Agenda
Lake City Common Council
Workshop March 18, 2024
5:00 PM
City Hall Council Chambers
Special workshop meeting to review 2023 audit

1. Call to Order/Introductions
2. Review and adopt/amend agenda
3. Informational Reports
    a. Smith Schafer & Associates - 2023 Financial Summary
4. Adjourn

March 18, 2024

Agenda Item Description: Smith Schafer & Associates - 2023 Financial Summary

Originating Department: Finance

Board/Commission/Committee Action: **Consent Agenda?:**

Introduction/ Background/Justification/Key/Legal Issues:
Andrew Forliti, Audit Principal from Smith Schafer & Associates will discuss the City's 2023 Financial Statement and present highlights from the audit.

The city's audit draft is attached. City staff and auditor's will need to finalize PERA footnote in our audit over the next couple weeks once PERA auditor's finalize their audit.

Once audit is complete, it will be sent to council and posted on the city's website.

Reviewed By: Administration

Preparer: Jerome Illg, Finance Director

ATTACHMENTS:

Description

- **Audit Presentation**
- **2023 Draft Audit**

SMITHSCHAFER

CITY OF LAKE CITY

Financial Summary - 2023

INDEPENDENT AUDIT

- Unmodified Opinion
  - Provides reasonable, but not absolute, assurance that financials are free of material misstatement
  - Unmodified “Clean” opinion in 2023
- Minnesota Legal Compliance
  - No findings to report
- Single Audit
  - Not required
- Auditor Communications
  - Report on Internal Control over Financial Reporting and on Compliance and Other Matters
  - Auditor’s Responsibility Letter

FUND TYPES

Governmental

- **Governmental**
  - General Fund
  - Special Revenue Funds
  - Debt Service Funds
  - Capital Projects Funds

- **Component Unit**
  - Port Authority

Proprietary

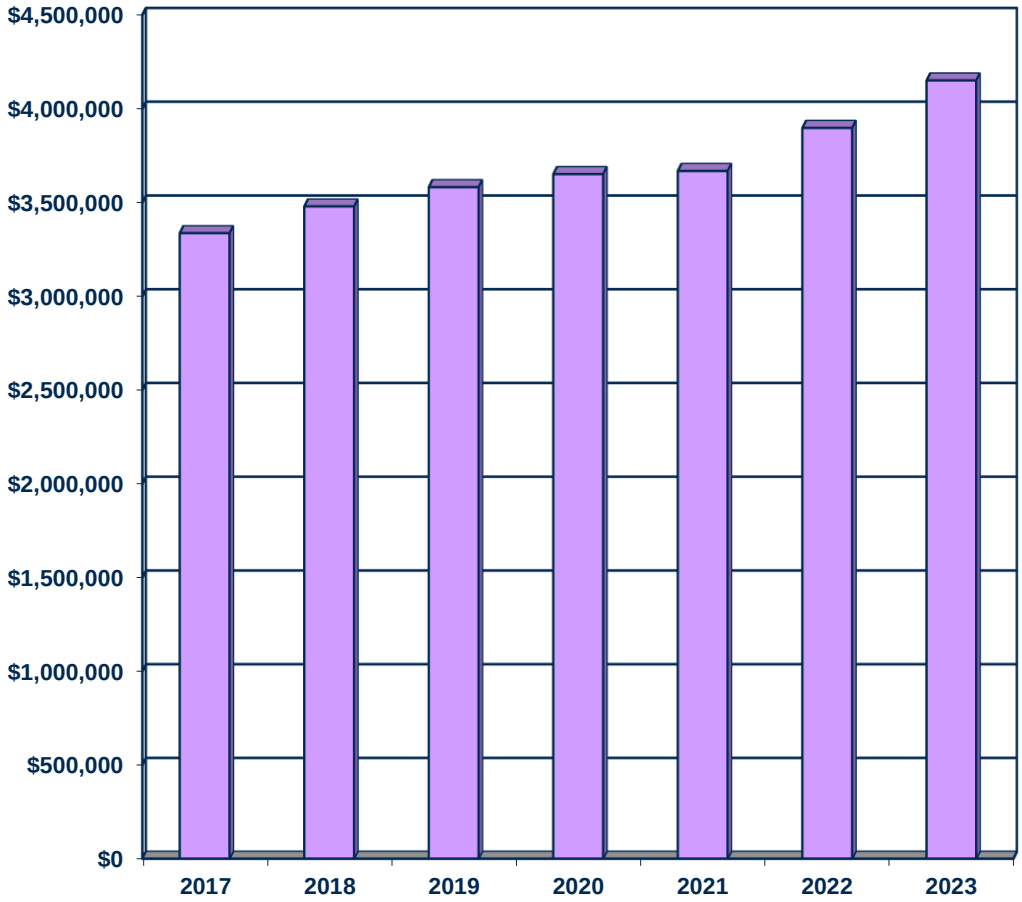
- **Internal Service**
  - Utilities and maintenance

- **Enterprise**
  - Utilities
    - Electric
    - Water
    - Sewer
    - Storm Water
    - Garbage
  - Marina

REVENUES

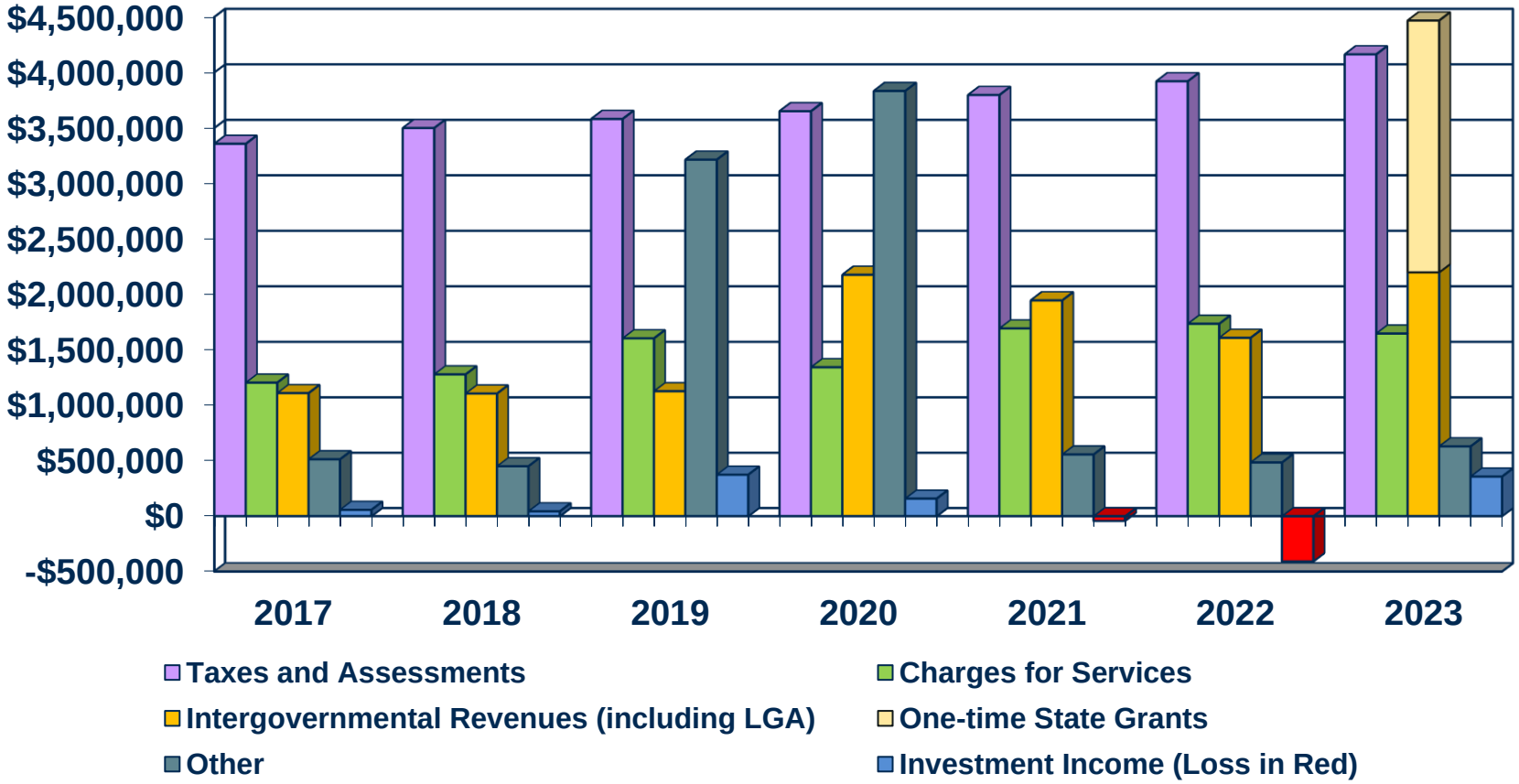
Governmental Funds

GENERAL PROPERTY TAX COLLECTIONS



- Property tax revenues represent 37% of governmental revenues (46% excluding 7th reconstruction project state aid).
- General property tax levy collections (excluding market value credit) totaled $4,150,460 in 2023 compared to $3,897,234 in 2022.

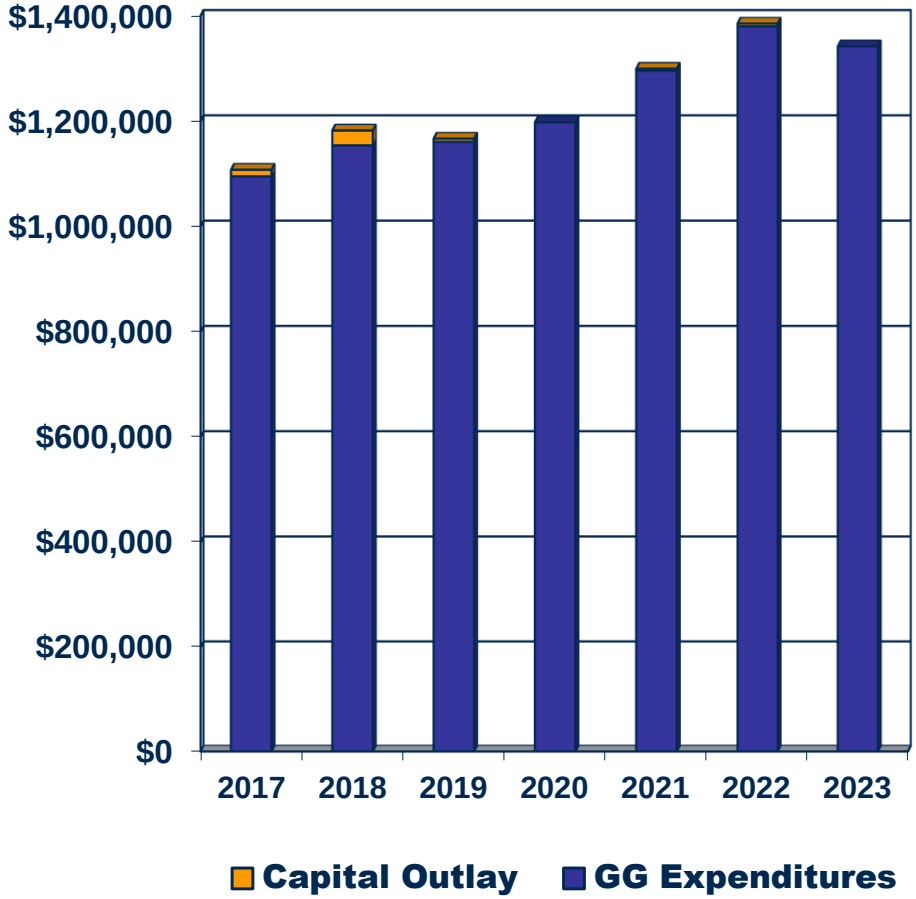
GOVERNMENTAL FUND REVENUES



EXPENDITURES

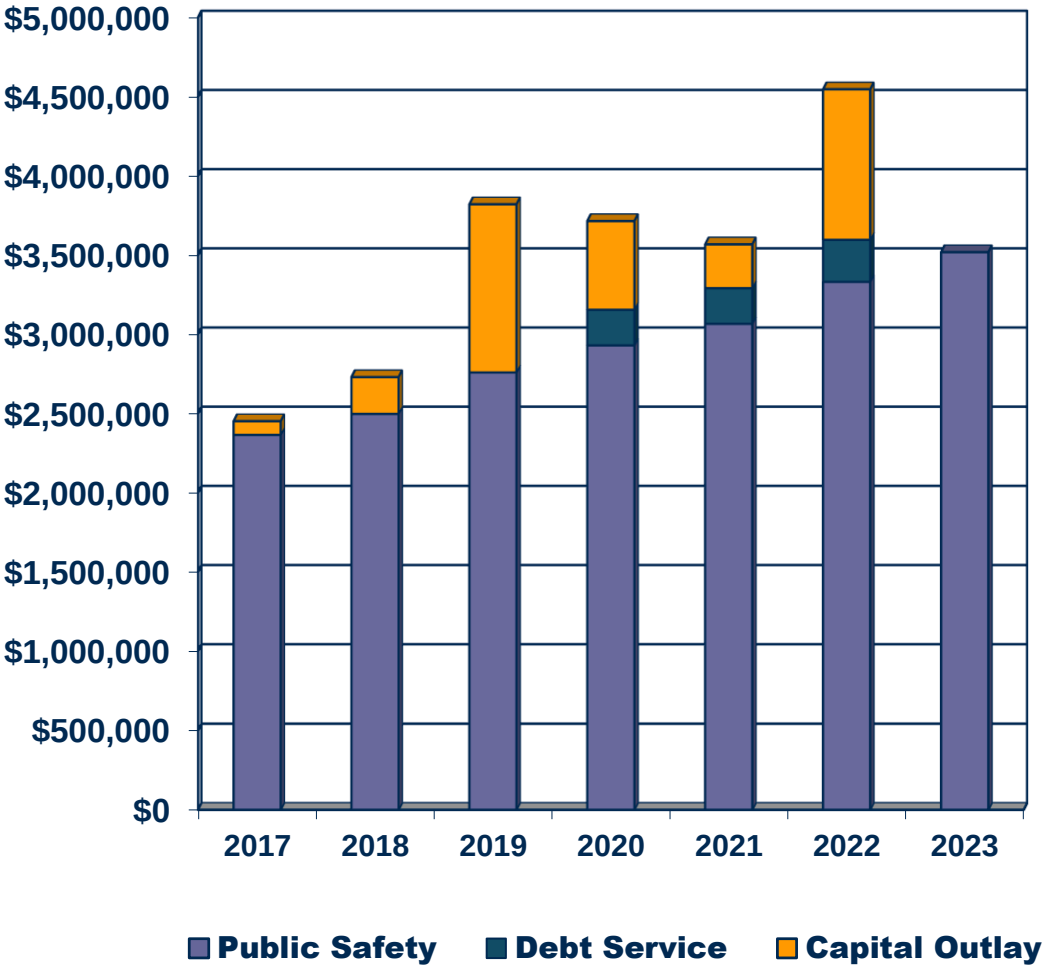
Governmental Funds

GENERAL GOVERNMENT EXPENDITURES



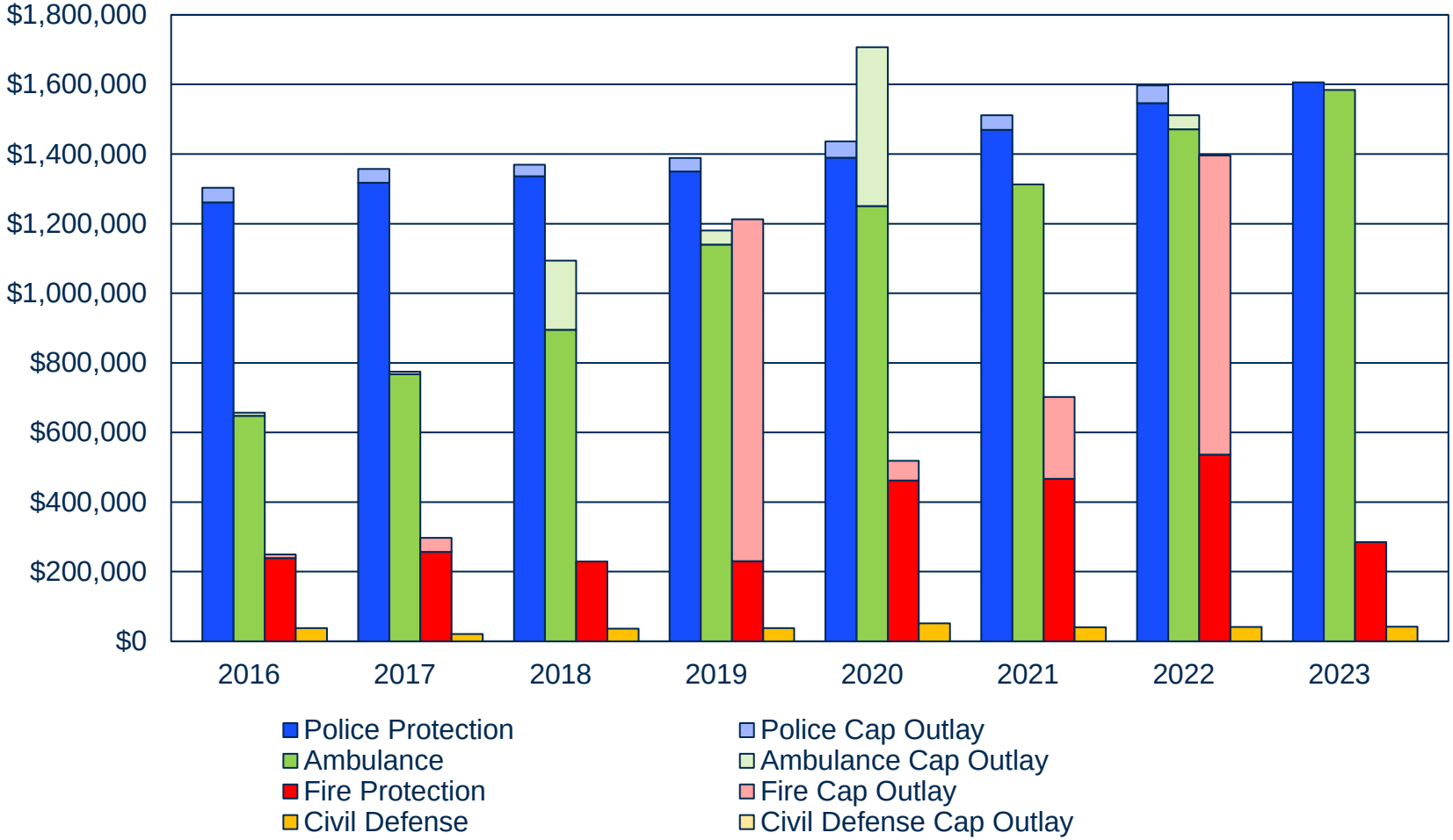
- Includes mayor and council, administration, elections, finance, planning and zoning, general government buildings and professional services
- Represents 19% of total governmental expenditures excluding capital outlay and debt service
- Totaled $1,341,579 in 2023, down $43,263 from 2022 or 3.1%

PUBLIC SAFETY EXPENDITURES

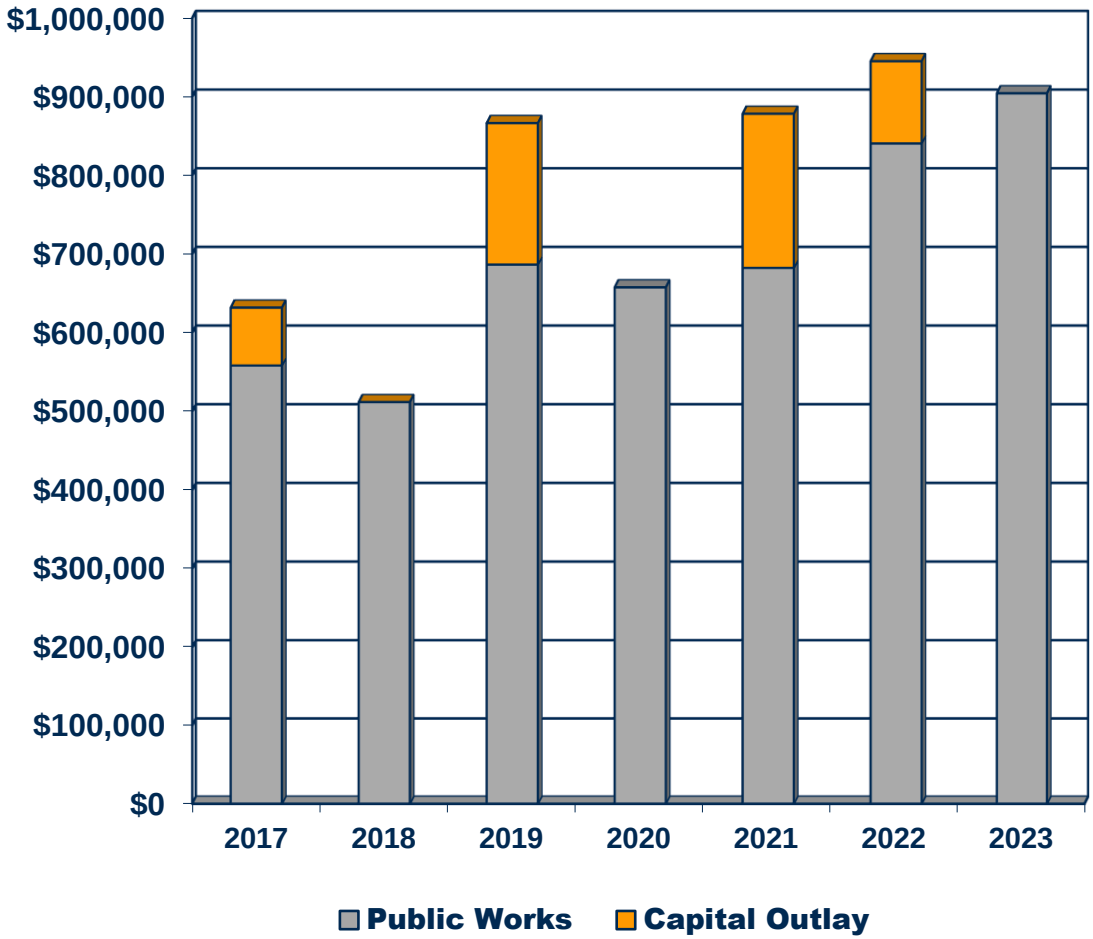


- Includes police protection, fire protection, ambulance, and civil defense
- Represents 50% of total governmental expenditures excluding capital outlay and debt service
- Operating expenditures totaled $3,517,056 in 2023, up $187,561 primarily due to personnel costs in the police and ambulance department
- Capital down in 2023 $950,456 mainly due to purchase of Fire Pumper Truck purchase in 2022

