

Annual Financial Report

City of Mayer
Mayer, Minnesota

For the Year Ended
December 31, 2017

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Mayer, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2017

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	40
Proprietary Funds	
Statement of Net Position	41
Statement of Revenues, Expenses and Changes in Net Position	42
Statement of Cash Flows	43
Fiduciary Fund	
Statement of Fiduciary Net Position	44
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	72
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	72
Schedule of Employer's Fire Relief Association Contributions	73
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	74
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
Nonmajor Special Revenue Funds	
Combining Balance Sheet	78
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	79
Nonmajor Capital Projects Funds	
Combining Balance Sheet	80
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	82
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	85
Debt Service Funds	
Combining Balance Sheet	90
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	91
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	92

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Mayer, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2017

	<u>Page No.</u>
Other Required Reports	
Independent Auditor's Report on Minnesota Legal Compliance	95
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 <i>Government Auditing Standards</i>	96
Schedule of Findings and Responses	98

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

INTRODUCTORY SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Mayer, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2017

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Dodge	Mayor	12/31/18
Etienne Stieve-McPadden	Council Member	12/31/20
Elizabeth Butterfield	Council Member	12/31/20
Nikki McNeilly	Council Member	12/31/18
Erick Boder	Council Member	12/31/18

APPOINTED

<u>Name</u>	<u>Title</u>
Margaret McCallum	City Administrator/Treasurer
Janell Gildemeister	City Clerk

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

FINANCIAL SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft



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, 2017, 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, 2017 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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

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 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 72 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

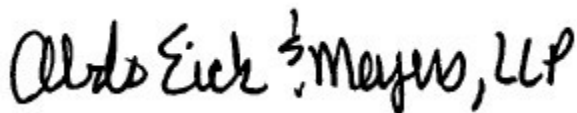
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, 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 21, 2018

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,614,947 (net position). Of this amount, \$4,941,282 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$5,597,996 and \$4,780,725 at December 31, 2017 and 2016, respectively.
- The City's total net position increased by \$1,013,235. Both governmental and business-type activities increased during the year \$514,736 and \$498,499, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,876,746, an increase of \$576,855 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$852,150, or 79.7 percent of 2018 budgeted General fund expenditures. The City Council has worked to improve the fund balance level to maintain it at a level to meet working capital needs.
- The City's total debt decreased by \$793,340 during the current fiscal year. The decrease was due to regularly scheduled debt principal payments.

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

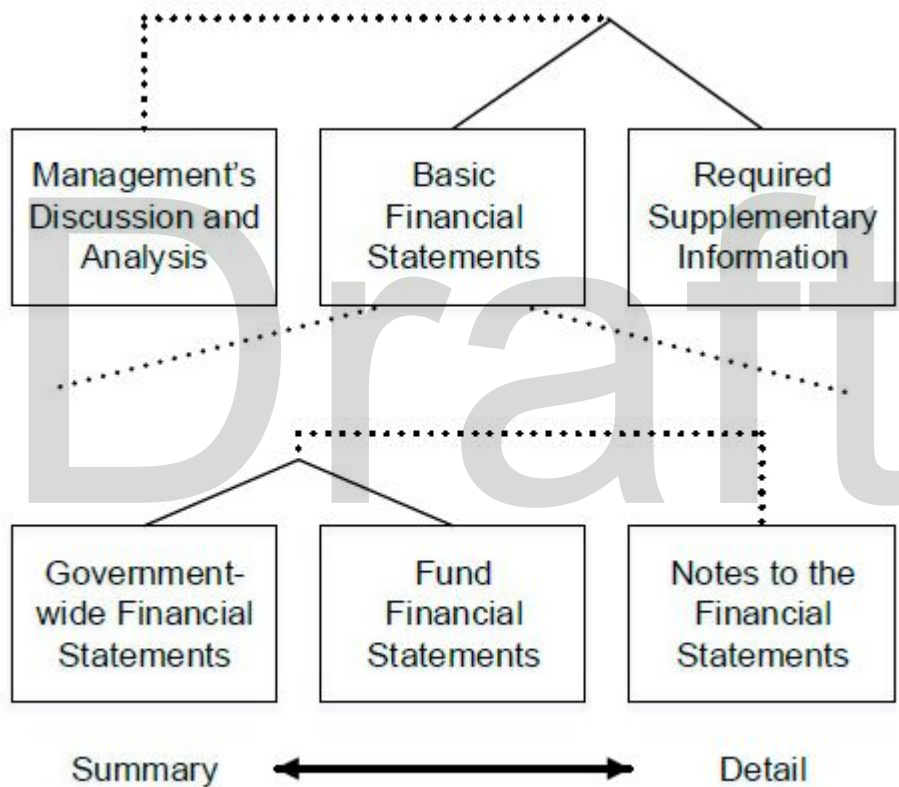


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 31 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 36 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 41 of this report.

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

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

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

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 of this report.

Required supplementary information can be found on page 72 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 \$15,614,947 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$9,667,842) 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	\$3,468,380	\$3,061,856	\$ 406,524	\$2,806,398	\$2,462,192	\$ 344,206
Capital assets	6,718,350	6,968,678	(250,328)	9,568,527	9,902,426	(333,899)
Total Assets	<u>10,186,730</u>	<u>10,030,534</u>	<u>156,196</u>	<u>12,374,925</u>	<u>12,364,618</u>	<u>10,307</u>
Deferred Outflows of Resources	<u>49,225</u>	<u>101,882</u>	<u>(52,657)</u>	<u>22,028</u>	<u>30,804</u>	<u>(8,776)</u>
Liabilities						
Noncurrent liabilities outstanding	2,128,856	2,445,359	(316,503)	4,684,864	5,207,868	(523,004)
Other liabilities	61,599	171,756	(110,157)	89,031	71,037	17,994
Total Liabilities	<u>2,190,455</u>	<u>2,617,115</u>	<u>(426,660)</u>	<u>4,773,895</u>	<u>5,278,905</u>	<u>(505,010)</u>
Deferred Inflows of Resources	<u>39,987</u>	<u>24,524</u>	<u>15,463</u>	<u>13,624</u>	<u>5,582</u>	<u>8,042</u>
Net Position						
Net invested in capital assets	4,712,373	4,685,303	27,070	4,955,469	4,773,426	182,043
Restricted	939,089	1,034,553	(95,464)	66,734	61,319	5,415
Unrestricted	<u>2,354,051</u>	<u>1,770,921</u>	<u>583,130</u>	<u>2,587,231</u>	<u>2,276,190</u>	<u>311,041</u>
Total Net Position	<u>\$8,005,513</u>	<u>\$7,490,777</u>	<u>\$ 514,736</u>	<u>\$7,609,434</u>	<u>\$7,110,935</u>	<u>\$ 498,499</u>

An additional portion of the City's net position (6.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,941,282) 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.

