

Annual Financial Report

City of Mayer

Mayer, Minnesota

For the Year Ended

December 31, 2014

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CITY OF MAYER
MAYER, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF MAYER, MINNESOTA
 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF MAYER, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Dodge	Mayor	12/31/14
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	12/31/18

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, 2014

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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 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, 2014, 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. 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 presentation of the financial statements.

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

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, 2014 and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

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.

Other Information

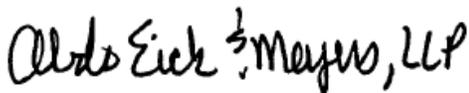
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 combining and individual fund financial statements and schedules are 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 19, 2015

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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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,161,191 (net position). Of this amount, \$2,247,276 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$4,340,936 and \$4,141,684 at December 31, 2014 and 2013, respectively.
- The City's total net position increased by \$242,528. This was mostly due to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,083,585 an increase of \$1,690,814 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$402,639, or 46.0 percent of 2015 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 increased by \$1,038,973 during the current fiscal year. The increase was due to the refunding of general improvement and utility revenue bonds of 2007. The proceeds for the refunding issuance and are currently in an escrow account to refund the bond in 2015.

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

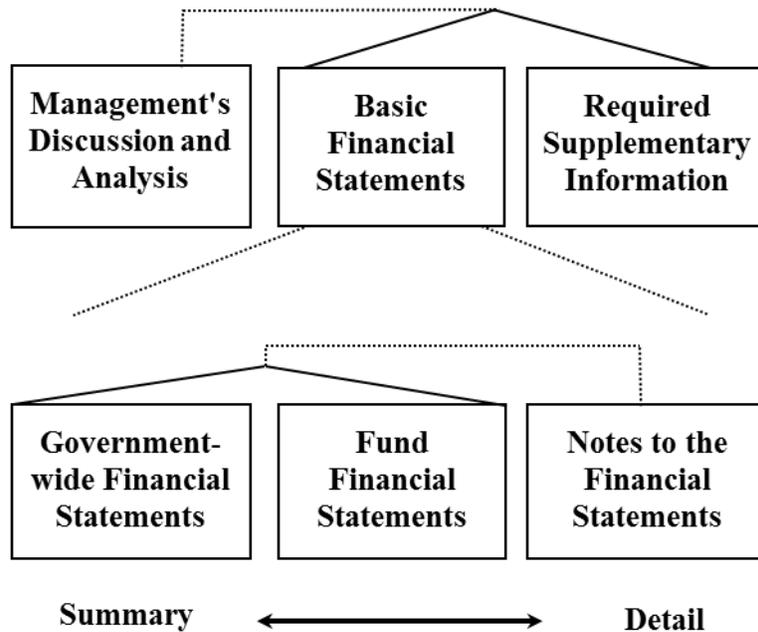


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows
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, economic development and interest on long-term debt. The business-type activities of the City include a water utility, sewer utility and storm water utility.

The government-wide financial statements start on page 27 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 32 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, sewer and storm water 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 37 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 40 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 41 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 60 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 by \$13,161,191 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$8,534,532) 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Assets						
Current and other assets	\$ 4,436,371	\$ 2,876,689	\$ 1,559,682	\$ 2,035,268	\$ 1,826,611	\$ 208,657
Capital assets	5,956,714	5,976,943	(20,229)	10,406,838	10,857,185	(450,347)
Total assets	<u>10,393,085</u>	<u>8,853,632</u>	<u>1,539,453</u>	<u>12,442,106</u>	<u>12,683,796</u>	<u>(241,690)</u>
Liabilities						
Noncurrent liabilities						
outstanding	3,553,940	2,058,227	1,495,713	5,967,000	6,442,000	(475,000)
Other liabilities	91,023	70,397	20,626	62,037	48,141	13,896
Total liabilities	<u>3,644,963</u>	<u>2,128,624</u>	<u>1,516,339</u>	<u>6,029,037</u>	<u>6,490,141</u>	<u>(461,104)</u>
Net position						
Net invested in capital assets	4,094,694	3,948,636	146,058	4,439,838	4,415,185	24,653
Restricted	2,328,110	717,480	1,610,630	51,273	46,334	4,939
Unrestricted	325,318	2,058,892	(1,733,574)	1,921,958	1,732,136	189,822
Total net position	<u>\$ 6,748,122</u>	<u>\$ 6,725,008</u>	<u>\$ 23,114</u>	<u>\$ 6,413,069</u>	<u>\$ 6,193,655</u>	<u>\$ 219,414</u>

An additional portion of the City's net position (18.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,247,276) 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.

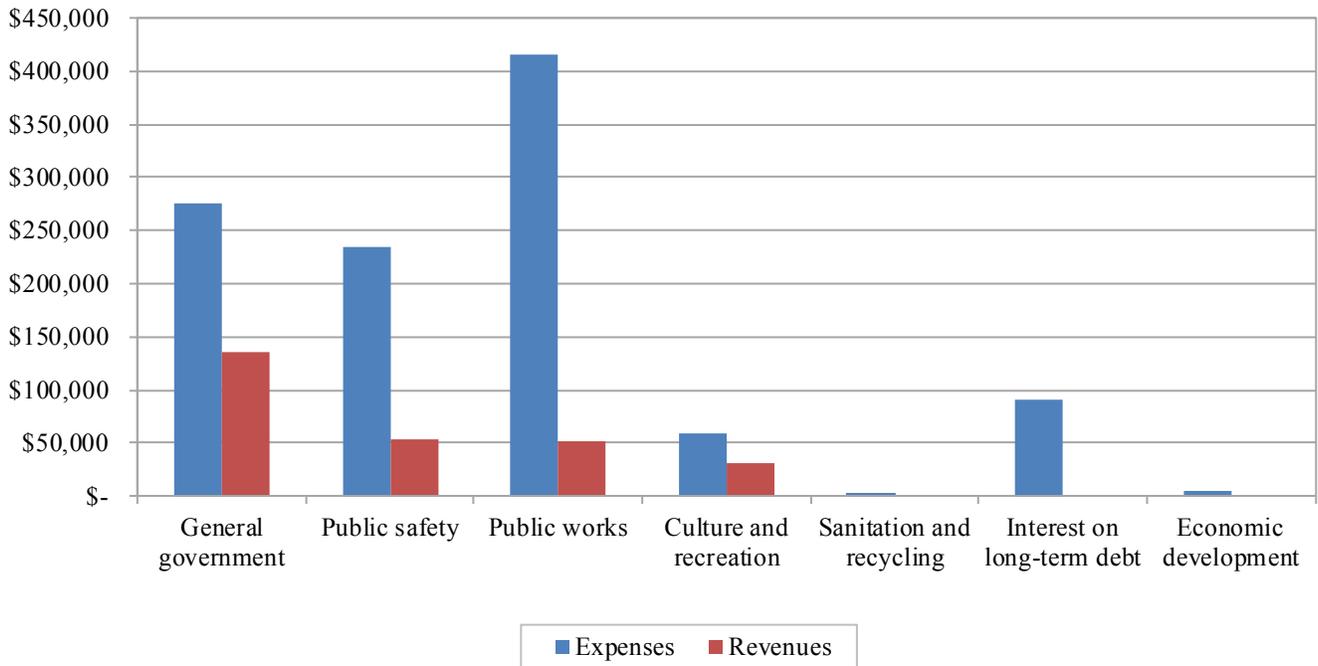
Governmental activities: Governmental-type activities increased the City's net position by \$23,114. Key elements of this increase are as follows:

City of Mayer's Changes in Net Position

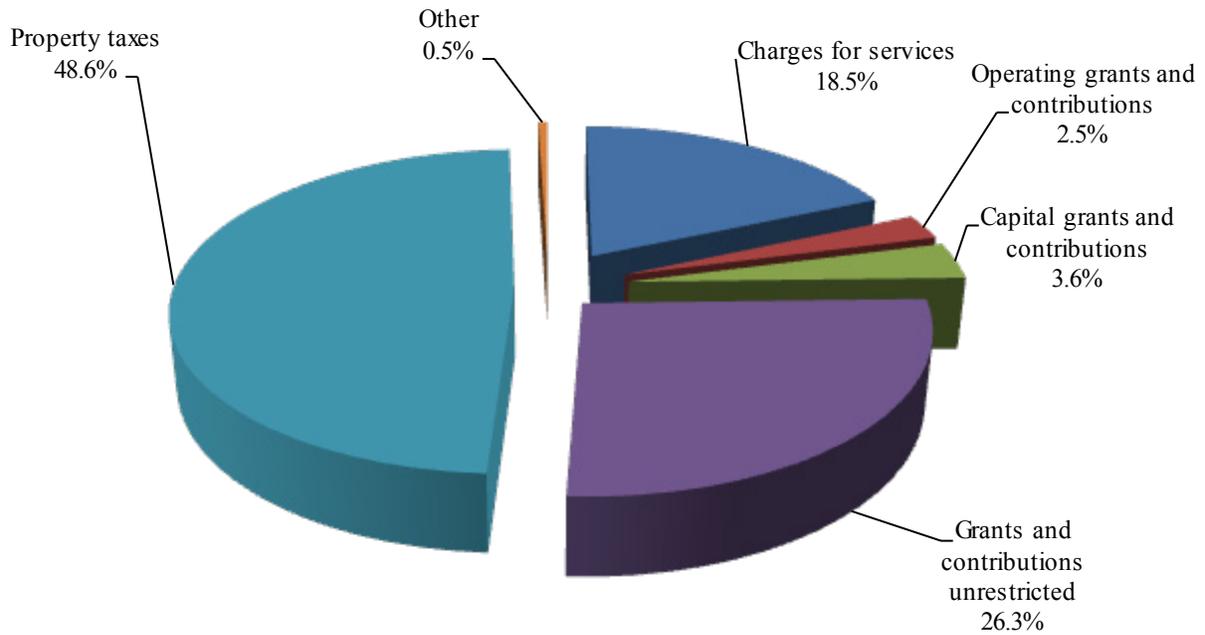
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 204,214	\$ 192,505	\$ 11,709	\$ 643,622	\$ 654,289	\$ (10,667)
Operating grants and contributions	27,677	26,461	1,216	-	-	-
Capital grants and contributions	39,987	62,554	(22,567)	165,387	123,336	42,051
General revenues						
Property taxes,						
levied for general purpose	374,105	364,317	9,788	-	-	-
levied for debt service	163,800	165,000	(1,200)	390,000	390,000	-
State grants and contributions						
not restricted to specific programs	290,530	266,474	24,056	-	-	-
Unrestricted investment earnings	5,563	10,204	(4,641)	3,086	5,812	(2,726)
Total revenues	1,105,876	1,087,515	18,361	1,202,095	1,173,437	28,658
Expenses						
General government	275,258	256,122	19,136	-	-	-
Public safety	233,941	234,523	(582)	-	-	-
Public works	415,077	426,540	(11,463)	-	-	-
Culture and recreation	59,525	86,504	(26,979)	-	-	-
Sanitation and recycling	3,598	3,321	277	-	-	-
Economic development	4,870	14,826	(9,956)	-	-	-
Interest on long-term debt	90,493	86,134	4,359	-	-	-
Water utility	-	-	-	363,827	388,050	(24,223)
Sewer utility	-	-	-	604,571	603,551	1,020
Storm water utility	-	-	-	14,283	19,602	(5,319)
Total expenses	1,082,762	1,107,970	(25,208)	982,681	1,011,203	(28,522)
Change in net position	23,114	(20,455)	43,569	219,414	162,234	57,180
Net position, January 1	6,725,008	6,745,463	(20,455)	6,193,655	6,031,421	162,234
Net position, December 31	\$ 6,748,122	\$ 6,725,008	\$ 23,114	\$ 6,413,069	\$ 6,193,655	\$ 219,414

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

Expenses and Program Revenues - Governmental Activities



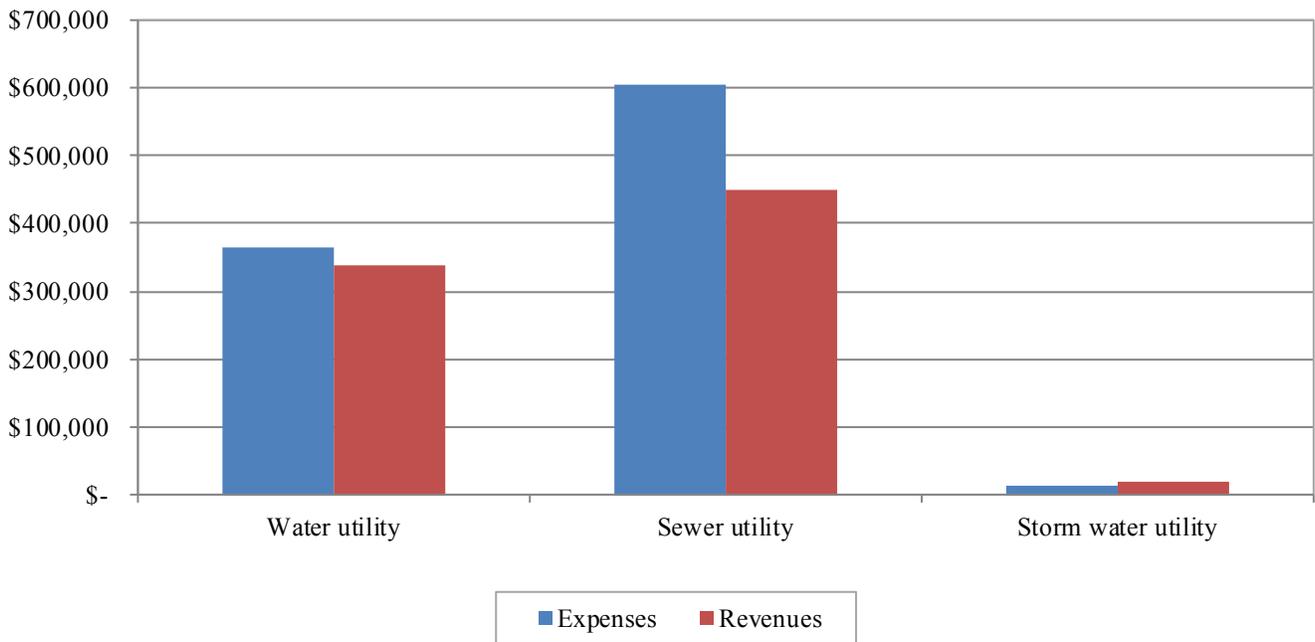
Revenues by Source - Governmental Activities



