

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

CITY OF SILVER LAKE, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF SILVER LAKE
SILVER LAKE, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

<u>TITLE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
MAYOR	Bruce Bebo	12/31/2024
COUNCIL MEMBER	Sandie Adams- Bruins	12/31/2024
COUNCIL MEMBER	Joanna Jacobs	12/31/2026
COUNCIL MEMBER	Josh Mason	12/31/2024
COUNCIL MEMBER	Chris Penaz	12/31/2026
CITY CLERK/TREASURER	Diane Pedersen	Appointed

SECTION II

FINANCIAL SECTION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Silver Lake, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Silver Lake, Minnesota'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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Silver Lake, Minnesota as of December 31, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Silver Lake, Minnesota 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 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.

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 of Silver Lake, Minnesota'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.

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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 of Silver Lake, Minnesota'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 of Silver Lake, Minnesota'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 6 through 15 and 50 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Silver Lake, Minnesota's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and summary financial report 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and summary financial report 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 auditor's 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2024 on our consideration of City of Silver Lake, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Silver Lake, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Silver Lake, Minnesota's internal control over financial reporting and compliance.

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

May 20, 2024

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

As Management of the City of Silver Lake (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,560,995 (net position). Of this amount, \$2,841,527 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$441,055 as compared to an increase of \$468,523 the previous year. The governmental activities net position increased during 2023 by \$737,745 and the business-type activities net position decreased during 2023 by \$296,690.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,747,546 an increase of \$73,077 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$684,027, or 76.3% of General Fund expenditures of \$896,497.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

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 (on page 16) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented 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 (on page 17) provides 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 revenue (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, economic development, and miscellaneous. The business-type activities of the City include water utility, sewer utility, storm sewer utility and a municipal liquor store.

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

USING THIS ANNUAL REPORT (Cont.)

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 function 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 nonspendable and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental fund balance sheet (on page 18) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 20) provide a reconciliation (on pages 19 and 21) to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven 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, Ambulance Fund, Fire Fund, and Infrastructure Improvement Project Fund; all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund, Ambulance Fund and Fire Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds: 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 enterprise funds to account for its water utility, sewer utility, storm sewer utility and a municipal liquor store.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Water Fund, Sewer Fund, Storm Sewer Fund and Municipal Liquor Fund; all of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

USING THIS ANNUAL REPORT (Cont.)

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 26 through 49 of this report.

Required Supplementary Information

This Management's Discussion and Analysis, the General Fund, Ambulance Fund and Fire Fund Budgetary Comparison, and Pension Schedule (on pages 50 - 63) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 64) includes optional financial information such as combining nonmajor governmental fund statements (which are added together and shown in the fund financial statements in a single column) and summary financial report. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current Assets	\$ 1,949,704	\$ 1,816,885	\$ 1,614,175	\$ 1,795,655	\$ 3,563,879	\$ 3,612,540
Capital Assets	<u>2,070,746</u>	<u>1,416,708</u>	<u>1,935,309</u>	<u>2,041,975</u>	<u>4,006,055</u>	<u>3,458,683</u>
Total Assets	<u>4,020,450</u>	<u>3,233,593</u>	<u>3,549,484</u>	<u>3,837,630</u>	<u>7,569,934</u>	<u>7,071,223</u>
Deferred Outflows of						
Resources	<u>198,858</u>	<u>221,274</u>	<u>56,539</u>	<u>72,665</u>	<u>255,397</u>	<u>293,939</u>
Current Liabilities	222,181	52,885	26,148	23,272	248,329	76,157
Long-term Liabilities	<u>698,595</u>	<u>731,976</u>	<u>94,089</u>	<u>118,829</u>	<u>792,684</u>	<u>850,805</u>
Total Liabilities	<u>920,776</u>	<u>784,861</u>	<u>120,237</u>	<u>142,101</u>	<u>1,041,013</u>	<u>926,962</u>
Deferred Inflows of						
Resources	<u>162,295</u>	<u>271,514</u>	<u>61,028</u>	<u>46,746</u>	<u>223,323</u>	<u>318,260</u>
Net Position						
Net Investment in						
Capital Assets	1,648,745	994,707	1,935,309	2,041,976	3,584,054	3,036,683
Restricted	135,414	153,484	-	-	135,414	153,484
Unrestricted	<u>1,352,078</u>	<u>1,250,301</u>	<u>1,489,449</u>	<u>1,679,472</u>	<u>2,841,527</u>	<u>2,929,773</u>
Total Net Position	<u>\$ 3,136,237</u>	<u>\$ 2,398,492</u>	<u>\$ 3,424,758</u>	<u>\$ 3,721,448</u>	<u>\$ 6,560,995</u>	<u>\$ 6,119,940</u>

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

A large portion of the City's net position (54.6 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is 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.

An additional portion of the City's net position, 2.1 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (43.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

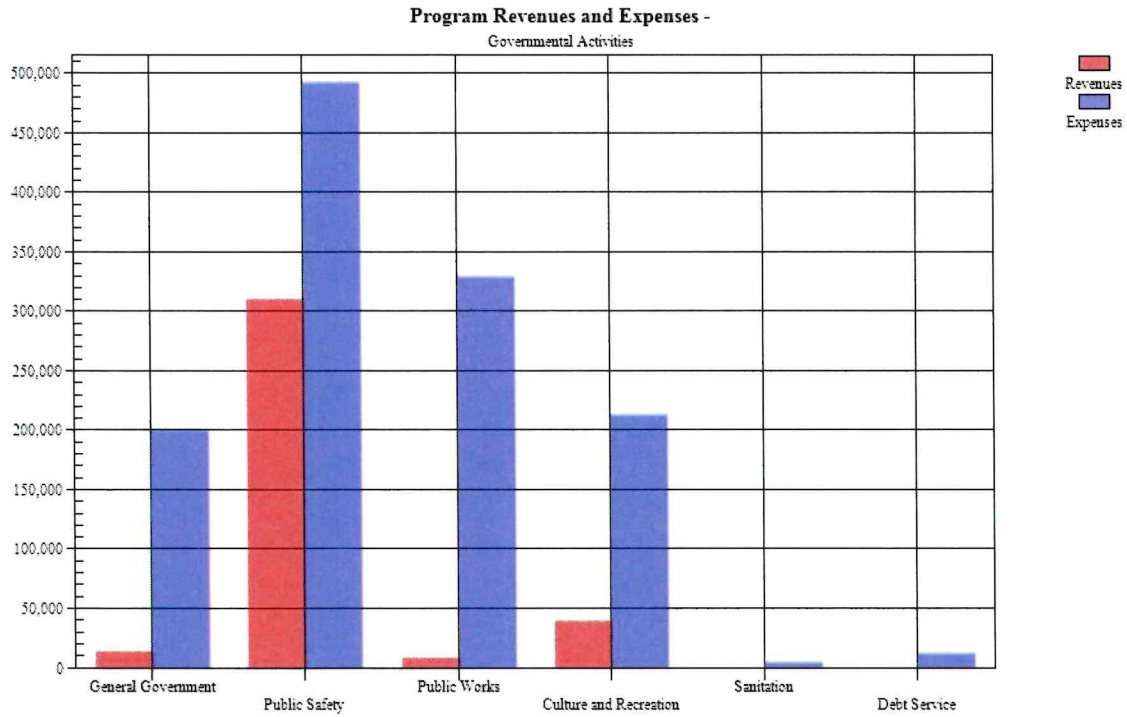
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 336,623	\$ 370,466	\$ 283,962	\$ 279,866	\$ 620,585	\$ 650,332
Contributions	34,754	17,469	502	-	35,256	17,469
Sales	-	-	851,076	805,551	851,076	805,551
General Revenues:						
Taxes and Assessments	575,487	612,362	1,745	516	577,232	612,878
Intergovernmental Revenue	282,449	294,786	-	-	282,449	294,786
Interest Income	15,969	2,711	30,937	4,593	46,906	7,304
Rental Income	-	-	37,916	30,542	37,916	30,542
Miscellaneous Income	<u>142,078</u>	<u>71,980</u>	<u>2,404</u>	<u>2,446</u>	<u>144,482</u>	<u>74,426</u>
Total Revenues	<u>1,387,360</u>	<u>1,369,774</u>	<u>1,208,542</u>	<u>1,123,514</u>	<u>2,595,902</u>	<u>2,493,288</u>
<u>Expenses</u>						
General Government	199,600	163,479	-	-	199,600	163,479
Public Safety	491,424	473,567	-	-	491,424	473,567
Public Works	328,478	294,021	-	-	328,478	294,021
Culture and Recreation	212,740	203,766	-	-	212,740	203,766
Sanitation	3,810	3,556	-	-	3,810	3,556
Debt Service	11,112	16,302	-	-	11,112	16,302
Water	-	-	114,812	87,239	114,812	87,239
Sewer	-	-	145,140	138,654	145,140	138,654
Storm Sewer	-	-	23,919	24,166	23,919	24,166
Municipal Liquor Store	-	-	623,812	620,015	623,812	620,015
Total Expenses	<u>1,247,164</u>	<u>1,154,691</u>	<u>907,683</u>	<u>870,074</u>	<u>2,154,847</u>	<u>2,024,765</u>
Transfers	<u>597,549</u>	<u>49,786</u>	<u>(597,549)</u>	<u>(49,786)</u>	<u>-</u>	<u>-</u>
Change in Net Position	737,745	264,869	(296,690)	203,654	441,055	468,523
Net Position Beginning	<u>2,398,492</u>	<u>2,133,623</u>	<u>3,721,448</u>	<u>3,517,794</u>	<u>6,119,940</u>	<u>5,651,417</u>
Net Position Ending	<u>\$ 3,136,237</u>	<u>\$ 2,398,492</u>	<u>\$ 3,424,758</u>	<u>\$ 3,721,448</u>	<u>\$ 6,560,995</u>	<u>\$ 6,119,940</u>

CITY OF SILVER LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2023

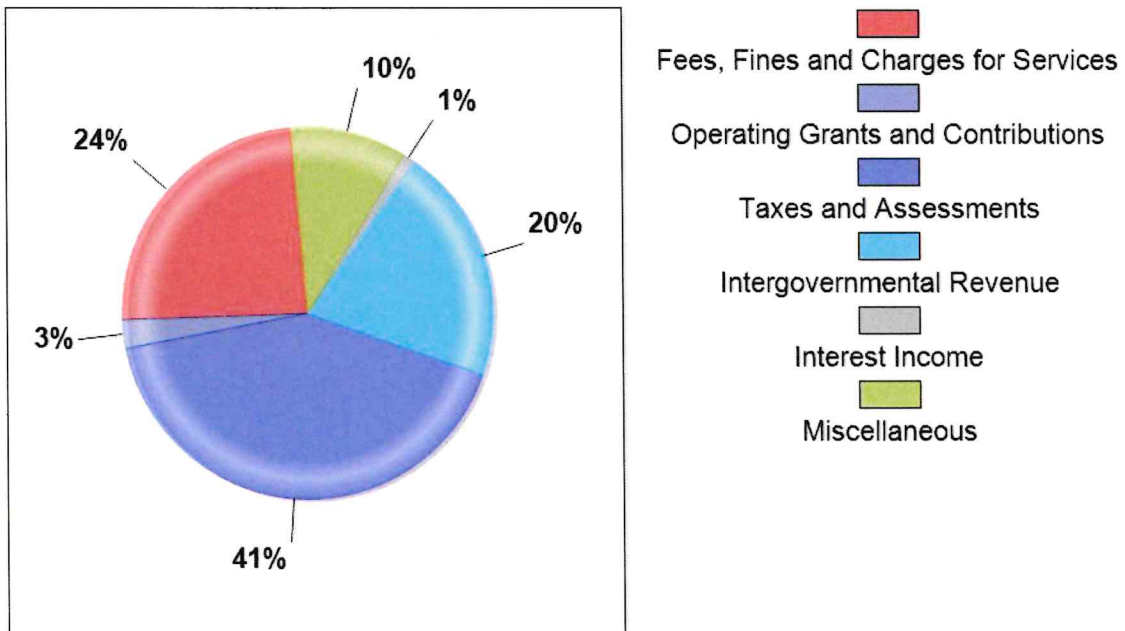
THE CITY AS A WHOLE (Cont.)

Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



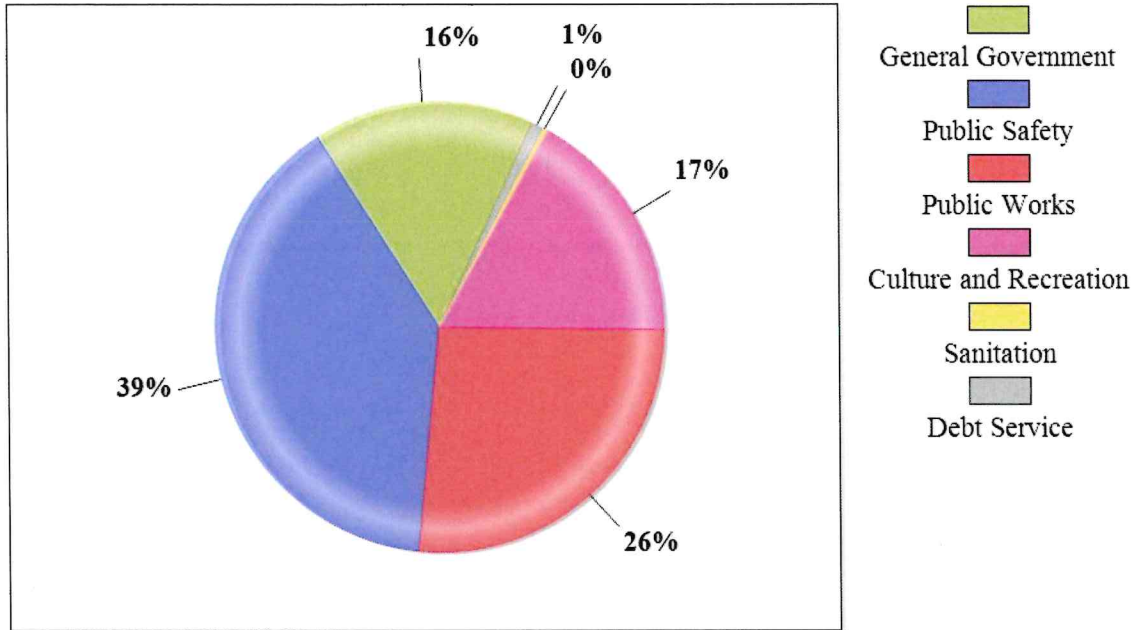
Sources of Funds in Governmental Activities



CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

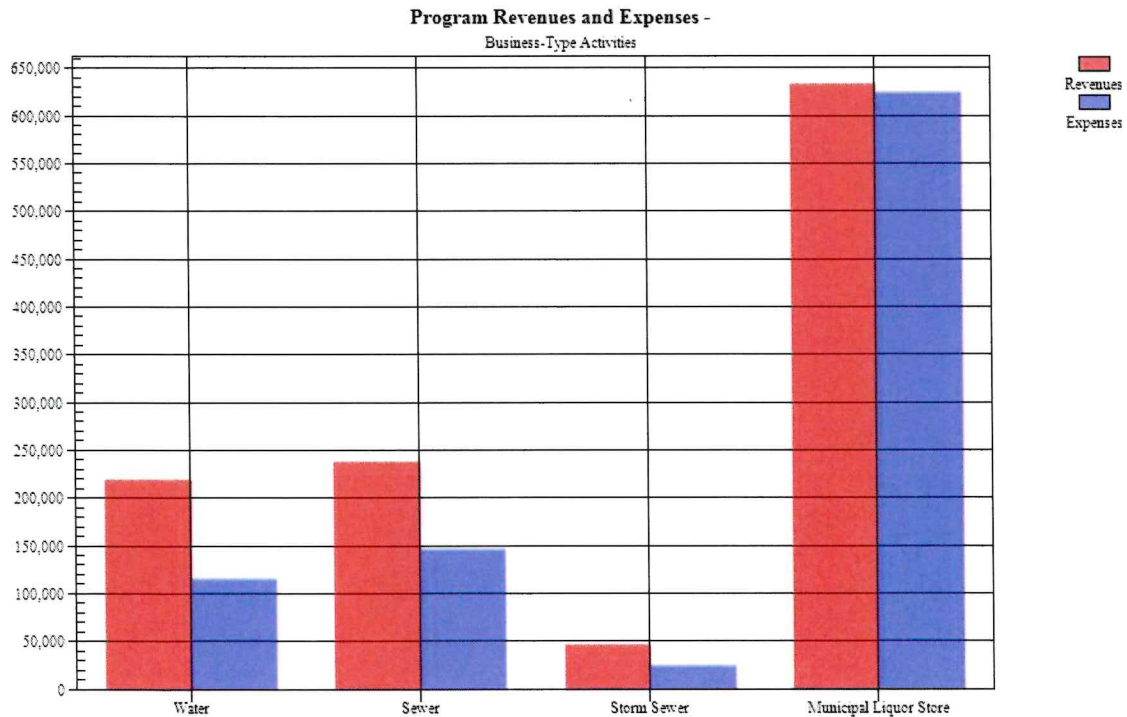
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

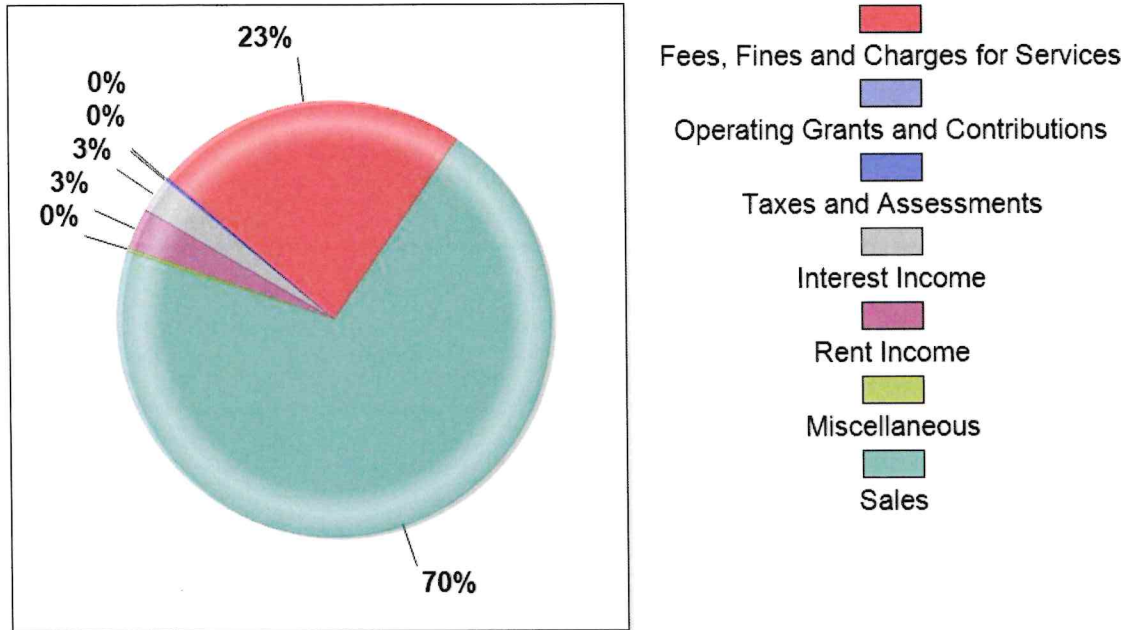
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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 fund balances may serve as a useful measure of the government'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 balance of \$1,747,546 an increase of \$73,077 in comparison with the prior year. The fund balance is broke down into five categories, \$8,788 is nonspendable to offset prepaid expenses and inventories, \$135,414 is restricted for future debt service payments and unspent grant funds, \$698,016 is committed for specific purposes, \$252,740 is assigned for specific purposes, and \$652,5882 is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$766,515, of which \$6,631 is nonspendable, \$75,857 has been committed for economic development of the City and the remaining fund balance of \$684,027 is unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 76.3 percent of the General Fund expenditures. The fund balance of the City's General Fund increased by \$22,236 during 2023.

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Cont.)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,935,309. The total decrease in net position of the funds was \$496,690. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$5,064. Revenues and other financing sources were over budget by \$119,455 and expenditures and other financing uses also came in over budget by \$102,283 during 2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounts to \$4,006,055 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 15.8 percent (an 46.2 percent increase for governmental activities and a 7.5 percent decrease for business-type activities). The increase was due to capital outlay exceeding depreciation.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ -	\$ -	\$ 181,323	\$ 181,323	\$ 181,323	\$ 181,323
Construction in Progress	784,465	222,246	-	-	784,465	222,246
Buildings	517,041	517,041	192,159	192,159	709,200	709,200
Infrastructure and Improvements	2,231,595	2,118,499	4,018,528	3,998,837	6,250,123	6,117,336
Machinery and Equipment	<u>1,739,355</u>	<u>1,580,540</u>	<u>717,318</u>	<u>716,328</u>	<u>2,456,673</u>	<u>2,296,868</u>
Subtotal	5,272,456	4,438,326	5,109,328	5,088,647	10,381,784	9,526,973
Less: Accumulated Depreciation	<u>3,201,710</u>	<u>3,021,618</u>	<u>3,174,019</u>	<u>3,046,671</u>	<u>6,375,729</u>	<u>6,068,289</u>
Total	<u>\$ 2,070,746</u>	<u>\$ 1,416,708</u>	<u>\$ 1,935,309</u>	<u>\$ 2,041,976</u>	<u>\$ 4,006,055</u>	<u>\$ 3,458,684</u>

The major additions in the governmental activities included project costs, pool repairs, and fire equipment. The major addition in the business-type activities included painting of the water tower.