PUBLIC SAFETY EXPENDITURES

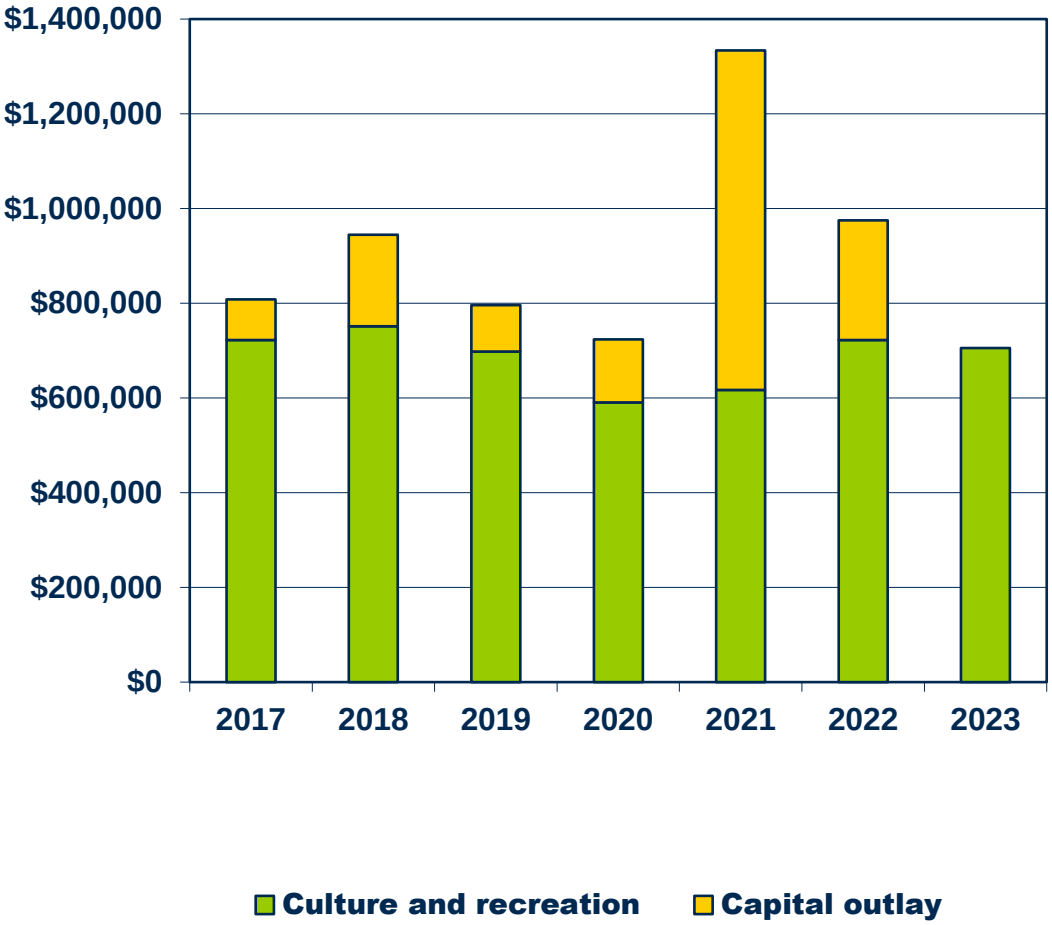


STREETS AND HIGHWAYS



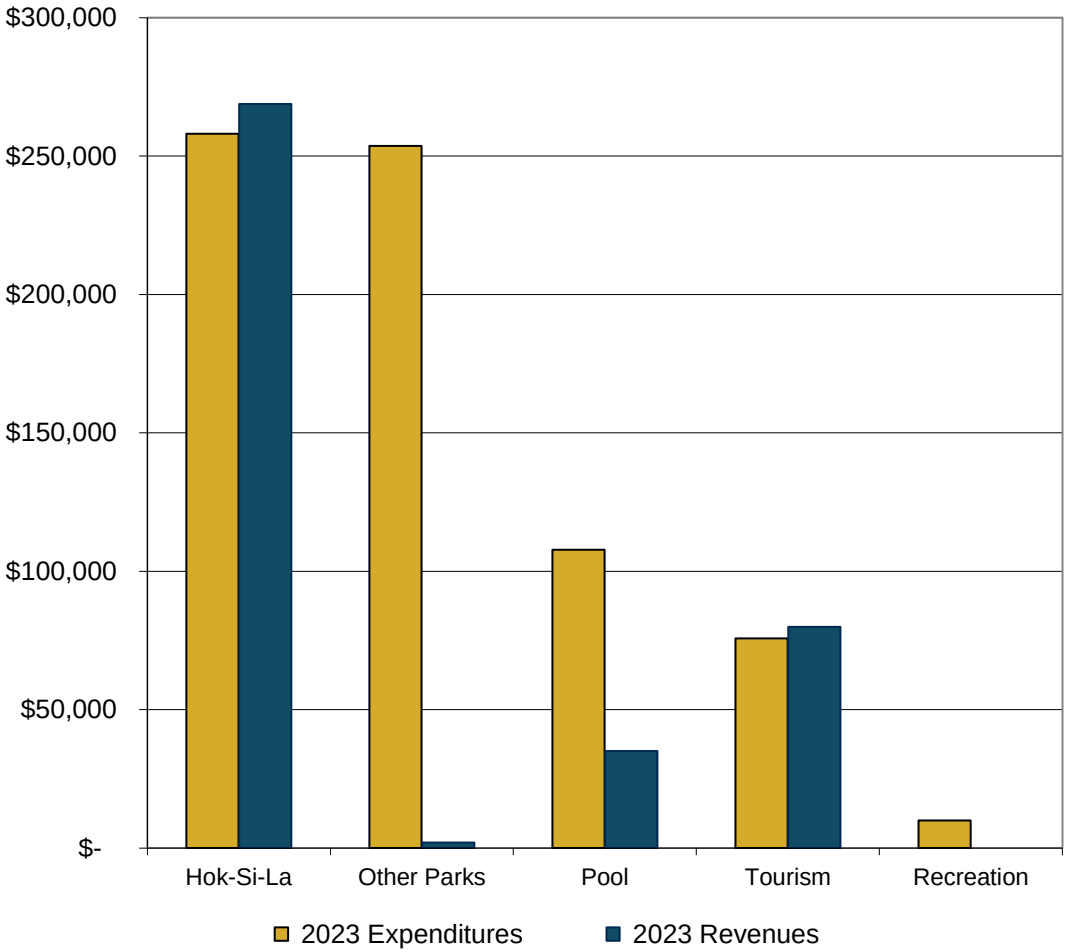
- Street repair and maintenance, snow removal, traffic signals, and street cleaning
- Primarily salaries/benefits, repairs and maintenance, supplies, fuel, utilities and insurance
- Operating expenditures totaled $904,296 in 2023, an increase of $63,695 from 2022 primarily due to street maintenance

CULTURE AND RECREATION EXPENDITURES



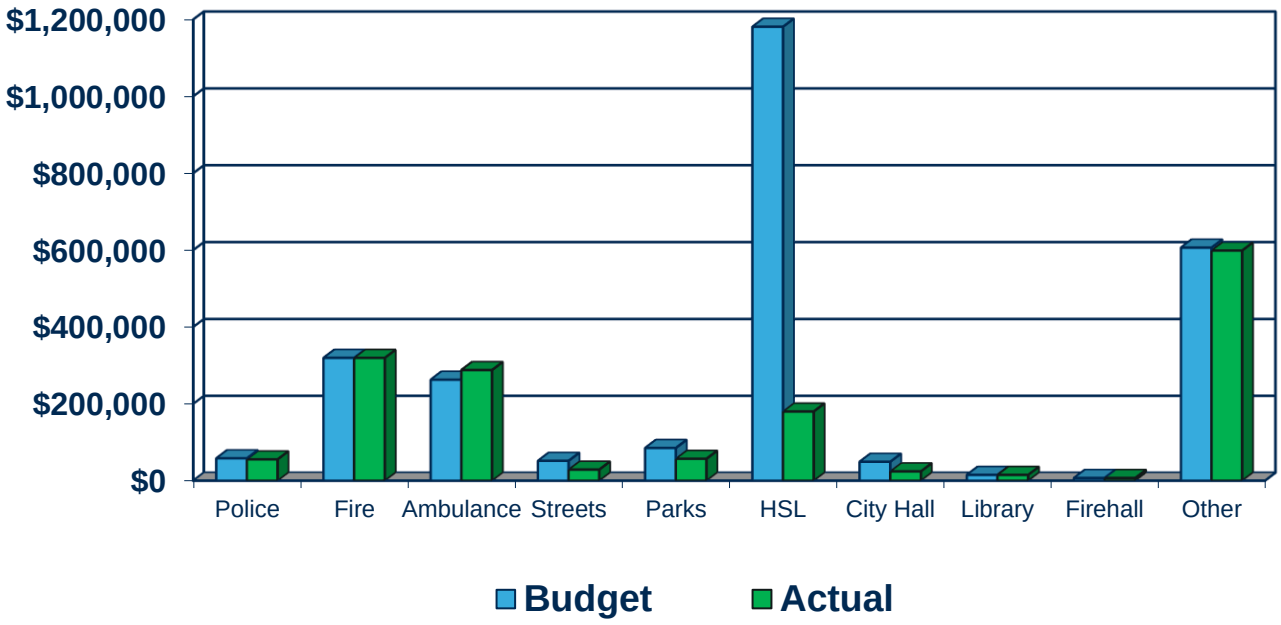
- Parks, Swimming Pool, Hok-Si-La, Recreation and Lodging Tax totaled $705,348 in 2023, a decrease of $269,382 (-27.64%) mainly due to 2022 Ohuta Beach Project and HSL Trail project expenditures
- User fee revenues totaled $355,790 in 2023 compared to $288,070 in 2022. Increase primarily due to cabin rentals and swimming pool lessons.

CULTURE AND RECREATION EXPENDITURES (EXCLUDING THE LIBRARY)



- **2023 Expenditures**
  - **Hok-Si-La** **$258,085**
  - **Parks** **$253,717**
  - **Pool** **$107,768**
  - **Lodging Tax** **$75,778**
  - **Recreation** **$10,000**
- **2023 Revenues**
  - **Hok-Si-La** **$268,793**
  - **Parks** **$2,030**
  - **Pool** **$35,090**
  - **Lodging Tax** **$79,877**
  - **Recreation** **$ -**
- 2022 Expenditures
  - Hok-Si-La $362,816
  - Parks $416,809
  - Pool $120,926
  - Lodging Tax $71,061
  - Recreation $10,000
- 2022 Revenues
  - Hok-Si-La $187,167
  - Parks $1,855
  - Pool $24,073
  - Lodging Tax $74,975
  - Recreation $ -

CAPITAL PROJECTS FUND EXPENDITURES

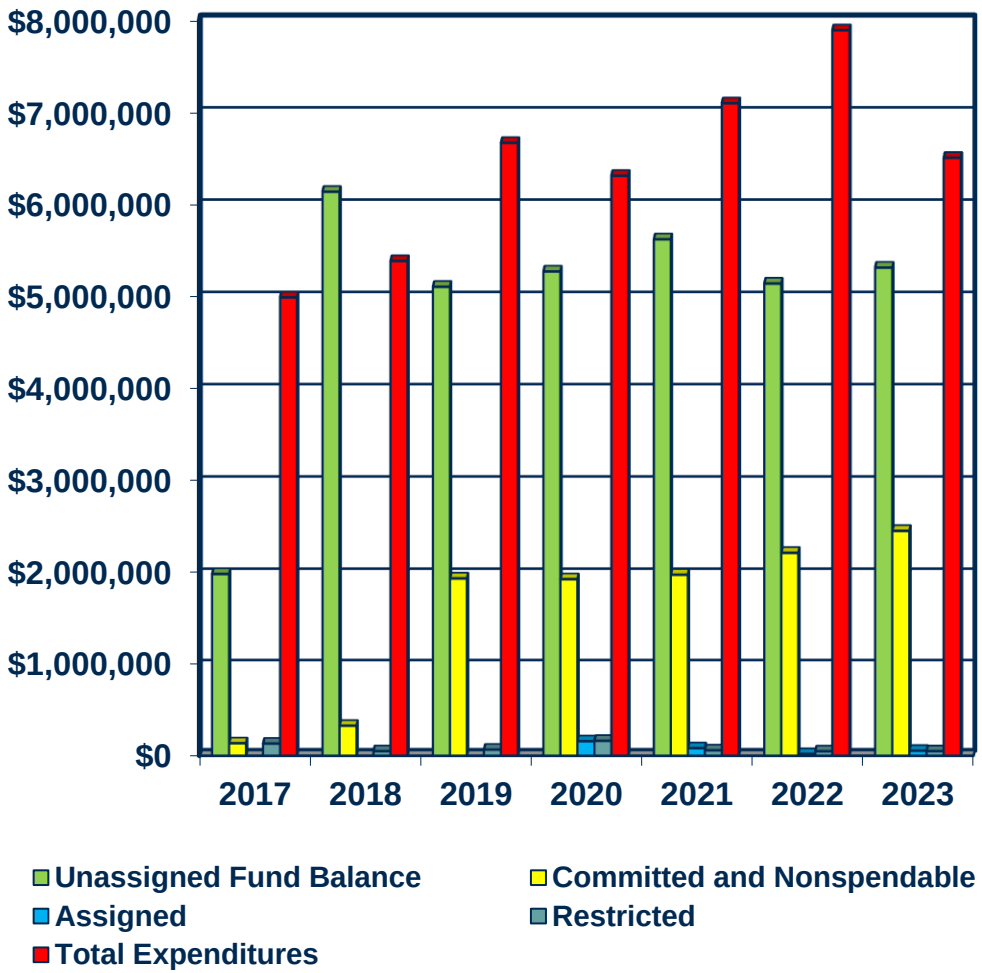


- In 2023, capital outlay expenditures were recorded in the capital projects fund
- Expenditures totaled $1,362,965, not including a $228,500 transfer out for the 2023 Street Project (N 7th St.) and Ambulance
- Major expenditure items include Fire truck lease payments, 2022 Dodge Ram Ambulance and Ohuta Pavilion

RESERVES

General Fund

GENERAL FUND – FUND BALANCE



- Unassigned fund balance as a % of expenditures:
  - 2023 82%
  - 2022 65%
  - 2021 79%
  - 2020 84%
  - 2019 77%
  - 2018 114%
  - 2017 40%

Note: Fund balance unassigned as percent of expenditures increased in 2023.

Fund Balance increased in 2018 due to forgiveness of the $2.018M inter-fund loan related to the Public Safety Building and an additional one-time transfer of $1.5M from the Marina Fund

PURPOSES & BENEFITS OF RESERVES

Purpose of Reserves

- Cash flow timing differences
- Intergovernmental revenue cutbacks
- Emergency or unanticipated expenditures
- Special City projects

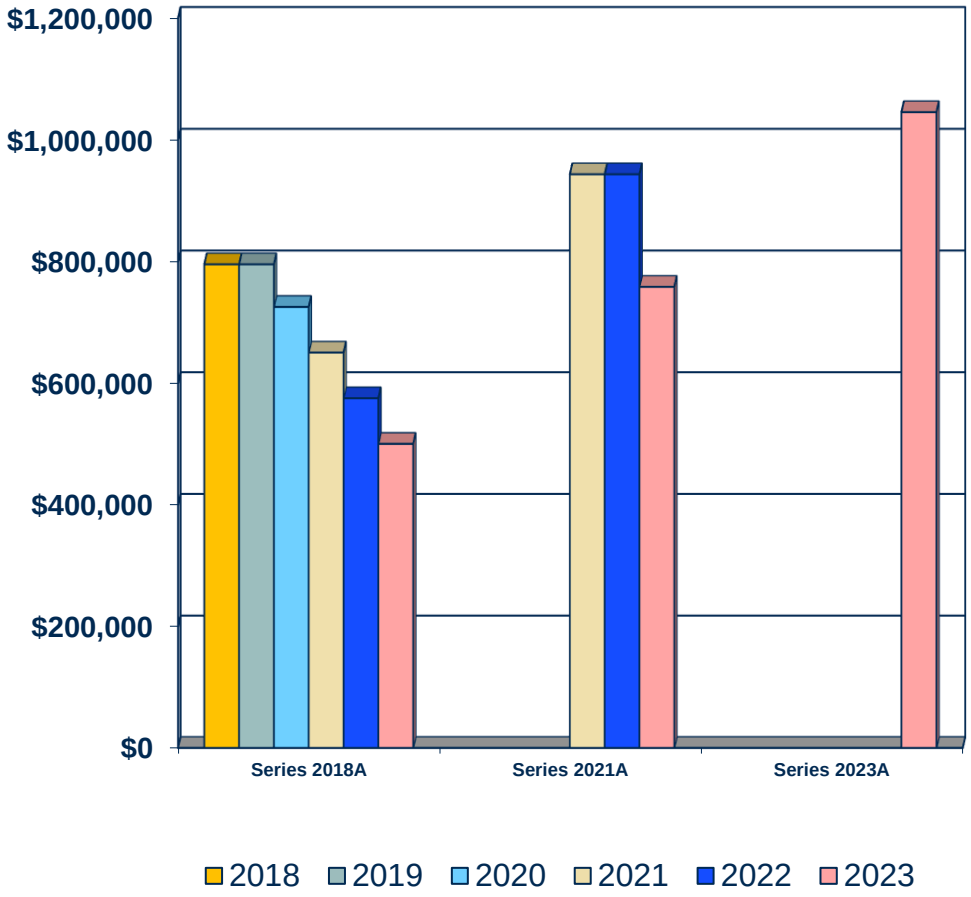
Benefits of Reserves

- Favorable bond rating
- Higher investment earnings
- Provides resources for minor projects or feasibility reports
- Avoids temporary overdrafts prior to major receipts
- Allows time to study effects of revenue cuts
- Avoids overburdening of annual budgets for certain capital outlay
- Provides the City greater options to deal with unexpected events

Note: The City of Lake City was reaffirmed as AA stable in 2023.

