



CITY OF LAKE SAINT CROIX BEACH

Financial Statements and Other Information

For the Year Ended December 31, 2019

MICHAEL W. POFAHL

Certified Public Accountant

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INTRODUCTORY SECTION

CITY OFFICIALS

MAYOR AND CITY COUNCIL MEMBERS

<u>Elected</u>	<u>Position</u>	<u>Term Expires</u>
Thomas G. McCarthy	Mayor	December 31, 2020
Dawn M. Bulera	Council Member	December 31, 2022
Jeremy P. Armstrong	Council Member	December 31, 2020
Noah Bluesky	Council Member	December 31, 2022
Peter J. Ludwig	Council Member	December 31, 2020

INDEPENDENT AUDITOR'S REPORT

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue 14E
Chisago City, Minnesota 55013
651-213-6632

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Lake Saint Croix Beach
Washington County, Minnesota

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Saint Croix Beach, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Saint Croix Beach, Minnesota, as of December 31, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

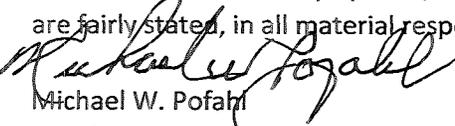
Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 17-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Saint Croix Beach, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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


Michael W. Pofahl
Certified Public Accountant
Chisago City, MN 55013
March 1, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



LAKE SAINT CROIX BEACH MANAGEMENTS DISCUSSION AND ANALYSIS DECEMBER 31, 2019

Financial Highlights

The City's change in net position was \$94,812 for the year ended December 31, 2019

The General Fund, the primary operating fund reflected on a current financial resource basis, reports an increase in fund balance of \$416.

Overview of the Financial Statements

The discussion and analysis is intended to provide an introduction to the City's basic financial statements. The City's basic financial statements consist of three components. They are: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and provide information about the activities of the City as a whole and present a long-term view of the City's finances.

In general, fund financial statements provide information about governmental activities by showing how these services were financed in the short-term, as well as what remains for future spending. These statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

In general, fund financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-35 of this report.

Reporting on the City as a Whole

The analysis of the City as a whole begins with the Statement of Net Position and the Statement of Activities found on page 9. The statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer whether the City as a whole is better or worse off as a result of this year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These statements report the City's net position and changes in them. The City's net position can be used as a way of measuring the City's financial health, or financial position. Over time, increases or decreases to the City's net position are an indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's tax base or the condition of the City's infrastructure, to assess the overall health of the City.

Reporting on the City's Significant Funds

The fund financial statements, that begin on page 10, provide detailed information about the City's funds. Some funds are required to be established by state law and the City Council establishes these funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other revenues. All of the City's funds are government-type funds.

Governmental Funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left a year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. I describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation to each of the fund financial statements on pages 11 and 13. The basic governmental fund financial statements can be found on pages 10 through 12.

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at December 31, 2019 is as follows:

	Governmental Activities
Cash and Investments	\$ 752,772
Other assets	3,274
Capital assets-Primarily Park Land @ TMV	4,198,156
Total assets	<u>4,954,202</u>
Long term debt	<u>-</u>
Other liabilities	109,975
Total liabilities	<u>109,975</u>
Net position	
Investment in capital assets	4,198,156
Unassigned	646,071
Total net position	<u>\$ 4,844,227</u>

A condensed version of the Statement of Activities for the year ended December 31, 2019 is as follows:

	<u>Governmental Activities</u>
Revenues	
Program revenues	
Charges for services	\$ 60,778
Operating grants	49,301
Capital grants	-
General revenues	
Property taxes	524,158
Grants and Contributions	86,241
Investment income	12,922
Total Revenues	<u>733,400</u>
Expenses	
Program activities:	
General government	324,020
Public works	96,038
Public safety	156,660
Interest	61,870
Total Expenses	<u>638,588</u>
Change in net position	<u>94,812</u>
Net position, January 1	<u>4,749,415</u>
Net position, December 31	<u>\$ 4,844,227</u>

General Fixed Assets

The City acquired park improvements and equipment during 2019 - costing \$47,789 and road improvements of \$55,000. Depreciation for 2019 was \$19,707. These changes increased the carrying value of General Fixed Assets from \$4,115,074 at January 1, 2019 to \$4,198,156 at December 31, 2019

Economic Factors

Local governments (cities, counties, school boards and townships) in the State of Minnesota primarily rely on property and a limited array of permitted other taxes and fees for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

For the business-type and certain governmental activities (permitting, etc.) the user pays a related fee or charge associated with the service.

