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CITY OF CROSSLAKE, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2024



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**CITY OF CROSSLAKE, MINNESOTA
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YEAR ENDED DECEMBER 31, 2024**

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INTRODUCTORY SECTION

**CITY OF CROSSLAKE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2024**

ELECTED OFFICIALS

Position	Term Expires	Name
Mayor	12/31/2024	David Nevin
Council Member	12/31/2026	Sandy Farder
Council Member	12/31/2026	Jackson Purfeerst
Council Member	12/31/2024	Marcia Seibert-Volz
Council Member	12/31/2024	Aaron Herzog

APPOINTED OFFICIALS

Position	Name
City Administrator/Treasurer	Lori Conway
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, 2024, 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, 2024, 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
June 3, 2025

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

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, 2024. 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, 2024, and the prior year, 2023, 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 \$29,426,668 (net position).
- ◆ The City's total net position increased during the fiscal year by \$824,169.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,802,541, a decrease of \$617,756 in comparison with the prior year. Of the total amount, \$8,717,060 is available for spending at the City's discretion (unassigned/assigned fund balance). However, \$821,172 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, 2024**

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, 2024**

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 \$29,426,668 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (70%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position				
	Governmental Activities		Business-Type Activities		2024
	2024	2023	2024	2023	Total
Current and Other Assets	\$ 10,321,165	\$ 11,036,790	\$ 1,002,500	\$ 924,045	\$ 11,323,665
Capital Assets	18,915,511	18,291,159	8,475,879	8,787,122	27,391,390
Total Assets	29,236,676	29,327,949	9,478,379	9,711,167	38,715,055
Deferred Outflows of Resources	934,808	1,096,773	13,028	22,430	947,836
Long-Term Liabilities Outstanding	5,821,971	6,725,979	1,996,116	2,203,554	7,818,087
Other Liabilities	887,553	993,177	205,052	416,438	1,092,605
Total Liabilities	6,709,524	7,719,156	2,201,168	2,619,992	8,910,692
Deferred Inflows of Resources	1,295,318	1,188,065	30,213	28,607	1,325,531
Net Position					
Net Investment in Capital Assets	13,759,322	12,863,970	6,360,159	6,303,485	20,119,481
Restricted	1,191,134	1,276,629	430,645	591,836	1,621,779
Unrestricted	7,216,186	7,376,902	469,222	189,677	7,685,408
Total Net Position	\$ 22,166,642	\$ 21,517,501	\$ 7,260,026	\$ 7,084,998	\$ 29,426,668

There was an increase of \$649,141 and an increase of \$175,028 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, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position

The City's total net position increased by \$824,169. Key elements of this increase are as follows:

	Change in Net Position				
	Governmental Activities		Business-Type Activities		2024 Total
	2024	2023	2024	2023	
REVENUES					
Program Revenues					
Charges for Services	\$ 619,732	\$ 631,387	\$ 446,001	\$ 382,908	\$ 1,065,733
Operating Grants and Contributions	277,862	239,669	-	-	277,862
Capital Grants and Contributions	1,032,009	160,257	20,100	60,600	1,052,109
General Revenues					
Property Taxes	4,443,729	4,093,881	440,395	565,214	4,884,124
Other Taxes	14,579	12,302	-	-	14,579
Intergovernmental	-	402	-	-	-
Unrestricted Investment Earnings	482,481	461,169	-	-	482,481
Gain on Sale of Capital Assets	158,155	26,000	-	-	158,155
Miscellaneous	56,206	50,637	4,721	1,225	60,927
Total Revenues	7,084,753	5,675,704	911,217	1,009,947	7,995,970
EXPENSES					
General Government	1,901,673	1,667,727	-	-	1,901,673
Public Safety	1,993,873	1,730,238	-	-	1,993,873
Public Works	1,678,487	1,071,413	-	-	1,678,487
Culture and Recreation	714,391	547,659	-	-	714,391
Economic Development	13,221	11,280	-	-	13,221
Interest on Long-Term Debt	133,967	147,828	-	-	133,967
Sewer Utility	-	-	736,189	831,396	736,189
Total Expenses	6,435,612	5,176,145	736,189	831,396	7,171,801
CHANGE IN NET POSITION	649,141	499,559	175,028	178,551	824,169
Net Position - Beginning of Year	21,517,501	21,017,942	7,084,998	6,906,447	28,602,499
NET POSITION - END OF YEAR	\$ 22,166,642	\$ 21,517,501	\$ 7,260,026	\$ 7,084,998	\$ 29,426,668

The increase in capital grants and contributions is due to insurance proceeds and a large special assessment payoff, and taxes increased due to an increase in collections. The increase in expenses is due to an increase in wages, an increase in consulting fees, and a slight increase in repairs and maintenance.

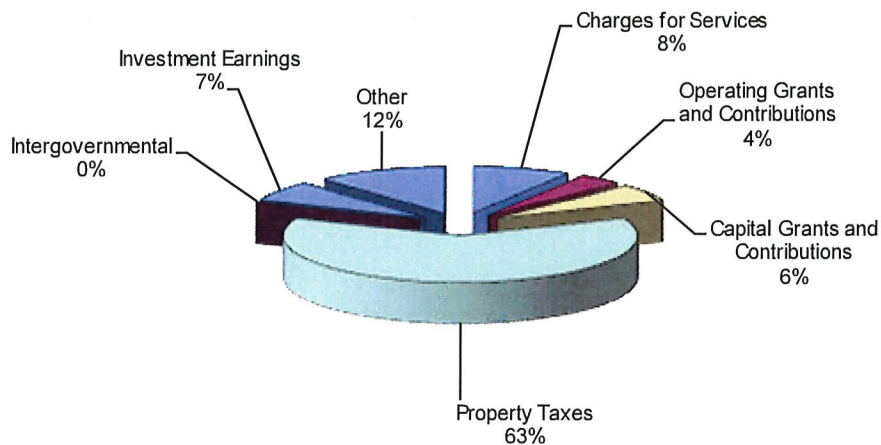
**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

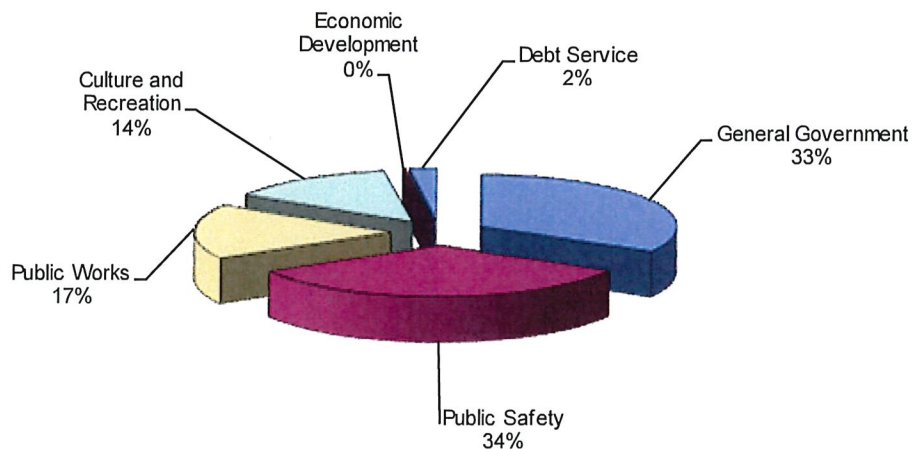
Change in Net Position (Continued)

Governmental Activities – Governmental activities increased the City's net position by \$649,141 in 2024 as compared to an increase of \$499,559 in 2023.

**Governmental Activities Revenues by Source
2024**



**Governmental Activities Expenditures by Type
2024**

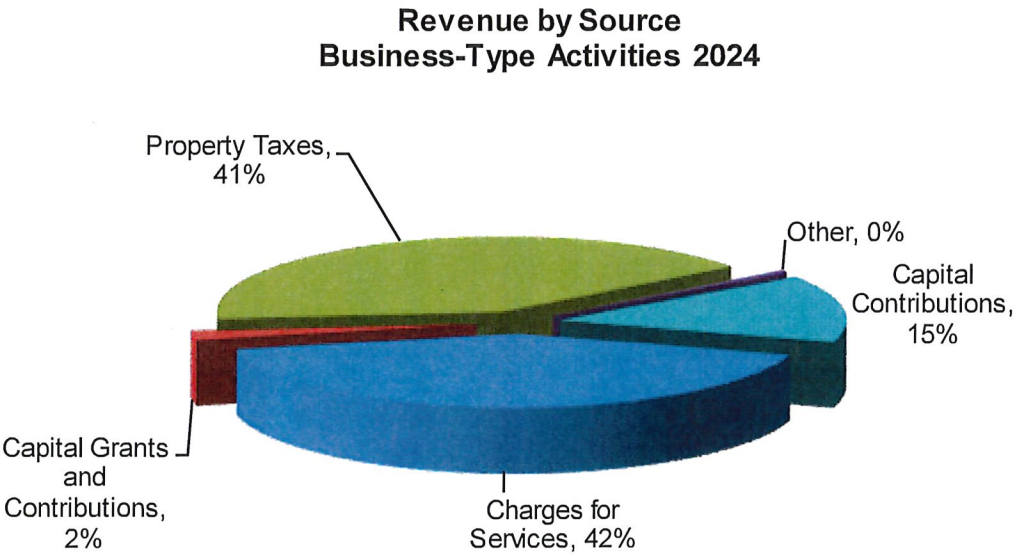
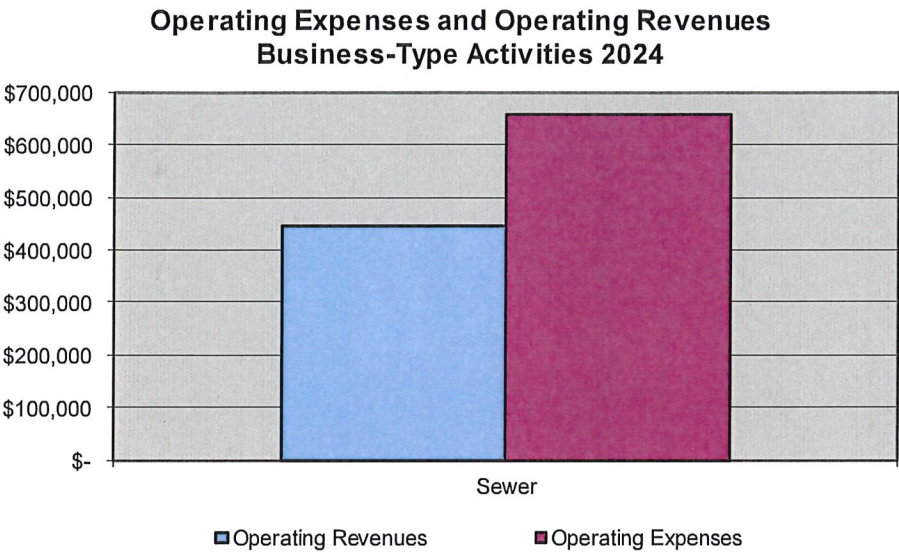


CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position (Continued)

Business-Type Activities – Business-type activities increased the City’s net position by \$175,028 in 2024 as compared to the \$178,551 increase in 2023.



**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

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 \$9,802,541 a decrease of \$617,756 in comparison with the prior year. Of this amount \$8,717,060 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 2024 (\$1,038,788). In addition, a portion of unassigned/assigned fund balance has been assigned by the City Council for future years' capital outlay (\$821,172).

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 \$8,717,060. Total fund balance was \$8,763,753. 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 81% of total 2024 General Fund expenditures. The fund balance of the City's General Fund decreased by \$651,905, 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget revisions during the year.

Revenues were over budget by \$977,181, or approximately 20.83% due in part to the following: \$150,000 Sourcewell grant received, \$93,000 in park dedication fees, an increase in interest income, \$52,000 fire department donation and \$3.4,000 PAL Foundation donations.

Expenditures were over budget by \$424,181, or approximately 6.38% due to an increase in severance payout, an increase in wages, and an increase in consulting fees.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

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, 2024, amounts to \$27,391,390 (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		2024 Total
	2024	2023	2024	2023	
Land	\$ 1,232,679	\$ 1,232,679	\$ 185,136	\$ 185,136	\$ 1,417,815
Construction in Progress	144,720	51,984	-	-	144,720
Buildings	6,267,004	6,605,458	2,363,664	2,471,824	8,630,668
Improvements Other Than Buildings	406,794	451,512	17,743	17,743	424,537
Machinery and Equipment	3,877,089	3,219,604	69,601	77,960	3,946,690
Infrastructure	6,987,225	6,729,922	5,839,735	6,034,459	12,826,960
Total	<u>\$ 18,915,511</u>	<u>\$ 18,291,159</u>	<u>\$ 8,475,879</u>	<u>\$ 8,787,122</u>	<u>\$ 27,391,390</u>

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

Long-Term Debt

Governmental Activities – At the end of the current fiscal year, the City's governmental activities had total debt outstanding of \$5,116,246. Of this amount, \$4,491,246 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 \$625,000.

Governmental Activities Outstanding Long-Term Debt

	2024	2023
General Obligation Bonds, Net Premiums	\$ 4,491,246	\$ 4,945,189
GO Equipment Certificates - Direct Placement	<u>625,000</u>	<u>745,000</u>
Total	<u>\$ 5,116,246</u>	<u>\$ 5,690,189</u>

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).

The City's total governmental activities debt decreased by \$566,000 during the current fiscal year. This was due to scheduled debt payments.

