

CITY OF MAYER  
MAYER, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF MAYER, MINNESOTA  
 ANNUAL FINANCIAL REPORT  
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 FOR THE YEAR ENDED DECEMBER 31, 2012

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**INTRODUCTORY SECTION**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF MAYER, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Capaul	Mayor	12/31/12
Bruce Osborn	Council Member	12/31/16
Tice Stieve-McPodden	Council Member	12/31/16
Dan Lueth	Council Member	12/31/14
Erick Boder	Council Member	12/31/14

**APPOINTED**

<u>Name</u>	<u>Title</u>
Luayn Murphy	City Administrator/Treasurer
Lois A. Maetzold	City Clerk

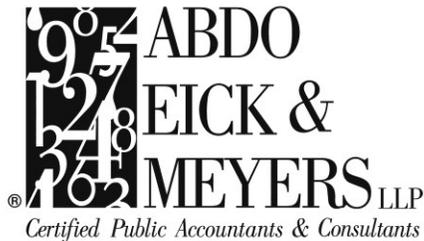
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**FINANCIAL SECTION**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## INDEPENDENT AUDITOR'S REPORT

Management, Honorable Mayor and City Council  
City of Mayer, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated March 2, 2012, we express unqualified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City'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 City'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 financial statement presentation.

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

### Opinions

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 as of December 31, 2012 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Change in Accounting Standards*

As described in the Note 6 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information in Relation to the Financial Statements as a Whole*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has 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 it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

February 25, 2013  
Minneapolis, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

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## **Management's Discussion and Analysis**

As management of the City of Mayer, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$12,776,884 (net position). Of this amount, \$3,150,643 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$3,589,577 and \$2,995,963 at December 31, 2012 and 2011, respectively.
- The City's total net position increased by \$109,473.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,022,664, an increase of \$225,720 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,194,877, or 171.6 percent of 2013 budgeted General fund expenditures. The City Council has worked to improve the fund balance level to maintain it at a level to meet working capital needs.
- The City's total debt decreased by \$576,150 during the current fiscal year. The decrease was due to scheduled payments on the City's bonds and capital lease.

### **Overview of the Financial Statements**

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

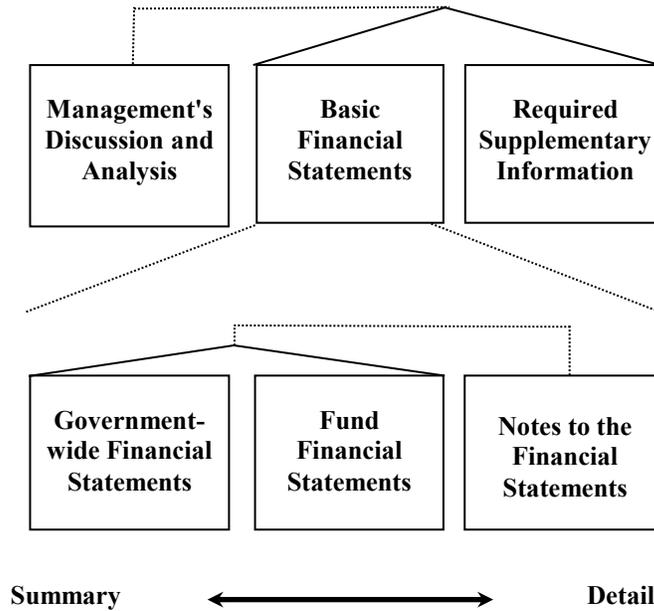


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included.	All deferred outflows/inflows of resources, regardless of when cash is received or paid.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, sanitation and recycling, economic development and interest on long-term debt. The business-type activities of the City include a water utility, storm water and sewer utility.

The government-wide financial statements start on page 25 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements start on page 30 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 36 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements start on page 44 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 66 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$12,776,884 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$8,523,572) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Mayer's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 2,750,774	\$ 2,708,564	\$ 42,210	\$ 1,642,871	\$ 1,459,303	\$ 183,568
Capital assets	6,276,254	6,534,140	(257,886)	11,324,580	11,760,442	(435,862)
<b>Total assets</b>	<b>9,027,028</b>	<b>9,242,704</b>	<b>(215,676)</b>	<b>12,967,451</b>	<b>13,219,745</b>	<b>(252,294)</b>
<b>Liabilities</b>						
Noncurrent liabilities						
outstanding	2,219,365	2,377,999	(158,634)	6,888,000	7,305,000	(417,000)
Other liabilities	62,200	59,207	2,993	48,030	52,832	(4,802)
<b>Total liabilities</b>	<b>2,281,565</b>	<b>2,437,206</b>	<b>(155,641)</b>	<b>6,936,030</b>	<b>7,357,832</b>	<b>(421,802)</b>
<b>Net position</b>						
Net invested in capital assets	4,086,992	4,189,237	(102,245)	4,436,580	4,455,442	(18,862)
Restricted	1,060,231	1,094,919	(34,688)	42,438	38,797	3,641
Unrestricted	1,598,240	1,521,342	76,898	1,552,403	1,367,674	184,729
<b>Total net position</b>	<b>\$ 6,745,463</b>	<b>\$ 6,805,498</b>	<b>\$ (60,035)</b>	<b>\$ 6,031,421</b>	<b>\$ 5,861,913</b>	<b>\$ 169,508</b>

An additional portion of the City's net position (8.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$3,150,643) may be used to meet the City's ongoing obligations to citizens and creditors.

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

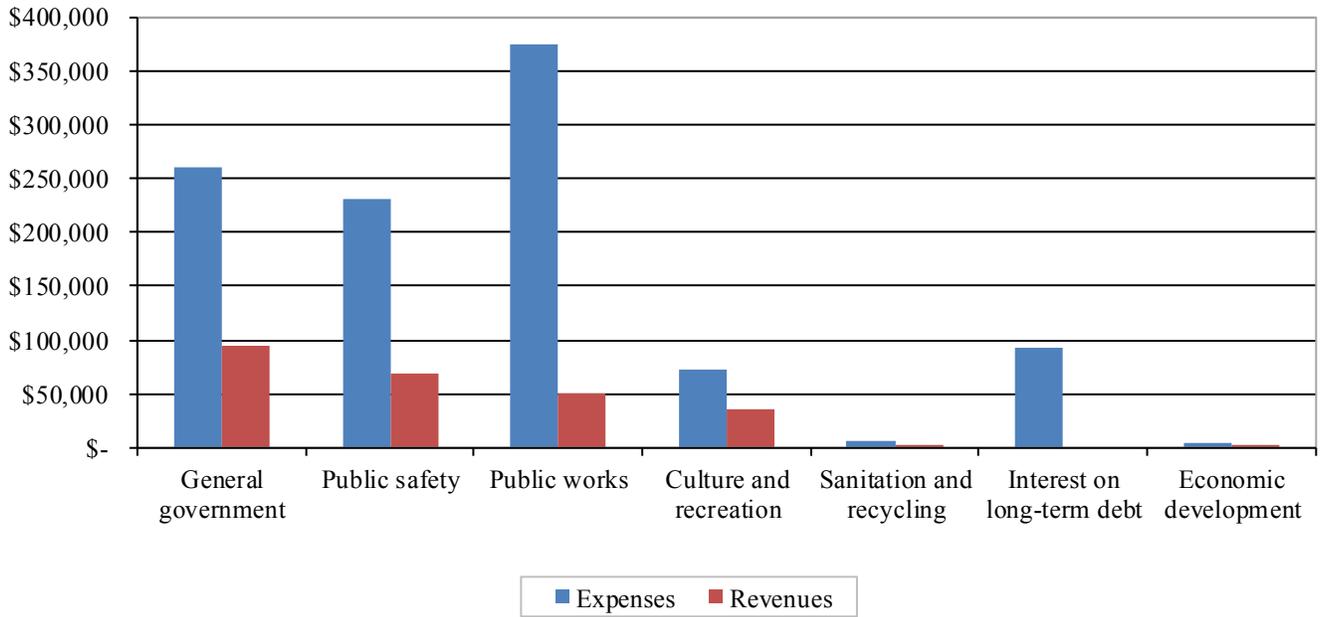
**Governmental activities:** Governmental-type activities decreased the City's net position by \$60,035. Key elements of this decrease are as follows:

### City of Mayer's Changes in Net Position

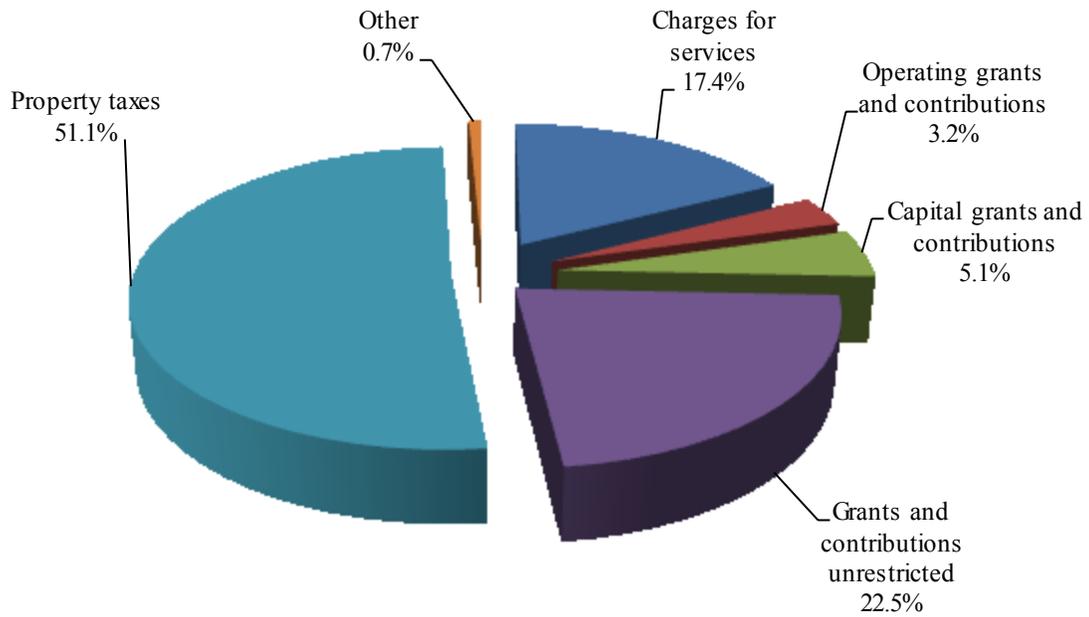
	Governmental Activities			Business-type Activities		
		(Restated)	Increase		(Restated)	Increase
	2012	2011	(Decrease)	2012	2011	(Decrease)
Revenues						
Program revenues						
Charges for services	\$ 170,645	\$ 163,014	\$ 7,631	\$ 624,080	\$ 527,470	\$ 96,610
Operating grants and contributions	31,073	36,620	(5,547)	-	-	-
Capital grants and contributions	49,847	136,131	(86,284)	145,140	12,430	132,710
General revenues						
Property taxes,						
levied for general purpose	340,505	382,383	(41,878)	390,000	390,000	-
levied for debt service	160,000	164,800	(4,800)	-	-	-
State grants and contributions						
not restricted to specific programs	220,885	220,851	34	-	-	-
Unrestricted investment earnings	7,069	11,544	(4,475)	3,993	177,177	(173,184)
Total revenues	<u>980,024</u>	<u>1,115,343</u>	<u>(135,319)</u>	<u>1,163,213</u>	<u>1,107,077</u>	<u>56,136</u>
Expenses						
General government	259,763	215,170	44,593	-	-	-
Public safety	230,716	264,337	(33,621)	-	-	-
Public works	374,892	397,353	(22,461)	-	-	-
Culture and recreation	71,980	71,413	567	-	-	-
Sanitation and recycling	6,589	4,137	2,452	-	-	-
Economic development	3,608	20,571	(16,963)	-	-	-
Interest on long-term debt	92,511	115,133	(22,622)	-	-	-
Water utility	-	-	-	371,590	421,610	(50,020)
Sewer utility	-	-	-	598,315	772,360	(174,045)
Storm water utility	-	-	-	23,800	17,136	6,664
Total expenses	<u>1,040,059</u>	<u>1,088,114</u>	<u>(48,055)</u>	<u>993,705</u>	<u>1,211,106</u>	<u>(217,401)</u>
Change in net position	(60,035)	27,229	(87,264)	169,508	(104,029)	273,537
Net position (restated), January 1	<u>6,805,498</u>	<u>6,778,269</u>	<u>27,229</u>	<u>5,861,913</u>	<u>5,965,942</u>	<u>(104,029)</u>
Net position, December 31	<u><u>\$ 6,745,463</u></u>	<u><u>\$ 6,805,498</u></u>	<u><u>\$ (60,035)</u></u>	<u><u>\$ 6,031,421</u></u>	<u><u>\$ 5,861,913</u></u>	<u><u>\$ 169,508</u></u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



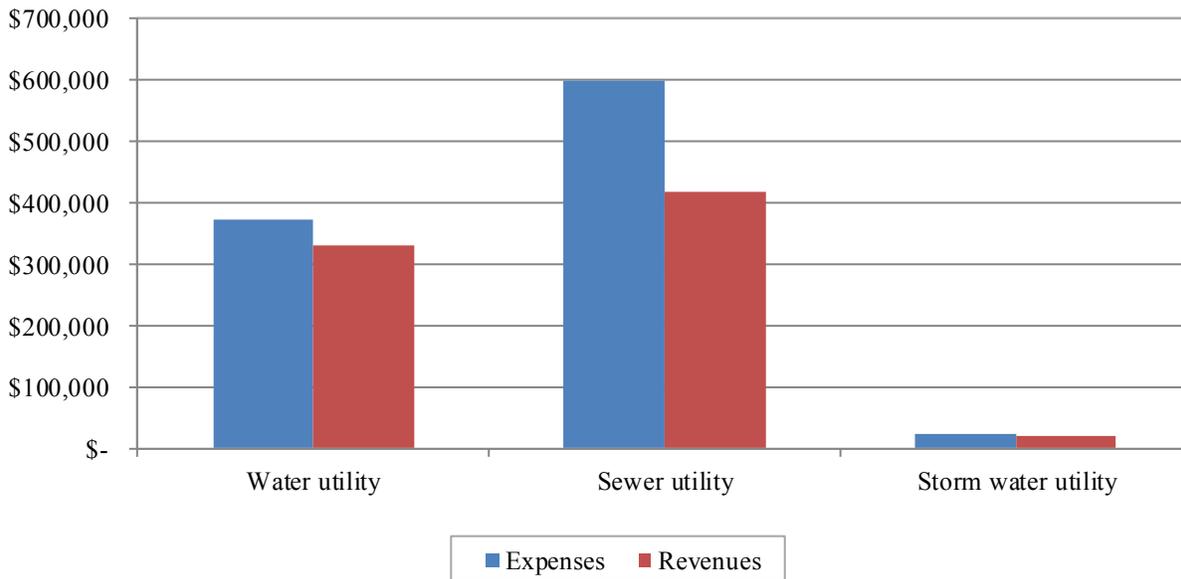
### Revenues by Source - Governmental Activities



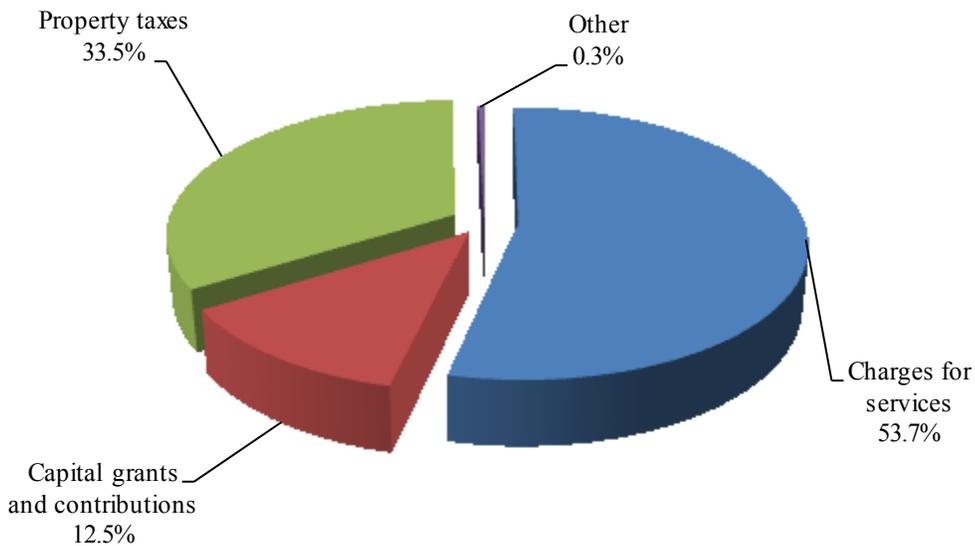
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type activities:** Business-type activities increased the City’s net position by \$169,508. The following graph depicts various business-type activities and shows the revenue and expenses directly related to those activities.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds:** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,022,664, an increase of \$225,720 in comparison with the prior year. Approximately 59 percent of this total amount, \$1,184,457, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$) is not available for new spending because it is either 1) restricted (\$494,724), or 2) assigned (\$343,483) for the purposes described in the notes to the financial statements

The City has the following major funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The ending fund balance was \$1,194,877 which was an increase of \$130,479.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment. The ending fund balance was \$450,196, which was an increase of \$71,115.

**Proprietary funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### Capital Asset and Debt Administration

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$17,600,834 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City's capital assets can be found in Note 3B starts on page 54 of this report.

### City of Mayer's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 691,724	\$ 691,724	\$ -	\$ 40,792	\$ 40,792	\$ -
Construction work in process	-	-	-	33,501	-	33,501
Buildings	119,410	125,325	(5,915)	-	-	-
Improvement other than building	206,006	216,181	(10,175)	-	-	-
Machinery and equipment	378,749	432,110	(53,361)	26,535	36,607	(10,072)
Infrastructure	4,880,365	5,068,800	(188,435)	11,223,752	11,683,043	(459,291)
Total	<u>\$ 6,276,254</u>	<u>\$ 6,534,140</u>	<u>\$ (257,886)</u>	<u>\$11,324,580</u>	<u>\$11,760,442</u>	<u>\$ (435,862)</u>

**Long-term debt:** At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,033,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Mayer's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation bonds	\$ 2,145,000	\$ 2,295,000	\$ (150,000)	\$ -	\$ -	\$ -
General obligation revenue bonds	-	-	-	6,888,000	7,305,000	(417,000)
Capital leases	44,262	49,903	(5,641)	-	-	-
Compensated absences payable	12,375	15,884	(3,509)	-	-	-
Total	<u>\$ 2,201,637</u>	<u>\$ 2,360,787</u>	<u>\$ (159,150)</u>	<u>\$ 6,888,000</u>	<u>\$ 7,305,000</u>	<u>\$ (417,000)</u>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes, and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City currently has no general obligation debt outstanding subject to this limit.

