659)	-
(11,325)	-	(11,325)	-
(64,426)	-	(64,426)	-
<u>(3,147,229)</u>	<u>-</u>	<u>(3,147,229)</u>	<u>-</u>
-	(318,858)	(318,858)	-
-	(318,858)	(318,858)	-
<u>(3,147,229)</u>	<u>(318,858)</u>	<u>(3,466,087)</u>	<u>-</u>
-	-	-	(11,534)
3,614,435	340,747	3,955,182	8,538
12,354	-	12,354	-
378	-	378	-
191,609	433	192,042	-
30,970	3,535	34,505	-
15,697	2,044	17,741	-
(30,578)	30,578	-	-
<u>3,834,865</u>	<u>377,337</u>	<u>4,212,202</u>	<u>8,538</u>
687,636	58,479	746,115	(2,996)
17,701,266	5,329,730	23,030,996	18,062
<u>\$ 18,388,902</u>	<u>\$ 5,388,209</u>	<u>\$ 23,777,111</u>	<u>\$ 15,066</u>

**CITY OF CROSSLAKE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	GENERAL FUND	TAX INCREMENT FINANCING FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Investments	\$ 11,068,589	\$ 8,759	\$ 359,684	\$ 11,437,032
Receivables				
Taxes	155,760	-	11,078	166,838
Special Assessments	25,202	-	14,513	39,715
Accounts	9,867	-	-	9,867
Due from Other Governments	30,313	-	-	30,313
Prepayments	35,758	-	-	35,758
	<u>11,325,489</u>	<u>8,759</u>	<u>385,275</u>	<u>11,719,523</u>
Total Assets	<u>\$ 11,325,489</u>	<u>\$ 8,759</u>	<u>\$ 385,275</u>	<u>\$ 11,719,523</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 300,057	\$ -	\$ -	\$ 300,057
Accrued Liabilities	54,201	-	-	54,201
Unearned Revenue	12,311	-	-	12,311
Due to Other Governments	20,699	-	-	20,699
Total Liabilities	387,268	-	-	387,268
Deferred Inflows of Resources				
Unavailable Revenue on Property Taxes	105,899	-	7,356	113,255
Unavailable Revenue on Special Assessments	25,202	-	14,513	39,715
Total Deferred Inflows of Resources	131,101	-	21,869	152,970
Fund Balances				
Nonspendable for:				
Prepayments	35,758	-	-	35,758
Restricted for:				
Debt Service	-	-	363,406	363,406
Tax Increment Financing	-	8,759	-	8,759
Capital Outlay	2,472,062	-	-	2,472,062
Assigned for:				
Capital Outlay	2,361,569	-	-	2,361,569
Unassigned:				
General Fund	5,937,731	-	-	5,937,731
Total Fund Balances	10,807,120	8,759	363,406	11,179,285
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,325,489</u>	<u>\$ 8,759</u>	<u>\$ 385,275</u>	<u>\$ 11,719,523</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019**

**TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS** \$ 11,179,285

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital Assets, Not Being Depreciated	\$ 1,012,971	
Construction in Progress	1,760,225	
Capital Assets, Being Depreciated	22,878,015	
Accumulated Depreciation	<u>(11,598,520)</u>	14,052,691

Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 152,970

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (35,038)

The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds. 59,833

Net Pension Liability and related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	(747,920)	
Deferred Inflows of Resources - Pension Related	(652,926)	
Deferred Outflows of Resources - Pension Related	<u>379,268</u>	(1,021,578)

Other Postemployment Benefits Liability and related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Other Postemployment Benefits Payable	(323,742)	
OPEB deferred outflows are reported only on the statement of net position.	2,109	
OPEB deferred inflows are reported only on the statement of net position.	<u>(8,083)</u>	(329,716)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Bonds Payable	(5,465,000)	
Unamortized Discounts/ Premiums	(41,826)	
Compensated Absences Payable	(155,190)	
Obligations Under Capital Leases	<u>(7,529)</u>	(5,669,545)

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 18,388,902

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	GENERAL FUND	TAX INCREMENT FINANCING FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 3,305,396	\$ -	\$ 256,396	\$ 3,561,792
Tax Increments	-	12,354	-	12,354
Licenses and Permits	88,705	-	-	88,705
Intergovernmental	143,482	-	-	143,482
Charges for Services	422,471	-	-	422,471
Fines and Forfeits	27,497	-	-	27,497
Special Assessments	12,755	-	-	12,755
Interest	191,609	-	-	191,609
Contributions and Donations	60,153	-	-	60,153
Miscellaneous	39,940	-	2,563	42,503
Total Revenues	<u>4,292,008</u>	<u>12,354</u>	<u>258,959</u>	<u>4,563,321</u>
<b>EXPENDITURES</b>				
Current				
General Government	675,453	-	-	675,453
Public Safety	901,264	-	-	901,264
Public Works	558,176	-	-	558,176
Culture and Recreation	377,016	-	-	377,016
Economic Development	-	11,325	-	11,325
Miscellaneous	110,331	-	-	110,331
Capital Outlay	2,379,115	-	-	2,379,115
Debt Service				
Principal Retirement	193,594	-	142,000	335,594
Bond Issuance Costs	36,563	-	-	36,563
Interest and Fiscal Charges	20,227	-	22,781	43,008
Total Expenditures	<u>5,251,739</u>	<u>11,325</u>	<u>164,781</u>	<u>5,427,845</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(959,731)	1,029	94,178	(864,524)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of GO Bonds	3,785,430	-	29,570	3,815,000
Capital Lease Proceeds	6,672	-	-	6,672
Bond Premium	29,570	-	-	29,570
Proceeds from Sale of Capital Assets	30,970	-	-	30,970
Transfers In	-	-	55,278	55,278
Transfers Out	(85,856)	-	-	(85,856)
Total Other Financing Sources (Uses)	<u>3,766,786</u>	<u>-</u>	<u>84,848</u>	<u>3,851,634</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,807,055	1,029	179,026	2,987,110
Fund Balances - Beginning of Year	<u>8,000,065</u>	<u>7,730</u>	<u>184,380</u>	<u>8,192,175</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,807,120</u>	<u>\$ 8,759</u>	<u>\$ 363,406</u>	<u>\$ 11,179,285</u>

See accompanying Notes to Financial Statements.



