

City of East Gull Lake, Minnesota

Audited Financial Statements

December 31, 2021

**SCHLENNER
WENNER & Co.**
CPAs

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INTRODUCTORY SECTION

**CITY OF EAST GULL LAKE, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CITY COUNCIL

Term Expires

Dave Kavanaugh	Mayor	December 31, 2024
Tim Bergin	Council Member	December 31, 2024
Carol Demgen	Council Member	December 31, 2024
Scott Hoffman	Council Member	December 31, 2022
Jim Ruttger	Council Member	December 31, 2022

CITY OFFICIALS

Laura Christensen	City Administrator	Appointed
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of East Gull Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Gull Lake, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Gull Lake, Minnesota, as of December 31, 2021, and their respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule and pension schedules 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.

Management has omitted the Management's Discussion and Analysis section that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Gull Lake, Minnesota's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, and schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and schedule of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated July 14, 2022, on our consideration of the City of East Gull Lake's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

July 14, 2022

BASIC FINANCIAL STATEMENTS

CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 742,820	\$ 356,920	\$ 1,099,740
Property Taxes Receivable	12,424	3,645	16,069
Assessments Receivable	95,747	493,522	589,269
Accounts Receivable	-	125,870	125,870
Prepays	3,948	9,313	13,261
Noncurrent Assets:			
Capital Assets Not Being Depreciated	93,338	95,009	188,347
Capital Assets Being Depreciated (Net)	<u>1,533,545</u>	<u>6,119,877</u>	<u>7,653,422</u>
TOTAL ASSETS	2,481,822	7,204,156	9,685,978
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	69,552	58,389	127,941
LIABILITIES			
Accounts Payable	4,987	17,250	22,237
Salaries Payable	4,672	4,560	9,232
Accrued Interest Payable	13,264	7,892	21,156
Deposits Payable	95,000	-	95,000
Payroll Deductions and Employer Contributions	6,062	-	6,062
Noncurrent Liabilities:			
Amount Due Within One Year	275,000	403,000	678,000
Amount Due After One Year	797,469	1,273,117	2,070,586
Net Pension Liability	<u>92,915</u>	<u>77,903</u>	<u>170,818</u>
TOTAL LIABILITIES	1,289,369	1,783,722	3,073,091
DEFERRED INFLOWS OF RESOURCES			
Pensions	<u>86,361</u>	<u>72,409</u>	<u>158,770</u>
NET POSITION			
Net Investment in Capital Assets	561,728	4,543,134	5,104,862
Restricted	159,319	-	159,319
Unrestricted	<u>454,597</u>	<u>863,280</u>	<u>1,317,877</u>
TOTAL NET POSITION	<u>\$ 1,175,644</u>	<u>\$ 5,406,414</u>	<u>\$ 6,582,058</u>

**CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 248,788	\$ 46,609	\$ 56,772	\$ -	\$ (145,407)	\$ -	\$ (145,407)
Public Safety	57,500	-	-	-	(57,500)	-	(57,500)
Public Works	314,617	-	-	42,059	(272,558)	-	(272,558)
Culture and Recreation	44,813	-	-	-	(44,813)	-	(44,813)
Airport	6,000	-	-	-	(6,000)	-	(6,000)
Debt Service	27,618	-	-	-	(27,618)	-	(27,618)
Total Governmental Activities	699,336	46,609	56,772	42,059	(553,896)	-	(553,896)
Business-Type Activities:							
Wastewater	820,962	620,169	-	(1,647)	-	(202,440)	(202,440)
TOTALS	\$ 1,520,298	\$ 666,778	\$ 56,772	\$ 40,412	(553,896)	(202,440)	(756,336)
General Revenues:							
					643,386	186,010	829,396
					49,957	4,500	54,457
					143	-	143
					24,416	32,486	56,902
					717,902	222,996	940,898
					171,000	(171,000)	-
					(161,526)	161,526	-
					727,376	213,522	940,898
					173,480	11,082	184,562
					1,002,164	5,395,332	6,397,496
					\$ 1,175,644	\$ 5,406,414	\$ 6,582,058