Additional information on the City's long-term debt can be found in Note 3D starts on page 57 of this report.

#### **Economic Factors and Trends Affecting the City**

The down turn in the housing market continued through 2011. The City continues to have a loss of revenue from building permits. The City used the hookup fees for bond payments and again levied property taxes to make up for the unearned revenue.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Mayer, 413 Bluejay Ave, Mayer, Minnesota 55360.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF MAYER, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 2,103,184	\$ 1,486,393	\$ 3,589,577
Receivables			
Delinquent taxes	91,686	-	91,686
Accounts	27,904	80,083	107,987
Special assessments	601,316	3,079	604,395
Internal balances	(73,316)	73,316	-
Capital assets			
Non-depreciable	691,724	74,293	766,017
Depreciable (net of accumulated depreciation)	5,584,530	11,250,287	16,834,817
<b>TOTAL ASSETS</b>	<b>9,027,028</b>	<b>12,967,451</b>	<b>21,994,479</b>
<b>LIABILITIES</b>			
Accounts payable	20,278	19,605	39,883
Accrued salaries payable	4,243	708	4,951
Accrued interest payable	37,679	27,717	65,396
Unearned revenue	17,728	-	17,728
Noncurrent liabilities			
Due within one year	173,330	446,000	619,330
Due in more than one year	2,028,307	6,442,000	8,470,307
<b>TOTAL LIABILITIES</b>	<b>2,281,565</b>	<b>6,936,030</b>	<b>9,217,595</b>
<b>NET POSITION</b>			
Net invested in capital assets	4,086,992	4,436,580	8,523,572
Restricted for			
Future expansion	-	42,438	42,438
Debt service	1,013,833	-	1,013,833
Future capital	17,708	-	17,708
Economic development	28,690	-	28,690
Unrestricted	1,598,240	1,552,403	3,150,643
<b>TOTAL NET POSITION</b>	<b>\$ 6,745,463</b>	<b>\$ 6,031,421</b>	<b>\$ 12,776,884</b>

The notes to the financial statements are an integral part of this statement.

CITY OF MAYER, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 259,763	\$ 90,626	\$ 4,314	\$ -
Public safety	230,716	48,909	18,764	1,538
Public works	374,892	-	2,495	47,309
Culture and recreation	71,980	28,481	5,500	1,000
Economic development	3,608	2,500	-	-
Sanitation and recycling	6,589	129	-	-
Interest on long-term debt	92,511	-	-	-
Total governmental activities	<u>1,040,059</u>	<u>170,645</u>	<u>31,073</u>	<u>49,847</u>
Business-type activities				
Water utility	371,590	262,321	-	68,500
Sewer utility	598,315	342,281	-	76,640
Storm water utility	23,800	19,478	-	-
Total business-type activities	<u>993,705</u>	<u>624,080</u>	<u>-</u>	<u>145,140</u>
Total	<u>\$ 2,033,764</u>	<u>\$ 794,725</u>	<u>\$ 31,073</u>	<u>\$ 194,987</u>

General revenues

Taxes

  Property taxes, levied for general purposes

  Property taxes, levied for debt service

State grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total general revenues

Change in net position

Net position (restated), January 1

Net position, December 31

The notes to the financial statements are an integral part of this statement.

Net Revenues (Expenses)  
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (164,823)	\$ -	\$ (164,823)
(161,505)	-	(161,505)
(325,088)	-	(325,088)
(36,999)	-	(36,999)
(1,108)	-	(1,108)
(6,460)	-	(6,460)
(92,511)	-	(92,511)
(788,494)	-	(788,494)
-	(40,769)	(40,769)
-	(179,394)	(179,394)
-	(4,322)	(4,322)
-	(224,485)	(224,485)
(788,494)	(224,485)	(1,012,979)
340,505	390,000	730,505
160,000	-	160,000
220,885	-	220,885
7,069	3,993	11,062
728,459	393,993	1,122,452
(60,035)	169,508	109,473
6,805,498	5,861,913	12,667,411
\$ 6,745,463	\$ 6,031,421	\$ 12,776,884

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**FUND FINANCIAL STATEMENTS**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

CITY OF MAYER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 1,184,117	\$ 523,512	\$ 395,555	\$ 2,103,184
Receivables				
Delinquent taxes	91,686	-	-	91,686
Accounts	27,904	-	-	27,904
Special assessments	-	601,316	-	601,316
	<u>-</u>	<u>601,316</u>	<u>-</u>	<u>601,316</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,303,707</u>	<u>\$ 1,124,828</u>	<u>\$ 395,555</u>	<u>\$ 2,824,090</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,042	\$ -	\$ 236	\$ 20,278
Due to other funds	-	73,316	-	73,316
Accrued salaries payable	4,243	-	-	4,243
Unearned revenue	-	-	17,728	17,728
	<u>-</u>	<u>-</u>	<u>17,728</u>	<u>17,728</u>
<b>TOTAL LIABILITIES</b>	<u>24,285</u>	<u>73,316</u>	<u>17,964</u>	<u>115,565</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	84,545	-	-	84,545
Unavailable revenue - special assessments	-	601,316	-	601,316
	<u>-</u>	<u>601,316</u>	<u>-</u>	<u>601,316</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>84,545</u>	<u>601,316</u>	<u>-</u>	<u>685,861</u>
<b>FUND BALANCES</b>				
Restricted	-	450,196	46,398	496,594
Assigned	-	-	343,483	343,483
Unassigned	1,194,877	-	(12,290)	1,182,587
	<u>1,194,877</u>	<u>-</u>	<u>(12,290)</u>	<u>1,182,587</u>
<b>TOTAL FUND BALANCES</b>	<u>1,194,877</u>	<u>450,196</u>	<u>377,591</u>	<u>2,022,664</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,303,707</u>	<u>\$ 1,124,828</u>	<u>\$ 395,555</u>	<u>\$ 2,824,090</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MAYER, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 2,022,664
Amounts reported for the governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets, net of accumulated depreciation	6,276,254
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Capital lease payable	(44,262)
Bonds payable	(2,145,000)
Compensated absences payable	(12,375)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes	84,545
Special assessments	601,316
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(37,679)</u>
Total net position - governmental activities	<u><u>\$ 6,745,463</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MAYER, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 417,863	\$ 161,444	\$ -	\$ 579,307
Licenses and permits	52,735	-	-	52,735
Intergovernmental	246,702	-	-	246,702
Charges for services	59,719	-	-	59,719
Fines and forfeitures	2,533	-	-	2,533
Special assessments	702	150,667	-	151,369
Interest on investments	4,580	1,079	1,410	7,069
Miscellaneous	40,390	-	29,900	70,290
<b>TOTAL REVENUES</b>	<b>825,224</b>	<b>313,190</b>	<b>31,310</b>	<b>1,169,724</b>
<b>EXPENDITURES</b>				
Current				
General government	239,763	-	-	239,763
Public safety	169,797	-	7,423	177,220
Public works	124,736	-	-	124,736
Sanitation and recycling	6,589	-	-	6,589
Culture and recreation	19,882	-	-	19,882
Capital outlay				
General government	7,729	-	-	7,729
Public safety	17,582	-	2,099	19,681
Public works	2,185	-	41,023	43,208
Culture and recreation	4,803	-	31,846	36,649
Economic development	60	-	17,654	17,714
Debt service				
Principal	5,641	150,000	-	155,641
Interest and other	3,117	92,075	-	95,192
<b>TOTAL EXPENDITURES</b>	<b>601,884</b>	<b>242,075</b>	<b>100,045</b>	<b>944,004</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>223,340</b>	<b>71,115</b>	<b>(68,735)</b>	<b>225,720</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	92,861	92,861
Transfers out	(92,861)	-	-	(92,861)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(92,861)</b>	<b>-</b>	<b>92,861</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>130,479</b>	<b>71,115</b>	<b>24,126</b>	<b>225,720</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,064,398</b>	<b>379,081</b>	<b>353,465</b>	<b>1,796,944</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,194,877</b>	<b>\$ 450,196</b>	<b>\$ 377,591</b>	<b>\$ 2,022,664</b>

The notes to the financial statements are an integral part of this statement.

CITY OF MAYER, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Total net change in fund balances - governmental funds	\$ 225,720
<p>Amounts reported for governmental activities in the statement of activities are different because</p>	
<p>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.</p>	
Capital outlays	44,832
Depreciation expense	(302,718)
<p>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, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the the effects of these differences in the treatment of long-term debt and related items.</p>	
Principal repayments	155,641
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	2,681
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(77,358)
Special assessments	(112,342)
<p>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 governmental funds.</p>	
Compensated absences	3,509
Change in net position - governmental activities	\$ (60,035)

The notes to the financial statements are an integral part of this statement.