**CITY OF CROSSLAKE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 2,987,110

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 2,241,035	
Depreciation Expense	<u>(997,339)</u>	1,243,696

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Principal payments of capital leases are reported as expenditures in the governmental funds. In the statement of net position, however, the repayment of principal reduces the liability.

Other Financing Source - Capital Lease Proceeds	(6,672)	
Principal Payments of Capital Leases	3,594	(3,078)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is the treatment of general obligation bonds and related items is as follows:

Payment of Bond Principal	332,000	
Bond Proceeds	(3,815,000)	
Change in Accrued Interest Expense for General Obligation Bonds	(21,998)	
Bond Premium	(29,570)	
Amortization of Bond Discount/Premium	<u>4,937</u>	(3,529,631)

Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measure by the change in Net Pension Liability and the related deferred inflows and outflows of resources. 11,862

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences		(29,693)
Change in Other Postemployment Benefits		(28,638)
Amortization of Loss on Refunding Bonds		(19,944)

Delinquent property taxes and special assessments receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the governmental funds.

Unavailable Revenue - December 31, 2018	(97,018)	
Unavailable Revenue - December 31, 2019	<u>152,970</u>	<u>55,952</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 687,636

*See accompanying Notes to Financial Statements.*

**CITY OF CROSSLAKE, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2019**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Receivables	
Accounts Receivable	\$ 27,008
Taxes	4,990
Connection Charges	3,258
Prepayments	3,835
	39,091
Total Current Assets	39,091

**NONCURRENT ASSETS**

Taxes Receivable	10,515
Restricted Assets	
Cash and Cash Equivalents	459,887
Connection Charges Receivable	3,718
Capital Assets	
Land	8,713
Building and Improvements	3,696,912
Machinery and Equipment	320,134
Sanitary Sewers	6,002,506
Construction-in-Progress	39,510
Subtotal Capital Assets	10,067,775
Less: Accumulated Depreciation	(3,152,535)
Net Capital Assets	6,915,240
Total Noncurrent Assets	7,389,360
Total Assets	7,428,451

**DEFERRED OUTFLOWS OF RESOURCES**

Pension Related	2,177
OPEB Related	166
Total Deferred Outflows of Resources	2,343
Total Assets and Deferred Outflows of Resources	\$ 7,430,794

See accompanying Notes to Financial Statements.

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$	10,939
Salaries and Wages Payable		2,266
Other Postemployment Benefits Payable		166
Customer Deposits		411
Accrued Compensated Absences		8,211
Total Current Liabilities		21,993

**CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Accrued Interest Payable		16,132
Revenue Bonds Payable		285,000
Total Current Liabilities Payable from Restricted Assets		301,132

**LONG-TERM LIABILITIES**

Bonds Payable (Net of Unamortized Bond Discounts)		1,627,783
Net Pension Liability		26,538
Accrued Compensated Absences		32,759
Other Postemployment Benefits Payable		25,354
Total Long-Term Liabilities		1,712,434

**DEFERRED INFLOWS OF RESOURCES**

Pension Related		6,389
OPEB Related		637
Total Liabilities and Deferred Inflows of Resources		7,026

**NET POSITION**

Net Investment in Capital Assets		5,462,344
Restricted For:		
Debt Service		443,755
Unrestricted		(517,890)
Total Net Position		5,388,209
Total Net Position, Liabilities, and Deferred Inflows of Resources	\$	7,430,794

**CITY OF CROSSLAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2019**

<b>OPERATING REVENUES</b>	
Sales and Charges for Services	\$ 299,855
<b>OPERATING EXPENSES</b>	
Personal Services	123,720
Supplies	17,526
Repairs and Maintenance	39,826
Other Services and Charges	93,519
Depreciation	313,775
Total Operating Expenses	588,366
<b>OPERATING INCOME (LOSS)</b>	(288,511)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property Taxes	340,747
Investment Earnings	433
Sewer Connection Fees	6,500
Gain on Sale of Capital Assets	3,535
Interest Expense	(36,847)
Miscellaneous Revenues	2,044
Total Nonoperating Revenues (Expenses)	316,412
<b>INCOME BEFORE TRANSFERS</b>	27,901
Transfers In	30,578
<b>CHANGE IN NET POSITION</b>	58,479
Net Position - Beginning of Year	5,329,730
<b>NET POSITION - END OF YEAR</b>	\$ 5,388,209

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 301,623
Cash Paid to Employees for Services	(126,209)
Cash Paid to Suppliers for Goods and Services	(147,933)
Net Cash Provided by Operating Activities	27,481

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Miscellaneous Revenues (Expenses)	2,044
Transfers from (to) Other Funds	30,578
Net Cash Provided by Noncapital Financing Activities	32,622