The level of taxes, fees and charges for services will have a bearing on the City's specific competitive ability to encourage growth and development.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk-Administrator or the Deputy City Clerk, Dave Engstrom or Kate Piscitello, 16455 20th St. South, Lake St. Croix Beach, Minnesota, 55043.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAKE SAINT CROIX BEACH
STATEMENT OF NET POSITION
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 752,772
Taxes receivable, current	3,274
Land-Primarily Park Land @ TMV	3,379,500
Depreciable capital assets, net of Depreciation	-
Buildings/Equipment	143,555
Infrastructure	675,101
Total Assets	<u>4,954,202</u>
LIABILITIES	
Accounts Payable	26,655
Escrow Deposits	9,320
Pension Liability	74,000
Bonds due within one year	-
Bonds due in more than one year	-
Total Liabilities	<u>109,975</u>
NET POSITION	
Invested in capital assets, net of related debt	4,198,156
Unrestricted	646,071
Total Net Position	<u>4,844,227</u>
Total Liabilities and Net Position	<u>\$ 4,954,202</u>

See accompanying notes to the financial statements

**CITY OF LAKE SAINT CROIX BEACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Government Activities</u>
		<u>Fees, Fines & Charges Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	
General government	\$ 324,020	\$ 13,592	\$ 15,964	\$ -	\$ (294,464)
Public Safety	156,660	-	11,926	-	(144,734)
Public Works	96,038	-	-	-	(96,038)
Parks	61,870	47,186	21,411	-	6,727
Total Government Activities	638,588	60,778	49,301	-	(528,509)

General Revenues

Property Taxes for General Purposes	524,158
Investment Income	12,922
State General Grants	86,241
Total General Revenues	623,321

Change in Net Position

94,812

Net Position, Beginning of Year
P.E.R.A. Pension Prior Years
Net Position, End of Year

4,749,415
-
\$ 4,844,227

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

**CITY OF LAKE SAINT CROIX BEACH
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2019**

	Capital Project Funds	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Equity in Cash Pool	\$ -	\$ 436,653	\$ 61,046	\$ 497,699
Bluffland-Cash	73,885	-	-	73,885
Street Improvements-Cash	171,868	-	-	171,868
Cash Escrow	-	9,320	-	9,320
Taxes receivable, current	-	3,274	-	3,274
Total Assets	\$ 245,753	\$ 449,247	\$ 61,046	\$ 756,046
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deposits-Escrow	-	9,320	-	9,320
Accounts payable	-	26,655	-	26,655
Deferred revenue	-	-	-	-
Total Liabilities	-	35,975	-	35,975
Fund Balances				
Restricted	-	-	1,488	1,488
Assigned	245,753	-	59,558	305,311
Unassigned	-	413,272	-	413,272
Total Fund Balances	245,753	413,272	61,046	720,071
Total Liabilities and Fund Balances	\$ 245,753	\$ 449,247	\$ 61,046	\$ 756,046

See accompanying notes to the financial statements.

**CITY OF LAKE SAINT CROIX BEACH
 GOVERNMENTAL FUNDS - RECONCILIATION OF FUND BALANCES
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2019**

Total Fund Balances for the Governmental Funds		\$ 720,071
Pension Liability		(74,000)
Amounts reported for governmental activities in the statement are different because: Revenue Recognition		-
Capital assets used in government are not financial resources and are not reported in the funds.		
Capital Assets		4,565,565
Less Accumulated Depreciation		(367,409)
Net Position		\$ 4,844,227

See accompanying notes to the financial statements

CITY OF LAKE SAINT CROIX BEACH
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DECEMBER 31, 2019

	Capital Project Funds	General Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ -	\$ 524,158	\$ -	\$ 524,158
Special Assessments	-	-	-	-
License and permits	-	13,141	-	13,141
Fines and forfeitures	-	1,762	-	1,762
Donations	-	-	21,411	21,411
Intergovernmental	-	98,167	-	98,167
Charges for services/refunds	-	45,836	1,350	47,186
Other Revenue	-	451	-	451
Interest Income	4,204	7,529	1,189	12,922
Franchise fees	-	14,202	-	14,202
Total Revenues	<u>4,204</u>	<u>705,246</u>	<u>23,950</u>	<u>733,400</u>
EXPENDITURES				
Capital Outlay	55,000	-	47,789	102,789
General government	6,755	267,860	41,562	316,177
Public works	7,917	78,221	900	87,038
Public safety	-	156,660	-	156,660
Parks	-	33,116	25,890	59,006
Interest/Fiscal Charges	-	-	-	-
Total Expenditures	<u>69,672</u>	<u>535,857</u>	<u>116,141</u>	<u>721,670</u>
Excess (Deficiency) of Revenues Over Expenditures	(65,468)	169,389	(92,191)	11,730
Other Funding Sources				
Transfers in	98,323	-	74,650	172,973
Transfers out	-	(168,973)	(4,000)	(172,973)
	<u>98,323</u>	<u>(168,973)</u>	<u>70,650</u>	<u>-</u>
Excess of Revenues and Other Funding sources	32,855	416	(21,541)	11,730
Fund Balance, January 1	212,898	412,856	82,587	708,341
Fund Balance, December 31	<u>\$ 245,753</u>	<u>\$ 413,272</u>	<u>\$ 61,046</u>	<u>\$ 720,071</u>