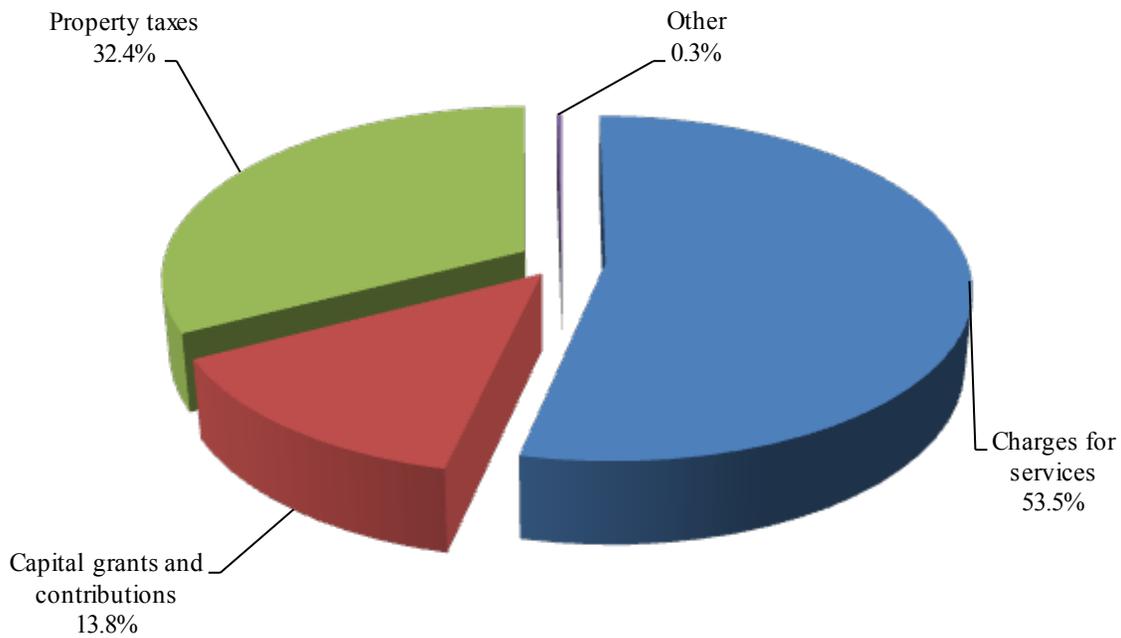
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities: Business-type activities increased the City’s net position by \$219,414. 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 \$4,083,585, an increase of \$1,690,814 in comparison with the prior year. Approximately 10 percent of this total amount, \$402,639, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$3,680,946) is not available for new spending because it is either 1) nonspendable \$46,115 2) restricted (\$2,222,709), or 2) assigned (\$1,412,122) 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 \$402,639 which was an decrease of \$4,140. The General fund transferred \$64,607 to other funds for future capital needs.

The *G.O. Improvement/Utility Revenue 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 \$2,182,765, which was an increase of \$1,695,133 due to the issuance of refunding bonds.

The *Capital Project/Equipment fund* accounts for the accumulation of resources for future capital project and equipment purchases. This fund was created in 2013 and the ending fund balance was \$1,074,140 which is assigned for future capital improvements and purchases.

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.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and called for no increase or decrease in fund balance. Total revenues were over budget by \$140,639 and expenditures were \$80,172 more than anticipated. Some of the significant variances can be briefly summarized as follows:

- All revenues were over budget, with the exception of interest earnings, which were under budget by \$1,709. Licenses and permits were over budget by \$49,211 due to higher than expected building permit revenue and miscellaneous revenues were over budget due to a \$25,000 fee received from Grooves Academy for the issuance of conduit debt.
- The capital outlay expenditures were over budget by \$84,526 due to costs related to the roundabout project.

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, 2014, amounts to \$16,363,552(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 50 of this report.

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

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 691,724	\$ 691,724	\$ -	\$ 40,792	\$ 40,792	\$ -
Construction work in process	222,443	-	222,443	60,333	48,718	11,615
Land improvements	185,658	195,832	(10,174)	-	-	-
Buildings	107,580	113,495	(5,915)	-	-	-
Infrastructure	4,469,286	4,674,826	(205,540)	10,272,775	10,748,263	(475,488)
Machinery and equipment	280,023	301,066	(21,043)	32,938	19,412	13,526
Total	\$ 5,956,714	\$ 5,976,943	\$ (20,229)	\$10,406,838	\$10,857,185	\$ (450,347)

Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,472,000. 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation bonds	\$ 3,505,000	\$ 1,990,000	\$ 1,515,000	\$ -	\$ -	\$ -
General obligation revenue bonds	-	-	-	5,967,000	6,442,000	(475,000)
Capital leases payable	32,020	38,307	(6,287)	-	-	-
Compensated absences payable	16,920	11,660	5,260	-	-	-
Total	\$ 3,553,940	\$ 2,039,967	\$ 1,513,973	\$ 5,967,000	\$ 6,442,000	\$ (475,000)

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 52 of this report.

Economic Factors and Next Year's Budget

The economy seems to be returning to profitability the housing market in Mayer continues to not meet the needs of the debt that was issued. Projections for income on the debt repayment were for 70 new homes a year. In 2014 the City issued 14 new home permits and 4 permits for townhomes for a total of 18 hook-up fees. Although not the 70 required the City is continuing to gain a couple of new homes from last year to 2014. The City will continue to levy property taxes to make up for the short fall in hookup fee 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF MAYER, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 2,373,976	\$ 1,966,960	\$ 4,340,936
Cash with fiscal agent	1,681,572	-	1,681,572
Receivables			
Taxes	24,792	-	24,792
Accounts	10,834	67,276	78,110
Special assessments	299,082	1,032	300,114
Prepaid items	46,115	-	46,115
Capital assets			
Non-depreciable	914,167	101,125	1,015,292
Depreciable (net of accumulated depreciation)	5,042,547	10,305,713	15,348,260
TOTAL ASSETS	10,393,085	12,442,106	22,835,191
LIABILITIES			
Accounts payable	16,728	10,350	27,078
Accrued salaries payable	4,975	968	5,943
Accrued interest payable	50,512	25,919	76,431
Unearned revenue	18,808	24,800	43,608
Noncurrent liabilities			
Due within one year	1,848,482	504,000	2,352,482
Due in more than one year	1,705,458	5,463,000	7,168,458
TOTAL LIABILITIES	3,644,963	6,029,037	9,674,000
NET POSITION			
Net invested in capital assets	4,094,694	4,439,838	8,534,532
Restricted for			
Future expansion	-	51,273	51,273
Debt service	2,288,166	-	2,288,166
Future capital	27,125	-	27,125
Economic development	12,819	-	12,819
Unrestricted	325,318	1,921,958	2,247,276
TOTAL NET POSITION	\$ 6,748,122	\$ 6,413,069	\$ 13,161,191

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, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 275,258	\$ 131,239	\$ 3,916	\$ -
Public safety	233,941	39,881	12,900	540
Public works	415,077	1,353	10,861	39,447
Culture and recreation	59,525	31,741	-	-
Economic development	4,870	-	-	-
Sanitation	3,598	-	-	-
Interest on long-term debt	90,493	-	-	-
Total governmental activities	<u>1,082,762</u>	<u>204,214</u>	<u>27,677</u>	<u>39,987</u>
Business-type activities				
Water utility	363,827	258,696	-	81,000
Sewer utility	604,571	364,558	-	84,387
Storm water utility	14,283	20,368	-	-
Total business-type activities	<u>982,681</u>	<u>643,622</u>	<u>-</u>	<u>165,387</u>
Total	<u>\$ 2,065,443</u>	<u>\$ 847,836</u>	<u>\$ 27,677</u>	<u>\$ 205,374</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, 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
\$ (140,103)	\$ -	\$ (140,103)
(180,620)	-	(180,620)
(363,416)	-	(363,416)
(27,784)	-	(27,784)
(4,870)	-	(4,870)
(3,598)	-	(3,598)
(90,493)	-	(90,493)
(810,884)	-	(810,884)
-	(24,131)	(24,131)
-	(155,626)	(155,626)
-	6,085	6,085
-	(173,672)	(173,672)
(810,884)	(173,672)	(984,556)
374,105	-	374,105
163,800	390,000	553,800
290,530	-	290,530
5,563	3,086	8,649
833,998	393,086	1,227,084
23,114	219,414	242,528
6,725,008	6,193,655	12,918,663
\$ 6,748,122	\$ 6,413,069	\$ 13,161,191