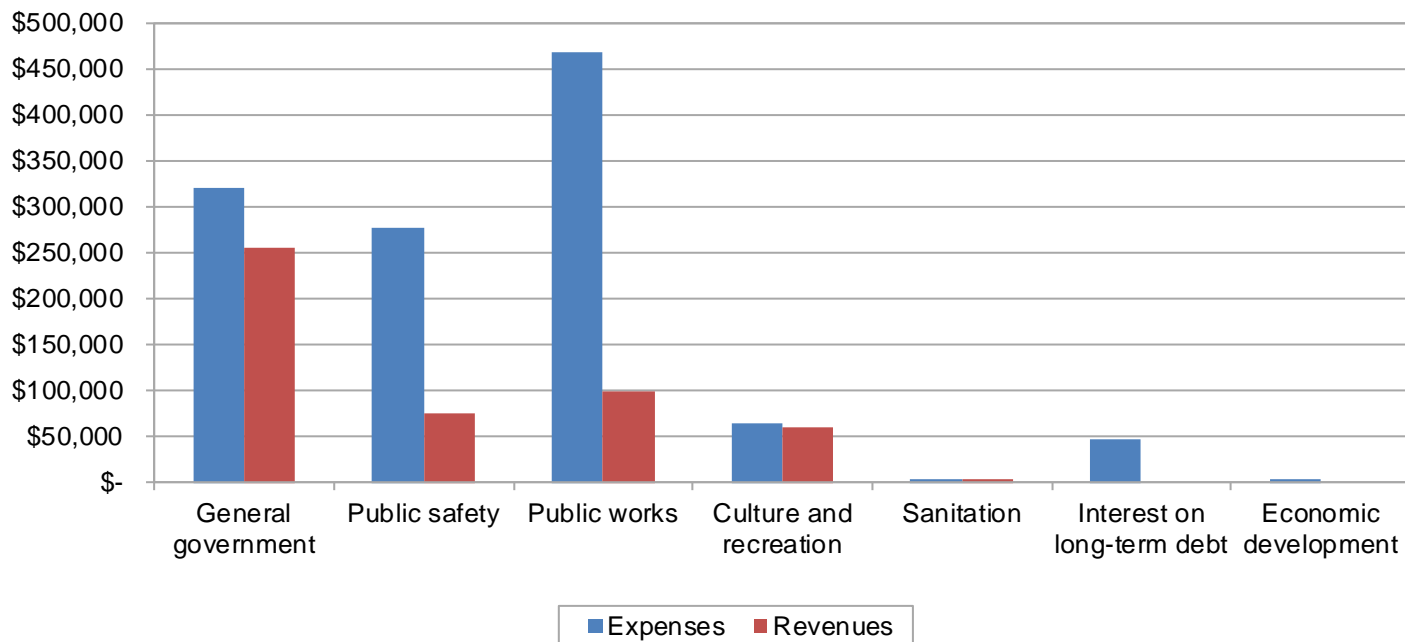
Governmental Activities: Governmental-type activities increased the City's net position by \$514,736. Key elements of this increase are as follows:

City of Mayer's Changes in Net Position

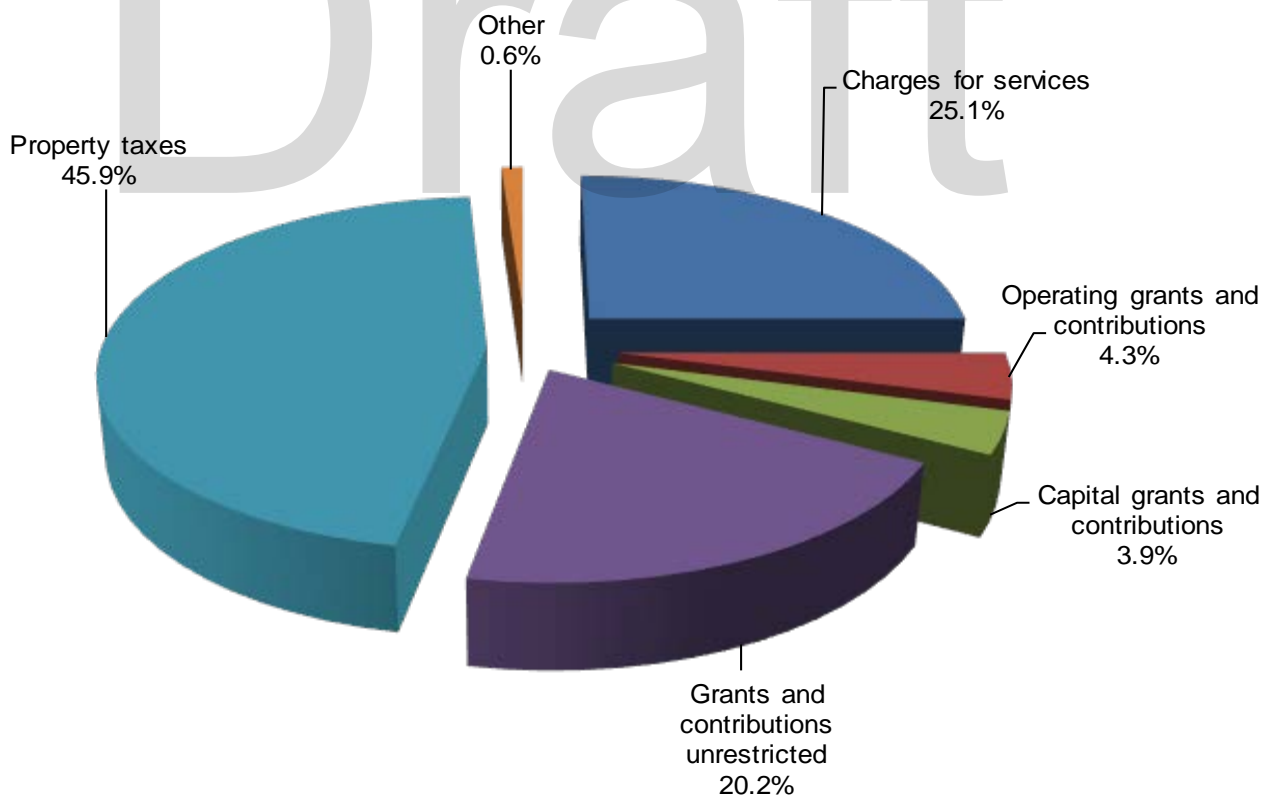
	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 372,253	\$ 335,560	\$ 36,693	\$ 896,271	\$ 769,382	\$ 126,889
Operating grants and contributions	62,226	32,337	29,889	-	-	-
Capital grants and contributions	56,319	61,979	(5,660)	487,786	395,800	91,986
General Revenues						
Property taxes,						
levied for general purpose	507,786	453,198	54,588	-	-	-
levied for debt service	176,403	187,984	(11,581)	273,000	309,000	(36,000)
State grants and contributions						
not restricted to specific programs	298,827	298,126	701	-	-	-
Unrestricted investment earnings	15,847	8,418	7,429	16,095	4,845	11,250
Miscellaneous	-	-	-	26	-	26
Gain on sale of capital assets	207,403	-	207,403	-	-	-
Total Revenues	1,697,064	1,377,602	319,462	1,673,178	1,479,027	194,151
Expenses						
General government	320,088	349,217	(29,129)	-	-	-
Public safety	276,369	276,500	(131)	-	-	-
Public works	468,311	397,294	71,017	-	-	-
Culture and recreation	63,967	64,529	(562)	-	-	-
Economic development	2,665	3,536	(871)	-	-	-
Sanitation	4,114	2,778	1,336	-	-	-
Interest on long-term debt	46,814	36,742	10,072	-	-	-
Water utility	-	-	-	448,016	431,335	16,681
Sewer utility	-	-	-	697,822	675,000	22,822
Storm water utility	-	-	-	28,841	20,871	7,970
Total Expenses	1,182,328	1,130,596	51,732	1,174,679	1,127,206	47,473
Change in Net Position	514,736	247,006	267,730	498,499	351,821	146,678
Net Position, January 1	7,490,777	7,243,771	247,006	7,110,935	6,759,114	351,821
Net Position, December 31	\$ 8,005,513	\$ 7,490,777	\$ 514,736	\$ 7,609,434	\$ 7,110,935	\$ 498,499