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and Construction of Capital Assets	(249,143)
Gain on Sale of Assets	3,535
Property Taxes Received	336,837
Collection of Connection Charges	9,599
Interest Paid	(40,947)
Principal Payments on Long-Term Debt	(275,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(215,119)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	433

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

(154,583)

Cash and Cash Equivalents - Beginning of Year

614,470

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 459,887

*See accompanying Notes to Financial Statements.*

**CITY OF CROSSLAKE, MINNESOTA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2019**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO  
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income (Loss)	\$	(288,511)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation		313,775
(Increase) Decrease in Assets:		
Accounts Receivable		1,768
Deferred Outflows of Resources - Pension		2,657
Prepayments		(838)
Increase (Decrease) in Liabilities:		
Accounts Payable		4,941
Accrued Liabilities		1,057
Accrued Compensated Absences		(2,366)
Deferred Inflows of Resources		(1,352)
Net Pension Liability		(2,485)
Other Postemployment Benefits Payable		(1,165)
Net Cash Provided (Used) by Operating Activities	<u>\$</u>	<u>27,481</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS TO THE STATEMENT OF NET POSITION**

Restricted Assets		
Cash and Investments	\$	459,887

*See accompanying Notes to Financial Statements.*

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Crosslake (City) was incorporated under the laws of the state of Minnesota and operates under a Mayor-Council form of government. The financial reporting entity consists of the City (primary government) and the component unit (legally separate organization) for which the Primary Government is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

**Discretely Presented Component Unit**

The Economic Development Authority (EDA) meets the criteria to be included as a discrete presentation. The members of the governing board of the EDA are appointed by the City Council. The City does not have the authority to approve or modify the EDA's operational and capital budgets. However, the tax rates established by the EDA and bonded debt must be approved by the City Council. Separate financial statements have not been prepared.

**Related Organization**

The Crosslake Firemen's Relief Association (Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Board of Trustees consists of six members elected by the membership and three ex-officio members consisting of the Fire Department Chief, one elected municipal official and one elected or appointed municipal official who are designated as municipal representatives by the City Council annually, in accordance to Minnesota Statutes §424A.04 and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby state aids flow to the Association. The Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the General Fund.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 about the primary government and its component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. 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 to external parties for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. The City has no fiduciary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. The City has no nonmajor funds.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.



**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, 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 in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Tax Increment Financing Fund – The Tax Increment Financing Fund is a special revenue fund used to account for the collection of tax increment and payment of related expenditures.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds.

The City reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the activities of the City’s sewer operations.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

The City of Crosslake's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP are used by the City are discussed below.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various 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 revenue of the City's enterprise funds are charges to customers for sales of goods 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.

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

**1. Cash and Investments (Including Cash Equivalents)**

Cash balances are invested to the extent available in various securities as authorized by Minnesota Statutes. Investment earnings are recorded in the individual fund carrying the investment.

Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and money market savings accounts.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**2. Property Taxes**

Taxes which remain unpaid are classified as delinquent taxes receivable. Delinquent taxes represent the past seven years of uncollected tax years. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable in the fund financial statements because it is not known to be available to finance the operations of the City in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

**Property Tax Collection Calendar**

The City levies its property tax for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Crow Wing County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The county auditor makes up the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The county auditor also collects the majority of special assessments, except for certain prepayments paid directly to the City.

The county auditor turns over a list of taxes and special assessments to be collected on each parcel of property to the county treasurer in January of each year.

Property owners are required to pay one-half of their real estate taxes by May 15 and the balance by October 15.

Within 30 days after the May settlement, the county treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City treasurer. The county treasurer must pay the balance to the city treasurer within 60 days after settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**3. Accounts Receivable**

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary.

**4. Special Assessments**

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the County for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred inflow of resources at the time of the levy. The deferred inflow of resources is recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

Delinquent special assessments represent the past seven years of uncollected special assessments that have not been collected within 60 days of year-end.

**5. Due from Other Governments**

Amounts due from other governments is composed primarily of state and federal grants and aids for which the City has spent or will be incurring costs for the various grant purposes.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount.

The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). 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.

Capital assets of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	5-25
Buildings and Building Improvements	10-40
Equipment and Furniture	3-25
Infrastructure	25-40

**7. Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**8. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and allowable sick pay is accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 uses while discounts on debt issuances are reported as other financing uses.

**10. Deferred Inflows of Resources**

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

**11. Pensions**

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

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**12. Fund Balance**

**Governmental Fund Financial Statements** – In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance is the portion of fund balance that cannot be spent because it is either in nonspendable form or there is a legal or contractual requirement for the funds to remain intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the governmental body itself or by some person or body delegated to exercise such authority in accordance with the policy established by the Council.

Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. It is the City's policy that at the end of each fiscal year, the City will maintain unassigned portion of fund balance for cash flow of an amount not less than 50% of the General Fund's operating expenditure budget. If unassigned fund balance falls below this point the City will replenish it over a three year period funded by property taxes.

Committed fund balance is require to be established, modified or rescinded by resolution of the City Council prior to each year-end.

Assigned fund balance is established, modified, rescinded by the City Administrator/Treasurer and City Clerk as this duty has been delegated to them by the City Council prior to the issuance of the financial statements and is used to reflect the intended purpose for which it is to be used. When restricted and unrestricted fund balance is available for expenditure, it is the City's policy to first use restricted fund balance, and then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's policy to use committed, assigned, and then unassigned fund balance.

**Proprietary Fund Statements** – Net position is reported as restricted in the statements if there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The remaining balance is considered to be unrestricted.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Each fall, the City Council adopts an annual budget for the general and TIF funds. Legal budgetary control is at the fund level.