Business-Type Activities – At the end of the current fiscal year, the business-type activities had total long-term debt of \$2,115,000, consisting of general obligation bonds. This decrease of \$346,000 from 2023 reflects payments made on bonds in the current year.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

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 a modest construction growth in both residential and commercial sectors in comparison to 2022-2023 to 2024. The City's taxable market value increased 0.17% from 2,397,957,128 to 2,411,132,500 and the taxable tax capacity increased .21% from \$27,146,112 to 27,203,661 for taxes payable in 2025. These increases in values along with an overall increase in the City's levy request from 2024 resulted in an increase of 0.44% in the City's tax rate from 18.783% to 19.22% for taxes payable in 2025.

These factors were taken into account by the City of Crosslake when preparing the 2025 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, 2024**

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Economic
	Activities	Activities		Development
				Authority
ASSETS				
Cash and Investments	\$ 9,183,252	\$ 481,717	\$ 9,664,969	\$ 25,345
Receivables:				
Taxes	92,544	10,203	102,747	366
Accounts	575,030	42,498	617,528	-
Special Assessments	307,356	-	307,356	-
Interest Receivable	110,367	-	110,367	-
Due from Other Governments	5,923	-	5,923	-
Prepayments	46,693	4,726	51,419	-
Restricted Assets:				
Cash and Investments	-	463,356	463,356	-
Capital Assets:				
Land and Construction In Progress	1,377,399	185,136	1,562,535	-
Other Capital Assets, Net of Depreciation	17,538,112	8,290,743	25,828,855	-
Total Assets	29,236,676	9,478,379	38,715,055	25,711
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	822,851	8,200	831,051	-
OPEB Related	111,957	4,828	116,785	-
Total Deferred Outflows	934,808	13,028	947,836	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	6,613	558	7,171	-
Contracts Payable	39,943	720	40,663	-
Accrued Liabilities	87,975	3,247	91,222	-
Accrued Interest Payable	54,515	32,711	87,226	-
Other Postemployment Benefits	46,740	2,015	48,755	-
Unearned Revenue	20,627	-	20,627	-
Long-Term Liabilities:				
Due within One Year	631,140	165,801	796,941	-
Due in More than One Year	4,670,806	1,953,206	6,624,012	-
Other Postemployment Benefits	341,836	14,741	356,577	-
Net Pension Liability	809,329	28,169	837,498	-
Total Liabilities	6,709,524	2,201,168	8,910,692	-
DEFERRED INFLOWS OF RESOURCES				
Pension Related	1,053,831	19,800	1,073,631	-
OPEB Related	241,487	10,413	251,900	-
Total Deferred Inflows	1,295,318	30,213	1,325,531	-
NET POSITION				
Net Investment in Capital Assets	13,759,322	6,360,159	20,119,481	-
Restricted for:				
Tax Increment Financing	14,466	-	14,466	-
Debt Service	1,176,668	430,645	1,607,313	-
Unrestricted	7,216,186	469,222	7,685,408	25,711
Total Net Position	\$ 22,166,642	\$ 7,260,026	\$ 29,426,668	\$ 25,711

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 1,901,673	\$ 275,833	\$ 11,014	\$ 772,202
Public Safety	1,993,873	152,099	236,856	6,250
Public Works	1,678,487	34,858	-	237,373
Culture and Recreation	714,391	156,942	29,992	5,663
Economic Development	13,221	-	-	-
Interest on Long-Term Debt	133,967	-	-	10,521
Total Governmental Activities	6,435,612	619,732	277,862	1,032,009
Business-Type Activities:				
Sewer	736,189	446,001	-	20,100
Total Business-Type Activities	736,189	446,001	-	20,100
Total Primary Government	<u>\$ 7,171,801</u>	<u>\$ 1,065,733</u>	<u>\$ 277,862</u>	<u>\$ 1,052,109</u>
Component Unit:				
Economic Development Authority	\$ 12,686	\$ -	\$ -	\$ -

GENERAL REVENUES

Taxes:

Property Taxes, Levied for General Purpose

Other Taxes

Unrestricted Investment Earnings

Gain on Sale of Capital Assets

Miscellaneous

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
\$ (842,624)	\$ -	\$ (842,624)	\$ -
(1,598,668)	-	(1,598,668)	-
(1,406,256)	-	(1,406,256)	-
(521,794)	-	(521,794)	-
(13,221)	-	(13,221)	-
(123,446)	-	(123,446)	-
(4,506,009)	-	(4,506,009)	-
-	(270,088)	(270,088)	-
-	(270,088)	(270,088)	-
(4,506,009)	(270,088)	(4,776,097)	-
-	-	-	(12,686)
4,443,729	440,395	4,884,124	18,061
14,579	-	14,579	-
482,481	-	482,481	-
158,155	-	158,155	-
56,206	4,721	60,927	-
5,155,150	445,116	5,600,266	18,061
649,141	175,028	824,169	5,375
21,517,501	7,084,998	28,602,499	20,336
<u>\$ 22,166,642</u>	<u>\$ 7,260,026</u>	<u>\$ 29,426,668</u>	<u>\$ 25,711</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General Fund	Tax Increment Financing Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 8,157,713	\$ 14,466	\$ 1,011,073	\$ 9,183,252
Receivables:				
Taxes	73,185	-	19,359	92,544
Interest	110,367	-	-	110,367
Special Assessments	106,605	-	200,751	307,356
Accounts	575,030	-	-	575,030
Due from Other Governments	5,923	-	-	5,923
Prepayments	46,693	-	-	46,693
Total Assets	<u>\$ 9,075,516</u>	<u>\$ 14,466</u>	<u>\$ 1,231,183</u>	<u>\$ 10,321,165</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 6,613	\$ -	\$ -	\$ 6,613
Contracts Payable	39,943	-	-	39,943
Accrued Liabilities	87,975	-	-	87,975
Unearned Revenue	20,627	-	-	20,627
Total Liabilities	155,158	-	-	155,158
Deferred Inflows of Resources:				
Unavailable Revenue on Property Taxes	-	-	6,110	6,110
Unavailable Revenue for Grants	50,000	-	-	50,000
Unavailable Revenue on Special Assessments	106,605	-	200,751	307,356
Total Deferred Inflows of Resources	156,605	-	206,861	363,466
Fund Balances:				
Nonspendable for:				
Prepayments	46,693	-	-	46,693
Restricted for:				
Debt Service	-	-	1,024,322	1,024,322
Tax Increment Financing	-	14,466	-	14,466
Assigned for:				
Capital Outlay	821,172	-	-	821,172
Unassigned:				
General Fund	7,895,888	-	-	7,895,888
Total Fund Balances	<u>8,763,753</u>	<u>14,466</u>	<u>1,024,322</u>	<u>9,802,541</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,075,516</u>	<u>\$ 14,466</u>	<u>\$ 1,231,183</u>	<u>\$ 10,321,165</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS **\$ 9,802,541**

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	144,720	
Capital Assets, Being Depreciated	33,120,884	
Accumulated Depreciation	<u>(15,582,772)</u>	18,915,511

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. 363,466

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. (54,515)

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	(809,329)	
Deferred Inflows of Resources - Pension Related	(1,053,831)	
Deferred Outflows of Resources - Pension Related	<u>822,851</u>	(1,040,309)

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	(388,576)	
OPEB Deferred Outflows are Reported Only on the Statement of Net Position	111,957	
OPEB Deferred Inflows are Reported Only on the Statement of Net Position	<u>(241,487)</u>	(518,106)

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

Bonds Payable	(5,072,000)	
Unamortized Discounts/ Premiums	(44,246)	
Compensated Absences Payable	<u>(185,700)</u>	<u>(5,301,946)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 22,166,642**

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General Fund	Tax Increment Financing Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 3,925,749	\$ -	\$ 720,540	\$ 4,646,289
Tax Increments	-	14,579	-	14,579
Licenses and Permits	132,330	-	-	132,330
Intergovernmental	334,541	-	-	334,541
Charges for Services	479,247	-	-	479,247
Fines and Forfeits	28,013	-	-	28,013
Special Assessments	87,455	-	22,346	109,801
Interest	482,481	-	-	482,481
Contributions and Donations	112,578	-	-	112,578
Miscellaneous	86,532	-	-	86,532
Total Revenues	5,668,926	14,579	742,886	6,426,391
EXPENDITURES				
Current:				
General Government	1,363,884	-	-	1,363,884
Public Safety	1,467,639	-	-	1,467,639
Public Works	554,727	-	-	554,727
Culture and Recreation	746,130	-	-	746,130
Economic Development	-	13,221	-	13,221
Miscellaneous	109,454	-	-	109,454
Capital Outlay	2,835,564	-	-	2,835,564
Debt Service:				
Principal Retirement	-	-	566,000	566,000
Interest and Fiscal Charges	-	-	144,095	144,095
Total Expenditures	7,077,398	13,221	710,095	7,800,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,408,472)	1,358	32,791	(1,374,323)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	138,000	-	-	138,000
Insurance Proceeds	618,567	-	-	618,567
Total Other Financing Sources (Uses)	756,567	-	-	756,567
NET CHANGE IN FUND BALANCES	(651,905)	1,358	32,791	(617,756)
Fund Balances - Beginning of Year	9,415,658	13,108	991,531	10,420,297
FUND BALANCES - END OF YEAR	<u>\$ 8,763,753</u>	<u>\$ 14,466</u>	<u>\$ 1,024,322</u>	<u>\$ 9,802,541</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, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (617,756)**

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

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

Capital Outlay	\$ 2,012,319	
Depreciation Expense	<u>(1,387,967)</u>	624,352

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	566,000	
Change in Accrued Interest Expense for General Obligation Bonds	6,285	
Amortization of Bond Discount/Premium	<u>7,943</u>	580,228

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.

39,257

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.

(3,914)

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		(39,386)
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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, 2023	(297,106)	
Unavailable Revenue - December 31, 2024	<u>363,466</u>	<u>66,360</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 649,141</u>
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See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2024**

	<u>Sewer Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and Investments	\$ 481,717
Receivables:	
Accounts Receivable	42,498
Taxes	8,212
Prepayments	4,726
Total Current Assets	<u>537,153</u>
NONCURRENT ASSETS	
Taxes Receivable	1,991
Restricted Assets:	
Cash and Investments	463,356
Capital Assets:	
Land	185,136
Building and Improvements	4,291,746
Machinery and Equipment	396,570
Sanitary Sewers	8,457,223
Subtotal Capital Assets	<u>13,330,675</u>
Less: Accumulated Depreciation	<u>(4,854,796)</u>
Net Capital Assets	<u>8,475,879</u>
 Total Noncurrent Assets	 <u>8,941,226</u>
 Total Assets	 <u>9,478,379</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	8,200
OPEB Related	4,828
Total Deferred Outflows of Resources	<u>13,028</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 9,491,407</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2024**

	<u>Sewer Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 558
Contracts Payable	720
Salaries and Wages Payable	3,247
Other Postemployment Benefits Payable	2,015
Accrued Compensated Absences	801
Total Current Liabilities	<u>7,341</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Accrued Interest Payable	32,711
Revenue Bonds Payable	<u>165,000</u>
Total Current Liabilities Payable from Restricted Assets	197,711
LONG-TERM LIABILITIES	
Bonds Payable, Net	1,950,000
Net Pension Liability	28,169
Accrued Compensated Absences	3,206
Other Postemployment Benefits Payable	<u>14,741</u>
Total Long-Term Liabilities	1,996,116
DEFERRED INFLOWS OF RESOURCES	
Pension Related	19,800
OPEB Related	<u>10,413</u>
Total Deferred Inflows of Resources	<u>30,213</u>
Total Liabilities and Deferred Inflows of Resources	2,231,381
NET POSITION	
Net Investment in Capital Assets	6,360,159
Restricted For:	
Debt Service	430,645
Unrestricted	<u>469,222</u>
Total Net Position	<u>7,260,026</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 9,491,407</u>

See accompanying Notes to Financial Statements.

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2024

	<u>Sewer Fund</u>
OPERATING REVENUES	
Sales and Charges for Services	\$ 446,001
OPERATING EXPENSES	
Personal Services	95,215
Supplies	28,501
Repairs and Maintenance	67,866
Other Services and Charges	84,852
Depreciation	381,295
Total Operating Expenses	<u>657,729</u>
OPERATING LOSS	(211,728)
NONOPERATING REVENUES (EXPENSES)	
Property Taxes	440,395
Sewer Connection Fees	20,100
Interest Expense	(78,460)
Miscellaneous Revenues	4,721
Total Nonoperating Revenues (Expenses)	<u>386,756</u>
CHANGE IN NET POSITION	175,028
Net Position - Beginning of Year	<u>7,084,998</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,260,026</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2024**

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 482,801
Cash Paid to Employees for Services	(124,511)
Cash Paid to Suppliers for Goods and Services	(188,512)
Net Cash Provided by Operating Activities	<u>169,778</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Revenues	<u>4,721</u>
Net Cash Provided by Noncapital Financing Activities	4,721
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(91,966)
Property Taxes Received	446,201
Collection of Connection Charges	20,100
Interest Paid	(82,105)
Principal Payments on Long-Term Debt	(346,000)
Net Cash Used by Capital and Related Financing Activities	<u>(53,770)</u>
NET INCREASE IN CASH AND INVESTMENTS	120,729
Cash and Investments - Beginning of Year	<u>824,344</u>
CASH AND INVESTMENTS - END OF YEAR	<u><u>\$ 945,073</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2024**

	<u>Sewer Fund</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (211,728)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	381,295
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	36,800
Deferred Outflows of Resources - Pension	12,600
Deferred Outflows of Resources - OPEB	(3,198)
Prepayments	(332)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(6,961)
Accrued Liabilities	(260)
Accrued Compensated Absences	(5,993)
Net Pension Liability	(30,452)
Deferred Inflows of Resources - Pension	356
Deferred Inflows of Resources - OPEB	1,250
Other Postemployment Benefits Payable	(3,599)
Net Cash Provided by Operating Activities	<u>\$ 169,778</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets through Contracts and Retainage Payable	<u>\$ 720</u>
 RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION	
Current Assets:	
Cash and Investments	\$ 481,717
Restricted Assets:	
Cash and Investments	463,356
Total Cash and Investments	<u>\$ 945,073</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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.