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$422,000.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
G.O. Improvement Bonds	<u>\$ 422,000</u>	<u>\$ 422,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,000</u>	<u>\$ 422,000</u>
Total	<u>\$ 422,000</u>	<u>\$ 422,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,000</u>	<u>\$ 422,000</u>

CITY OF SILVER LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Silver Lake's appointed and elected officials considered many factors when setting the fiscal year 2024 budget, rates, and fees that will be charged by the funds of the City. The major factors accounted for when adopting the General Fund Budget was to hold all items as much as possible to the 2023 final budget. The 2024 levy increased by \$27,035 or 4.5% from 2023 levy.

During 2024 the City increased water and sewer charges, while storm water remained unchanged. The increase in rates was to offset future expenses related to the Infrastructure Improvement Project. The City is in the early stages working with the City engineer on infrastructure needs of the City. This project is expected to be bid in January 2025, with construction starting in May 2025.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Silver Lake, 308 Main Street W, Silver Lake, MN 55381, phone 320 327 2412, email: cityclerk@cityofsilverlake.org.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,707,489	\$ 1,470,589	\$ 3,178,078
Receivables:			
Accounts Receivable	154,102	39,415	193,517
Property Taxes Receivable	3,897	-	3,897
Special Assessments Receivable	46,916	-	46,916
Interest Receivable	3,329	8,021	11,350
Due from Other Governments	1,731	-	1,731
Land Held for Resale	39,500	-	39,500
Internal Balance	(16,021)	16,021	-
Prepaid Expense	8,014	1,879	9,893
Inventory	747	78,250	78,997
Capital Assets:			
Nondepreciable:			
Land	-	181,323	181,323
Construction in Progress	784,465	-	784,465
Depreciable, Net of Accumulated Depreciation:			
Buildings	70,715	20,605	91,320
Infrastructure and Improvements	826,921	1,578,910	2,405,831
Machinery and Equipment	388,645	154,471	543,116
TOTAL ASSETS	4,020,450	3,549,484	7,569,934
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	198,858	56,539	255,397
LIABILITIES			
Accounts Payable	139,615	18,761	158,376
Taxes Payable	-	4,350	4,350
Sales Tax Payable	459	-	459
Accrued Interest	4,836	-	4,836
Accrued Payroll	9,321	3,037	12,358
Deposits	1,950	-	1,950
Noncurrent liabilities:			
Due within one year	66,000	-	66,000
Compensated Absences	14,659	1,700	16,359
Net Pension Liability	327,936	92,389	420,325
Due in more than one year	356,000	-	356,000
TOTAL LIABILITIES	920,776	120,237	1,041,013
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	162,295	61,028	223,323
NET POSITION			
Net Investment in Capital Assets	1,648,745	1,935,309	3,584,054
Restricted	135,414	-	135,414
Unrestricted	1,352,078	1,489,449	2,841,527
TOTAL NET POSITION	\$ 3,136,237	\$ 3,424,758	\$ 6,560,995

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs Primary Government	Program Revenues				Net Sources (Uses) and Changes in Net Position		
	Primary Government				Primary Government		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 199,600	\$ 13,668	-	\$ -	\$ (185,932)	\$ -	\$ (185,932)
Public Safety	491,424	275,554	34,754	-	(181,116)	-	(181,116)
Public Works	328,478	8,313	-	-	(320,165)	-	(320,165)
Culture and Recreation	212,740	39,088	-	-	(173,652)	-	(173,652)
Sanitation	3,810	-	-	-	(3,810)	-	(3,810)
Debt Service	11,112	-	-	-	(11,112)	-	(11,112)
Total Governmental Activities	<u>1,247,164</u>	<u>336,623</u>	<u>34,754</u>	<u>-</u>	<u>(875,787)</u>	<u>-</u>	<u>(875,787)</u>
Business-Type Activities:							
Water	114,812	-	-	218,965	-	104,153	104,153
Sewer	145,140	237,672	-	-	-	92,532	92,532
Storm Sewer	23,919	46,290	-	-	-	22,371	22,371
Municipal Liquor Store	623,812	-	502	632,111	-	8,801	8,801
Total Business-Type Activities:	<u>907,683</u>	<u>283,962</u>	<u>502</u>	<u>851,076</u>	<u>-</u>	<u>227,857</u>	<u>227,857</u>
Total Primary Government	<u>\$ 2,154,847</u>	<u>\$ 620,585</u>	<u>\$ 35,256</u>	<u>\$ 851,076</u>	<u>(875,787)</u>	<u>227,857</u>	<u>(647,930)</u>
General Revenues:							
Taxes and Assessments					575,487	1,745	577,232
Intergovernmental Revenue					282,449	-	282,449
Interest Income					15,969	30,937	46,906
Rent Income					-	37,916	37,916
Miscellaneous					142,078	2,404	144,482
Transfers					597,549	(597,549)	-
Total General Revenues					<u>1,613,532</u>	<u>(524,547)</u>	<u>1,088,985</u>
Changes in Net Position					737,745	(296,690)	441,055
Net Position - January 1					<u>2,398,492</u>	<u>3,721,448</u>	<u>6,119,940</u>
Net Position - December 31					<u>\$ 3,136,237</u>	<u>\$ 3,424,758</u>	<u>\$ 6,560,995</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Ambulance Fund	Fire Fund	Infrastructure Improvement Project Fund	Nonmajor Governmental Fund	Total
ASSETS:						
Cash and Investments	\$ 790,294	\$ 185,637	\$ 299,842	\$ 67,962	\$ 363,754	\$1,707,489
Accounts Receivable	3,241	150,861	-	-	-	154,102
Property Taxes Receivable	3,340	-	-	-	557	3,897
Special Assessments Receivable	766	-	-	-	46,150	46,916
Interest Receivable	10	902	1,564	-	853	3,329
Due from Other Governments	1,663	-	-	-	68	1,731
Land Held for Resale	-	-	-	-	39,500	39,500
Prepaid Expense	5,857	868	1,289	-	-	8,014
Inventory	747	-	-	-	-	747
Total Assets	\$ 805,918	\$ 338,268	\$ 302,695	\$ 67,962	\$ 450,882	\$1,965,725
LIABILITIES:						
Accounts Payable	\$ 30,279	\$ 1,394	\$ 8,541	\$ 99,401	\$ -	\$ 139,615
Sales Tax Payable	459	-	-	-	-	459
Accrued Payroll	2,609	6,657	55	-	-	9,321
Due to Other Funds	-	-	-	-	16,021	16,021
Deposits	1,950	-	-	-	-	1,950
Total Liabilities	35,297	8,051	8,596	99,401	16,021	167,366
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	4,106	-	-	-	46,707	50,813
Total Deferred Inflows of Resources	4,106	-	-	-	46,707	50,813
FUND BALANCES:						
Nonspendable	6,631	868	1,289	-	-	8,788
Restricted	-	-	-	-	135,414	135,414
Committed	75,857	329,349	292,810	-	-	698,016
Assigned	-	-	-	-	252,740	252,740
Unassigned (Deficit)	684,027	-	-	(31,439)	-	652,588
Total Fund Balances (Deficit)	766,515	330,217	294,099	(31,439)	388,154	1,747,546
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 805,918	\$ 338,268	\$ 302,695	\$ 67,962	\$ 450,882	\$1,965,725

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023

Total Governmental Fund Balances	\$ 1,747,546
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,070,746
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	50,813
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(441,495)
Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in governmental activities are not current financial resources and therefore not reported in the governmental funds.	<u>(291,373)</u>
Net Position of Governmental Activities	\$ <u>3,136,237</u>

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Ambulance Fund	Fire Fund	Infrastructure Improvement Project Fund	Nonmajor Governmental Fund	Total
REVENUES						
Taxes	\$ 577,999	\$ -	\$ -	\$ -	\$ 36,206	\$ 614,205
Licenses and Permits	7,541	-	2,525	-	-	10,066
Intergovernmental Revenue	282,419	3,851	30,903	-	-	317,173
Charges for Services	45,001	226,037	44,123	-	-	315,161
Fines and Forfeits	5,394	-	-	-	-	5,394
Interest Income	4,343	3,212	5,376	1	3,038	15,970
Miscellaneous	106,988	21,262	13,828	-	-	142,078
Operating Revenues	<u>6,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,002</u>
Total Revenues	<u>1,035,687</u>	<u>254,362</u>	<u>96,755</u>	<u>1</u>	<u>39,244</u>	<u>1,426,049</u>
EXPENDITURES						
Current Operations:						
General Government	182,914	-	-	-	-	182,914
Public Safety	205,759	214,316	85,425	-	-	505,500
Public Works	191,241	-	-	-	47,355	238,596
Culture and Recreation	179,294	-	-	-	-	179,294
Sanitation	3,810	-	-	-	-	3,810
Debt Service:						
Interest Payments	-	-	-	-	6,276	6,276
Capital Outlay	<u>133,479</u>	<u>2,100</u>	<u>58,047</u>	<u>551,548</u>	<u>88,956</u>	<u>834,130</u>
Total Expenditures	<u>896,497</u>	<u>216,416</u>	<u>143,472</u>	<u>551,548</u>	<u>142,587</u>	<u>1,950,520</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	139,190	37,946	(46,717)	(551,547)	(103,343)	(524,471)
OTHER FINANCING SOURCES (USES)						
Transfer In	15,000	22,882	40,072	547,548	104,000	729,502
Transfer Out	<u>(131,954)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,954)</u>
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	22,236	60,828	(6,645)	(3,999)	657	73,077
FUND BALANCES (DEFICIT)						
- January 1	<u>744,279</u>	<u>269,389</u>	<u>300,744</u>	<u>(27,440)</u>	<u>387,497</u>	<u>1,674,469</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 766,515</u>	<u>\$ 330,217</u>	<u>\$ 294,099</u>	<u>\$ (31,439)</u>	<u>\$ 388,154</u>	<u>\$ 1,747,546</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 73,077
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	834,131
Depreciation Expense	(180,092)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(38,718)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	(4,836)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.	
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	(1,420)
Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>55,603</u>
Change in Net Position of Governmental Activities	<u>\$ 737,745</u>