See accompanying notes to the financial statements

**CITY OF LAKE SAINT CROIX BEACH
GOVERNMENTAL FUNDS - RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2019**

Net Change in Fund Balance - Governmental Funds \$ 11,730

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over the estimated useful lives as depreciation expense.

Capital Outlay	102,789
Depreciation Expense	(19,707)

Net Change Statement of Activities \$ 94,812

See accompanying notes to the financial statements

NON-MAJOR FUNDS

**CITY OF LAKE SAINT CROIX BEACH
BALANCE SHEET
DECEMBER 31, 2019**

NON-MAJOR FUNDS

ASSETS	Building & Land Fund	Charitable Gaming Fund	Pettitt Park Improvement Fund	Playground Fund	LT Improvement Fund	Veterans Memorial Fund	Total Non-Major Funds
Cash and Investments	\$ 5,354	\$ 5,491	\$ 3,107	\$ 292	\$ 45,314	\$ 1,488	\$ 61,046
Liabilities Accounts Payable	-	-	-	-	-	-	-
Fund Balance-Assigned	5,354	5,491	3,107	292	45,314	-	59,558
Restricted Fund Balance	-	-	-	-	-	1,488	1,488
Liabilities and Fund Balance	\$ 5,354	\$ 5,491	\$ 3,107	\$ 292	\$ 45,314	\$ 1,488	\$ 61,046

CITY OF LAKE SAINT CROIX BEACH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2019

NON-MAJOR FUNDS

	Building & Land Fund	Charitable Gaming Fund	Pettitt Park Improvement Fund	Playground Fund	LT Improvement Fund	Veterans Memorial Fund	Total Non-Major Fund
REVENUES							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for Service	-	-	1,350	-	-	-	1,350
Fines and Forfeits	-	-	-	-	-	-	-
Investment Earnings	27	117	32	243	638	132	1,189
All Other Revenues	-	4,333	250	272	-	16,556	21,411
Transfers In	5,000	-	1,000	9,000	59,650	-	74,650
TOTAL REVENUES	\$ 5,027	\$ 4,450	\$ 2,632	\$ 9,515	\$ 60,288	\$ 16,688	\$ 98,600

CITY OF LAKE SAINT CROIX BEACH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2019

NON-MAJOR FUNDS

	Building & Land Fund	Charitable Gaming Fund	Pettitt Park Improvement Fund	Playground Fund	Improvement Fund	LT Fund	Veterans Memorial Fund	Total Non-Major Fund
DISBURSEMENTS								
General Government	\$ -	\$ 1,000	\$ -	\$ -	\$ 40,562	\$ -	\$ -	\$ 41,562
Public Safety	-	-	-	-	-	-	-	-
Streets and Highways	-	-	-	-	900	-	-	900
Parks and Recreation	-	-	-	470	7,228	18,192	-	25,890
Capital Outlay	-	-	-	35,587	12,202	-	-	47,789
Transfers Out	-	4,000	-	-	-	-	-	4,000
TOTAL DISBURSEMENTS	\$ -	\$ 5,000	\$ -	\$ 36,057	\$ 60,892	\$ 18,192	\$ -	\$ 120,141
Net Change in	-	-	-	-	-	-	-	-
Fund Balance	5,027	(550)	2,632	(26,542)	(604)	(1,504)	-	(21,541)
Fund Balances-	-	-	-	-	-	-	-	-
Beginning of Year	327	6,041	475	26,834	45,918	2,992	-	82,587
Fund Balances-								
End of Year	\$ 5,354	\$ 5,491	\$ 3,107	\$ 292	\$ 45,314	\$ 1,488	\$ -	\$ 61,046