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. Issuance of long-term debt and financing through 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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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)

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

Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, certificates of deposits, and money market savings accounts.

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, 2024**

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.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 (Continued)

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.

Land and construction in progress are not depreciated. Other 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.

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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)

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. Deferred Inflows of Resources

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

11. Pensions

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

12. 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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Equity (Continued)

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.

13. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The City adopted the requirements of the guidance effective January 1, 2024, 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 adjustments.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 fund at December 31, 2024:

	Expenditures	Budget	Excess
General Fund	\$ 7,077,398	\$ 6,653,217	\$ 424,181
Tax Increment Financing Fund	13,221	11,622	1,599

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

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits (Continued)

The City's deposits in banks at December 31, 2024 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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, 2024 are as follows:

Investment Type	Total	12 Months or Less	13 to 24 Months
Minnesota Municipal Money Market Fund 4M Liquid Asset Fund	\$ 5,710,712	\$ 5,710,712	\$ -
Minnesota Municipal Money Market Fund 4M Term Series	1,500,000	1,500,000	-
Total	<u>\$ 7,210,712</u>	<u>\$ 7,210,712</u>	<u>\$ -</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Minnesota Municipal Term Series	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,500,000
Investments at Amortized Costs				5,710,712
Total Investments				<u>\$ 7,210,712</u>

The deposits and investments are presented in these financial statements:

Deposits	\$ 2,942,958
Investments	7,210,712
Total Cash and Investments	<u>\$ 10,153,670</u>
Cash and Investments - Governmental Funds	\$ 9,183,252
Cash and Investments - Proprietary Funds	945,073
Cash and Investments - Component Unit	25,345
Total Cash and Investments	<u>\$ 10,153,670</u>

3. Restricted Cash and Investments

Restricted cash and investments are those restricted by loan covenants, contracts, or other external parties. At December 31, 2024, restricted cash and investments consisted of the following:

Restricted Assets - Cash and Investments	
Restricted for Debt Service - Sewer Fund	\$ 463,356
Total Restricted Cash and Investments	<u>\$ 463,356</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2024 is as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,232,679	\$ -	\$ -	\$ 1,232,679
Construction in Progress	51,984	854,274	(761,538)	144,720
Total Capital Assets, Not Being Depreciated	1,284,663	854,274	(761,538)	1,377,399
Capital Assets, Being Depreciated:				
Buildings	9,708,676	-	-	9,708,676
Improvements Other Than Buildings	1,219,282	13,397	-	1,232,679
Machinery and Equipment	6,026,968	1,156,638	(84,183)	7,099,423
Infrastructure	14,330,558	749,548	-	15,080,106
Total Capital Assets, Being Depreciated	31,285,484	1,919,583	(84,183)	33,120,884
Less: Accumulated Depreciation for:				
Buildings	(3,103,218)	(338,454)	-	(3,441,672)
Improvements Other Than Buildings	(767,770)	(58,115)	-	(825,885)
Machinery and Equipment	(2,807,364)	(499,153)	84,183	(3,222,334)
Infrastructure	(7,600,636)	(492,245)	-	(8,092,881)
Total Accumulated Depreciation	(14,278,988)	(1,387,967)	84,183	(15,582,772)
Total Capital Assets, Being Depreciated, Net	17,006,496	531,616	-	17,538,112
Governmental Activities Capital Assets, Net	\$ 18,291,159	\$ 1,385,890	\$ (761,538)	\$ 18,915,511

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	\$ 185,136	\$ -	\$ -	\$ 185,136
Construction in Progress	-	70,052	(70,052)	-
Total Capital Assets, Not Being Depreciated	185,136	70,052	(70,052)	185,136
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,291,746	-	-	4,291,746
Machinery and Equipment	402,238	-	(5,668)	396,570
Sanitary Sewers	8,387,171	70,052	-	8,457,223
Total Capital Assets, Being Depreciated	13,081,155	70,052	(5,668)	13,145,539
Less: Accumulated Depreciation for:				
Buildings and Improvements	(1,802,179)	(108,160)	-	(1,910,339)
Machinery and Equipment	(324,278)	(8,359)	5,668	(326,969)
Sanitary Sewers	(2,352,712)	(264,776)	-	(2,617,488)
Total Accumulated Depreciation	(4,479,169)	(381,295)	5,668	(4,854,796)
Total Capital Assets, Being Depreciated, Net	8,601,986	(311,243)	-	8,290,743
Business-Type Activities Capital Assets, Net	<u>\$ 8,787,122</u>	<u>\$ (241,191)</u>	<u>\$ (70,052)</u>	<u>\$ 8,475,879</u>

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

Governmental Activities:

General Government	\$ 513,244
Public Safety	315,740
Public Works	396,319
Culture and Recreation	162,664
Total Depreciation Expense - Governmental Activities	<u>\$ 1,387,967</u>

Business-Type Activities:

Sewer	\$ 381,295
Total Depreciation Expense - Business-Type Activities	<u>\$ 381,295</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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:

	Range of Interest Rates	Original Issue	Amount Outstanding
BONDED INDEBTEDNESS			
PRIMARY GOVERNMENT			
GENERAL OBLIGATION BONDS			
G.O. Disposal System Bonds, Series 2017A	1.15-2.30%	\$ 1,015,000	\$ 430,000
G.O. Street Reconstruction Bonds, Series 2018A	2.75-3.25%	695,000	280,000
G.O. CIP Bonds, Series 2019A	2.00-2.125%	3,815,000	2,950,000
G.O. Bonds, Series 2022A	4.12%	3,069,000	2,902,000
CERTIFICATES OF INDEBTEDNESS			
G.O. Equipment Certificate of Indebtedness, Series 2021A	2.00%	865,000	625,000
Total Primary Government General Obligation Bonds		<u>\$ 13,769,000</u>	<u>\$ 7,187,000</u>

Summary of long-term debt transactions for the year ended December 31, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 4,893,000	\$ -	\$ (446,000)	\$ 4,447,000	\$ 469,000
Unamortized Premiums and Discounts	52,189	-	(7,943)	44,246	-
GO Equipment Certificates - Direct Placement	745,000	-	(120,000)	625,000	125,000
Total Bonds Payable	5,690,189	-	(573,943)	5,116,246	594,000
Compensated Absences	150,324	35,376	-	185,700	37,140
Governmental Activity Long-Term Liabilities	<u>\$ 5,840,513</u>	<u>\$ 35,376</u>	<u>\$ (573,943)</u>	<u>\$ 5,301,946</u>	<u>\$ 631,140</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 2,461,000	\$ -	\$ (346,000)	\$ 2,115,000	\$ 165,000
Compensated Absences	10,000	-	(5,993)	4,007	801
Business-Type Activity Long-Term Liabilities	<u>\$ 2,471,000</u>	<u>\$ -</u>	<u>\$ (351,993)</u>	<u>\$ 2,119,007</u>	<u>\$ 165,801</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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:

General Obligation Bonds			General Obligation Bonds		
Governmental Activities			Business-Type Activities		
	Principal	Interest		Principal	Interest
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	418,000	70,533	2028	178,000	61,541
2029	310,000	60,995	2029	71,000	57,412
2030-2034	1,687,000	189,976	2030-2034	400,000	239,784
2035-2038	576,000	26,127	2035-2038	490,000	148,526
Total	<u>\$ 4,447,000</u>	<u>\$ 641,222</u>	2039-2043	468,000	39,511
			Total	<u>\$ 2,115,000</u>	<u>\$ 761,625</u>

General Obligation Equipment Certificates - Direct Placement		
Governmental Activities		
	Principal	Interest
2025	\$ 125,000	\$ 11,250
2026	125,000	8,750
2027	125,000	6,250
2028	125,000	3,750
2029	125,000	1,250
Total	<u>\$ 625,000</u>	<u>\$ 31,250</u>

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

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

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

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.

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, 2024, \$5,348,480 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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 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 prorated increase.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$69,793. 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 2024 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, 2024, were \$80,299. 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, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$406,483 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 \$10,511.

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0110% at the end of the measurement period and 0.0112% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 406,483
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	10,511
Total	<u>\$ 416,994</u>

For the year ended December 31, 2024, the City recognized pension expense of \$57,267 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$130 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$18,702 for the year ended December 31, 2024 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 General Employees Fund.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2024, 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	\$ 38,220	\$ -
Changes of Assumptions	1,985	153,848
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	118,039
Changes in Proportion	36,245	13,823
City Contributions Made Subsequent to the Measurement Date	41,880	-
Total	<u>\$ 118,330</u>	<u>\$ 285,710</u>

The \$41,880 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 ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2025	\$ (117,879)
2026	(7,205)
2027	(53,021)
2028	(31,155)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$431,015 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0328% at the end of the measurement period and 0.0324% for the beginning of the period.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. 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's proportionate share of the net pension liability associated with the City totaled \$16,430.

City's Proportionate Share of the Net Pension Liability	\$ 431,015
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	16,430
Total	<u><u>\$ 447,445</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$87,178 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$6,459 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$9,303 for the year ended December 31, 2024 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, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

At December 31, 2024, 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	\$ 167,970	\$ -
Changes of Assumptions	473,798	634,681
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	140,145
Changes in Proportion	20,046	13,095
City Contributions Made Subsequent to the		
Measurement Date	50,907	-
Total	<u>\$ 712,721</u>	<u>\$ 787,921</u>

The \$50,907 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 ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31.</u>	Pension Expense Amount
2025	\$ (15,755)
2026	113,584
2027	(68,029)
2028	(166,898)
2029	10,991

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

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

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

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employee Plan and 1% for the Police & Fire Plan.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of PUB-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Plan Provisions:

- State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. 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, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (6.0%)	Discount Rate (7%)	1% Increase (8.0%)
City Proportionate Share of the General Employees Fund Net Pension Liability:	\$ 887,825	\$ 406,483	\$ 10,536
	1% Decrease (6.0%)	Discount Rate (7%)	1% Increase (8.0%)
City Proportionate Share of the Police and Fire Fund Net Pension Liability:	\$ 1,018,574	\$ 431,015	\$ (51,493)

I. Pension Plan Fiduciary Net Position

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 2024 were:

State Aid Flowed Through City of Relief Association	\$ 63,489
Voluntary (Nonrequired) Contribution from City	<u>26,441</u>
Total Contribution	<u><u>\$ 89,930</u></u>

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 19 active participants, 3 retired participants, 1 spouse participant, 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 three-year bargaining period. The Plan does not issue a publicly available financial report.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the City and union representatives. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For fiscal year 2024, the City contributed \$48,755 to the Plan.

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2024 and the total OPEB liability was determined by an actuarial valuation as of January 1, 2024.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary Increases:	Services Graded Table
Health Care Trend Rates:	6.50% Decreasing to 5.00% then 4.00%

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 3.70%. 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:

- One retiree had a special termination agreement and received 100% of the same single medical and dental premiums as active employees (currently 80%), payable for 9 months. This change increased the liability \$28,606.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Assumption Changes:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 4.00% to 3.70%.
- Assumption for employees eligible for a post-employment subsidy that also receive the implicit benefit increased from 75% to 100%.

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances - December 31, 2023	\$ 395,644
Changes for the Year:	
Service Cost	23,454
Interest	16,532
Assumption Changes	61,996
Plan Changes	28,606
Difference between Expected and Actual Experience	(109,185)
Benefit Payments	(11,715)
Net Change in Total OPEB Liability	9,688
Balances - December 31, 2024	<u>\$ 405,332</u>

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

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability	\$ 433,710	\$ 405,332	\$ 378,817

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 (5.50% decreasing to 4.0% then 3.0%) or 1% higher (7.50% decreasing to 6.0% then 5.0%) than the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 4.0%)	Current Trend Rates (6.50% Decreasing to 5.0%)	1% Increase (7.50% Decreasing to 6.0%)
<u>Medical Trend Rate</u>			
Total OPEB Liability	\$ 367,418	\$ 405,332	\$ 450,056

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

For the year ended December 31, 2024, the City recognized OPEB expense of \$47,122. At December 31, 2024, 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	\$ 66,871	\$ 33,818
Differences Between Expected and Actual Experience	1,159	218,082
City Contributions Made Subsequent to the Measurement Date	48,755	-
Total	<u>\$ 116,785</u>	<u>\$ 251,900</u>

The \$48,755 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 ending December 31, 2025.

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>
2025	\$ (19,732)
2026	(22,831)
2027	(26,369)
2028	(26,369)
2029	(26,369)
Thereafter	(62,200)

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, 2024, the City paid excess tax increment in the amount of \$13,221. No other commitments were made by the City as part of these agreements.

