

CITY OF CROSSLAKE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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INTRODUCTORY SECTION

**CITY OF CROSSLAKE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2022**

ELECTED OFFICIALS

Position	Term Expires	Name
Mayor	12/31/2022	David Nevin
Council Member	12/31/2022	John Andrews
Council Member	12/31/2022	Dave Schrupp
Council Member	12/31/2024	Marcia Seibert Volz
Council Member	12/31/2024	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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Mayor and
Members of the City Council
City of Crosslake

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honorable Mayor and
Members of the City Council
City of Crosslake

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Brainerd, Minnesota
May 3, 2023

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022. 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, 2022, and the prior year, 2021, 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 \$27,924,389 (net position).
- ◆ The City's total net position increased during the fiscal year by \$1,843,269.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,720,946, an increase of \$1,407,601 in comparison with the prior year. Of the total amount, \$8,327,081 is available for spending at the City's discretion (unassigned/assigned fund balance). However, \$1,100,900 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).

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.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements (Continued)

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 14 through 16 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 schedules have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 through 20.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 21 through 25 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 \$27,924,389 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				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		2022
	2022	2021	2022	2021	Total
Current and Other Assets	\$ 10,279,227	\$ 8,685,428	\$ 1,240,677	\$ 549,987	\$ 11,519,904
Capital Assets	19,025,995	19,040,806	8,877,763	6,567,962	27,903,758
Total Assets	<u>29,305,222</u>	<u>27,726,234</u>	<u>10,118,440</u>	<u>7,117,949</u>	<u>39,423,662</u>
Deferred Outflows of Resources	1,315,503	940,431	9,737	22,243	1,325,240
Long-Term Liabilities Outstanding	8,420,596	6,308,921	2,502,669	1,129,494	10,923,265
Other Liabilities	963,019	860,040	715,049	335,168	1,678,068
Total Liabilities	<u>9,383,615</u>	<u>7,168,961</u>	<u>3,217,718</u>	<u>1,464,662</u>	<u>12,601,333</u>
Deferred Inflows of Resources	219,168	1,070,547	4,012	21,567	223,180
Net Position					
Net Investment in Capital Assets	13,205,862	13,519,469	5,934,828	5,235,367	19,140,690
Restricted	1,014,217	481,777	507,004	492,936	1,521,221
Unrestricted	<u>6,797,863</u>	<u>6,425,911</u>	<u>464,615</u>	<u>(74,340)</u>	<u>7,262,478</u>
Total Net Position	<u>\$ 21,017,942</u>	<u>\$ 20,427,157</u>	<u>\$ 6,906,447</u>	<u>\$ 5,653,963</u>	<u>\$ 27,924,389</u>

There was an increase of \$590,785 and an increase of \$1,252,484 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, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position

The City's total net position increased by \$1,843,269. Key elements of this increase are as follows:

	Change in Net Position				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>2022</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Total</u>
REVENUES					
Program Revenues					
Charges for Services	\$ 575,995	\$ 683,473	\$ 357,011	\$ 323,702	\$ 933,006
Operating Grants and Contributions	442,006	140,829	-	-	442,006
Capital Grants and Contributions	805,104	118,512	320,200	30,500	1,125,304
General Revenues					
Property Taxes	4,132,191	4,144,063	340,139	341,534	4,472,330
Other Taxes	14,465	13,275	-	-	14,465
Intergovernmental	257,618	390	-	-	257,618
Unrestricted Investment Earnings	115,677	5,372	-	-	115,677
Gain on Sale of Capital Assets	7,108	51,103	-	-	7,108
Miscellaneous	78,173	33,902	2,881	2,282	81,054
	<u>6,428,337</u>	<u>5,190,919</u>	<u>1,020,231</u>	<u>698,018</u>	<u>7,448,568</u>
EXPENSES					
General Government	1,342,723	1,311,125	-	-	1,342,723
Public Safety	1,604,121	1,293,941	-	-	1,604,121
Public Works	1,124,855	909,568	-	-	1,124,855
Culture and Recreation	698,803	583,688	-	-	698,803
Economic Development	13,248	12,171	-	-	13,248
Interest on Long-Term Debt	134,060	151,095	-	-	134,060
Sewer Utility	-	-	687,489	656,076	687,489
	<u>4,917,810</u>	<u>4,261,588</u>	<u>687,489</u>	<u>656,076</u>	<u>5,605,299</u>
CHANGE IN NET POSITION BEFORE TRANSFERS					
	1,510,527	929,331	332,742	41,942	1,843,269
Transfers	(919,742)	(8,438)	919,742	8,438	-
CHANGE IN NET POSITION					
	590,785	920,893	1,252,484	50,380	1,843,269
Net Position - Beginning of Year	20,427,157	19,506,264	5,653,963	5,603,583	26,081,120
NET POSITION - END OF YEAR	<u>\$ 21,017,942</u>	<u>\$ 20,427,157</u>	<u>\$ 6,906,447</u>	<u>\$ 5,653,963</u>	<u>\$ 27,924,389</u>

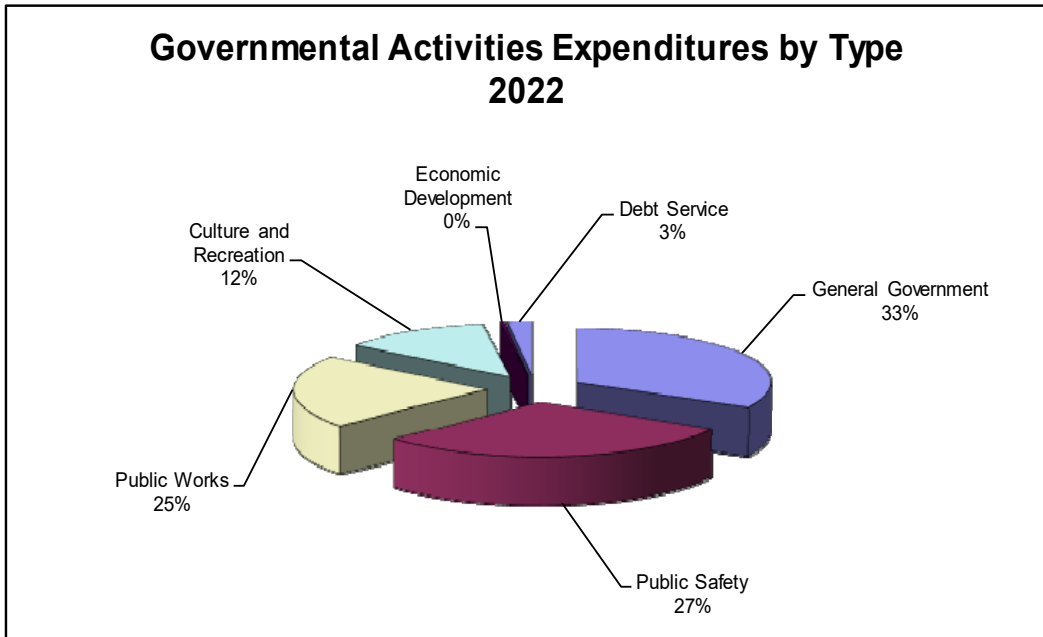
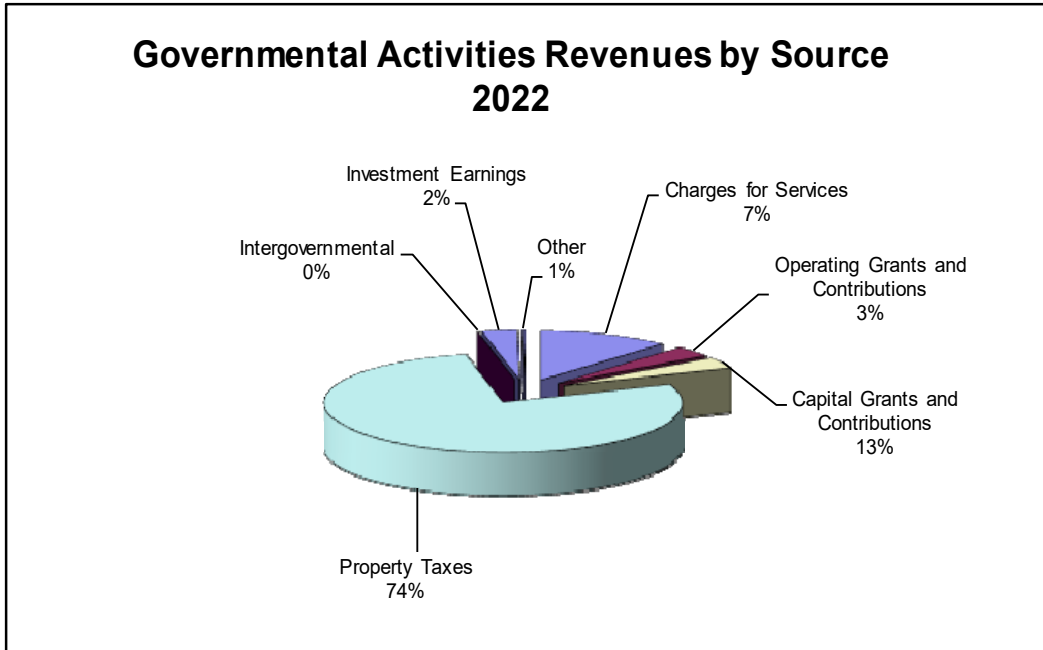
The increase in capital grants and contributions is due to a water quality grant, the increase in operating grants and contributions is due to a large donation received for the parks department and the increase in intergovernmental revenues is due to spending the state and local fiscal recovery funds. The increase in public safety expenses is due to a 25% increase in the number of fire department calls for service over the prior year. The increase in public works is due to additional road construction projects completed during the year.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position (Continued)