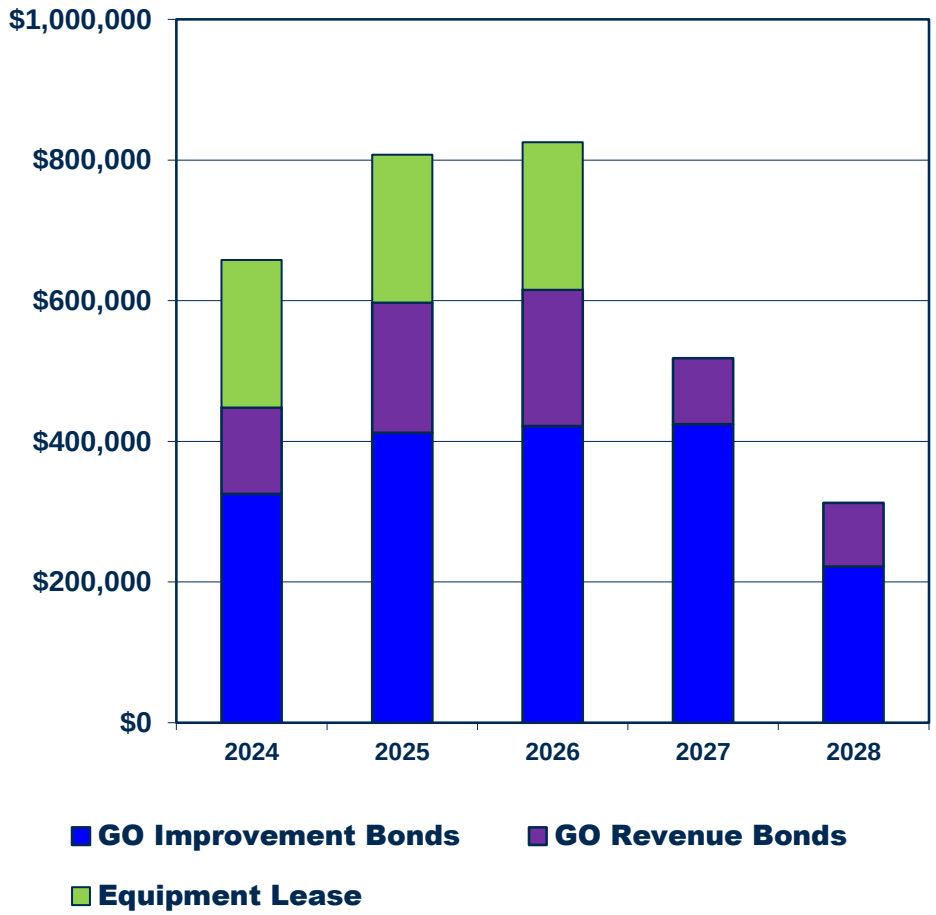
DEBT SERVICE

GENERAL OBLIGATION BOND BALANCES



- All Improvement Bonds
- Supported by property taxes and special assessments
- All payments being made timely
- City issued the 2023A GO Street Reconstruction Bonds in the current year as part of the 7th Street Reconstruction project

5 YEAR DEBT SERVICE REQUIREMENTS

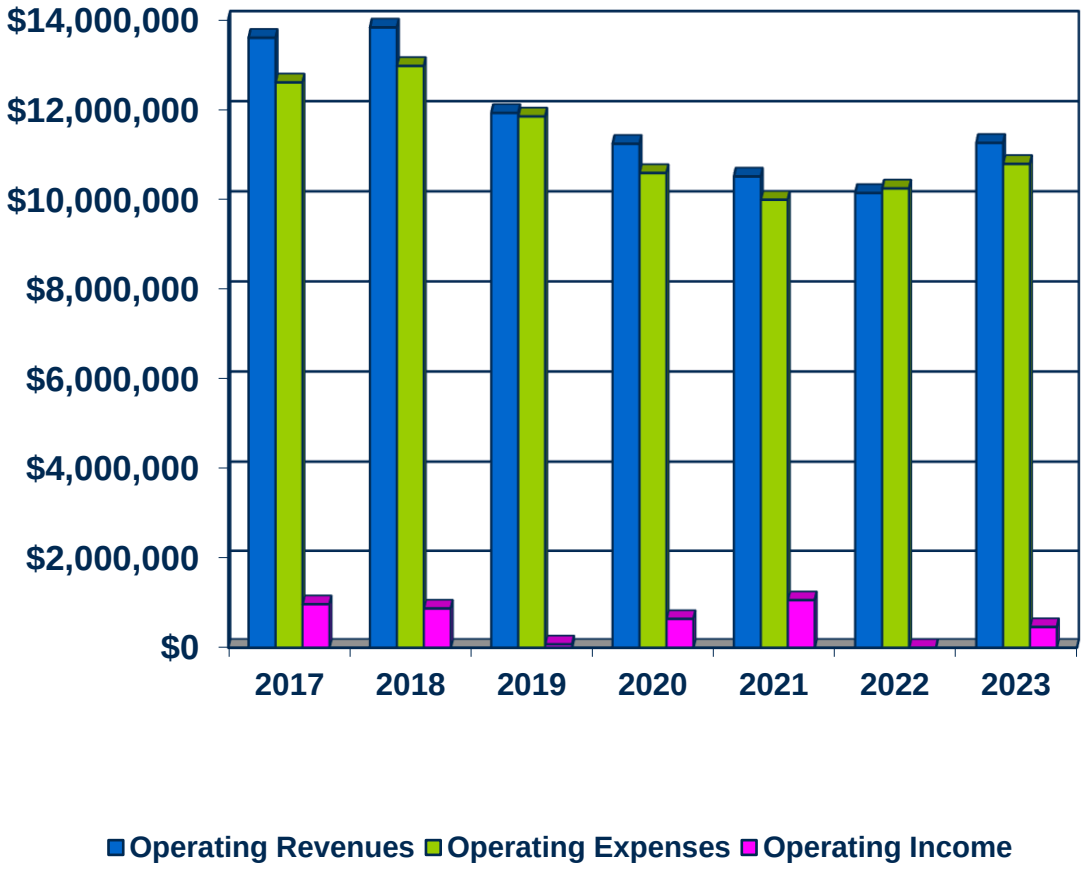


- Includes principal and interest payments
- Debt service required in years 2024 - 2028
  - GO Improv - $1,806,320
  - GO Revenue - $685,597
  - Equipment Lease - $629,440
- 2023 debt payments for all shown debt was $917,998

OPERATIONAL TRENDS

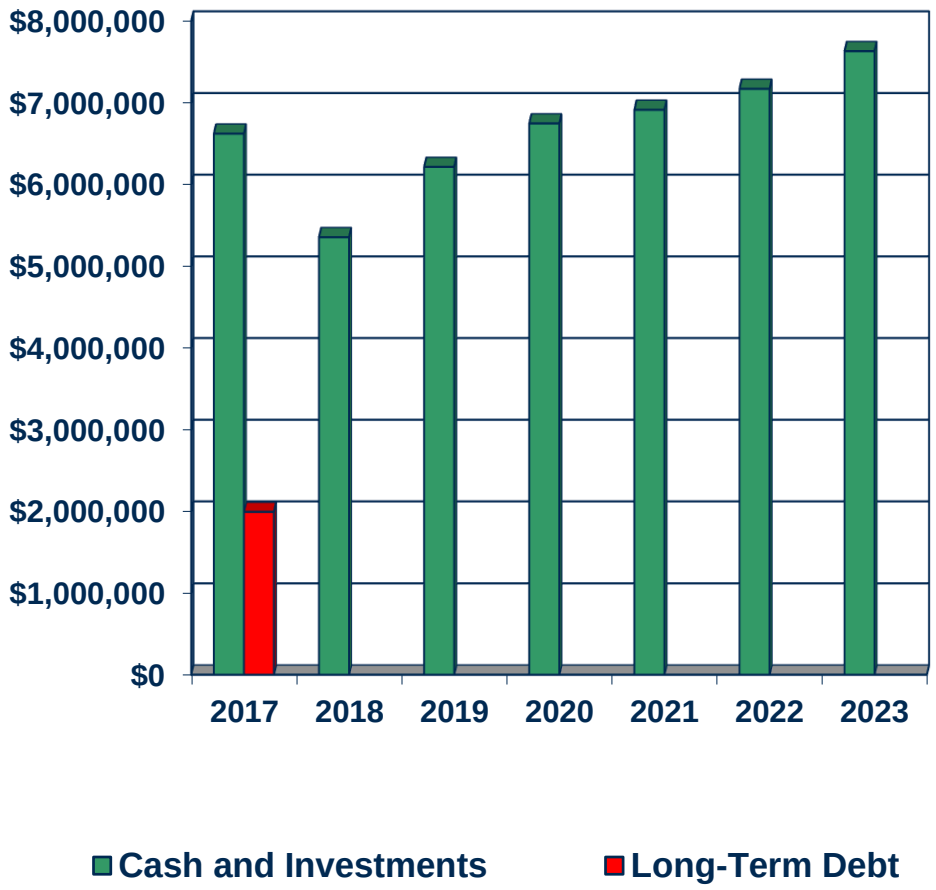
Utility Funds

ELECTRIC FUND



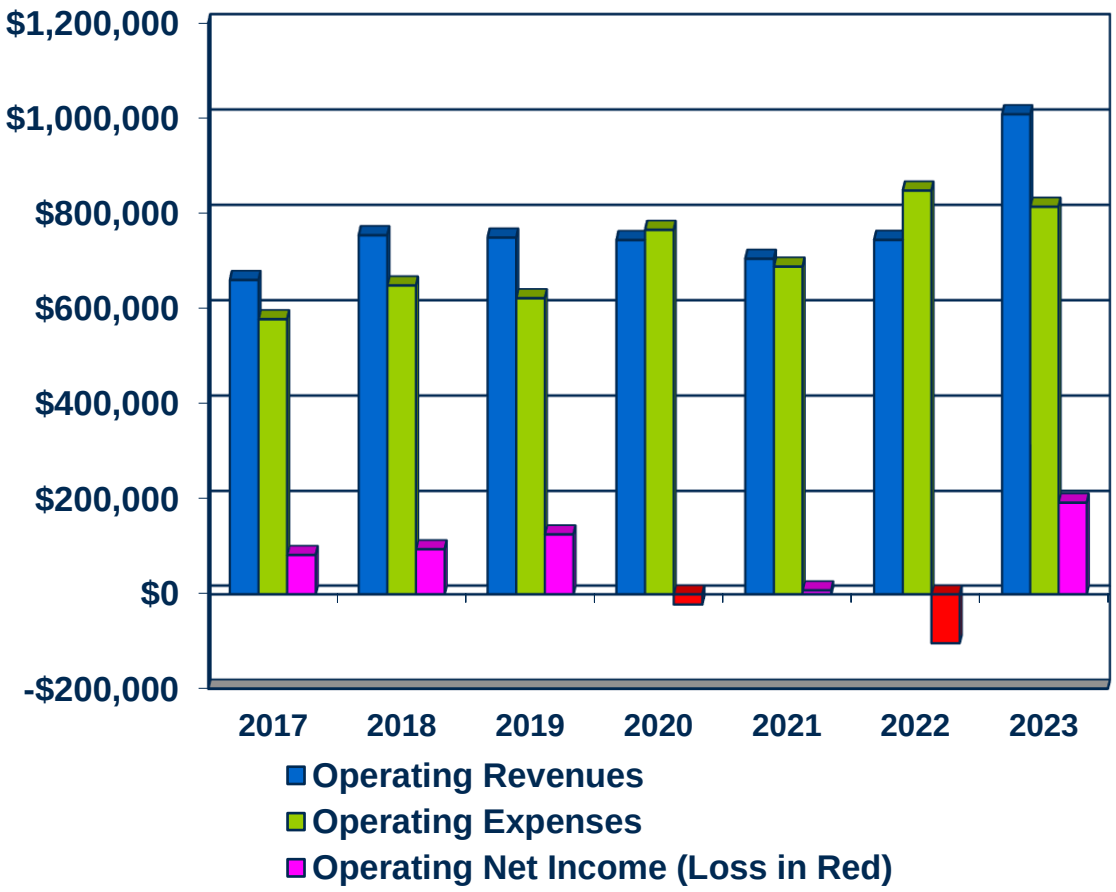
- Electric service supported by ratepayers and rates are keeping pace with purchased power costs
- Rates increased in 2023
- Revenue increase in 2023 vs. 2022 by $1,112,356 primarily due to increase in residential usage and rates
- Operating expenses increased $544,987 primarily from SMMPA purchased power
- Excludes non-operating income of $307,337 which is primarily investment income
- Made $180,000 in contributions to the General, Library, and Port Authority
- Operating expenses include depreciation of $482K

ELECTRIC FUND- BALANCE SHEET



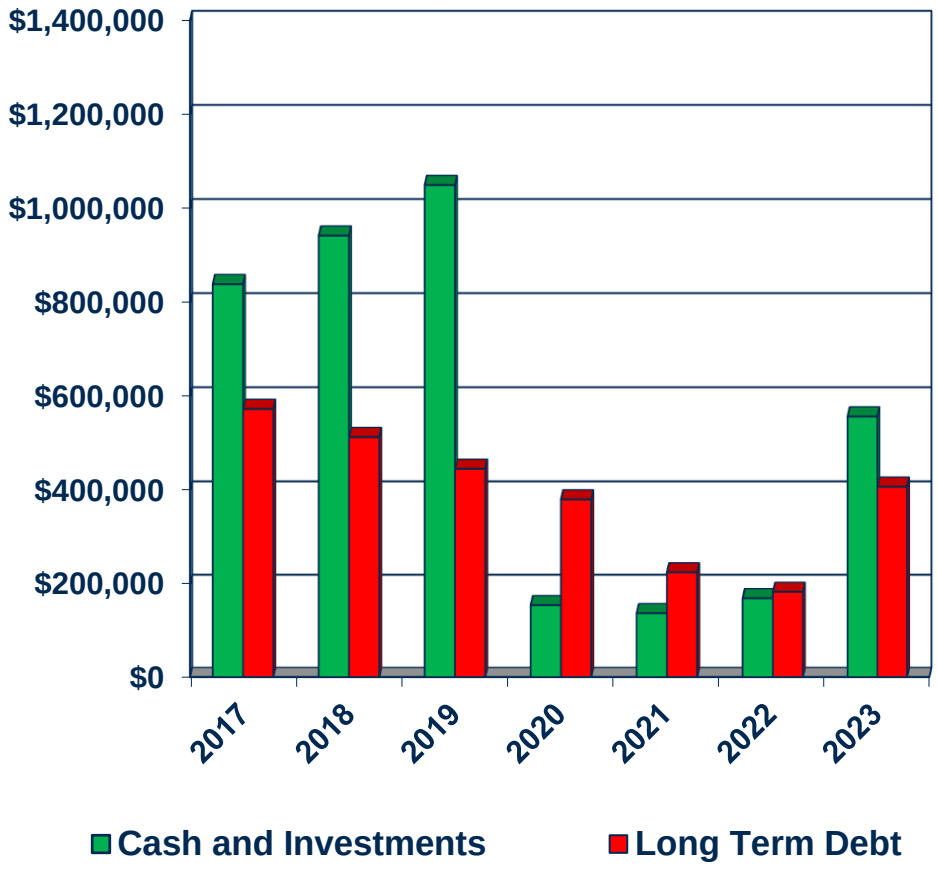
- 2023 increase in cash due to:
  - Cash Provided by operations: $695K
  - Less transfers, advances, and capital purchases: $569K
  - Plus investment income: $336K
- 2022 increase in cash due to:
  - Cash Provided by operations: $857K
  - Less transfers, advances and capital purchases- $200K
- Net Pension liability is excluded from noncurrent liabilities
- Long term debt was paid in full in 2018

WATER FUND



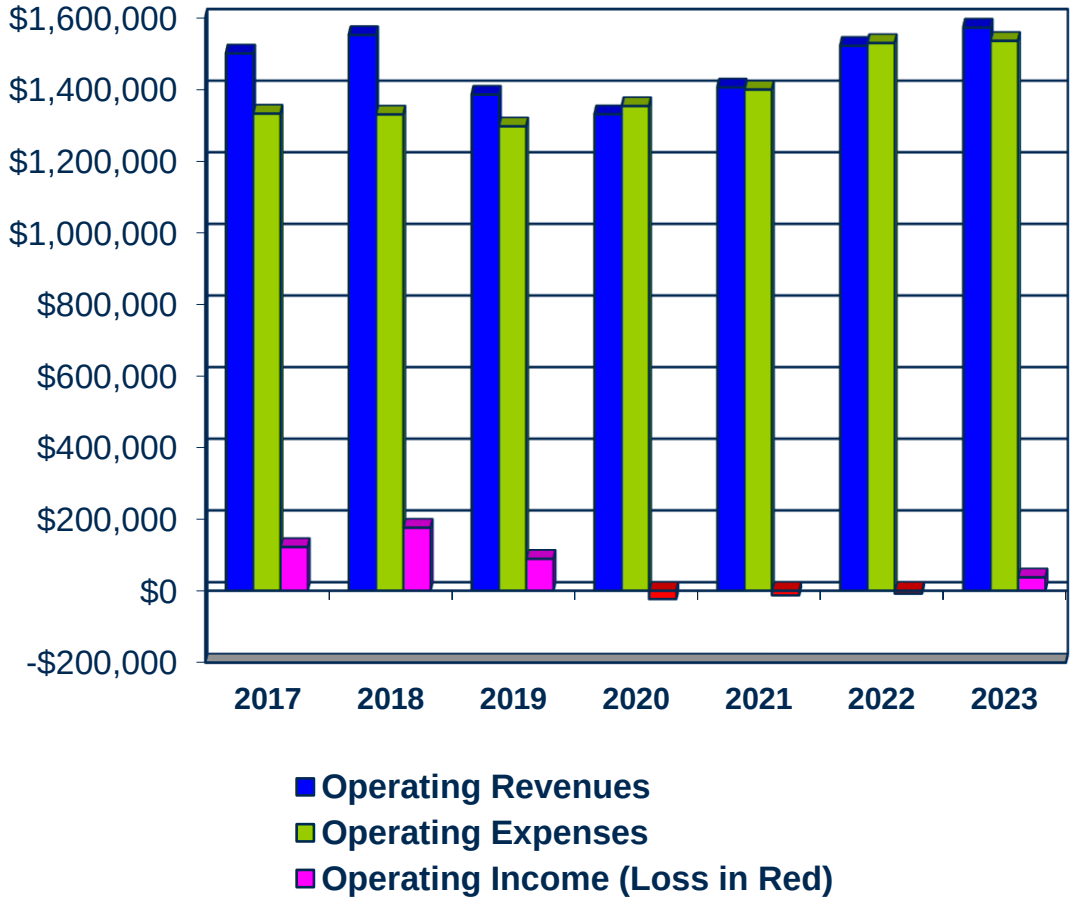
- Water service supported by ratepayers
- Rates were increased in 2023
- Made $25,000 in contributions to the General, Port Authority and Library in 2023
- Operating expenses decreased $33,972 primarily from wages and supplies
- Operating expenses include $203K of depreciation

WATER FUND- BALANCE SHEET



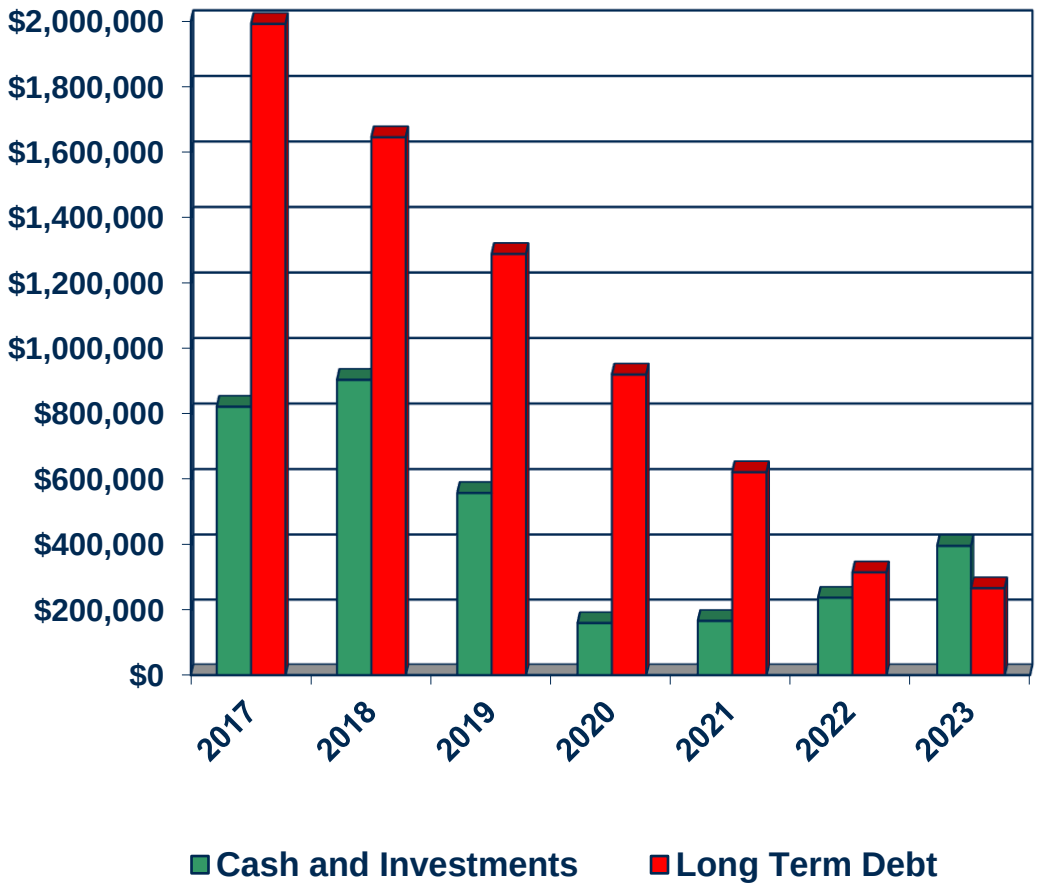
- Cash balance as of December 31, 2023 was $557,591, an increase of $388,155
- Increase in 2023 related to 2023A Utility Revenue Note proceeds
- 2020 decrease in cash due to utilizing cash reserves to fund the Highway 61 project
- Net Pension Liability is excluded from noncurrent liabilities