**CITY OF EAST GULL LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 655,003	\$ 74,446	\$ 13,371	\$ 742,820
Property Taxes Receivable	9,277	2,390	757	12,424
Assessments Receivable	-	95,747	-	95,747
Prepays	3,948	-	-	3,948
TOTAL ASSETS	\$ 668,228	\$ 172,583	\$ 14,128	\$ 854,939
LIABILITIES				
Accounts Payable	\$ 4,987	\$ -	\$ -	\$ 4,987
Salaries Payable	4,672	-	-	4,672
Payroll Deductions and Employer Contributions	6,062	-	-	6,062
Deposits Payable	95,000	-	-	95,000
Total Liabilities	110,721	-	-	110,721
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	5,193	-	-	5,193
Special Assessments	-	94,900	-	94,900
Total Deferred Inflows of Resources	5,193	94,900	-	100,093
FUND BALANCES				
Nonspendable	3,948	-	-	3,948
Restricted	-	77,683	-	77,683
Committed	243,650	-	14,128	257,778
Unassigned	304,716	-	-	304,716
Total Fund Balances	552,314	77,683	14,128	644,125
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 668,228	\$ 172,583	\$ 14,128	\$ 854,939

**CITY OF EAST GULL LAKE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balances - Governmental Funds \$ 644,125

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:

Capital Assets	\$ 4,083,952	
Accumulated Depreciation	<u>(2,457,069)</u>	
Capital Assets (Net)		1,626,883

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:

Bond Principal Payable	(1,045,000)	
Bond Premium, Net of Accumulated Amortization	(20,155)	
Compensated Absences	<u>(7,314)</u>	
		(1,072,469)

The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations to the City. Such balances are not reported in the funds:

Net Pension Liability	(92,915)	
Deferred Outflows - Pensions	69,552	
Deferred Inflows - Pensions	<u>(86,361)</u>	
		(109,724)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

(13,264)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:

Property Taxes	5,193	
Special Assessments	<u>94,900</u>	

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,175,644

CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 362,561	\$ 214,901	\$ 68,024	\$ 645,486
Special Assessments	-	42,059	-	42,059
Licenses, Permits, and Fees	43,213	-	-	43,213
Intergovernmental	106,501	-	-	106,501
Charges for Services	3,396	-	-	3,396
Interest Income	143	-	-	143
Miscellaneous	24,416	-	-	24,416
TOTAL REVENUES	<u>540,230</u>	<u>256,960</u>	<u>68,024</u>	<u>865,214</u>
EXPENDITURES				
Current:				
General Government	260,333	-	9,297	269,630
Public Safety	-	-	57,500	57,500
Public Works	116,455	1,017	-	117,472
Parks and Recreation	5,974	-	-	5,974
Airport	6,000	-	-	6,000
Capital Outlay	109,633	-	-	109,633
Debt Service:				
Principal	-	260,000	-	260,000
Interest and Other Charges	-	34,529	2,054	36,583
TOTAL EXPENDITURES	<u>498,395</u>	<u>295,546</u>	<u>68,851</u>	<u>862,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41,835	(38,586)	(827)	2,422
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(161,526)	(161,526)
NET CHANGE IN FUND BALANCES	41,835	(38,586)	(162,353)	(159,104)
FUND BALANCES - BEGINNING	<u>510,479</u>	<u>116,269</u>	<u>176,481</u>	<u>803,229</u>
FUND BALANCES - ENDING	<u>\$ 552,314</u>	<u>\$ 77,683</u>	<u>\$ 14,128</u>	<u>\$ 644,125</u>

**CITY OF EAST GULL LAKE, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (159,104)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Capital Outlay Capitalized	\$ 120,506	
Depreciation Expense	<u>(201,450)</u>	
		(80,944)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Bond Principal Repayments	260,000	
Amortization of Bond Premium	6,718	
Debt Transferred to Business-Type Activities	<u>171,000</u>	
		437,718

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

2,247

Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	(2,100)	
Special Assessments	<u>(35,001)</u>	
		(37,101)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences		(2,269)
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Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources		<u>12,933</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 173,480

CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2021

	Wastewater Fund
ASSETS	
Current Assets	
Cash	\$ 356,920
Property Taxes Receivable	3,645
Assessments Receivable	52,419
Accounts Receivable	125,870
Prepays	9,313
Total Current Assets	548,167
Noncurrent Assets	
Capital Assets Not Being Depreciated	95,009
Capital Assets Being Depreciated (Net)	6,119,877
Assessments Receivable	441,103
Total Noncurrent Assets	6,655,989
TOTAL ASSETS	7,204,156
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	58,389
LIABILITIES	
Current Liabilities	
Accounts Payable	17,250
Salaries Payable	4,560
Accrued Interest	7,892
Bonds Due Within One Year	403,000
Total Current Liabilities	432,702
Noncurrent Liabilities	
Compensated Absences Due After One Year	4,365
Bonds Due After One Year	1,268,752
Net Pension Liability	77,903
Total Noncurrent Liabilities	1,351,020
TOTAL LIABILITIES	1,783,722
DEFERRED INFLOWS OF RESOURCES	
Pensions	72,409
NET POSITION	
Net Investment in Capital Assets	4,543,134
Unrestricted	863,280
TOTAL NET POSITION	\$ 5,406,414

CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Wastewater Fund
OPERATING REVENUES	
Charges for Services	\$ 590,654
OPERATING EXPENSES	
Wages and Benefits	169,832
Materials and Supplies	49,325
Repairs and Maintenance	70,159
Professional Services	5,952
Insurance	18,933
Utilities	71,059
Miscellaneous	52,657
Depreciation	357,815
TOTAL OPERATING EXPENSES	795,732
NET OPERATING INCOME (LOSS)	(205,078)
NONOPERATING INCOME (EXPENSE)	
Taxes	186,010
Special Assessments	(1,647)
Intergovernmental	4,500
Connection Fees	29,515
Miscellaneous	32,486
Interest and Other Charges	(25,230)
TOTAL NONOPERATING INCOME (EXPENSE)	225,634
CHANGE IN NET POSITION PRIOR TO TRANSFERS	20,556
TRANSFERS	
Interfund Debt Transfers	(171,000)
Operating Transfers In	161,526
NET TRANSFERS	(9,474)
CHANGE IN NET POSITION	11,082
NET POSITION - BEGINNING OF YEAR	5,395,332
NET POSITION - END OF YEAR	\$ 5,406,414

**CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 581,454
Cash Paid to Suppliers	(283,646)
Cash Paid to Employees	(178,555)
NET CASH PROVIDED BY OPERATING ACTIVITIES	119,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes and Intergovernmental	190,845
Other Receipts from Customers	62,001
Net Operating Subsidies and Transfers from (to) Other Funds	161,526
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	414,372
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Special Assessments	171,537
Purchases of Capital Assets	(69,476)
Payments on Bond Principal	(398,000)
Cash Paid for Interest	(27,347)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(323,286)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	8,475
Net Change in Cash	218,814
Cash - Beginning of Year	138,106
Cash - End of Year	\$ 356,920

CITY OF EAST GULL LAKE, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Wastewater Fund
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (205,078)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	357,815
Changes in Assets, Liabilities, and Deferrals:	
Accounts Receivable	(9,200)
Prepays	222
Accounts Payable	(15,783)
Salaries Payable	534
Net Pension Liability	(25,564)
Deferred Outflows or Resources - Pensions	(49,275)
Deferred Inflows or Resources - Pensions	64,775
Compensated Absences	807
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 119,253
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Outstanding Debt Balance Reallocated from Other Funds	\$ 171,000

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of East Gull Lake (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: sanitation, recreation, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of East Gull Lake, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City's does not have any blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's judgment.

The City reports the following major proprietary fund:

The *Wastewater Fund* is used to account for business-like activities related to the operation of wastewater utility services provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City reports the following nonmajor governmental fund types:

The *Special Revenue Fund* accounts for funds received by the City with a specific purpose.

The *Capital Project Fund* accounts for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the “accrual basis” of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the “modified accrual” basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities, at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings, and money market accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand, savings, and money market accounts.

See Note 2.A. for additional information related to Cash and Cash Equivalents.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other fund.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.D. for details of interfund transactions, including receivables and payables at year-end, if any.

Prepays

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include grants, taxes, and special assessments. Business-type activities report utility charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants and other intergovernmental revenues since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts and assessment receivables compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and must have an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

Improvements	10-50 years
Equipment	5-20 years
Vehicles	5-20 years
Plant	10-50 years
Infrastructure	10-50 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Accounts Payable

Payables in the governmental and enterprise funds are composed almost entirely of payables to vendors.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. All vacation pay, compensatory pay and vested sick pay are accrued when incurred in the government-wide and proprietary fund financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would be used to liquidate the compensated absences.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Pension Liability

The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

PERA

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 except that PERA's fiscal year end is June 30. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes and special assessments as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

See Note 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report cash fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses cash fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2021 consist of prepaid expenditures.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator or his/her designee shall have the authority to assign fund balance.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 40% of annual budgeted operating expenditures.