Governmental Activities – Governmental activities increased the City's net position by \$590,785 in 2022 as compared to an increase of \$920,893 in 2021.

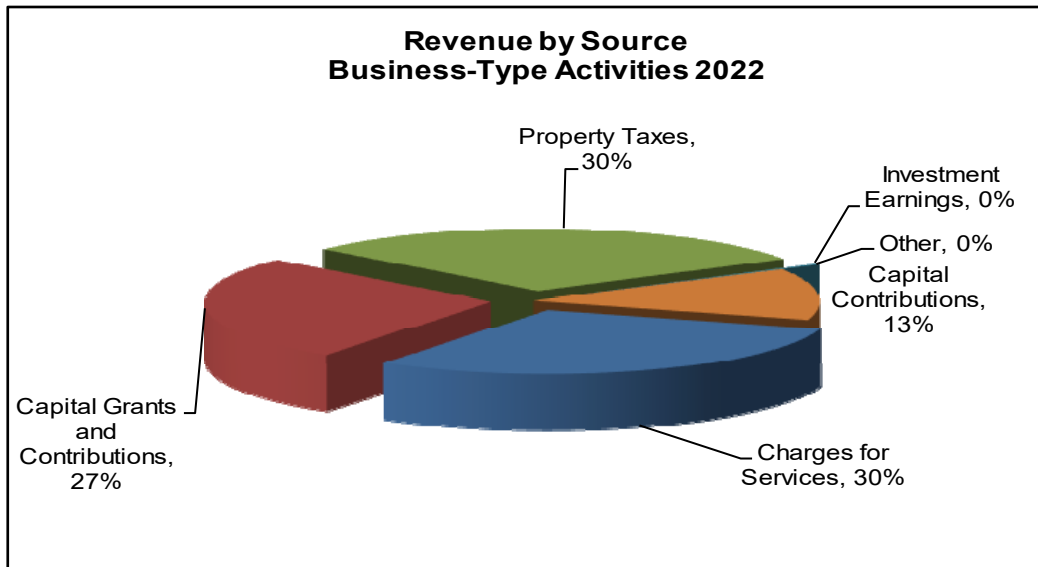
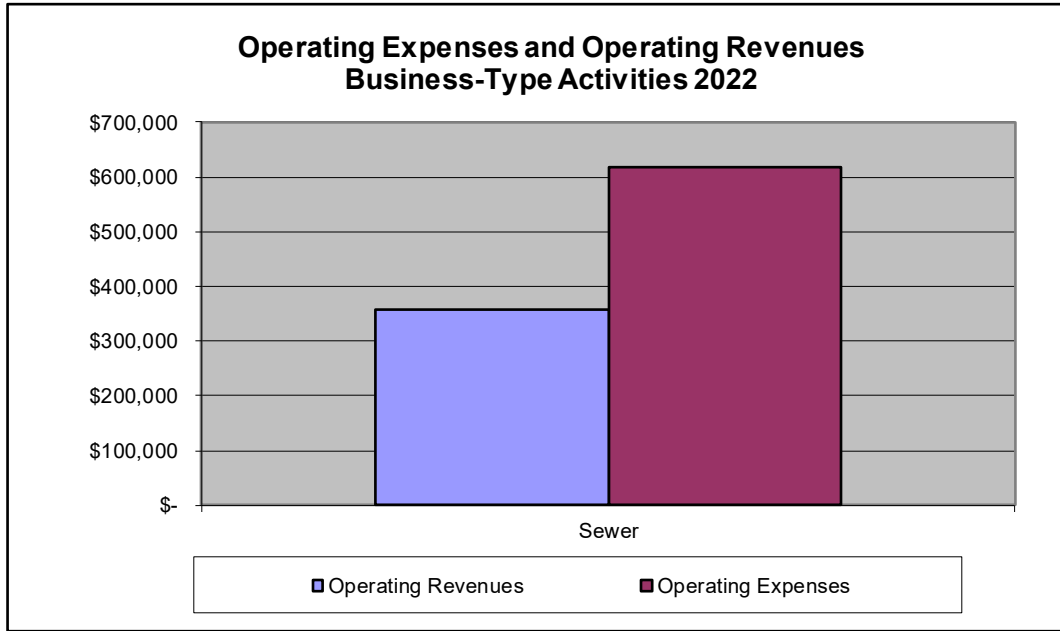


**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position (Continued)

Business-Type Activities – Business-type activities increased the City's net position by \$1,252,484 in 2022 as compared to the \$50,380 increase in 2021.



**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 \$9,720,946 an increase of \$1,407,601 in comparison with the prior year. Of this amount \$8,327,081 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 2022 (\$1,351,717). In addition, a portion of unassigned/assigned fund balance has been assigned by the City Council for future years' capital outlay (\$1,100,900).

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 \$8,327,081. Total fund balance was \$8,892,229. 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 59% of total 2022 General Fund expenditures. The fund balance of the City's General Fund Increased by \$1,096,471, during the current fiscal year.

Proprietary Fund – The City's proprietary fund provides the same type of information found in the business activities portion of the financial statements, but in more detail. During 2022, the City capitalized costs of approximately \$2,000,000 for the sanitary sewer extension along the CSAH 66 corridor.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one budget revision during the year.