**INDIVIDUAL/BUDGET/ACTUAL
FUND FINANCIAL STATEMENTS**

**CITY OF LAKE SAINT CROIX BEACH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2019**

Fund and Account Numbers/Description	2019 Actual Year to Date	2019 Annual Budget	Actual Favorable (Unfavorable) vs Budget
101. General Fund			
General Fund Revenue			
31000 General Prop Taxes			
31100 Genl Prop Taxes - Curr Yr	442,579	446,740	(4,161)
31101 Genl Prop Tax - Prior Yr	5,951	0	5,951
31200 Fiscal Disp Levy - Curr	75,628	75,628	(0)
31201 Fiscal Disp Levy - Prior	0	0	0
Total 31000 General Prop Taxes	<u>524,158</u>	<u>522,368</u>	<u>1,790</u>
31300 Franchise Fees & Taxes			
31301 Cable Commission	14,202	13,000	1,202
Total 31300 Franchise Fees & Taxes	<u>14,202</u>	<u>13,000</u>	<u>1,202</u>
31500 Assessments - Water	0	0	0
31700 Fire Stat Debt Levy	11,926	11,926	0
31710 Fire Relief Assn Levy	0	0	0
32000 Lic & Permits			
32100 Bus Lic & Permits			
32110 Liquor & Cigarettes	12	1,510	(1,498)
32120 Zoning - Business	722	500	222
Total 32100 Bus Lic & Permits	<u>734</u>	<u>2,010</u>	<u>(1,276)</u>
32200 Non-Bus Lic & Permits			
32210 Animal Lic & Fees	250	100	150
32215 Bldg Permits	12,157	12,000	157
32220 Zoning - Non-Bus	0	1,000	(1,000)
Total 32200 Non-Bus Lic & Permits	<u>12,407</u>	<u>13,100</u>	<u>(693)</u>
Total 32000 Lic & Permits	<u>13,141</u>	<u>15,110</u>	<u>(1,969)</u>
33000 Intergov't Revenues			
33050 PERA Aid	248	248	0
33101 Local Govt Aid	82,123	82,123	0
33150 Federal Disaster Aid	0	0	0
33155 State Disaster Aid	0	0	0
33160 Oth Disaster Aid/Contrib	0	0	0
33200 Recycling Grant/Reimb	3,870	4,200	(330)
33250 MN Small City Assistance	0	0	0
33260 Local Grants - General	0	50	(50)
Total 33000 Intergov't Revenues	<u>86,241</u>	<u>86,621</u>	<u>(380)</u>

**CITY OF LAKE SAINT CROIX BEACH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2019**

Fund and Account Numbers/Description	2019 Actual Year to Date	2019 Annual Budget	Actual Favorable (Unfavorable) vs Budget
34000 Chgs for Serv			
34050 General Government			
34051 Newsletter Sponsors	325	1,800	(1,475)
34052 Assessment Searches	0	40	(40)
34053 City Hall Rent	1,425	1,500	(75)
Total 34050 General Government	1,750	3,340	(1,590)
34070 Garbage, Recycling & Oth			
34071 Clean Up Day	0	0	0
Total 34070 Garbage, Recycling & Oth	0	0	0
34100 Parks & Rec			
34105 Park Dedication Fees	0	0	0
34107 Park Rental	450	400	50
34110 Beach Parking Permits	37,836	30,000	7,836
34120 Watercraft Permits	5,800	6,200	(400)
34130 Other Park Revenue	0	0	0
Total 34100 Parks & Rec	44,086	36,600	7,486
34200 Other Service Charges	0	0	0
Total 34000 Chgs for Serv	45,836	39,940	5,896
35000 Fines & Forfeits	1,762	2,000	(238)
36000 Investment Earnings	7,529	3,500	4,029
37000 All Oth Rev			
37010 Insurance Dividends	267	600	(333)
37020 Reimbursements	0	0	0
37030 Miscellaneous	184	0	184
37050 Donations - General City	0	100	(100)
Total 37000 All Oth Rev	451	700	(249)
Total General Fund Revenue	705,246	695,165	10,081
General Fund Expenses			
41000 Genl Govt			
41100 Mayor & Council			
41110 Wages & Benefits	8,321	8,400	79
41120 Other Expenses	0	0	0
Total 41100 Mayor & Council	8,321	8,400	79