See Note 2.E. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described above.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of October. The County of Cass is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

December 31st is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the fund financial statements.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service
Proprietary Fund-By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.D.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows, equity, revenues, and expenditures/expenses.

2.A. CASH AND CASH EQUIVALENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2021, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH AND CASH EQUIVALENTS (Continued)

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

At December 31, 2021, the City does not hold any investments.

2.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance at 01/01/21	Additions	Disposals	Transfers	Balance at 12/31/21
<i>Governmental Activities:</i>					
Capital Assets not Being Depreciated					
Construction in Progress	\$ 4,013	\$ 89,325	\$ -	\$ -	\$ 93,338
Capital Assets Being Depreciated					
Equipment	29,393	7,541	-	-	36,934
Improvements	51,999	23,640	-	-	75,639
Infrastructure	3,848,334	-	-	-	3,848,334
Vehicles	29,707	-	-	-	29,707
Total Capital Assets Being Depreciated	3,959,433	31,181	-	-	3,990,614
Less: Accumulated Depreciation					
Equipment	(19,483)	(1,720)	-	-	(21,203)
Improvements	(42,288)	(1,373)	-	-	(43,661)
Infrastructure	(2,182,460)	(192,416)	-	-	(2,374,876)
Vehicles	(11,388)	(5,941)	-	-	(17,329)
Total Accumulated Depreciation	(2,255,619)	(201,450)	-	-	(2,457,069)
Total Capital Assets Being Depreciated, Net	1,703,814	(170,269)	-	-	1,533,545
Capital Assets, Net	<u>\$ 1,707,827</u>	<u>\$ (80,944)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,626,883</u>

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS (Continued)

Depreciation is charged to governmental activities as follows:

General Government	\$ 1,217
Public Works	163,179
Parks and Recreation	<u>37,054</u>
Total Depreciation Expense	<u>\$ 201,450</u>

	<u>Balance at</u> 01/01/21	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance at</u> 12/31/21
<i>Business-Type Activities:</i>					
Capital Assets not Being Depreciated					
Construction in Progress	\$ 25,533	\$ 69,476	\$ -	\$ -	\$ 95,009
Capital Assets Being Depreciated					
Equipment	194,157	-	-	-	194,157
Infrastructure	591,194	-	-	-	591,194
Plant	12,347,280	-	-	-	12,347,280
Vehicles	<u>93,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,277</u>
Total Capital Assets Being Depreciated	13,225,908	-	-	-	13,225,908
Less: Accumulated Depreciation					
Equipment	(67,376)	(13,696)	-	-	(81,072)
Infrastructure	(80,896)	(29,376)	-	-	(110,272)
Plant	(6,523,929)	(308,061)	-	-	(6,831,990)
Vehicles	<u>(76,015)</u>	<u>(6,682)</u>	<u>-</u>	<u>-</u>	<u>(82,697)</u>
Total Accumulated Depreciation	<u>(6,748,216)</u>	<u>(357,815)</u>	<u>-</u>	<u>-</u>	<u>(7,106,031)</u>
Total Capital Assets Being Depreciated, Net	<u>6,477,692</u>	<u>(357,815)</u>	<u>-</u>	<u>-</u>	<u>6,119,877</u>
Capital Assets, Net	<u>\$ 6,503,225</u>	<u>\$ (288,339)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,214,886</u>

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES

The City’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

Debt Detail

As of December 31, 2021, the long-term debt of the City consists of the following:

Governmental Activities

General Obligation Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
11/13	\$ 830,000	\$45,000-\$70,000	0.70-3.50%	02/29	\$ 480,000
01/15	1,555,000	\$190,000-\$220,000	2.00-3.00%	02/24	565,000
Total Governmental Activities Bonds Payable					1,045,000
Bonds Due Within One Year					275,000
Bonds Due After One Year					\$ 770,000

Business-Type Activities

General Obligation Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
01/15	\$ 135,000	\$15,000-\$20,000	2.00-3.00%	02/24	\$ 55,000
08/04	6,416,500	\$249,500-\$376,000	1.00%	08/24	1,118,000
06/19	354,000	\$10,000-\$28,000	3.20%	02/35	326,000
12/20	171,000	\$0-\$171,000	1.25%	12/23	171,000
Total Business-Type Activities Bonds Payable					1,670,000
Bonds Due Within One Year					403,000
Bonds Due After One Year					\$ 1,267,000