SEWER FUND



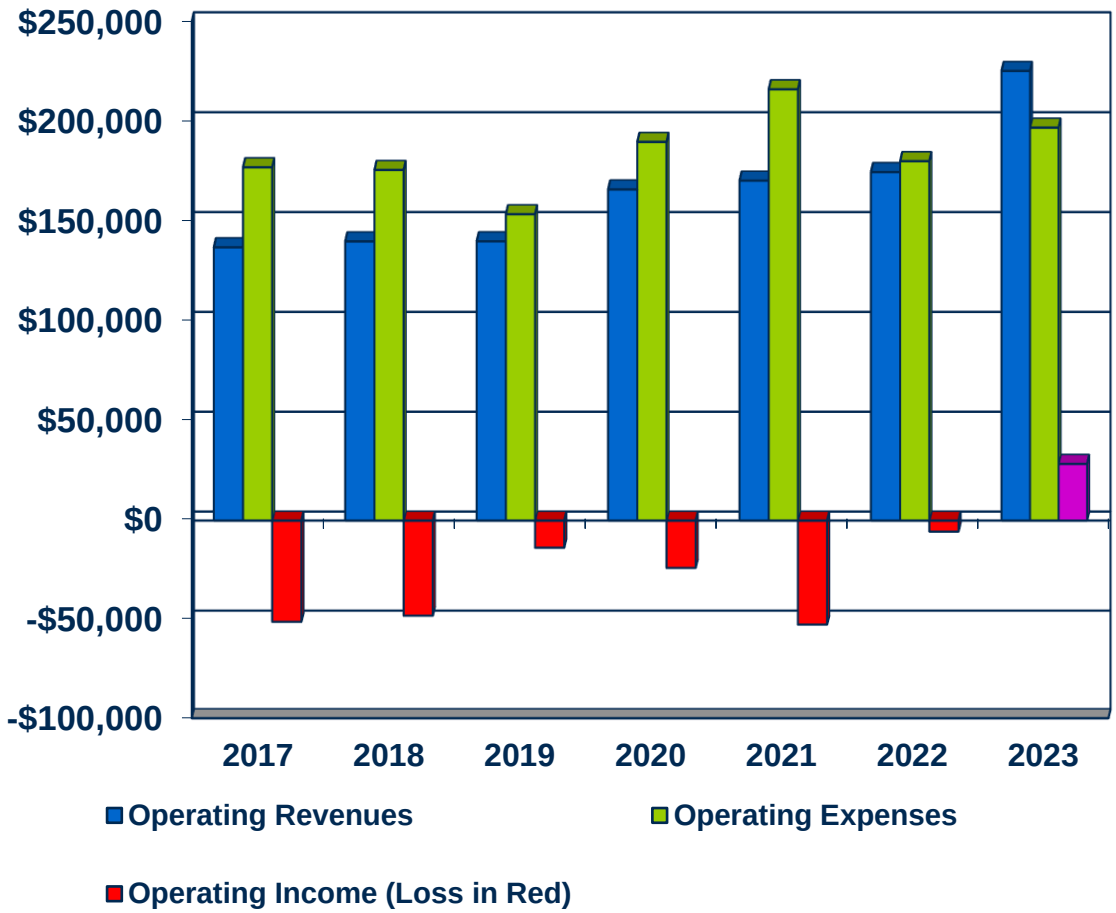
- Sewer service supported by ratepayers
- Rates were increased in 2023
- Sewer income from users was approximately $902K from Residents, $319K Commercial customers, and $253K from Industrial customers
- Operating revenues increased $51K in 2023 vs. 2022 primarily due to increase in rates
- Operating expenses include depreciation of $400K for 2023
- Made $25,000 in contributions to the General, Library, and Port Authority in 2023

SEWER FUND- BALANCE SHEET



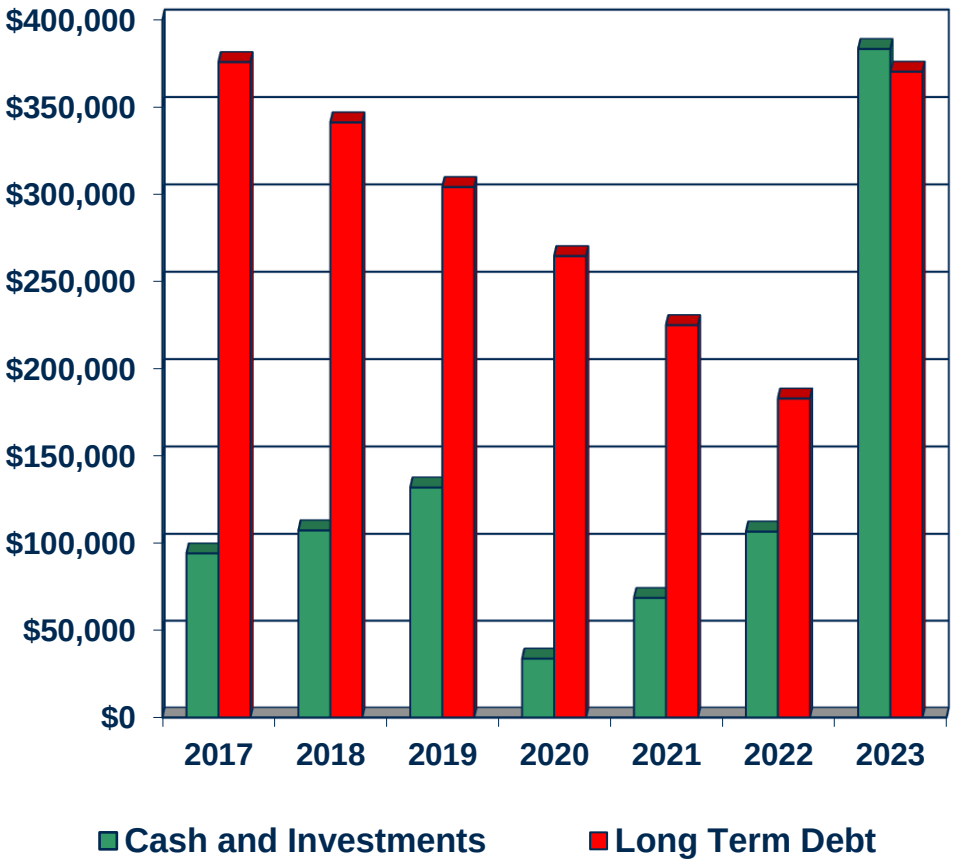
- Cash balance at 12/31/23 totaled $397,311 compared to $238,013 at 12/31/22
- Net Pension Liability is excluded from noncurrent liabilities

STORM WATER FUND



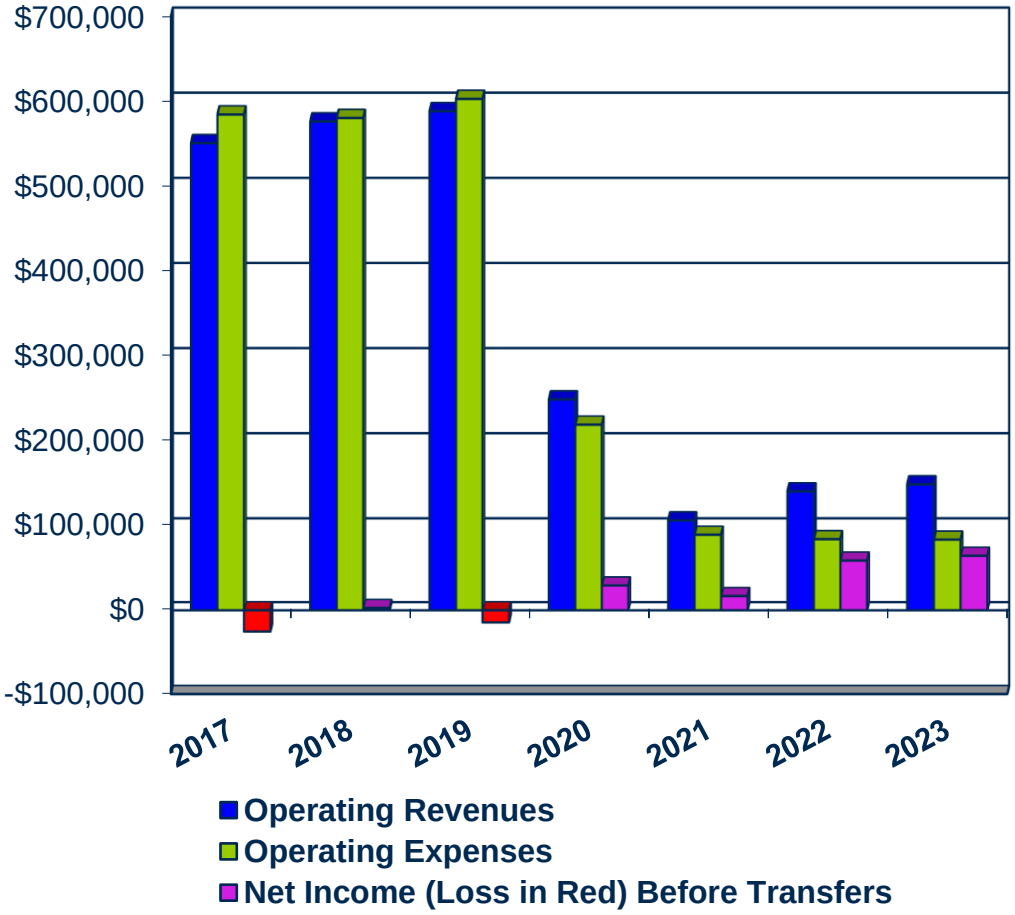
- Supported by customer charges
- Rates were increased in 2023
- Operating expenses include depreciation of $115K for 2023

STORM WATER FUND - BALANCE SHEET



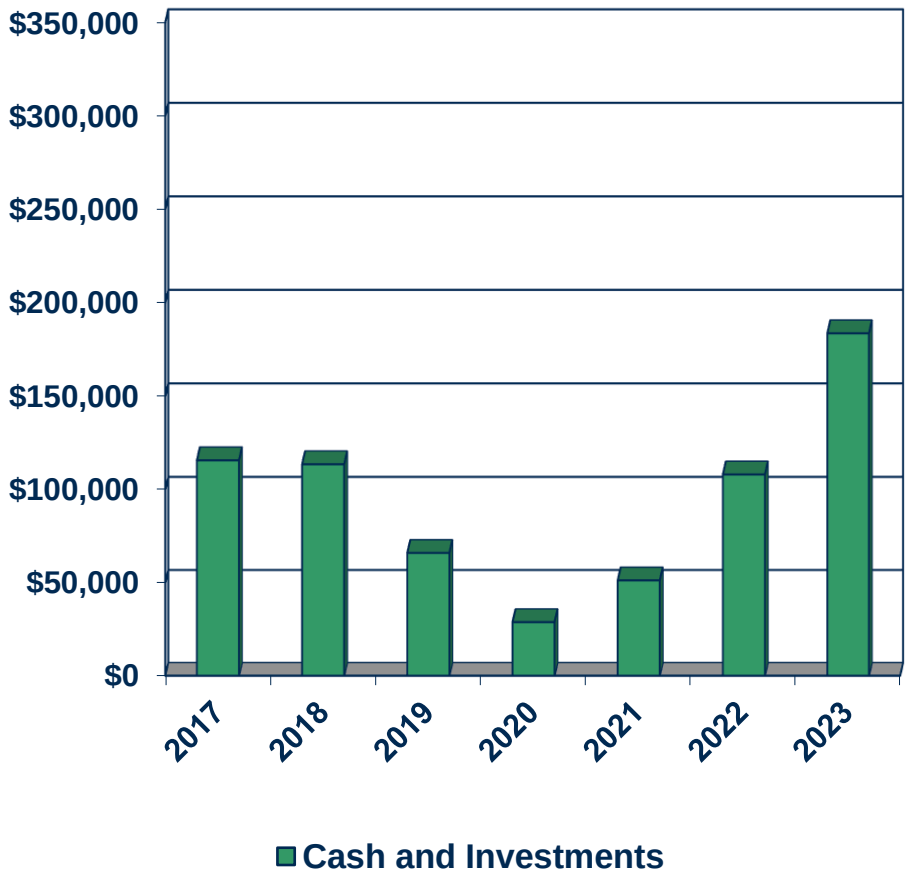
- Cash balances increased in 2023 to $383,157
- Increase in 2023 related to 2023A Utility Revenue note proceeds
- Net Pension Liability is excluded from noncurrent liabilities
- 2010A GO Bond repayment split 50/50 between Water and Storm Water Funds

GARBAGE FUND



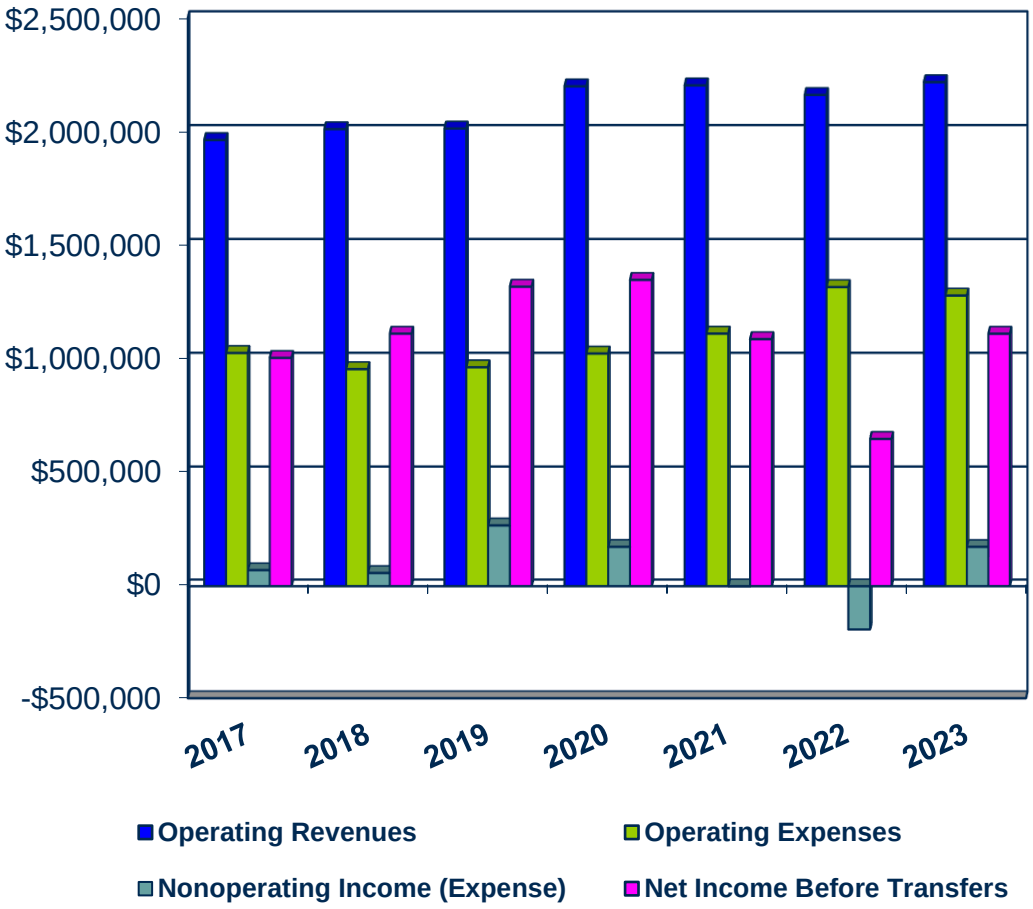
- Garbage service supported by ratepayers
- Rates did not change in 2023
- In 2020, the Garbage Fund waste removal operations are being completely contracted out for billing and costs and the net position will consist primarily of leaf removal, compost, and clean up days.

GARBAGE FUND- BALANCE SHEET



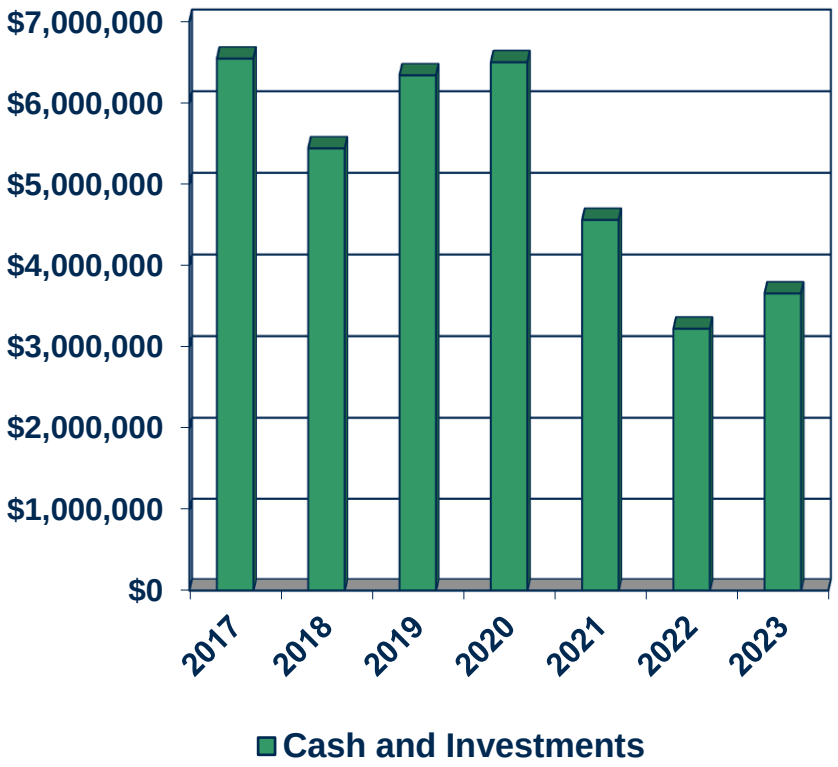
- Cash balances increased from $108,239 in 2022 to $183,721 in 2023

MARINA FUND



- Marina operations supported by fees
- Rates were increased in 2023
- Operating expenses include depreciation for 2023 of $320K

MARINA FUND- BALANCE SHEET



- Cash balances increased from $3,230,211 in 2022 to $3,661,676 in 2023
- 2023 Increase primarily due to increase in rates and investment income
- 2022 decrease primarily due to funding the marina parking lot with fund reserves
- 2021 decrease primarily due to funding Ohuta Beach project with fund reserves
- 2018 decrease primarily due to one time transfer of $1.5M to the General Fund

CITY OF LAKE CITY, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CITY OF LAKE CITY, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2023

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CITY OF LAKE CITY, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2023

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CITY OF LAKE CITY, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2023

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CITY OF LAKE CITY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2023

ELECTED

Title	Name	Term Expires
Mayor	Mark Nichols	December 31, 2024
Council	Russell Boe	December 31, 2026
Council	Faye Brown	December 31, 2026
Council	Amy Alkire	December 31, 2026
Council	Cindy McGrath	December 31, 2024
Council	Brian Quinn	December 31, 2024
Council	Megan Kramer	December 31, 2024

APPOINTED

City Administrator	Rob Keehn
City Clerk	Kari Schreck
Finance Director/Treasurer	Jerome Illg

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CITY OF LAKE CITY, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lake City, Minnesota, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise City of Lake City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lake City as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 City of Lake City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 GAAS 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 GAAS 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 City of Lake City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lake City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 City of Lake City's basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information (Continued)

The combining and individual nonmajor fund financial statements and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 the supplementary information 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 report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunctions with the City's financial statements for the year ended December 31, 2022, from which such partial information was derived.

We have previously audited the City's 2022 financial statements and our report dated March 3, 2023, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of City of Lake City, 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 solely 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 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 Lake City, Minnesota's internal control over financial reporting and compliance.

Rochester, Minnesota
February 27, 2024

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As management of the City of Lake City, Minnesota, we offer readers of the City of Lake City's financial statements this narrative overview and analysis of the financial activities of the City of Lake City for the fiscal year ended December 31, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Lake City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $67,088,603 (*net position)*. Of this amount, $17,429,073 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

- The City's total net position increased by $4,138,018 primarily due to the operations of the General Fund and the investment in capital assets.

- As of the close of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of $10,042,847. Approximately 65 percent of this total amount, or $6,552,826 is available for use within the City's assignments and policies.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $5,319,876 or 82 percent of total general fund expenditures.

- The City of Lake City's total outstanding debt increased by $1,083,977 during the current fiscal year. The City issued 2023A General Obligation Street Reconstruction and Utility Revenue Bonds for $1,760,000. These funds were issued to provided funds for street reconstruction, stormwater improvements and installation of water meters. The City made $855,673 in payments. Principal payments are made as scheduled and continue to reduce outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Lake City's basic financial statements. The City of Lake City's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lake City's finances, in a manner similar to a private-sector business. All departments operated by the City are presented in the financial statements including enterprise funds such as the electric utility and marina.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Lake City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lake City include general government, public safety, streets and highways, culture and recreation, and economic development. The business-type activities of the City of Lake City include the electric, water, sewer, storm water and garbage utilities as well as the operations of the City owned marina. The government-wide financial statements can be found on pages 15-17 of this report.

Additional financial information for the Port Authority can be found on pages 79 and 80. The Port Authority is reported as a component unit which is legally separate from the City, but the City is financially accountable.

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 of Lake 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 of Lake City can be divided into two categories: governmental funds and proprietary funds.

***Governmental funds*.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City of Lake City maintains nine 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, 2018 Small Cities Development Program Fund, Capital Projects Fund, and 7th St Reconstruction Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 76-77 in this report.

The City of Lake City adopts an annual appropriated budget for its general fund and library fund. Budgetary comparison statements have been provided for the general fund (pages 24-28) and the library fund (page 78) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-19 and 21-22 of this report.

Proprietary funds. The City of Lake City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lake City uses enterprise funds to account for its electric, water, sewer, storm water, garbage utilities, and its marina activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City of Lake City's various functions. The City of Lake City uses an internal service fund to account for the City's general government buildings such as utilities, repairs and maintenance expenditures of the General and Library funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, storm water, garbage utilities, marina activity, and its internal service fund, all of which are considered to be major funds of the City of Lake City.