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

Expenses and Program Revenues - Governmental Activities



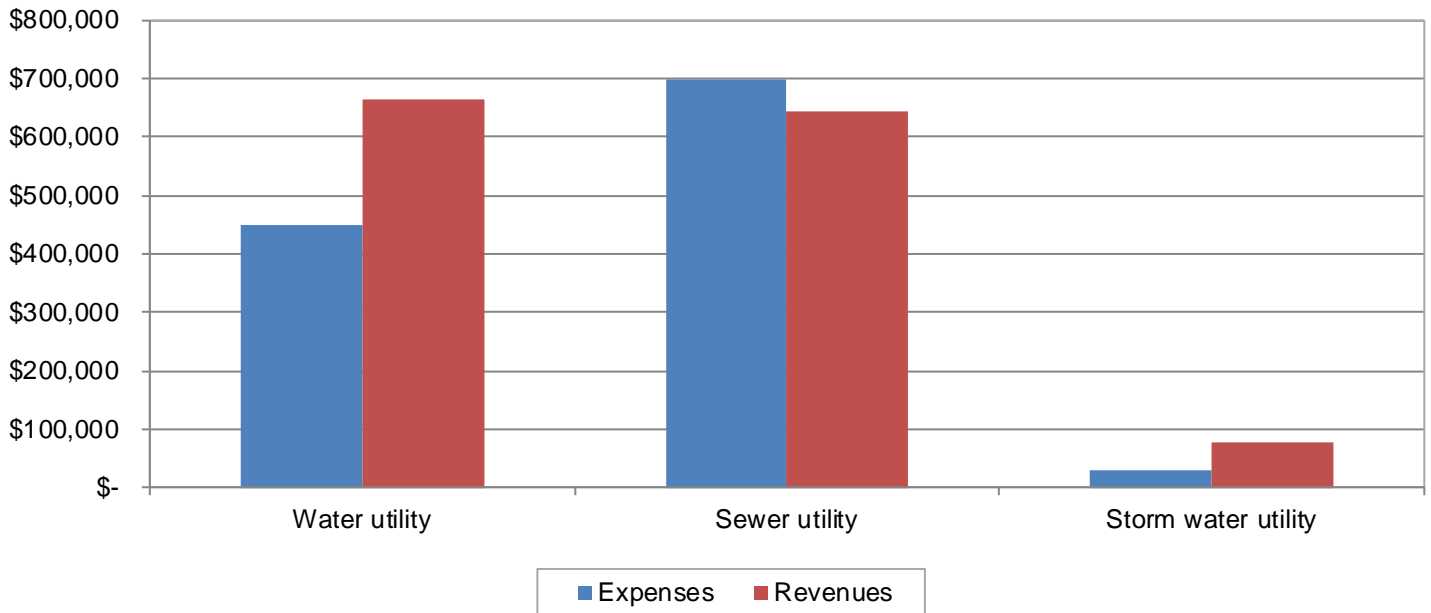
Revenues by Source - Governmental Activities



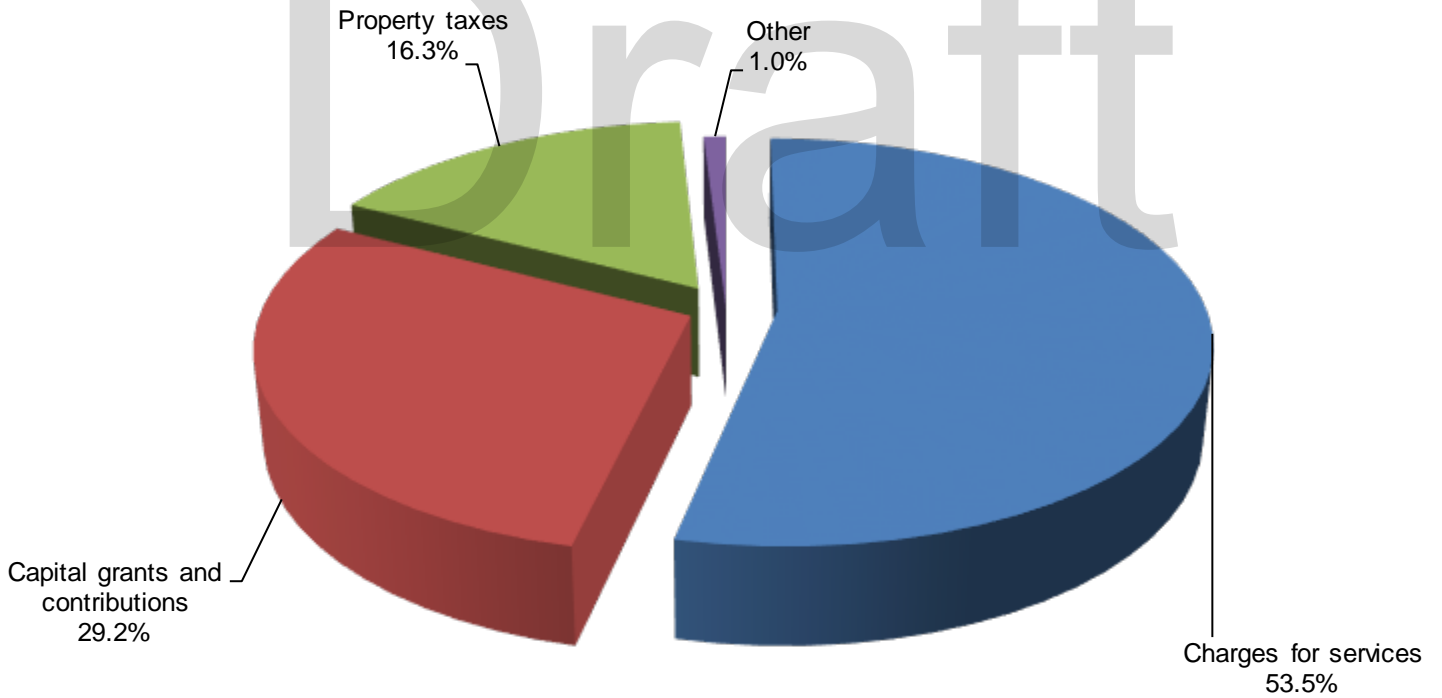
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type Activities: Business-type activities increased the City's net position by \$498,499. The following graph depicts various business-type activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,876,746, an increase of \$576,855 in comparison with the prior year. The primary reason for this increase is due to sale of land in the amount of \$207,403. Approximately 29 percent of the combined ending fund balances, \$842,262, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$2,034,484) is not available for new spending because it is either 1) restricted (\$609,860), or 2) assigned (\$1,424,624) 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 \$852,150 which was an increase of \$86,975. The General fund transferred \$276,992 to other funds for future capital needs.