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	607 - Water Fund	608 - Sewer Fund	609 - Storm Sewer Fund	610 - Municipal Liquor Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and Investments	\$ 573,510	\$ 624,505	\$ 20,357	\$ 252,217	\$ 1,470,589
Accounts Receivable	15,709	19,664	1,450	2,592	39,415
Interest Receivable	3,478	3,399	-	1,144	8,021
Due from Other Funds	16,021	-	-	-	16,021
Prepaid Expense	377	343	-	1,159	1,879
Inventory	-	-	-	78,250	78,250
Total Current Assets	<u>609,095</u>	<u>647,911</u>	<u>21,807</u>	<u>335,362</u>	<u>1,614,175</u>
NONCURRENT ASSETS					
Capital Assets:					
Land	-	175,523	-	5,800	181,323
Buildings	-	12,835	-	179,324	192,159
Infrastructure and Improvements	856,989	2,378,818	733,444	49,277	4,018,528
Machinery and Equipment	344,463	266,958	-	105,897	717,318
Total Capital Assets	1,201,452	2,834,134	733,444	340,298	5,109,328
Less: Accumulated Depreciation	837,961	1,811,418	223,390	301,250	3,174,019
Net Capital Assets	<u>363,491</u>	<u>1,022,716</u>	<u>510,054</u>	<u>39,048</u>	<u>1,935,309</u>
TOTAL ASSETS	<u>972,586</u>	<u>1,670,627</u>	<u>531,861</u>	<u>374,410</u>	<u>3,549,484</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to Pensions	2,960	4,736	-	48,843	56,539
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 975,546</u>	<u>\$ 1,675,363</u>	<u>\$ 531,861</u>	<u>\$ 423,253</u>	<u>\$ 3,606,023</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	\$ 8,266	\$ 1	\$ -	\$ 10,494	\$ 18,761
Taxes Payable	-	-	-	4,350	4,350
Accrued Payroll	16	79	-	2,942	3,037
Total Current Liabilities	<u>8,282</u>	<u>80</u>	<u>-</u>	<u>17,786</u>	<u>26,148</u>
LONG-TERM LIABILITIES					
Compensated Absences	341	341	-	1,018	1,700
Net Pension Liability	3,755	945	-	87,689	92,389
Total Long-Term Liabilities	<u>4,096</u>	<u>1,286</u>	<u>-</u>	<u>88,707</u>	<u>94,089</u>
TOTAL LIABILITIES	<u>12,378</u>	<u>1,366</u>	<u>-</u>	<u>106,493</u>	<u>120,237</u>
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	3,167	4,385	-	53,476	61,028
NET POSITION					
Net Investment in Capital Assets	363,491	1,022,716	510,054	39,048	1,935,309
Unrestricted	596,510	646,896	21,807	224,236	1,489,449
Total Net Position	<u>960,001</u>	<u>1,669,612</u>	<u>531,861</u>	<u>263,284</u>	<u>3,424,758</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	<u>\$ 975,546</u>	<u>\$ 1,675,363</u>	<u>\$ 531,861</u>	<u>\$ 423,253</u>	<u>\$ 3,606,023</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	607 - Water Fund	608 - Sewer Fund	609 - Storm Sewer Fund	610 - Municipal Liquor Fund	Total
OPERATING REVENUES					
Sales	\$ 218,965	\$ -	\$ -	\$ 632,111	\$ 851,076
Charges for Services	<u>-</u>	<u>237,672</u>	<u>46,290</u>	<u>-</u>	<u>283,962</u>
Total Operating Revenues	218,965	237,672	46,290	632,111	1,135,038
COST OF SALES	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,412</u>	<u>317,412</u>
GROSS PROFIT	<u>218,965</u>	<u>237,672</u>	<u>46,290</u>	<u>314,699</u>	<u>817,626</u>
OPERATING EXPENSES					
Salaries	10,530	11,489	-	196,963	218,982
Advertising	-	-	-	8,930	8,930
Depreciation	34,820	67,680	18,366	6,482	127,348
Contracted Services	27,215	35,726	232	1,709	64,882
Insurance	2,195	2,008	-	5,928	10,131
Permits, Testing and Fees	318	3,246	-	740	4,304
Professional Services	6,668	1,980	-	19,062	27,710
Repairs, Maintenance and Supplies	22,717	10,460	5,321	27,174	65,672
Telephone	683	683	-	-	1,366
Training and Travel	383	383	-	1,592	2,358
Utilities	6,277	10,676	-	23,825	40,778
Miscellaneous	3,006	809	-	3,532	7,347
Rentals	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,853</u>	<u>7,853</u>
Total Operating Expenses	<u>114,812</u>	<u>145,140</u>	<u>23,919</u>	<u>303,790</u>	<u>587,661</u>
NET OPERATING INCOME	<u>104,153</u>	<u>92,532</u>	<u>22,371</u>	<u>10,909</u>	<u>229,965</u>
NON OPERATING INCOME AND EXPENSE					
Interest Income	13,586	13,215	285	3,851	30,937
Taxes and Special Assessments	1,745	-	-	-	1,745
Rent Income	-	7,982	-	29,934	37,916
Grant Income	-	-	-	502	502
Miscellaneous Income	1,584	-	-	820	2,404
Cash Over/Short	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,610)</u>	<u>(2,610)</u>
Net Non Operating Income and Expense	<u>16,915</u>	<u>21,197</u>	<u>285</u>	<u>32,497</u>	<u>70,894</u>
INCOME BEFORE TRANSFERS	121,068	113,729	22,656	43,406	300,859
Transfer Out	<u>(250,846)</u>	<u>(259,487)</u>	<u>(77,216)</u>	<u>(10,000)</u>	<u>(597,549)</u>
CHANGE IN NET POSITION	<u>(129,778)</u>	<u>(145,758)</u>	<u>(54,560)</u>	<u>33,406</u>	<u>(296,690)</u>
NET POSITION - January 1	<u>1,089,779</u>	<u>1,815,370</u>	<u>586,421</u>	<u>229,878</u>	<u>3,721,448</u>
NET POSITION - December 31	<u>\$ 960,001</u>	<u>\$ 1,669,612</u>	<u>\$ 531,861</u>	<u>\$ 263,284</u>	<u>\$ 3,424,758</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>607 - Water Fund</u>	<u>608 - Sewer Fund</u>	<u>609 - Storm Sewer Fund</u>	<u>610 - Municipal Liquor Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 218,965	\$ 244,555	\$ 46,791	\$ 632,055	\$ 1,142,366
Payments to Vendors	(63,769)	(67,263)	(5,553)	(429,806)	(566,391)
Payments to Employees	(10,440)	(11,292)	-	(191,684)	(213,416)
Other Receipts and Payments	<u>1,584</u>	<u>7,982</u>	<u>-</u>	<u>28,646</u>	<u>38,212</u>
Net Cash Provided By Operating Activities	<u>146,340</u>	<u>173,982</u>	<u>41,238</u>	<u>39,211</u>	<u>400,771</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to Other Funds	(250,846)	(259,487)	(77,216)	(10,000)	(597,549)
Due to (from) Other Funds	<u>15,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,437</u>
Net Cash Used By Noncapital Financing Activities	<u>(235,409)</u>	<u>(259,487)</u>	<u>(77,216)</u>	<u>(10,000)</u>	<u>(582,112)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(19,691)	-	-	(990)	(20,681)
Taxes and Special Assessments Collected	<u>1,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,745</u>
Net Cash Used By Capital and Related Financing Activities	<u>(17,946)</u>	<u>-</u>	<u>-</u>	<u>(990)</u>	<u>(18,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	<u>10,356</u>	<u>10,228</u>	<u>285</u>	<u>2,784</u>	<u>23,653</u>
Net Cash Provided By Investing Activities	<u>10,356</u>	<u>10,228</u>	<u>285</u>	<u>2,784</u>	<u>23,653</u>
NET INCREASE (DECREASE) IN CASH	(96,659)	(75,277)	(35,693)	31,005	(176,624)
CASH AND CASH EQUIVALENTS - January 1	<u>670,169</u>	<u>699,782</u>	<u>56,050</u>	<u>221,212</u>	<u>1,647,213</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 573,510</u>	<u>\$ 624,505</u>	<u>\$ 20,357</u>	<u>\$ 252,217</u>	<u>\$ 1,470,589</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>607 - Water Fund</u>	<u>608 - Sewer Fund</u>	<u>609 - Storm Sewer Fund</u>	<u>610 - Municipal Liquor Fund</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating Income	\$ 104,153	\$ 92,532	\$ 22,371	\$ 10,909	\$ 229,965
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities					
Depreciation	34,820	67,680	18,366	6,482	127,348
Noncash Pension Expense	294	315	-	4,716	5,325
Changes in Assets and Liabilities					
Accounts Receivable	-	6,883	501	(56)	7,328
Inventory	-	-	-	(9,474)	(9,474)
Prepaid Items	(66)	(49)	-	(1,037)	(1,152)
Accounts Payable	5,759	(1,243)	-	(1,565)	2,951
Taxes Payable	-	-	-	27	27
Accrued Compensated Absences	(78)	(78)	-	499	343
Accrued Payroll	(126)	(40)	-	64	(102)
Other Receipts and Payments	<u>1,584</u>	<u>7,982</u>	<u>-</u>	<u>28,646</u>	<u>38,212</u>
Net Cash Provided By Operating Activities	<u>\$ 146,340</u>	<u>\$ 173,982</u>	<u>\$ 41,238</u>	<u>\$ 39,211</u>	<u>\$ 400,771</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Silver Lake (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: general government, public safety, public works, public health and welfare, culture, recreation, waterworks, sanitary sewer services, storm sewer, and municipal liquor sales.

The financial statements of the City of Silver Lake, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. 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 of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on this criteria, the City of Silver Lake has no component units.

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 on all the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. 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 for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, franchise taxes, licenses, charges for services, 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 revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year which the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unavailable revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- Ambulance Special Revenue Fund - This is used to account for the operations of the ambulance service; financing is provided by ambulance charges, township contracts for service and interest income.
- Fire Special Revenue Fund - This is used to account for the operations of the fire services, financing is provided by fire charges and township contracts for service.
- Infrastructure Improvement Project Fund - This fund is used to account for resources and costs related to the Infrastructure Improvement project of the City.

The City reports the following major proprietary funds:

- Water Fund - This fund is used to account for the costs associated with the City's water system and insures that user charges are sufficient to pay for those costs.
- Sewer Fund - This fund is used to account for the costs associated with the City's sewer system and insures that user charges are sufficient to pay for those costs.
- Storm Sewer Fund - This fund is used to account for the costs associated with the City's storm sewer system and insures that the user charges are sufficient to pay these costs.
- Municipal Liquor - This fund is used to account for the costs associated with the City's municipal liquor store and insures that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

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 revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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, then unrestricted resources as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

G. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2023. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

I. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash during the year or within 60 days after year end. All governmental special assessments receivable are offset by an unearned revenue liability in the fund financial statements.