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FUND FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF MAYER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	101	325	435	Other	Total
	General	GO Improvement/ Utility Revenue 2014	Capital Project/ Equipment	Governmental Funds	Governmental Funds
ASSETS					
Cash and temporary investments	\$ 403,931	\$ 501,193	\$ 1,033,143	\$ 435,709	\$ 2,373,976
Cash with fiscal agent	-	1,681,572	-	-	1,681,572
Receivables					
Taxes	24,792	-	-	-	24,792
Accounts	8,834	-	-	2,000	10,834
Special assessments	-	155,913	143,169	-	299,082
Prepaid items	5,171	-	40,944	-	46,115
TOTAL ASSETS	<u>\$ 442,728</u>	<u>\$ 2,338,678</u>	<u>\$ 1,217,256</u>	<u>\$ 437,709</u>	<u>\$ 4,436,371</u>
LIABILITIES					
Accounts payable	\$ 16,697	\$ -	\$ -	\$ 31	\$ 16,728
Accrued salaries payable	4,975	-	-	-	4,975
Unearned revenue	-	-	-	18,808	18,808
TOTAL LIABILITIES	<u>21,672</u>	<u>-</u>	<u>-</u>	<u>18,839</u>	<u>40,511</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	13,246	-	-	-	13,246
Unavailable revenue - special assessments	-	155,913	143,116	-	299,029
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,246</u>	<u>155,913</u>	<u>143,116</u>	<u>-</u>	<u>312,275</u>
FUND BALANCES					
Nonspendable	5,171	-	40,944	-	46,115
Restricted	-	2,182,765	-	39,944	2,222,709
Assigned	-	-	1,033,196	378,926	1,412,122
Unassigned	402,639	-	-	-	402,639
TOTAL FUND BALANCES	<u>407,810</u>	<u>2,182,765</u>	<u>1,074,140</u>	<u>418,870</u>	<u>4,083,585</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 442,728</u>	<u>\$ 2,338,678</u>	<u>\$ 1,217,256</u>	<u>\$ 437,709</u>	<u>\$ 4,436,371</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, 2014

Total fund balances - governmental funds	\$ 4,083,585
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	5,956,714
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	(32,020)
Bonds payable	(3,505,000)
Compensated absences payable	(16,920)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes	13,246
Special assessments	299,029
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(50,512)</u>
Total net position - governmental activities	<u><u>\$ 6,748,122</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, 2014

	101	325	435	Other	Total
	General	GO Improvement/ Utility Revenue 2014	Capital Project/ Equipment	Governmental Funds	Governmental Funds
REVENUES					
General property taxes	\$ 405,430	\$ 163,800	\$ -	\$ -	\$ 569,230
Licenses and permits	77,052	-	-	-	77,052
Intergovernmental	316,464	-	-	2,500	318,964
Charges for services	52,379	-	-	-	52,379
Fines and forfeitures	3,192	-	-	-	3,192
Special assessments	738	85,781	22,897	-	109,416
Interest on investments	2,791	717	1,363	692	5,563
Miscellaneous	57,787	-	-	30,184	87,971
TOTAL REVENUES	915,833	250,298	24,260	33,376	1,223,767
EXPENDITURES					
Current					
General government	248,861	-	-	-	248,861
Public safety	179,253	-	-	-	179,253
Public works	135,386	-	-	-	135,386
Sanitation	3,598	-	-	-	3,598
Culture and recreation	19,303	-	-	-	19,303
Economic development	-	-	-	2,527	2,527
Capital outlay					
General government	12,241	-	-	-	12,241
Public safety	15,397	-	-	-	15,397
Public works	226,862	-	-	105,748	332,610
Culture and recreation	2,526	-	-	14,147	16,673
Economic development	931	-	-	-	931
Debt service					
Principal	6,287	160,000	-	-	166,287
Interest and other	4,721	70,165	-	-	74,886
TOTAL EXPENDITURES	855,366	230,165	-	122,422	1,207,953
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	60,467	20,133	24,260	(89,046)	15,814
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	64,607	64,607
Transfers out	(64,607)	-	-	-	(64,607)
Refunding bonds issued	-	1,675,000	-	-	1,675,000
TOTAL OTHER FINANCING SOURCES (USES)	(64,607)	1,675,000	-	64,607	1,675,000
NET CHANGE IN FUND BALANCES	(4,140)	1,695,133	24,260	(24,439)	1,690,814
FUND BALANCES, JANUARY 1	411,950	487,632	1,049,880	443,309	2,392,771
FUND BALANCES, DECEMBER 31	\$ 407,810	\$ 2,182,765	\$ 1,074,140	\$ 418,870	\$ 4,083,585

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, 2014

Total net change in fund balances - governmental funds	\$ 1,690,814
<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	270,976
Depreciation expense	(285,762)
Loss on disposal of capital assets	(5,443)
<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	166,287
Debt issued or incurred	(1,675,000)
<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>	
	(15,607)
<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	(31,325)
Special assessments	(86,566)
<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	(5,260)
Change in net position - governmental activities	\$ 23,114

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 - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 365,160	\$ 365,160	\$ 405,430	\$ 40,270
Licenses and permits	27,841	27,841	77,052	49,211
Intergovernmental	307,294	307,294	316,464	9,170
Charges for services	50,387	50,387	52,379	1,992
Fines and forfeitures	800	800	3,192	2,392
Interest on investments	4,500	4,500	2,791	(1,709)
Special assessments	-	-	738	738
Miscellaneous	19,212	19,212	57,787	38,575
TOTAL REVENUES	775,194	775,194	915,833	140,639
EXPENDITURES				
Current				
General government	263,615	263,615	248,861	14,754
Public safety	188,417	188,417	179,253	9,164
Public works	120,586	120,586	135,386	(14,800)
Sanitation	2,668	2,668	3,598	(930)
Culture and recreation	17,100	17,100	19,303	(2,203)
Economic development	2,000	2,000	931	1,069
Capital outlay	172,500	172,500	257,026	(84,526)
Debt service	8,308	8,308	11,008	(2,700)
TOTAL EXPENDITURES	775,194	775,194	855,366	(80,172)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	60,467	60,467
OTHER FINANCING USES				
Transfers out	-	-	(64,607)	(64,607)
NET CHANGE IN FUND BALANCES	-	-	(4,140)	(4,140)
FUND BALANCES, JANUARY 1	411,950	411,950	411,950	-
FUND BALANCES, DECEMBER 31	\$ 411,950	\$ 411,950	\$ 407,810	\$ (4,140)

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

CITY OF MAYER, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities Enterprise Funds			Totals
	620	640	Nonmajor 650	
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Storm Water Utility</u>	
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 722,094	\$ 1,154,556	\$ 90,310	\$ 1,966,960
Receivables				
Accounts	22,529	41,992	2,755	67,276
Special assessments	516	516	-	1,032
TOTAL CURRENT ASSETS	<u>745,139</u>	<u>1,197,064</u>	<u>93,065</u>	<u>2,035,268</u>
NONCURRENT ASSETS				
Capital assets not being depreciated	40,792	-	60,333	101,125
Capital assets being depreciated	6,047,003	8,259,923	427,092	14,734,018
TOTAL CAPITAL ASSETS	6,087,795	8,259,923	487,425	14,835,143
LESS ACCUMULATED DEPRECIATION	<u>(1,598,057)</u>	<u>(2,728,118)</u>	<u>(102,130)</u>	<u>(4,428,305)</u>
CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION	<u>4,489,738</u>	<u>5,531,805</u>	<u>385,295</u>	<u>10,406,838</u>
TOTAL ASSETS	<u>5,234,877</u>	<u>6,728,869</u>	<u>478,360</u>	<u>12,442,106</u>
CURRENT LIABILITIES				
Accounts payable	2,734	7,181	435	10,350
Accrued interest payable	14,108	11,811	-	25,919
Accrued salaries payable	484	484	-	968
Unearned revenue	24,800	-	-	24,800
Current portion of bonds payable	231,400	272,600	-	504,000
TOTAL CURRENT LIABILITIES	273,526	292,076	435	566,037
NONCURRENT LIABILITIES				
Bonds payable, less current portion above	2,639,600	2,823,400	-	5,463,000
TOTAL LIABILITIES	<u>2,913,126</u>	<u>3,115,476</u>	<u>435</u>	<u>6,029,037</u>
NET POSITION				
Net investment in capital assets	1,618,738	2,435,805	385,295	4,439,838
Restricted for future expansion	-	51,273	-	51,273
Unrestricted	703,013	1,126,315	92,630	1,921,958
TOTAL NET POSITION	<u>\$ 2,321,751</u>	<u>\$ 3,613,393</u>	<u>\$ 477,925</u>	<u>\$ 6,413,069</u>