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2021:

Type of Debt	Balance 01/01/20	Additions	Deductions	Transfers	Balance 12/31/20	Amounts Due Within One Year
<i>Governmental Activities</i>						
General Obligation Bonds	\$ 1,476,000	\$ -	\$ (260,000)	\$ (171,000)	\$ 1,045,000	\$ 275,000
Compensated Absences	5,045	12,451	(10,182)	-	7,314	-
Bond Premium	26,873	-	(6,718)	-	20,155	-
Total	\$ 1,507,918	\$ 12,451	\$ (276,900)	\$ (171,000)	\$ 1,072,469	\$ 275,000
<i>Business Type Activities</i>						
General Obligation Bonds	\$ 1,897,000	\$ -	\$ (398,000)	\$ 171,000	\$ 1,670,000	\$ 403,000
Compensated Absences	3,558	12,811	(12,004)	-	4,365	-
Bond Premium	2,336	-	(584)	-	1,752	-
Total	\$ 1,902,894	\$ 12,811	\$ (410,588)	\$ 171,000	\$ 1,676,117	\$ 403,000

Governmental activity debt is typically funded through the Debt Service Fund. Business-Type activity debt is typically funded through the Wastewater Fund. Compensated absences are funded through the funds to which the respective employees' wages are allocated.

Annual Debt Service Requirements

At December 31, 2021, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 275,000	\$ 27,886	\$ 302,886
2023	270,000	19,959	289,959
2024	185,000	13,271	198,271
2025	55,000	9,713	64,713
2026	60,000	7,930	67,930
2027-2029	200,000	10,675	210,675
Totals	\$ 1,045,000	\$ 89,434	\$ 1,134,434

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 403,000	\$ 24,871	\$ 427,871
2023	584,000	20,032	604,032
2024	416,000	12,924	428,924
2025	21,000	8,208	29,208
2026	21,000	7,536	28,536
2027-2031	118,000	26,784	144,784
2032-2035	107,000	6,959	113,959
Totals	<u>\$ 1,670,000</u>	<u>\$ 107,314</u>	<u>\$ 1,777,314</u>

Interest expense totals \$59,744 in the Statement of Activities (included in the Debt Service and Wastewater lines). Interest expenditures total \$36,583 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental funds (included in the line Interest and Other Charges). Accrued interest is recorded on the Statement of Net Position for governmental funds but not the governmental fund Balance Sheet due to the nature of fund accounting. Interest expense totals \$25,230 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.

2.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2021:

Nonmajor Fund	Transfers Out	Transfers In	
		Major Funds Wastewater	Total
2020 Capital Project	<u>\$ 161,526</u>	<u>\$ 161,526</u>	<u>\$ 161,526</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF EAST GULL LAKE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND EQUITY

At December 31, 2021, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepays	\$ 3,948
Committed for Roads	128,402
Committed for Parks	51,162
Committed for Planning and Zoning	64,086
Unassigned	304,716
Total General Fund Balance	\$ 552,314
Debt Service Fund	
Restricted for Debt Service	\$ 77,683
Nonmajor Governmental Funds	
Committed for Public Safety	\$ 14,128

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

General Employees Retirement Plan

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

Benefits Provided

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

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.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 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, 2021 total \$21,662. The City’s contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$170,818 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 \$5,188.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0040 percent at the end of the measurement period and 0.0038 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$	170,818
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		5,188
Total	\$	176,006

For the year ended December 31, 2021, the City recognized pension expense of \$17,349 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$419 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2021, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 971	\$ 5,197
Changes in actuarial assumptions	104,298	3,560
Difference between projected and actual investment earnings	-	148,627
Changes in proportion	11,757	1,386
Contributions paid to PERA subsequent to the measurement date	10,915	-
Total City Deferred Outflows/Inflows	\$ 127,941	\$ 158,770

The \$10,915 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

Year ended December 31:	Pension Expense
2022	\$ (4,350)
2023	\$ 1,578
2024	\$ 1,377
2025	\$ (40,349)

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 Stocks	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 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 6.50 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. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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 29 years of service and 6.0 percent per year thereafter.