J. Inventories

Inventories of the Municipal Liquor Store and General Fund are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

K. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

M. 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, and proprietary fund types in the fund financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, and proprietary fund types in the fund financial statements.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Capital Assets (Cont.)

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

Capital Assets are depreciated using the straight line method over the following estimated useful lives: buildings 15 to 40 years; infrastructure and improvements 15 to 40 years, and machinery and equipment 5 to 10 years

N. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary fund Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and compensatory time.

Full-time, permanent City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Employees are entitled to paid sick leave at the rate of one day per month up to a total of 480 hours. Employees are not compensated for unused sick leave upon termination of employment. Sick pay is recorded as an expenditure when payment is made.

O. 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 discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Long-term Obligations (Cont.)

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. 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.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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.

R. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

R. Fund Balance (Cont.)

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

S. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

T. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General Fund, Ambulance Fund and Fire Fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

The following sub-functions of the general fund, fire fund and ambulance fund had expenditures in excess of appropriations for the year ended December 31, 2023.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 181,087	\$ 258,937	\$ (77,850)
Public Works	\$ 207,525	\$ 209,476	\$ (1,951)
Culture and Recreation	\$ 179,226	\$ 218,515	\$ (39,289)
Sanitation	\$ 1,000	\$ 2,429	\$ (1,429)
Special Revenue Funds			
Ambulance Fund	\$ 208,222	\$ 216,415	\$ (8,193)
Fire Fund	\$ 122,467	\$ 143,472	\$ (21,005)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2023:

Infrastructure Improvement Fund	(31,439)
---------------------------------	----------

The above deficits will be eliminated through transfers from other funds, bonding and future tax and assessment collections.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first 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 or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$3,169,518 and the bank balance was \$3,239,397 including certificates of deposits of \$1,406,495. Of the bank balance, \$500,000 was covered by federal depository insurance. Of the remaining balance, \$2,739,397 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts other than certificates of deposit listed above.

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$8,560.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

D. Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Total Deposits	\$ 3,169,518
Total Cash on Hand	<u>8,560</u>
	<u>\$ 3,178,078</u>
Statement of Net Position	
Cash and Cash Investments	<u>\$ 3,178,078</u>

4. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2023, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Infrastructure Improvement Project Fund	\$ -	\$ 16,021
Water Fund	<u>16,021</u>	<u>-</u>
	<u>\$ 16,021</u>	<u>\$ 16,021</u>

The Water Fund advanced \$16,021 to the Infrastructure Improvement Project Fund to cover project costs. The advance will be repayed with future project funding.

5. UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent taxes receivable	\$ 3,340	\$ -
Special assessments receivable	766	-
Nonmajor Governmental Funds		
Delinquent taxes receivable	557	-
Special assessments receivable	<u>46,150</u>	<u>-</u>
Total	<u>\$ 50,813</u>	<u>\$ -</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. TRANSFERS

Transfers to and from other funds at December 31, 2023, follows:

	<u>Transfers to</u> <u>Other Funds</u>	<u>Transfers from</u> <u>Other Funds</u>
General Fund	\$ 131,954	\$ 10,000
Ambulance Fund	-	22,882
Fire Fund	-	35,072
Infrastructure Improvement Fund	-	547,548
Nonmajor Governmental Funds	-	114,000
Water Fund	250,845	-
Sewer Fund	259,487	-
Storm Sewer Fund	77,216	-
Municipal Liquor Fund	10,000	-
	<u>\$ 729,502</u>	<u>\$ 729,502</u>

- The Liquor Fund transferred \$10,000 to the General Fund for operating purposes.
- The General Fund transferred \$47,125 to the Fire Fund and \$20,686 to the Ambulance Fund for operating purposes.
- The Water Fund transferred \$215,845, the Sewer Fund transferred \$254,487 and the Storm Sewer Fund transferred \$77,216 to the Infrastructure Improvement Fund for the City's share of the project costs.
- The Water Fund transferred \$35,000 and the Sewer Fund transferred \$5,000 to the Nonmajor Governmental Funds for a portion of the 2013A GO Improvement Bond repayment.
- The remaining transfers between the General Fund, Water Fund and the Nonmajor Governmental Funds were for future capital outlay purchases and the infrastructure project.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Construction in Progress	\$ 222,246	\$ 562,219	\$ -	\$ 784,465
Subtotal	<u>222,246</u>	<u>562,219</u>	<u>-</u>	<u>784,465</u>
Other Capital Assets:				
Buildings	517,041	-	-	517,041
Infrastructure and Improvements	2,118,499	113,096	-	2,231,595
Machinery and Equipment	<u>1,580,540</u>	<u>158,815</u>	<u>-</u>	<u>1,739,355</u>
Subtotal	<u>4,216,080</u>	<u>271,911</u>	<u>-</u>	<u>4,487,991</u>
Less: Accumulated Depreciation				
Buildings	440,690	5,636	-	446,326
Infrastructure and Improvements	1,304,505	100,169	-	1,404,674
Machinery and Equipment	<u>1,276,423</u>	<u>74,287</u>	<u>-</u>	<u>1,350,710</u>
Subtotal	<u>3,021,618</u>	<u>180,092</u>	<u>-</u>	<u>3,201,710</u>
Net Other Capital Assets	<u>1,194,462</u>	<u>91,819</u>	<u>-</u>	<u>1,286,281</u>
Net Capital Assets	<u>\$ 1,416,708</u>	<u>\$ 654,038</u>	<u>\$ -</u>	<u>\$ 2,070,746</u>

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2023.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 181,323	\$ -	\$ -	\$ 181,323
Subtotal	<u>181,323</u>	<u>-</u>	<u>-</u>	<u>181,323</u>
Other Capital Assets:				
Buildings	192,159	-	-	192,159
Infrastructure and Improvements	3,998,837	19,691	-	4,018,528
Machinery and Equipment	<u>716,328</u>	<u>990</u>	<u>-</u>	<u>717,318</u>
Subtotal	<u>4,907,324</u>	<u>20,681</u>	<u>-</u>	<u>4,928,005</u>
Less: Accumulated Depreciation				
Buildings	169,187	2,367	-	171,554
Infrastructure and Improvements	2,336,443	103,176	-	2,439,619
Machinery and Equipment	<u>541,041</u>	<u>21,805</u>	<u>-</u>	<u>562,846</u>
Subtotal	<u>3,046,671</u>	<u>127,348</u>	<u>-</u>	<u>3,174,019</u>
Net Other Capital Assets	<u>1,860,653</u>	<u>(106,667)</u>	<u>-</u>	<u>1,753,986</u>
Net Capital Assets	<u>\$ 2,041,976</u>	<u>\$ (106,667)</u>	<u>\$ -</u>	<u>\$ 1,935,309</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN FIXED ASSETS (Cont.)

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

Governmental Activities:

General Government	\$	13,764
Public Safety		48,978
Public Works		85,371
Culture and Recreation		<u>31,979</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>180,092</u></u>

Business-Type Activities:

Water	\$	34,820
Sewer		67,680
Storm Sewer		18,366
Municipal Liquor Store		<u>6,482</u>
Total Depreciation Expense - Business-Type Activities	\$	<u><u>127,348</u></u>

8. FUND BALANCE

A. Classifications

	General Fund	Ambulance Fund	Fire Fund	Infrastructure Improvement Project Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid Expense	\$ <u>6,631</u>	\$ <u>868</u>	\$ <u>1,289</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,788</u>
Total						
Nonspendable	<u>6,631</u>	<u>868</u>	<u>1,289</u>	<u>-</u>	<u>-</u>	<u>8,788</u>
Restricted for:						
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,414</u>	<u>135,414</u>
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,414</u>	<u>135,414</u>
Committed to:						
Economic						
Development	75,857	-	-	-	-	75,857
Ambulance						
Service	-	329,349	-	-	-	329,349
Fire Service	<u>-</u>	<u>-</u>	<u>292,810</u>	<u>-</u>	<u>-</u>	<u>292,810</u>
Total						
Committed	<u>75,857</u>	<u>329,349</u>	<u>292,810</u>	<u>-</u>	<u>-</u>	<u>698,016</u>
Assigned to:						
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,740</u>	<u>252,740</u>
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,740</u>	<u>252,740</u>
Unassigned (Deficit)	<u>684,027</u>	<u>-</u>	<u>-</u>	<u>(31,439)</u>	<u>-</u>	<u>652,588</u>
Total	<u><u>\$ 766,515</u></u>	<u><u>\$ 330,217</u></u>	<u><u>\$ 294,099</u></u>	<u><u>\$ (31,439)</u></u>	<u><u>\$ 388,154</u></u>	<u><u>\$1,747,546</u></u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. FUND BALANCE (Cont.)

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2023, the unassigned fund balance of the General Fund was 73.9% of the subsequent year's budgeted expenditures.

9. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2023.

	<u>Balance</u> <u>January 1</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
G.O. Improvement Bonds	\$ 422,000	\$ -	\$ -	\$ 422,000	\$ 66,000
Totals	<u>\$ 422,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,000</u>	<u>\$ 66,000</u>

General Obligation Improvement Bonds issued for governmental activities are liquidated by the debt service fund.

Bonds outstanding at December 31, 2023 are comprised of the following issues:

Governmental Activities

\$939,000 G.O. Improvement Bonds of 2013A, due in annual installments of \$51,000 to \$75,000, plus interest at 2.75% due in semi-annual installments.

This bond matures on 2/1/2029.

Total Long-Term Debt

\$ 422,000
\$ 422,000

The annual requirements to maturity for long-term liabilities are as follows:

	<u>GO Improvement Bonds</u> <u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 66,000	\$ 10,698	\$ 76,698
2025	68,000	8,855	76,855
2026	69,000	6,971	75,971
2027	71,000	5,046	76,046
2028	73,000	3,066	76,066
2029-2033	<u>75,000</u>	<u>1,031</u>	<u>76,031</u>
Total	<u>\$ 422,000</u>	<u>\$ 35,667</u>	<u>\$ 457,667</u>

Interest expense was charged to functions/programs of the City as follows:

Governmental Activities:

Public Works	\$ <u>10,638</u>
Total Interest Expense - Governmental Activities	\$ <u>10,638</u>

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City of Silver Lake, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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 June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023 legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

C. Contributions (Cont.)

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City of Silver Lake, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Silver Lake, Minnesota contributions to the General Employees Fund for the year ended December 31, 2023, were \$25,809. The City of Silver Lake, Minnesota contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City of Silver Lake, Minnesota reported a liability of \$246,043 for its proportionate share of the General Employees Fund's net pension liability. The City of Silver Lake, Minnesota'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 non-employer 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 of Silver Lake, Minnesota totaled \$6,751.