The budget for the General and TIF Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted. All annual appropriations lapse at fiscal year-end.

**B. Interfund Transfers**

The General Fund transferred \$30,578 to the Sewer Fund to cover the cash deficit presented at year-end. The General Fund Transferred \$55,278 to the Debt Service Fund to fund the City's share of special assessments for the Dagget Bay Road project.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents." In accordance with Minnesota Statutes the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The City's deposits in banks at December 31, 2019 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.



**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Investments**

The City does not have an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- General obligations rated “A” or better; revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rate “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Interest rate risk – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are categorized to give an indication of the level of interest rate risk assumed at year-end. Investments as of December 31, 2019 are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>
Minnesota Municipal Money Market Fund Trust	\$ 6,551,400	\$ 6,551,400
Minnesota Municipal Term Series	1,399,489	1,399,489
Total	<u>\$ 7,950,889</u>	<u>\$ 7,950,889</u>

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Investments (Continued)**

The Minnesota Municipal Money Market Fund Trust and the Minnesota Municipal Term Series are money market accounts that are valued at amortized cost with maturities of investments of one year or less.

The Minnesota Municipal Money Market Trust Fund does not have its own credit rating. PMA Financial Network, Inc., who administers the Minnesota Municipal Money Market Fund Trust, holds an organization credit rating of AA by Standard & Poor's.

The deposits and investments are presented in these financial statements:

Deposits	\$ 3,961,031
Investments	7,950,889
Total Cash and Investments	\$ 11,911,920
Cash and Investments - Governmental Funds	\$ 11,437,032
Cash and Investments - Proprietary Funds	459,887
Cash and Investments - Component Unit	15,001
Total Cash and Investments	\$ 11,911,920

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Restricted Cash and Investments**

Restricted cash and investments are those restricted by loan covenants, contracts, or other external parties. At December 31, 2019, restricted cash and investments consisted of the following:

Restricted Assets - Cash and Investments	
Restricted for Debt Service Covenants - Sewer Fund	<u>\$ 459,887</u>

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended December 31, 2019, is as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,012,971	\$ -	\$ -	\$ 1,012,971
Construction in Progress	15,312	1,744,913	-	1,760,225
Total Capital Assets, Not Being Depreciated:	1,028,283	1,744,913	-	2,773,196
Capital Assets, Being Depreciated				
Buildings	5,300,591	-	-	5,300,591
Improvements Other Than Buildings	1,102,233	26,967	(47,500)	1,081,700
Machinery and Equipment	4,182,492	469,155	(143,773)	4,507,874
Infrastructure	11,987,850	-	-	11,987,850
Total Capital Assets, Being Depreciated	22,573,166	496,122	(191,273)	22,878,015
Less Accumulated Depreciation for				
Buildings	(2,385,701)	(149,866)	-	(2,535,567)
Improvements Other Than Buildings	(656,861)	(57,598)	47,500	(666,959)
Machinery and Equipment	(2,586,447)	(313,017)	143,773	(2,755,691)
Infrastructure	(5,163,445)	(476,858)	-	(5,640,303)
Total Accumulated Depreciation	(10,792,454)	(997,339)	191,273	(11,598,520)
Total Capital Assets, Being Depreciated, Net	11,780,712	(501,217)	-	11,279,495
Governmental Activities Capital Assets, Net	\$ 12,808,995	\$ 1,243,696	\$ -	\$ 14,052,691

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Capital asset activity for the Primary Government for the year ended December 31, 2019, is as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 8,713	\$ -	\$ -	\$ 8,713
Construction in Progress	-	39,510	-	39,510
Total Capital Assets, Not Being Depreciated	8,713	39,510	-	48,223
Capital Assets, Being Depreciated				
Buildings and Improvements	3,696,912	-	-	3,696,912
Machinery and Equipment	352,006	-	(31,872)	320,134
Sanitary Sewers	5,903,385	99,121	-	6,002,506
Total Capital Assets, Being Depreciated	9,952,303	99,121	(31,872)	10,019,552
Less Accumulated Depreciation For				
Buildings and Improvements	(1,333,557)	(93,145)	-	(1,426,702)
Machinery and Equipment	(290,530)	(20,765)	31,872	(279,423)
Sanitary Sewers	(1,246,545)	(199,865)	-	(1,446,410)
Total Accumulated Depreciation	(2,870,632)	(313,775)	31,872	(3,152,535)
Total Capital Assets, Being Depreciated, Net	7,081,671	(214,654)	-	6,867,017
Business-Type Activities Capital Assets, Net	\$ 7,090,384	\$ (175,144)	\$ -	\$ 6,915,240

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

Governmental Activities	
General Government	\$ 378,228
Public Safety	200,235
Public Works	303,960
Culture and Recreation	114,916
Total Depreciation Expense - Governmental Activities	<u>\$ 997,339</u>
Business-Type Activities	
Sewer	\$ 313,775
Total Depreciation Expense - Business-Type Activities	<u>\$ 313,775</u>

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities**

**5. Long-Term Debt**

The City issues general obligation bonds and certificates of indebtedness to provide funds for economic development and for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds and certificates of indebtedness have been issued for both governmental and business-type activities. General obligation bonds and certificates of indebtedness are direct obligations and pledge the full faith and credit of the City.