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, 2024	Measurement Date January 1, 2023	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	\$ 23,454	\$ 25,837	\$ 34,933	\$ 39,566	\$ 33,436	\$ 20,973	\$ 22,123
Interest	16,532	8,620	10,505	13,333	14,500	11,618	11,086
Assumption Changes	61,996	(42,274)	3,927	21,233	11,649	(10,464)	-
Plan Changes	28,606	-	43,059	-	7,672	-	-
Difference between Expected and Actual Experience	(109,185)	-	(172,902)	-	6,969	-	-
Benefit Payments	(11,715)	(3,416)	(5,912)	(2,078)	(2,275)	(7,831)	(23,936)
Net Change in Total OPEB Liability	9,688	(11,233)	(86,390)	72,054	71,951	14,296	9,273
Total OPEB Liability - Beginning	395,644	406,877	493,267	421,213	349,262	334,966	325,693
Total OPEB Liability - Ending	\$ 405,332	\$ 395,644	\$ 406,877	\$ 493,267	\$ 421,213	\$ 349,262	\$ 334,966
 Covered-Employee Payroll	 \$ 1,331,763	 \$ 1,196,475	 \$ 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	 30%	 33%	 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.

See accompanying Notes to Required Supplementary Information.

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	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	0.0110%	0.0112%	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	\$ 406,483	\$ 626,291	\$ 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	10,511	17,252	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>\$ 416,994</u>	<u>\$ 643,543</u>	<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	\$ 1,018,952	\$ 910,628	\$ 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	39.89%	68.78%	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	89.08%	83.10%	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	0.0328%	0.0324%	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	\$ 431,015	\$ 559,506	\$ 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	16,430	22,534	61,929	11,856	9,920	-	-	-	-	-
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 447,445</u>	<u>\$ 582,040</u>	<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	\$ 545,999	\$ 418,409	\$ 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	78.94%	133.72%	358.58%	65.39%	122.10%	101.12%	101.11%	132.37%	419.28%	122.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	88.50%	70.50%	93.70%	87.20%	89.26%	88.84%	85.40%	63.88%	86.61%

See accompanying Notes to Required Supplementary Information.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
PERA - General Employees Fund										
Contractually Required Contribution	\$ 69,793	\$ 66,555	\$ 60,610	\$ 56,210	\$ 54,947	\$ 45,681	\$ 40,833	\$ 42,198	\$ 40,199	\$ 39,992
Contributions in Relation to the Contractually Required Contribution	(69,793)	(66,555)	(60,610)	(56,210)	(54,947)	(45,681)	(40,833)	(42,198)	(40,199)	(39,992)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 930,573	\$ 887,400	\$ 808,133	\$ 749,467	\$ 732,627	\$ 609,080	\$ 544,440	\$ 562,634	\$ 535,987	\$ 533,227
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Fund										
Contractually Required Contribution	\$ 80,299	\$ 75,238	\$ 71,527	\$ 70,533	\$ 66,314	\$ 59,857	\$ 52,169	\$ 53,144	\$ 53,492	\$ 52,917
Contributions in Relation to the Contractually Required Contribution	(80,299)	(75,238)	(71,527)	(70,533)	(66,314)	(59,857)	(52,169)	(53,144)	(53,492)	(52,917)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 453,667	\$ 425,073	\$ 404,107	\$ 398,492	\$ 374,655	\$ 353,139	\$ 322,028	\$ 328,049	\$ 330,198	\$ 326,649
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%

See accompanying Notes to Required Supplementary Information.

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance With Budget Over (Under)
REVENUES				
Taxes	\$ 3,921,888	\$ 3,921,888	\$ 3,925,749	\$ 3,861
Licenses and Permits	95,400	95,400	132,330	36,930
Intergovernmental	103,400	103,400	334,541	231,141
Charges for Services	284,520	284,520	479,247	194,727
Fines and Forfeits	17,600	17,600	28,013	10,413
Special Assessments	5,437	5,437	87,455	82,018
Interest	225,000	225,000	482,481	257,481
Contributions and Donations	14,250	14,250	112,578	98,328
Miscellaneous	24,250	24,250	86,532	62,282
Total Revenues	4,691,745	4,691,745	5,668,926	977,181
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	39,218	39,218	38,651	(567)
Administration	301,623	301,623	478,708	177,085
Elections	17,648	17,648	4,351	(13,297)
Audit and Legal	74,000	74,000	147,198	73,198
Planning and Zoning	253,745	253,745	315,186	61,441
Other General Government	297,789	297,789	379,790	82,001
Total General Government	984,023	984,023	1,363,884	379,861
Public Safety:				
Police	1,005,225	1,005,225	984,751	(20,474)
Ambulance	1,800	1,800	676	(1,124)
Fire Protection	429,528	429,528	482,212	52,684
Total Public Safety	1,436,553	1,436,553	1,467,639	31,086
Public Works:				
Engineering	5,000	5,000	4,048	(952)
Public Works Maintenance	556,509	556,509	550,609	(5,900)
Street Lighting	-	-	70	70
Total Public Works	561,509	561,509	554,727	(6,782)
Culture and Recreation:				
Library	46,483	46,483	56,742	10,259
Recreation	612,716	612,716	689,388	76,672
Total Culture and Recreation	659,199	659,199	746,130	86,931
Miscellaneous:				
Recycling	500	500	186	(314)
Firemen's Relief Association	78,000	78,000	99,944	21,944
Cemetery	8,030	8,030	9,324	1,294
Total Miscellaneous	86,530	86,530	109,454	22,924
Capital Outlay:				
Capital Improvements and Equipment	2,925,403	2,925,403	2,835,564	(89,839)
Total Expenditures	6,653,217	6,653,217	7,077,398	424,181

See accompanying Notes to Required Supplementary Information.
(60)

**CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024**

	Original Budget	Final Budget	Actual	Variance With Budget Over (Under)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,961,472)</u>	<u>\$ (1,961,472)</u>	<u>\$ (1,408,472)</u>	<u>\$ 553,000</u>
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	618,567	618,567
Issuance of GO Bonds	900,000	900,000	-	(900,000)
Proceeds from Sale of Capital Assets	-	-	138,000	138,000
Total Other Financing Sources (Uses)	<u>900,000</u>	<u>900,000</u>	<u>756,567</u>	<u>(143,433)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (1,061,472)</u></u>	<u><u>\$ (1,061,472)</u></u>	<u>(651,905)</u>	<u><u>\$ 409,567</u></u>
Fund Balance - Beginning of Year			<u>9,415,658</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 8,763,753</u></u>	

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2024

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Tax Increments	\$ 12,300	\$ 14,579	\$ 2,279
EXPENDITURES			
Economic Development:			
Current	11,622	13,221	1,599
NET CHANGE IN FUND BALANCE	<u>\$ 678</u>	1,358	<u>\$ 680</u>
Fund Balance - Beginning of Year		13,108	
FUND BALANCE - END OF YEAR		<u>\$ 14,466</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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, 2024:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 7,077,398	\$ 6,653,217	\$ 424,181
Tax Increment Financing Fund	13,221	11,622	1,599

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:

2024

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

General Employees Fund (Continued)

2023

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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, 2024**

**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, 2024**

**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, 2024**

**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, 2024**

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

Police and Fire Fund

2024

Changes in Actuarial Assumptions:

- There were no changes in Actuarial Assumptions since the previous valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

Police and Fire Fund (Continued)

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.

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.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

Police and Fire Fund (Continued)

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2017

Changes in Actuarial Assumptions:

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued):

- 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.

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, 2024**

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

2024

Benefit Changes:

- One retiree had a special termination agreement and received 100% of the same single medical and dental premiums as active employees (currently 80%), payable for 9 months.

Assumption Changes:

- The health care trend rates were updated.
- Assumption for employees eligible for a post-employment subsidy that also received implicit benefit increased from 75% to 100%.
- The discount rate was changed from 4.00% to 3.70%.

2023

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 2.00% to 2.50%.

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%.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

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

2021

Assumption Changes:

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

2020

Assumption Changes:

- 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, 2024

	Fund Level Total	Adjustments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	\$ 25,345	\$ -	\$ 25,345
Taxes Receivable	366	-	366
Total Assets	<u>\$ 25,711</u>	-	25,711
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/ NET POSITION			
Liabilities:			
Accounts Payable	\$ -	-	-
Deferred Inflows of Resources:			
Unavailable Revenue on Property Taxes	30	(30)	-
Fund Balance/Net Position:			
Unassigned	<u>25,681</u>	<u>(25,681)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,711</u>	<u>(25,711)</u>	
Net Position:			
Unrestricted		<u>25,711</u>	<u>25,711</u>
Total Net Position of Component Unit (Page 14)		<u>\$ 25,711</u>	<u>\$ 25,711</u>

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

CITY OF CROSSLAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2024

	Fund Level Total	Adjustments	Statement of Activities
Expenditures/Expenses	\$ 12,686	\$ -	\$ 12,686
General Revenues:			
Taxes	<u>18,226</u>	<u>(165)</u>	<u>18,061</u>
Change in Net Position (Page 16)	5,540	(165)	5,375
Fund Balances/Net Position:			
Beginning of Year	<u>20,141</u>	<u>195</u>	<u>20,336</u>
End of Year	<u><u>\$ 25,681</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ 25,711</u></u>

OTHER REPORT SECTION



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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, 2024 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 June 3, 2025.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
June 3, 2025



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Honorable Mayor and Management
City of Crosslake
Crosslake, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Crosslake (City) as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses

We consider the following deficiencies in the City's internal control to be material weaknesses.

- The City Administrator has primary responsibility for virtually all of the duties related to electronic deposits, journal entries, and capital assets. The City Clerk and Accountant are responsible for calculating, recording, receiving, mailing, posting cash receipts, preparing bank deposits, initiating and recording electronic sewer billing, and reconciling the monthly billing activity for the City's sewer enterprise fund. As a result, many of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, not available in this staffing scenario. The design of the internal controls over financial reporting could affect the ability of the City to record, process, summarize, and report financial data consistently with the assertions of management in the financial statements. We recognize that it may not be economically feasible for the City to employ additional staff for the purpose of segregating duties practicable from a financial standpoint, but we are required, under our professional responsibilities, to call the situation to your attention. The City should continue to utilize Council oversight of the budgeting, cash reconciling, and receipts and disbursements process to the maximum extent possible to mitigate the absence of segregation of duties.

- Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles. The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures to ensure they are complete and presented in conformity with U.S. generally accepted accounting principles. Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

The design of the internal controls over the financial reporting process could affect the ability of the City to conclude the financial statements and related disclosures are complete and presented in conformity with U.S. generally accepted accounting principles. The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

- Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements on a timely basis. As a part of the audit, we proposed material adjustments related to several areas of the financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
June 3, 2025



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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Crosslake as of and for the year ended December 31, 2024, and have issued our report thereon dated June 3, 2025. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit in our Statement of Work dated August 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Crosslake are described in Note 1 to the financial statements.

As described in Note 1, the entity changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 101, *Compensated Absences*, in 2024.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures

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

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following summarizes uncorrected misstatements of the financial statements:

- Beginning compensated absences balance changed due to the implementation of GASB 101 causing the change in Net Position to be overstated by \$37,882 for Governmental Activities.
- It was noted during the current year of testing of leases, that proceeds from a new lease and capital outlay related to a new lease were not recorded and were understated in the General Fund by \$8,866 and \$8,866 respectively as of December 31, 2024. This had no fund balance effect.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

- Adjust OPEB to actual
- Record fair market value and interest income on CD's
- Adjust salaries payable to actual
- Adjust current year receivables and payables to actual
- To account for current year asset additions, deletions and record depreciation expense
- Adjust current year taxes receivable and deferred revenue
- Adjust current year special assessments

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated June 3, 2025.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the balance sheet to the statement of net position – economic development authority component unit and reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities – economic development authority component unit (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 3, 2025.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Brainerd, Minnesota
June 3, 2025



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

City of Crosslake

Audit Presentation

Year Ending December 31, 2024

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Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Agenda