The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Silver Lake, Minnesota proportion share of the net pension liability was based on the City of Silver Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City of Silver Lake, Minnesota proportionate share was 0.0044% at the end of the measurement period and 0.0039% for the beginning of the period.

City of Silver Lake proportionate share of the net pension liability	\$ 246,043
State of Minnesota's proportionate share of the net pension liability associated with the City of Silver Lake	<u>6,751</u>
Total	\$ <u>252,794</u>

For the year ended December 31, 2023, the City of Silver Lake, Minnesota recognized pension expense of \$16,380 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Silver Lake, Minnesota recognized an additional \$30 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

At December 31, 2023, the City of Silver Lake, Minnesota 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,860	\$ 1,695
Changes in actuarial assumptions	39,650	67,438
Net collective difference between projected and actual investment earnings	-	20,090
Changes in proportion	31,199	79,426
Contributions paid to PERA subsequent to the measurement date	<u>13,046</u>	<u>-</u>
Total	<u>\$ 91,755</u>	<u>\$ 168,649</u>

The \$13,046 reported as deferred outflows of resources related to pensions resulting from City of Silver Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2024	\$ (26,197)
2025	\$ (70,470)
2026	\$ 12,063
2027	\$ (5,336)
2028	\$ -
Thereafter	\$ -

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	100%	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employee Plan, Police and Fire Plan and the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police and Fire Plan, and 2% for the Correctional 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. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

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 and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changed 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 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.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 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 the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund, 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 of Silver Lake, Minnesota 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 of Silver Lake, Minnesota 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 in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
General Employees Fund:	\$ 435,270	\$ 246,043	\$ 90,397

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 SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA

A. Plan Description

The City of Silver Lake, Minnesota participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2022 the plan covered 27 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Silver Lake, Minnesota. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Silver Lake, Minnesota contributions. The State of Minnesota contributed \$19,696 in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City had no required annual contribution for December 31, 2023.

D. Pension Costs

At December 31, 2023, the City of Silver Lake, Minnesota reported a net pension asset of \$105,327 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA (Cont.)

D. Pension Costs (Cont.)

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension Liability <u>(Asset)</u>
Beginning Balance December 31, 2021	\$ 484,354	\$ 445,429	\$ 38,925
Changes for the Year			
Service Cost	12,211	-	12,211
TPL Interest	26,134	-	26,134
Projected Investment Earnings	(14,911)	-	(14,911)
Contributions (ER/State)	-	21,091	(21,091)
Difference between Projected and Actual Investment Earnings	-	(63,131)	63,131
Benefit Payouts	(122,000)	(122,000)	-
PERA Administrative Fee	-	(928)	928
Net Changes	<u>(98,566)</u>	<u>(164,968)</u>	<u>66,402</u>
Balance End of Year December 31, 2022	<u>\$ 385,788</u>	<u>\$ 280,461</u>	<u>\$ 105,327</u>

For the year ended December 31, 2023 the City of Silver Lake, Minnesota recognized pension expense of \$27,535.

At December 31, 2023 the City of Silver Lake, Minnesota reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between projected and actual investment earnings	\$ -	\$ 20,506
Net collective difference between projected and actual investment earnings	41,028	-
Contributions paid to PERA subsequent to the measurement date	<u>19,696</u>	<u>-</u>
Total	<u>\$ 60,724</u>	<u>\$ 20,506</u>

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2024	\$ (1,059)
2025	\$ 6,591
2026	\$ 14,990
2027	\$ -
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the December 31, 2022, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA (Cont.)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City of Silver Lake, Minnesota net pension liability for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City of Silver Lake, Minnesota net pension liability would be if it were calculated using a discount rate one percent lower or one percent high than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Liability (Asset)	\$ 113,006	\$ 105,327	\$ 97,712

H. Plan Investments Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA (Cont.)

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Unallocated Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and that target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2022 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of December 31, 2022, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

12. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

13. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2023.

14. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS AND CONTINGENCIES (Cont.)

A. Risk Management (Cont.)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

15. SUBSEQUENT EVENTS

Management evaluated all activity of City of Silver Lake through May 20, 2024 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2023
 With Comparative Amounts for the year ended December 31, 2022

	<u>2023</u>			Variance with Final	<u>2022</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ 568,536	\$ 568,536	\$ 571,772	\$ 3,236	\$ 557,672
Special Assessments	-	-	138	138	2,572
Cable Franchise Tax	<u>6,200</u>	<u>6,200</u>	<u>6,089</u>	<u>(111)</u>	<u>5,837</u>
Total Taxes	<u>574,736</u>	<u>574,736</u>	<u>577,999</u>	<u>3,263</u>	<u>566,081</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>11,700</u>	<u>11,700</u>	<u>7,541</u>	<u>(4,159)</u>	<u>10,518</u>
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	253,831	253,831	253,831	-	248,550
Other State Grants	<u>-</u>	<u>-</u>	<u>28,588</u>	<u>28,588</u>	<u>921</u>
Total Intergovernmental Revenue	<u>253,831</u>	<u>253,831</u>	<u>282,419</u>	<u>28,588</u>	<u>249,471</u>
CHARGES FOR SERVICES:					
General Government	5,900	5,900	3,602	(2,298)	8,621
Public Safety	1,000	1,000	-	(1,000)	-
Public Works	-	-	8,313	8,313	-
Culture and Recreation	<u>41,100</u>	<u>41,100</u>	<u>33,086</u>	<u>(8,014)</u>	<u>38,180</u>
Total Charges for Services	<u>48,000</u>	<u>48,000</u>	<u>45,001</u>	<u>(2,999)</u>	<u>46,801</u>
FINES AND FORFEITS	<u>5,000</u>	<u>5,000</u>	<u>5,394</u>	<u>394</u>	<u>7,263</u>
INTEREST INCOME	<u>815</u>	<u>815</u>	<u>4,343</u>	<u>3,528</u>	<u>902</u>
MISCELLANEOUS:					
Refunds and Reimbursements	2,500	2,500	1,502	(998)	4,993
Donations	18,700	18,700	104,548	85,848	39,407
Insurance Proceeds	-	-	182	182	-
Miscellaneous Income	2,000	2,000	756	(1,244)	8,099
Sales, Net of Merchandise Purchased	<u>8,950</u>	<u>8,950</u>	<u>6,002</u>	<u>(2,948)</u>	<u>13,046</u>
Total Miscellaneous	<u>32,150</u>	<u>32,150</u>	<u>112,990</u>	<u>80,840</u>	<u>65,545</u>
 TOTAL REVENUES	 <u>926,232</u>	 <u>926,232</u>	 <u>1,035,687</u>	 <u>109,455</u>	 <u>946,581</u>
 OTHER FINANCING SOURCES					
Transfer In	<u>5,000</u>	<u>5,000</u>	<u>15,000</u>	<u>10,000</u>	<u>10,000</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>931,232</u>	 <u>931,232</u>	 <u>1,050,687</u>	 <u>119,455</u>	 <u>956,581</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2023
 With Comparative Amounts for the year ended December 31, 2022

	<u>2023</u>		Variance with Final Budget	<u>2022</u>	
	<u>Original Budget</u>	<u>Final Budget</u>		<u>Actual</u>	<u>Actual</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 12,128	\$ 12,128	\$ 11,774	\$ 354	\$ 11,217
Other Current Expenditures	3,625	3,625	1,736	1,889	1,632
Election:					
Personnel Services	172	172	74	98	3,092
Other Current Expenditures	20	20	-	20	1,373
Administrative and Finance:					
Personnel Services	71,462	71,462	92,165	(20,703)	84,339
Contracted Services	1,500	1,500	2,368	(868)	1,776
Insurance	1,275	1,275	1,127	148	995
Supplies	2,050	2,050	2,256	(206)	2,125
Other Current Expenditures	6,300	6,300	17,864	(11,564)	2,051
Capital Outlay	2,200	2,200	76,023	(73,823)	-
Community Development:					
Personnel Services	33,485	33,485	13,483	20,002	4,182
Contracted Services	800	800	161	639	3,919
Supplies	200	200	934	(734)	514
Other Current Expenditures	4,050	4,050	1,297	2,753	1,368
Capital Outlay	10,000	10,000	-	10,000	455
Other General Government:					
Insurance	3,475	3,475	2,848	627	2,659
Repairs and Supplies	1,250	1,250	3,276	(2,026)	2,023
Utilities	11,275	11,275	14,297	(3,022)	12,120
Other Current Expenditures	1,720	1,720	1,383	337	831
Assessor Fees					
Current Expenditures	4,600	4,600	4,507	93	4,507
Independent Auditing					
Current Expenditures	4,000	4,000	3,960	40	3,920
Legal					
Current Expenditures	<u>5,500</u>	<u>5,500</u>	<u>7,404</u>	<u>(1,904)</u>	<u>3,477</u>
Total General Government	<u>181,087</u>	<u>181,087</u>	<u>258,937</u>	<u>(77,850)</u>	<u>148,575</u>
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	-	-	-	-	141
Insurance	-	-	6	(6)	-
Legal Fees	12,000	12,000	9,619	2,381	9,063
Other Current Expenditures	197,000	197,000	189,847	7,153	159,810
Building Inspection	<u>15,000</u>	<u>15,000</u>	<u>6,287</u>	<u>8,713</u>	<u>9,271</u>
Total Public Safety	<u>224,000</u>	<u>224,000</u>	<u>205,759</u>	<u>18,241</u>	<u>178,285</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2023
 With Comparative Amounts for the year ended December 31, 2022