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CITY OF MAYER, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 406,074	\$ 406,074	\$ 417,863	\$ 11,789
Licenses and permits	27,160	27,160	52,735	25,575
Intergovernmental	163,596	163,596	246,702	83,106
Charges for services	62,208	62,208	59,719	(2,489)
Fines and forfeitures	800	800	2,533	1,733
Interest on investments	5,000	5,000	4,580	(420)
Special assessments	-	-	702	702
Miscellaneous	15,440	15,440	40,390	24,950
TOTAL REVENUES	<u>680,278</u>	<u>680,278</u>	<u>825,224</u>	<u>144,946</u>
EXPENDITURES				
Current				
General government	257,441	257,441	239,763	17,678
Public safety	191,752	191,752	169,797	21,955
Public works	126,547	126,547	124,736	1,811
Sanitation and recycling	1,938	1,938	6,589	(4,651)
Culture and recreation	10,100	10,100	19,882	(9,782)
Economic development	2,000	2,000	60	1,940
Capital outlay	90,500	90,500	32,299	58,201
Debt service	-	-	8,758	(8,758)
TOTAL EXPENDITURES	<u>680,278</u>	<u>680,278</u>	<u>601,884</u>	<u>78,394</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	223,340	223,340
OTHER FINANCING USES				
Transfers out	-	-	(92,861)	(92,861)
NET CHANGE IN FUND BALANCES	-	-	130,479	130,479
FUND BALANCES, JANUARY 1	<u>1,064,398</u>	<u>1,064,398</u>	<u>1,064,398</u>	-
FUND BALANCES, DECEMBER 31	<u>\$ 1,064,398</u>	<u>\$ 1,064,398</u>	<u>\$ 1,194,877</u>	<u>\$ 130,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MAYER, MINNESOTA  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012 AND 2011

	Business-type Activities Enterprise Funds	
	<b>620</b>	
	Water Utility	
	2012	Restated 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 751,683	\$ 811,797
Accounts receivable	27,717	14,902
Special assessments receivable	2,236	4,677
Due from other funds	73,316	73,316
<b>TOTAL CURRENT ASSETS</b>	<b>854,952</b>	<b>904,692</b>
<b>NONCURRENT ASSETS</b>		
Capital assets not being depreciated	40,792	40,792
Capital assets being depreciated	6,039,102	6,039,102
<b>TOTAL CAPITAL ASSETS</b>	6,079,894	6,079,894
<b>LESS ACCUMULATED DEPRECIATION</b>	<b>(1,214,228)</b>	<b>(1,020,784)</b>
<b>CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION</b>	<b>4,865,666</b>	<b>5,059,110</b>
<b>TOTAL ASSETS</b>	<b>5,720,618</b>	<b>5,963,802</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	5,954	4,649
Accrued interest payable	13,848	17,490
Accrued salaries payable	354	567
Current portion of bonds payable	211,900	202,150
<b>TOTAL CURRENT LIABILITIES</b>	232,056	224,856
<b>NONCURRENT LIABILITIES</b>		
Bonds payable, less current portion above	3,092,650	3,304,550
<b>TOTAL LIABILITIES</b>	<b>3,324,706</b>	<b>3,529,406</b>
<b>NET POSITION</b>		
Net investment in capital assets	1,561,116	1,552,410
Restricted for future expansion	-	-
Unrestricted	834,796	881,986
<b>TOTAL NET POSITION</b>	<b>\$ 2,395,912</b>	<b>\$ 2,434,396</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities  
Enterprise Funds

<b>640</b>		<b>650</b>			
Sewer Utility		Storm Water Utility		Totals	
2012	Restated 2011	2012	2011	2012	Restated 2011
\$ 652,155	\$ 413,447	\$ 82,555	\$ 105,246	\$ 1,486,393	\$ 1,330,490
49,645	31,857	2,721	1,861	80,083	48,620
843	2,200	-	-	3,079	6,877
-	-	-	-	73,316	73,316
<u>702,643</u>	<u>447,504</u>	<u>85,276</u>	<u>107,107</u>	<u>1,642,871</u>	<u>1,459,303</u>
-	-	33,501	-	74,293	40,792
<u>8,246,923</u>	<u>8,230,772</u>	<u>427,092</u>	<u>427,092</u>	<u>14,713,117</u>	<u>14,696,966</u>
8,246,923	8,230,772	460,593	427,092	14,787,410	14,737,758
<u>(2,174,946)</u>	<u>(1,897,112)</u>	<u>(73,656)</u>	<u>(59,420)</u>	<u>(3,462,830)</u>	<u>(2,977,316)</u>
<u>6,071,977</u>	<u>6,333,660</u>	<u>386,937</u>	<u>367,672</u>	<u>11,324,580</u>	<u>11,760,442</u>
<u>6,774,620</u>	<u>6,781,164</u>	<u>472,213</u>	<u>474,779</u>	<u>12,967,451</u>	<u>13,219,745</u>
12,141	14,751	1,510	-	19,605	19,400
13,869	14,793	-	-	27,717	32,283
354	582	-	-	708	1,149
<u>234,100</u>	<u>214,850</u>	<u>-</u>	<u>-</u>	<u>446,000</u>	<u>417,000</u>
260,464	244,976	1,510	-	494,030	469,832
<u>3,349,350</u>	<u>3,583,450</u>	<u>-</u>	<u>-</u>	<u>6,442,000</u>	<u>6,888,000</u>
<u>3,609,814</u>	<u>3,828,426</u>	<u>1,510</u>	<u>-</u>	<u>6,936,030</u>	<u>7,357,832</u>
2,488,527	2,535,360	386,937	367,672	4,436,580	4,455,442
42,438	38,797	-	-	42,438	38,797
<u>633,841</u>	<u>378,581</u>	<u>83,766</u>	<u>107,107</u>	<u>1,552,403</u>	<u>1,367,674</u>
<u>\$ 3,164,806</u>	<u>\$ 2,952,738</u>	<u>\$ 470,703</u>	<u>\$ 474,779</u>	<u>\$ 6,031,421</u>	<u>\$ 5,861,913</u>

CITY OF MAYER, MINNESOTA  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities Enterprise Funds	
	<b>620</b>	
	Water Utility	
	2012	Restated 2011
OPERATING REVENUES		
Charges for services	\$ 222,434	\$ 174,422
OPERATING EXPENSES		
Personal services	17,775	22,742
Supplies	11,560	4,543
Repairs and maintenance	5,331	7,968
Other services and charges	24,619	12,529
Insurance	4,048	3,166
Utilities	17,550	19,726
Depreciation	193,444	194,627
TOTAL OPERATING EXPENSES	274,327	265,301
OPERATING INCOME (LOSS)	(51,893)	(90,879)
NONOPERATING REVENUES (EXPENSES)		
Connection fees	68,500	4,500
Property taxes	-	-
Special assessments	(99)	834
Interest income	2,285	56,592
Miscellaneous income	39,986	27,051
Interest expense	(97,263)	(156,308)
TOTAL NONOPERATING REVENUES (EXPENSES)	13,409	(67,331)
CHANGE IN NET POSITION	(38,484)	(158,210)
NET POSITION (RESTATED), JANUARY 1	2,434,396	2,592,606
NET POSITION (RESTATED), DECEMBER 31	\$ 2,395,912	\$ 2,434,396

The notes to the financial statements are an integral part of this statement.

Business-type Activities  
Enterprise Funds

<b>640</b>		<b>650</b>		Totals	
Sewer Utility		Storm Water Utility			
2012	Restated 2011	2012	2011	2012	Restated 2011
\$ 334,158	\$ 295,566	\$ 19,092	\$ 17,459	\$ 575,684	\$ 487,447
18,167	23,411	-	-	35,942	46,153
43,751	51,410	-	-	55,311	55,953
25,306	30,128	7,316	5	37,953	38,101
46,389	57,554	2,248	2,895	73,256	72,978
10,358	7,575	-	-	14,406	10,741
30,002	34,797	-	-	47,552	54,523
277,834	279,595	14,236	14,236	485,514	488,458
451,807	484,470	23,800	17,136	749,934	766,907
(117,649)	(188,904)	(4,708)	323	(174,250)	(279,460)
73,000	4,500	-	-	141,500	9,000
390,000	390,000	-	-	390,000	390,000
985	358	-	-	886	1,192
1,462	119,968	246	617	3,993	177,177
10,778	14,867	386	343	51,150	42,261
(146,508)	(287,891)	-	-	(243,771)	(444,199)
329,717	241,802	632	960	343,758	175,431
212,068	52,898	(4,076)	1,283	169,508	(104,029)
2,952,738	2,899,840	474,779	473,496	5,861,913	5,965,942
<u>\$ 3,164,806</u>	<u>\$ 2,952,738</u>	<u>\$ 470,703</u>	<u>\$ 474,779</u>	<u>\$ 6,031,421</u>	<u>\$ 5,861,913</u>

CITY OF MAYER, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Funds	
	<b>620</b>	
	Water Utility	
	2012	Restated 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 209,619	\$ 176,697
Other operating receipts	39,986	27,051
Payments to suppliers, contractors and other governments	(62,016)	(68,223)
Payments to employees	(17,775)	(22,742)
	<b>169,814</b>	<b>112,783</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes received	-	-
Special assessments received	2,342	833
Interfund loan issued	-	(73,316)
	<b>2,342</b>	<b>(72,483)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	-
Decrease in cash with fiscal agent	-	1,176,353
Connection fees collected	68,500	4,500
Principal paid on long-term debt	(202,150)	(1,362,800)
Interest paid on long-term debt	(100,905)	(161,973)
	<b>(234,555)</b>	<b>(343,920)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	2,285	56,592
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(60,114)</b>	<b>(247,028)</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>811,797</b>	<b>1,058,825</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 751,683</b>	<b>\$ 811,797</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities  
Enterprise Funds

