

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA

**FINANCIAL STATEMENTS AND
OTHER INFORMATION**

YEAR ENDED DECEMBER 31, 2014

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
MAYOR AND CITY COUNCIL MEMBERS
DECEMBER 31, 2014**

<u>ELECTED</u>	<u>POSITION</u>	<u>TERM</u>
TOM MCCARTHY	MAYOR	2013 - 2014
CINDIE J. REITER	COUNCIL MEMBER	2011 - 2014
CHARLES W. BROWN	COUNCIL MEMBER	2013 - 2016
JIM UNKER	COUNCIL MEMBER	2013 - 2016
CHERYL KOPP	COUNCIL MEMBER	2011 - 2014

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying statement of balances arising from cash transactions of each major fund of the City of Lake Saint Croix Beach, Minnesota as of December 31, 2014, and the related statement of cash receipts, disbursements and changes in cash fund balances for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America, as described in Note 1, to meet the requirements of the Minnesota Office of the State Auditor. Management is also responsible 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.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Minnesota Office of the State Auditor, the financial statements are prepared by the City of Lake Saint Croix Beach, Minnesota in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Lake Saint Croix Beach, Minnesota as of December 31, 2014, or changes in financial position, for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statement of balances arising from cash transactions of each major fund, and the related statement of cash receipts, disbursements and changes in cash fund balances present fairly, in all material respects, the cash balances and cash fund balances of each major fund of the City of Lake Saint Croix Beach, Minnesota as of December 31, 2014 and its respective cash receipts and disbursements for the year then ended, in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lake Saint Croix Beach, Minnesota's regulatory basis financial statements. The other information, as listed in the table of contents, is presented for purposes of additional analysis because these items are required to be reported to the Office of the Minnesota State Auditor. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 16, 2015

FINANCIAL STATEMENTS

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General Fund</u>	<u>Charitable Gambling Fund</u>	<u>EDA Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	<u>\$ 725,045</u>	<u>\$ 237</u>	<u>\$ (36)</u>	<u>\$ 725,246</u>
CASH FUND BALANCES				
Restricted	\$ -	\$ 237	\$ -	\$ 237
Assigned	70,000	-	-	70,000
Unassigned	<u>655,045</u>	<u>-</u>	<u>(36)</u>	<u>655,009</u>
Total Cash Fund Balances	<u>\$ 725,045</u>	<u>\$ 237</u>	<u>\$ (36)</u>	<u>\$ 725,246</u>

See accompanying Notes to Financial Statements.

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund	Charitable Gambling Fund	EDA Debt Service Fund	Total Governmental Funds
RECEIPTS				
Property Taxes	\$ 427,475	\$ -	\$ 38,600	\$ 466,075
Special Assessments	1,022	-	-	1,022
Licenses and Permits	3,313	-	-	3,313
Intergovernmental	82,595	-	-	82,595
Charges for Services	45,130	-	-	45,130
Fines and Forfeits	1,760	-	-	1,760
Investment Earnings	164	-	-	164
Rental Income	-	-	57	57
Contributions	-	237	-	237
Miscellaneous	11,123	-	-	11,123
Total Receipts	572,582	237	38,657	611,476
DISBURSEMENTS				
Current:				
General Government	244,848	-	-	244,848
Public Safety	127,817	-	-	127,817
Streets and Highways	90,024	-	-	90,024
Culture and Recreation	59,660	-	-	59,660
Conservation of Natural Resources	2,592	-	-	2,592
Debt Service:				
Principal	-	-	30,000	30,000
Interest and Other Charges	-	-	8,693	8,693
Total Disbursements	524,941	-	38,693	563,634
RECEIPTS IN EXCESS OF DISBURSEMENTS	47,641		(36)	47,842
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN CASH FUND BALANCES	47,641	237	(36)	47,842
Cash Fund Balances - Beginning of Year	677,404	-	-	677,404
CASH FUND BALANCES - END OF YEAR	\$ 725,045	\$ 237	\$ (36)	\$ 725,246

See accompanying Notes to Financial Statements.

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Lake Saint Croix Beach, Minnesota (the City) operates under the council form of government. The City follows the practice of reporting under *Minimum Reporting Requirements for City Financial Statements for Cities under 2,500 in Population*, as promulgated by Minnesota Statutes, Section 471.698.

The City of Lake Saint Croix Beach, Minnesota is located in Washington County, Minnesota. It is governed by a Mayor and a four-member Council elected by voters of the City to serve three-year terms.