Revenues were over budget by \$751,580, or approximately 15.99% due in part to the following: \$113,557 in donations and grants received by the Fire Department; \$191,326 in donations received by the Parks Department for the construction of a playground; \$106,677 of interest income due to interest rate increases during the year; \$80,000 of additional grant funding received from Crow Wing County Soil and Water Conservation District for additional storm water projects; \$57,000 in additional park dedication fees for new construction projects during 2022; \$38,172 of additional licenses and permits related to new construction during 2022; \$47,924 in cooperative purchasing rebates; \$15,933 in court fines; \$28,386 of delinquent taxes; and \$25,000 for the sale of a used fire truck. The remaining budget variance of \$47,105 was spread across other charges for services and miscellaneous income.

Expenditures were under budget by \$148,752, or approximately 3.14% due to changes in timing of capital expenditures.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022, amounts to \$27,903,758 (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		2022 Total
	2022	2021	2022	2021	
Land	\$ 1,232,679	\$ 1,206,751	\$ 185,136	\$ 8,713	\$ 1,417,815
Construction in Progress	33,169	187,808	357,439	163,531	390,608
Buildings	6,962,386	7,305,447	1,983,882	2,072,268	8,946,268
Improvements Other than Buildings	409,380	443,050	17,743	17,743	427,123
Machinery and Equipment	3,125,224	2,969,531	68,583	6,860	3,193,807
Infrastructure	7,263,157	6,928,219	6,264,980	4,295,847	13,528,137
Total	\$ 19,025,995	\$ 19,040,806	\$ 8,877,763	\$ 6,564,962	\$ 27,903,758

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 \$6,343,133. Of this amount, \$5,478,133 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 \$865,000.

Governmental Activities Outstanding Long-Term Debt

	2022	2021
General Obligation Bonds, Net Premiums	\$ 5,478,133	\$ 4,664,309
GO Equipment Certificates - Direct Placement	865,000	865,000
Total	\$ 6,343,133	\$ 5,529,309

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).

Governmental Activities (Continued) – The City's total governmental activities debt increased by \$828,000 during the current fiscal year. This was due to new debt issued, \$1,343,000 offset with scheduled debt payments.

Business-Type Activities – At the end of the current fiscal year, the business-type activities had total long-term debt of \$2,761,000, consisting of general obligation bonds. This increase of \$1,431,000 from 2021 reflects new bonds issued, \$1,726,000 offset with the payments made on bonds in the current year.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

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 38.49% from \$1,495,335,453 to \$2,071,033,701 and the taxable tax capacity increased 42.36% from \$16,262,788 to \$23,153,037 for taxes payable in 2023. These increases in values along with an overall increase in the City's levy request from 2022 resulted in a decrease of 6.583% in the City's tax rate from 27.469% to 20.886% for taxes payable in 2023.
- ◆ **GRANT AWARDS**
During 2022, the City was awarded \$610,726 in Federal Funding under the Transportation Alternatives Grant Program. Funds awarded under this grant were combined with a grant awarded to Crow Wing County under the Federal Lands Access Program of \$820,639 for total grant funding of \$1,431,365 with a total project cost approximating \$2,141,171. Project costs not covered by grant funds will be paid through a cost share agreement between Crow Wing County and the City of Crosslake. The project consists of the following improvements located within the City of Crosslake:
 - ◆ Safety improvements to the intersection of County Road 3 and 66.
 - ◆ Pedestrian improvements along County Road 3 to Pioneer Drive and along County Road 66 to Bald Eagle Trail.
 - ◆ Stormwater treatment improvements to protect water quality.
 - ◆ Construction of this improvement is expected to begin in Spring of 2024.

These factors were taken into account by the City of Crosslake when preparing the 2023 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 or changes in planned projects.

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, 13888 Daggett Bay Road, Crosslake, Minnesota 56442.

BASIC FINANCIAL STATEMENTS

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
ASSETS				
Cash and Investments	\$ 9,292,806	\$ 2,705	\$ 9,295,511	\$ 15,397
Receivables:				
Taxes	109,685	9,065	118,750	465
Accounts	1,500	75,022	76,522	-
Special Assessments	275,507	-	275,507	-
Due from Other Governments	34,581	-	34,581	-
Internal Balances	-	621,633	621,633	-
Prepayments	42,148	5,250	47,398	-
Restricted Assets:				
Cash and Investments	523,000	527,002	1,050,002	-
Capital Assets:				
Land and Construction In Progress	1,265,848	542,575	1,808,423	-
Other Capital Assets, Net of Depreciation	17,760,147	8,335,188	26,095,335	-
Total Assets	29,305,222	10,118,440	39,423,662	15,862
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	1,285,708	9,121	1,294,829	-
OPEB Related	29,795	616	30,411	-
Total Deferred Outflows	1,315,503	9,737	1,325,240	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	43,597	202,837	246,434	-
Contracts Payable	12,893	181,935	194,828	-
Accrued Liabilities	67,284	3,029	70,313	-
Accrued Interest Payable	52,047	19,998	72,045	-
Due to Other Governments	64,615	7,181	71,796	-
Other Postemployment Benefits	3,347	69	3,416	-
Unearned Revenue	19,543	-	19,543	-
Long-Term Liabilities:				
Due within One Year	699,693	300,000	999,693	-
Due in More than One Year	5,840,575	2,468,602	8,309,177	-
Other Postemployment Benefits	395,293	8,168	403,461	-
Net Pension Liability	2,184,728	25,899	2,210,627	-
Total Liabilities	9,383,615	3,217,718	12,601,333	-
DEFERRED INFLOWS OF RESOURCES				
Pension Related	63,290	791	64,081	-
OPEB Related	155,878	3,221	159,099	-
Total Deferred Inflows	219,168	4,012	223,180	-
NET POSITION				
Net Investment in Capital Assets	13,205,862	5,934,828	19,140,690	-
Restricted for:				
Tax Increment Financing	12,086	-	12,086	-
Debt Service	1,002,131	507,004	1,509,135	-
Unrestricted	6,797,863	464,615	7,262,478	15,862
Total Net Position	\$ 21,017,942	\$ 6,906,447	\$ 27,924,389	\$ 15,862

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 1,342,723	\$ 201,140	\$ 5,142	\$ 1,906
Public Safety	1,604,121	124,724	242,538	-
Public Works	1,124,855	147,347	-	415,957
Culture and Recreation	698,803	102,784	194,326	552
Economic Development	13,248	-	-	-
Interest on Long-Term Debt	134,060	-	-	386,689
Total Governmental Activities	<u>4,917,810</u>	<u>575,995</u>	<u>442,006</u>	<u>805,104</u>
Business-Type Activities:				
Sewer	687,489	357,011	-	320,200
Total Business-Type Activities	<u>687,489</u>	<u>357,011</u>	<u>-</u>	<u>320,200</u>
Total Primary Government	<u>\$ 5,605,299</u>	<u>\$ 933,006</u>	<u>\$ 442,006</u>	<u>\$ 1,125,304</u>
Component Unit:				
Economic Development Authority	<u>\$ 10,778</u>	<u>\$ -</u>	<u>\$ -</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
\$ (1,134,535)	\$ -	\$ (1,134,535)	\$ -
(1,236,859)	-	(1,236,859)	-
(561,551)	-	(561,551)	-
(401,141)	-	(401,141)	-
(13,248)	-	(13,248)	-
252,629	-	252,629	-
<u>(3,094,705)</u>	<u>-</u>	<u>(3,094,705)</u>	<u>-</u>
-	(10,278)	(10,278)	-
<u>-</u>	<u>(10,278)</u>	<u>(10,278)</u>	<u>-</u>
(3,094,705)	(10,278)	(3,104,983)	-
-	-	-	(10,778)
4,132,191	340,139	4,472,330	19,069
14,465	-	14,465	-
257,618	-	257,618	-
115,677	-	115,677	-
7,108	-	7,108	-
78,173	2,881	81,054	-
(919,742)	919,742	-	-
<u>3,685,490</u>	<u>1,262,762</u>	<u>4,948,252</u>	<u>19,069</u>
590,785	1,252,484	1,843,269	8,291
<u>20,427,157</u>	<u>5,653,963</u>	<u>26,081,120</u>	<u>7,571</u>
<u>\$ 21,017,942</u>	<u>\$ 6,906,447</u>	<u>\$ 27,924,389</u>	<u>\$ 15,862</u>