640		650		Totals	
Sewer Utility		Storm Water Utility			
2012	Restated 2011	2012	2011	2012	Restated 2011
\$ 316,370	\$ 307,967	\$ 18,232	\$ 18,141	\$ 544,221	\$ 502,805
10,778	14,867	386	343	51,150	42,261
(158,644)	(185,060)	(8,054)	(4,120)	(228,714)	(257,403)
(18,167)	(23,411)	-	-	(35,942)	(46,153)
<u>150,337</u>	<u>114,363</u>	<u>10,564</u>	<u>14,364</u>	<u>330,715</u>	<u>241,510</u>
390,000	390,000	-	-	390,000	390,000
2,342	833	-	-	4,684	1,666
-	-	-	-	-	(73,316)
<u>392,342</u>	<u>390,833</u>	<u>-</u>	<u>-</u>	<u>394,684</u>	<u>318,350</u>
(16,151)	-	(33,501)	-	(49,652)	-
-	3,042,417	-	-	-	4,218,770
73,000	4,500	-	-	141,500	9,000
(214,850)	(3,244,200)	-	-	(417,000)	(4,607,000)
(147,432)	(300,925)	-	-	(248,337)	(462,898)
<u>(305,433)</u>	<u>(498,208)</u>	<u>(33,501)</u>	<u>-</u>	<u>(573,489)</u>	<u>(842,128)</u>
<u>1,462</u>	<u>119,968</u>	<u>246</u>	<u>617</u>	<u>3,993</u>	<u>177,177</u>
238,708	126,956	(22,691)	14,981	155,903	(105,091)
<u>413,447</u>	<u>286,491</u>	<u>105,246</u>	<u>90,265</u>	<u>1,330,490</u>	<u>1,435,581</u>
<u>\$ 652,155</u>	<u>\$ 413,447</u>	<u>\$ 82,555</u>	<u>\$ 105,246</u>	<u>\$ 1,486,393</u>	<u>\$ 1,330,490</u>

CITY OF MAYER, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Funds	
	<b>620</b>	
	Water Utility	
	2012	Restated 2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (51,893)	\$ (90,879)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	193,444	194,627
Other income related to operations	39,986	27,051
(Increase) decrease in assets		
Accounts receivable	(12,815)	2,275
Increase (decrease) in liabilities		
Accounts payable	1,305	(1,355)
Accrued salaries payable	(213)	44
Unearned revenue	-	(18,980)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 169,814</u>	<u>\$ 112,783</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities  
Enterprise Funds

<b>640</b>		<b>650</b>		Totals	
Sewer Utility		Storm Water Utility			
2012	Restated 2011	2012	2011	2012	Restated 2011
\$ (117,649)	\$ (188,904)	\$ (4,708)	\$ 323	\$ (174,250)	\$ (279,460)
277,834	279,595	14,236	14,236	485,514	488,458
10,778	14,867	386	343	51,150	42,261
(17,788)	12,401	(860)	682	(31,463)	15,358
(2,610)	(3,640)	1,510	(1,220)	205	(6,215)
(228)	44	-	-	(441)	88
-	-	-	-	-	(18,980)
<u>\$ 150,337</u>	<u>\$ 114,363</u>	<u>\$ 10,564</u>	<u>\$ 14,364</u>	<u>\$ 330,715</u>	<u>\$ 241,510</u>

CITY OF MAYER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2012

	Agency
	<b>800</b>
	Developer
	Escrows
<b>ASSETS</b>	
Cash and temporary investments	\$ 14,303
Receivables, net	
Accounts	460
<b>TOTAL ASSETS</b>	<b>\$ 14,763</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 14,763

The notes to the financial statements are an integral part of this statement.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Mayer, Minnesota (the City), operates under “Optional Plan A” as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has one component unit that meets the GASB criteria.

*Blended Component Unit.* The Economic Development Authority (EDA) was created in 2005 pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The five-member Board is comprised of the City Council members. The EDA can exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council. Therefore, the activities are blended and will be reported in a separate special revenue fund. Separate financial statements are not issued for this component unit. The EDA has a December 31 year end.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Measurement focus, basis of accounting and financial statement presentation**

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

The 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Storm Water Utility fund* accounts for the costs associated with the City's storm water system and ensures that user charges are sufficient to pay for those costs.

Additionally, the City reports the following fund types:

*Fiduciary funds* account for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, deferred inflows of resources, and net position/fund balance.**

**Deposits and investments**

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

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase 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.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value.

The City's investment policy follows the Minnesota statute provisions and doesn't have further restrictions.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Account receivable*

Accounts receivable include amounts billed for services provided before year-end. The City annually certifies delinquent water and sewer accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

*Property taxes*

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

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

*Special assessments*

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

*Interfund receivables and payables*

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

Advances between funds, as reported in the fund financial statements, are offset by an unavailable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF MAYER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical costs. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following useful lives:

Assets	Useful Lives in Years
Land improvements	5 to 25
Buildings	25 to 30
Infrastructure	30 to 50
Machinery and equipment	5 to 10

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only did not have an item that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Compensated absences***

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which is paid to the employee upon separation. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences payable.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts, are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's 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 constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 10-25 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF MAYER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net position*

In the government-wide financial statements, net position represents the difference between assets and liabilities and deferred inflows. Net position is displayed in three components:

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

*Comparative data/reclassifications*

Comparative total data for the prior year have been presented only for the individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

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

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

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The budget was not amended by the City Council.

**B. Deficit fund equity**

The following funds had a deficit balance at December 31, 2012:

Fund	Amount
Nonmajor Capital Projects	
410 Community Center	\$ 5,206
FEMA Grant	1,130
425 Highway 25 Improvement	5,954
Total Deficits	\$ 12,290

The deficits will be eliminated from future revenues and transfers.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully 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 government entity.

At year-end, the City's carrying amount of deposits was \$3,603,880 and the bank balance was \$3,128,955. Of the bank balance, \$998,624 was covered by federal depository insurance and the remainder was covered with collateral held by the City's agent in the City's name.

The total deposits are reported in the financial statements as follows:

Government-wide	\$ 3,589,577
Agency	<u>14,303</u>
Total	<u><u>\$ 3,603,880</u></u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

Capital asset activity for City for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 691,724	\$ -	\$ -	\$ 691,724
Capital assets being depreciated				
Land improvements	238,135	-	-	238,135
Buildings	481,085	-	-	481,085
Infrastructure	6,141,255	16,619	-	6,157,874
Machinery and equipment	1,243,645	28,213	-	1,271,858
Total capital assets being depreciated	<u>8,104,120</u>	<u>44,832</u>	<u>-</u>	<u>8,148,952</u>
Less accumulated depreciation for				
Land improvements	(21,955)	(10,174)	-	(32,129)
Buildings	(355,760)	(5,915)	-	(361,675)
Infrastructure	(1,072,454)	(205,055)	-	(1,277,509)
Machinery and equipment	(811,535)	(81,574)	-	(893,109)
Total accumulated depreciation	<u>(2,261,704)</u>	<u>(302,718)</u>	<u>-</u>	<u>(2,564,422)</u>
Total capital assets being depreciated, net	<u>5,842,416</u>	<u>(257,886)</u>	<u>-</u>	<u>5,584,530</u>
Governmental activities capital assets, net	<u>\$ 6,534,140</u>	<u>\$ (257,886)</u>	<u>\$ -</u>	<u>\$ 6,276,254</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 40,792	\$ -	\$ -	\$ 40,792
Construction in progress	-	33,501	-	33,501
Total capital assets not being depreciated	40,792	33,501	-	74,293
Capital assets being depreciated				
Infrastructure	14,541,343	16,151	-	14,557,494
Machinery and equipment	155,623	-	-	155,623
Total capital assets being depreciated	14,696,966	16,151	-	14,713,117
Less accumulated depreciation for				
Infrastructure	(2,858,300)	(475,442)	-	(3,333,742)
Machinery and equipment	(119,016)	(10,072)	-	(129,088)
Total accumulated depreciation	(2,977,316)	(485,514)	-	(3,462,830)
Total capital assets being depreciated, net	11,719,650	(469,363)	-	11,250,287
Business-type activities capital assets, net	\$11,760,442	\$ (435,862)	\$ -	\$11,324,580

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

<b>Governmental activities</b>	
General government	\$ 12,216
Public safety	50,434
Public works	210,512
Culture and recreation	29,556
Total depreciation expense - governmental activities	\$ 302,718
<b>Business-type activities</b>	
Water utilities	\$ 193,444
Sewer utilities	277,834
Storm sewer utilities	14,236
Total depreciation expense - business-type activities	\$ 485,514

CITY OF MAYER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Interfund receivables, payables and transfers**

The composition of internal balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Water Fund	GO Improvement 2003	<u>\$ 73,316</u>

The Water fund borrowed \$73,316 to the GO Improvement 2003 fund, for the purpose of prepaying the bond issue. The interfund loan will be paid back from future special assessments.

The composition of interfund transfers as of December 31, 2012 is as follows:

Fund	Transfer in Nonmajor Governmental Funds
Transfer out General	<u>\$ 92,861</u>

Transfers from the General fund were made for the following purposes:

- \$21,775 transfer to the nonmajor Fire Department Contributions fund for future fire department capital purchases.
- \$7,500 transfer to the nonmajor Old Schoolhouse fund for future park improvements.
- \$20,000 transfer to the nonmajor Fire Truck fund for the purpose of future fire department capital purchases.
- \$27,366 transfer to the nonmajor Park Improvement fund for future park equipment capital purchases.
- \$16,220 transfer to the nonmajor Street Improvement fund for the purpose of future capital purchases.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Long-term debt**

General obligation bonds.