Reporting Entity

The financial reporting entity consists of the Primary Government and the component units for which the Primary Government is financially responsible. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Primary Government. Based on these criteria, the Lake Saint Croix Beach Economic Development authority is considered to be a blended component unit of the City. The City accounts for these activities in a debt service fund and separately issued financial statements are not available.

Fund Accounting

The accounting system of the City is organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City reports the following major governmental funds:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

Charitable Gambling – Special Revenue Fund

The Charitable Gambling Special Revenue Fund was created by City Ordinance Chapter 1103 and is used to account for the receipts and disbursements related to charitable gambling conducted within the city. Receipts in this fund are restricted to the use by City Ordinance.

EDA – Debt Service Fund

The Economic Development Authority (EDA) is used to account for the use of account for the accumulation of resources for the payment of principal, interest and related costs to the Revenue bonds issued in 2008.

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

City of Lake Saint Croix Beach, Minnesota follows the cash basis of accounting for all funds. The statement of cash receipts, disbursements and changes in cash fund balances was prepared on the cash basis and accordingly, revenues and expenditures are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses and inventories and accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America. These procedures are in accordance with the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America.

Budgets and Budgetary Accounting

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

1. Prior to the annual meeting in September, the Mayor and City Council prepares a proposed operating budget for the following year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. The budget is reviewed and the proposed levy is approved at the annual meeting.
2. Budgets are adopted on a basis consistent with the cash basis of accounting used by the City.

Budgets are adopted for the following funds: General and EDA – Debt Service Fund. Comparisons of budgeted revenues and expenditures to actual are presented in the supplementary statements and schedules for these funds.

Cash and Investments

Cash consists of a zero balance account. The investments consist of amounts invested in a Minnesota Municipal Money Market Fund.

Property Tax Revenue

Property tax levies are approved at the annual meeting held each year in December. The levy, so set, is certified to the Washington County Auditor for collection in the following year. Such taxes become a lien on the property on January 2 and are to be paid by the property owners in two installments on May 15 and October 15 and are remitted to the City approximately a month and a half later.

The property tax levy in 2014 includes certain state credits which are directly distributed to the City by the state. These credits are classified as intergovernmental receipts.

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These are presented as transfers in and transfers out on the financial statements.

Long-Term Debt

Long-term debt of the City consists of bonds payable.

Fund Balance

Cash fund balances are reported as follows in the City's financial statements:

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year-end. Additionally, the Council appointed the City Clerk to assign fund balances. When restricted and unrestricted fund balance is available for an expenditure, it is the City's policy to first use restricted fund balance, and then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance is available for an expenditure, it is the City's policy to use committed, assigned and then unassigned fund balance.

The fund balances at December 31, 2014 are as follows:

	<u>Total</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund				
Equipment Replacement	\$ 70,000	\$ -	\$ 70,000	\$ -
General Operations	655,045	-	-	655,045
Special Revenue Fund				
Charitable Gambling	237	237	-	-
EDA Debt Service Fund				
Debt Payments	(36)	-	-	(36)
Total Fund Balances	<u>\$ 725,246</u>	<u>\$ 237</u>	<u>\$ 70,000</u>	<u>\$ 655,009</u>

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance

As of December 31, 2014, the EDA Debt Service Fund had a deficit fund balance of \$36. This deficit is expected to be covered by future levies and transfers from other funds.

Expenditures Over Appropriations

As of December 31, 2014, the City's General Fund had expenditures in excess of appropriations of \$22,780. These over expenditures were funded by existing fund balance.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

The City maintains a cash pool that is available for use by all funds. In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the Mayor and City Council. All such depositories are members of the Federal Reserve System.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits with financial institutions be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive 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 the credit quality in the 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, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities brokers-dealers. The City's investment policies addresses credit risk through statutory regulations as mentioned above and through the diversifying of the City's investment portfolio.

The City has the following investments at year-end:

4M General Account Balance	\$	476,045
4M Plus Account Balance		249,201
Total		725,246

The Minnesota Money Market Funds (4M General Account and 4M Plus Account) are external investment pools not registered with the Securities and Exchange Commission (SEC) that follow the same regulatory rules of the SEC under 2a-7 of the Investment Company Act of 1940. The fair value of the position in the pool is the same as the value of the pool shares.

Credit Risk – The Minnesota Municipal Money Market Funds 4M General Account and 4M Plus Account pools are rated AAA by Standard & Poor's.