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

CITY OF MAYER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities			Totals
	Enterprise Funds			
	620	640	650	
	Water Utility	Sewer Utility	Storm Water Utility	
OPERATING REVENUES				
Charges for services	\$ 221,888	\$ 363,520	\$ 20,368	\$ 605,776
OPERATING EXPENSES				
Personal services	15,318	15,318	-	30,636
Supplies	10,170	50,526	-	60,696
Repairs and maintenance	10,127	36,442	-	46,569
Other services and charges	24,295	40,534	46	64,875
Insurance	3,153	13,440	-	16,593
Utilities	20,987	42,211	-	63,198
Depreciation	191,980	276,646	14,237	482,863
TOTAL OPERATING EXPENSES	276,030	475,117	14,283	765,430
OPERATING INCOME (LOSS)	(54,142)	(111,597)	6,085	(159,654)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	390,000	-	390,000
Special assessments	(330)	1,038	-	708
Interest income	1,164	1,781	141	3,086
Miscellaneous income	37,138	-	-	37,138
Interest expense	(87,797)	(129,454)	-	(217,251)
TOTAL NONOPERATING REVENUES (EXPENSES)	(49,825)	263,365	141	213,681
INCOME (LOSS) BEFORE CONTRIBUTIONS	(103,967)	151,768	6,226	54,027
CAPITAL CONTRIBUTIONS	81,000	84,387	-	165,387
CHANGE IN NET POSITION	(22,967)	236,155	6,226	219,414
NET POSITION, JANUARY 1	2,344,718	3,377,238	471,699	6,193,655
NET POSITION, DECEMBER 31	\$ 2,321,751	\$ 3,613,393	\$ 477,925	\$ 6,413,069

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

CITY OF MAYER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities Enterprise Funds			Totals
	Nonmajor			
	620 Water Utility	640 Sewer Utility	650 Storm Water Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 220,081	\$ 360,580	\$ 19,504	\$ 600,165
Other operating receipts	37,138	-	-	37,138
Payments to suppliers, contractors and other governments	(43,987)	(191,756)	(55)	(235,798)
Payments to employees	(15,318)	(15,318)	-	(30,636)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>197,914</u>	<u>153,506</u>	<u>19,449</u>	<u>370,869</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Special assessments received	1,895	1,895	-	3,790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(7,901)	(13,000)	(11,615)	(32,516)
Property taxes received	-	390,000	-	390,000
Connection fees collected	81,000	84,387	-	165,387
Principal paid on long-term debt	(221,650)	(253,350)	-	(475,000)
Interest paid on long-term debt	(88,970)	(130,518)	-	(219,488)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(237,521)</u>	<u>77,519</u>	<u>(11,615)</u>	<u>(171,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	1,164	1,781	141	3,086
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,548)	234,701	7,975	206,128
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>758,642</u>	<u>919,855</u>	<u>82,335</u>	<u>1,760,832</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 722,094</u>	<u>\$ 1,154,556</u>	<u>\$ 90,310</u>	<u>\$ 1,966,960</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (54,142)	\$ (111,597)	\$ 6,085	\$ (159,654)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	191,980	276,646	14,237	482,863
Other income related to operations	37,138	-	-	37,138
Decrease in assets				
Accounts receivable	(1,807)	(2,940)	(864)	(5,611)
Increase (decrease) in liabilities				
Accounts payable	(89)	(8,637)	(9)	(8,735)
Accrued salaries payable	34	34	-	68
Unearned revenue	24,800	-	-	24,800
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 197,914</u>	<u>\$ 153,506</u>	<u>\$ 19,449</u>	<u>\$ 370,869</u>

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

CITY OF MAYER, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014

	Agency 800 Developer Escrows
ASSETS	
Cash and temporary investments	\$ 16,049
Accounts receivable	2,485
TOTAL ASSETS	\$ 18,534
LIABILITIES	
Accounts payable	\$ 18,534

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

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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. 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. 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.

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, 2014

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.

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, 2014

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 *G.O. Improvement/Utility Revenue 2014 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 *Capital Project/Equipment fund* accounts for the financial resources to be used for future capital equipment acquisitions and capital projects.

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.

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.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

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.

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 and tax settlements are made to the City during January, June and November each year.

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

Account receivable

Accounts receivable include amounts billed for services provided before year end. To the extent considered necessary, the City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

CITY OF MAYER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Prepaid items

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

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

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting 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.

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 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.

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".

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, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 50 percent of the next year's budgeted expenditures for cash-flow timing needs.

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. There were no budget amendments in 2014.

B. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the General fund by \$80,172, which was funded by actual revenues in excess of budget.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 \$3,753,866 and the bank balance was \$3,810,000. Of the bank balance, \$706,343.45 was covered by federal depository insurance and the remainder was covered with collateral held by the City's agent in the City's name.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

At year end, the City's investment balances were as follows:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled investments			
Broker money market	N/A	Less than 6 months	\$ 3,597
Non-pooled investments			
Brokered certificates of deposit	N/A	Less than 6 months	199,905
Brokered certificates of deposit	N/A	1 to 3 years	399,617
US treasury securities	AAA	Less than 6 months	<u>1,681,572</u>
Total investments			<u><u>\$ 2,284,691</u></u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A indicates not applicable or available

The investments of the City are subject to the following risks:

- *Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 44 of the notes.
- *Custodial Credit Risk.* This is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Interest Rate Risk.* This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City will also not invest in securities, other than money-market funds, without a fixed maturity date and fixed interest or discount rate.
- *Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer. The City's investments are exempt from consideration of concentration of credit risk.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying amount of deposits	\$ 3,753,866
Investments	<u>2,284,691</u>
Total cash and temporary investments	<u><u>\$ 6,038,557</u></u>
Statement of Net Position	
Cash and temporary investments	\$ 4,340,936
Cash with fiscal agent	1,681,572
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>16,049</u>
Total	<u><u>\$ 6,038,557</u></u>