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities.

General obligation revenue bonds

The following bonds have been issued to finance improvements to the utility system. They will be repaid with tax levies, special assessments and charges to users.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Minnesota Public Facilities Project Loan	\$ 689,274	2.570 %	01/20/00	08/20/20	\$ 324,000
Minnesota Public Facilities Project Loan	347,000	3.910	01/27/01	08/20/20	174,000
Minnesota Public Facilities Project Loan	2,627,000	2.070	08/28/06	08/20/26	1,925,000
G.O. Water and Sewer Refunding bonds 2007	4,820,000	4.00-4.125	04/27/07	12/01/24	<u>4,465,000</u>
Total G.O. Revenue Bonds					<u>\$ 6,888,000</u>

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2012 are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 446,000	\$ 234,465	\$ 680,465
2014	475,000	219,488	694,488
2015	504,000	203,403	707,403
2016	524,000	186,232	710,232
2017	558,000	168,333	726,333
2018-2022	3,064,000	526,047	3,590,047
2023-2026	<u>1,317,000</u>	<u>76,098</u>	<u>1,393,098</u>
Total	<u>\$ 6,888,000</u>	<u>\$ 1,614,066</u>	<u>\$ 8,502,066</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation improvement bonds

The following bonds have been issued to finance improvements. They will be repaid with special assessment collections and tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Utility Revenue Bonds of 2007	\$ 2,700,000	4.125 %	08/15/07	02/01/23	<u>\$ 2,145,000</u>

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2012 are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 155,000	\$ 85,284	\$ 240,284
2014	160,000	78,788	238,788
2015	170,000	71,981	241,981
2016	180,000	64,763	244,763
2017	185,000	57,234	242,234
2018-2022	1,055,000	162,009	1,217,009
2023	240,000	4,950	244,950
Total	<u>\$ 2,145,000</u>	<u>\$ 525,009</u>	<u>\$ 2,670,009</u>

Capital lease agreements

The City has issued capital leases for the acquisition of buildings and equipment. The book value of the original asset was \$100,000. At the end of the agreements the City will have the right to purchase the item for \$1. The repayment of the leases will come from future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Fire Station Lease	\$ 100,000	5.50 %	09/01/99	03/01/19	<u>\$ 44,262</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The annual requirements to amortize the capital leases as of December 31, 2012 are as follows:

<u>December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,955	\$ 2,353	\$ 8,308
2014	6,287	2,021	8,308
2015	6,638	1,670	8,308
2016	7,007	1,301	8,308
2017	7,398	910	8,308
2018-2019	10,977	583	11,560
Total	<u>\$ 44,262</u>	<u>\$ 8,838</u>	<u>\$ 53,100</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General obligation					
bonds	\$ 2,295,000	\$ -	\$ (150,000)	\$ 2,145,000	\$ 155,000
Capital leases payable	49,903	-	(5,641)	44,262	5,955
Compensated absences payable	15,884	20,713	(24,222)	12,375	12,375
Governmental activities long-term liabilities	<u>\$ 2,360,787</u>	<u>\$ 20,713</u>	<u>\$ (179,863)</u>	<u>\$ 2,201,637</u>	<u>\$ 173,330</u>
<b>Business-type activities</b>					
Bonds payable					
General obligations revenue bonds	<u>\$ 7,305,000</u>	<u>\$ -</u>	<u>\$ (417,000)</u>	<u>\$ 6,888,000</u>	<u>\$ 446,000</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Components of fund balance**

At December 31, 2012, portions of the City's fund balance are not available for appropriation due to legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total
Restricted for				
Debt service	\$ -	\$ 448,326	\$ -	\$ 448,326
Economic development	-	-	28,690	28,690
Future Capital	-	-	17,708	17,708
Total Restricted	<u>\$ -</u>	<u>\$ 448,326</u>	<u>\$ 46,398</u>	<u>\$ 494,724</u>
Assigned				
Fire Truck	\$ -	\$ -	\$ 79,076	\$ 79,076
Park Improvements	-	-	140,329	140,329
70th Street Reserve	-	-	15,381	15,381
Street Improvements	-	-	108,697	108,697
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,483</u>	<u>\$ 343,483</u>
Unassigned				
General Operations	\$ 1,196,747	\$ -	\$ -	\$ 1,196,747
FEMA Grant	-	-	(1,130)	(1,130)
Community Center	-	-	(5,206)	(5,206)
Highway 25 Improvement	-	-	(5,954)	(5,954)
Total Unassigned	<u>\$ 1,196,747</u>	<u>\$ -</u>	<u>\$ (12,290)</u>	<u>\$ 1,184,457</u>
Total	<u>\$ 1,196,747</u>	<u>\$ 448,326</u>	<u>\$ 377,591</u>	<u>\$ 2,022,664</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE**

**A. Plan description**

All full-time and certain part-time employees of the City of Mayer are covered by defined benefit plans administered by the General Employees Retirement Fund (GERF). PERA administers the General Employees Retirement Fund (GERF) which are cost-sharing, multiple-employer retirement plans. 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 Minnesota 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 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan the annuity accrual rate is 3.0 percent 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 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.

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 GERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

**B. 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 Minnesota statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. In 2012, the City of Mayer was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were \$10,219, \$11,225, and \$12,400, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5: MAYER FIREMEN'S RELIEF ASSOCIATION**

**Funding policy**

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 5 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 14,978
Contributions made	
City - Required	4,813
State aid	10,165
Actuarial valuation date	12/31/12
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	5 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 14,978	100.00 %	\$ -
12/31/11	37,474	100.00	-
12/31/10	11,467	100.00	-

Actuarial Valuation Date	Required Supplementary Information			
	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate
12/31/11	\$ 511,813	\$ 504,786	\$ 7,027	101.39 %
12/31/10	486,693	514,185	(27,492)	94.65
12/31/09	400,678	478,413	(77,735)	83.75

\* 2011 is the last year of available information

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: OTHER INFORMATION**

**A. Risk management**

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

**B. Legal debt margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City currently has no general obligation debt outstanding subject to this limit.

**C. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2012 was \$220,680 for LGA. This accounted for 27 percent of General fund revenues.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 7: CHANGE IN ACCOUNTING PRINCIPLE**

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and Statement No. 65, “Items Previously Reported as Assets and Liabilities”. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position/ Fund Balance December 31, 2010 as Previously Reported	(1) Restatement	Net Position/ Fund Balance January 1, 2011 as Restated
Governmental activities	\$ 6,822,514	\$ (44,245)	\$ 6,778,269
Business-type activities	\$ 6,075,039	\$ (109,097)	\$ 5,965,942
Proprietary funds			
Water Utility	\$ 2,621,267	\$ (28,661)	\$ 2,592,606
Sewer Utility	2,980,276	(80,436)	2,899,840
Storm Water Utility	473,496	-	473,496
Total business-type activities	\$ 6,075,039	\$ (109,097)	\$ 5,965,942

(1) Write-off of unamortized bond issuance cost balances at December 31, 2010.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position/ Fund Balance December 31, 2011 as Previously Reported	(2) Restatement	Net Position/ Fund Balance January 1, 2012 as Restated
Governmental activities	\$ 6,846,108	\$ (40,610)	\$ 6,805,498
Business-type activities	\$ 5,899,048	\$ (37,135)	\$ 5,861,913
Proprietary funds			
Water Utility	\$ 2,444,423	\$ (10,027)	\$ 2,434,396
Sewer Utility	2,979,846	(27,108)	2,952,738
Storm Water Utility	474,779	-	474,779
Total business-type activities	\$ 5,899,048	\$ (37,135)	\$ 5,861,913

(2) Write-off of unamortized bond issuance cost balances at December 31, 2011.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

CITY OF MAYER, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 46,634	\$ 348,921	\$ 395,555
<b>LIABILITIES</b>			
Accounts payable	\$ 236	\$ -	\$ 236
Unearned revenue	-	17,728	17,728
TOTAL LIABILITIES	236	17,728	17,964
<b>FUND BALANCES</b>			
Assigned	-	343,483	343,483
Restricted	46,398	-	46,398
Unassigned	-	(12,290)	(12,290)
TOTAL FUND BALANCES	46,398	331,193	377,591
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,634	\$ 348,921	\$ 395,555

CITY OF MAYER, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue	Capital Projects	Total
REVENUES			
Interest on investments	\$ 101	\$ 1,309	\$ 1,410
Miscellaneous	10,990	18,910	29,900
TOTAL REVENUES	11,091	20,219	31,310
EXPENDITURES			
Current			
Public safety	7,423	-	7,423
Capital outlay			
Public safety	-	2,099	2,099
Public works	-	41,023	41,023
Culture and recreation	12,640	19,206	31,846
Economic development	17,654	-	17,654
TOTAL EXPENDITURES	37,717	62,328	100,045
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(26,626)	(42,109)	(68,735)
OTHER FINANCING SOURCES			
Transfers in	29,275	63,586	92,861
NET CHANGE IN FUND BALANCES	2,649	21,477	24,126
FUND BALANCES, JANUARY 1	43,749	309,716	353,465
FUND BALANCES, DECEMBER 31	\$ 46,398	\$ 331,193	\$ 377,591