**CITY OF LAKE SAINT CROIX BEACH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2019**

Fund and Account Numbers/Description	2019 Actual Year to Date	2019 Annual Budget	Actual Favorable (Unfavorable) vs Budget
41200 Admin & Finance			
41210 Clerk/City Administrator	80,178	77,539	(2,639)
41215 Deputy Clerk	56,692	66,183	9,491
41220 Treasurer/Accounting	30,673	9,400	(21,273)
41230 Payroll Service	360	300	(60)
41250 Other/Miscellaneous	210	250	40
Total 41200 Admin & Finance	168,112	153,672	(14,440)
41300 Oth Genl Govt			
41301 Meeting Per Diem & Exp	2,960	3,000	40
41303 Banking Fees & Charges	179	200	22
41305 Misc/Other Expense	504	500	(4)
41310 Financial Audit	5,720	4,500	(1,220)
41315 Elections	830	1,000	170
41320 Printing & Publishing	1,186	1,200	14
41325 Assessment Services	8,178	8,240	62
41330 Legal Services	12,691	18,000	5,309
41335 Office Equip & Supplies	5,766	6,000	234
41340 Comm Equip & Service	7,030	3,500	(3,530)
41345 Transportation & Mileage	3,982	1,000	(2,982)
41350 Dues & Subscriptions	2,564	3,000	436
41355 Newsletter	10,395	10,000	(395)
41360 Training & Education	2,963	2,400	(563)
41390 Grants & Contributions	0	450	450
Total 41300 Oth Genl Govt	64,947	62,990	(1,957)
41500 City Bldgs & Plant			
41507 City Hall Maint & Util	11,912	10,000	(1,912)
41509 City Hall Imp	537	0	(537)
Total 41500 City Bldgs & Plant	12,450	10,000	(2,450)
Total 41000 Genl Govt	253,830	235,062	(18,768)

**CITY OF LAKE SAINT CROIX BEACH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2019**

Fund and Account Numbers/Description	2019 Actual Year to Date	2019 Annual Budget	Actual Favorable (Unfavorable) vs Budget
42000 Public Safety			
42103 Law Enforcement	68,827	70,000	1,173
42105 Fire & Emergency Response	62,554	62,554	0
42107 Animal Control	1,199	1,800	601
42109 Building Inspection Serv	9,532	8,400	(1,132)
42111 Oth Public Safety	593	0	(593)
42113 Fire Relief Association	0	0	0
42150 Erosion & Flood Control	2,030	8,000	5,970
42160 Public Safety Grants	0	0	0
42203 Fire Hall Debt Serv	11,926	11,926	0
Total 42000 Public Safety	156,660	162,680	6,020
43000 Public Works			
43100 Streets			
43103 Street Maintenance	7,013	24,000	16,987
43105 Snow & Ice Removal	23,144	14,000	(9,144)
43107 Engineering Services	7,658	12,000	4,342
43109 Traffic Signs & Control	2,614	2,000	(614)
43110 Right of Way Maint	0	0	0
43111 Street Lighting	8,476	8,500	24
43113 Street Drainage/Flooding	2,475	2,700	225
43115 Weed Control	0	1,000	1,000
43116 Tree Program	0	0	0
Total 43100 Streets	51,380	64,200	12,820
43200 Sanitation			
43203 Recycling Services	26,453	22,000	(4,453)
43205 City Clean Up Day	0	0	0
43207 Garbage/Refuse Removal	387	0	(387)
Total 43200 Sanitation	26,841	22,000	(4,841)
43300 Water Facilities			
43305 Water Main Repairs	0	0	0
Total 43300 Water Facilities	0	0	0
Total 43000 Public Works	78,221	86,200	7,979
45000 Parks & Rec			
45100 Park Wages & Benefits	9,790	9,000	(790)
45103 Mowing & Lawn Maint	15,643	18,000	2,357
45105 Park Mnt, Supplies & Util	7,683	10,000	2,317
45110 Bluffland Maintenance	0	0	0
45200 Park Imp - General	0	0	0
Total 45000 Parks & Rec	33,117	37,000	3,883