- City's Audit Results
- Financial Results
- Key Issues/Summary

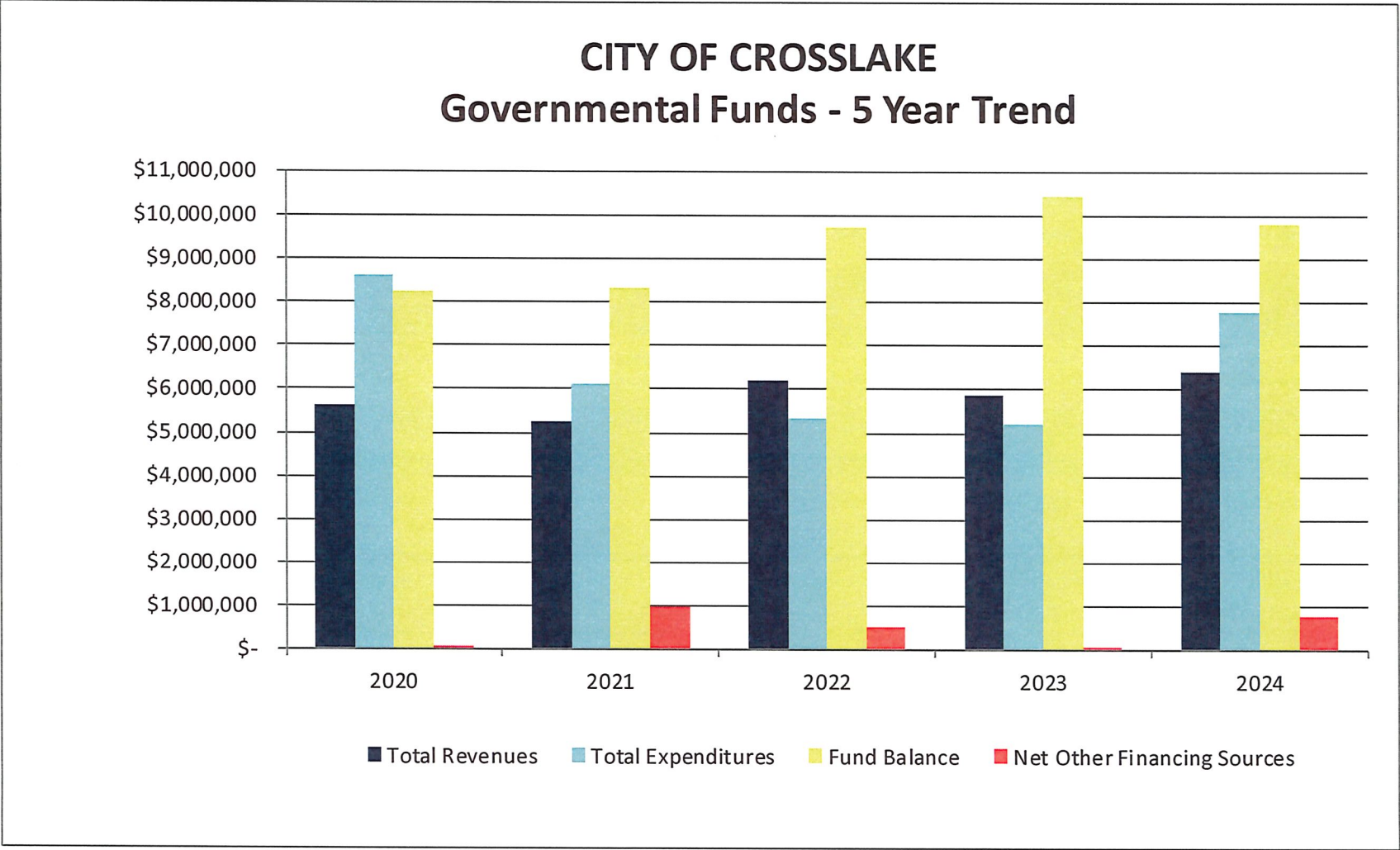


City's Audit Results

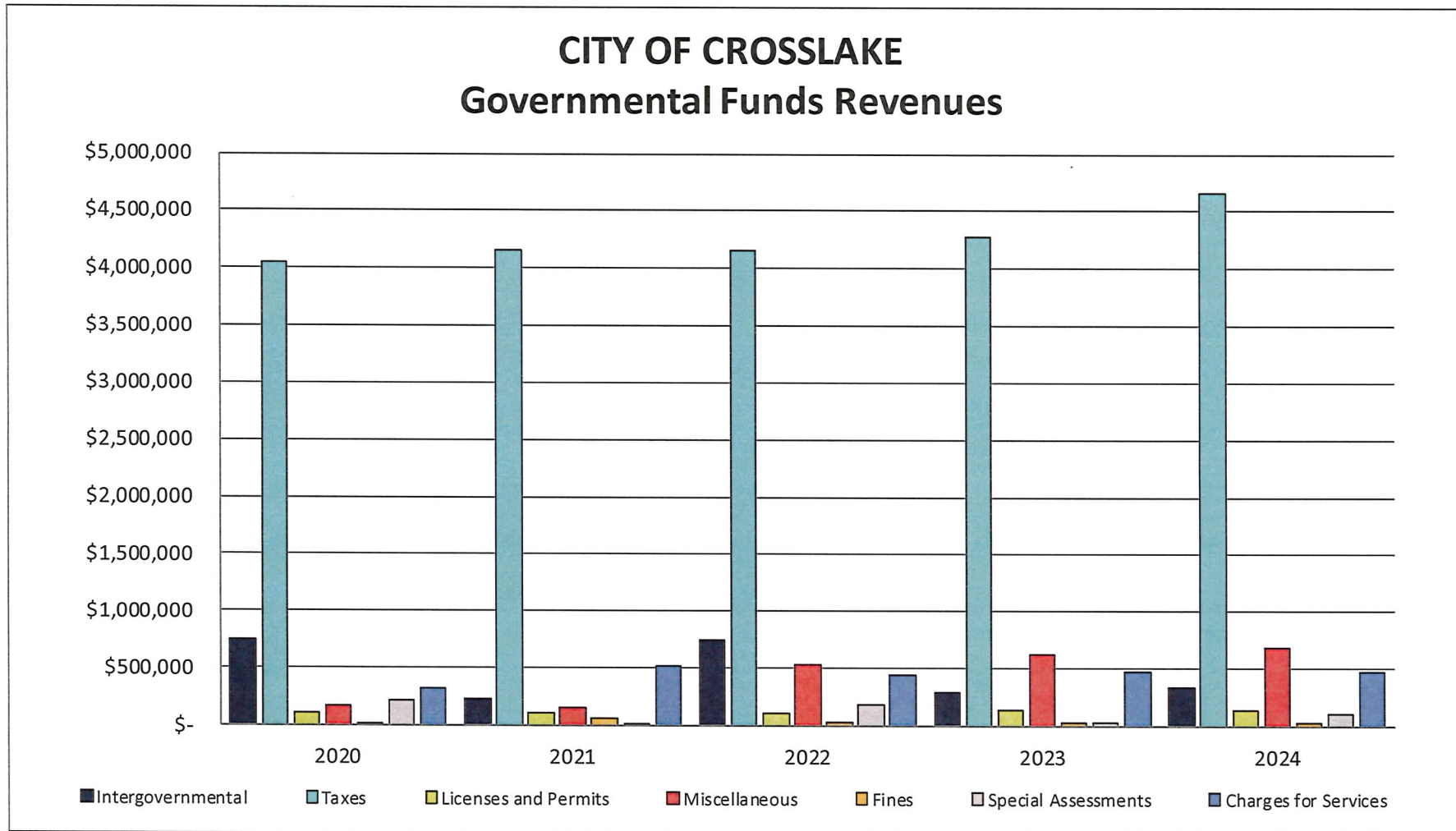
- Unmodified Opinion on the Financial Statements
 - On the basic financial statement
- Compliance and Internal Control Over Financial Reporting
 - Three material weaknesses:
 - Segregation of duties
 - Draft Financial Statements
 - Material Audit Adjustments
- Minnesota Legal Compliance
 - No Findings



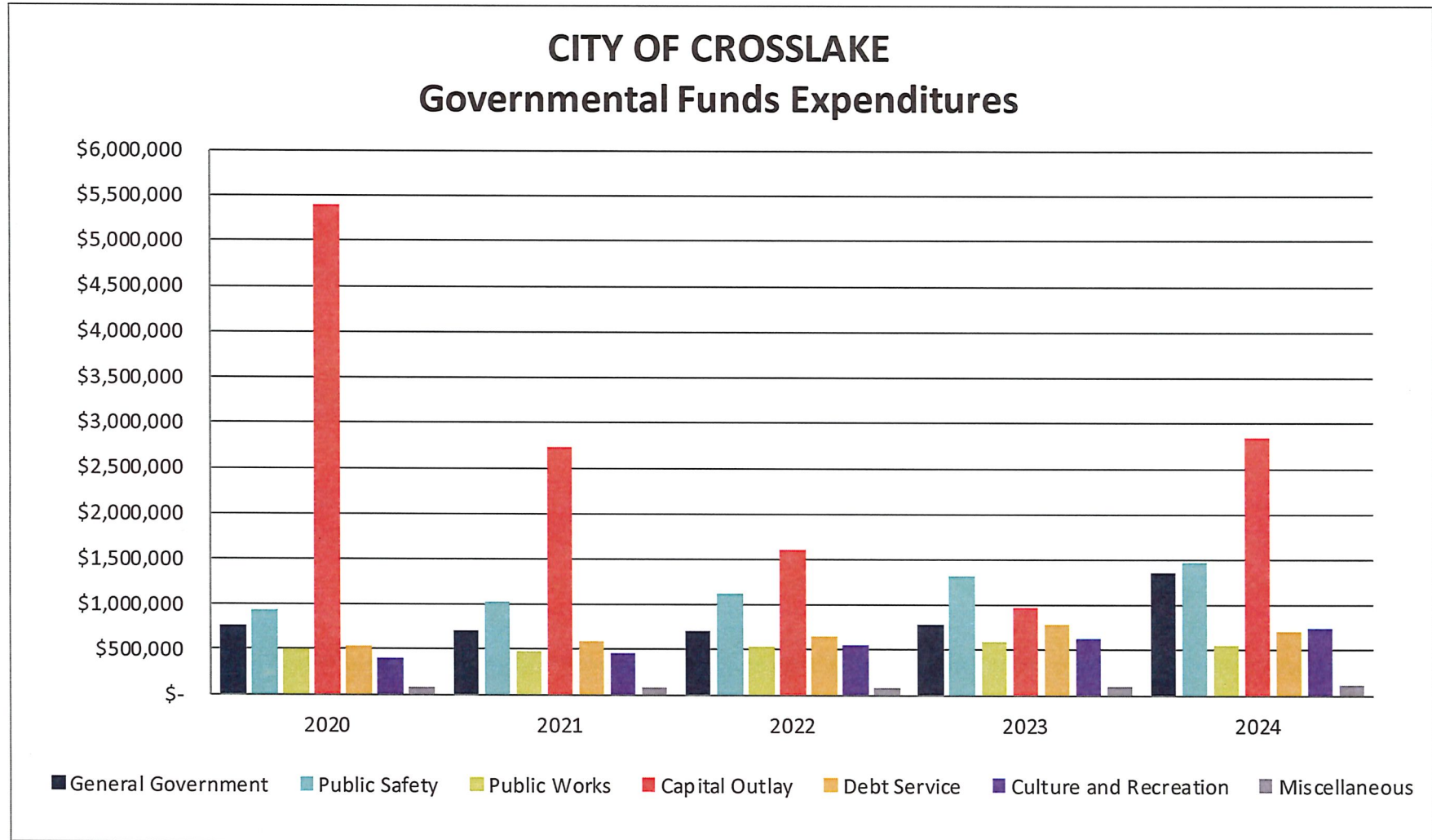
Financial Results



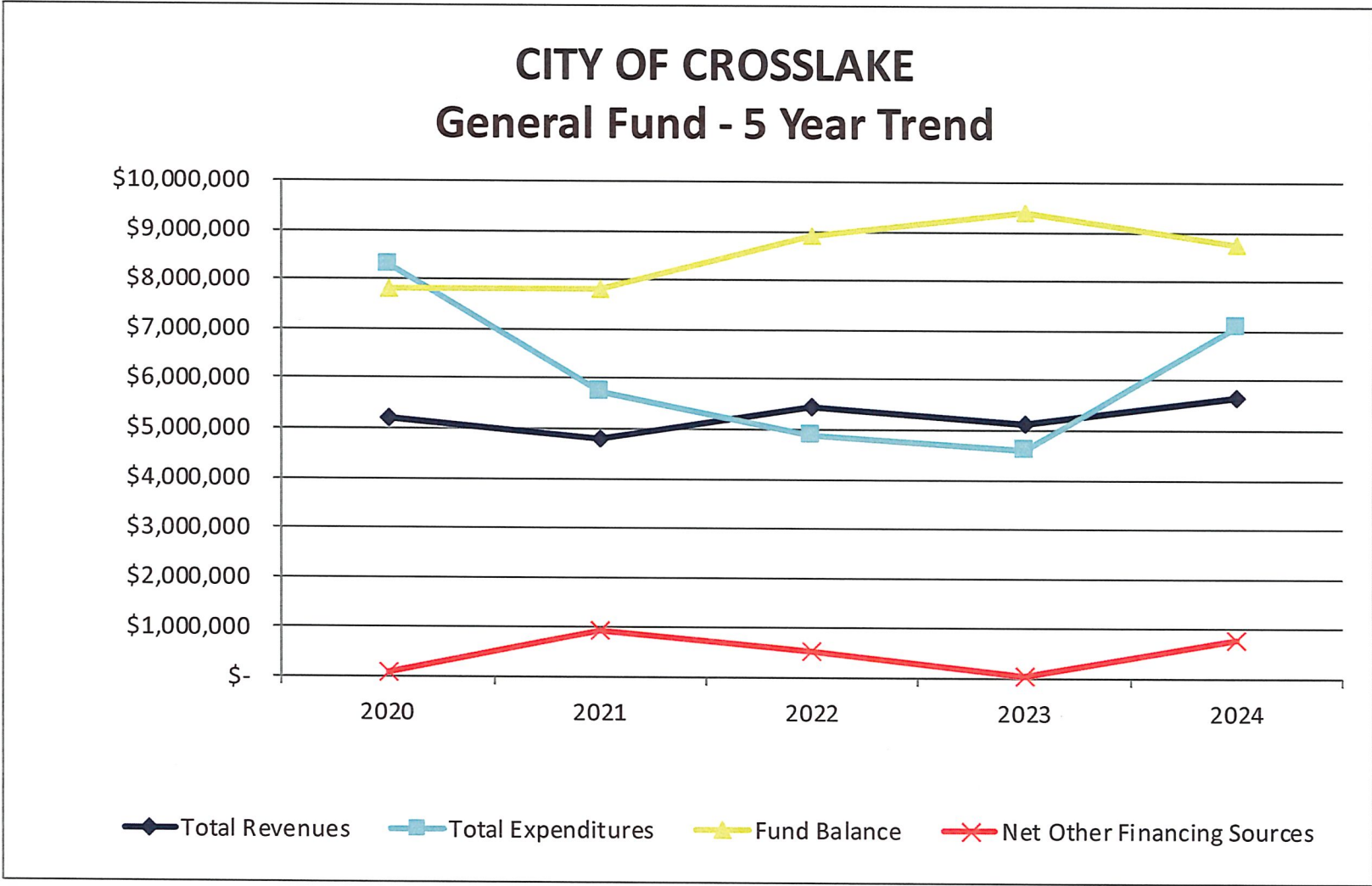
Financial Results (Continued)