The *Debt Service funds* 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 \$557,320, which was a decrease of \$27,258 due to routine debt payments.

The *Capital Project/Equipment fund* accounts for the accumulation of resources for future capital project and equipment purchases. The ending fund balance was \$826,335 which is assigned for future capital improvements and purchases. The change in fund balance was \$348,234 which is primarily due to the sale of land.

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 an increase of \$10,873 in fund balance. Total revenues were over budget by \$238,533 and expenditures were \$114,561 less than anticipated. Some of the significant variances can be briefly summarized as follows:

- All revenues were over budget in all functions. Licenses and permits were over budget by \$194,112 due to higher than expected building permit revenue and budgeting conservatively.
- Expenditures were under budget in all functions except general government, public works, and sanitation. The most significant variances were in capital outlay, which was \$143,455 under budget, and general government expenditures, which were over budget by \$52,170 related to professional services and additional costs for the City Administrator position throughout 2017.

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, 2017, amounts to \$16,286,877 (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 55 of this report.

City of Mayer's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 876,567	\$ 876,567	\$ -	\$ 40,792	\$ 40,792	\$ -
Construction Work in Process	10,766	6,700	17,466	368,635	257,844	110,791
Land Improvements	173,821	165,310	8,511	-	-	-
Buildings	436,658	414,142	22,516	-	-	-
Infrastructure	4,466,217	4,697,321	(231,104)	9,050,569	9,534,948	(484,379)
Machinery and Equipment	754,321	808,638	(54,317)	108,531	68,842	39,689
Total	<u>\$6,718,350</u>	<u>\$6,968,678</u>	<u>\$ (250,328)</u>	<u>\$9,568,527</u>	<u>\$9,902,426</u>	<u>\$ (333,899)</u>

Long-term Debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,608,058. 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 1,995,000	\$ 2,265,000	\$ (270,000)	\$ -	\$ -	\$ -
Bond Premium	-	-	-	152,058	-	152,058
General Obligation Revenue Bonds	-	-	-	4,461,000	5,129,000	(668,000)
Capital Leases Payable	10,977	18,375	(7,398)	-	-	-
Total	<u>\$2,005,977</u>	<u>\$2,283,375</u>	<u>\$ (277,398)</u>	<u>\$4,613,058</u>	<u>\$5,129,000</u>	<u>\$ (515,942)</u>

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

Additional information on the City's long-term debt can be found in Note 3E starts on page 58 of this report.

Economic Factors and Next Year's Budget

While 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 2017, the City issued 33 single family home permits. Although not the 70 required, the City is continuing to gain a couple of new homes each year. The City will continue to levy property taxes to make up for the short fall in hookup fee revenue and will also continue to adjust the property tax levy according to the number of hookup fees.

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.

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Mayer, Minnesota
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 2,886,598	\$ 2,711,398	\$ 5,597,996
Receivables			
Taxes	19,501	-	19,501
Accounts	5,644	87,476	93,120
Special assessments	432,033	7,524	439,557
Due from other governments	16,808	-	16,808
Pension asset	107,796	-	107,796
Capital assets			
Non-depreciable	887,333	409,427	1,296,760
Depreciable (net of accumulated depreciation)	5,831,017	9,159,100	14,990,117
Total Assets	<u>10,186,730</u>	<u>12,374,925</u>	<u>22,561,655</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>49,225</u>	<u>22,028</u>	<u>71,253</u>
Liabilities			
Accounts payable	17,812	25,338	43,150
Accrued salaries payable	4,435	914	5,349
Accrued interest payable	18,800	19,883	38,683
Deposits payable	-	15,000	15,000
Unearned revenue	20,552	27,896	48,448
Noncurrent liabilities			
Due within one year	299,498	603,000	902,498
Due in more than one year	1,829,358	4,081,864	5,911,222
Total Liabilities	<u>2,190,455</u>	<u>4,773,895</u>	<u>6,964,350</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>39,987</u>	<u>13,624</u>	<u>53,611</u>
Net Position			
Net invested in capital assets	4,712,373	4,955,469	9,667,842
Restricted for			
Future expansion	-	66,734	66,734
Debt service	886,549	-	886,549
Future capital	32,810	-	32,810
Economic development	19,730	-	19,730
Unrestricted	<u>2,354,051</u>	<u>2,587,231</u>	<u>4,941,282</u>
Total Net Position	<u>\$ 8,005,513</u>	<u>\$ 7,609,434</u>	<u>\$ 15,614,947</u>

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, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 320,088	\$ 246,332	\$ 8,558	\$ -
Public safety	276,369	63,383	10,792	-
Public works	468,311	-	42,876	56,319
Culture and recreation	63,967	60,038	-	-
Economic development	2,665	-	-	-
Sanitation	4,114	2,500	-	-
Interest on long-term debt	46,814	-	-	-
Total Governmental Activities	<u>1,182,328</u>	<u>372,253</u>	<u>62,226</u>	<u>56,319</u>
Business-type Activities				
Water utility	448,016	450,014	-	213,207
Sewer utility	697,822	425,854	-	216,836
Storm water utility	28,841	20,403	-	57,743
Total Business-type Activities	<u>1,174,679</u>	<u>896,271</u>	<u>-</u>	<u>487,786</u>
Total	<u>\$ 2,357,007</u>	<u>\$ 1,268,524</u>	<u>\$ 62,226</u>	<u>\$ 544,105</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

Miscellaneous

Gain on sale of capital assets

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
\$ (65,198)	\$ -	\$ (65,198)
(202,194)	-	(202,194)
(369,116)	-	(369,116)
(3,929)	-	(3,929)
(2,665)	-	(2,665)
(1,614)	-	(1,614)
(46,814)	-	(46,814)
<u>(691,530)</u>	<u>-</u>	<u>(691,530)</u>
-	215,205	215,205
-	(55,132)	(55,132)
-	49,305	49,305
<u>-</u>	<u>209,378</u>	<u>209,378</u>
<u>(691,530)</u>	<u>209,378</u>	<u>(482,152)</u>
507,786	-	507,786
176,403	273,000	449,403
298,827	-	298,827
15,847	16,095	31,942
-	26	26
207,403	-	207,403
<u>1,206,266</u>	<u>289,121</u>	<u>1,495,387</u>
514,736	498,499	1,013,235
<u>7,490,777</u>	<u>7,110,935</u>	<u>14,601,712</u>
<u>\$ 8,005,513</u>	<u>\$ 7,609,434</u>	<u>\$ 15,614,947</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