The basic proprietary fund financial statements can be found on pages 29-36 of this report.

***Notes to the financial statements*.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-72 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 76-77 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $67,088,603 at the close of the most recent fiscal year.

By far the largest portion of the City of Lake City's net position (72 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lake City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lake 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.

City of Lake City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 11,580,870	$ 10,448,053	$ 14,756,897	$ 12,804,977	$ 26,337,767	$ 23,253,030
Capital assets	32,932,573	30,471,909	18,490,356	18,509,986	51,422,929	48,981,895
Total assets	44,513,443	40,919,962	33,247,253	31,314,963	77,760,696	72,234,925
Deferred outflows of resources	1,786,069	2,772,392	304,491	537,890	2,090,560	3,310,282
Long-term liabilities outstanding	6,117,824	7,840,365	2,154,071	2,562,358	8,271,895	10,402,723
Other liabilities	482,417	750,941	1,261,643	867,958	1,744,060	1,618,899
Total liabilities	6,600,241	8,591,306	3,415,714	3,430,316	10,015,955	12,021,622
Deferred inflows of resources	2,382,829	548,230	363,869	24,770	2,746,698	573,000
Net position:						
Net investment in capital assets	31,061,227	28,144,729	17,444,584	17,827,850	48,505,811	45,972,579
Restricted	1,153,719	1,055,733			1,153,719	1,055,733
Unrestricted	5,101,496	5,352,356	12,327,577	10,569,917	17,429,073	15,922,273
Total net position	$ 37,316,442	$ 34,552,818	$ 29,772,161	$ 28,397,767	$ 67,088,603	$ 62,950,585

A portion of the City of Lake City's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position (*$17,429,073) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

Governmental activities. Governmental activities increased the City of Lake City's net position by $2,763,624.

Business-type activities. Business-type activities increased the City of Lake City's net position by $1,374,394.

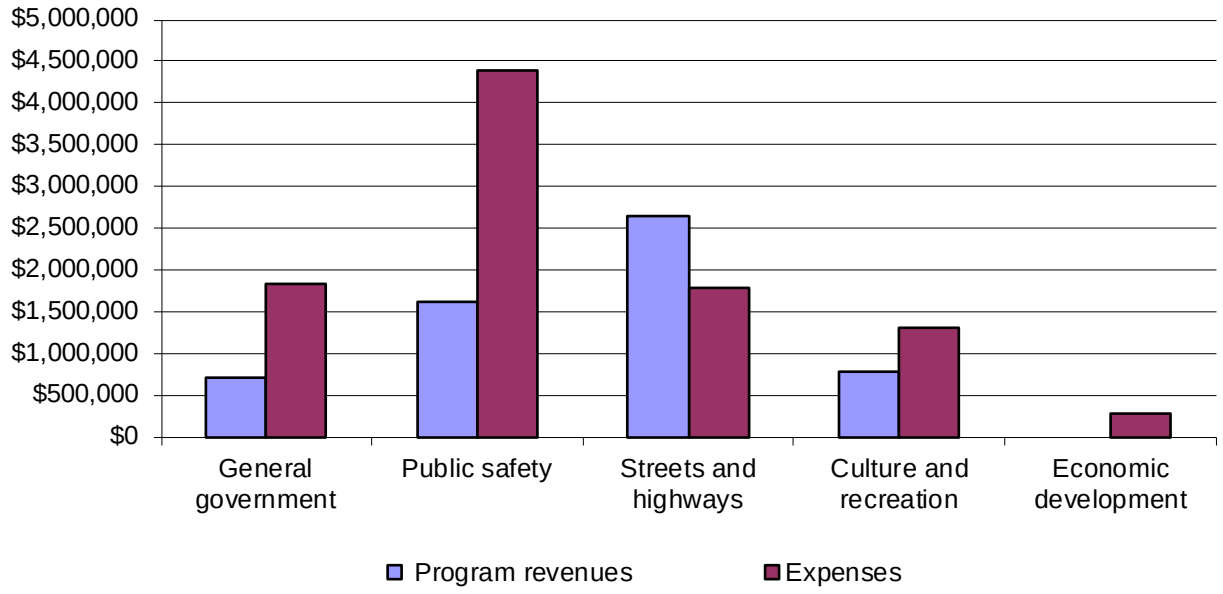
A condensed version of the Statement of Activities follows:

City of Lake City's Change in Net Position

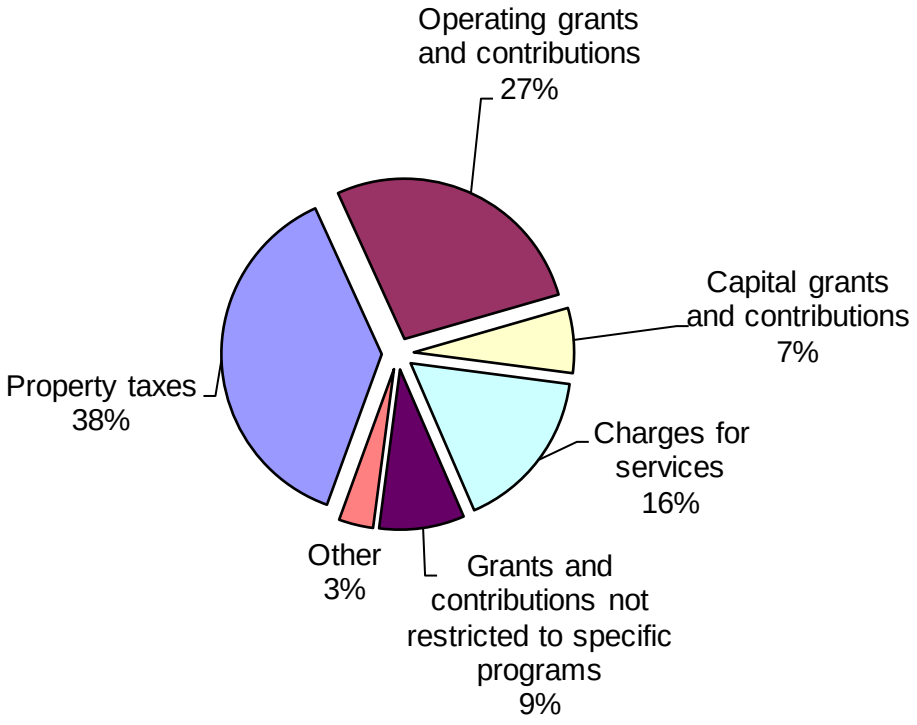
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue:						
Program revenues:						
Charges for services	$ 1,874,291	$ 1,968,113	$ 16,434,449	$ 14,892,395	$ 18,308,740	$ 16,860,508
Operating grants and contributions	3,119,535	790,364			3,119,535	790,364
Capital grants and contributions	747,475	285,744	10	3,287	747,485	289,031
General revenues:						
Property taxes	4,295,845	3,780,760			4,295,845	3,780,760
Tax increments		548				548
Grants and contributions not restricted to specific programs	979,183	958,996			979,183	958,996
Other	451,847	(250,697)	575,705	(252,478)	1,027,552	(503,175)
Total revenues	11,468,176	7,533,828	17,010,164	14,643,204	28,478,340	22,177,032
Expenses:						
General government	1,819,344	1,706,938			1,819,344	1,706,938
Public safety	4,381,252	4,104,755			4,381,252	4,104,755
Streets and highw ays	1,774,350	1,772,045			1,774,350	1,772,045
Culture and recreation	1,304,446	1,135,815			1,304,446	1,135,815
Economic development	263,470	184,319			263,470	184,319
Interest on long-term debt	31,690	54,933			31,690	54,933
Electric			10,836,565	10,279,454	10,836,565	10,279,454
Water			820,579	856,031	820,579	856,031
Sew er			1,540,773	1,544,083	1,540,773	1,544,083
Storm w ater			202,552	187,261	202,552	187,261
Marina			84,394	84,927	84,394	84,927
Garbage			1,280,907	1,318,274	1,280,907	1,318,274
Total expenses	9,574,552	8,958,805	14,765,770	14,270,030	24,340,322	23,228,835
Increase (decrease) in net position before transfers and other	1,893,624	(1,424,977)	2,244,394	373,174	4,138,018	(1,051,803)
Transfers	870,000	870,000	(870,000)	(870,000)		
Increase (decrease) in net position	2,763,624	(554,977)	1,374,394	(496,826)	4,138,018	(1,051,803)
Net position, beginning of year	34,552,818	35,107,795	28,397,767	28,894,593	62,950,585	64,002,388
Net position, end of year	$ 37,316,442	$ 34,552,818	$ 29,772,161	$ 28,397,767	$ 67,088,603	$ 62,950,585

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities

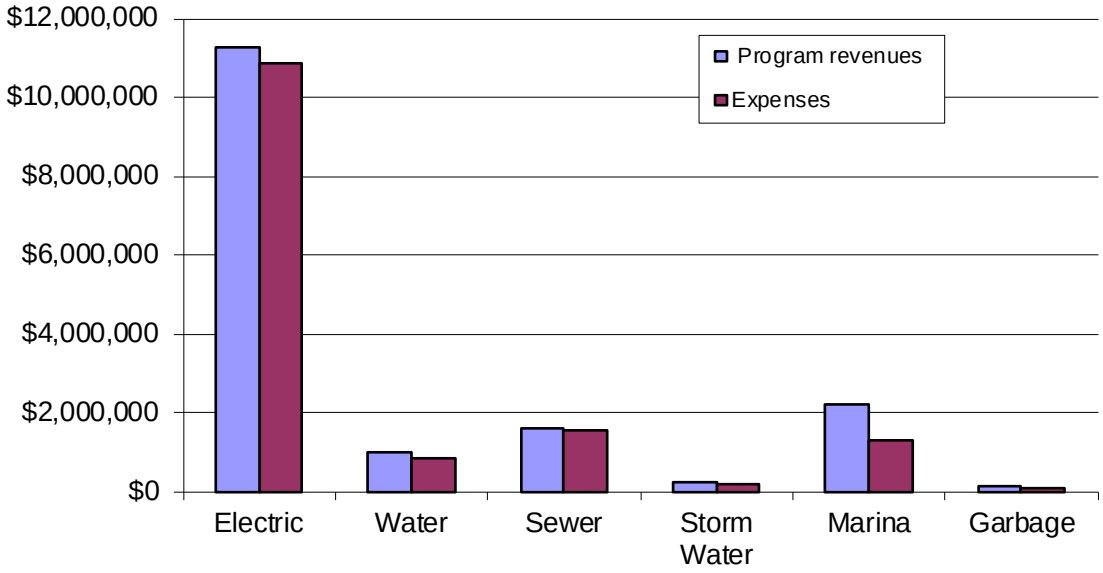


Revenues by Source - Governmental Activities

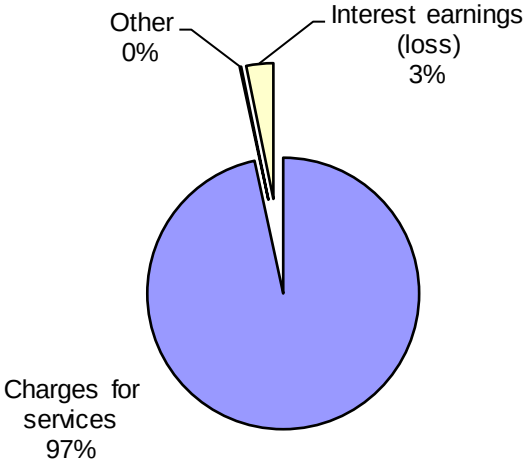


The following graphs relate the various business-type activities' program revenues with their expenses. Since these activities generally require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Lake 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 of Lake City's financing requirements. In particular, *unassigned and assigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 1 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of $10,042,847, an increase of $1,567,884. Approximately 86 percent of this total amount, or $8,676,672, constitutes *unassigned, assigned, or committed fund balance,* which is available for spending at the government's discretion. The remainder of the total fund balance $1,366,175 is *nonspendable or restricted* to indicate that it is not available for new spending because it is restricted to repay long-term debt, for use by the development loan programs, and other specific uses.

The general fund is the chief operating fund of the City of Lake City. At the end of the current fiscal year, unassigned fund balance of the general fund was $5,319,876. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 82 percent of total general fund expenditures.

The general fund's total fund balance increased by $447,251 during the current fiscal year. This year's increase was due to cash valuation adjustment of investment portfolio at year end and one-time public safety aid.

The debt service funds have a total fund balance of $326,459 all of which is restricted for the payment of debt service.

Proprietary funds. The City of Lake City's proprietary funds statements found on pages 29-36 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Electric - $7,806,632, Water - $419,306, Sewer - $203,360, Storm Water – $211,929, Marina - $3,499,586, and Garbage - $186,764. All funds had increases in total net position for the year.

General Fund Budgetary Highlights

The original 2023 general fund budget approved by the City anticipated an increase to general fund reserves. All differences between the original and final budgets in the general fund for the City in 2023 were approved by resolution amending the original budget. Select unspent budgeted amounts from 2022 were carried over to the 2023 budget by resolution. The City general fund budget adjustments were approved for higher pool salaries due to swimming lessons, higher than anticipated snow removal expenses, and closeout of Ohuta Redevelopment Project.

Capital Asset and Debt Administration

Capital assets. The City of Lake City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounts to $51,422,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Lake City's reported investment in capital assets for the current fiscal year was $2,441,034.

City of Lake City's capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 1,342,607	$ 1,342,607	$ 725,300	$ 725,300	$ 2,067,907	$ 2,067,907
Construction in progress	193,068	578,804	447,930	20,663	640,998	599,467
Buildings and improvements	12,916,713	12,519,354	7,191,052	7,387,568	20,107,765	19,906,922
Machinery and equipment	4,662,913	4,691,892	1,500,511	1,267,957	6,163,424	5,959,849
Infrastructure	13,817,272	11,339,252			13,817,272	11,339,252
Distribution and collection system			8,625,563	9,108,498	8,625,563	9,108,498
Total	$ 32,932,573	$ 30,471,909	$ 18,490,356	$ 18,509,986	$ 51,422,929	$ 48,981,895

Additional information on the City of Lake City's capital assets can be found in Note 5 on pages 53-54 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lake City had $3,426,871 in bonds and notes outstanding, $606,376 in equipment lease payable and $624,339 in compensated absences.

City of Lake City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 2,381,099	$ 1,526,131	$	$	$ 2,381,099	$ 1,526,131
General obligation revenue bonds			1,045,772	682,136	1,045,772	682,136
Equipment lease payable	606,376	801,049			606,376	801,049
Compensated absences	489,994	421,176	134,345	143,117	624,339	564,293
Total	$ 3,477,469	$ 2,748,356	$ 1,180,117	$ 825,253	$ 4,657,586	$ 3,573,609

The City of Lake City's total outstanding debt increased by $1,083,977 during the current fiscal year. The City paid $855,866 in debt payments and issued $1,760,000 for the 2023A General Obligation Street Reconstruction and Utility Revenue Bonds. A more detailed breakdown of these obligations can be found in Note 10, beginning on page 58.

The City of Lake City maintains an AA rating on its general obligation bonds from Standard and Poor's Ratings Services.

Future Factors

The City saw a decrease in building permit revenues in 2023 since several permits issued late in 2022 were for large construction projects in 2023. Thus, the City does anticipate building permits to trend higher due to ongoing development projects and the availability of residential lots for housing development. The City completed a general development plan for the former Cemstone property which illustrated development opportunities for future residential, commercial, and industrial growth. The City has some adjacent parcels to this area that the City's Port Authority will be rezoning to allow for commercial and residential development. The City's Port Authority currently has a signed purchase agreement on it's property to develop 26 condominium units starting in late 2024.

The City finished a major renovation of Ohuta Park with the final piece being construction of a 4-season pavilion. With the project being completed, all project costs have been finalized in 2023.

The City was awarded State Bonding Fund projects in 2021 for the installation of Water and Sewer to Hok-Si-La Park ($587,000) and design and construction of a breakwater at Ohuta Beach ($1,058,000) that will be constructed in future years. Subsequently, the project scopes and definitions changed in 2023. State bonding language was updated, that allows the City to construct a retaining wall in Ohuta Park to maintain shoreline stabilization along Lake Pepin. That project is estimated to cost $2,041,000. The Hok-Si-La project cost has been updated to $887,500, with project scope to just include sewer only. City engineers are currently completing design for both projects. The City is hoping to start both projects in 2024 and complete in 2025. Both projects costs above the state bonding amount will be financed from the City's capital project fund.

The City completed a 5-year (2023-2027) street reconstruction plan in 2022 which identified possible street and utility projects. The Street Reconstruction Plan will allow the city to issue general obligation bonds for projects totaling up to $20,500,000. Staff has revised each of the street reconstruction projects over a 10-year period while illustrating tax levy, tax rate, and utility rate changes if the City were to complete projects. The City's engineer will be completing a pavement management plan in 2024 that will further outline the City's long-term street and utility projects along with illustrating long-term annual street maintenance costs.

Requests for Information

This financial report is designed to provide a general overview of the City of Lake City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City Hall, 205 West Center, Lake City, MN 55041.

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CITY OF LAKE CITY, MINNESOTA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2023

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CITY OF LAKE CITY, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2023
With Comparative Totals as of December 31, 2022

	Primary Government				Component Units	
			Totals		Totals	
	Governmental Activities	Business-Type Activities	2023	2022	2023	2022
Assets						
Cash and investments	$ 9,789,140	$ 12,809,189	$ 22,598,329	$ 19,463,537	$ 174,219	$ 142,812
Accounts receivable	451,990	1,358,904	1,810,894	1,546,214		
Interest receivable	77,848		77,848	64,761		
Taxes receivable	31,179		31,179	33,206	532	552
Special assessments receivable	10,105	10,940	21,045	32,807		
Loan receivable	410,994		410,994	453,290		
Due from other governmental units	345,695		345,695	271,255	331	2,486
Due from primary government					66,890	66,890
Prepaid items	129,707	143,699	273,406	239,035	276	265
Property held for resale					235,000	235,000
Inventories		434,165	434,165	477,639		
Net pension asset	334,212		334,212	671,286		
Capital assets:						
Nondepreciable	1,535,675	1,173,230	2,708,905	2,667,374		
Depreciable, net	31,396,898	17,317,126	48,714,024	46,314,521		
Total Assets	44,513,443	33,247,253	77,760,696	72,234,925	477,248	448,005
Deferred Outflows of Resources						
Deferred outflows from pension activity	1,786,069	304,491	2,090,560	3,310,282		
Liabilities						
Accounts and contracts payable	278,320	1,168,604	1,446,924	1,114,880	22,620	6,931
Accrued liabilities	18,660	35,475	54,135	55,151		
Deposits payable	8,232	57,564	65,796	92,004		
Due to other governmental units				1,624		
Due to component unit	66,890		66,890	66,890		
Unearned revenue	57,668		57,668	230,124		
Noncurrent liabilities:						
Due within one year	464,353	90,000	554,353	855,673		
Due in more than one year	3,013,116	1,090,117	4,103,233	2,717,936		
Other postemployment benefits	52,647		52,647	58,226		
Net pension liability	2,640,355	973,954	3,614,309	6,829,114		
Total Liabilities	6,600,241	3,415,714	10,015,955	12,021,622	22,620	6,931
Deferred Inflows of Resources						
Deferred inflows from pension activity	2,382,829	363,869	2,746,698	573,000		
Net Position						
Net investment in capital assets	31,061,227	17,444,584	48,505,811	45,972,579		
Restricted for:						
Debt service	319,778		319,778	283,788		
Revolving loans	449,727		449,727	430,512		
Contributors	50,002		50,002	49,132		
Fire pension	334,212		334,212	292,301		
Unrestricted	5,101,496	12,327,577	17,429,073	15,922,273	454,628	441,074
Total Net Position	$ 37,316,442	$ 29,772,161	$ 67,088,603	$ 62,950,585	$ 454,628	$ 441,074

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 1,819,344	$ 459,908	$ 249,115	$
Public safety	4,381,252	1,124,637	198,840	282,891
Streets and highways	1,774,350	33,029	2,347,229	270,853
Culture and recreation	1,304,446	256,717	324,351	193,731
Economic development	263,470			
Interest on long-term debt	31,690			
Total governmental activities	9,574,552	1,874,291	3,119,535	747,475
Business-Type activities:				
Electric	10,836,565	11,260,916		
Water	820,579	1,008,455		5
Sewer	1,540,773	1,571,900		
Storm water	202,552	225,168		5
Garbage	84,394	149,492		
Marina	1,280,907	2,218,518		
Total business-type activities	14,765,770	16,434,449		10
Total Primary Government	$ 24,340,322	$ 18,308,740	$ 3,119,535	$ 747,485
Component Units:				
Economic Development Authority	$	$	$	$
Port Authority	139,082			
Total Component Units	$ 139,082	$	$	$