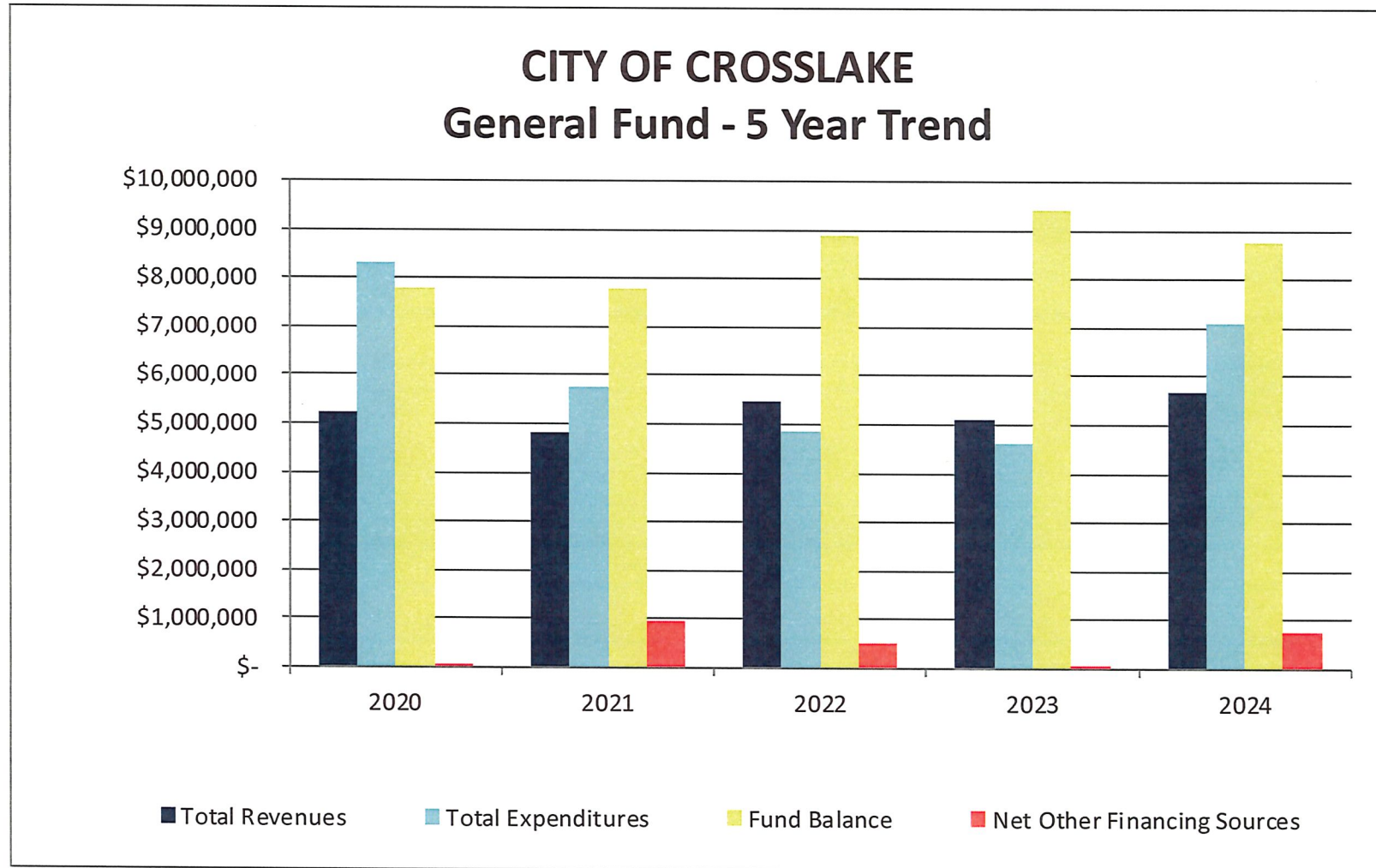
Financial Results (Continued)



Financial Results (Continued)

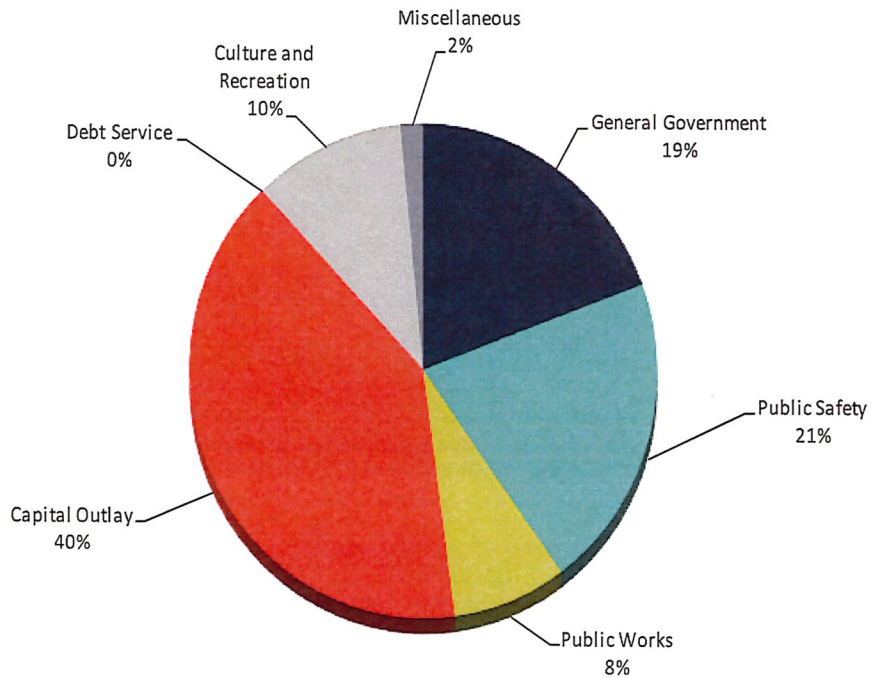


Financial Results (Continued)

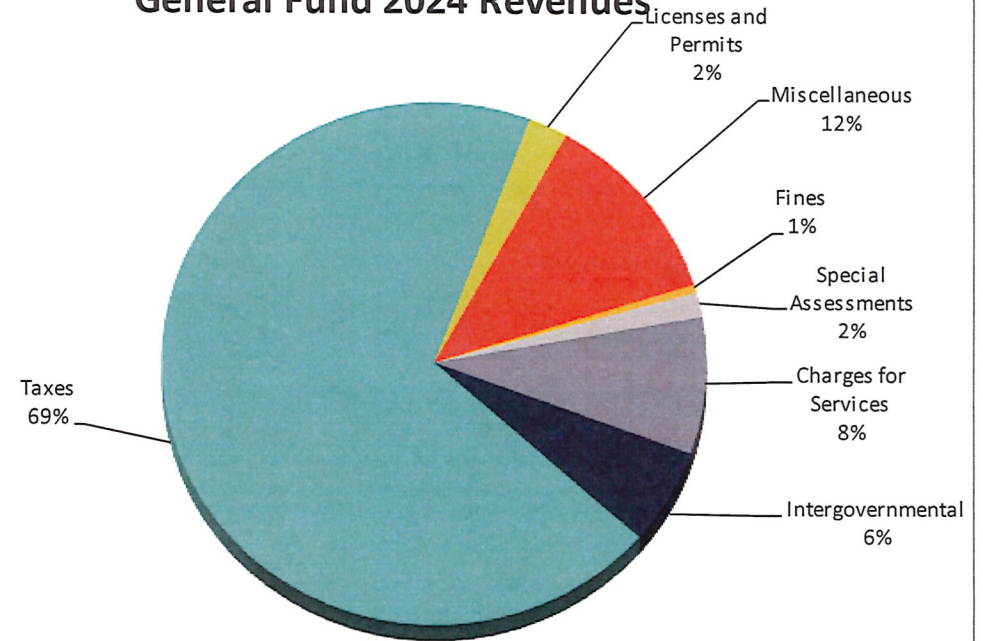


Financial Results (Continued)

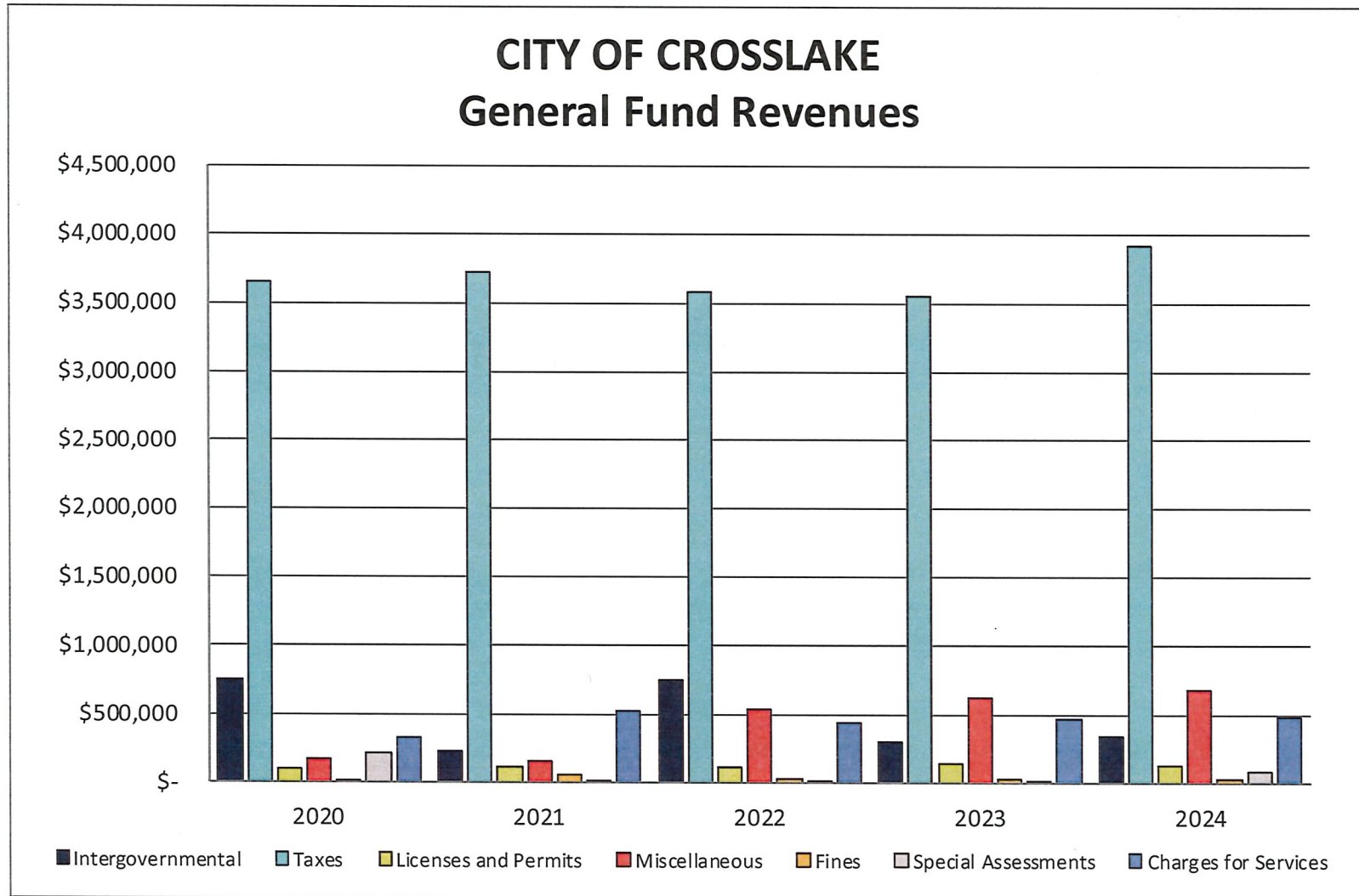
**CITY OF CROSSLAKE
General Fund 2024 Expenditures**