**CITY OF LAKE SAINT CROIX BEACH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2019**

Fund and Account Numbers/Description	2019 Actual Year to Date	2019 Annual Budget	Actual Favorable (Unfavorable) vs Budget
46500 Econ Dev			
46505 Water Mgmt Org	5,194	6,000	806
46510 Codification	0	0	0
46525 Easement & Land Acq	0	0	0
46530 City Dev - Heritage Day	586	600	14
Total 46500 Econ Dev	5,780	6,600	820
49000 Miscellaneous			
49240 Insurance - Prop & Liab	6,878	7,500	622
49250 Insurance - Workers Comp	1,372	1,250	(122)
Total 49000 Miscellaneous	8,250	8,750	500
49300 Oth Financing Uses/Trfs			
49303 Trf to Debt Service Fd	0	0	0
49305 Trf to Street Imp Fd (LGA)	82,123	82,123	0
49306 Trf to Street Imp Fd (SCA)	0	0	0
49307 Trf to Pettitt Park Fd	1,000	1,000	0
49309 Trf to Playground Fd	5,000	5,000	0
49310 Trf to Bluffland Fd	8,700	3,000	(5,700)
49315 Trf to Bldg & Land Fd 39315	5,000	5,000	0
49319 Trf to Street Imp Fd - Other 39319	7,500	15,000	7,500
49320 Trf to LT Imp Fd - Water Main	10,000	10,000	0
49320 Trf to LT Imp Fd - Veg Mgmt 58022	5,000	5,000	0
49320 Trf to LT Imp Fd - Parks Genl 58023	10,500	1,000	(9,500)
49320 Trf to LT Imp Fd - Vehicles 58024	6,400	4,000	(2,400)
49320 Trf to LT Imp Fd - Office Equip 58025	250	250	0
49320 Trf to LT Imp Fd - City Hall Imp 58026	7,000	7,000	0
49320 Trf to LT Imp Fd - Comp Plan 58027	4,000	4,000	0
49320 Trf to LT Imp Fd - Snow Ice Reserve 58028	1,000	1,000	0
49320 Trf to LT Imp Fd - Clean Up Day 58029	8,000	8,000	0
49320 Trf to LT Imp Fd - Codification 58032	1,000	1,000	0
49320 Trf to LT Imp Fd - ROW 58033	5,000	5,000	0
49320 Trf to LT Imp Fd - Tree Prog 58034	500	500	0
49320 Trf to LT Imp Fd - Audit Legal 58035	500	500	0
49320 Trf to LT Imp Fd - MN UI 58036	500	500	0
49320 Trf to LT Imp Fd (Various)	0	0	0
Total 49300 Oth Financing Uses/Trfs	168,973	158,873	(10,100)
Total General Fund Expense	704,831	695,165	(9,666)
Total 101 General Fund	416	0	416

NOTES TO FINANCIAL STATEMENTS

CITY OF LAKE SAINT CROIX BEACH
Notes of Financial Statements
December 31, 2019

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the City of Lake Saint Croix Beach, Minnesota, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The City operates under Plan A form of government and provides services such as public safety, public works, public health, culture, recreation, and community development, as authorized by statute.

For Financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units and other organizations for which the City is financially accountable or for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. After applying the criteria to all potential component units, it was determined that the City has no material component units. Existing E.D.A. minor at this point.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when the payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 revenues items are considered to be measurable and available only when cash is received.

CITY OF LAKE SAINT CROIX BEACH
Notes of Financial Statements
December 31, 2019

The City reports the following major governmental funds:

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

The Street Improvement Fund is used to accumulate funds for Major Street Projects.

The Bluffland Improvement Fund accounts for infrastructure expenditures for levee and shoreline projects.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided. 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

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. Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in the 4M Fund. Earnings from such investments are allocated to the funds on the basis of applicable average balance participation by each of the funds to which the council and legal requirements dictate.

E. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City reports infrastructure for future streets financed by bond debt. These assets will be depreciated over the term of the related bonded debt.

The costs of normal maintenance and repairs that do not increase asset value or materially extend asset lives are not capitalized.

Land which consist of mostly Park Land is stated at the latest taxable market value.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Life</u>
Buildings	20 to 60 years
Building Improvements	10 to 20 years
Streets	10 years
Vehicle and Equipment	5 to 10 years
Furniture	8 years
Office Equipment	5 to 10 years

CITY OF LAKE SAINT CROIX BEACH
Notes of Financial Statements
December 31, 2019

F. Property Taxes

Property tax levies are set by the City Council by December of each year and are certified to Washington County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the preceding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of the current year. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in July, December and January.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and fully offset by deferred revenue, because it is not known when they will be available to finance current expenditures.

G. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a period of five to twenty years, depending on the type of assessment. Annual installments (including interest) for special assessments are collected by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments to the City without interest or prepayment penalties.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

H. Compensated Absences

The liability for accrued compensated absences includes accumulated vacation leave/sick leave (PTO) and compensation time. \$4,000 is accrued at December 31, 2019.

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. subject to change.