General revenues:
General property taxes
Tax increments
Grants and contributions not restricted to specific programs
Investment earnings (loss)
Gain on sale of assets
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position					
Primary Government				Component Units	
		Totals		Totals	
Governmental Activities	Business-Type Activities	2023	2022	2023	2022
$ (1,110,321)	$	$ (1,110,321)	$ (1,102,161)	$	$
(2,774,884)		(2,774,884)	(2,646,992)		
876,761		876,761	(1,375,997)		
(529,647)		(529,647)	(550,182)		
(263,470)		(263,470)	(184,319)		
(31,690)		(31,690)	(54,933)		
(3,833,251)		(3,833,251)	(5,914,584)		
	424,351	424,351	(130,894)		
	187,881	187,881	(109,362)		
	31,127	31,127	(22,276)		
	22,621	22,621	(11,972)		
	65,098	65,098	56,301		
	937,611	937,611	843,855		
	1,668,689	1,668,689	625,652		
(3,833,251)	1,668,689	(2,164,562)	(5,288,932)		
					(206,642)
				(139,082)	(115,849)
				(139,082)	(322,491)
4,295,845		4,295,845	3,780,760	69,471	76,504
			548		
979,183		979,183	958,996		
374,706	545,796	920,502	(970,884)	7,016	(6,020)
55,667		55,667	55,111		
21,474	29,909	51,383	412,598	76,149	251,069
870,000	(870,000)				
6,596,875	(294,295)	6,302,580	4,237,129	152,636	321,553
2,763,624	1,374,394	4,138,018	(1,051,803)	13,554	(938)
34,552,818	28,397,767	62,950,585	64,002,388	441,074	442,012
$ 37,316,442	$ 29,772,161	$ 67,088,603	$ 62,950,585	$ 454,628	$ 441,074

CITY OF LAKE CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023
With Comparative Totals as of December 31, 2022

	101 General Fund	275 2018 Small Cities Development Program Fund	400 Capital Projects
Assets			
Cash and investments	$ 7,395,417	$ 167,687	$ 519,070
Interest receivable	77,848		
Accounts receivable	264,852	50,026	
Pledge receivable			137,112
Taxes receivable delinquent	26,868		
Special assessments receivable:			
Delinquent			
Deferred	10,105		
Advances to other funds	238,965		
Loans receivable		389,242	
Due from other governmental units	43,672		253,120
Prepaid items	103,880		
TOTAL ASSETS	$ 8,161,607	$ 606,955	$ 909,302
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	$ 91,157	$	$ 92,390
Accrued liabilities	8,778		
Deposits payable	8,232		
Advances from other funds			
Interfund payable			
Due to other governmental units			
Due to component unit	66,890		
Unearned revenue	57,668		
Total Liabilities	232,725		92,390
Deferred Inflows of Resources			
Unavailable revenue:			
Pledge receivable			137,112
Property taxes	26,868		
Special assessments	10,105		
Loans receivable		389,242	
Total Deferred Inflows of Resources	36,973	389,242	137,112
Fund Balance			
Nonspendable:			
Advances to other funds	238,965		
Prepaid items	103,880		
Restricted:			
Creditors (debt covenants)			
Regulations		217,713	
Other purposes	50,002		
Committed	2,123,846		
Assigned	55,340		679,800
Unassigned	5,319,876		
Total Fund Balance	7,891,909	217,713	679,800
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 8,161,607	$ 606,955	$ 909,302

See Notes to Financial Statements

407 7th Street Reconstruction	Other Governmental Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
$ 497,205	$ 1,032,908	$ 9,612,287	$ 8,446,257
		77,848	64,761
		314,878	401,911
		137,112	
	4,311	31,179	33,206
			1,655
		10,105	14,392
		238,965	461,879
	21,752	410,994	453,290
	48,903	345,695	271,255
	1,181	105,061	
$ 497,205	$ 1,109,055	$ 11,284,124	$ 10,148,606
$ 86,630	$ 1,177	$ 271,354	$ 349,553
		8,778	432
		8,232	8,232
	238,965	238,965	486,975
			27,270
			1,624
		66,890	66,890
		57,668	230,124
86,630	240,142	651,887	1,171,100
		137,112	
	4,311	31,179	33,206
		10,105	16,047
	21,752	410,994	453,290
	26,063	589,390	502,543
		238,965	461,879
	1,181	105,061	
	326,459	326,459	300,377
	427,975	645,688	618,025
		50,002	49,132
		2,123,846	1,766,792
410,575	326,200	1,471,915	620,108
	(238,965)	5,080,911	4,658,650
410,575	842,850	10,042,847	8,474,963
$ 497,205	$ 1,109,055	$ 11,284,124	$ 10,148,606

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CITY OF LAKE CITY, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

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

Total governmental fund balances (pages 18 and 19)		$ 10,042,847
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 60,353,781	
Less: Accumulated depreciation	(27,421,208)	
		32,932,573
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	$ 31,179	
Deferred and delinquent special assessments	10,105	
Loans receivable	410,994	
Pledge receivable	137,112	
		589,390
Internal service funds are used by management to charge the costs of utilities and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		194,533
Long-term liabilities, including net pension liability, net pension pension asset and other post employment benefits, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	$ (2,640,355)	
Net pension asset	334,212	
Other post employment benefits	(52,647)	
Deferred outflows from pension activity	1,786,069	
Deferred inflows from pension activity	(2,382,829)	
		(2,955,550)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	$ (2,987,475)	
Compensated absences	(489,994)	
Accrued interest	(9,882)	
		(3,487,351)
Net position of governmental activities (page 15)		$ 37,316,442

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	101 General Fund	275 2018 Small Cities Development Program Fund	400 Capital Projects
Revenues			
Taxes	$ 3,178,435	$	$ 651,573
Tax increments			
Special assessments	12,790		
Licenses and permits	152,940		
Intergovernmental revenues	1,496,719	135,257	499,748
Charges for services	1,644,723		
Fines and forfeits	39,705		
Investment income (loss)	314,890	7,649	146
Miscellaneous revenues	75,958	9,598	99,891
Total Revenues	6,916,160	152,504	1,251,358
Expenditures			
General government	1,341,579		
Public safety	3,517,056		
Public works	904,296		
Culture and recreation	705,348		
Economic development	41,962	135,256	
Capital outlay			1,362,965
Bond principal retirement			194,673
Interest and fiscal charges			15,140
Total Expenditures	6,510,241	135,256	1,572,778
Excess (Deficiency) of Revenues Over (Under) Expenditures	405,919	17,248	(321,420)
Other Financing Sources (Uses)			
Issuance of long-term debt			
Premium on issuance of long-term debt			
Sale of property	33,813		66,259
Transfers in	828,500		820,981
Transfers out	(820,981)		(228,500)
Total other financing sources (uses)	41,332		658,740
Net change in fund balances	447,251	17,248	337,320
FUND BALANCE, beginning	7,444,658	200,465	342,480
FUND BALANCE, ending	$ 7,891,909	$ 217,713	$ 679,800

See Notes to Financial Statements

407 7th Street Reconstruction	Other Governmental Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
$	$ 465,136	$ 4,295,144	$ 3,983,772
			548
		12,790	23,108
		152,940	164,745
2,268,218	67,927	4,467,869	1,609,780
	3,473	1,648,196	1,736,159
	453	40,158	28,321
	35,603	358,288	(407,242)
	107,953	293,400	206,018
2,268,218	680,545	11,268,785	7,345,209
		1,341,579	1,384,842
		3,517,056	4,279,951
		904,296	945,142
	301,181	1,006,529	1,252,945
	10,140	187,358	155,148
2,914,479	36,783	4,314,227	615,698
	260,000	454,673	1,175,925
19,242	27,002	61,384	62,542
2,933,721	635,106	11,787,102	9,872,193
(665,503)	45,439	(518,317)	(2,526,984)
1,045,000		1,045,000	758,742
71,129		71,129	
		100,072	55,111
210,000	60,000	1,919,481	1,433,899
		(1,049,481)	(563,899)
1,326,129	60,000	2,086,201	1,683,853
660,626	105,439	1,567,884	(843,131)
(250,051)	737,411	8,474,963	9,318,094
$ 410,575	$ 842,850	$10,042,847	$ 8,474,963

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CITY OF LAKE CITY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
December 31, 2023

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

Net change in fund balances - total governmental funds (pages 21 and 22)		$ 1,567,884
Governmental funds reported 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	$ 4,315,639	
Depreciation expense	(1,826,407)	
		2,489,232
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net position		(28,568)
Some revenues which will not be collected for several months after fiscal year ends are not considered "available" and are reported as deferred inflows of resources. Unavailable revenenues increased by this amount this year		86,847
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows		
Principal retirement on long-term debt	$ 454,673	
Long-term debt discount and premiums	1,161	
Issuance of debt	(1,116,129)	
Change in accrued interest	9,290	
		(651,005)
Internal service funds are used by management to charge the costs of utilities and insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		68,815
In the statement of activities, certain operating expenses - net pension liability, net pension asset, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid)		
Net pension liability	$ (748,253)	
Net pension asset	41,911	
Other postemployment benefits	5,579	
Compensated absences	(68,818)	
		(769,581)
Change in net position of governmental activities (pages 16 and 17)		$ 2,763,624

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual	Variance with Final Budget Positive	2022 Actual
	Original	Final	Amounts	(Negative)	Amounts
Taxes					
Property taxes	$ 3,004,053	$ 3,004,053	$ 3,033,751	$ 29,698	$ 3,145,013
Special assessments			12,790	12,790	23,108
Franchise tax	65,000	65,000	64,807	(193)	11,563
Lodging tax	63,158	63,158	79,877	16,719	74,975
Total Taxes	3,132,211	3,132,211	3,191,225	59,014	3,254,659
Licenses and Permits					
Business licenses	19,900	19,900	21,620	1,720	20,330
Non-Business licenses	88,100	118,100	131,320	13,220	144,415
Total Licenses and Permits	108,000	138,000	152,940	14,940	164,745
Intergovernmental Revenues					
Federal:					
Other federal aids					76,020
State:					
Local government aid	979,062	979,062	979,062		958,885
Market value credit			121	121	111
MSA street maintenance	70,000	70,000	79,011	9,011	79,477
Fire aid	60,000	72,246	72,246		65,390
Police aid	93,250	111,250	108,894	(2,356)	114,115
Other state aids			257,385	257,385	143,187
Total Intergovernmental	1,202,312	1,232,558	1,496,719	264,161	1,437,185
Charges for Services					
General government	275,450	275,450	275,432	(18)	275,846
Public safety	1,361,590	1,365,400	1,080,349	(285,051)	1,214,187
Streets and highways	20,500	20,500	33,029	12,529	30,815
Park fees	201,550	216,550	255,913	39,363	213,095
Total Charges for Services	1,859,090	1,877,900	1,644,723	(233,177)	1,733,943
Fines and Forfeits	28,000	28,000	39,705	11,705	27,896
Investment Income (Loss)	25,000	25,000	314,890	289,890	(350,969)
Miscellaneous Revenues					
Gifts and contributions	5,000	27,282	21,842	(5,440)	38,304
Other	41,750	41,750	44,070	2,320	35,929
Refunds and reimbursements	5,000	5,000	10,046	5,046	5,036
Total Miscellaneous Revenues	51,750	74,032	75,958	1,926	79,269
TOTAL REVENUES	$ 6,406,363	$ 6,507,701	$ 6,916,160	$ 408,459	$ 6,346,728

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual	Variance with Final Budget Positive	2022 Actual
	Original	Final	Amounts	(Negative)	Amounts
EXPENDITURES					
General Government					
Mayor and City Council:					
Personnel services	$ 43,000	$ 41,500	$ 41,352	$ 148	$ 41,477
Supplies	3,000	3,500	2,882	618	564
Other services and charges	46,050	47,050	47,008	42	42,522
Total Mayor and City Council	92,050	92,050	91,242	808	84,563
City Administrator:					
Personnel services	185,834	185,834	184,174	1,660	172,281
Supplies	550	2,100	1,613	487	247
Other services and charges	6,350	4,800	3,741	1,059	3,289
Total City Administrator	192,734	192,734	189,528	3,206	175,817
City Clerk/Finance Director:					
Personnel services	450,953	450,953	438,722	12,231	423,487
Supplies	5,500	5,500	2,470	3,030	4,751
Other services and charges	61,925	61,925	46,309	15,616	34,783
Total City Clerk/Finance Director	518,378	518,378	487,501	30,877	463,021
Audit:					
Other services and charges	27,500	27,500	25,100	2,400	28,750
Legal:					
Other services and charges	109,000	109,000	77,480	31,520	87,818
Planning and Zoning:					
Personnel services	222,539	222,539	201,537	21,002	159,964
Supplies	2,000	2,000	1,498	502	1,687
Other services and charges	132,050	162,050	101,430	60,620	194,464
Total Planning and Zoning	356,589	386,589	304,465	82,124	356,115
Elections:					
Personnel services	1,000	1,000		1,000	7,603
Supplies	1,500	1,500	185	1,315	1,827
Other services and charges	2,250	2,250	1,920	330	1,579
Capital outlay					5,244
Total Elections	4,750	4,750	2,105	2,645	16,253
General Government Buildings:					
Other services and charges	156,221	156,221	164,158	(7,937)	172,505
Total General Government Buildings	156,221	156,221	164,158	(7,937)	172,505
Total General Government	$ 1,457,222	$ 1,487,222	$ 1,341,579	$ 145,643	$ 1,384,842

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual	Variance with Final Budget Positive	2022 Actual
	Original	Final	Amounts	(Negative)	Amounts
EXPENDITURES					
Public Safety					
Police:					
Personnel services	$ 1,381,330	$ 1,381,330	$ 1,364,790	$ 16,540	$ 1,310,983
Supplies	62,700	62,700	62,567	133	58,164
Other services and charges	184,631	186,931	178,432	8,499	177,246
Capital outlay					50,812
Total Police	1,628,661	1,630,961	1,605,789	25,172	1,597,205
Fire:					
Personnel services	108,300	104,050	94,012	10,038	89,667
Supplies	35,500	41,000	40,673	327	37,352
Other services and charges	136,494	150,790	150,564	226	143,580
Capital outlay					859,344
Debt service					265,713
Total Fire	280,294	295,840	285,249	10,591	1,395,656
Ambulance:					
Personnel services	1,282,205	1,259,705	1,257,746	1,959	1,183,635
Supplies	81,500	118,750	122,829	(4,079)	104,038
Other services and charges	194,481	202,041	203,265	(1,224)	183,326
Capital outlay					40,300
Total Ambulance	1,558,186	1,580,496	1,583,840	(3,344)	1,511,299
Civil Defense:					
Personnel services	28,970	28,970	29,429	(459)	27,078
Supplies	11,000	11,000	10,406	594	12,334
Other services and charges	4,500	4,500	2,343	2,157	2,092
Total Civil Defense	44,470	44,470	42,178	2,292	41,504
Total Public Safety	$ 3,511,611	$ 3,551,767	$ 3,517,056	$ 34,711	$ 4,545,664

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual	Variance with Final Budget Positive	2022 Actual
	Original	Final	Amounts	(Negative)	Amounts
EXPENDITURES					
Public Works					
Streets and Highways:					
Personnel services	$ 383,110	$ 383,110	$ 365,488	$ 17,622	$ 386,908
Supplies	110,000	111,700	98,351	13,349	77,461
Other services and charges	354,575	359,554	354,069	5,485	376,232
Capital outlay					104,541
Total Streets and Highways	847,685	854,364	817,908	36,456	945,142
Snow Removal:					
Personnel services	24,525	57,360	33,876	23,484	
Supplies	37,750	36,750	29,540	7,210	
Other services and charges	7,000	19,000	22,972	(3,972)	
Total Snow Removal	69,275	113,110	86,388	26,722	
Total Public Works	916,960	967,474	904,296	63,178	945,142
Culture and Recreation					
Lodging Tax:					
Other services and charges	60,000	60,000	75,778	(15,778)	71,061
Total Tourism	60,000	60,000	75,778	(15,778)	71,061
Summer Recreation:					
Other services and charges	10,000	10,000	10,000		10,000
Swimming Pool:					
Personnel services	53,600	70,750	70,298	452	65,447
Supplies	25,500	29,850	21,180	8,670	23,056
Other services and charges	20,838	14,338	16,290	(1,952)	31,146
Total Swimming Pool	99,938	114,938	107,768	7,170	119,649
Hok-Si-La Park:					
Personnel services	157,485	157,485	143,213	14,272	177,331
Supplies	43,100	47,100	39,453	7,647	32,481
Other services and charges	77,825	73,825	75,419	(1,594)	58,007
Capital outlay					92,523
Total Hok-Si-La Park	$ 278,410	$ 278,410	$ 258,085	$ 20,325	$ 360,342

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual	Variance with Final Budget Positive	2022 Actual
	Original	Final	Amounts	(Negative)	Amounts
Culture and Recreation (continued)					
Other Parks:					
Personnel services	$ 216,708	$ 216,708	$ 170,552	$ 46,156	$ 153,094
Supplies	43,700	50,655	44,894	5,761	40,575
Other services and charges	79,511	89,511	38,271	51,240	60,158
Capital outlay					159,851
Total Other Parks	339,919	356,874	253,717	103,157	413,678
Total Culture and Recreation	788,267	820,222	705,348	114,874	974,730
Economic Development	47,500	47,500	41,962	5,538	42,320
TOTAL EXPENDITURES	6,721,560	6,874,185	6,510,241	363,944	7,892,698
Excess (deficiency) of revenues over (under) expenditures	(315,197)	(366,484)	405,919	772,403	(1,545,970)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt					758,742
Sale of assets			33,813	33,813	55,111
Transfers in	810,000	828,500	828,500		894,456
Transfers out	(479,803)	(539,253)	(820,981)	(281,728)	(479,443)
Total Other Financing Sources (Uses)	330,197	289,247	41,332	(247,915)	1,228,866
NET CHANGE IN FUND BALANCE	15,000	(77,237)	447,251	524,488	(317,104)
FUND BALANCE, beginning	7,444,658	7,444,658	7,444,658		7,761,762
FUND BALANCE, ending	$ 7,459,658	$ 7,367,421	$ 7,891,909	$ 524,488	$ 7,444,658

See Notes to Financial Statements

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CITY OF LAKE CITY, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2023
With Comparative Totals as of December 31, 2022

	Business-Type Activities - Enterprise Funds			
	701 Electric Fund	702 Water Fund	703 Sewer Fund	706 Storm Water Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 7,625,733	$ 557,591	$ 397,311	$ 383,157
Accounts receivable	1,006,529	113,288	142,530	22,717
Advances to other funds	20,000			
Interfund receivables				
Inventories	414,002			
Prepaid items	51,865	7,004	28,150	1,087
Total Current Assets	9,118,129	677,883	567,991	406,961
Noncurrent Assets				
Capital Assets				
Nondepreciable	9,900	228,786	223,417	97,400
Depreciable	17,655,215	5,711,573	12,690,868	3,281,326
Less: Accumulated depreciation	(12,213,395)	(3,106,101)	(9,978,807)	(1,831,533)
Net Capital Assets	5,451,720	2,834,258	2,935,478	1,547,193
Special Assessments		5,470		5,470
Total Noncurrent Assets	5,451,720	2,839,728	2,935,478	1,552,663
Deferred Outflows of Resources				
Deferred outflows from pension activity	137,896	43,178	53,154	4,627
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 14,707,745	$ 3,560,789	$ 3,556,623	$ 1,964,251
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	$	$ 45,000	$	$ 45,000
Accounts payable	772,914	64,758	121,994	167,698
Accrued liabilities	29,134	3,628		2,156
Advances from other funds				20,000
Customer deposits	57,564			
Total Current Liabilities	859,612	113,386	121,994	234,854
Noncurrent Liabilities				
Bonds payable, net of current maturities		363,336	267,284	325,152
Compensated absences payable	29,441	13,888	22,719	
Net pension liability	409,860	162,326	197,188	11,232
Total Liabilities	1,298,913	652,936	609,185	571,238
Deferred Inflows of Resources				
Deferred inflows from pension activity	150,480	62,625	75,884	4,043
NET POSITION				
Net investment in capital assets	5,451,720	2,425,922	2,668,194	1,177,041
Unrestricted	7,806,632	419,306	203,360	211,929
Total Net Position	13,258,352	2,845,228	2,871,554	1,388,970
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET PENSION	$ 14,707,745	$ 3,560,789	$ 3,556,623	$ 1,964,251

See Notes to Financial Statements

710 Marina Fund	720 Garbage Fund	TOTALS 2023	TOTALS 2022	Governmental Activities - Internal Service Fund 2023	Governmental Activities - Internal Service Fund 2022
$ 3,661,676	$ 183,721	$ 12,809,189	$ 11,017,280	$ 176,853	$
58,329	15,511	1,358,904	1,144,303		
		20,000	55,096		
					27,270
20,163		434,165	477,639		
55,087	506	143,699	123,899	24,646	115,136
3,795,255	199,738	14,765,957	12,818,217	201,499	142,406
613,727		1,173,230	745,963		
9,863,002		49,201,984	48,187,851		
(4,755,022)		(31,884,858)	(30,423,828)		
5,721,707		18,490,356	18,509,986		
		10,940	16,760		
5,721,707		18,501,296	18,526,746		
62,055	3,581	304,491	537,890		
$ 9,579,017	$ 203,319	$ 33,571,744	$ 31,882,853	$ 201,499	$ 142,406
$	$	$ 90,000	$ 401,000	$	$
41,174	66	1,168,604	748,639	6,966	16,688
	557	35,475	35,547		
		20,000	30,000		
		57,564	83,772		
41,174	623	1,371,643	1,298,958	6,966	16,688
		955,772	281,136		
68,297		134,345	143,117		
181,757	11,591	973,954	1,737,105		
291,228	12,214	3,435,714	3,460,316	6,966	16,688
66,496	4,341	363,869	24,770		
5,721,707		17,444,584	17,827,850		
3,499,586	186,764	12,327,577	10,569,917	194,533	125,718
9,221,293	186,764	29,772,161	28,397,767	194,533	125,718
$ 9,579,017	$ 203,319	$ 33,571,744	$ 31,882,853	$ 201,499	$ 142,406