General obligation bonds currently outstanding for the Primary Government are as follows:

	<u>Range of Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
<b>BONDED INDEBTEDNESS</b>			
<b>PRIMARY GOVERNMENT</b>			
<b>GENERAL OBLIGATION BONDS</b>			
G.O. Refunding Bonds, Series 2012A	2.00-2.55%	\$ 4,310,000	\$ 1,790,000
G.O. Disposal System Bonds, Series 2017A	1.15-2.30%	1,015,000	925,000
G.O. Street Reconstruction Bonds, Series 2018A	2.75-3.25%	695,000	695,000
G.O. CIP Bonds, Series 2019A	2.00-2.125%	3,815,000	3,815,000
<b>CERTIFICATES OF INDEBTEDNESS</b>			
G.O. Equipment Certificate of Indebtedness, Series 2015B	2.00%	561,000	145,000
Total Primary Government General Obligation Bonds		<u>\$ 10,396,000</u>	<u>\$ 7,370,000</u>

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

Summary of long-term debt transactions for the year ended December 31, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds	\$ 1,695,000	\$ 3,815,000	\$ (190,000)	\$ 5,320,000	\$ 270,000
Issuance Premiums	17,193	29,570	(4,937)	41,826	-
GO Equipment Certificates	287,000	-	(142,000)	145,000	145,000
Total Bonds Payable	1,999,193	3,844,570	(336,937)	5,506,826	415,000
Capital Leases Payable	4,451	6,672	(3,594)	7,529	2,680
Compensated Absences	127,381	185,896	(156,128)	157,149	27,294
Governmental Activity Long-Term Liabilities	<u>\$ 2,131,025</u>	<u>\$ 4,037,138</u>	<u>\$ (496,659)</u>	<u>\$ 5,671,504</u>	<u>\$ 444,974</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds	\$ 2,180,000	\$ -	\$ (275,000)	\$ 1,905,000	\$ 285,000
Issuance Premiums	10,377	-	(2,594)	7,783	-
Total Bonds Payable	2,190,377	-	(277,594)	1,912,783	285,000
Compensated Absences	43,336	38,723	(41,089)	40,970	8,211
Business-Type Activity Long-Term Liabilities	<u>\$ 2,233,713</u>	<u>\$ 38,723</u>	<u>\$ (318,683)</u>	<u>\$ 1,953,753</u>	<u>\$ 293,211</u>

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

Annual debt service requirements to maturity for general obligation bonds and notes payable of the Primary Government are as follows:

General Obligation Bonds			General Obligation Bonds		
Governmental Activities			Business-Type Activities		
	Principal	Interest		Principal	Interest
2020	\$ 270,000	\$ 106,024	2020	\$ 285,000	\$ 36,330
2021	460,000	104,859	2021	290,000	31,215
2022	515,000	94,028	2022	295,000	25,651
2023	525,000	82,101	2023	300,000	19,533
2024	320,000	72,244	2024	305,000	12,794
2025-2029	1,520,000	250,019	2025-2029	430,000	19,263
2030-2034	1,405,000	104,156	2030-2034	-	-
2035	305,000	3,241	2035	-	-
Total	<u>\$ 5,320,000</u>	<u>\$ 816,672</u>	Total	<u>\$ 1,905,000</u>	<u>\$ 144,786</u>

General Obligation Equipment Certificates		
Governmental Activities		
	Principal	Interest
2020	\$ 145,000	\$ 2,900
Total	<u>\$ 145,000</u>	<u>\$ 2,900</u>

In 2012, the City issued \$4,310,000 General Obligation Refunding Bonds, Series 2012A. The Bonds were issued for a current refunding of: 2004A Improvement Bonds of \$500,000; and a defeasance of 2003 Public Works Facility Bonds of \$2,325,000; and a crossover refunding of 2003A Improvement Bonds of \$1,905,000.

In 2015, the City issued \$561,000 in General Obligation Equipment Certificate Bonds, Series 2015B. The Bonds were issued for the purchase of equipment including a wheel loader, a multi-terrain loader, lawn mower, and fire truck and are included in capital assets.

In 2017, the City issued \$1,015,000 in General Obligation Disposal System Bonds, Series 2017A. The Bonds were issued to finance a portion of the costs to improve the City's wastewater treatment plant.

In 2018, the City issued \$695,000 in General Obligation Street Reconstruction Bonds, Series 2018A. The bonds were issued to finance 2018 street projects.

In 2019, the City issued \$3,815,000 in in General Obligation Capital Improvement Plan Bonds, Series 2019A. The bonds were issued to finance the new City Administration/Police Center and Fire Hall renovation projects.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

**Capital Leases**

The City has several outstanding capital leases for equipment. In 2014, the City entered into a lease agreement for a copier for the Parks and Library departments. In 2015, the City entered into a lease agreement for a copier for the Administration, Planning & Zoning, and Police departments. In 2019, the City entered into a lease agreement for a copier for the Library, Parks, and Community Center departments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases, are as follows:

Equipment	\$ 32,209
Less: Accumulated Depreciation	(24,663)
Total	\$ 7,546

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ending December 31,</u>	
2020	\$ 2,807
2021	1,404
2022	1,404
2023	1,404
2024	819
Total Minimum Lease Payments	7,838
Less: Amount Representing Interest	(309)
Present Value of Minimum Lease Payments	\$ 7,529

**2. Conduit Debt Obligations**

The City issued conduit debt to provide financial assistance for the construction of a charter school building. The bonds are payable by Lakes Area Kids Enrichment Foundation, a Minnesota nonprofit corporation. Upon repayment of the facilities bonds, ownership of the facilities transfers to the nonprofit. None of these bonds constitutes a debt of the City; accordingly they have not been reported as liabilities in the accompanying financial statements. At December 31, 2019, \$6,057,612 of Educational Facilities Revenue Note existed.