FUND FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Draft

City of Mayer, Minnesota
Balance Sheet
Governmental Funds
December 31, 2017

	101	300's	435	Other	Total
	General	Debt Service	Capital Project/ Equipment	Governmental Funds	Governmental Funds
Assets					
Cash and temporary investments	\$ 844,904	\$ 553,866	\$ 826,335	\$ 661,493	\$ 2,886,598
Receivables					
Taxes	19,501	-	-	-	19,501
Accounts	5,644	-	-	-	5,644
Special assessments	-	351,483	80,550	-	432,033
Due from other governments	16,808	-	-	-	16,808
	<u>16,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,808</u>
Total Assets	<u>\$ 886,857</u>	<u>\$ 905,349</u>	<u>\$ 906,885</u>	<u>\$ 661,493</u>	<u>\$ 3,360,584</u>
Liabilities					
Accounts payable	\$ 17,200	\$ -	\$ -	\$ -	\$ 17,200
Accrued salaries payable	5,047	-	-	-	5,047
Unearned revenue	-	-	-	20,552	20,552
Total Liabilities	<u>22,247</u>	<u>-</u>	<u>-</u>	<u>20,552</u>	<u>42,799</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	12,460	-	-	-	12,460
Unavailable revenue - special assessments	-	348,029	80,550	-	428,579
Total Deferred Inflows of Resources	<u>12,460</u>	<u>348,029</u>	<u>80,550</u>	<u>-</u>	<u>441,039</u>
Fund Balances					
Restricted	-	557,320	-	52,540	609,860
Assigned	-	-	826,335	598,289	1,424,624
Unassigned	852,150	-	-	(9,888)	842,262
Total Fund Balances	<u>852,150</u>	<u>557,320</u>	<u>826,335</u>	<u>640,941</u>	<u>2,876,746</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 886,857</u>	<u>\$ 905,349</u>	<u>\$ 906,885</u>	<u>\$ 661,493</u>	<u>\$ 3,360,584</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, 2017

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

Total Fund Balances - Governmental Funds	\$ 2,876,746
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets, net of accumulated depreciation	6,718,350
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	(10,977)
Bonds payable	(1,995,000)
Compensated absences payable	(9,551)
Pension liability	(113,328)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes	12,460
Special assessments	428,579
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	49,225
Deferred inflows of pension resources	(39,987)
Pension asset	107,796
Governmental funds do not report a liability for accrued interest until due and payable.	
	(18,800)
Total Net Position - Governmental Activities	\$ 8,005,513

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, 2017

	101 General	300's Debt Service	435 Capital Project/ Equipment	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 502,734	\$ 176,403	\$ -	\$ -	\$ 679,137
Licenses and permits	218,807	-	-	-	218,807
Intergovernmental	352,180	-	-	-	352,180
Charges for services	110,887	-	-	450	111,337
Fines and forfeitures	3,809	-	-	-	3,809
Special assessments	162	112,328	14,384	-	126,874
Interest on investments	3,462	2,147	6,443	3,795	15,847
Miscellaneous	35,647	-	-	23,427	59,074
Total Revenues	<u>1,227,688</u>	<u>290,878</u>	<u>20,827</u>	<u>27,672</u>	<u>1,567,065</u>
Expenditures					
Current					
General government	313,606	-	-	-	313,606
Public safety	217,767	-	-	1,030	218,797
Public works	202,309	-	-	-	202,309
Sanitation	4,114	-	-	-	4,114
Culture and recreation	23,221	-	-	-	23,221
Capital outlay					
General government	11,929	-	-	-	11,929
Public safety	7,502	-	-	-	7,502
Public works	28,603	-	(4)	-	28,599
Culture and recreation	45,515	-	-	14,730	60,245
Economic development	847	-	-	-	847
Debt service					
Principal	7,398	270,000	-	-	277,398
Interest and other	910	48,136	-	-	49,046
Total Expenditures	<u>863,721</u>	<u>318,136</u>	<u>(4)</u>	<u>15,760</u>	<u>1,197,613</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>363,967</u>	<u>(27,258)</u>	<u>20,831</u>	<u>11,912</u>	<u>369,452</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	207,403	-	207,403
Transfers in	-	-	120,000	156,992	276,992
Transfers out	(276,992)	-	-	-	(276,992)
Total Other Financing Sources (Uses)	<u>(276,992)</u>	<u>-</u>	<u>327,403</u>	<u>156,992</u>	<u>207,403</u>
Net Change in Fund Balances	86,975	(27,258)	348,234	168,904	576,855
Fund Balances, January 1	<u>765,175</u>	<u>584,578</u>	<u>478,101</u>	<u>472,037</u>	<u>2,299,891</u>
Fund Balances, December 31	<u>\$ 852,150</u>	<u>\$ 557,320</u>	<u>\$ 826,335</u>	<u>\$ 640,941</u>	<u>\$ 2,876,746</u>

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, 2017

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

Total Net Change in Fund Balances - Governmental Funds	\$ 576,855
<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	76,465
Depreciation expense	(326,793)
<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 effects of these differences in the treatment of long-term debt and related items.</p>	
Principal repayments	277,398
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	2,232
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(26,092)
Pension revenue	326
<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	5,052
Special assessments	(82,782)
<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	12,075
Change in Net Position - Governmental Activities	\$ 514,736

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 494,289	\$ 494,289	\$ 502,734	\$ 8,445
Licenses and permits	24,695	24,695	218,807	194,112
Intergovernmental	342,886	342,886	352,180	9,294
Charges for services	103,082	103,082	110,887	7,805
Fines and forfeitures	1,000	1,000	3,809	2,809
Interest on investments	2,500	2,500	3,462	962
Special assessments	-	-	162	162
Miscellaneous	20,703	20,703	35,647	14,944
Total Revenues	<u>989,155</u>	<u>989,155</u>	<u>1,227,688</u>	<u>238,533</u>
Expenditures				
Current				
General government	261,436	261,436	313,606	(52,170)
Public safety	225,473	225,473	217,767	7,706
Public works	179,045	179,045	202,309	(23,264)
Sanitation	3,287	3,287	4,114	(827)
Culture and recreation	36,530	36,530	23,221	13,309
Economic development	4,550	4,550	847	3,703
Capital outlay	237,004	237,004	93,549	143,455
Debt service	30,957	30,957	8,308	22,649
Total Expenditures	<u>978,282</u>	<u>978,282</u>	<u>863,721</u>	<u>114,561</u>
Excess of Revenues Over Expenditures	10,873	10,873	363,967	353,094
Other Financing Uses				
Transfers out	-	-	(276,992)	(276,992)
Net Change in Fund Balances	10,873	10,873	86,975	76,102
Fund Balances, January 1	<u>765,175</u>	<u>765,175</u>	<u>765,175</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 776,048</u>	<u>\$ 776,048</u>	<u>\$ 852,150</u>	<u>\$ 76,102</u>