	<u>2023</u>			Variance with Final Budget	<u>2022</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES (Cont.):					
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	\$ 97,017	\$ 97,017	\$ 89,680	\$ 7,337	\$ 90,776
Contracted Services	1,500	1,500	68	1,432	-
Insurance	14,500	14,500	9,980	4,520	8,733
Repairs and Supplies	13,750	13,750	10,472	3,278	19,602
Vehicle Expense	7,000	7,000	6,257	743	8,687
Other Current Expenditures	1,825	1,825	1,677	148	2,208
Capital Outlay	5,000	5,000	17,235	(12,235)	-
Ice and Snow Removal:					
Personnel Services	26,233	26,233	27,700	(1,467)	22,968
Contracted Services	3,500	3,500	9,315	(5,815)	4,036
Vehicle Expense	14,000	14,000	15,982	(1,982)	22,957
Other Current Expenditures	-	-	383	(383)	906
Capital Outlay	4,000	4,000	1,000	3,000	-
Street Lighting:					
Current Expenditures	<u>19,200</u>	<u>19,200</u>	<u>19,727</u>	<u>(527)</u>	<u>18,330</u>
Total Public Works	<u>207,525</u>	<u>207,525</u>	<u>209,476</u>	<u>(1,951)</u>	<u>199,203</u>
CULTURE AND RECREATION:					
Parks:					
Personnel Services	10,517	10,517	8,330	2,187	11,980
Contracted Services	7,000	7,000	5,557	1,443	6,375
Insurance	3,600	3,600	2,237	1,363	2,153
Repairs and Supplies	5,050	5,050	5,518	(468)	4,737
Utilities	2,500	2,500	2,230	270	1,929
Capital Outlay	3,300	3,300	550	2,750	3,300
Participant Recreation:					
Personnel Services	2,584	2,584	191	2,393	2,337
Other Current Expenditures	10,200	10,200	15,508	(5,308)	9,908
Auditorium:					
Personnel Services	13,799	13,799	12,062	1,737	13,025
Contracted Services	4,500	4,500	3,160	1,340	5,911
Insurance	4,450	4,450	7,449	(2,999)	6,090
Repairs and Supplies	6,200	6,200	8,893	(2,693)	5,771
Utilities	11,850	11,850	12,614	(764)	12,467
Other Current Expenditures	3,100	3,100	1,428	1,672	4,198
Capital Outlay	1,000	1,000	-	1,000	28,939
Community Events:					
Personnel Services	2,498	2,498	3,702	(1,204)	1,862
Other Current Expenditures	4,500	4,500	2,696	1,804	9,314

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2023
 With Comparative Amounts for the year ended December 31, 2022

	<u>2023</u>			Variance with Final Budget	<u>2022</u>
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES (Cont.):					
CULTURE AND RECREATION (Cont.):					
Swimming Pool:					
Personnel Services	\$ 44,103	\$ 44,103	\$ 46,294	\$ (2,191)	\$ 44,293
Chemicals	7,500	7,500	10,647	(3,147)	13,256
Insurance	5,100	5,100	3,427	1,673	3,328
Repairs and Supplies	11,700	11,700	9,581	2,119	12,576
Utilities	9,050	9,050	7,470	1,580	12,503
Other Current Expenditures	5,125	5,125	10,300	(5,175)	7,332
Capital Outlay	-	-	38,671	(38,671)	3,987
Total Culture and Recreation	<u>179,226</u>	<u>179,226</u>	<u>218,515</u>	<u>(39,289)</u>	<u>227,571</u>
SANITATION:					
Personnel Services	3,376	3,376	1,381	1,995	2,578
Other Current Expenditures	<u>1,000</u>	<u>1,000</u>	<u>2,429</u>	<u>(1,429)</u>	<u>978</u>
Total Sanitation	<u>4,376</u>	<u>4,376</u>	<u>3,810</u>	<u>566</u>	<u>3,556</u>
MISCELLANEOUS:					
Current Expenditures	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
 TOTAL EXPENDITURES	<u>799,214</u>	<u>799,214</u>	<u>896,497</u>	<u>(97,283)</u>	<u>757,190</u>
 EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	132,018	132,018	154,190	22,172	199,391
 OTHER FINANCING USES:					
Transfer Out	<u>(126,954)</u>	<u>(126,954)</u>	<u>(131,954)</u>	<u>(5,000)</u>	<u>(141,597)</u>
 EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,064	5,064	22,236	(27,172)	57,794
 FUND BALANCES - January 1	<u>744,279</u>	<u>744,279</u>	<u>744,279</u>	<u>-</u>	<u>686,485</u>
 FUND BALANCES - December 31	<u>\$ 749,343</u>	<u>\$ 749,343</u>	<u>\$ 766,515</u>	<u>\$ (27,172)</u>	<u>\$ 744,279</u>

CITY OF SILVER LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
AMBULANCE FUND

FOR THE YEAR ENDED DECEMBER 31, 2023

With Comparative Amounts for the year ended December 31, 2022

	<u>2023</u>			Variance with Final Budget	<u>2022</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES:					
Intergovernmental Revenue	\$ -	\$ -	\$ 3,851	\$ 3,851	\$ -
Charges for Services					
Ambulance Contracts	35,790	35,790	35,067	(723)	34,788
Ambulance Charges	144,150	144,150	190,970	46,820	199,178
Interest Income	340	340	3,211	2,871	617
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>21,262</u>	<u>11,262</u>	<u>9,481</u>
TOTAL REVENUES	<u>190,280</u>	<u>190,280</u>	<u>254,361</u>	<u>64,081</u>	<u>244,064</u>
OTHER FINANCING SOURCES:					
Transfer In	<u>22,882</u>	<u>22,882</u>	<u>22,882</u>	-	<u>20,686</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>213,162</u>	<u>213,162</u>	<u>277,243</u>	<u>64,081</u>	<u>264,750</u>
EXPENDITURES:					
Personnel Services	93,597	93,597	95,428	(1,831)	100,598
Contracted Services	9,000	9,000	6,638	2,362	11,400
Insurance	8,300	8,300	8,026	274	10,053
Repairs and Supplies	8,775	8,775	8,439	336	6,532
Vehicle Expense	1,800	1,800	1,809	(9)	1,294
Utilities	800	800	753	47	629
Insurance Write-Off	75,000	75,000	88,410	(13,410)	95,738
Other Current Expenditures	6,950	6,950	4,812	2,138	6,220
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>2,100</u>	<u>1,900</u>	<u>1,800</u>
TOTAL EXPENDITURES	<u>208,222</u>	<u>208,222</u>	<u>216,415</u>	<u>(8,193)</u>	<u>234,264</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	4,940	4,940	60,828	55,888	30,486
FUND BALANCES - January 1	<u>269,389</u>	<u>269,389</u>	<u>269,389</u>	-	<u>238,903</u>
FUND BALANCES - December 31	<u>\$ 274,329</u>	<u>\$ 274,329</u>	<u>\$ 330,217</u>	<u>\$ 55,888</u>	<u>\$ 269,389</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 FIRE FUND

FOR THE YEAR ENDED DECEMBER 31, 2023
 With Comparative Amounts for the year ended December 31, 2022

	<u>2023</u>			Variance	<u>2022</u>
	Original Budget	Final Budget	Actual	with Final Budget	Actual
REVENUES					
Licenses and Permits	\$ -	\$ -	\$ 2,525	\$ 2,525	\$ 350
Intergovernmental Revenue	22,469	22,469	30,903	8,434	17,469
Fire Contracts	57,554	57,554	44,123	(13,431)	58,522
Interest Income	525	525	5,378	4,853	299
Miscellaneous					
Donations	<u>7,500</u>	<u>7,500</u>	<u>13,555</u>	<u>6,055</u>	<u>9,975</u>
TOTAL REVENUES	<u>88,048</u>	<u>88,048</u>	<u>96,484</u>	<u>8,436</u>	<u>86,615</u>
OTHER FINANCING SOURCES					
Transfer In	<u>40,072</u>	<u>40,072</u>	<u>40,072</u>	<u>-</u>	<u>47,125</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>128,120</u>	<u>128,120</u>	<u>136,556</u>	<u>8,436</u>	<u>133,740</u>
EXPENDITURES					
Personnel Services	39,167	39,167	38,202	965	35,353
Insurance	6,000	6,000	4,328	1,672	4,121
Repairs and Supplies	21,800	21,800	13,358	8,442	9,140
Meetings and Travel	800	800	-	800	1,090
Utilities	4,400	4,400	5,615	(1,215)	4,196
Gas and Oil	3,000	3,000	3,578	(578)	3,769
Other Current Expenditures	22,800	22,800	20,344	2,456	11,627
Capital Outlay	<u>24,500</u>	<u>24,500</u>	<u>58,047</u>	<u>(33,547)</u>	<u>6,078</u>
TOTAL EXPENDITURES	<u>122,467</u>	<u>122,467</u>	<u>143,472</u>	<u>(21,005)</u>	<u>75,374</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>5,653</u>	<u>5,653</u>	<u>(6,916)</u>	<u>(12,569)</u>	<u>58,366</u>
OTHER FINANCING USES:					
Transfer Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	653	653	(6,916)	(7,569)	58,366
FUND BALANCE - January 1	<u>242,348</u>	<u>242,348</u>	<u>242,348</u>	<u>-</u>	<u>242,348</u>
FUND BALANCE - December 31	<u>\$ 243,001</u>	<u>\$ 243,001</u>	<u>\$ 235,432</u>	<u>\$ (7,569)</u>	<u>\$ 300,714</u>

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 PERA GENERAL EMPLOYEES RETIREMENT FUND
 DECEMBER 31, 2023

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0044 %	\$ 246,043	\$ 6,751	\$ 252,794	\$ 347,520	72.74 %	83.10 %
June 30, 2022	0.0039 %	\$ 308,881	\$ 9,023	\$ 317,904	\$ 289,581	109.78 %	76.67 %
June 30, 2021	0.0044 %	\$ 187,900	\$ 5,821	\$ 193,721	\$ 319,533	60.63 %	87.00 %
June 30, 2020	0.0043 %	\$ 257,805	\$ 7,891	\$ 265,696	\$ 306,413	86.71 %	79.10 %
June 30, 2019	0.0043 %	\$ 237,737	\$ 7,500	\$ 245,237	\$ 299,627	81.85 %	80.20 %
June 30, 2018	0.0044 %	\$ 244,094	\$ 8,105	\$ 252,199	\$ 299,536	84.20 %	79.50 %
June 30, 2017	0.0045 %	\$ 287,277	\$ 3,632	\$ 290,909	\$ 291,475	99.81 %	75.90 %
June 30, 2016	0.0047 %	\$ 381,617	\$ 4,920	\$ 386,537	\$ 289,536	133.50 %	68.90 %
June 30, 2015	0.0047 %	\$ 243,578	\$ -	\$ 243,578	\$ 283,610	85.88 %	78.19 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2023

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2023	\$ 25,809	\$ 25,809	-	\$ 344,120	7.50 %
December 31, 2022	\$ 24,188	\$ 24,188	-	\$ 322,506	7.50 %
December 31, 2021	\$ 22,559	\$ 22,559	-	\$ 300,784	7.50 %
December 31, 2020	\$ 23,057	\$ 23,057	-	\$ 307,427	7.50 %
December 31, 2019	\$ 22,818	\$ 22,818	-	\$ 304,240	7.50 %
December 31, 2018	\$ 22,742	\$ 22,742	-	\$ 303,224	7.50 %
December 31, 2017	\$ 21,339	\$ 21,339	-	\$ 284,520	7.50 %
December 31, 2016	\$ 21,668	\$ 21,668	-	\$ 288,908	7.50 %
December 31, 2015	\$ 21,237	\$ 21,237	-	\$ 283,160	7.50 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 SILVER LAKE FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2023