**CITY OF CROSSLAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Tax Increment Financing Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 8,471,931	\$ 12,086	\$ 808,789	\$ 9,292,806
Receivables:				
Taxes	95,592	-	14,093	109,685
Special Assessments	44,211	-	231,296	275,507
Accounts	1,500	-	-	1,500
Due from Other Governments	34,581	-	-	34,581
Prepayments	42,148	-	-	42,148
Restricted Cash and Investments	523,000	-	-	523,000
	<u>9,212,963</u>	<u>12,086</u>	<u>1,054,178</u>	<u>10,279,227</u>
Total Assets	\$ 9,212,963	\$ 12,086	\$ 1,054,178	\$ 10,279,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 43,597	\$ -	\$ -	\$ 43,597
Contracts Payable	12,893	-	-	12,893
Accrued Liabilities	69,398	-	-	69,398
Unearned Revenue	19,543	-	-	19,543
Due to Other Governments	64,615	-	-	64,615
	<u>210,046</u>	<u>-</u>	<u>-</u>	<u>210,046</u>
Total Liabilities	210,046	-	-	210,046
Deferred Inflows of Resources:				
Unavailable Revenue on Property Taxes	45,520	-	6,251	51,771
Unavailable Revenue for Grants	20,957	-	-	20,957
Unavailable Revenue on Special Assessments	44,211	-	231,296	275,507
	<u>110,688</u>	<u>-</u>	<u>237,547</u>	<u>348,235</u>
Total Deferred Inflows of Resources	110,688	-	237,547	348,235
Fund Balances:				
Nonspendable for:				
Prepayments	42,148	-	-	42,148
Restricted for:				
Debt Service	-	-	816,631	816,631
Tax Increment Financing	-	12,086	-	12,086
Capital Outlay	523,000	-	-	523,000
Assigned for:				
Capital Outlay	1,100,900	-	-	1,100,900
Unassigned:				
General Fund	7,226,181	-	-	7,226,181
	<u>8,892,229</u>	<u>12,086</u>	<u>816,631</u>	<u>9,720,946</u>
Total Fund Balances	8,892,229	12,086	816,631	9,720,946
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,212,963	\$ 12,086	\$ 1,054,178	\$ 10,279,227

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, 2022**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 9,720,946

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	\$ 1,232,679	
Construction in Progress	33,169	
Capital Assets, Being Depreciated	31,656,155	
Accumulated Depreciation	<u>(13,896,008)</u>	19,025,995

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. 348,235

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. (52,047)

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	(2,184,728)	
Deferred Inflows of Resources - Pension Related	(63,290)	
Deferred Outflows of Resources - Pension Related	<u>1,285,708</u>	(962,310)

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	(398,640)	
OPEB deferred outflows are reported only on the Statement of Net Position	29,795	
OPEB deferred inflows are reported only on the Statement of Net Position	<u>(155,878)</u>	(524,723)

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	(6,283,000)	
Unamortized Discounts/ Premiums	(60,133)	
Compensated Absences Payable	<u>(195,021)</u>	<u>(6,538,154)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 21,017,942**

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, 2022

	General Fund	Tax Increment Financing Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 3,578,829	\$ -	\$ 562,702	\$ 4,141,531
Tax Increments	-	14,465	-	14,465
Licenses and Permits	113,272	-	-	113,272
Intergovernmental	753,184	-	-	753,184
Charges for Services	439,979	-	-	439,979
Fines and Forfeits	25,082	-	-	25,082
Special Assessments	9,485	-	167,243	176,728
Interest	115,677	-	-	115,677
Contributions and Donations	321,135	-	-	321,135
Miscellaneous	96,692	-	-	96,692
Total Revenues	<u>5,453,335</u>	<u>14,465</u>	<u>729,945</u>	<u>6,197,745</u>
EXPENDITURES				
Current:				
General Government	714,562	-	-	714,562
Public Safety	1,134,556	-	-	1,134,556
Public Works	539,205	-	-	539,205
Culture and Recreation	562,158	-	-	562,158
Economic Development	-	13,248	-	13,248
Miscellaneous	80,595	-	-	80,595
Capital Outlay	1,612,047	-	-	1,612,047
Debt Service:				
Principal Retirement	205,000	-	310,000	515,000
Bond Issuance Costs	24,000	-	-	24,000
Interest and Fiscal Charges	7,599	-	110,032	117,631
Total Expenditures	<u>4,879,722</u>	<u>13,248</u>	<u>420,032</u>	<u>5,313,002</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	573,613	1,217	309,913	884,743
OTHER FINANCING SOURCES (USES)				
Issuance of GO Bonds	1,343,000	-	-	1,343,000
Proceeds from Sale of Capital Assets	7,108	-	-	7,108
Transfers Out	(827,250)	-	-	(827,250)
Total Other Financing Sources (Uses)	<u>522,858</u>	<u>-</u>	<u>-</u>	<u>522,858</u>
NET CHANGE IN FUND BALANCES				
	1,096,471	1,217	309,913	1,407,601
Fund Balances - Beginning of Year	<u>7,795,758</u>	<u>10,869</u>	<u>506,718</u>	<u>8,313,345</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,892,229</u>	<u>\$ 12,086</u>	<u>\$ 816,631</u>	<u>\$ 9,720,946</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, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,407,601

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	\$ 1,335,776	
Disposal of Capital Assets - Net Book Value	(8,963)	
Depreciation Expense	<u>(1,329,651)</u>	(2,838)

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	515,000	
Bond Proceeds	(1,343,000)	
Change in Accrued Interest Expense for General Obligation Bonds	1,244	
Amortization of Bond Discount/Premium	<u>14,176</u>	(812,580)

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources. (102,514)

Other Postemployment Benefit expenditures in the governmental funds are measured by current year employee contributions. Other Postemployment Benefit expenses on the Statement of Activities are measured by the change in Other Postemployment Benefits and the related deferred inflows and outflows of resources. (93,258)

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		(9,165)
Amortization of Loss on Refunding Bonds		(19,945)

Delinquent property taxes, special assessments receivable and unavailable grant revenue 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, 2021	(124,751)	
Unavailable Revenue - December 31, 2022	<u>348,235</u>	<u>223,484</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 590,785

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022**

	Sewer Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and Investments	\$ 2,705
Receivables:	
Accounts Receivable	75,022
Taxes	4,817
Due from Other Governments	621,633
Prepayments	5,250
Total Current Assets	709,427
NONCURRENT ASSETS	
Taxes Receivable	4,248
Restricted Assets:	
Cash and Investments	527,002
Capital Assets:	
Land	185,136
Building and Improvements	3,704,895
Machinery and Equipment	384,982
Sanitary Sewers	8,353,683
Construction-in-Progress	357,439
Subtotal Capital Assets	12,986,135
Less: Accumulated Depreciation	(4,108,372)
Net Capital Assets	8,877,763
Total Noncurrent Assets	9,409,013
Total Assets	10,118,440
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	9,121
OPEB Related	616
Total Deferred Outflows of Resources	9,737
Total Assets and Deferred Outflows of Resources	\$ 10,128,177