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, 2017

	Business-type Activities - Enterprise Funds			
	620	640	650	Totals
	Water Utility	Sewer Utility	Nonmajor Storm Water Utility	
Assets				
Current Assets				
Cash and temporary investments	\$ 1,003,647	\$ 1,674,846	\$ 32,905	\$ 2,711,398
Receivables				
Accounts	34,775	50,339	2,362	87,476
Special assessments	3,762	3,762	-	7,524
Total Current Assets	<u>1,042,184</u>	<u>1,728,947</u>	<u>35,267</u>	<u>2,806,398</u>
Noncurrent Assets				
Capital assets not being depreciated	40,792	-	368,635	409,427
Capital assets being depreciated	6,217,843	8,395,640	427,092	15,040,575
Total Capital Assets	<u>6,258,635</u>	<u>8,395,640</u>	<u>795,727</u>	<u>15,450,002</u>
Less Accumulated Depreciation	<u>(2,179,229)</u>	<u>(3,557,408)</u>	<u>(144,838)</u>	<u>(5,881,475)</u>
Capital Assets Net of Accumulated Depreciation	<u>4,079,406</u>	<u>4,838,232</u>	<u>650,889</u>	<u>9,568,527</u>
Total Assets	<u>5,121,590</u>	<u>6,567,179</u>	<u>686,156</u>	<u>12,374,925</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>11,014</u>	<u>11,014</u>	-	<u>22,028</u>
Current Liabilities				
Accounts payable	3,325	4,943	17,070	25,338
Deposits payable	15,000	-	-	15,000
Accrued interest payable	11,793	8,090	-	19,883
Accrued salaries payable	457	457	-	914
Unearned revenue	27,896	-	-	27,896
Current portion of bonds payable	276,300	326,700	-	603,000
Total Current Liabilities	<u>334,771</u>	<u>340,190</u>	<u>17,070</u>	<u>692,031</u>
Noncurrent Liabilities				
Bonds payable, less current portion above	2,063,706	1,946,352	-	4,010,058
Pension liability	35,903	35,903	-	71,806
Total Noncurrent Liabilities	<u>2,099,609</u>	<u>1,982,255</u>	<u>-</u>	<u>4,081,864</u>
Total Liabilities	<u>2,434,380</u>	<u>2,322,445</u>	<u>17,070</u>	<u>4,773,895</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>6,812</u>	<u>6,812</u>	-	<u>13,624</u>
Net Position				
Net investment in capital assets	1,739,400	2,565,180	650,889	4,955,469
Restricted for future expansion	-	66,734	-	66,734
Unrestricted	<u>952,012</u>	<u>1,617,022</u>	<u>18,197</u>	<u>2,587,231</u>
Total Net Position	<u>\$ 2,691,412</u>	<u>\$ 4,248,936</u>	<u>\$ 669,086</u>	<u>\$ 7,609,434</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, 2017

	Business-type Activities - Enterprise Funds			
	620	640	Nonmajor 650	Totals
	Water Utility	Sewer Utility	Storm Water Utility	
Operating Revenues				
Charges for services	\$ 369,934	\$ 421,758	\$ 20,403	\$ 812,095
Operating Expenses				
Personal services	51,739	51,739	-	103,478
Supplies	4,844	55,463	-	60,307
Repairs and maintenance	29,092	47,717	-	76,809
Other services and charges	34,778	66,796	14,605	116,179
Insurance	3,817	10,533	-	14,350
Utilities	25,062	40,388	-	65,450
Depreciation	198,845	284,269	14,236	497,350
Total Operating Expenses	<u>348,177</u>	<u>556,905</u>	<u>28,841</u>	<u>933,923</u>
Operating Income (Loss)	<u>21,757</u>	<u>(135,147)</u>	<u>(8,438)</u>	<u>(121,828)</u>
Nonoperating Revenues (Expenses)				
Property taxes	-	273,000	-	273,000
Special assessments	3,816	4,096	-	7,912
Interest income	6,314	9,513	268	16,095
Miscellaneous income	76,277	13	-	76,290
Bond issuance costs	(15,126)	(40,896)	-	(56,022)
Interest expense	(84,713)	(100,021)	-	(184,734)
Total Nonoperating Revenues (Expenses)	<u>(13,432)</u>	<u>145,705</u>	<u>268</u>	<u>132,541</u>
Income (Loss) Before Contributions	8,325	10,558	(8,170)	10,713
Capital Contributions	<u>213,207</u>	<u>216,836</u>	<u>57,743</u>	<u>487,786</u>
Change in Net Position	221,532	227,394	49,573	498,499
Net Position, January 1	<u>2,469,880</u>	<u>4,021,542</u>	<u>619,513</u>	<u>7,110,935</u>
Net Position, December 31	<u>\$ 2,691,412</u>	<u>\$ 4,248,936</u>	<u>\$ 669,086</u>	<u>\$ 7,609,434</u>

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, 2017

	Business-type Activities - Enterprise Funds			
	Nonmajor			Totals
	620 Water Utility	640 Sewer Utility	650 Storm Water Utility	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 376,486	\$ 426,810	\$ 20,213	\$ 823,509
Other operating receipts	76,277	13	-	76,290
Payments to suppliers, contractors and other governments	(81,915)	(224,820)	(5,995)	(312,730)
Payments to employees	(46,616)	(46,616)	-	(93,232)
Net Cash Provided (Used) by Operating Activities	<u>324,232</u>	<u>155,387</u>	<u>14,218</u>	<u>493,837</u>
Cash Flows from Noncapital Financing Activities				
Special assessments received	<u>2,050</u>	<u>2,330</u>	<u>-</u>	<u>4,380</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(52,660)	(110,791)	(163,451)
Property taxes received	-	273,000	-	273,000
Connection fees collected	213,207	216,836	57,743	487,786
Proceeds of refunding bonds issued	777,880	2,103,156	-	2,881,036
Payment on refunding bonds	(777,600)	(2,102,400)	-	(2,880,000)
Principal paid on long-term debt	(265,550)	(307,450)	-	(573,000)
Interest paid on long-term debt	(86,167)	(101,428)	-	(187,595)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(138,230)</u>	<u>29,054</u>	<u>(53,048)</u>	<u>(162,224)</u>
Cash Flows from Investing Activities				
Interest received on investments	<u>6,314</u>	<u>9,513</u>	<u>268</u>	<u>16,095</u>
Net Increase (Decrease) in Cash and Cash Equivalents	194,366	196,284	(38,562)	352,088
Cash and Cash Equivalents, January 1	<u>809,281</u>	<u>1,478,562</u>	<u>71,467</u>	<u>2,359,310</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,003,647</u>	<u>\$ 1,674,846</u>	<u>\$ 32,905</u>	<u>\$ 2,711,398</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating loss	\$ 21,757	\$ (135,147)	\$ (8,438)	\$ (121,828)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	198,845	284,269	14,236	497,350
Other income related to operations	76,277	13	-	76,290
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	6,552	5,052	(190)	11,414
Deferred pension resources	4,388	4,388	-	8,776
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	(395)	(3,923)	8,610	4,292
Deposits payable	15,000	-	-	15,000
Accrued salaries payable	245	245	-	490
Unearned revenue	1,073	-	-	1,073
Pension liability	(3,531)	(3,531)	-	(7,062)
Deferred pension resources	4,021	4,021	-	8,042
Net Cash Provided (Used) by Operating Activities	<u>\$ 324,232</u>	<u>\$ 155,387</u>	<u>\$ 14,218</u>	<u>\$ 493,837</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, 2017

	<u>Agency</u>
	800
	Developer
	<u>Escrows</u>
Assets	
Cash and temporary investments	\$ (43,157)
Accounts receivable	<u>43,157</u>
 Total Assets	 <u><u>\$ -</u></u>

Draft

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. *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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

The *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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, 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 statement of cash flows.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 53 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2017:

- Brokered certificates of deposits of \$1,926,590 are valued using quoted market prices (Level 1 inputs).