CITY OF LAKE CITY, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds			
	701 Electric Fund	702 Water Fund	703 Sewer Fund	706 Storm Water Fund
Operating Revenue	$ 11,260,916	$ 1,008,455	$ 1,571,900	$ 225,168
Operating Expenses				
Salaries and benefits	634,404	329,947	401,675	14,237
Supplies	130,548	27,971	31,322	10,677
Other services and charges	9,476,560	242,243	662,563	55,218
Insurance	70,491	10,995	38,818	1,477
Depreciation	481,886	203,368	400,386	115,163
Total Operating Expenses	10,793,889	814,524	1,534,764	196,772
Operating Income (Loss)	467,027	193,931	37,136	28,396
Nonoperating Income (Expense)				
Miscellaneous income	14,107	360	1,669	70
Contributions		1,500		1,000
Investment income (loss)	335,906	9,412	15,558	6,971
Special assessments		5		5
Intergovernmental revenues				
Loss on disposal of assets	(42,676)			
Interest expense		(6,055)	(6,009)	(5,780)
Total Nonoperating Income (Expense)	307,337	5,222	11,218	2,266
Income (Loss) Before Transfers	774,364	199,153	48,354	30,662
Transfers out	(180,000)	(22,500)	(22,500)	
Change in net position	594,364	176,653	25,854	30,662
Net Position, beginning	12,663,988	2,668,575	2,845,700	1,358,308
Net Position, ending	$ 13,258,352	$ 2,845,228	$ 2,871,554	$ 1,388,970

See Notes to Financial Statements

710 Marina Fund	720 Garbage Fund	TOTALS 2023	TOTALS 2022	Governmental Activities - Internal Service Funds 2023	Governmental Activities - Internal Service Funds 2022
$ 2,218,518	$ 149,492	$ 16,434,449	$ 14,892,395	$ 365,700	$ 618,365
434,757	22,561	1,837,581	1,967,898		
251,383	1,063	452,964	597,415	62,886	44,467
198,361	60,770	10,695,715	9,979,648	219,471	425,132
76,198		197,979	204,742	30,946	238,304
320,208		1,521,011	1,459,692		
1,280,907	84,394	14,705,250	14,209,395	313,303	707,903
937,611	65,098	1,729,199	683,000	52,397	(89,538)
5,142	6,061	27,409	337,103	16,418	25,939
		2,500			
170,485	7,464	545,796	(589,581)		
		10	3,287		
					63,311
		(42,676)	(30,552)		
		(17,844)	(30,083)		
175,627	13,525	515,195	(309,826)	16,418	89,250
1,113,238	78,623	2,244,394	373,174	68,815	(288)
(645,000)		(870,000)	(870,000)		
468,238	78,623	1,374,394	(496,826)	68,815	(288)
8,753,055	108,141	28,397,767	28,894,593	125,718	126,006
$ 9,221,293	$ 186,764	$ 29,772,161	$ 28,397,767	$ 194,533	$ 125,718

CITY OF LAKE CITY, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Storm Water Fund
Cash Flows From Operating Activities				
Cash received from customers	$ 11,152,025	$ 948,577	$ 1,542,354	$ 220,451
Cash paid to suppliers	(9,687,515)	(256,995)	(715,322)	(71,634)
Cash paid to employees	(769,637)	(321,693)	(394,521)	(24,172)
Net Cash Provided By (Used In) Operating Activities	694,873	369,889	432,511	124,645
Cash Flows From Noncapital Financing Activities				
Advances from (to) other funds	35,096			(10,000)
Intergovernmental revenues				
Operating transfers out	(180,000)	(22,500)	(22,500)	
Net Cash Provided By (Used In) Noncapital Financing Activities	(144,904)	(22,500)	(22,500)	(10,000)
Cash Flows From Capital and Related Financing Activities				
Principal received on special assessments		2,915		2,915
Acquisition of capital assets	(424,575)	(190,774)	(211,546)	(29,626)
Issuance of long-term debt, net of premium		267,284	267,284	229,100
Interest paid on debt		(5,571)	(6,009)	(5,296)
Principal paid on debt		(42,500)	(316,000)	(42,500)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(424,575)	31,354	(266,271)	154,593
Cash Flows From Investing Activities				
Investment income (loss)	335,906	9,412	15,558	6,971
Net Cash Provided By (Used In) Investing Activities	335,906	9,412	15,558	6,971
Increase (Decrease) in Cash and Investments	461,300	388,155	159,298	276,209
Cash and Investments, beginning	7,164,433	169,436	238,013	106,948
Cash and Investments, ending	$ 7,625,733	$ 557,591	$ 397,311	$ 383,157

See Notes to Financial Statements

Marina Fund	Garbage Fund	TOTALS 2023	TOTALS 2022	Governmental Activities - Internal Service Fund 2023	Governmental Activities - Internal Service Fund 2022
$ 2,205,788	$ 154,354	$ 16,223,549	$ 15,186,428	$ 382,118	$ 644,304
(529,785)	(61,731)	(11,322,982)	(10,667,923)	(232,535)	(700,467)
(502,450)	(24,605)	(2,037,078)	(1,825,385)		
1,173,553	68,018	2,863,489	2,693,120	149,583	(56,163)
		25,096	61,873	27,270	(7,148)
					63,311
(645,000)		(870,000)	(870,000)		
(645,000)		(844,904)	(808,127)	27,270	56,163
		5,830	8,687		
(267,573)		(1,124,094)	(1,759,922)		
		763,668			
		(16,876)	(29,117)		
		(401,000)	(392,000)		
(267,573)		(772,472)	(2,172,352)		
170,485	7,464	545,796	(589,581)		
170,485	7,464	545,796	(589,581)		
431,465	75,482	1,791,909	(876,940)	176,853	
3,230,211	108,239	11,017,280	11,894,220		
$ 3,661,676	$ 183,721	$ 12,809,189	$ 11,017,280	$ 176,853	$

CITY OF LAKE CITY, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Storm Water Fund
Operating Income (Loss)	$ 467,027	$ 193,931	$ 37,136	$ 28,396
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	481,886	203,368	400,386	115,163
Other	(28,569)	1,860	1,669	1,070
(Increase) Decrease In:				
Accounts receivable	(96,790)	(61,738)	(31,215)	(5,787)
Inventories	42,779			
Prepaid items	(6,078)	(1,622)	(3,260)	28
Increase (Decrease) In:				
Accounts payable	(3,941)	25,836	20,641	(4,290)
Accrued liabilities	4,283	(313)	(3,439)	(619)
Pension related	(149,394)	20,953	20,619	(9,316)
Compensated absences	9,878	(12,386)	(10,026)	
Customer deposits	(26,208)			
Net Cash Provided By (Used In) Operating Activities	$ 694,873	$ 369,889	$ 432,511	$ 124,645
Non Cash Transactions:				
Amortization of bond discount	$	$ 484	$	$ 484
Capital assets in accounts payable at year end	73,781	33,274	79,124	158,177

See Notes to Financial Statements

Marina Fund	Garbage Fund	TOTALS 2023	TOTALS 2022	Governmental Activities - Internal Service Fund 2023	Governmental Activities - Internal Service Fund 2022
$ 937,611	$ 65,098	$ 1,729,199	$ 683,000	$ 52,397	$ (89,538)
320,208		1,521,011	1,459,692		
5,142	6,061	(12,767)	306,551	16,418	25,939
(17,872)	(1,199)	(214,601)	(47,883)		
695		43,474	115,322		
(8,951)	83	(19,800)	14,366	90,490	8,017
4,413	19	42,678	14,746	(9,722)	(581)
	16	(72)	(1,654)		
(71,455)	(2,060)	(190,653)	144,997		
3,762		(8,772)	(830)		
		(26,208)	4,813		
$ 1,173,553	$ 68,018	$ 2,863,489	$ 2,693,120	$ 149,583	$ (56,163)
$	$	$ 968	$ 966	$	$
32,931		377,287	5,676		

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CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

The City of Lake City, Minnesota was incorporated in 1872 and operates under a Mayor-Council form of government. The governing body is the City Council which consists of six elected Council Members and a Mayor.

The accounting policies of the City of Lake City, Minnesota conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

Reporting Entity

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, boards, commissions, and other organization's which are not legally separate from the City. In addition, the City's financial statements are to include all component units – entities for which the City is financially accountable.

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Lake City.

Component Unit - Component units are legally separate organizations for which the elected officials of the City of Lake City are financially accountable or for which the nature or significance of their relationship with the City of Lake City would cause the general-purpose financial statements to be misleading or incomplete. The component unit's column in the combined financial statements includes the financial data of the Port Authority of Lake City. This component unit is presented in a separate column to emphasize that it is legally separate from the City.

The Lake City Port Authority was created pursuant to Minnesota Statutes 469.0773 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The seven-member board consists of two Council members and five other Council approved members. The Port Authority is reported as a discretely presented governmental fund type. Separate financial statements are not issued for this component unit.

The Lake City Fire Department Relief Association is organized as a non-profit organization to provide pension and other benefits to its members in accordance with Minnesota statutes. The board of directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby state aids flow to the association and the association pays benefits directly to its members. The entity is excluded from the financial statement presentation as it is not fiscally dependent on the City, the economic resources of the Relief are not held for the direct benefit of the City and the City is not entitled to nor does it have the ability to access the Relief's economic resources.

1. Summary of Significant Accounting Policies (Continued)

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 of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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, intergovernmental revenues, 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.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

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

The *2018 Small Cities Development Program Fund* accounts for the financial resources to be used for rehabilitate commercial and mixed-use buildings.

The *capital project fund* accounts for the accumulation of resources for City capital projects.

The *7th street reconstruction* fund accounts for the construction improvements for the road project.

The City reports the following major proprietary funds:

The *electric fund* accounts for the operation of the City owned electric utility system.

The *water fund* accounts for the operation of the City owned water utility system.

The *sewer fund* accounts for the operation of the City owned sewer utility system.

The *storm water fund* accounts for the operations of the City owned storm water system.

The *marina fund* accounts for the operation of the City owned marina.

The *garbage fund* accounts for the operation of the City provided leaf vac, compost and clean-up days.

Additionally, the government reports the following fund type:

The *Internal Service Fund* is used to account for the City's utilities and repairs and maintenance expenditures of the General and Library funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund and Library Special Revenue Fund. The City does not use encumbrance accounting.

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

1. The Finance Director submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Library Special Revenue Fund.
5. The City's department heads may make transfer of appropriation with approval of the City Council.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. The deposits needed for day to day operations are invested on a short-term basis. Deposits not needed for short-term cash flow are invested according to the City's investment policy. Interest income is allocated to each fund based upon their relative cash balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and investments, which is under the management of the City.

The City has designated cash and cash equivalents as demand deposits and all investments. Investments are stated at fair value, based upon quoted market prices as of the balance sheet date.

Property Taxes

Property tax levies are set by the City Council and are certified to the County in December of each year for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred revenue in the governmental fund types because they are not known to be available to finance current expenditures.

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

Prepaid Items

The City uses the consumption method to record certain payments to vendors that reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Prepaid expenses in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance (Continued)

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from one to twenty-five years with interest charges of 2.0% to 4.34%. Assessment revenue is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred revenue in the Governmental Fund Types because they are not known to be available to finance current expenditures.

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "interfund receivables" or "interfund payables" on the balance sheet. Short-term interfund loans are classified as “advances from other funds” or “advances to other funds”.

Inventories

Inventories are valued at cost, which approximates market, on a first-in, first-out basis in the Proprietary Fund types. For governmental funds, the original cost of materials and supplies has been recorded as expenditures at the time of purchase.

Property, Plant and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance (Continued)

Property, Plant and Equipment (continued)

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings and improvements	10 – 33
Distribution and collection system	25
Infrastructure	5 - 50
Other Improvements	5 - 50
Machinery and Equipment	5 - 15

Property held for Resale

Property held for resale is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property held of resale is recorded at net realizable value. Donated property held for resale is recorded at estimated acquisition value on the date of donation.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation which is paid to the employees upon separation. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

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 statements of net position.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance (Continued)

Long-term Obligations (continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize 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.

Deferred Outflows of Resources

In addition to assets, the financial statements 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of deferred outflow which is pension related and reported on the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types of deferred inflows. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported on the statement of net position.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the December 31, 2022 totals column have been reclassified to conform with the current year presentation.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance (Continued)

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net positions are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. Credit risk associated with cash and investments are discussed in Note 2. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Lake City.

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.

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Fund Balance (Continued)

Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on accounting and financial reporting for subscription-based information technology. Under this Statement, government organizations are required to recognize a subscription liability and a right-to-use capitalized asset. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. This Statement establishes uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements; improves the comparability of government financial statements; and enhances the relevance, understandability, reliability, and consistency of information regarding these arrangements. The Statement has been implemented.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2023, the City's investments consisted of the following items, all of which are held in an internal investment pool:

Mutual Funds	$ 525,969
Non-Negotiable CD's	3,000,000
Negotiable CD's	4,844,196
US Treasuries	47,751
US Government Bonds	5,637,496
Municipal Bonds	6,423,561
Deposits	2,119,356
Cash and Investments Per Statement of Net Position	$ 22,598,329

Investments Authorized by Minnesota Statues

The City is authorized by Minnesota Statutes Chapter 118A to invest idle funds as follows:

(a) Direct obligations or obligations guaranteed by the United States or its agencies.
(b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(c) General obligations of the State of Minnesota or its municipalities.
(d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
(e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
(f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
(g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

The City's established investment policy complies with Minnesota Statutes Chapter 118A and investment transactions are executed in accordance with the authorized investment policy.

2. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds, or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Negotiable CD's	21%
Non-Negotiable CD's	13%
US Government Bonds	25%
Municipal Bonds	28%

2. Cash and Investments (Continued)

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

  If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City's investments within the fair value hierarchy at December 31, 2023 were as follows:

	Credit Risk		Fair Value Measurements	Interest Risk - Maturity Date in Years				
Investment Type	Rating	Agency	Using	No Maturity Date	Less than 1	1 to 5	6 to 10	Total
US Treasuries	AAA	Moody	Level 1	$	$ 30,744	$	$ 17,007	$ 47,751
US Government Bonds	AAA	Moody	Level 2		757,151	4,880,345		5,637,496
Municipal Bonds	AA to AAA	S&P	Level 2		1,157,892	5,134,936	130,733	6,423,561
Negotiable CD's	N/A	N/A	Level 2		1,440,299	3,403,897		4,844,196
Mutual Funds	Aaa-mf	Moody	Level 1	525,969				525,969
Total Investments				$ 525,969	$ 3,386,086	$ 13,419,178	$ 147,740	$ 17,478,973

N/A - Not Applicable

3. Loans Receivables

Community Development Revolving Loan Fund

As part of the City's community development block grant program, the City has issued commercial rehabilitation loans to various individual businesses to be repaid in monthly installments with interest at 5 to 6% over a period of three to five years with a balloon payment required at maturity. Aggregate outstanding balances on these loans as of December 31, 2023 totaled $21,752.

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

The City of Lake City through its 2018 Small Cities Development Program Fund participates in the federally funded Small City Grant Program. Repayments of single family, multi-family rental and commercial rehabilitation through this program are allowed to be used by the City for additional future rehab loans through the establishment Fund. The Fund has outstanding loan receivable totaling $389,242.

4. Stewardship, Compliance, and Accountability

Certain funds had a deficit fund balance at December 31, 2023, as follows:

Special Revenue Funds:		
Tax increment TIF #13	$	238,965

These deficits will be eliminated through future tax levies.

5. Pledge Receivable

Pledge receivable related to Hok-Si-La cabins construction have been recorded at the present value totaling $137,112 as of December 31, 2023.

6. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,342,607	$	$	$ 1,342,607
Construction in progress	578,804	3,706,197	4,091,933	193,068
Total capital assets, not being depreciated	1,921,411	3,706,197	4,091,933	1,535,675
Capital assets, being depreciated:				
Buildings	17,975,664	962,673		18,938,337
Improvements other than buildings	4,147,164			4,147,164
Infrastructure	23,615,286	3,177,725		26,793,011
Machinery and equipment	8,714,342	560,977	335,725	8,939,594
Total capital assets, being depreciated	54,452,456	4,701,375	335,725	58,818,106
Less accumulated depreciation for:				
Buildings	9,165,300	398,252		9,563,552
Improvements other than buildings	438,174	167,062		605,236
Infrastructure	12,276,034	699,705		12,975,739
Machinery and equipment	4,022,450	561,388	307,157	4,276,681
Total accumulated depreciation	25,901,958	1,826,407	307,157	27,421,208
Total capital assets, being depreciated, net	28,550,498	2,874,968	28,568	31,396,898
Governmental activities capital assets, net	$ 30,471,909	$ 6,581,165	$ 4,120,501	$ 32,932,573

Governmental Activities:	
General government	$ 385,175
Public safety	310,405
Streets and highways	807,918
Culture and recreation	322,909
Total depreciation expense - governmental activities	$ 1,826,407

6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 725,300	$	$	$ 725,300
Construction in progress	20,663	635,268	208,001	447,930
Total capital assets, not being depreciated	745,963	635,268	208,001	1,173,230
Capital assets, being depreciated:				
Buildings and improvements	17,353,440	393,691	44,499	17,702,632
Distribution and collection system	26,728,917	241,434		26,970,351
Machinery and equipment	4,105,494	438,990	15,483	4,529,001
Total capital assets, being depreciated	48,187,851	1,074,115	59,982	49,201,984
Less accumulated depreciation for:				
Buildings and improvements	9,965,872	590,207	44,499	10,511,580
Distribution and collection system	17,620,419	724,369		18,344,788
Machinery and equipment	2,837,537	206,436	15,483	3,028,490
Total accumulated depreciation	30,423,828	1,521,012	59,982	31,884,858
Total capital assets, being depreciated, net	17,764,023	(446,897)		17,317,126
Business-type activities capital assets, net	$ 18,509,986	$ 188,371	$ 208,001	$ 18,490,356

Business-Type Activities:	
Electric	$ 481,886
Water	203,368
Sewer	400,387
Storm water	115,163
Marina	320,208
Total depreciation expense - business-type activities	$ 1,521,012

7. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2023 are as follows:

Fund	Due from various Counties	State of Minnesota	Total
General	$ 14,459	$ 29,213	$ 43,672
Special revenue	751		751
Debt service	48,152		48,152
Capital Projects	3,120	250,000	253,120
Port authority	331		331
Total	$ 66,813	$ 279,213	$ 346,026

8. Tax Abatement

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.1812, 469.1813 and 469.1815. Any parcel of property in the City qualifies for tax abatement. The City negotiates tax abatement agreements on an individual basis generally with the purpose of adding employment and or increasing the tax capacity of the parcel.

The City has made no commitments, other than tax abatement, under the agreements. The taxpayer submits property taxes annually and is reimbursed by the City for the abatement amount if the taxpayer has filed reports substantiating that it has met the employment levels stipulated in the agreement. The City had the following tax abatement agreements as of December 31, 2023.

Lake City Partners MN, LLC

The City entered into a tax abatement agreement in August 2014 for the purpose of construction of a market-rate housing for seniors. Under the agreement, the tax abatement is based on the property's tax capacity after development and the city's tax rate. The amount abated under this agreement may not exceed $68,847 per year or $600,000 over the nine-year term (payable 2017-2025). The amount abated in 2023 totaled $41,962.

9. Interfund Balances and Transfers

The amounts advanced to and advanced from other funds as of December 31, 2023 at the individual fund level are summarized below:

	Advances to Other Funds	Advances from Other Funds
General Fund	$ 238,965	$
Special Revenue Funds:		
Tax Increment TIF #13		238,965
Enterprise Fund:		
Electric	20,000	
Storm Water		20,000
	$ 258,965	$ 258,965

Operating transfers primarily from payments in lieu of taxes during the year ended December 31, 2023 were as follows:

Funds	Transfers In	Transfers Out
General Fund	$ 828,500	$ 820,981
Special Revenue:		
Library	60,000	
Capital Project Funds:		
Capital Projects	820,981	228,500
7th St Reconstruction	210,000	
Enterprise:		
Electric		180,000
Water		22,500
Sewer		22,500
Marina		645,000
	$ 1,919,481	$ 1,919,481

10. Long-Term Debt

General Obligation Improvement Bonds:
The G.O Improvement Bonds were issued to finance the construction of various improvements. These bonds are payable primarily from tax levies and special assessments of the Debt Service Funds and are backed by the full faith and credit of the City.

General Obligation Revenue Bonds:
The GO Utility Revenue Bonds were issued to fund various improvements to the utility systems. The funds to repay this debt will come from user fees of the Water, Sewer, and Storm Water Enterprise Funds and are backed by the full faith and credit of the City.