B. Capital assets

Capital asset activity for City for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 691,724	\$ -	\$ -	\$ 691,724
Construction in progress	<u>-</u>	<u>222,443</u>	<u>-</u>	<u>222,443</u>
Total capital assets not being depreciated	<u>691,724</u>	<u>222,443</u>	<u>-</u>	<u>914,167</u>
Capital assets being depreciated				
Land improvements	238,135	-	-	238,135
Buildings	481,085	-	-	481,085
Infrastructure	6,157,874	-	-	6,157,874
Machinery and equipment	<u>1,271,858</u>	<u>48,533</u>	<u>(26,127)</u>	<u>1,294,264</u>
Total capital assets being depreciated	<u>8,148,952</u>	<u>48,533</u>	<u>(26,127)</u>	<u>8,171,358</u>
Less accumulated depreciation for				
Land improvements	(42,303)	(10,174)	-	(52,477)
Buildings	(367,590)	(5,915)	-	(373,505)
Infrastructure	(1,483,048)	(205,540)	-	(1,688,588)
Machinery and equipment	<u>(970,792)</u>	<u>(64,133)</u>	<u>20,684</u>	<u>(1,014,241)</u>
Total accumulated depreciation	<u>(2,863,733)</u>	<u>(285,762)</u>	<u>20,684</u>	<u>(3,128,811)</u>
Total capital assets being depreciated, net	<u>5,285,219</u>	<u>(237,229)</u>	<u>(5,443)</u>	<u>5,042,547</u>
Governmental activities capital assets, net	<u><u>\$ 5,976,943</u></u>	<u><u>\$ (14,786)</u></u>	<u><u>\$ (5,443)</u></u>	<u><u>\$ 5,956,714</u></u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 40,792	\$ -	\$ -	\$ 40,792
Construction in progress	48,718	11,615	-	60,333
	<u>89,510</u>	<u>11,615</u>	<u>-</u>	<u>101,125</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Infrastructure	14,557,494	-	-	14,557,494
Machinery and equipment	155,623	20,901	-	176,524
	<u>14,713,117</u>	<u>20,901</u>	<u>-</u>	<u>14,734,018</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Infrastructure	(3,809,231)	(475,488)	-	(4,284,719)
Machinery and equipment	(136,211)	(7,375)	-	(143,586)
	<u>(3,945,442)</u>	<u>(482,863)</u>	<u>-</u>	<u>(4,428,305)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>10,767,675</u>	<u>(461,962)</u>	<u>-</u>	<u>10,305,713</u>
Business-type activities capital assets, net	<u>\$10,857,185</u>	<u>\$ (450,347)</u>	<u>\$ -</u>	<u>\$10,406,838</u>

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

Governmental activities	
General government	\$ 10,422
Public safety	39,291
Public works	211,088
Culture and recreation	23,549
Economic and development	1,412
Total depreciation expense - governmental activities	<u>\$ 285,762</u>
Business-type activities	
Water utilities	\$ 191,980
Sewer utilities	276,646
Storm sewer utilities	14,237
Total depreciation expense - business-type activities	<u>\$ 482,863</u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables and transfers

The composition of interfund transfers as of December 31, 2014 is as follows:

Fund	Transfer in Nonmajor Governmental Funds
Transfer out	
General	\$ 64,607

The General fund transferred the following to the nonmajor governmental funds:

- \$44,518 to the nonmajor Fire Truck fund for the purpose of future fire department capital purchases.
- \$10,842 to nonmmajor Street Improvement fund for the purpose of future capital purchases.
- \$9,247 to nonmajor Community Center fund for the purpose of improvements to the Community Center.

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	\$ 249,000
Minnesota Public Facilities Project Loan	347,000	3.910	01/27/01	08/20/20	135,000
Minnesota Public Facilities Project Loan	2,627,000	2.070	08/28/06	08/20/26	1,683,000
G.O. Water and Sewer Refunding bonds 2007	4,820,000	4.00-4.125	04/27/07	12/01/24	3,900,000
Total G.O. Revenue Bonds					\$ 5,967,000

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 504,000	\$ 203,403	\$ 707,403
2016	524,000	186,232	710,232
2017	558,000	168,333	726,333
2018	588,000	149,128	737,128
2019	633,000	128,796	761,796
2020 - 2024	2,850,000	314,553	3,164,553
2025 - 2026	310,000	9,667	319,667
Total	<u>\$ 5,967,000</u>	<u>\$ 1,160,112</u>	<u>\$ 7,127,112</u>

General obligation improvement bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement and Utility Revenue Bonds of 2007	\$ 2,700,000	4.125 %	08/15/07	02/01/15	\$ 1,830,000
G.O. Improvement and Utility Refunding Revenue Bonds of 2014	1,675,000	2.00 - 3.00	07/01/14	02/01/23	<u>1,675,000</u>
Total General Obligation Bonds					<u>\$ 3,505,000</u>

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,830,000	\$ 78,910	\$ 1,908,910
2016	195,000	36,050	231,050
2017	195,000	32,150	227,150
2018	205,000	28,150	233,150
2019	205,000	24,050	229,050
2020 - 2023	875,000	49,200	924,200
Total	<u>\$ 3,505,000</u>	<u>\$ 248,510</u>	<u>\$ 3,753,510</u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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 and is fully depreciated. 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>\$ 32,020</u>

The annual requirements to amortize the capital leases as of December 31, 2014 are as follows:

December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 6,638	\$ 1,670	\$ 8,308
2016	7,007	1,301	8,308
2017	7,398	910	8,308
2018	7,812	496	8,308
2019	3,165	87	3,252
Total	<u>\$ 32,020</u>	<u>\$ 4,464</u>	<u>\$ 36,484</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,990,000	\$ 1,675,000	\$ (160,000)	\$ 3,505,000	\$ 1,830,000
Capital leases payable	38,307	-	(6,287)	32,020	6,638
Compensated absences payable	11,660	20,770	(15,510)	16,920	11,844
Governmental activities long- term liabilities	<u>\$ 2,039,967</u>	<u>\$ 1,695,770</u>	<u>\$ (181,797)</u>	<u>\$ 3,553,940</u>	<u>\$ 1,848,482</u>
Business-type activities					
Bonds payable					
General obligations revenue bonds	<u>\$ 6,442,000</u>	<u>\$ -</u>	<u>\$ (475,000)</u>	<u>\$ 5,967,000</u>	<u>\$ 504,000</u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Crossover refundings

On July 1, 2014 the City issued \$1,675,000 of General Obligation Improvement and Utility Revenue Crossover Refunding Bonds, Series 2014A. The bond issued will crossover refund the General Obligation Improvement and Utility Revenue Bonds of 2007. The proceeds of the bonds were deposited in an escrow account and will be used to pay issuance cost and to purchase securities bearing interest at such interest rates to provide sufficient funds to refund old bonds. The bonds will be refunded on February 1, 2015. The escrow account will also provide debt service payments on the new bond until the crossover date. The old bonds are not considered defeased until the crossover date and therefore will not be removed as liabilities. As a result of the crossover refunding issue, the City will save \$123,696 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$114,840.

E. Components of fund balance

At December 31, 2014, 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	Capital Project/ Equipment	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 5,171	\$ -	\$ 40,944	\$ -	\$ 46,115
Restricted for					
Debt service	\$ -	\$ 2,182,765	\$ -	\$ -	\$ 2,182,765
Economic development	-	-	-	12,819	12,819
Future capital	-	-	-	27,125	27,125
Total restricted	\$ -	\$ 2,182,765	\$ -	\$ 39,944	\$ 2,222,709
Assigned					
Fire truck	\$ -	\$ -	\$ -	\$ 140,942	\$ 140,942
Park improvements	-	-	-	186,208	186,208
FEMA grant	-	-	-	1,053	1,053
Community center	-	-	-	11,331	11,331
Futures capital projects/equipment	-	-	1,033,196	26,236	1,059,432
Street improvements	-	-	-	13,156	13,156
Total assigned	\$ -	\$ -	\$ 1,033,196	\$ 378,926	\$ 1,412,122

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 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 members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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, 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 2014. In 2014, 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, 2014, 2013 and 2012 were \$10,945, \$9,890, and \$10,219, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5: 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 2014 was \$290,421 for LGA. This accounted for 32 percent of General fund revenues.

D. Related party transaction

During 2014, the City made purchases from Mayer Lumber Company which is owned by the fire Chief. During 2014, \$12,562 was paid to Mayer Lumber Company for supplies.