CITY OF MAYER, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>225</b>	<b>212</b>	<b>222</b>	
	<u>EDA</u>	<u>Fire Department Contributions</u>	<u>Old Schoolhouse</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and temporary investments	<u>\$ 28,926</u>	<u>\$ 17,348</u>	<u>\$ 360</u>	<u>\$ 46,634</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 236	\$ -	\$ -	\$ 236
<b>FUND BALANCES</b>				
Restricted	<u>28,690</u>	<u>17,348</u>	<u>360</u>	<u>46,398</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 28,926</u>	<u>\$ 17,348</u>	<u>\$ 360</u>	<u>\$ 46,634</u>

CITY OF MAYER, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>225</b>	<b>212</b>	<b>222</b>	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
REVENUES				
Interest on investments	\$ 95	\$ 6	\$ -	\$ 101
Miscellaneous	2,500	2,990	5,500	10,990
<b>TOTAL REVENUES</b>	<b>2,595</b>	<b>2,996</b>	<b>5,500</b>	<b>11,091</b>
EXPENDITURES				
Current				
Public safety	-	7,423	-	7,423
Capital outlay				
Culture and recreation	-	-	12,640	12,640
Economic development	17,654	-	-	17,654
<b>TOTAL EXPENDITURES</b>	<b>17,654</b>	<b>7,423</b>	<b>12,640</b>	<b>37,717</b>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(15,059)	(4,427)	(7,140)	(26,626)
OTHER FINANCING SOURCES				
Transfers in	-	21,775	7,500	29,275
NET CHANGE IN FUND BALANCES	(15,059)	17,348	360	2,649
FUND BALANCES, JANUARY 1	43,749	-	-	43,749
FUND BALANCES, DECEMBER 31	<u>\$ 28,690</u>	<u>\$ 17,348</u>	<u>\$ 360</u>	<u>\$ 46,398</u>

CITY OF MAYER, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>210</b>	<b>215</b>	<b>220</b>	<b>400</b>
	<u>Fire Truck</u>	<u>FEMA Grant</u>	<u>Park Improvements</u>	<u>70th Street Reserve</u>
<b>ASSETS</b>				
Cash and temporary investments	<u>\$ 79,076</u>	<u>\$ (1,130)</u>	<u>\$ 158,057</u>	<u>\$ 15,381</u>
<b>LIABILITIES</b>				
Unearned revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,728</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Assigned	79,076	-	140,329	15,381
Unassigned	<u>-</u>	<u>(1,130)</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>79,076</u>	<u>(1,130)</u>	<u>140,329</u>	<u>15,381</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 79,076</u>	<u>\$ (1,130)</u>	<u>\$ 158,057</u>	<u>\$ 15,381</u>

<b>405</b> Street Improvement	<b>410</b> Community Center	<b>425</b> Highway 25 Improvement	Total
<u>\$ 108,697</u>	<u>\$ (5,206)</u>	<u>\$ (5,954)</u>	<u>\$ 348,921</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,728</u>
108,697	-	-	343,483
<u>-</u>	<u>(5,206)</u>	<u>(5,954)</u>	<u>(12,290)</u>
<u>108,697</u>	<u>(5,206)</u>	<u>(5,954)</u>	<u>331,193</u>
<u>\$ 108,697</u>	<u>\$ (5,206)</u>	<u>\$ (5,954)</u>	<u>\$ 348,921</u>

CITY OF MAYER, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>210</b>	<b>215</b>	<b>220</b>	<b>400</b>
	Fire Truck	FEMA Grant	Park Improvement	70th Street Reserve
REVENUES				
Interest on investments	\$ 221	\$ 27	\$ 416	\$ 77
Miscellaneous	-	-	17,212	1,698
<b>TOTAL REVENUES</b>	<b>221</b>	<b>27</b>	<b>17,628</b>	<b>1,775</b>
EXPENDITURES				
Capital outlay				
Public safety	-	2,099	-	-
Public works	-	-	-	-
Culture and recreation	-	-	19,206	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>2,099</b>	<b>19,206</b>	<b>-</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	221	(2,072)	(1,578)	1,775
OTHER FINANCING SOURCES				
Transfers in	20,000	-	27,366	-
NET CHANGE IN FUND BALANCES	20,221	(2,072)	25,788	1,775
FUND BALANCES, JANUARY 1	58,855	942	114,541	13,606
FUND BALANCES, DECEMBER 31	<u>\$ 79,076</u>	<u>\$ (1,130)</u>	<u>\$ 140,329</u>	<u>\$ 15,381</u>

<b>405</b> Street Improvement	<b>410</b> Community Center	<b>425</b> Highway 25 Improvement	Totals
\$ 295	\$ 2	\$ 271	\$ 1,309
-	-	-	18,910
<u>295</u>	<u>2</u>	<u>271</u>	<u>20,219</u>
-	-	-	2,099
39,023	-	2,000	41,023
-	-	-	19,206
<u>39,023</u>	<u>-</u>	<u>2,000</u>	<u>62,328</u>
(38,728)	2	(1,729)	(42,109)
<u>16,220</u>	<u>-</u>	<u>-</u>	<u>63,586</u>
(22,508)	2	(1,729)	21,477
<u>131,205</u>	<u>(5,208)</u>	<u>(4,225)</u>	<u>309,716</u>
<u>\$ 108,697</u>	<u>\$ (5,206)</u>	<u>\$ (5,954)</u>	<u>\$ 331,193</u>

CITY OF MAYER, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Actual	
	Original	Final	Amounts	Amounts	
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 406,074	\$ 406,074	\$ 417,863	\$ 11,789	\$ 382,383
Licenses and permits					
Business	6,710	6,710	5,000	(1,710)	7,030
Nonbusiness	20,450	20,450	47,735	27,285	20,486
Total	27,160	27,160	52,735	25,575	27,516
Intergovernmental					
State					
Local government aid	150,000	150,000	220,680	70,680	220,680
Property tax credits	96	96	96	-	62
Other state aid	10,000	10,000	2,604	(7,396)	5,239
County aid	-	-	6,584	6,584	9,982
Fire aid	-	-	10,165	10,165	10,755
Police aid	3,500	3,500	6,573	3,073	5,602
Total	163,596	163,596	246,702	83,106	252,320
Charges for services					
General government	666	666	1,237	571	690
Public safety	49,542	49,542	48,614	(928)	48,585
Community center	12,000	12,000	9,739	(2,261)	9,322
Sanitation and recycling	-	-	129	129	334
Total	62,208	62,208	59,719	(2,489)	58,931
Fines and forfeitures	800	800	2,533	1,733	1,251
Interest on investments	5,000	5,000	4,580	(420)	6,081
Special assessments	-	-	702	702	1,161
Miscellaneous					
Rents and royalties	13,240	13,240	9,589	(3,651)	9,733
Contributions and donations	2,200	2,200	6,852	4,652	13,084
Refunds and reimbursements	-	-	18,285	18,285	22,369
Other	-	-	5,664	5,664	20
Total	15,440	15,440	40,390	24,950	45,206
<b>TOTAL REVENUES</b>	<b>680,278</b>	<b>680,278</b>	<b>825,224</b>	<b>144,946</b>	<b>774,849</b>

CITY OF MAYER, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and Council					
Personal services	\$ 15,071	\$ 15,071	\$ 14,285	\$ 786	\$ 13,876
Supplies	1,000	1,000	318	682	1,030
Other services and charges	500	500	-	500	97
Total	<u>16,571</u>	<u>16,571</u>	<u>14,603</u>	<u>1,968</u>	<u>15,003</u>
City hall					
Supplies	2,100	2,100	2,945	(845)	2,307
Other services and charges	27,900	27,900	25,868	2,032	29,702
Total	<u>30,000</u>	<u>30,000</u>	<u>28,813</u>	<u>1,187</u>	<u>32,009</u>
City Clerk					
Personal services	45,136	45,136	33,689	11,447	34,773
Other services and charges	250	250	411	(161)	35
Total	<u>45,386</u>	<u>45,386</u>	<u>34,100</u>	<u>11,286</u>	<u>34,808</u>
City Administrator					
Personal services	90,834	90,834	91,919	(1,085)	95,353
Supplies	1,000	1,000	872	128	320
Other services and charges	750	750	838	(88)	749
Total	<u>92,584</u>	<u>92,584</u>	<u>93,629</u>	<u>(1,045)</u>	<u>96,422</u>
Election					
Other services and charges	2,800	2,800	3,233	(433)	-
Auditing					
Other services and charges	15,600	15,600	17,791	(2,191)	19,180
Assessing					
Other services and charges	11,000	11,000	10,635	365	10,152
Legal					
Other services and charges	15,000	15,000	11,759	3,241	16,088
Planning and zoning					
Personal services	-	-	1,140	(1,140)	420
Other services and charges	5,000	5,000	2,225	2,775	534
Total	<u>5,000</u>	<u>5,000</u>	<u>3,365</u>	<u>1,635</u>	<u>954</u>

CITY OF MAYER, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
General government - continued					
Community service center					
Personal services	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ 2,043
Other services and charges	18,500	18,500	21,835	(3,335)	22,280
Total	23,500	23,500	21,835	1,665	24,323
Total general government	257,441	257,441	239,763	18,272	248,939
Public safety					
Police					
Other services and charges	80,248	80,248	75,447	4,801	87,535
Fire					
Personal services	23,816	23,816	21,434	2,382	20,708
Supplies	8,200	8,200	4,817	3,383	6,966
Other services and charges	58,588	58,588	55,857	2,731	88,315
Total	90,604	90,604	82,108	8,496	115,989
Building inspection					
Other services and charges	20,000	20,000	11,171	8,829	6,122
Civil defense					
Other services and charges	250	250	-	250	468
Animal control					
Other services and charges	650	650	1,071	(421)	259
Total public safety	191,752	191,752	169,797	21,955	210,373
Public works					
Streets					
Personal services	32,177	32,177	25,196	6,981	22,773
Supplies	200	200	343	(143)	814
Other services and charges	9,500	9,500	4,202	5,298	4,096
Total	41,877	41,877	29,741	12,136	27,683
Snow removal					
Supplies	-	-	2,043	(2,043)	1,636
Other services and charges	20,000	20,000	11,334	8,666	11,443
Total	20,000	20,000	13,377	6,623	13,079