**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**3. Risk Management**

The City is exposed to various risks of loss related to: torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City (primary government) has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's component unit is covered by the City's commercial insurance to cover losses in the above described risk areas.

**NOTE 4 DEFINED BENEFIT PENSION PLANS**

**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.

**1. General Employees Retirement Plan**

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.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Description (Continued)**

**2. Public Employees Police and Fire Plan**

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

**B. Benefits Provided**

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

**1. General Employees Plan Benefits**

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

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

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. Police and Fire 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% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

**C. Contributions**

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

**1. General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$45,681. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**C. Contributions (Continued)**

**2. Police and Fire Fund Contributions**

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$59,857. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$442,302 for its proportionate share of the General Employees Fund's net pension liability. The City's 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 nonemployer 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 \$13,833. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was .008% which was a decrease of .0003% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$442,302
State of Minnesota's proportionate share of the net pension liability associated with the City	13,833
Total	\$456,135

For the year ended December 31, 2019, the City recognized pension expense of \$41,840 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,036 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 12,258	\$ -
Changes of Assumptions	-	34,765
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	44,833
Changes in Proportion	-	26,882
City Contributions Made Subsequent to the Measurement Date	24,026	-
Total	<u>\$ 36,284</u>	<u>\$ 106,480</u>

The \$24,026 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2020	\$ (34,703)
2021	(46,710)
2022	(13,522)
2023	713

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$332,156 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the City's proportionate share was .0312% which was an increase of .014% from its proportionate share measured as of June 30, 2018. The City also recognized \$4,212 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$54,600 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City's proportionate share of Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,103	\$ 50,558
Changes of Assumptions	275,636	372,909
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	69,180
Changes in Proportion	24,153	60,189
City Contributions Made Subsequent to the Measurement Date	31,269	-
Total	<u>\$ 345,161</u>	<u>\$ 552,836</u>

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

The \$31,269 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (32,340)
2021	(57,031)
2022	(144,078)
2023	(9,174)
2024	3,679

**Total Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2019, was \$97,476.

**E. Actuarial Assumptions**

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

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

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

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

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2019:

**General Employees Fund:**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund:**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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	36 %	5.1 %
International Stocks	17	5.3
Bonds	20	0.8
Alternative Assets	25	5.9
Cash	2	-
Totals	100 %	



**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Discount Rate**

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

**G. Pension Liability Sensitivity**

The following presents the City'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 one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City Proportionate Share of the General Employees Fund Net Pension Liability:	\$ 727,121	\$ 442,302	\$ 207,128
City Proportionate Share of the Police and Fire Fund Net Pension Liability:	\$ 726,030	\$ 332,156	\$ 6

**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 CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 DEFINED CONTRIBUTION PLAN**

**Crosslake Firemen’s Relief Association**

**Plan Description**

All members of the Crosslake Fire Department are covered by a defined contribution plan administered by the Crosslake Firemen’s Relief Association (Relief Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statutes Chapter 69.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2019 were:

State Aid flowed through City to Relief Association	\$	40,025
Voluntary (Non-Required) Contribution from City		36,754
Total Contribution	\$	76,779

**NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The City operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouse through the City’s health insurance plan. There are 16 active participants, 2 retired participants, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each two-year bargaining period. The Plan does not issues a publicly available financial report.

**CITY OF CROSSLAKE, MINNESOTA  
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**NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**B. Funding Policy**

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the City and union representatives. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For fiscal year 2019, the City contributed \$7,831 to the plan.

**C. Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of January 1, 2019 and the total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.5% Decreasing to 5.00% Over 6 Years

Mortality Rates were based on the RP-2000 mortality tables with projected monthly improvements based on Scale AA, and other adjustments

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.8%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 45 valuation, the following changes have been made:

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- Retiree premiums were updated to current levels.
- The discount rate was changed from 4.00% to 3.30%.

**CITY OF CROSSLAKE, MINNESOTA  
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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**D. Changes in the OPEB Liability**

	Total OPEB Liability
Balances at December 31, 2018	\$ 334,966
Changes for the Year:	
Service Cost	20,973
Interest	11,618
Assumption Changes	(10,464)
Benefit Payments	(7,831)
Net Change in Total OPEB Liability	14,296
Balances at December 31, 2019	\$ 349,262

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 374,221	\$ 349,262	\$ 325,497

The following presents the OPEB liability of the City as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% decreasing to 4.0% over five years) or 1% higher (7.5% decreasing to 6.0% over five years) than the current healthcare cost trend rates:

	1% Decrease (5.5% Decreasing to 4.0%)	Current Trend Rates (6.5% Decreasing to 5.0%)	1% Increase (7.5% Decreasing to 6.0%)
Medical Trend Rate			
Total OPEB Liability	\$ 311,229	\$ 349,262	\$ 393,035

For the year ended December 31, 2019, the City recognized OPEB expense of \$30,847. At December 31, 2019, the City reported deferred inflows of resources, and deferred outflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 8,720
City Contributions Made Subsequent to the Measurement Date	2,275	-
Total	\$ 2,275	\$ 8,720

**CITY OF CROSSLAKE, MINNESOTA  
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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**D. Changes in the OPEB Liability (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending December 31,	Future Recognition
2020	\$ (1,744)
2021	(1,744)
2022	(1,744)
2023	(1,744)
2024	(1,744)

**NOTE 7 OPERATING LEASE REVENUE**

The City leases the public works facility to Crow Wing County. The lease is an operating lease in which the County is charged for 53% of the related debt service as well as 53% of operating expenditures related to the facility. This lease revenue is used to pay the debt service for the related capital lease. Future minimum lease payments to be received relating to the sublease are as follows:

Year Ending December 31,	
2020	\$ 111,725
2021	112,229
2022	112,543
2023	112,636
Total	\$ 449,133

**NOTE 8 TAX ABATEMENT DISCLOSURES**

The City has one pay-as-you-go tax increment financing district with a local business for purposes of renewal and renovation within the City as authorized under Minnesota Statutes §469.174. The city is currently collecting tax increments that are paid through the property tax collection process. The district stops collection in 2024. The requirement for the business to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$11,325. No other commitments were made by the City as part of these agreements.