Equipment Lease Payable:
The Equipment Lease Payable was issued to fund the purchase of a ladder fire truck and pumper fire truck. It is a capital lease agreement with an annual interest rate of 1.89% and a final payment date of June 25, 2026.

10. Long-Term Debt (Continued)

A summary of long-term debt obligations outstanding at December 31, 2023 is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2023
Governmental Activities			
G.O. Improvement Bonds:			
G.O. Street Reconstruction Bonds of 2018A	3.00%	2029	$ 500,000
G.O. Street Reconstruction Bonds of 2021A	1.15%	2027	758,000
G.O. Street Reconstruction Bonds of 2023A	5.00%	2034	1,045,000
Equipment lease payable	1.89%	2026	606,376
Compensated Absences			489,994
Business-Type Activities			
General Obligation Revenue Bonds and Notes:			
G.O. Utility Revenue Bonds of 2010A	3.50%-3.75%	2026	285,000
G.O. Utility Revenue Bonds of 2023A	5.00%	2034	715,000
Compensated Absences			134,345
Sub-total			4,533,715
Less: Unamortized discount			(2,896)
Plus: Unamortized premiums			126,767
Total			$ 4,657,586

10. Long-Term Debt (Continued)

The following is a summary of changes in long-term debt obligations for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds:					
G.O. Street Reconstruction Bonds of 2018A	$ 575,000	$	$ 75,000	$ 500,000	$ 80,000
Plus: Amortized Premium	8,131		1,161	6,970	
G.O. Street Reconstruction Bonds of 2021A	943,000		185,000	758,000	186,000
G.O. Street Reconstruction Bonds of 2023A		1,045,000		1,045,000	
Plus: Amortized Premium		71,129		71,129	
Equipment lease payable	801,049		194,673	606,376	198,353
Subtotal	2,327,180	1,116,129	455,834	2,987,475	464,353
Other liabilities:					
Compensated Absences	421,176	157,589	88,771	489,994	
Governmental Activities Long-term Liabilities	2,748,356	1,273,718	544,605	3,477,469	464,353
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
G.O. Utility Revenue Bonds of 2010A	370,000		85,000	285,000	90,000
Less: Unamortized Discount	(3,864)		(968)	(2,896)	
G.O. Utility Revenue Bonds of 2023A		715,000		715,000	
Plus: Amortized Premium		48,668		48,668	
G.O. Public Facilities Note of 2002	316,000		316,000		
Subtotal	682,136	763,668	400,032	1,045,772	90,000
Other liabilities:					
Compensated Absences	143,117	43,801	52,573	134,345	
Business-type Activities Long-term Liabilities	825,253	807,469	452,605	1,180,117	90,000
Total	$ 3,573,609	$ 2,081,187	$ 997,210	$ 4,657,586	$ 554,353

10. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2023, excluding accrued compensated absences are summarized below.

	General Obligation Bonds		General Obligation Revenue Bonds and Notes		Other	
Years	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities						
2024	$ 266,000	$ 59,295			$ 198,353	$ 11,461
2025	343,000	69,388			202,102	7,712
2026	361,000	60,866			205,921	3,891
2027	373,000	51,646				
2028	180,000	42,125				
2029 - 2033	650,000	108,450				
2034	130,000	3,250				
Totals	$ 2,303,000	$ 395,020			$ 606,376	$ 23,064
Business-Type Activities						
2024			$ 90,000	$ 32,835		
2025			145,000	40,137		
2026			160,000	33,625		
2027			65,000	28,625		
2028			65,000	25,375		
2029 - 2033			385,000	72,375		
2034			90,000	2,250		
Totals			$ 1,000,000	$ 235,222		

11. Commitments and Contingencies

Litigation

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance, of an immaterial amount, or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

Federal and State Funds

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

Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2023.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of $1,000,000 per claim for plan year 2023. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

Purchase Power Agreement

The City purchases power from the Southern Minnesota Municipal Power Agency (SMMPA) under a power sales contract dated January 1, 2010. Under the terms of the contract, the City is obligated to buy all the electrical power and energy needed to operate the electric utilities through April 1, 2050.

12. Defined Benefit Pension Plans – Statewide

Plan Description

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

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

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

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 not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 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 the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

12. Defined Benefit Pension Plans – Statewide (Continued)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were $265,618. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were $151,586. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of $2,488,390 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a 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 totaled $110,533. 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.

12. Defined Benefit Pension Plans – Statewide (Continued)

The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0445 percent at the end of the measurement period and 0.0476 percent for the beginning of the period.

City's proportionate share of net pension liability	$ 2,488,390
State of Minnesota's proportionate share of the net pension liability associated with the City	
Total	$ 2,488,390

For the year ended December 31, 2023, the City recognized pension expense of $304,551 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional $16,516 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.

At December 31, 2023, the City reported its proportionate share of the General Employee Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 83,086	$ 17,948
Difference between projected and actual investment earnings		68,346
Changes in actuarial assumptions	422,320	682,046
Changes in proportion	46,827	184,141
Contributions paid to PERA subsequent to the measurement date	138,687	
Total	$ 690,920	$ 952,481

The $138,687 reported as deferred outflows of resources related to pensions resulting from City's 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:

Year ending December 31:	Pension Expense Amount
2024	$ 56,202
2025	(421,388)
2026	18,919
2027	(53,981)

12. Defined Benefit Pension Plans – Statewide (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of $1,125,919 for its proportionate share of the Police and Fire Fund's net pension liability. 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's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0652 percent at the end of the measurement period and 0.0703 percent for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of $9 million in direct state aid that does meet the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense of $443,702 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $25,898 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of $9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in fire state aid. The City also recognized $133,512 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

12. Defined Benefit Pension Plans – Statewide (Continued)

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 276,315	$
Difference between projected and actual investment earnings		29,740
Changes in actuarial assumptions	1,031,948	1,575,507
Changes in proportion	10,292	188,970
Contributions paid to PERA subsequent to the measurement date	81,085	
Total	$ 1,399,640	$ 1,794,217

The $81,085 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2024	$ 115,211
2025	(201,205)
2026	(357,732)
2027	(31,936)

Total Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2023 was:

General Employees Fund	$ 304,551
Police and Fire Fund	443,702
Fire Relief	(41,911)
	$ 706,342

12. Defined Benefit Pension Plans – Statewide (Continued)

Long-Term Expected Return on Investment

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

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

Actuarial Methods and 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 percent. 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 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

12. Defined Benefit Pension Plans – Statewide (Continued)

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

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

1. General Employees Fund

   Changes in Actuarial Assumptions:
   - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

   Changes in Plan Provisions:
   - There were no changes in plan provisions since the previous valuation.

2. Police and Fire Fund

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

   Changes in Plan Provisions:
   - There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

12. Defined Benefit Pension Plans – Statewide (Continued)

Pension Liability Sensitivity

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

Sensitivity Analysis

Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	$ 4,402,162	6.00%	$ 2,233,958
Current Discount Rate	7.00%	$ 2,488,390	7.00%	$ 1,125,919
1% Higher	8.00%	$ 914,240	8.00%	$ 214,963

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.

13. Defined Benefit Pension Plan - Volunteer Fire Relief Association

The Lake City Fire Relief Association has not had an updated actuarial study performed. The Association believes the funding status determined using the calculation required by the Minnesota State Auditor is sufficient to determine the reportable amounts under GASB 68, *Accounting and Financial Reporting for Pensions.*

Plan Description

Firefighters of the City of Lake City are members of the Lake City Fire Department Relief Association (Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administrated pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2022, membership includes 19 active members and 7 terminated employees entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement. This is the most recent financial statement available.

13. Defined Benefit Pension Plan - Volunteer Fire Relief Association

Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* 69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department shall be entitled to a lump sum service pension in the amount of $8,000 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* 424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* 424A.02 Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum $8,000 for each year the member was an active member of the Lake City Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 20% of a regular lump sum distribution up to a maximum of $2,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if the state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures.

Funding Status and Progress

At December 31, 2022 (the latest available information), the Association funding status is as follows:

Total plan assets	$	1,206,595
Total accrued liability		(872,383)
Excess of Plan Assets Over Accrued Liability	$	334,212

14. Other Post Employment Benefit Plan

The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions for the year ended December 31, 2022.

Plan Description

The City provides health insurance benefits for certain retired employees under a single-employer plan. The City provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage.

Benefits Provided

These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy. As of December 31, 2022 there were approximately 45 active participants and 1 retired participant in the City's group health plan.

Funding Policy

The required contribution is based on projected pay-as-you-go method under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of date. The components of the net OPEB liability of the City at year-end were as follows:

Total OPEB Liability	$ 52,647
Valuation Salary	4,033,491
Total OPEB liability as a percentage of payroll	1.3%

14. Other Post Employment Benefit Plan (Continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.05%
Long-term expected investment return	N/A
Inflation rate	2.25%
Mortality	
General Employees	From the July 1, 2021 PERA of Minnesota General Employees Retirement Plan actuarial valuation, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments
Police & Fire	Fomr July 1, 2021 PERA of Minnesota Public Employees Police & Fire Plan actuarial valuation, Pub-2010 Public Safety mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments
Healthcare cost trend rate	6.2% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.7% in FY2074 and later years.

Actuarial Assumptions and Changes (Continued)

The following changes in OPEB actuarial assumptions since the 2021 valuation:

- The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates.

14. Other Post Employment Benefit Plan (Continued)

Changes in Net OPEB Liability

	Total OPEB Liability
Beginning Balance 1/1/2023	$ 58,226
Changes for the Year	
Service cost	5,265
Interest	1,160
Changes of assumptions	(11,089)
Benefit payments	(915)
Net Changes	(5,579)
Ending Balance 12/31/2023	$ 52,647

Net OPEB Liability Sensitivity to Discount and Health-Care Cost Trend Rate Changes

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

	1% decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% increase in Discount Rate (5.05%)
Total OPEB Liability	$ 57,407	$ 52,647	$ 48,295

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

	1% decrease in Trend Rate	Current Trend Rate	1% increase in Trend Rate
Total OPEB Liability	$ 46,506	$ 52,647	$ 59,845

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CITY OF LAKE CITY, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

CITY OF LAKE CITY, MINNESOTA

Schedule of City Pension Contributions
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	$ 148,967	$ 148,967	$	$ 2,054,717	7.25%
2015	166,453	166,453		2,219,373	7.50%
2016	191,166	191,166		2,548,880	7.50%
2017	208,434	208,434		2,779,120	7.50%
2018	211,509	211,509		2,820,120	7.50%
2019	229,380	229,380		3,058,400	7.50%
2020	240,129	240,129		3,201,720	7.50%
2021	251,604	251,604		3,354,720	7.50%
2022	267,402	267,402		3,565,360	7.50%
2023	265,618	265,618		3,541,573	7.50%

Schedule of City Pension Contributions
PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years (presented prospectively)

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	$ 99,525	$ 99,525	$	$ 650,490	12.17%
2015	110,006	110,006		679,049	12.95%
2016	111,939	111,939		690,981	16.20%
2017	114,746	114,746		708,309	16.20%
2018	120,075	120,075		741,204	16.20%
2019	124,807	124,807		736,324	16.95%
2020	134,969	134,969		762,537	17.70%
2021	142,019	142,019		802,367	17.70%
2022	151,081	151,081		853,565	17.70%
2023	151,586	151,586		856,418	17.70%

CITY OF LAKE CITY, MINNESOTA

Schedule of City's and Non-Employer Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0457%	$ 2,146,757	$	$ 2,146,757	$ 2,054,717	104.5%	78.7%
2015	0.0422%	2,187,023		2,187,023	2,478,070	88.3%	78.2%
2016	0.0411%	3,337,116	43,545	3,380,661	2,384,127	141.8%	68.9%
2017	0.0431%	2,751,476	34,629	2,786,105	2,664,000	104.6%	75.9%
2018	0.0420%	2,329,988	76,291	2,406,279	2,799,620	86.0%	79.5%
2019	0.0432%	2,388,431	74,330	2,462,761	2,939,260	83.8%	80.2%
2020	0.0449%	2,691,960	83,038	2,774,998	3,130,060	88.7%	79.1%
2021	0.0466%	1,990,029	60,742	2,050,771	3,278,220	62.6%	87.0%
2022	0.0476%	3,769,936	110,533	3,880,469	3,460,040	112.2%	76.7%
2023	0.0445%	2,488,390		2,488,390	3,553,467	70.0%	83.1%

Schedule of City's Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0700%	$ 756,029	$	$ 756,029	$ 650,951	116.1%	87.1%
2015	0.0720%	818,089		818,089	662,842	123.4%	86.6%
2016	0.0720%	2,889,485		2,889,485	662,842	435.9%	68.9%
2017	0.0690%	931,582		931,582	699,645	133.2%	85.4%
2018	0.0703%	749,326		749,326	724,757	103.4%	88.8%
2019	0.0714%	760,125		760,125	738,764	102.9%	89.3%
2020	0.0690%	909,494	21,449	930,943	749,431	124.2%	87.2%
2021	0.0679%	524,116	23,545	547,661	782,452	70.0%	93.7%
2022	0.0703%	3,059,178	133,512	3,192,690	827,966	385.6%	70.5%
2023	0.0652%	1,125,919		1,125,919	854,992	131.7%	86.5%

CITY OF LAKE CITY, MINNESOTA
Schedule of Changes in the Other Postemployment Benefits and Related Ratios
December 31, 2023

	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost	$ 5,265	$ 4,722	$ 3,946	$ 3,457	$ 3,686
Interest	1,160	1,161	1,339	2,078	1,987
Difference between expected and actual experience		(2,532)		(13,445)	
Changes of assumptions	(11,089)	1,561	3,495	1,902	(3,465)
Benefit payments	(915)		(401)	(3,226)	(8,755)
Net change in total pension liability	(5,579)	4,912	8,379	(9,234)	(6,547)
Total Pension Liability - beginning of year	58,226	53,314	44,935	54,169	60,716
Total Pension Liability - end of year	$ 52,647	$ 58,226	$ 53,314	$ 44,935	$ 54,169
OPEB-eligible payroll for the measurement period	$4,033,491	$3,917,131	$3,884,518	$ 3,730,814	$ 3,633,000
Total OPEB Liability as a Percentage of Eligible Payroll	1.3%	1.5%	1.4%	1.2%	1.5%

CITY OF LAKE CITY, MINNESOTA

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

DECEMBER 31, 2023

CITY OF LAKE CITY, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2023

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal, regulatory or grant provisions or administrative action.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related fiscal changes.

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

	Special Revenue Funds			Debt Service Funds		
	210 Library	270 Community Development Revolving Loan Fund	492 Block 25 Redev TIF #13	368 2018A Street Improvement	369 2021A Street Improvement	Totals
ASSETS						
Cash and investments	$ 326,626	$ 427,975	$	$ 97,368	$ 180,939	$ 1,032,908
Loans receivable		21,752				21,752
Taxes receivable, delinquent	1,110			1,050	2,151	4,311
Due from other governments	751			15,878	32,274	48,903
Prepaid items	1,181					1,181
TOTAL ASSETS	$ 329,668	$ 449,727	$	$ 114,296	$ 215,364	$ 1,109,055
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts payable	$ 1,177	$	$	$	$	$ 1,177
Advances from other funds			238,965			238,965
Total Liabilities	1,177		238,965			240,142
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	1,110			1,050	2,151	4,311
Loans receivable		21,752				21,752
Total Deferred Inflows of Resources	1,110	21,752		1,050	2,151	26,063
Fund Balance						
Nonspendable						
Prepaid items	1,181					1,181
Restricted:						
Creditors (debt covenants)				113,246	213,213	326,459
Regulations		427,975				427,975
Assigned:						
Fund assignments	326,200					326,200
Unassigned			(238,965)			(238,965)
Total Fund Balance	327,381	427,975	(238,965)	113,246	213,213	842,850
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 329,668	$ 449,727	$	$ 114,296	$ 215,364	$ 1,109,055

CITY OF LAKE CITY, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2023

	Special Revenue Funds			Debt Service Funds		
	210 Library	270 Community Development Revolving Loan Fund	492 Block 25 Redev TIF #13	368 2018A Street Improvement	369 2021A Street Improvement	Totals
REVENUES						
Property taxes	$ 157,398	$	$	$ 100,998	$ 206,740	$ 465,136
Intergovernmental revenues	67,927					67,927
Charges for services	3,473					3,473
Fines and forfeits	453					453
Investment income	11,042	19,215		2,088	3,258	35,603
Miscellaneous revenues	106,753	1,200				107,953
TOTAL REVENUES	347,046	20,415		103,086	209,998	680,545
EXPENDITURES						
Culture and recreation:						
Library	301,181					301,181
Economic development		10,000	140			10,140
Debt service:						
Bond principal retirement				75,000	185,000	260,000
Interest and fiscal charges				16,921	10,081	27,002
Capital outlay	36,783					36,783
TOTAL EXPENDITURES	337,964	10,000	140	91,921	195,081	635,106
Excess (deficiency) of revenues over (under) expenditures	9,082	10,415	(140)	11,165	14,917	45,439
OTHER FINANCING SOURCES						
Transfers in	60,000					60,000
Net change in fund balances	69,082	10,415	(140)	11,165	14,917	105,439
FUND BALANCE, beginning	258,299	417,560	(238,825)	102,081	198,296	737,411
FUND BALANCE, ending	$ 327,381	$ 427,975	$ (238,965)	$ 113,246	$ 213,213	$ 842,850

CITY OF LAKE CITY, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Budgeted Amounts		2023	Variance	2022
	Original	Final	Actual Amount	With Budget Positive (Negative)	Actual Amount
REVENUES					
Property Tax Levy					
Property tax collected	$ 155,989	$ 155,989	$ 157,398	$ 1,409	$ 150,516
Intergovernmental Revenues					
County - library grants	67,927	67,927	67,927		64,923
Charges For Services	1,000	1,000	3,473	2,473	2,216
Fines and Forfeits	250	250	453	203	425
Investment Income (Loss)	500	500	11,042	10,542	(8,868)
Miscellaneous					
Donations	2,000	14,809	19,101	4,292	14,546
Other	75,000	75,000	87,652	12,652	99,411
Total Miscellaneous	77,000	89,809	106,753	16,944	113,957
Total Revenues	302,666	315,475	347,046	31,571	323,169
EXPENDITURES					
Personnel services	233,998	233,998	209,663	24,335	189,326
Supplies	10,000	16,120	15,338	782	10,319
Other services and charges	84,668	89,803	76,180	13,623	78,570
Capital outlay	34,000	38,554	36,783	1,771	36,894
Total Expenditures	362,666	378,475	337,964	40,511	315,109
Excess (deficiency) of revenues over (under) expenditures	(60,000)	(63,000)	9,082	72,082	8,060
OTHER FINANCING SOURCES					
Transfers in	60,000	60,000	60,000		60,000
Net Change in Fund Balance		(3,000)	69,082	72,082	68,060
Fund Balance, beginning	258,299	258,299	258,299		190,239
Fund Balance, ending	$ 258,299	$ 255,299	$ 327,381	$ 72,082	$ 258,299

CITY OF LAKE CITY, MINNESOTA
COMPONENT UNIT
BALANCE SHEET
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and investments	$ 174,219	$ 142,812
Taxes receivable delinquent	532	552
Due from other governmental units	331	2,486
Due from primary government	66,890	66,890
Prepaid items	276	265
Property held for resale	235,000	235,000
TOTAL ASSETS	$ 477,248	$ 448,005
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	$ 22,620	$ 6,931
Deferred Inflows of Resources		
Unavailable revenue	235,532	235,552
Fund Balance		
Restricted:		
Port authority	219,096	205,522
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 477,248	$ 448,005
Fund Balance - Component Unit	$ 219,096	$ 205,522
Amounts reported for governmental activities in the statement of net position are different because:		
Property held for resale is not expected to be sold soon enough to provide available resources, and therefore, is a deferred inflow of resources in the funds	235,000	235,000
Other long-term assets are not available to pay for current-period expenditures and, therefore are unavailable in the funds	532	552
Net Position - Component Unit	$ 454,628	$ 441,074

CITY OF LAKE CITY, MINNESOTA
COMPONENT UNIT
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	2023	2022
REVENUES		
Property tax	$ 69,491	$ 76,358
Investment income (loss)	7,016	(6,020)
Miscellaneous	76,149	251,069
Total Revenues	152,656	321,407
EXPENDITURES		
Personnel services	1,421	1,381
Supplies	173	915
Other services and charges	137,131	319,786
Insurance	357	409
Total Expenditures	139,082	322,491
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,574	(1,084)
Fund Balance, beginning	205,522	206,606
Fund Balance, ending	$ 219,096	$ 205,522
Net Change in Fund Balance - Component Unit	$ 13,574	$ (1,084)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	(20)	146
Change in Net Position - Component Unit	$ 13,554	$ (938)

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INDEPENDENT AUDITOR'S 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 Common Council
City of Lake City, 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, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lake City, Minnesota, as of and for the year ended December 31, 2023 and the related notes to financial statements, which collectively comprise the City of Lake City, Minnesota's basic financial statements and have issued our report thereon dated February 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake City, 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 or other matters that are required to be reported under *Government Auditing Standards.*

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake City, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rochester, Minnesota
February 27, 2024