CITY OF MAYER, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public works - continued					
Street lighting					
Other services and charges	\$ 47,000	\$ 47,000	\$ 41,749	\$ 5,251	\$ 49,915
Maintenance building					
Other services and charges	2,670	2,670	6	2,664	613
Engineering					
Other services and charges	15,000	15,000	39,863	(24,863)	14,740
Total public works	126,547	126,547	124,736	1,811	106,030
Sanitation					
Personal services	1,938	1,938	2,279	(341)	2,584
Other services and charges	-	-	4,310	(4,310)	1,553
Total sanitation	1,938	1,938	6,589	(4,651)	4,137
Culture and recreation					
Parks					
Personal services	1,000	1,000	1,290	(290)	1,020
Other services and charges	9,100	9,100	18,592	(9,492)	16,520
Total culture and recreation	10,100	10,100	19,882	(9,782)	17,540
Economic development					
Personal services	1,300	1,300	60	1,240	150
Other services and charges	700	700	-	700	-
Total economic development	2,000	2,000	60	1,940	150
Total current expenditures	589,778	589,778	560,827	29,545	587,169
Capital outlay					
General government	15,000	15,000	7,729	7,271	16,807
Public safety	20,000	20,000	17,582	2,418	-
Public works	27,500	27,500	2,185	25,315	21,280
Culture and recreation	28,000	28,000	4,803	23,197	2,134
Total capital outlay	90,500	90,500	32,299	58,201	40,221

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CITY OF MAYER, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Debt service					
Principal	\$ -	\$ -	\$ 5,641	\$ (5,641)	\$ 158,395
Interest and other	-	-	3,117	(3,117)	16,256
Total debt service	-	-	8,758	(8,758)	174,651
TOTAL EXPENDITURES	680,278	680,278	601,884	78,988	802,041
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	223,340	223,340	(27,192)
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	-	2,263
Transfer out	-	-	(92,861)	(92,861)	(96,610)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(92,861)	(92,861)	(94,347)
NET CHANGE IN FUND BALANCES	-	-	130,479	130,479	(121,539)
FUND BALANCES, JANUARY 1	1,064,398	1,064,398	1,064,398	-	1,185,937
FUND BALANCES, DECEMBER 31	<u>\$ 1,064,398</u>	<u>\$ 1,064,398</u>	<u>\$ 1,194,877</u>	<u>\$ 130,479</u>	<u>\$ 1,064,398</u>

CITY OF MAYER, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>325</b>	<b>360</b>	
	GO	GO	
	Improvement/ Utility Revenue 2007	Improvement 2003	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 460,469	\$ 63,043	\$ 523,512
Receivables			
Special assessments			
Deferred	<u>311,130</u>	<u>290,186</u>	<u>601,316</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 771,599</u></u>	<u><u>\$ 353,229</u></u>	<u><u>\$ 1,124,828</u></u>
<b>LIABILITIES</b>			
Due to other funds	<u>\$ -</u>	<u>\$ 73,316</u>	<u>\$ 73,316</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	<u>311,130</u>	<u>290,186</u>	<u>601,316</u>
<b>FUND BALANCES</b>			
Restricted	<u>460,469</u>	<u>(10,273)</u>	<u>450,196</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS           OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 771,599</u></u>	<u><u>\$ 353,229</u></u>	<u><u>\$ 1,124,828</u></u>

CITY OF MAYER, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>325</b>	<b>360</b>	
	GO	GO	
	Improvement/ Utility Revenue 2007	Improvement 2003	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Property taxes	\$ 161,444	\$ -	\$ 161,444
Special assessments	87,226	63,441	150,667
Interest on investments	977	102	1,079
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL REVENUES	249,647	63,543	313,190
	<u>          </u>	<u>          </u>	<u>          </u>
EXPENDITURES			
Debt service			
Principal	150,000	-	150,000
Interest and other	91,575	500	92,075
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL EXPENDITURES	241,575	500	242,075
	<u>          </u>	<u>          </u>	<u>          </u>
EXCESS OF REVENUES OVER EXPENDITURES	8,072	63,043	71,115
FUND BALANCES, JANUARY 1	452,397	(73,316)	379,081
	<u>          </u>	<u>          </u>	<u>          </u>
FUND BALANCES, DECEMBER 31	<u>\$ 460,469</u>	<u>\$ (10,273)</u>	<u>\$ 450,196</u>

CITY OF MAYER, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total		Percent Increase (Decrease)
	2012	2011	
<b>REVENUES</b>			
Taxes	\$ 579,307	\$ 548,181	5.68 %
Licenses and permits	52,735	27,516	91.65
Intergovernmental	246,702	255,431	(3.42)
Charges for services	59,719	60,381	(1.10)
Fines and forfeitures	2,533	1,251	102.48
Investment earnings	7,069	11,544	(38.76)
Special assessments	151,369	119,509	26.66
Miscellaneous	70,290	81,919	(14.20)
<b>TOTAL REVENUES</b>	<b>\$ 1,169,724</b>	<b>\$ 1,105,732</b>	<b>5.79 %</b>
Per Capita	\$ 666	\$ 632	5.37 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 239,763	\$ 248,939	(3.69) %
Public safety	177,220	210,373	(15.76)
Public works	124,736	106,030	17.64
Sanitation and recycling	6,589	4,137	59.27
Culture and recreation	19,882	30,402	(34.60)
Economic development	-	20,421	(100.00)
Capital outlay			
General government	7,729	100,476	(92.31)
Public safety	19,681	-	100.00
Public works	43,208	86,063	(49.79)
Culture and recreation	36,649	11,456	219.91
Economic development	17,714	150	11,709.33
Debt service			
Principal	155,641	598,395	(73.99)
Interest and other charges	95,192	128,059	(25.67)
<b>TOTAL EXPENDITURES</b>	<b>\$ 944,004</b>	<b>\$ 1,544,901</b>	<b>(38.90) %</b>
Per Capita	\$ 538	\$ 883	(39.14) %
Total Long-term Indebtedness	\$ 2,189,262	\$ 2,344,903	(6.64) %
Per Capita	1,247	1,341	(7.01)
General Fund Balance - December 31	\$ 1,194,877	\$ 1,064,398	12.26 %
Per Capita	680	609	11.66

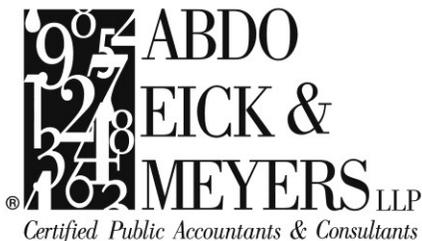
The purpose of this report is to provide a summary of financial information concerning the City of Mayer to interested citizens. The complete financial statements may be examined at City Hall, 413 Bluejay Ave, Mayer, Minnesota 55360. Questions about this report should be directed to Luayn Murphy, City Administrator-Treasurer at (952) 657-1502.

**OTHER REQUIRED REPORTS**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## AUDITOR'S REPORT ON LEGAL COMPLIANCE

Management, Honorable Mayor and City Council  
City of Mayer, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of the City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2012 and have issued our report thereon dated February 25, 2013.

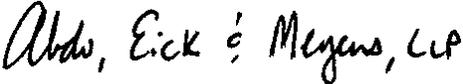
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statutes, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main 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 study included all of the listed categories except that we did not test for compliance in tax increment financing because the City has not established a tax increment financing district.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, and the result of that testing, and to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

February 25, 2013  
Minneapolis, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants



5201 Eden Avenue  
Suite 250  
Edina, MN 55436

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

Management, Honorable Mayor and City Council  
City of Mayer, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of City of Mayer, Minnesota, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as findings 2012-1 and 2012-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses as items 2012-1 and 2012-2. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

February 25, 2013  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

CITY OF MAYER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding      Description

**2012-1      Preparation of financial statements**

*Condition:*            As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

*Criteria:*              Internal controls should be in place to provide reasonable assurance over financial reporting.

*Cause:*                From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

*Effect:*                The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

*Recommendation:*    It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

*Management response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

CITY OF MAYER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
<b>2012-2</b>	<b>Limited segregation of duties</b>
<i>Condition:</i>	During our audit we reviewed procedures over cash disbursements, cash receipts, payroll, utility billing, capital assets, and financial reporting and found the City to have limited segregation of duties related to these procedures.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the small number of staff, in the disbursement cycle, the City Clerk has control over checks, posts to the general ledger, and prepares bank reconciliations. In the utility billing cycle, the City Clerk and the Deputy Clerk approve accounts, generate statements, post payments, and reconcile the bank statement.
<i>Effect:</i>	The existence of the limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with continued monitoring. We management annually review processes and evaluate the risk of fraud or error and design processes to mitigate this risk.
<i>Management response:</i>	Management will evaluate and implement segregations of duty controls where appropriate.