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

CITY OF LAKE SAINT CROIX BEACH
Notes of Financial Statements
December 31, 2019

NOTE 2. Budget, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. No material encumbrances existed at December 31, 2019.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Clerk submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. A truth in taxation hearing is conducted annually in December to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the county by September 30 of each year.
4. The final budget is legally adopted through the passage of a resolution by December 30 of each year.
5. Formal budgets are adopted for the General Fund and Special Revenue Funds. Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The City Council may authorize the transfer of budgeted amounts between funds.
7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level. For management purposes, budgetary control is maintained at the department level. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where the need has been properly demonstrated, the Clerk can make an adjustment within the department budget. Therefore, there is a constant review process and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

CITY OF LAKE SAINT CROIX BEACH
Notes for Financial Statement
December 31, 2019

B. Excess of Expenditures Over Appropriations

General Fund expenditures exceeded appropriations (budget) for the year ended December 31, 2019 by \$9,666.

NOTE 3. CASH AND INVESTMENTS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All depositories used by the City are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 % of deposits not covered by insurance (140% for mortgage collateral).

Authorized collateral includes legally authorized investments, mortgage notes and certain other state and local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than the one furnishing the collateral.

Balance at December 31, 2019:

	<u>4M/ Bank Balance</u>		<u>Carrying Account</u>
• Checking Accounts & Certificates of deposit			
• All covered by FDIC Insurance or Collateral pledged.			
• Minnesota 4M Fund	\$ 800,414	<u>Dec. 31, 2019</u>	\$ 752,772
Total	\$ 800,414		\$ 752,772

The Minnesota Money Market Funds are external investment pools not registered with the Securities and Exchange Commission (SEC) that follow the same regulatory rules of the SEC under 2a-7 of the Investment Company Act of 1940. The fair value of the position is the same as the value of the pool shares.

Credit Risk

The Minnesota Municipal Money Market Funds are rated AAA by Standard & Poor's.

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

NOTE 4. Capital Assets

Capital assets activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land-Primarily Park Land @ TMV	\$ 3,379,500	\$ -	\$ -	\$ 3,379,500
Total Capital Assets, Not being Depreciated	<u>\$ 3,379,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,379,500</u>
Capital Assets Being Depreciated:				
Park Improvements	9,489	47,789	-	57,278
Infrastructure	826,687	55,000	-	881,687
Building and Improvements	224,600	-	-	224,600
General Equipment	22,500	-	-	22,500
Total Capital Assets, Being Depreciated	<u>\$ 1,083,276</u>	<u>\$ 102,789</u>	<u>\$ -</u>	<u>\$ 1,186,065</u>
Less Accumulated Depreciation				
Park Improvements	-	2,864	-	2,864
Infrastructure	252,000	9,000	-	261,000
Buildings and Improvements	85,702	5,343	-	91,045
General Equipment	10,000	2,500	-	12,500
Total Accumulated Depreciation	<u>\$ 347,702</u>	<u>\$ 19,707</u>	<u>\$ -</u>	<u>\$ 367,409</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 735,574</u>	<u>\$ 83,082</u>	<u>\$ -</u>	<u>\$ 818,656</u>
Governmental Activities, Capital Assets, Net	<u>\$ 4,115,074</u>	<u>\$ 83,082</u>	<u>\$ -</u>	<u>\$ 4,198,156</u>
Depreciation expense was charged to City functions as follows:				
Governmental Activities:				
General Government		7,843		
Public Works		9,000		
Parks and Recreation		2,864		
Total Depreciation Expense - Governmental Activities		<u>\$ 19,707</u>		

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

NOTE 7. Defined Benefit Pension Plans

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF)

Full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

CITY OF LAKE SAINT CROIX BEACH
Notes for Financial Statement
December 31, 2019

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 services.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

B. Contributions

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

General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.5% of their annual covered salary in calendar year 2019. The City was required to contribute 7.5% for Coordinated Plan members. The City contributions to the GERF for the year ended December 31, 2019 (June 30, 2019) were \$8,769. The City's contributions were equal to the required contributions for each year as set by state statutes.

CITY OF LAKE SAINT CROIX BEACH
Notes for Financial Statements
December 31, 2019

C. Pension Costs

General Employees Fund Pension Cost

At December 31, 2019, the City reported a liability of \$74,000 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing city 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 about \$3000. The net pension liability determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. As of June 30, 2019 the City's proportion was .0017 percent.

For the year ended December 31, 2019, the city recognized pension expense of \$15,000 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2019, the City reported its proportion share for GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,000	
Changes in actuarial assumptions	\$ -	\$ 2,000
Difference between projected and actual investment earnings	\$ 1,000	\$ -
Changes in proportion and differences between contributions made and City's proportionate share of contributions (second part to be determined by the City)	\$ 20,000	\$ -
City's contributions to GERF subsequent to the measurement date.	\$ -	\$ -
Total	\$ 22,000	\$ 2,000

Deferred Inflows and Outflows are netted against the Pension Liability for presentation purposes on the Statement of Net Position.