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

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 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	
	General Employees Fund	
1 % Increase in Discount Rate	7.50%	\$ 25,116
Current Discount Rate	6.50%	\$ 170,818
1% Decrease in Discount Rate	5.50%	\$ 348,381

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.

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT

Claims and Judgements

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. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City’s management is not aware of any incurred but no reported claims.

Public Health Emergency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any significant negative effects on its operations.

**CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 OTHER NOTES (Continued)

4.B. COMMITMENTS

Fire Contract

The City has entered into a contract for fire and rescue services, under which the City makes semi-annual payments. Total amount to be paid in 2022 under such contract is \$59,513.

The semi-annual payments will increase every year by the same percentage amount that the Pillager Area Fire Protection Association increases its budget. This contract may be terminated at any time by personally serving a 365-day written notice of termination to the other party.

4.C. NEW ACCOUNTING STANDARDS

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. GASB 87 will be effective for the City's year ended December 31, 2022. The effect on net position will likely be significant.

4.D. SUBSEQUENT EVENTS

Contracts

Subsequent to year-end and prior to the issuance of these financial statements, the City approved contracts for street construction services totaling \$132,583.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EAST GULL LAKE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 361,500	\$ 362,561	\$ 1,061
Licenses and Permits	30,850	43,213	12,363
Intergovernmental Revenue			
Federal Revenue			
Coronavirus Relief Fund	-	56,772	56,772
State Revenue			
Market Value Credit	-	142	142
PERA Aid	491	-	(491)
Transportation	-	42,553	42,553
Other State Grants and Aids	11,500	7,034	(4,466)
Total Intergovernmental Revenue	11,991	106,501	94,510
Charges for Services			
General Government	700	3,396	2,696
Miscellaneous Revenue			
Investment Earnings	3,000	143	(2,857)
Refunds and Reimbursements	-	22,561	22,561
Other Miscellaneous	1,150	1,855	705
Total Miscellaneous Revenue	4,150	24,559	20,409
TOTAL REVENUES	409,191	540,230	131,039
EXPENDITURES			
General Government			
Mayor and Council	22,345	22,123	(222)
Administration and Finance	58,522	56,882	(1,640)
Other General Government	162,856	181,328	18,472
Capital Outlay	1,000	2,090	1,090
Total General Government	244,723	262,423	17,700
Public Works			
Street Maintenance and Storm Sewers	111,033	99,514	(11,519)
Snow and Ice Removal	38,000	16,941	(21,059)
Capital Outlay - Street Construction	4,500	11,526	7,026
Total Public Works	153,533	127,981	(25,552)

CITY OF EAST GULL LAKE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
Culture and Recreation			
Parks and Recreation			
Current	7,673	5,974	(1,699)
Capital Outlay	<u>16,000</u>	<u>96,017</u>	<u>80,017</u>
Total Culture and Recreation	23,673	101,991	78,318
Miscellaneous Expenditures			
Airports			
Current	<u>6,050</u>	<u>6,000</u>	<u>(50)</u>
TOTAL EXPENDITURES	<u>427,979</u>	<u>498,395</u>	<u>70,416</u>
NET CHANGE IN FUND BALANCE	<u>\$ (18,788)</u>	41,835	<u>\$ 60,623</u>
FUND BALANCES - BEGINNING		<u>510,479</u>	
FUND BALANCE - ENDING		<u>\$ 552,314</u>	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 - Expenditures in Excess of Budget

Actual expenditures in the General Fund of \$498,395 exceeded the final budgeted expenditures by \$70,416 for the current year. This is primarily due to increased capital outlay costs for the 2023 Sanitary Sewer & Street and Trail Improvements Project.