Fiscal Year	2023	2022	2021	2020
Total Pension Liability				
Service Cost	\$ -	\$ 12,211	\$ 14,446	\$ 10,632
Interest on the Total Pension Liability	-	26,134	22,465	22,168
Difference Between Expected and Actual Experience	-	(14,911)	(26,775)	(4,249)
Changes in Assumptions	-	-	-	-
Changes of Benefit Terms	-	-	141,691	-
Benefit Payments	-	(122,000)	(54,850)	-
Net change in total pension liability	-	(98,566)	96,977	28,551
Total Pension Liability - Beginning	<u>385,788</u>	<u>484,354</u>	<u>387,377</u>	<u>358,826</u>
Total Pension Liability - Ending (a)	<u>\$ 385,788</u>	<u>\$ 385,788</u>	<u>\$ 484,354</u>	<u>\$ 387,377</u>
Plan Fiduciary Net Position				
Contributions State	\$ -	\$ 20,163	\$ 16,973	\$ 18,347
Contributions Local	-	928	-	-
Net Investment Income	-	(63,131)	26,544	56,108
Asset (Gain)/Loss	-	-	15,219	-
Benefit Payments	-	(122,000)	(54,850)	-
Pension Plan Administrative Expense	-	(928)	(865)	(575)
Net Change in Total Pension Liability	-	(164,968)	3,021	73,880
Plan Fiduciary Net Position - Beginning	<u>280,461</u>	<u>445,429</u>	<u>442,408</u>	<u>368,528</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 280,461</u>	<u>\$ 280,461</u>	<u>\$ 445,429</u>	<u>\$ 442,408</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ 105,327</u>	<u>\$ 105,327</u>	<u>\$ 38,925</u>	<u>\$ (55,031)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.70 %	72.70 %	91.96 %	114.21 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2016. Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 SILVER LAKE FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2023

Fiscal Year	2019	2018	2017	2016
Total Pension Liability				
Service Cost	\$ 10,240	\$ 9,942	\$ 9,637	\$ 10,032
Interest on the Total Pension Liability	21,619	22,691	23,657	22,712
Difference Between Expected and Actual Experience	(3,320)	247	(6,371)	(4,531)
Changes in Assumptions	-	-	-	-
Changes of Benefit Terms	-	-	-	-
Benefit Payments	<u>(39,576)</u>	<u>(62,524)</u>	<u>(24,125)</u>	<u>-</u>
Net change in total pension liability	(11,037)	(29,644)	2,798	28,213
Total Pension Liability - Beginning	<u>369,863</u>	<u>399,507</u>	<u>396,709</u>	<u>368,496</u>
Total Pension Liability - Ending (a)	<u>\$ 358,826</u>	<u>\$ 369,863</u>	<u>\$ 399,507</u>	<u>\$ 396,709</u>
Plan Fiduciary Net Position				
Contributions State	\$ 18,321	\$ 16,422	\$ 18,444	\$ 22,681
Contributions Local	-	5,949	-	-
Net Investment Income	58,822	(12,790)	45,866	21,696
Asset (Gain)/Loss	-	-	-	-
Benefit Payments	(39,576)	(62,524)	(24,125)	-
Pension Plan Administrative Expense	<u>(1,207)</u>	<u>(952)</u>	<u>(951)</u>	<u>-</u>
Net Change in Total Pension Liability	36,360	(53,895)	39,234	44,377
Plan Fiduciary Net Position - Beginning	<u>332,168</u>	<u>386,063</u>	<u>346,829</u>	<u>303,403</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 368,528</u>	<u>\$ 332,168</u>	<u>\$ 386,063</u>	<u>\$ 347,780</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (9,702)</u>	<u>\$ 37,695</u>	<u>\$ 13,444</u>	<u>\$ 48,929</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.70 %	89.81 %	96.63 %	87.67 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2016. Informaton for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY (ASSET)
AS A PERCENT OF PAYROLL
SILVER LAKE FIRE DEPARTMENT RELIEF ASSOCIATION
DECEMBER 31, 2023

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2023	\$ 19,696	\$ 19,696	-	N/A	N/A
December 31, 2022	\$ 20,163	\$ 20,163	-	N/A	N/A
December 31, 2021	\$ 16,973	\$ 16,973	-	N/A	N/A
December 31, 2020	\$ 18,347	\$ 18,347	-	N/A	N/A
December 31, 2019	\$ 18,321	\$ 18,321	-	N/A	N/A
December 31, 2018	\$ 22,371	\$ 22,371	-	N/A	N/A
December 31, 2017	\$ 18,444	\$ 18,444	-	N/A	N/A
December 31, 2016	\$ 22,681	\$ 22,681	-	N/A	N/A

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2016. Information for prior years is not available.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%

Change 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 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Change in Actuarial Assumptions

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

Change in Plan Provisions

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

2021 Changes

Change 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.

2020 Changes

Change 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.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- 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.

Change 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.

2019 Changes

Change 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

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 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 4.00 percent to 3.00 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.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and no more than 1.50 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 Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF SILVER LAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent 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

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increase, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

SECTION III

SUPPLEMENTAL SECTION

CITY OF SILVER LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u> 317 - 2013A GO Improvement <u>Bond</u>	<u>Capital Project Fund</u> Capital Improvement <u>Fund</u>	<u>Total</u>
ASSETS:				
Cash and Investments	\$ -	\$ 135,346	\$ 228,408	\$ 363,754
Property Taxes Receivable	-	557	-	557
Special Assessments Receivable	-	46,150	-	46,150
Interest Receivable	-	-	853	853
Due from Other Governments	-	68	-	68
Land Held for Resale	-	-	39,500	39,500
	<u>-</u>	<u>-</u>	<u>39,500</u>	<u>39,500</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 182,121</u>	<u>\$ 268,761</u>	<u>\$ 450,882</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ 16,021	\$ 16,021
	<u>-</u>	<u>-</u>	<u>16,021</u>	<u>16,021</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>16,021</u>	<u>16,021</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	-	46,707	-	46,707
Total Deferred Inflows of Resources	<u>-</u>	<u>46,707</u>	<u>-</u>	<u>46,707</u>
FUND BALANCES:				
Restricted	-	135,414	-	135,414
Assigned	-	-	252,740	252,740
Total Fund Balances (Deficit)	<u>-</u>	<u>135,414</u>	<u>252,740</u>	<u>388,154</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 182,121</u>	<u>\$ 268,761</u>	<u>\$ 450,882</u>

CITY OF SILVER LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u> 317 - 2013A GO Improvement Bond	<u>Capital Project Fund</u> Capital Improvement Fund	<u>Total</u>
REVENUES				
Taxes	\$ -	\$ 36,206	\$ -	\$ 36,206
Intergovernmental Revenue	(1)	-	-	(1)
Interest Income	(9)	493	2,555	3,039
Total Revenues	<u>(10)</u>	<u>36,699</u>	<u>2,555</u>	<u>39,244</u>
EXPENDITURES				
Public Works	-	-	47,355	47,355
Interest Payments	-	5,803	473	6,276
Capital Outlay	<u>88,956</u>	-	-	<u>88,956</u>
Total Expenditures	<u>88,956</u>	<u>5,803</u>	<u>47,828</u>	<u>142,587</u>
EXCESS REVENUES OVER EXPENDITURES	(88,966)	30,896	(45,273)	(103,343)
OTHER FINANCING SOURCES (USES)				
Transfer In	<u>-</u>	<u>40,000</u>	<u>64,000</u>	<u>104,000</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(88,966)	70,896	18,727	657
FUND BALANCES - January 1	<u>88,966</u>	<u>64,518</u>	<u>234,013</u>	<u>387,497</u>
FUND BALANCES - December 31	<u>\$ -</u>	<u>\$ 135,414</u>	<u>\$ 252,740</u>	<u>\$ 388,154</u>

CITY OF SILVER LAKE, MINNESOTA

SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS

GOVERNMENTAL FUNDS

DECEMBER 31, 2023

The purpose of this report is to provide a summary of financial information concerning the City of Silver Lake to interested citizens. The complete financial statements may be examined at the City Hall, 308 Main Street W Silver Lake, MN Questions about this report should be directed to Diane Pedersen, City Clerk, at 320 327 2412

	Total <u>2023</u>	Total <u>2022</u>	Percent Increase <u>(Decrease)</u>
REVENUES:			
Taxes and Assessments	\$ 614,205	\$ 591,421	3.85 %
Licenses and Permits	10,066	10,868	(7.38)%
Intergovernmental	317,173	311,418	1.85 %
Charges for Services	315,161	339,289	(7.11)%
Fines	5,394	7,263	(25.73)%
Investment Earnings	15,970	2,711	489.08 %
Miscellaneous	142,078	71,980	97.39 %
Transfer In	729,502	191,383	281.17 %
Sales, Net of Merchandise Purchased	<u>6,002</u>	<u>13,046</u>	<u>(53.99)%</u>
Total Revenues	<u>\$ 2,155,551</u>	<u>\$ 1,591,223</u>	<u>35.47 %</u>
Per Capita	<u>\$ 2,495</u>	<u>\$ 1,629</u>	
EXPENDITURES:			
Current			
General Government	\$ 182,914	\$ 148,120	23.49 %
Public Safety	505,500	480,045	5.30 %
Public Works	238,596	199,203	19.78 %
Culture and Recreation	179,294	191,345	(6.30)%
Sanitation	3,810	3,556	7.14 %
Debt Service:			
Principal Payments	-	126,000	(100.00)%
Interest Payments	6,276	22,581	(72.21)%
Capital Outlay	834,130	54,164	1,440.01 %
Transfer Out	<u>131,954</u>	<u>312,727</u>	<u>(57.81)%</u>
Total Expenditures	<u>\$ 2,082,474</u>	<u>\$ 1,537,741</u>	<u>35.42 %</u>
Per Capita	<u>\$ 2,410</u>	<u>\$ 1,627</u>	
Total Governmental Long-term Indebtedness	<u>\$ 422,000</u>	<u>\$ 422,000</u>	<u>- %</u>
Per Capita	<u>\$ 488</u>	<u>\$ 488</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 684,027</u>	<u>\$ 666,436</u>	<u>2.64 %</u>
Per Capita	<u>\$ 792</u>	<u>\$ 771</u>	

SECTION IV

ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



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INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Silver Lake, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City of Silver Lake, Minnesota's basic financial statements, and have issued our report thereon dated May 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Silver Lake, Minnesota'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 of Silver Lake, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Silver Lake, Minnesota's internal control.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Silver Lake, Minnesota's financial statements are free of material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City of Silver Lake, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Silver Lake, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Silver Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 20, 2024

CITY OF SILVER LAKE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

INTERNAL CONTROL FINDINGS

Audit Finding 2023-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2023-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



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MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Silver Lake, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that City of Silver Lake, Minnesota failed to comply with the provisions 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 of Silver Lake, Minnesota's noncompliance with the above reference provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 20, 2024