E. Conduit debt obligations

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued a revenue bond to provide financial assistance to a private-sector entity for a project deemed to be in the public interest. Although this bond bears the name of the City, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bond. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City has authorized and issued \$4,720,000 in revenue bonds. As of December 31, 2014, the outstanding balance was \$4,720,000

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

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF MAYER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and temporary investments	\$ 37,975	\$ 397,734	\$ 435,709
Accounts Receivable	2,000	-	2,000
TOTAL ASSETS	\$ 39,975	\$ 397,734	\$ 437,709
LIABILITIES			
Accounts payable	\$ 31	\$ -	\$ 31
Unearned revenue	-	18,808	18,808
TOTAL LIABILITIES	31	18,808	18,839
FUND BALANCES			
Restricted	39,944	-	39,944
Assigned	-	378,926	378,926
TOTAL FUND BALANCES	39,944	378,926	418,870
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,975	\$ 397,734	\$ 437,709

CITY OF MAYER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue	Capital Projects	Total
REVENUES			
Intergovernmental	\$ 2,500	\$ -	\$ 2,500
Interest on investments	62	630	692
Miscellaneous	4,000	26,184	30,184
TOTAL REVENUES	6,562	26,814	33,376
EXPENDITURES			
Current			
Economic development	2,527	-	2,527
Capital outlay			
Public works	-	105,748	105,748
Culture and recreation	-	14,147	14,147
TOTAL EXPENDITURES	2,527	119,895	122,422
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,035	(93,081)	(89,046)
OTHER FINANCING SOURCES			
Transfers in	-	64,607	64,607
NET CHANGE IN FUND BALANCES	4,035	(28,474)	(24,439)
FUND BALANCES, JANUARY 1	35,909	407,400	443,309
FUND BALANCES, DECEMBER 31	\$ 39,944	\$ 378,926	\$ 418,870

CITY OF MAYER, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	225	212	222	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
ASSETS				
Cash and temporary investments	\$ 12,850	\$ 19,739	\$ 5,386	\$ 37,975
Accounts receivable	-	2,000	-	2,000
TOTAL ASSETS	<u>\$ 12,850</u>	<u>\$ 21,739</u>	<u>\$ 5,386</u>	<u>\$ 39,975</u>
LIABILITIES				
Accounts payable	\$ 31	\$ -	\$ -	\$ 31
FUND BALANCES				
Restricted	<u>12,819</u>	<u>21,739</u>	<u>5,386</u>	<u>39,944</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,850</u>	<u>\$ 21,739</u>	<u>\$ 5,386</u>	<u>\$ 39,975</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, 2014

	225	212	222	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
REVENUES				
Intergovernmental	\$ -	\$ 2,500	\$ -	\$ 2,500
Interest on investments	21	33	8	62
Miscellaneous	-	4,000	-	4,000
	<u>21</u>	<u>6,533</u>	<u>8</u>	<u>6,562</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Economic development	<u>2,527</u>	<u>-</u>	<u>-</u>	<u>2,527</u>
NET CHANGE IN FUND BALANCES	(2,506)	6,533	8	4,035
FUND BALANCES, JANUARY 1	<u>15,325</u>	<u>15,206</u>	<u>5,378</u>	<u>35,909</u>
FUND BALANCES, DECEMBER 31	<u>\$ 12,819</u>	<u>\$ 21,739</u>	<u>\$ 5,386</u>	<u>\$ 39,944</u>

CITY OF MAYER, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	210	215	220	400
	<u>Fire Truck</u>	<u>FEMA Grant</u>	<u>Park Improvements</u>	<u>70th Street Reserve</u>
ASSETS				
Cash and temporary investments	<u>\$ 140,942</u>	<u>\$ 1,053</u>	<u>\$ 205,016</u>	<u>\$ 26,236</u>
LIABILITIES				
Unearned revenue	\$ -	\$ -	\$ 18,808	\$ -
FUND BALANCES				
Assigned	<u>140,942</u>	<u>1,053</u>	<u>186,208</u>	<u>26,236</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 140,942</u>	<u>\$ 1,053</u>	<u>\$ 205,016</u>	<u>\$ 26,236</u>

405 Street Improvement	410 Community Center	Total
<u>\$ 13,156</u>	<u>\$ 11,331</u>	<u>\$ 397,734</u>
\$ -	\$ -	\$ 18,808
<u>13,156</u>	<u>11,331</u>	<u>378,926</u>
<u>\$ 13,156</u>	<u>\$ 11,331</u>	<u>\$ 397,734</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, 2014

	210	215	220	400
	Fire Truck	FEMA Grant	Park Improvement	70th Street Reserve
REVENUES				
Interest on investments	\$ 223	\$ -	\$ 293	\$ 40
Miscellaneous	-	-	18,260	7,924
TOTAL REVENUES	<u>223</u>	<u>-</u>	<u>18,553</u>	<u>7,964</u>
EXPENDITURES				
Capital outlay				
Public works	-	-	-	-
Culture and recreation	-	-	14,147	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>14,147</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	223	-	4,406	7,964
OTHER FINANCING SOURCES				
Transfers in	44,518	-	-	-
NET CHANGE IN FUND BALANCES	44,741	-	4,406	7,964
FUND BALANCES, JANUARY 1	<u>96,201</u>	<u>1,053</u>	<u>181,802</u>	<u>18,272</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 140,942</u></u>	<u><u>\$ 1,053</u></u>	<u><u>\$ 186,208</u></u>	<u><u>\$ 26,236</u></u>

405 Street Improvement	410 Community Center	Totals
\$ 56	\$ 18	\$ 630
<u>-</u>	<u>-</u>	<u>26,184</u>
<u>56</u>	<u>18</u>	<u>26,814</u>
105,748	-	105,748
<u>-</u>	<u>-</u>	<u>14,147</u>
<u>105,748</u>	<u>-</u>	<u>119,895</u>
(105,692)	18	(93,081)
<u>10,842</u>	<u>9,247</u>	<u>64,607</u>
(94,850)	9,265	(28,474)
<u>108,006</u>	<u>2,066</u>	<u>407,400</u>
<u>\$ 13,156</u>	<u>\$ 11,331</u>	<u>\$ 378,926</u>

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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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 365,160	\$ 365,160	\$ 405,430	\$ 40,270	\$ 404,291
Licenses and permits					
Business	6,591	6,591	6,915	324	6,720
Nonbusiness	21,250	21,250	70,137	48,887	69,117
Total	27,841	27,841	77,052	49,211	75,837
Intergovernmental					
Federal					
FEMA aid	-	-	3,560	3,560	-
State					
Local government aid	290,000	290,000	290,421	421	266,365
Other state aid	10,054	10,054	7,410	(2,644)	4,769
County aid	3,740	3,740	8,673	4,933	2,100
Police aid	3,500	3,500	6,400	2,900	6,742
Total	307,294	307,294	316,464	9,170	279,976
Charges for services					
General government	506	506	1,272	766	1,385
Public safety	39,881	39,881	39,881	-	45,015
Community center	10,000	10,000	11,226	1,226	11,695
Sanitation and recycling	-	-	-	-	2
Total	50,387	50,387	52,379	1,992	58,097
Fines and forfeitures	800	800	3,192	2,392	3,206
Interest on investments	4,500	4,500	2,791	(1,709)	6,379
Special assessments	-	-	738	738	(350)
Miscellaneous					
Rents and royalties	17,212	17,212	12,160	(5,052)	11,035
Contributions and donations	2,000	2,000	4,456	2,456	7,443
Refunds and reimbursements	-	-	7,637	7,637	20,319
Other	-	-	33,534	33,534	3,083
Total	19,212	19,212	57,787	38,575	41,880
TOTAL REVENUES	775,194	775,194	915,833	140,639	869,316