CITY OF EAST GULL LAKE, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City'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)	City's Covered Payroll (c)	City's Proportionate Share 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
<i>General Employees Retirement Pension Plan</i>							
2021	0.0040%	\$ 170,818	\$ 5,188	\$ 176,006	\$ 286,307	61.5%	87.0%
2020	0.0038%	\$ 227,827	\$ 6,995	\$ 234,822	\$ 273,333	85.9%	79.1%
2019	0.0037%	\$ 204,565	\$ 6,333	\$ 210,898	\$ 264,560	79.7%	80.2%
2018	0.0038%	\$ 210,808	\$ 6,871	\$ 217,679	\$ 253,960	85.7%	79.5%
2017	0.0041%	\$ 261,741	\$ 3,289	\$ 265,030	\$ 239,347	110.7%	75.9%
2016	0.0038%	\$ 308,541	\$ 4,082	\$ 312,623	\$ 237,555	131.6%	68.9%
2015	0.0037%	\$ 191,753	\$ -	\$ 191,753	\$ 219,093	87.5%	78.2%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF EAST GULL LAKE, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2021	\$ 21,662	\$ 21,662	\$ -	\$ 288,827	7.50%
2020	\$ 21,259	\$ 21,259	\$ -	\$ 283,453	7.50%
2019	\$ 20,098	\$ 20,098	\$ -	\$ 267,973	7.50%
2018	\$ 19,116	\$ 19,116	\$ -	\$ 254,880	7.50%
2017	\$ 17,461	\$ 17,461	\$ -	\$ 232,813	7.50%
2016	\$ 18,483	\$ 18,483	\$ -	\$ 246,440	7.50%
2015	\$ 17,171	\$ 17,171	\$ -	\$ 228,936	7.50%

Note: The schedule is provided prospectively beginning with the City's fiscal years ending December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF EAST GULL LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

**CITY OF EAST GULL LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	Public Safety Fund	2020 Capital Project Fund	Total Nonmajor Funds
ASSETS			
Cash	\$ 13,371	\$ -	\$ 13,371
Property Taxes Receivable	757	-	757
TOTAL ASSETS	\$ 14,128	\$ -	\$ 14,128
FUND BALANCES			
Committed	\$ 14,128	\$ -	\$ 14,128

**CITY OF EAST GULL LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Public Safety Fund	2020 Capital Project Fund	Total Nonmajor Funds
REVENUES			
Taxes	\$ 68,024	\$ -	\$ 68,024
EXPENDITURES			
Current:			
General Government	9,297	-	9,297
Public Safety	57,500	-	57,500
Debt Service:			
Interest and Other Charges	-	2,054	2,054
TOTAL EXPENDITURES	66,797	2,054	68,851
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,227	(2,054)	(827)
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(161,526)	(161,526)
NET CHANGE IN FUND BALANCES	1,227	(163,580)	(162,353)
FUND BALANCES - BEGINNING	12,901	163,580	176,481
FUND BALANCES - ENDING	\$ 14,128	\$ -	\$ 14,128

**CITY OF EAST GULL LAKE, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/21	Issued	Paid	Transfers	Outstanding Balance 12/31/21	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS										
G.O. Permanent Improvement Revolving Fund Bonds, Series 2013A	11/20/2013	0.70-3.50%	2/1/2029	\$ 830,000	\$ 535,000	\$ -	\$ (55,000)	\$ -	\$ 480,000	\$ 55,000
G.O. Refunding Bonds, Series 2015A	1/6/2015	2.00-3.00%	2/1/2024	1,555,000	770,000	-	(205,000)	-	565,000	220,000
Temporary G.O. Utility Revenue Note, Series 2020A	12/15/2020	1.25%	12/1/2023	171,000	171,000	-	-	(171,000)	-	-
TOTAL GOVERNMENTAL DEBTS				2,556,000	1,476,000	-	(260,000)	(171,000)	1,045,000	275,000
ENTERPRISE INDEBTEDNESS										
<u>General Obligation Issuances</u>										
G.O. Refunding Bonds Series 2015A	1/6/2015	2.00-3.00%	2/1/2024	135,000	70,000	-	(15,000)	-	55,000	15,000
Temporary G.O. Utility Revenue Note, Series 2020A	12/15/2020	1.25%	12/1/2023	171,000	-	-	-	171,000	171,000	-
<u>MN Public Facilities Authority Loan</u>										
MNPPFA - Clean Water	8/26/2004	1.00%	8/20/2024	6,416,500	1,483,000	-	(365,000)	-	1,118,000	369,000
<u>MN Rural Water Association</u>										
G.O. Disposal System Note, Series 2019A	6/17/2019	3.20%	2/1/2035	354,000	344,000	-	(18,000)	-	326,000	19,000
TOTAL ENTERPRISE DEBTS				7,076,500	1,897,000	-	(398,000)	171,000	1,670,000	403,000
TOTAL INDEBTEDNESS				\$ 9,632,500	\$ 3,373,000	\$ -	\$ (658,000)	\$ -	\$ 2,715,000	\$ 678,000

OTHER REQUIRED REPORT

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of East Gull Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Gull Lake, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, 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 Minnesota Statute § 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.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota
July 14, 2022