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 9 SUBSEQUENT EVENT**

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Council is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CROSSLAKE, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2019**

	Measurement Date January 1, 2019	Measurement Date January 1, 2018
	<u>                    </u>	<u>                    </u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 20,973	\$ 22,123
Interest	11,618	11,086
Assumption Changes	(10,464)	-
Benefit Payments	(7,831)	(23,936)
<b>Net Change in Total OPEB Liability</b>	<u>14,296</u>	<u>9,273</u>
Total OPEB Liability - Beginning	334,966	325,693
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 349,262</u></u>	<u><u>\$ 334,966</u></u>
Covered-Employee Payroll	\$ 875,605	\$ 850,102
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	40%	39%

NOTE 1: The City implemented GASB Statement no. 75 in 2018, and the above table will be expanded to 10 years of information as the information becomes available.

NOTE 2: No assets are accumulated in a trust



**CITY OF CROSSLAKE, MINNESOTA**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**YEAR ENDED DECEMBER 31, 2019**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>PERA - General Employees Fund</b>					
City's Proportion of the Net Pension Liability	0.0080%	0.0083%	0.0087%	0.0087%	0.0088%
City's Proportionate Share of the Net Pension Liability	\$ 442,302	\$ 460,450	\$ 555,402	\$ 706,397	\$ 456,062
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>13,833</u>	<u>15,152</u>	<u>6,796</u>	<u>9,212</u>	<u>-</u>
Total City's Proportionate Share of the Net Pension Liability	\$ 456,135	\$ 475,602	\$ 562,198	\$ 715,609	\$ 456,062
City's Covered Payroll	\$ 561,811	\$ 555,286	\$ 561,436	\$ 538,587	\$ 519,617
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.73%	82.92%	98.93%	131.16%	87.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.91%	78.20%
<b>PERA - Police and Fire Fund</b>					
City's Proportion of the Net Pension Liability	0.0312%	0.0298%	0.0340%	0.0350%	0.0340%
City's Proportionate Share of the Net Pension Liability	\$ 332,156	\$ 317,637	\$ 459,040	\$ 1,404,611	\$ 386,320
City's Covered Payroll	\$ 328,481	\$ 314,163	\$ 346,788	\$ 335,000	\$ 316,479
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.12%	101.11%	132.37%	419.29%	122.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.26%	88.84%	85.40%	63.88%	86.61%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF CROSSLAKE, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2019**

	2019	2018	2017	2016	2015	2014
<b>PERA - General Employees Fund</b>						
Contractually Required Contribution	\$ 45,681	\$ 40,833	\$ 42,198	\$ 40,199	\$ 39,992	\$ 36,869
Contributions in Relation to the Contractually Required Contribution	(45,681)	(40,833)	(42,198)	(40,199)	(39,992)	(36,869)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 609,080	\$ 544,440	\$ 562,634	\$ 535,987	\$ 533,227	\$ 508,528
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
<b>PERA - Police and Fire Fund</b>						
Contractually Required Contribution	\$ 59,857	\$ 52,169	\$ 53,144	\$ 53,492	\$ 52,917	\$ 46,185
Contributions in Relation to the Contractually Required Contribution	(59,857)	(52,169)	(53,144)	(53,492)	(52,917)	(46,185)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 353,139	\$ 322,028	\$ 328,049	\$ 330,198	\$ 326,649	\$ 301,862
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF CROSSLAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	BUDGET ORIGINAL AND FINAL	ACTUAL	VARIANCE WITH BUDGET OVER (UNDER)
<b>REVENUES</b>			
Taxes	\$ 3,346,184	\$ 3,305,396	\$ (40,788)
Licenses and Permits	52,300	88,705	36,405
Intergovernmental	101,881	143,482	41,601
Charges for Services	348,219	422,471	74,252
Fines and Forfeits	16,600	27,497	10,897
Special Assessments	14,675	12,755	(1,920)
Interest	60,500	191,609	131,109
Contributions and Donations	9,250	60,153	50,903
Miscellaneous	12,050	39,940	27,890
Total Revenues	<u>3,961,659</u>	<u>4,292,008</u>	<u>330,349</u>
<b>EXPENDITURES</b>			
Current			
General Government			
Mayor and Council	33,053	29,947	(3,106)
Administration	277,004	270,463	(6,541)
Elections	5,200	30	(5,170)
Audit and Legal	49,000	38,756	(10,244)
Planning and Zoning	232,378	221,955	(10,423)
Other General Government	132,875	114,302	(18,573)
Total General Government	<u>729,510</u>	<u>675,453</u>	<u>(54,057)</u>
Public Safety			
Police	682,777	668,521	(14,256)
Ambulance	15,000	13,665	(1,335)
Fire Protection	159,421	219,078	59,657
Total Public Safety	<u>857,198</u>	<u>901,264</u>	<u>44,066</u>
Public Works			
Engineering	25,000	26,939	1,939
Public Way Maintenance	537,146	531,237	(5,909)
Total Public Works	<u>562,146</u>	<u>558,176</u>	<u>(3,970)</u>
Culture and Recreation			
Library	78,312	16,283	(62,029)
Recreation	423,329	360,733	(62,596)
Total Culture and Recreation	<u>501,641</u>	<u>377,016</u>	<u>(124,625)</u>
Miscellaneous			
Recycling	35,980	32,540	(3,440)
Firemen's Relief Association	63,000	76,779	13,779
Cemetery	2,000	1,012	(988)
Total Miscellaneous	<u>100,980</u>	<u>110,331</u>	<u>9,351</u>
Debt Service			
Principal	192,849	193,594	745
Interest and Fiscal Charges	20,016	20,227	211
Bond Issue Costs	-	36,563	36,563
Total Debt Service	<u>212,865</u>	<u>250,384</u>	<u>37,519</u>
Capital Outlay			
Capital Improvements and Equipment	1,519,764	2,379,115	859,351
Total Expenditures	<u>4,484,104</u>	<u>5,251,739</u>	<u>767,635</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	BUDGET ORIGINAL AND FINAL	ACTUAL	VARIANCE WITH BUDGET OVER (UNDER)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ (522,445)	\$ (959,731)	\$ (437,286)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(103,965)	(85,856)	18,109
Issuance of GO Bonds	539,490	3,785,430	3,245,940
Capital Lease Proceeds	-	6,672	6,672
Bond Premium	-	29,570	29,570
Proceeds from Sale of Capital Assets	-	30,970	30,970
Total Other Financing Sources (Uses)	435,525	3,766,786	3,331,261
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (86,920)</b>	<b>2,807,055</b>	<b>\$ 2,893,975</b>
Fund Balance - Beginning of Year		8,000,065	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 10,807,120</b>	