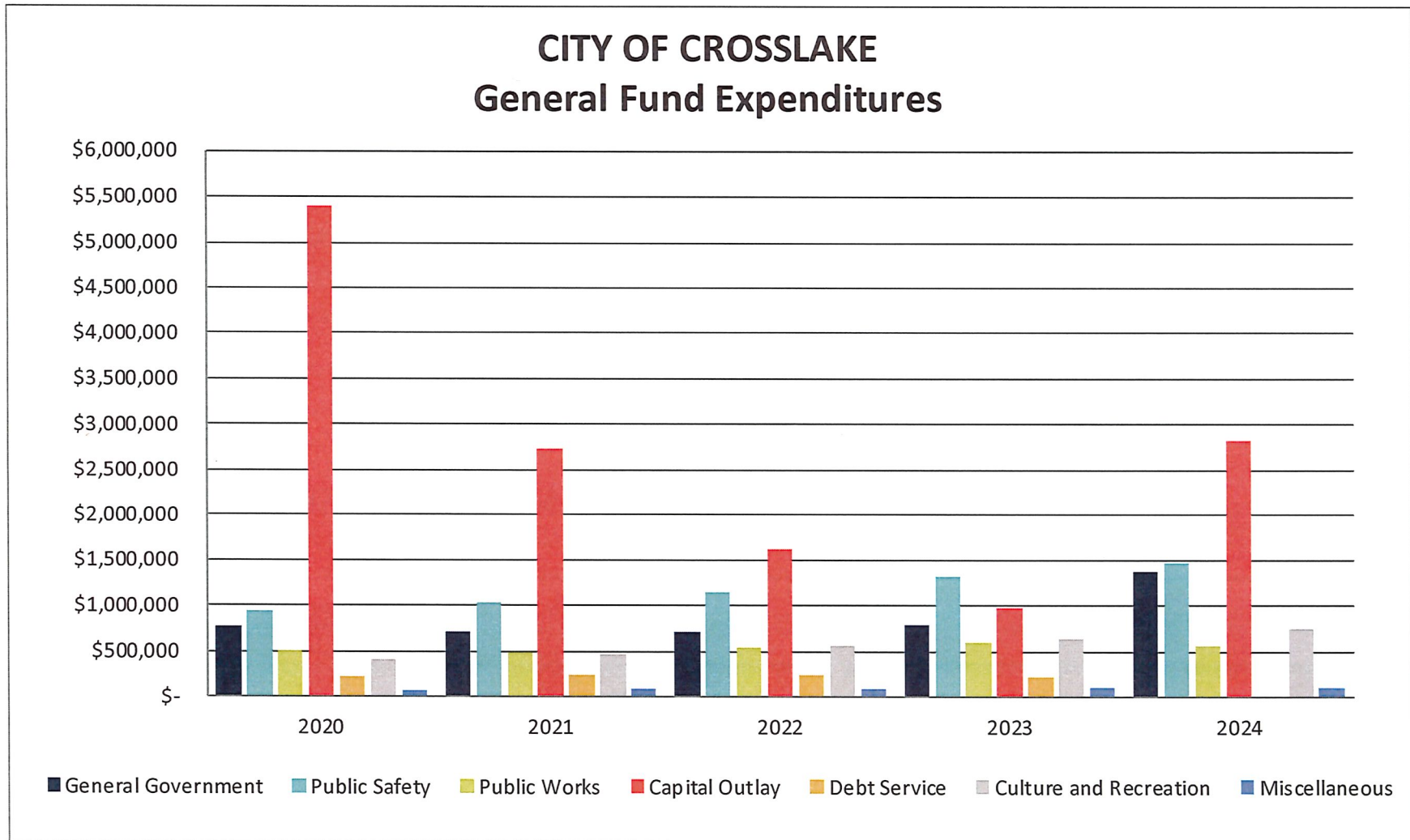
**CITY OF CROSSLAKE
General Fund 2024 Revenues**



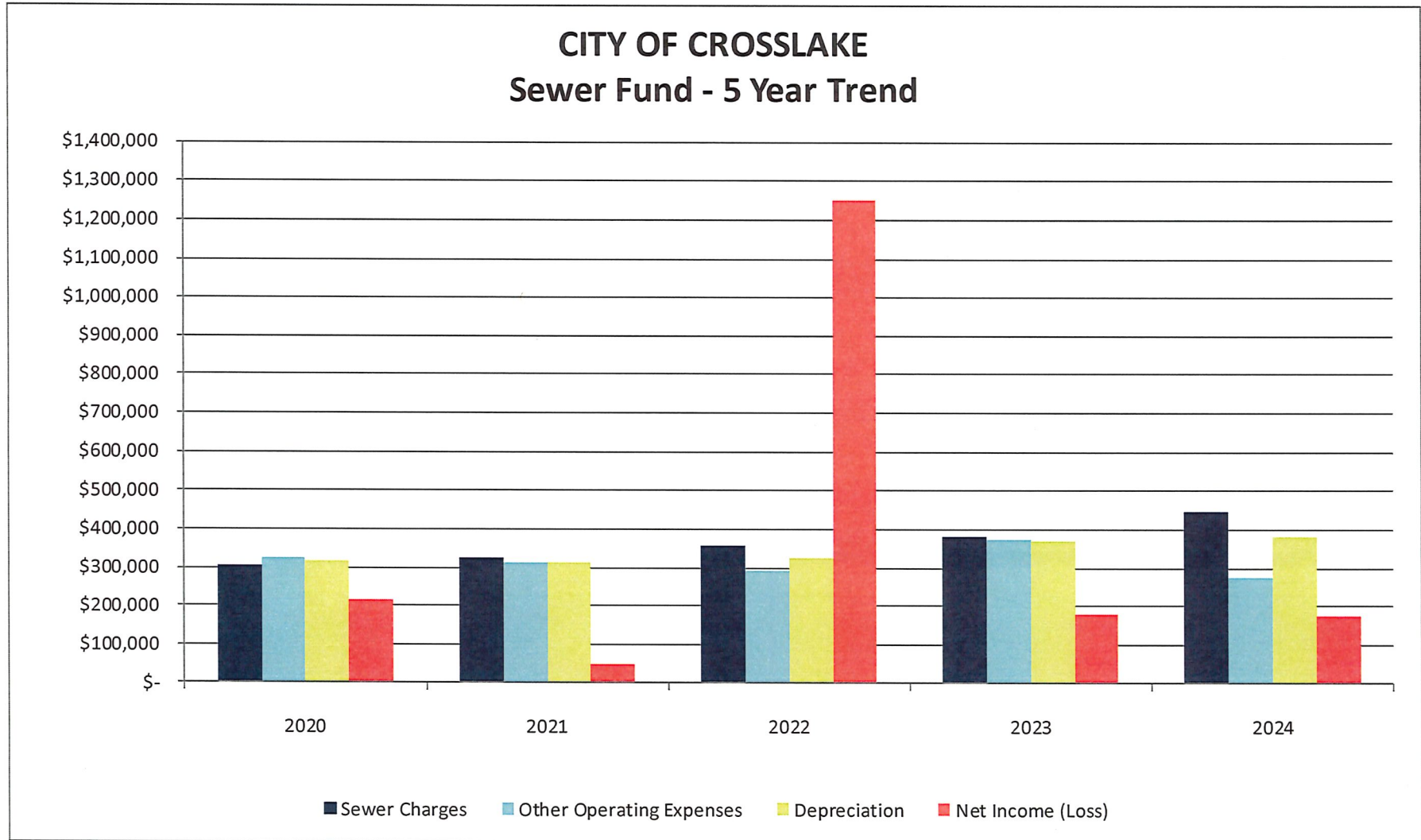
Financial Results (Continued)



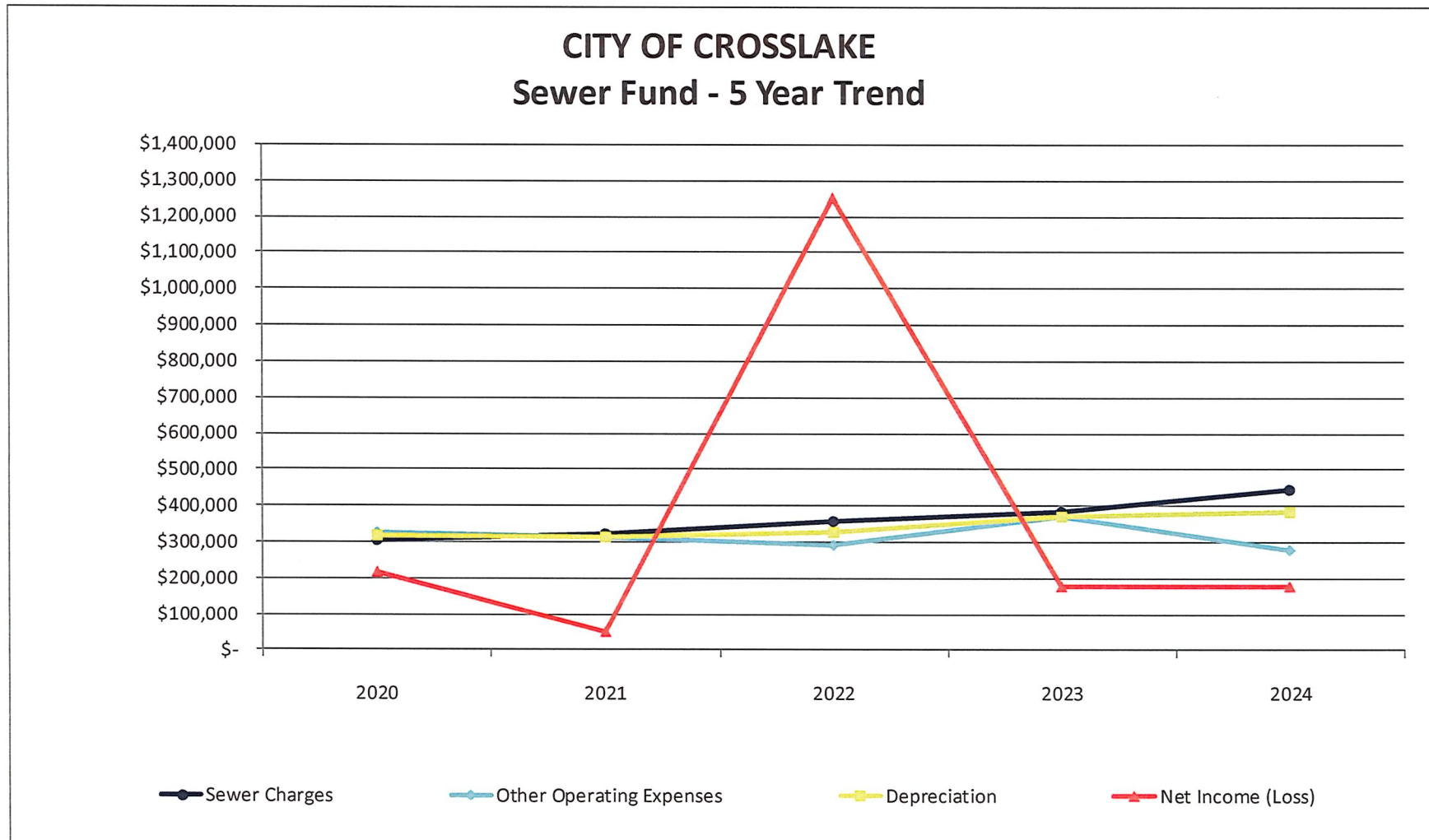
Financial Results (Continued)



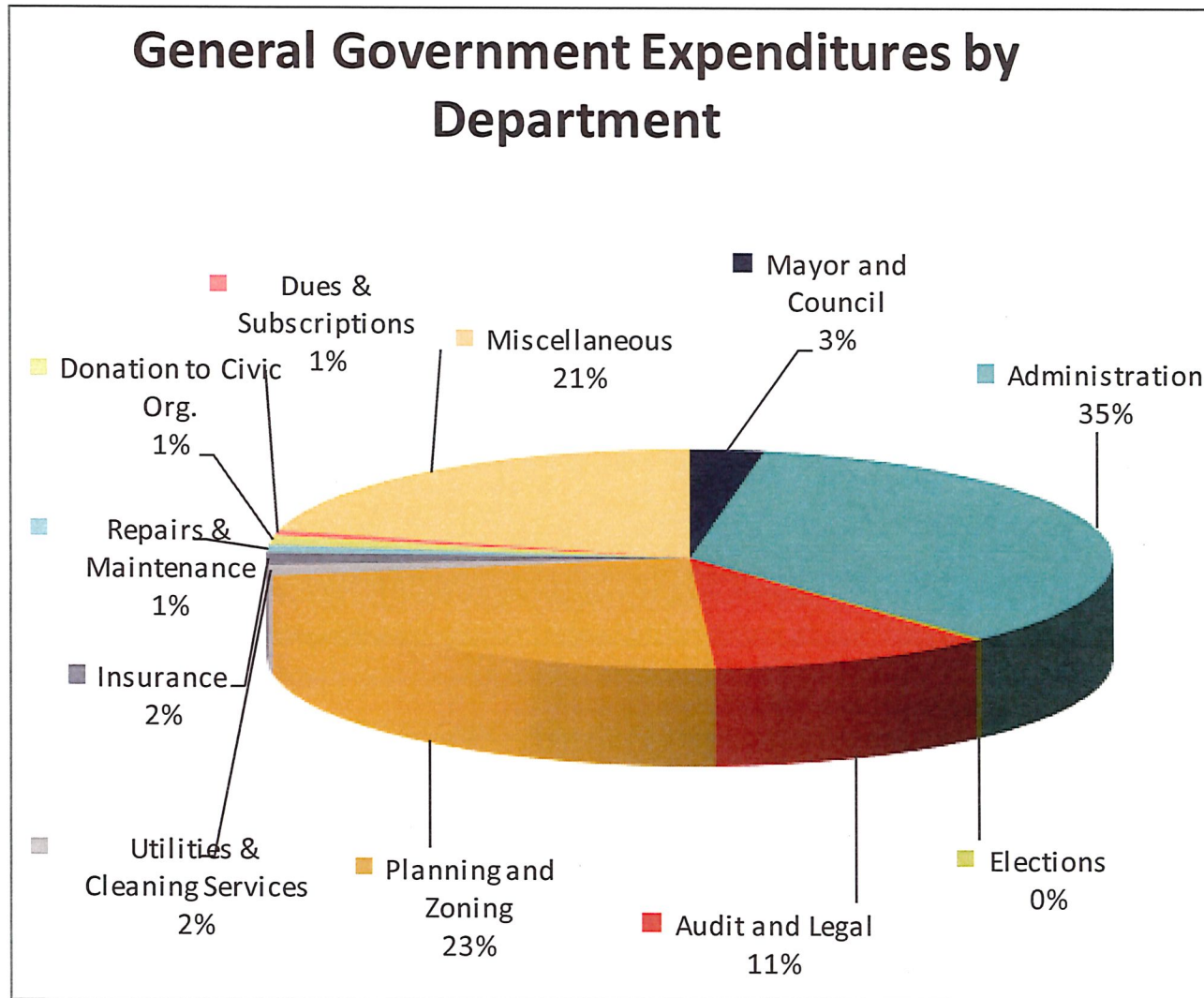
Financial Results (Continued)