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

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

Year ended June 30	Pension Expense Amount
2020	\$ (700)
2021	\$ (700)
2022	\$ (600)

E. Actuarial Assumptions

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

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability recipients were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan, and 2.5 percent for all years for the Correctional Plan.

Actuarial assumptions, used in the June 30, 2019 valuation, were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions for GERF occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent 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 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost Of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, 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 the Rule of 90 retirees, disability recipients or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

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 targeted allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%.

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
PERA Discount Rate			
City's proportionate share of the GERF net pension	154,000	94,000	44,000

H. Pension Plan Fiduciary Net Position

Detailed information about PERA's pension funds' fiduciary net position is available in separately-issued PERA financial report. That report may be obtained on the internet at www.mnpera.or; or by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088.

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

NOTE 7. EMPLOYEE PENSION PLANS - STATEWIDE (continued)

Note 7. Defined Contribution Plan

Four City Council members are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to plan plus investment earnings, less administrative expenses. Minn. Stat. 353D.03 specifies plan provision, 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 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% (.0025) of the assets in each members account annually.

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

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$315	\$315	5%	5%	5%

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

Note 8 Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to the City's officers and employees; and natural disasters.

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by the law. The City's workers' compensation coverage is retrospectively rated. Final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and recorded when received or paid.

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The LMCIT reinsures through commercial companies for claims for various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusions from the insurance policies. These amounts are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance.

There were no significant reductions in insurance from the previous year or settlements for than insurance coverage for any of the past three fiscal years.

CITY OF LAKE SAINT CROIX BEACH
Notes to Financial Statements
December 31, 2019

Note 9 - Joint Powers Agreement

Lower Saint Croix Valley Fire Protection District

The City participates in a joint powers agreement with the Cities of Afton, Lakeland, Lakeland Shores and Saint Mary's Point to provide fire protection services. Funding is provided by each City based on a predetermined formula. During 2019, the City's contribution was \$62,554. The City is obligated until 2022 to pay about \$12,000 a year for its portion of the Fire Protection District's building debt.

Water Distribution System

During 1991, the City entered into a joint powers agreement with the City of Lakeland for construction, operation and maintenance of water distribution system within the City by City of Lakeland, and to provide water extensions from the City of Lakeland to the City of Lake Saint Croix Beach, Minnesota. The City satisfied all obligations related to this agreement during 2012 and no further obligations are anticipated at this time.

Law Enforcement Services

The City participates in a joint powers agreement with Washington County (the County) and the Cities of Afton, Lakeland, Saint Mary's Point, and Lakeland Shores for the County providing police protection within the five communities. The Cities will be liable to pay the services of three officers less the COPS Award, together with all related services and equipment provided in the agreement. During 2019, the City's contribution was \$68,827.

Note 10 - Contingencies

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Note 11 - Litigation - None

OTHER REPORTS

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

Report on Internal Control/Compliance

To the Honorable Mayor and
Members of the City Council
City of Lake Saint Croix Beach

I have audited the financial statements of the governmental activities and each major fund of the City of Lake Saint Croix Beach, Minnesota, as of and for the year ended December 31, 2019 which collectively comprise the City of Lake Saint Croix Beach's basic financial statements as listed in the table of contents. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits.

In planning and performing my audit, I considered the City of Lake Saint Croix Beach, Minnesota's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lake Saint Croix Beach, Minnesota's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Lake Saint Croix Beach, Minnesota's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I identified no deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

As part of obtaining reasonable assurance about whether the City of Lake Saint Croix Beach, Minnesota's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance.

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


Michael W. Pofahl C.P.A.
March 1, 2020

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

Report on Compliance with Minnesota Legal
Compliance Audit Guide for Local Government

To the Honorable Mayor and
Members of the City Council
City of Lake Saint Croix Beach, Minnesota

I have audited the financial statements of the City of Lake Saint Croix Beach, Minnesota, as of and for the year ended December 31, 2019, and have issued my report thereon dated March 1, 2020

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The Minnesota Legal compliance Audit Guide for Local Government covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment districts. My study included all of the listed categories except tax increment districts. The City of Lake Saint Croix Beach, Minnesota has a no tax increment districts.

The results of my tests indicate that for the items tested, the City of Lake Saint Croix Beach, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City of Lake Saint Croix Beach, Minnesota and the State of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.



Michael W. Pofahl, C.P.A.
March 1, 2020