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 PENSION PLANS

Defined Benefit Pension Plan

Plan Description

All full-time and certain part-time employees of City of Lake Saint Croix Beach, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. City of Lake Saint Croix Beach, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, and 7.25% for Coordinated Plan members. City of Lake Saint Croix Beach, Minnesota's contributions to the Public Employees Retirement Fund for the years ended December 30, 2014, 2013 and 2012 were \$4,114, \$4,266 and \$5,366, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers).

NOTE 5 RISK MANAGEMENT

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 RISK MANAGEMENT (CONTINUED)

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

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

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

NOTE 6 LONG-TERM DEBT

The City has a Bond issued in 2008, which is due 2019 at 4.75% secured by the City Hall. This Bond is issued by the Lake Saint Croix Beach Economic Development Authority for the purpose of financing the improvement of the City Hall which includes payment of all expenses incidental thereto, and the leasing of the Project under the provisions of a Lease With Option to Purchase, dated September 1, 2008. The bond requires semi-annual payments due in February and August of each year.

The following is a schedule of changes in the City's long-term obligations for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Other Liabilities:					
Revenue Bond, Series 2008A	<u>\$ 198,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 168,000</u>	<u>\$ 31,000</u>

Interest expense for 2014 was \$8,693.

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 JOINT POWERS AGREEMENT

Lower Saint Croix Valley Fire Protection District

The City participates in a joint powers agreement with the Cities of Afton, Lakeland, Lakeland Shores and Saint Mary's Point to provide fire protection services. Funding is provided by each City based on a predetermined formula. During 2014, the City's contribution was \$51,694.

Water Distribution System

During 1991, the City entered into a joint powers agreement with the City of Lakeland for construction, operation and maintenance of a water distribution system within the City by the City of Lakeland, and to provide funding for a water tank in the City of Lakeland necessary to provide water extensions from the City of Lakeland to the City of Lake Saint Croix Beach, Minnesota. Under the terms of the joint powers agreement, the City was obligated to pay \$450,000 in installments of \$22,500 per year to the City of Lakeland commencing December 31, 1992. This agreement was satisfied during 2012 and there are no anticipated future payments.

Law Enforcement Services

The City participates in a joint powers agreement with Washington County (the County) and the cities of Afton, Lakeland, Saint Mary's Point and Lakeland Shores for the purpose of the County providing police protection within the five communities. The Cities will be liable to pay for the services of three officers less the COPS award, together with all related services and equipment provided in the agreement. During 2014, the City's contribution was \$60,661.

NOTE 8 CONTINGENCIES

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

NOTE 9 SUBSEQUENT EVENT

With the February 1, 2015 bond payments the City called and paid the full outstanding balance of the Series 2008A Revenue Bonds in the amount of \$168,000, with the use of existing cash reserves.

**OTHER INFORMATION
(UNAUDITED)**

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

	Original and Final Budget	Actual Amount	Variance with Final Budget
Beginning of Year	\$ 677,404	\$ 677,404	\$ -
RECEIPTS			
Taxes:			
General Property Taxes	480,878	427,475	(53,403)
Franchise Fees	-	-	-
Total Taxes	<u>480,878</u>	<u>427,475</u>	<u>(53,403)</u>
Special Assessments:			
General Government	-	1,022	1,022
Licenses and Permits:			
Business	2,425	3,157	732
Animal Permits	100	156	56
Total Licenses and Permits	<u>2,525</u>	<u>3,313</u>	<u>788</u>
Intergovernmental:			
State Grants and Aids	248	248	-
Other Grants and Aids	74,815	82,347	7,532
Total Intergovernmental	<u>75,063</u>	<u>82,595</u>	<u>7,532</u>
Charges for Services:			
General Government	27,400	45,130	17,730
Fines and Forfeits:			
General Government	2,000	1,760	(240)
Miscellaneous:			
Gaming Donations	-	237	237
Investment Earnings - Special Assessments	150	164	14
Miscellaneous	4,100	11,123	7,023
Total Miscellaneous	<u>4,250</u>	<u>11,287</u>	<u>7,037</u>
Total Receipts	<u>592,116</u>	<u>572,582</u>	<u>(19,534)</u>
Amount Available for Appropriation	1,269,520	1,249,986	(19,534)

**CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE – CASH BASIS
 GENERAL FUND (CONTINUED)
 YEAR ENDED DECEMBER 31, 2014
 (UNAUDITED)**