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Original			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 15,071	\$ 15,071	\$ 13,865	\$ 1,206	\$ 15,373
Supplies	5,500	5,500	-	5,500	465
Other services and charges	500	500	375	125	-
Total	21,071	21,071	14,240	6,831	15,838
City hall					
Supplies	3,000	3,000	2,608	392	3,269
Other services and charges	26,000	26,000	21,641	4,359	24,823
Total	29,000	29,000	24,249	4,751	28,092
City Clerk					
Personal services	38,189	38,189	35,165	3,024	33,117
Other services and charges	250	250	53	197	35
Total	38,439	38,439	35,218	3,221	33,152
City Administrator					
Personal services	94,700	94,700	94,253	447	92,860
Supplies	1,000	1,000	265	735	702
Other services and charges	750	750	537	213	540
Total	96,450	96,450	95,055	1,395	94,102
Election					
Other services and charges	3,675	3,675	2,730	945	-
Auditing					
Other services and charges	18,180	18,180	24,093	(5,913)	18,900
Assessing					
Other services and charges	11,000	11,000	11,245	(245)	11,321
Legal					
Other services and charges	15,000	15,000	8,113	6,887	9,436
Planning and zoning					
Personal services	3,100	3,100	1,350	1,750	1,410
Other services and charges	5,000	5,000	3,232	1,768	4,675
Total	8,100	8,100	4,582	3,518	6,085

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Community service center					
Other services and charges	\$ 22,700	\$ 22,700	\$ 29,336	\$ (6,636)	\$ 21,942
Total general government	263,615	263,615	248,861	14,754	238,868
Public safety					
Police					
Other services and charges	77,235	77,235	78,043	(808)	70,395
Fire					
Personal services	25,836	25,836	23,004	2,832	21,221
Supplies	10,400	10,400	9,146	1,254	8,969
Other services and charges	54,046	54,046	51,802	2,244	52,547
Total	90,282	90,282	83,952	6,330	82,737
Building inspection					
Other services and charges	20,000	20,000	15,618	4,382	19,704
Civil defense					
Other services and charges	250	250	1,640	(1,390)	200
Animal control					
Other services and charges	650	650	-	650	403
Total public safety	188,417	188,417	179,253	9,164	173,439
Public works					
Streets					
Personal services	25,716	25,716	32,953	(7,237)	28,279
Supplies	7,600	7,600	5,564	2,036	1,889
Other services and charges	8,000	8,000	7,891	109	4,368
Total	41,316	41,316	46,408	(5,092)	34,536
Snow removal					
Supplies	2,000	2,000	8,312	(6,312)	3,802
Other services and charges	20,000	20,000	28,794	(8,794)	20,600
Total	22,000	22,000	37,106	(15,106)	24,402

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public works - continued					
Street lighting					
Other services and charges	\$ 39,600	\$ 39,600	\$ 33,673	\$ 5,927	\$ 64,160
Maintenance building					
Other services and charges	2,670	2,670	1,333	1,337	41
Engineering					
Other services and charges	15,000	15,000	16,866	(1,866)	48,282
Total public works	120,586	120,586	135,386	(14,800)	171,421
Sanitation					
Personal services	2,368	2,368	1,936	432	2,148
Other services and charges	300	300	1,662	(1,362)	1,173
Total sanitation	2,668	2,668	3,598	(930)	3,321
Culture and recreation					
Parks					
Personal services	1,500	1,500	1,050	450	1,320
Supplies	-	-	1,061	(1,061)	266
Other services and charges	15,600	15,600	17,192	(1,592)	22,991
Total culture and recreation	17,100	17,100	19,303	(2,203)	24,577
Economic development					
Personal services	1,300	1,300	-	1,300	-
Other services and charges	700	700	931	(231)	-
Total economic development	2,000	2,000	931	1,069	-
Total current expenditures	594,386	594,386	587,332	7,054	611,626
Capital outlay					
General government	15,000	15,000	12,241	2,759	5,753
Public safety	75,000	75,000	15,397	59,603	8,648
Public works	53,500	53,500	226,862	(173,362)	18,198
Culture and recreation	29,000	29,000	2,526	26,474	34,572
Total capital outlay	172,500	172,500	257,026	(84,526)	67,171

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Debt service					
Principal	\$ 6,287	\$ 6,287	\$ 6,287	\$ -	\$ 5,955
Interest and other	2,021	2,021	4,721	(2,700)	3,174
Total debt service	8,308	8,308	11,008	(2,700)	9,129
TOTAL EXPENDITURES	775,194	775,194	855,366	(80,172)	687,926
EXCESS OF REVENUES OVER EXPENDITURES	-	-	60,467	60,467	181,390
OTHER FINANCING USE					
Transfer out	-	-	(64,607)	(64,607)	(964,317)
NET CHANGE IN FUND BALANCES	-	-	(4,140)	(4,140)	(782,927)
FUND BALANCES, JANUARY 1	411,950	411,950	411,950	-	1,194,877
FUND BALANCES, DECEMBER 31	\$ 411,950	\$ 411,950	\$ 407,810	\$ (4,140)	\$ 411,950

CITY OF MAYER, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 569,230	\$ 570,691	(0.26) %
Licenses and permits	77,052	75,837	1.60
Intergovernmental	318,964	279,976	13.93
Charges for services	52,379	59,897	(12.55)
Fines and forfeitures	3,192	3,206	(0.44)
Investment earnings	5,563	10,204	(45.48)
Special assessments	109,416	271,790	(59.74)
Miscellaneous	87,971	71,609	22.85
TOTAL REVENUES	\$ 1,223,767	\$ 1,343,210	(8.89) %
Per Capita	\$ 674	\$ 760	(11.40) %
EXPENDITURES			
Current			
General government	\$ 248,861	\$ 238,868	4.18 %
Public safety	179,253	178,057	0.67
Public works	135,386	172,961	(21.72)
Sanitation and recycling	3,598	3,321	8.34
Culture and recreation	19,303	24,577	(21.46)
Economic development	2,527	13,416	
Capital outlay			
General government	12,241	5,753	112.78
Public safety	15,397	8,648	78.04
Public works	332,610	43,067	672.31
Culture and recreation	16,673	34,572	(51.77)
Economic development	931	-	100.00
Debt service			
Principal	166,287	160,955	3.31
Interest and other	74,886	88,908	(15.77)
TOTAL EXPENDITURES	\$ 1,207,953	\$ 973,103	24.13 %
Per Capita	\$ 665	\$ 551	20.72 %
Total Long-term Indebtedness	\$ 3,537,020	\$ 2,028,307	74.38 %
Per Capita	1,947	1,148	69.60
General Fund Balance - December 31	\$ 407,810	\$ 411,950	(1.00) %
Per Capita	224	233	(3.86)

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, 2014

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of 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, 2014, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2015.

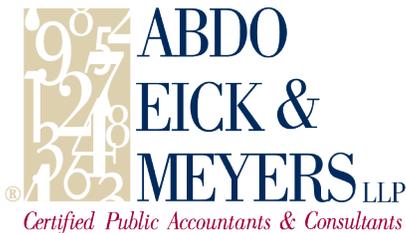
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City has not established a tax increment financing district.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 19, 2015



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

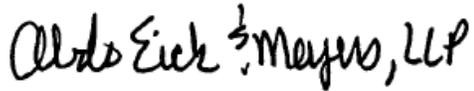
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 19, 2015

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CITY OF MAYER, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding Description

2014-001 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.

2014-002 Limited segregation of duties

Condition: During our audit we reviewed procedures over cash disbursements, cash receipts, payroll, and utility billing and found the City to have limited segregation of duties related to these procedures.

Criteria: 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.

Cause: As a result of the 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.

Effect: The existence of the limited segregation of duties increases the risk of fraud.

Recommendation: While we recognize the number of 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.

Management response:

Management will evaluate and implement segregations of duty controls where appropriate.