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2022**

	Sewer Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 202,837
Contracts Payable	181,935
Salaries and Wages Payable	3,029
Other Postemployment Benefits Payable	69
Total Current Liabilities	387,870
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Accrued Interest Payable	19,998
Revenue Bonds Payable	300,000
Due to Other Governments	7,181
Total Current Liabilities Payable from Restricted Assets	327,179
LONG-TERM LIABILITIES	
Bonds Payable, Net	2,461,000
Net Pension Liability	25,899
Accrued Compensated Absences	7,602
Other Postemployment Benefits Payable	8,168
Total Long-Term Liabilities	2,502,669
DEFERRED INFLOWS OF RESOURCES	
Pension Related	791
OPEB Related	3,221
Total Deferred Inflows of Resources	4,012
Total Liabilities and Deferred Inflows of Resources	3,221,730
NET POSITION	
Net Investment in Capital Assets	5,934,828
Restricted For:	
Debt Service	507,004
Unrestricted	464,615
Total Net Position	6,906,447
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 10,128,177

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2022

	Sewer Fund
OPERATING REVENUES	
Sales and Charges for Services	\$ 357,011
OPERATING EXPENSES	
Personal Services	78,851
Supplies	29,063
Repairs and Maintenance	53,816
Other Services and Charges	131,478
Depreciation	325,825
Total Operating Expenses	619,033
OPERATING LOSS	(262,022)
NONOPERATING REVENUES (EXPENSES)	
Property Taxes	340,139
Sewer Connection Fees	320,200
Interest Expense	(31,419)
Miscellaneous Revenues	2,881
Bond Issuance Costs	(37,037)
Total Nonoperating Revenues (Expenses)	594,764
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	332,742
Capital Contributions	92,492
Transfers In	827,250
Total Transfers and Capital Contributions	919,742
CHANGE IN NET POSITION	1,252,484
Net Position - Beginning of Year	5,653,963
NET POSITION - END OF YEAR	\$ 6,906,447

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2022**

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 311,431
Cash Paid to Employees for Services	(139,703)
Cash Paid to Suppliers for Goods and Services	(647,000)
Net Cash Used by Operating Activities	(475,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Revenues	2,470
Transfers from Other Funds	827,250
Net Cash Provided by Noncapital Financing Activities	829,720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,453,691)
Property Taxes Received	343,081
Capital Contribution	92,492
Collection of Connection Charges	320,493
Proceeds from Issuance of Long-Term Debt	1,726,000
Interest Paid	(62,930)
Principal Payments on Long-Term Debt	(295,000)
Net Cash Used by Capital and Related Financing Activities	(329,555)
NET INCREASE IN CASH AND INVESTMENTS	24,893
Cash and Investments - Beginning of Year	504,814
CASH AND INVESTMENTS - END OF YEAR	\$ 529,707

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2022**

	<u>Sewer Fund</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (262,022)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	325,825
(Increase) Decrease in Assets:	
Accounts Receivable	(45,580)
Due From Other Governments	(621,633)
Deferred Outflows of Resources - Pension	10,706
Deferred Outflows of Resources - OPEB	1,800
Prepayments	(1,819)
Increase (Decrease) in Liabilities:	
Accounts Payable	183,628
Accrued Liabilities	(638)
Due To Other Governments	7,181
Accrued Compensated Absences	(33,389)
Net Pension Liability	3,070
Deferred Inflows of Resources - Pension	(20,425)
Deferred Inflows of Resources - OPEB	2,870
Other Postemployment Benefits Payable	(24,846)
Net Cash Used by Operating Activities	\$ (475,272)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	\$ 92,492
Amortization of Premiums	(2,594)
Purchase of Capital Assets through Contracts and Retainage Payable	181,935
Total Noncash Capital and Related Financing Activities	\$ 271,833
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION	
Current Assets:	
Cash and Investments	\$ 2,705
Restricted Assets:	
Cash and Investments	527,002
Total Cash and Investments	\$ 529,707

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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, 2022**

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 increments 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, 2022**

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, 2022**

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 included as 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, 2022**

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 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, 2022**

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.

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

Assets	Years
Land Improvements	5 to 25
Buildings and Building Improvements	10 to 40
Equipment and Furniture	3 to 25
Infrastructure and Sanitary Sewers	25 to 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, 2022**

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. 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 sources while discounts on debt issuances are reported as other financing uses.

10. Leases

For lease receivables, the City determines if an arrangement is a lease at inception. Leases in excess of 12 months are included in lease receivables and deferred inflows of resources.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

For lease payables, the City determines if an arrangement is a lease at inception. Leases in excess of 12 months are included in lease assets and lease liabilities in the statements of net position.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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)

10. Leases (Continued)

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the City will exercise that option.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use its incremental borrowing rate to calculate the present value of expected lease payments.

11. 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.

12. 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, 2022**

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)

13. Equity

Fund Balance – 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 required to be established, modified, or rescinded by resolution of the City Council prior to each year-end.

Assigned fund balance is established, modified, or rescinded by the City Administrator/Treasurer and City Clerk and subject to final approval 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.

Net Position – Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the capital asset. Net position is reported as restricted in government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When restricted and unrestricted net position is available for an expense, it is the City's policy to use restricted first and then unrestricted.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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)

14. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material leases being identified.

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. Excess of Expenditures Over Appropriations

Expenditures exceeded budgeted amounts in the following funds at December 31, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 4,879,722	\$ 4,730,970	\$ 148,752
Tax Increment Financing Fund	13,248	11,250	1,998

All expenditures in excess of budget were considered to be crucial to operations and were approved by the City Council.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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. 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, 2022 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, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments

The City has 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 13 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, 2022 are as follows:

Investment Type	Total	12 Months or Less
Minnesota Municipal Money Market Fund 4M Liquid Asset Fund	\$ 7,292,778	\$ 7,292,778
Minnesota Municipal Money Market Fund 4M Plus	1,250,855	1,250,855
Minnesota Municipal Money Market Fund 4M Term Series	1,500,000	1,500,000
Total	<u>\$ 10,043,633</u>	<u>\$ 10,043,633</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

The City's investment with the 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is valued at amortized cost. For this investment pool, there are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn.

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

The deposits and investments are presented in these financial statements:

Deposits	\$ 317,277
Investments	<u>10,043,633</u>
Total Cash and Investments	<u><u>\$ 10,360,910</u></u>
Cash and Investments - Governmental Funds	\$ 9,815,806
Cash and Investments - Proprietary Funds	529,707
Cash and Investments - Component Unit	<u>15,397</u>
Total Cash and Investments	<u><u>\$ 10,360,910</u></u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, restricted cash and investments consisted of the following:

Restricted Assets - Cash and Investments	
Restricted for Debt Service - Sewer Fund	\$ 527,002
Restricted for Fire Truck Purchase - General Fund	<u>523,000</u>
Total Restricted Cash and Investments	<u><u>\$ 1,050,002</u></u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2022, is as follows:

	Beginning Balance, as Restated	Increases	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,206,751	\$ 25,928	\$ -	\$ 1,232,679
Construction in Progress	<u>187,808</u>	<u>783,191</u>	<u>(937,830)</u>	<u>33,169</u>
Total Capital Assets, Not Being Depreciated	1,394,559	809,119	(937,830)	1,265,848
Capital Assets, Being Depreciated:				
Buildings	9,877,298	-	-	9,877,298
Improvements Other Than Buildings	1,156,786	44,787	(59,754)	1,141,819
Machinery and Equipment	*	572,538	(49,672)	6,291,480
Infrastructure	<u>13,520,648</u>	<u>845,338</u>	<u>(20,428)</u>	<u>14,345,558</u>
Total Capital Assets, Being Depreciated	30,323,346	1,462,663	(129,854)	31,656,155
Less: Accumulated Depreciation for:				
Buildings	(2,571,851)	(343,061)	-	(2,914,912)
Improvements Other Than Buildings	(713,736)	(69,494)	50,791	(732,439)
Machinery and Equipment	*	(406,696)	49,672	(3,166,256)
Infrastructure	<u>(6,592,429)</u>	<u>(510,400)</u>	<u>20,428</u>	<u>(7,082,401)</u>
Total Accumulated Depreciation	<u>(12,687,248)</u>	<u>(1,329,651)</u>	<u>120,891</u>	<u>(13,896,008)</u>
Total Capital Assets, Being Depreciated, Net	<u>17,636,098</u>	<u>133,012</u>	<u>(8,963)</u>	<u>17,760,147</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 19,030,657</u></u>	<u><u>\$ 942,131</u></u>	<u><u>\$ (946,793)</u></u>	<u><u>\$ 19,025,995</u></u>

* The beginning balance of capital assets was restated due to the implementation of GASB Statement No. 87.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,713	\$ 176,423	\$ -	\$ 185,136
Construction in Progress	163,531	2,390,372	(2,196,464)	357,439
Total Capital Assets, Not Being Depreciated	172,244	2,566,795	(2,196,464)	542,575
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,700,912	3,983	-	3,704,895
Machinery and Equipment	320,134	64,848	-	384,982
Sanitary Sewers	6,157,219	2,196,464	-	8,353,683
Total Capital Assets, Being Depreciated	10,178,265	2,265,295	-	12,443,560
Less: Accumulated Depreciation for:				
Buildings and Improvements	(1,610,901)	(92,369)	-	(1,703,270)
Machinery and Equipment	(310,274)	(6,125)	-	(316,399)
Sanitary Sewers	(1,861,372)	(227,331)	-	(2,088,703)
Total Accumulated Depreciation	(3,782,547)	(325,825)	-	(4,108,372)
Total Capital Assets, Being Depreciated, Net	6,395,718	1,939,470	-	8,335,188
Business-Type Activities Capital Assets, Net	\$ 6,567,962	\$ 4,506,265	\$ (2,196,464)	\$ 8,877,763

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

Governmental Activities:

General Government	\$ 563,231
Public Safety	231,616
Public Works	374,192
Culture and Recreation	160,612
Total Depreciation Expense - Governmental Activities	<u>\$ 1,329,651</u>

Business-Type Activities:

Sewer	\$ 325,825
Total Depreciation Expense - Business-Type Activities	<u>\$ 325,825</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. 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>
BONDED INDEBTEDNESS			
PRIMARY GOVERNMENT			
GENERAL OBLIGATION BONDS			
G.O. Refunding Bonds, Series 2012A	2.00-2.55%	\$ 4,310,000	\$ 615,000
G.O. Disposal System Bonds, Series 2017A	1.15-2.30%	1,015,000	630,000
G.O. Street Reconstruction Bonds, Series 2018A	2.75-3.25%	695,000	455,000
G.O. CIP Bonds, Series 2019A	2.00-2.125%	3,815,000	3,410,000
G.O. Bonds, Series 2022A	4.12%	3,069,000	3,069,000
CERTIFICATES OF INDEBTEDNESS			
G.O. Equipment Certificate of Indebtedness, Series 2021A	2.00%	865,000	865,000
Total Primary Government General Obligation Bonds		<u>\$ 13,769,000</u>	<u>\$ 9,044,000</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, is as follows:

	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 4,590,000	\$ 1,343,000	\$ (515,000)	\$ 5,418,000	\$ 525,000
Unamortized Premiums and Discounts	74,309	-	(14,176)	60,133	-
GO Equipment Certificates - Direct Placement	865,000	-	-	865,000	120,000
Total Bonds Payable	5,529,309	1,343,000	(529,176)	6,343,133	645,000
Compensated Absences	187,874	226,083	(216,822)	197,135	54,693
Governmental Activity Long-Term Liabilities	* \$ 5,717,183	\$ 1,569,083	\$ (745,998)	\$ 6,540,268	\$ 699,693
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 1,330,000	\$ 1,726,000	\$ (295,000)	\$ 2,761,000	\$ 300,000
Unamortized Premiums	2,594	-	(2,594)	-	-
Total Bonds Payable	1,332,594	1,726,000	(297,594)	2,761,000	300,000
Compensated Absences	40,991	4,469	(37,858)	7,602	-
Business-Type Activity Long-Term Liabilities	\$ 1,373,585	\$ 1,730,469	\$ (335,452)	\$ 2,768,602	\$ 300,000

*The beginning balance of long-term debt was restated due to the implementation of GASB Statement No. 87.

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

	General Obligation Bonds			General Obligation Bonds	
	Governmental Activities			Business-Type Activities	
	Principal	Interest		Principal	Interest
2023	\$ 525,000	\$ 122,577	2023	\$ 300,000	\$ 71,551
2024	446,000	124,980	2024	346,000	83,060
2025	469,000	111,843	2025	165,000	76,391
2026	485,000	98,030	2026	168,000	71,705
2027	502,000	83,718	2027	175,000	66,755
2028-2032	1,710,000	269,475	2028-2032	480,000	272,773
2033-2037	1,209,000	76,672	2033-2037	451,000	187,275
2038	72,000	1,483	2038-2042	552,000	84,172
Total	\$ 5,418,000	\$ 888,778	2043	124,000	2,554
			Total	\$ 2,761,000	\$ 916,236

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 of the Primary Government are as follows (continued):

General Obligation Equipment Certificates - Direct Placement			
	Governmental Activities		
	Principal	Interest	
2023	\$ 120,000	\$ 16,100	
2024	120,000	13,700	
2025	125,000	11,250	
2026	125,000	8,750	
2027	125,000	6,250	
2028-2029	250,000	5,000	
Total	<u>\$ 865,000</u>	<u>\$ 61,050</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 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.

In 2021, the City issued \$865,000 in General Obligation Equipment Certificates, Series 2021A. The bonds were issued to finance the purchase of a new fire truck.

In 2022, the City issued \$3,069,000 in General Obligation Bonds, Series 2022A. The bonds were issued to finance 2022 road improvements, the sanitary sewer extension, and the financing of a new truck.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

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, 2022, \$5,663,711 of Educational Facilities Revenue Notes existed.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

1. General Employees Retirement Plan

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

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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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, 2022**

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 ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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 2022 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, 2022, were \$60,610. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$71,527. 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, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$792,004 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. 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 \$23,009.

The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0100% at the end of the measurement period and 0.0103% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$	792,004
State of Minnesota's Proportionate Share of the Net Pension Liability with the City		<u>23,009</u>
Total	\$	<u><u>815,013</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$131,574 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$101 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, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2022, 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	\$ 6,615	\$ 8,460
Changes of Assumptions	179,245	3,221
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	13,738	-
Changes in Proportion	46,770	12,511
City Contributions Made Subsequent to the Measurement Date	32,559	-
Total	<u>\$ 278,927</u>	<u>\$ 24,192</u>

The \$32,599 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, 2023. Other amounts reported as deferred outflows and deferred 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>
2023	\$ 101,178
2024	78,782
2025	(29,410)
2026	71,626

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,418,623 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0326% at the end of the measurement period and 0.0342% for the beginning of the period.