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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

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.

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 acquisition 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.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

<u>Assets</u>	<u>Useful Lives in Years</u>
Land Improvements	5 to 25
Buildings	25 to 30
Infrastructure	30 to 50
Machinery and Equipment	5 to 10

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by PERA through the Statewide Volunteer Firefighter Retirement Plan (SVF) for the Mayer Firefighter's Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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. The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Net Position

In the government-wide financial statements, net position represents the difference between assets and deferred inflows of resources and liabilities and deferred inflows of resources. 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.

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.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

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 30 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 2017.

B. Deficit Fund Balance

The nonmajor capital project fund FEMA Grant has a fund deficit of \$9,888 as of December 31, 2017. The deficit will be eliminated with future transfers in.

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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;

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

- 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 \$3,591,595 and the bank balance was \$3,710,670. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered with collateral held by the City's agent in the City's name.

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amounts	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Broker money market	N/A	Less than 6 months	\$ 36,654	\$ -	\$ -	\$ -
Non-pooled Investments						
Brokered certificates of deposit	N/A	6 months to 12 months	1,144,511	1,144,511	-	-
Brokered certificates of deposit	N/A	1 to 3 years	782,079	782,079	-	-
Total Investments			<u>\$ 1,963,244</u>	<u>\$ 1,926,590</u>	<u>\$ -</u>	<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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

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 48 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.

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

Carrying Amount of Deposits	\$ 3,591,595
Investments	<u>1,963,244</u>
Total Cash and Temporary Investments	<u><u>\$ 5,554,839</u></u>
Statement of Net Position	
Cash and temporary investments	\$ 5,597,996
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>(43,157)</u>
Total	<u><u>\$ 5,554,839</u></u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for City for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 876,567	\$ -	\$ -	\$ 876,567
Construction in progress	6,700	28,488	(24,422)	10,766
Total Capital Assets not being Depreciated	<u>883,267</u>	<u>28,488</u>	<u>(24,422)</u>	<u>887,333</u>
Capital assets being depreciated				
Land improvements	238,135	19,668	-	257,803
Buildings	806,548	39,152	-	845,700
Infrastructure	6,796,990	-	-	6,796,990
Machinery and equipment	1,886,347	13,579	-	1,899,926
Total Capital Assets being Depreciated	<u>9,728,020</u>	<u>72,399</u>	<u>-</u>	<u>9,800,419</u>
Less Accumulated Depreciation for				
Land improvements	(72,825)	(11,157)	-	(83,982)
Buildings	(392,406)	(16,636)	-	(409,042)
Infrastructure	(2,099,669)	(231,104)	-	(2,330,773)
Machinery and equipment	(1,077,709)	(67,896)	-	(1,145,605)
Total Accumulated Depreciation	<u>(3,642,609)</u>	<u>(326,793)</u>	<u>-</u>	<u>(3,969,402)</u>
Total Capital Assets being Depreciated, Net	<u>6,085,411</u>	<u>(254,394)</u>	<u>-</u>	<u>5,831,017</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,968,678</u>	<u>\$ (225,906)</u>	<u>\$ (24,422)</u>	<u>\$ 6,718,350</u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 40,792	\$ -	\$ -	\$ 40,792
Construction in progress	257,844	110,791	-	368,635
Total Capital Assets not being Depreciated	<u>298,636</u>	<u>110,791</u>	<u>-</u>	<u>409,427</u>
Capital Assets being Depreciated				
Infrastructure	14,779,787	-	-	14,779,787
Machinery and equipment	208,128	52,660	-	260,788
Total Capital Assets being Depreciated	<u>14,987,915</u>	<u>52,660</u>	<u>-</u>	<u>15,040,575</u>
Less Accumulated Depreciation for				
Infrastructure	(5,244,839)	(484,379)	-	(5,729,218)
Machinery and equipment	(139,286)	(12,971)	-	(152,257)
Total Accumulated Depreciation	<u>(5,384,125)</u>	<u>(497,350)</u>	<u>-</u>	<u>(5,881,475)</u>
Total capital assets being Depreciated, Net	<u>9,603,790</u>	<u>(444,690)</u>	<u>-</u>	<u>9,159,100</u>
Business-type Activities Capital Assets, Net	<u>\$ 9,902,426</u>	<u>\$ (333,899)</u>	<u>\$ -</u>	<u>\$ 9,568,527</u>

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

Governmental Activities		
General government		\$ 7,196
Public safety		41,696
Public works		255,302
Culture and recreation		20,781
Economic and development		<u>1,818</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 326,793</u>
Business-type Activities		
Water utilities		\$ 198,845
Sewer utilities		284,269
Storm sewer utilities		<u>14,236</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 497,350</u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

C. Construction Commitments

The City has active construction projects as of December 31, 2017. At year end, the City's had commitments related to the following projects:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Wetland Restoration Project	\$ 368,968	\$ 8,000
Old School House Park Shelter	<u>10,766</u>	<u>260,000</u>
Total	<u>\$ 379,734</u>	<u>\$ 268,000</u>

D. Interfund Transfers

The composition of interfund transfers as of December 31, 2017 is as follows:

<u>Fund</u>	<u>Transfer in Nonmajor Governmental Funds</u>
Transfer Out General	<u>\$ 276,992</u>

The General fund transferred the following to governmental funds:

- \$73,573 to nonmajor Fire Truck fund for the purpose of future fire department capital purchases.
- \$21,029 to nonmajor Park Improvement fund for the purpose of future capital purchases.
- \$13,672 to nonmajor Community Center fund for the purpose of improvements to the Community Center.
- \$48,718 to nonmajor to the new Public Works fund.
- \$120,000 to nonmajor Capital Projects fund for the purpose of future capital purchases.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

E. 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	\$ 129,000
Minnesota Public Facilities Project Loan	347,000	3.910	01/27/01	08/20/20	72,000
Minnesota Public Facilities Project Loan	2,627,000	2.070	08/28/06	08/20/26	1,300,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	175,000
G.O. 2017 Water Refunding bond 2017	751,950	2.0 - 3.0	11/15/17	12/01/24	751,950
G.O. 2017 Sewer Refunding bond 2017	2,033,050	2.0 - 3.0	11/15/17	12/01/24	<u>2,033,050</u>
Total G.O. Revenue Bonds					<u><u>\$ 4,461,000</u></u>

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2017 are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2018	\$ 603,000	\$ 115,304	\$ 718,304
2019	648,000	99,159	747,159
2020	693,000	85,500	778,500
2021	666,000	66,214	732,214
2022	499,000	47,746	546,746
2023 - 2026	<u>1,352,000</u>	<u>65,904</u>	<u>1,417,904</u>
Total	<u><u>\$ 4,461,000</u></u>	<u><u>\$ 479,827</u></u>	<u><u>\$ 4,940,827</u></u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Improvement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Utility Refunding Revenue Bonds of 2014	\$ 1,675,000	2.00 - 3.00 %	07/01/14	02/01/23	\$ 1,285,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	<u>710,000</u>
Total General Obligation Bonds					<u><u>\$ 1,995,000</u></u>