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
TAX INCREMENT FINANCING FUND  
YEAR ENDED DECEMBER 31, 2019**

	BUDGET ORIGINAL AND FINAL	ACTUAL	VARIANCE WITH BUDGET OVER (UNDER)
<b>REVENUES</b>			
Tax Increments	\$ 11,000	\$ 12,354	\$ 1,354
<b>EXPENDITURES</b>			
Economic Development Current	11,500	11,325	(175)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (500)</b>	<b>1,029</b>	<b>\$ 1,529</b>
Fund Balance - Beginning of Year		7,730	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 8,759</b>	

**CITY OF CROSSLAKE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 LEGAL COMPLIANCE - BUDGETS**

**A. Budgetary Information**

Each fall, the City Council adopts an annual budget for the General and TIF Fund. Legal budgetary control is at the fund level.

The budget for the General and TIF Fund are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted. All annual appropriations lapse at fiscal year-end.

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS**

**General Employees Fund**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the measurement period ended June 30:

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**CITY OF CROSSLAKE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**General Employees Fund (Continued)**

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested 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 nonvested 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.

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**Police and Fire Fund**

2019

Changes in Actuarial Assumptions

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

**CITY OF CROSSLAKE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**  
**Police and Fire Fund (Continued)**

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00% for vested and nonvested, deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00% to 60.00%.
- 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.



**CITY OF CROSSLAKE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**Police and Fire Fund (Continued)**

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- 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.

**NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

2019

The following assumption changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

2018

The following assumption changes have been made:

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 4.00% to 3.30%.

## **SUPPLEMENTARY INFORMATION**

**CITY OF CROSSLAKE, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT**  
**DECEMBER 31, 2019**

	<u>Fund Level Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,001	\$ -	\$ 15,001
Taxes Receivable	440	-	440
	<u>15,441</u>	<u>-</u>	<u>15,441</u>
Total Assets	<u>\$ 15,441</u>	<u>-</u>	<u>15,441</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION</b>			
Liabilities			
Accounts Payable	\$ 375	-	375
Deferred Inflows of Resources			
Unavailable Revenue on Property Taxes	309	(309)	-
Fund Balance/Net Position			
Unassigned	<u>14,757</u>	<u>(14,757)</u>	
	<u>\$ 15,441</u>	<u>(15,066)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances			
	<u>\$ 15,441</u>	<u>(15,066)</u>	
Net Position			
Unrestricted		<u>15,066</u>	<u>15,066</u>
		<u>\$ 15,066</u>	<u>\$ 15,066</u>
Total Net Position of Component Unit (Page 14)		<u>\$ 15,066</u>	<u>\$ 15,066</u>

Some of the revenues in the statement of activities do not require the use of current financial resources and, therefore, the property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds.

**CITY OF CROSSLAKE, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES TO THE STATEMENT OF ACTIVITIES**  
**ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Fund Level Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses	\$ 11,554	\$ -	\$ 11,554
Program Revenues			
Operating Grants and Contributions	<u>20</u>	<u>-</u>	<u>20</u>
Net Program Revenue (Expense)	(11,534)	-	(11,534)
General Revenues			
Taxes	<u>8,447</u>	<u>91</u>	<u>8,538</u>
Change in Net Position (Page 16)	(3,087)	91	(2,996)
Fund Balances/Net Position			
Beginning of Year	<u>17,844</u>	<u>218</u>	<u>18,062</u>
End of Year	<u>\$ 14,757</u>	<u>\$ 309</u>	<u>\$ 15,066</u>

## **OTHER REPORT SECTION**



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and  
Members of the City Council  
City of Crosslake  
Crosslake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Crosslake (City), Minnesota as of December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated April 17, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of *the Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 17, 2020