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the City recognized pension expense (revenue) of \$99,885 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$12,013 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,934 for the year ended December 31, 2022 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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$ 1,418,623
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	61,929
Total	<u>\$ 1,480,552</u>

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 86,647	\$ -
Changes of Assumptions	835,078	8,528
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,015	-
Changes in Proportion	39,419	31,361
City Contributions Made Subsequent to the Measurement Date	35,743	-
Total	<u>\$ 1,015,902</u>	<u>\$ 39,889</u>

The \$35,743 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, 2023. 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>
2023	\$ 175,809
2024	188,662
2025	166,388
2026	295,080
2027	114,331

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

Total Pension Expense

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (revenue) for the City's defined benefit plans are summarized below.

	General <u>Employee Fund</u>	Police and Fire <u>Fund</u>	<u>Total</u>
Net Pension Liability	\$ 792,004	\$ 1,418,623	\$ 2,210,627
Deferred Outflows of Resources			
Related to Pension	278,927	1,015,902	1,294,829
Deferred Inflows of Resources			
Related to Pension	24,192	39,889	64,081
Pension Expense (Revenue)	28,038	(18,078)	9,960

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	<u>100.0 %</u>	

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50%. 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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 (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
City Proportionate Share of the General Employees Fund Net Pension Liability:	\$ 1,251,011	\$ 792,004	\$ 415,546
	1% Decrease (4.4%)	Discount Rate (5.4%)	1% Increase (6.4%)
City Proportionate Share of the Police and Fire Fund Net Pension Liability:	\$ 2,146,904	\$ 1,418,623	\$ 829,852

I. Pension Liability Sensitivity

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 1% (0.25%) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2022 were:

State Aid Flowed Through City to Relief Association	\$ 48,814
Voluntary (Nonrequired) Contribution from City	<u>25,847</u>
Total Contribution	<u><u>\$ 74,661</u></u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 18 active participants, zero 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.

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 2022, the City contributed \$3,416 to the plan.

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2022 and the total OPEB liability was determined by an actuarial valuation as of January 1, 2022.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.00%
Salary Increases:	Services Graded Table
Health Care Trend Rates:	6.50% Decreasing to 5.00% Over 6 Years

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Mortality Rates were based on the Pub-2010 Public Retirement Plans General Headcount Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with other economic assumptions.

The discount rate used to measure the total OPEB liability was 2.00%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

Benefit Changes:

- Non-union employees are now covered under the Minnesota Public Employees Association Confidential and Supervisory Unit contract. These employees must be hired prior to January 1, 2023 in order to be eligible for GASB 75 subsidies, and their subsidies changed to be the same as employees covered by the Teamsters General Local No. 346 contract.

Assumption Changes:

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances - December 31, 2021	\$ 493,267
Changes for the Year:	
Service Cost	34,933
Interest	10,505
Assumption Changes	3,927
Plan Changes	43,059
Difference between Expected and Actual Experience	(172,902)
Benefit Payments	(5,912)
Net Change in Total OPEB Liability	(86,390)
Balances - December 31, 2022	\$ 406,877

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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 (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB Liability	\$ 433,049	\$ 406,877	\$ 381,797

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 (5.25% decreasing to 4.0% over five years) or 1% higher (7.25% decreasing to 6.0% over five years) than the current healthcare cost trend rates:

	1% Decrease (5.25% Decreasing to 4.0%)	Current Trend Rates (6.25% Decreasing to 5.0%)	1% Increase (7.25% Decreasing to 6.0%)
<u>Medical Trend Rate</u>			
Total OPEB Liability	\$ 364,918	\$ 406,877	\$ 456,247

For the year ended December 31, 2022, the City recognized OPEB expense of \$76,498. At December 31, 2022, 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	\$ 23,512	\$ 3,488
Differences Between Expected and Actual Experience	3,483	155,611
City Contributions Made Subsequent to the Measurement Date	3,416	-
Total	\$ 30,411	\$ 159,099

The \$3,416 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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

<u>Year Ending December 31.</u>	<u>Future Recognition</u>
2023	\$ (11,999)
2024	(11,999)
2025	(10,261)
2026	(13,360)
2027	(16,898)
Thereafter	(67,587)

NOTE 7 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, 2022, the City paid excess tax increment in the amount of \$13,018. No other commitments were made by the City as part of these agreements.

NOTE 8 TRANSFERS TO OTHER FUNDS

For the year ended December 31, 2022, the general fund transferred \$827,250 to the sewer fund. This was to cover the approved budget transfer and the purchase of land.

The General Fund also transferred assets of \$92,492 to the Sewer Fund during the year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS

	Measurement Date January 1, 2022	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability					
Service Cost	\$ 34,933	\$ 39,566	\$ 33,436	\$ 20,973	\$ 22,123
Interest	10,505	13,333	14,500	11,618	11,086
Assumption Changes	3,927	21,233	11,649	(10,464)	-
Plan Changes	43,059	-	7,672	-	-
Difference between Expected and Actual Experience	(172,902)	-	6,969	-	-
Benefit Payments	(5,912)	(2,078)	(2,275)	(7,831)	(23,936)
Net Change in Total OPEB Liability	(86,390)	72,054	71,951	14,296	9,273
Total OPEB Liability - Beginning	493,267	421,213	349,262	334,966	325,693
Total OPEB Liability - Ending	<u>\$ 406,877</u>	<u>\$ 493,267</u>	<u>\$ 421,213</u>	<u>\$ 349,262</u>	<u>\$ 334,966</u>
Covered-Employee Payroll	\$ 1,161,626	\$ 1,054,406	\$ 1,021,216	\$ 875,605	\$ 850,102
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	35%	47%	40%	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
LAST TEN MEASUREMENT PERIODS

	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	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
PERA - General Employees Fund								
City's Proportion of the Net Pension Liability	0.0100%	0.0103%	0.0096%	0.0080%	0.0083%	0.0087%	0.0087%	0.0088%
City's Proportionate Share of the Net Pension Liability	\$ 792,004	\$ 439,857	\$ 575,564	\$ 442,302	\$ 460,450	\$ 555,402	\$ 706,397	\$ 456,062
State's Proportionate Share of the Net Pension Liability Associated with the City	23,009	13,414	17,755	13,833	15,152	6,796	9,212	-
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 815,013</u>	<u>\$ 453,271</u>	<u>\$ 593,319</u>	<u>\$ 456,135</u>	<u>\$ 475,602</u>	<u>\$ 562,198</u>	<u>\$ 715,609</u>	<u>\$ 456,062</u>
City's Covered Payroll	\$ 745,462	\$ 743,334	\$ 656,063	\$ 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	106.24%	59.17%	87.73%	78.73%	82.92%	98.93%	131.16%	87.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%
PERA - Police and Fire Fund								
City's Proportion of the Net Pension Liability	0.0326%	0.0342%	0.0319%	0.0312%	0.0298%	0.0340%	0.0350%	0.0340%
City's Proportionate Share of the Net Pension Liability	\$ 1,418,623	\$ 263,988	\$ 420,476	\$ 332,156	\$ 317,637	\$ 459,040	\$ 1,404,611	\$ 386,320
State's Proportionate Share of the Net Pension Liability Associated with the City	61,929	11,856	9,920	-	-	-	-	-
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 1,480,552</u>	<u>\$ 275,844</u>	<u>\$ 430,396</u>	<u>\$ 332,156</u>	<u>\$ 317,637</u>	<u>\$ 459,040</u>	<u>\$ 1,404,611</u>	<u>\$ 386,320</u>
City's Covered Payroll	\$ 395,620	\$ 403,730	\$ 344,370	\$ 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	358.58%	65.39%	122.10%	101.12%	101.11%	132.37%	419.29%	122.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.50%	93.70%	87.20%	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.