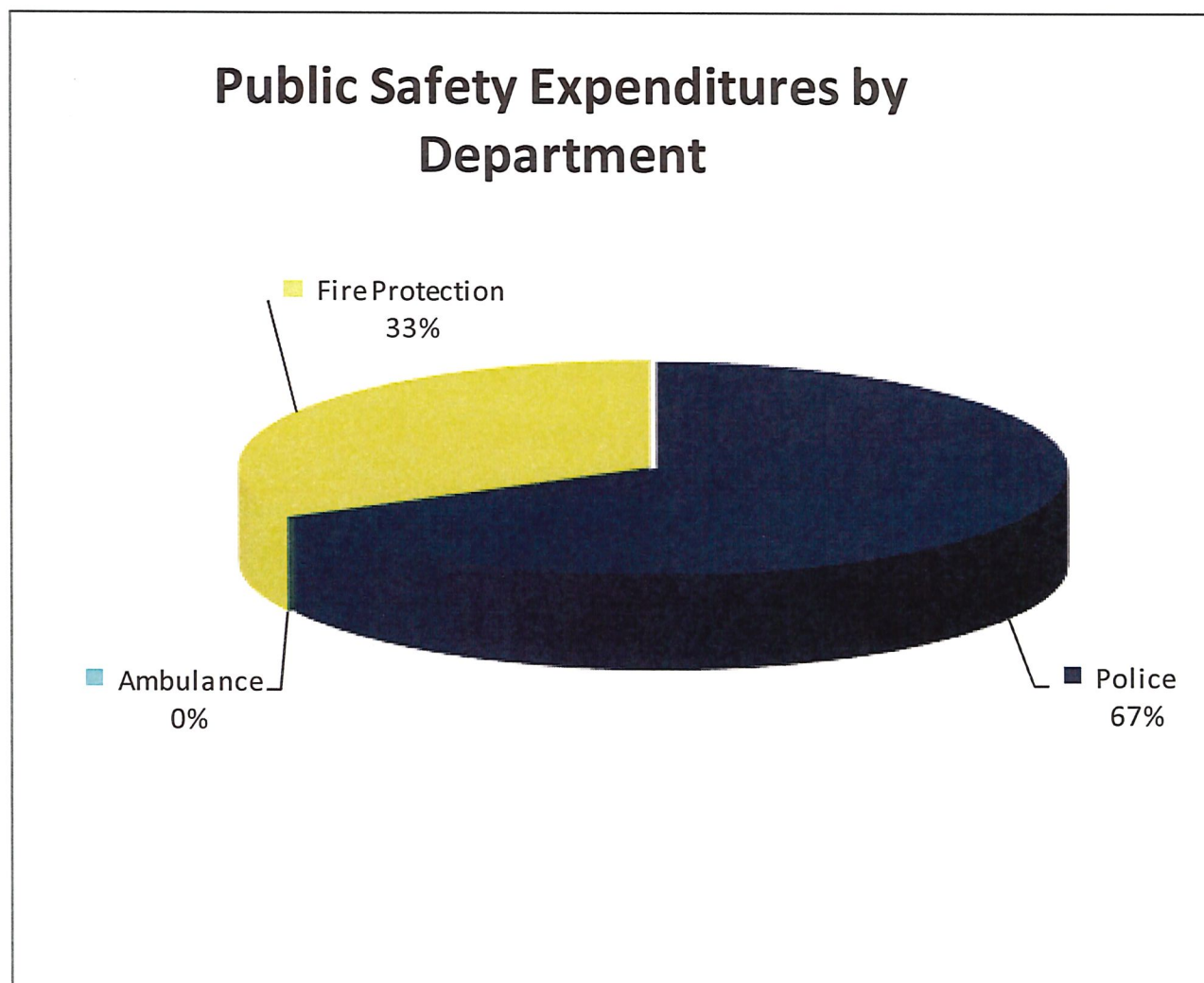
Financial Results (Continued)



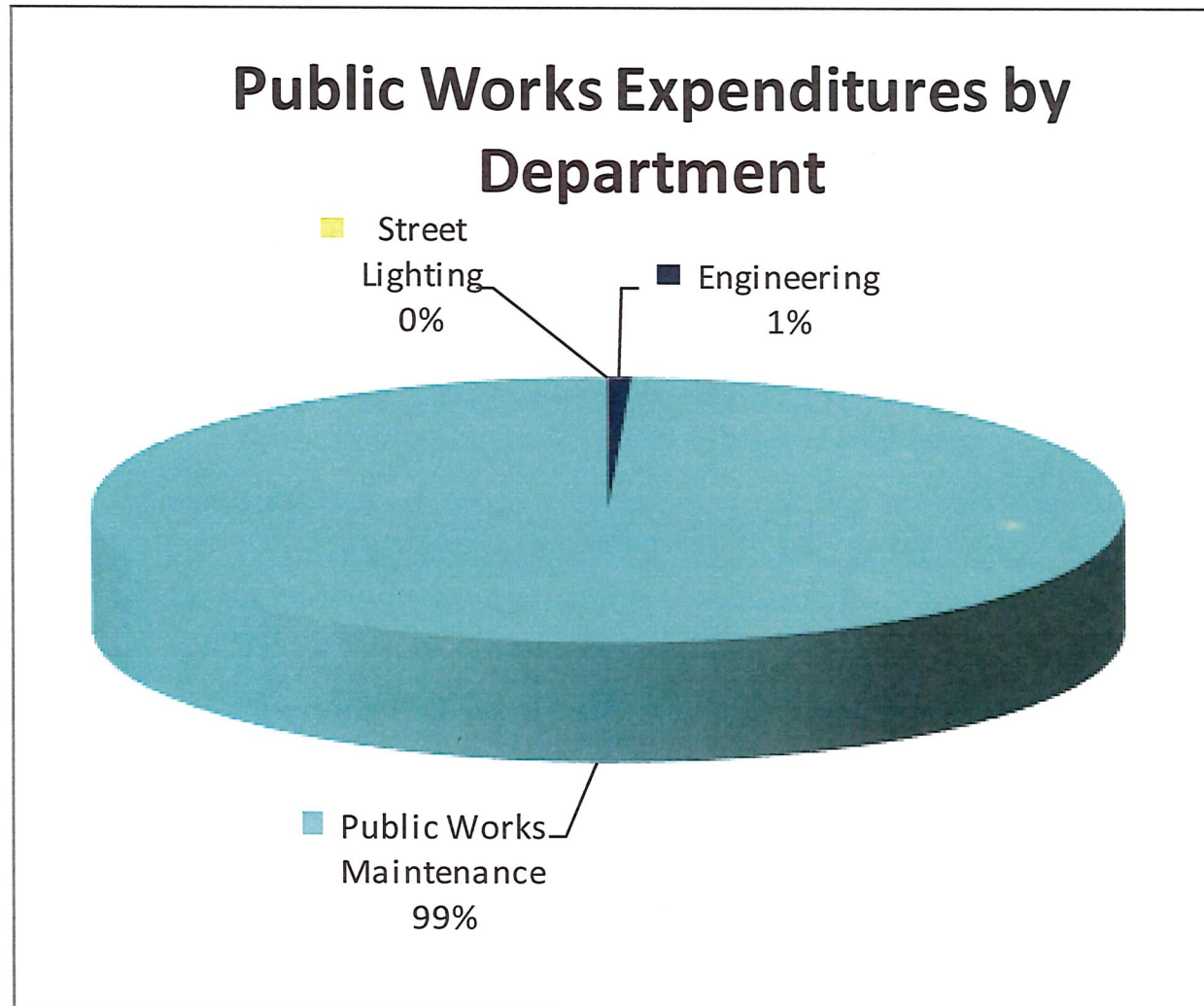
Financial Results (Continued)



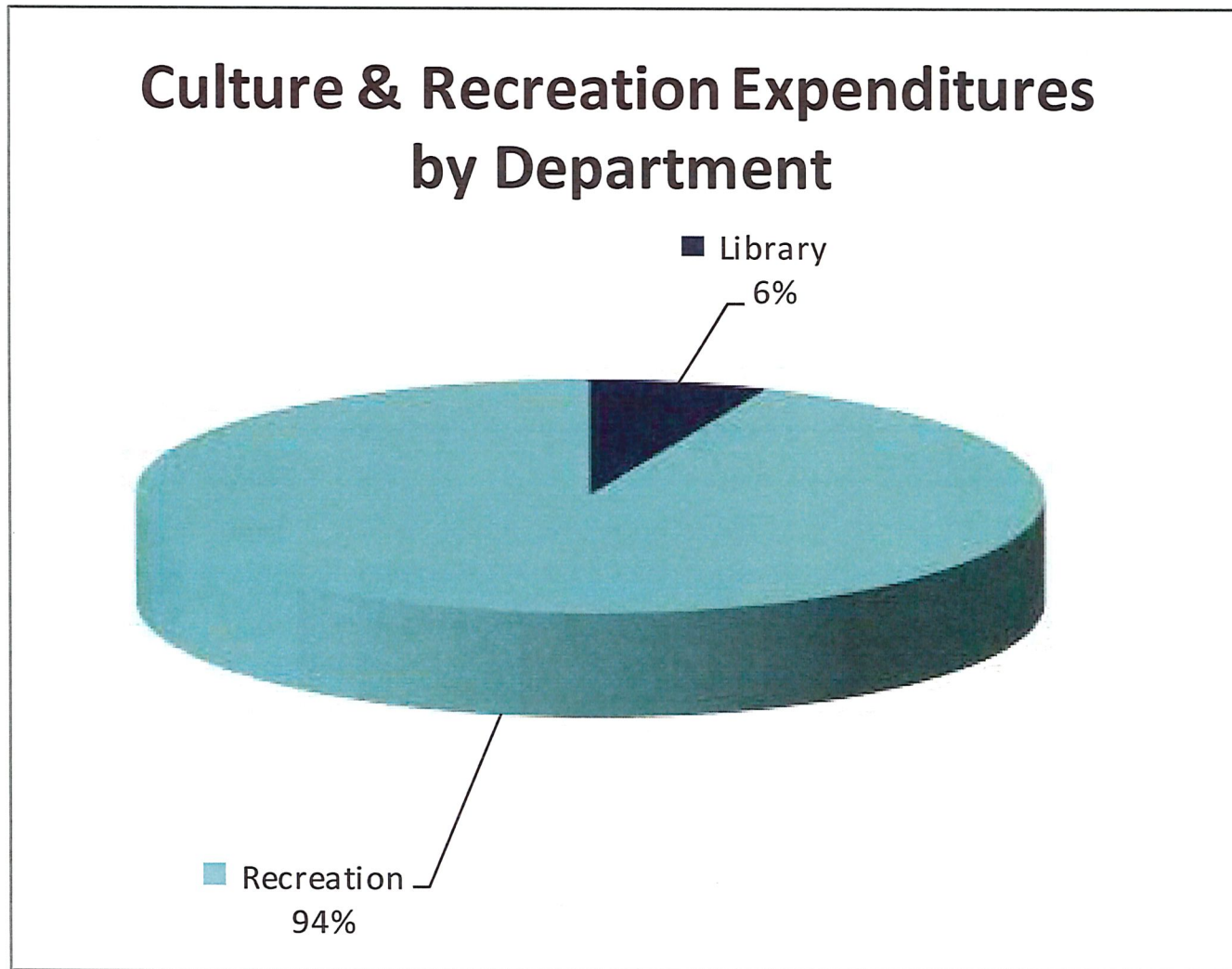
Financial Results (Continued)



Financial Results (Continued)



Financial Results (Continued)



Financial Results (Continued)

- Other Financial Highlights
 - Financial statements and the required State Auditor Reporting Form were both submitted to the applicable state agency before the deadline
 - Deadline is June 30, 2025
 - The General Fund had a negative change in Fund Balance
 - Sewer Fund had a positive change in net position of \$175,000



Key Issues/Summary

- Capital Outlay in the General Fund was approximately \$2,836,000
 - Added new assets for a net increase of \$2,012,000
- Debt Service Fund increased \$33,000, collecting enough taxes to pay for principal and interest payments on debt
 - Total debt of \$5,116,000 and fund balance of \$1,024,000
- Financial stability
 - General Fund was \$977,000 over budget in revenues and \$424,000 over budget in expenditures
 - Cash on hand of \$8,158,000 and current year expenditures of \$7,077,000
 - Expected change in fund balance to be a negative \$1,061,000 and ended with a negative \$652,000
 - General Fund assigned fund balance of approximately \$821,000 for capital outlay
 - General Fund restricted fund balance of \$0
 - Debt Service Fund remains stable to meet principal and interest payments



Key Issues/Summary (Continued)

- Enterprise Net Position
 - Sewer Fund had positive cash flow from Operating Activities
 - Total restricted cash of \$463,000 – for debt service
 - Operating expenses of \$658,000, operating revenues \$446,000
 - Fund deficit with property taxes
 - Depreciation expense of \$381,000
 - The Sewer Fund increased cash by \$121,000
 - \$92,000 Capital asset purchases
 - \$170,000 Cash flow from operating activities
 - \$346,000 Principal payments
 - Continue to monitor rates for the Sewer Fund and ensure revenues are meeting expectations



*Thank you to all for helping to get
this audit completed timely and for
allowing us to serve you!*

Contact Information:

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Principal*

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CLAconnect.com



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