	Original and Final Budget	Actual Amount	Variance with Final Budget
DISBURSEMENTS			
General Government:			
City Clerk:			
Current	\$ 89,520	\$ 72,431	\$ 17,089
City Council:			
Current	4,200	3,474	726
Elections:			
Current	3,000	3,357	(357)
Financial Administration:			
Current	21,700	26,132	(4,432)
Professional Fees - Legal:			
Current	15,000	30,493	(15,493)
Other General Government:			
Current	85,275	108,961	(23,686)
Total General Government	218,695	244,848	(26,153)
Public Safety:			
Law Enforcement:			
Current	60,840	60,661	179
Fire:			
Current	65,426	65,568	(142)
Animal Control:			
Current	2,000	1,588	412
Total Public Safety	128,266	127,817	449
Streets and Highways:			
Road Maintenance:			
Current	103,000	90,024	12,976
Culture, Park and Recreation			
Current	49,200	59,660	(10,460)
Conservation of Natural Resources			
Current	3,000	2,592	408
Total Disbursements (Charges to Appropriations)	502,161	524,941	(22,780)
Budgetary Cash Fund Balance - End of Year	\$ 767,359	\$ 725,045	\$ (42,314)

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
EDA FUND – DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

	Original and Final Budget	Actual Amount	Variance with Final Budget
Budgetary Cash Fund Balance - Beginning of Year	\$ -	\$ -	\$ -
RECEIPTS			
Taxes:			
General Property Taxes	38,600	38,600	-
Special Assessments:			
General Government	-	57	57
Total Receipts	38,600	38,657	57
Amount Available for Appropriation	38,600	38,657	57
DISBURSEMENTS			
Debt Service:			
Principal	30,000	30,000	-
Interest and Other Charges	8,693	8,693	-
Total Charges to Appropriations - Debt Service	38,693	38,693	-
Budgetary Cash Fund Balance - End of Year	\$ (93)	\$ (36)	\$ 57

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

<u>Bonded Indebtedness</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding January 1, 2014</u>	<u>Issued in 2014</u>	<u>Paid in 2014</u>	<u>Outstanding December 31, 2014</u>
Revenue Bond, Series 2008A	4.75%	9/1/2008	2/1/2019	<u>\$ 198,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 168,000</u>

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2014
(UNAUDITED)

Fund	Source of Revenue and Purpose	Amount
General Fund	Washington County - General Property Taxes	\$ 914
General Fund	Lower Saint Croix Valley Joint Cable Commission - 4th Qtr	7,200
Total		<u>\$ 8,114</u>

CITY OF LAKE SAINT CROIX BEACH, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE
DECEMBER 31, 2014
(UNAUDITED)

Schedule of Accounts and Contingent Liabilities
For the Year Ended December 31, 2014

Fund	Vendor Name	Item and Purpose	Amount
General Fund	Eckberg Lammers	Legal Fees through Dec 2014	\$ 4,889
General Fund	Xcel Energy	City Hall Electric and Street Lights	1,083
General Fund	Century Link	Phone Service	279
General Fund	CenterPoint Energy	Gas Service	268
General Fund	Loffler Companies	Contract Copier Rate	269
General Fund	Waste Management	Recycling Service	1,907
General Fund	Tri-County	Snow Plowing	1,805
General Fund	Humane Society for Companion Anima	4th Quarter Fee (Oct-Dec 2014)	135
General Fund	Lakeland Water Utility	Water Service	3
General Fund	Truhlar, Amy	4th Quarter Mileage Reimbursement	111
General Fund	Maroney's Sanitation	Sanitation Services - City Hall	27
General Fund	Raven, Leona	City Hall Cleaning - Dec 2014	60
General Fund	Glampe, William	Per Diem 2014	130
General Fund	Brewster, Becky	Per Diem 2014	80
General Fund	Allen, Gina	Per Diem 2014	90
General Fund	Ashby, Mary	Per Diem 2014	70
General Fund	O'Donnell, Linda	Per Diem 2014	70
General Fund	Yanchar, Mary	Per Diem 2014	70
			\$ 11,346

OTHER REPORTS SECTION

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying statement of balances arising from cash transactions of each major fund of the City of Lake Saint Croix Beach, Minnesota as of December 31, 2014, and the related statement of cash receipts, disbursements and changes in cash fund balances for each major fund for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2015. We expressed an adverse opinion on accounting principles generally accepted in the United States of America because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. However, our opinion was unmodified on the financial statements presented under this regulatory basis.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. §6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that City of Lake Saint Croix Beach, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 City of Lake Saint Croix Beach, Minnesota's noncompliance with the above-referenced provisions.

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 16, 2015