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund									
Contractually Required Contribution	\$ 60,610	\$ 56,210	\$ 54,947	\$ 45,681	\$ 40,833	\$ 42,198	\$ 40,199	\$ 39,992	\$ 36,869
Contributions in Relation to the Contractually Required Contribution	(60,610)	(56,210)	(54,947)	(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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 808,133	\$ 749,467	\$ 732,627	\$ 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%	7.50%	7.50%	7.50%	7.25%
PERA - Police and Fire Fund									
Contractually Required Contribution	\$ 71,527	\$ 70,533	\$ 66,314	\$ 59,857	\$ 52,169	\$ 53,144	\$ 53,492	\$ 52,917	\$ 46,185
Contributions in Relation to the Contractually Required Contribution	(71,527)	(70,533)	(66,314)	(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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 404,107	\$ 398,492	\$ 374,655	\$ 353,139	\$ 322,028	\$ 328,049	\$ 330,198	\$ 326,649	\$ 301,862
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget Over (Under)
REVENUES				
Taxes	\$ 3,550,443	\$ 3,550,443	\$ 3,578,829	\$ 28,386
Licenses and Permits	75,100	75,100	113,272	38,172
Intergovernmental	660,477	660,477	753,184	92,707
Charges for Services	356,149	356,149	439,979	83,830
Fines and Forfeits	13,100	13,100	25,082	11,982
Special Assessments	9,446	9,446	9,485	39
Interest	9,000	9,000	115,677	106,677
Contributions and Donations	9,250	9,250	321,135	311,885
Miscellaneous	18,790	18,790	96,692	77,902
Total Revenues	<u>4,701,755</u>	<u>4,701,755</u>	<u>5,453,335</u>	<u>751,580</u>
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	34,340	34,340	31,855	(2,485)
Administration	308,415	308,415	289,342	(19,073)
Elections	6,383	6,383	4,368	(2,015)
Audit and Legal	49,000	49,000	68,210	19,210
Planning and Zoning	239,566	239,566	220,844	(18,722)
Other General Government	130,328	130,328	99,943	(30,385)
Total General Government	<u>768,032</u>	<u>768,032</u>	<u>714,562</u>	<u>(53,470)</u>
Public Safety:				
Police	827,526	827,526	766,840	(60,686)
Ambulance	15,000	15,000	13,424	(1,576)
Fire Protection	270,546	270,546	354,292	83,746
Total Public Safety	<u>1,113,072</u>	<u>1,113,072</u>	<u>1,134,556</u>	<u>21,484</u>
Public Works:				
Engineering	25,000	25,000	4,080	(20,920)
Public Way Maintenance	585,953	585,953	535,125	(50,828)
Total Public Works	<u>610,953</u>	<u>610,953</u>	<u>539,205</u>	<u>(71,748)</u>
Culture and Recreation:				
Library	33,484	33,484	36,505	3,021
Recreation	519,670	519,670	525,653	5,983
Total Culture and Recreation	<u>553,154</u>	<u>553,154</u>	<u>562,158</u>	<u>9,004</u>
Miscellaneous:				
Recycling	500	500	186	(314)
Firemen's Relief Association	69,000	69,000	74,661	5,661
Cemetery	8,025	8,025	5,748	(2,277)
Total Miscellaneous	<u>77,525</u>	<u>77,525</u>	<u>80,595</u>	<u>3,070</u>
Debt Service:				
Principal	205,000	205,000	205,000	-
Interest and Fiscal Charges	7,646	7,646	7,599	(47)
Bond Issue Costs	-	-	24,000	24,000
Total Debt Service	<u>212,646</u>	<u>212,646</u>	<u>236,599</u>	<u>23,953</u>
Capital Outlay:				
Capital Improvements and Equipment	1,507,588	1,395,588	1,612,047	216,459
Total Expenditures	<u>4,842,970</u>	<u>4,730,970</u>	<u>4,879,722</u>	<u>148,752</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance With Budget Over (Under)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (141,215)	\$ (29,215)	\$ 573,613	\$ 602,828
OTHER FINANCING SOURCES (USES)				
Transfers Out	(564,077)	(674,077)	(827,250)	(153,173)
Issuance of GO Bonds	706,100	706,100	1,343,000	636,900
Proceeds from Sale of Capital Assets	-	-	7,108	7,108
Total Other Financing Sources (Uses)	142,023	32,023	522,858	490,835
NET CHANGE IN FUND BALANCE	\$ 808	\$ 2,808	1,096,471	\$ 1,093,663
Fund Balance - Beginning of Year			7,795,758	
FUND BALANCE - END OF YEAR			\$ 8,892,229	

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2022

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Tax Increments	\$ 13,000	\$ 14,465	\$ 1,465
EXPENDITURES			
Economic Development:			
Current	11,250	13,248	1,998
NET CHANGE IN FUND BALANCE	\$ 1,750	1,217	\$ (533)
Fund Balance - Beginning of Year		10,869	
FUND BALANCE - END OF YEAR		\$ 12,086	

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded budgeted amounts in the following funds at December 31, 2022:

	Expenditures	Budget	Excess
General Fund	\$ 4,879,722	\$ 4,730,970	\$ 148,752
Tax Increment Financing Fund	13,248	11,250	1,998

All expenditures in excess of budget were considered to be crucial to operations and were approved by the City Council.

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:

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

General Employees Fund (Continued)

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

General Employees Fund (Continued)

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 postretirement 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
DECEMBER 31, 2022**

**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 postretirement 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 postretirement 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Police and Fire Fund

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-202 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Police and Fire Fund (Continued)

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Police and Fire Fund (Continued)

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.
- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Police and Fire Fund (Continued)

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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

2022

Benefit Changes:

- Non-union employees are now covered under the Minnesota Public Employees Association Confidential and Supervisory Unit contract. These employees must be hired prior to January 1, 2023 in order to be eligible for GASB 75 subsidies, and their subsidies changed to be the same as employees covered by the Teamsters General Local No. 346 contract.

Assumption Changes:

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.

2021

Assumption Changes:

- The discount rate was changed from 2.90% to 2.00%.

2020

The follow assumption changes have been made:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.8% to 2.9%.

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, 2022**

	Fund Level Total	Adjustments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	\$ 15,397	\$ -	\$ 15,397
Taxes Receivable	465	-	465
Total Assets	\$ 15,862	-	15,862
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION			
Deferred Inflows of Resources			
Unavailable Revenue on Property Taxes	\$ 198	\$ (198)	\$ -
Fund Balance/Net Position			
Unassigned	15,664	(15,664)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,862	(15,862)	
Net Position			
Unrestricted		15,862	15,862
Total Net Position of Component Unit (Page 14)		\$ 15,862	\$ 15,862

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, 2022**

	Fund Level Total	Adjustments	Statement of Activities
Expenditures/Expenses	\$ 10,778	\$ -	\$ 10,778
General Revenues			
Taxes	<u>19,055</u>	<u>14</u>	<u>19,069</u>
Change in Net Position (Page 16)	8,277	14	8,291
Fund Balances/Net Position:			
Beginning of Year	<u>7,387</u>	<u>184</u>	<u>7,571</u>
End of Year	<u>\$ 15,664</u>	<u>\$ 198</u>	<u>\$ 15,862</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, 2022 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 May 3, 2023.

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, claims and disbursements, deposits and investments, conflicts of interest, public indebtedness, 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
May 3, 2023



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