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2017 are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 285,000	\$ 42,075	\$ 327,075
2019	285,000	36,775	321,775
2020	290,000	31,425	321,425
2021	295,000	25,775	320,775
2022	305,000	18,675	323,675
2023 - 2026	<u>535,000</u>	<u>17,263</u>	<u>552,263</u>
Total	<u><u>\$ 1,995,000</u></u>	<u><u>\$ 171,988</u></u>	<u><u>\$ 2,166,988</u></u>

Capital Lease Agreements

The City has issued capital leases for the acquisition of buildings and equipment. The book value of the original asset was \$100,000 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>\$ 10,977</u>

The annual requirements to amortize the capital leases as of December 31, 2017 are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 7,812	\$ 496	\$ 8,308
2019	3,165	87	3,252
Total	<u><u>\$ 10,977</u></u>	<u><u>\$ 583</u></u>	<u><u>\$ 11,560</u></u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General obligation bonds	\$ 2,265,000	\$ -	\$ (270,000)	\$ 1,995,000	\$ 285,000
Capital leases payable	18,375	-	(7,398)	10,977	7,812
Pension liability	140,358	-	(27,030)	113,328	-
Compensated absences payable	21,626	11,819	(23,894)	9,551	6,686
	<u>21,626</u>	<u>11,819</u>	<u>(23,894)</u>	<u>9,551</u>	<u>6,686</u>
Governmental Activities Long-term Liabilities	<u>\$ 2,445,359</u>	<u>\$ 11,819</u>	<u>\$ (328,322)</u>	<u>\$ 2,128,856</u>	<u>\$ 299,498</u>
Business-type Activities					
Bonds payable					
General obligation revenue bonds	\$ 5,129,000	\$ 2,785,000	\$ (3,453,000)	\$ 4,461,000	\$ 603,000
Bond premium	-	152,058	-	152,058	-
Pension liability	78,868	5,203	(12,265)	71,806	-
	<u>78,868</u>	<u>5,203</u>	<u>(12,265)</u>	<u>71,806</u>	<u>-</u>
Business-type Activities Long-term Liabilities	<u>\$ 5,207,868</u>	<u>\$ 2,942,261</u>	<u>\$ (3,465,265)</u>	<u>\$ 4,684,864</u>	<u>\$ 603,000</u>

Refunding Bonds

On November 15, 2017, the City issued \$2,785,000 of General Obligation Sewer and Water Revenue Refunding Bonds, Series 2017A. The bonds bear an average coupon rate of 2.71 percent and will refund the outstanding principal of the General Obligation Water and Sewer Refunding Bonds, Series 2007A. As a result of the refunding issue, the City will save \$236,866 in debt service payments and achieve an economic gain (the present value of the difference of the old and the new debt service) of \$225,010.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2017, 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:

	Debt Service	Capital Project/ Equipment	Other Governmental Funds	Total
Restricted for				
Debt service	\$ 557,320	\$ -	\$ -	\$ 557,320
Economic development	-	-	19,730	19,730
Future capital	-	-	32,810	32,810
Total Restricted	\$ 557,320	\$ -	\$ 52,540	\$ 609,860
Assigned				
Fire truck	\$ -	\$ -	\$ 151,021	\$ 151,021
Park improvements	-	-	311,574	311,574
Community center	-	-	24,195	24,195
Futures capital projects/equipment	-	826,335	43,010	869,345
Street improvements	-	-	68,489	68,489
Total Assigned	\$ -	\$ 826,335	\$ 598,289	\$ 1,424,624

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, other than teachers, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$13,098, \$12,697 and \$11,846 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

D. Pension Costs

GERF Pension Costs

At December 31, 2017, the City reported a liability of \$185,134 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$2,308. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0029 percent which was an increase of 0.0002 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$26,951 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$67 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2017, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 6,148	\$ 12,166
Changes in Actuarial Assumptions	31,058	18,560
Net Difference between Projected and Actual Earnings on Plan Investments	-	8,112
Changes in Proportion	11,912	1,351
Contributions to GERF Subsequent to the Measurement Date	6,411	-
Total	\$ 55,529	\$ 40,189

Deferred outflows of resources totaling \$6,411 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ 2,666
2019	14,727
2020	(603)
2021	(7,861)

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

The following changes occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	<u>\$ 311,367</u>	<u>\$ 185,134</u>	<u>\$ 143,328</u>

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

The Mayer Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2016, the plan covered 27 active firefighters and 6 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353 G.

B. Benefits Provided

The SVF provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in \$100 increments ranging from \$500 to \$7,500 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributed for the year ended December 31, 2016, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the SVF plan for the year ended December 31, 2017 was \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11A and chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

The SBI made no significant changes to their investment policy during fiscal year 2017 for the SVF plan.

E. Pension Costs

At December 31, 2017, the City reported a net pension asset of \$107,796 for the SVF plan. The net pension asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department as of December 31, 2016. The following table presents the changes in net pension asset during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2016	\$ 618,027	\$ 710,498	\$ (92,471)
Changes for the Year			
Service cost	21,414	-	21,414
Interest on pension liability (asset)	37,634	-	37,634
Actuarial experience (gains)/losses	(10,709)	-	(10,709)
Projected investment earnings	-	42,630	(42,630)
Contributions (State)	-	16,009	(16,009)
Asset (gain)/loss	-	6,069	(6,069)
Benefit payouts	(24,432)	(24,432)	-
Administrative costs	-	(1,044)	1,044
Total Net Changes	23,907	39,232	(15,325)
Ending Balance December 31, 2016	\$ 641,934	\$ 749,730	\$ (107,796)

For the year ended December 31, 2017, the City recognized pension expense of \$37,677.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2017, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 8,567
Net Difference between Projected and Actual Earnings on Plan Investments	-	4,855
Contributions to SVF Subsequent to the Measurement Date	15,724	-
Total	\$ 15,724	\$ 13,422

There were \$15,724 of deferred outflows of resources related to pensions resulting from the City's contributions to SVF subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Deferred inflows of resources totaling \$13,422 related to State aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to SVF pensions will be recognized in pension expense as follows:

2018		\$ (3,356)
2019		(3,356)
2020		(3,356)
2021		(3,354)

F. Actuarial Assumptions

The total pension liability at December 31, 2017 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.00% per year
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2016.

The 6 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Retirement Plan (VOLP) that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.00 %	5.10 %
International Stocks	15.00	5.30
Bonds	45.00	0.75
Cash	5.00	-
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
SVF	\$ (89,126)	\$ (107,796)	\$ (111,213)

I. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 6: Other Information

A. Risk Management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNR's). The City's management is not aware of any incurred but not reported claims.

B. Legal Debt Margin

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

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2017 was \$298,717 for LGA. This accounted for 24.3 percent of General fund revenues.

D. Related Party Transaction

During 2017, the City made purchases from Mayer Lumber Company which is owned by the Fire Chief. During 2017, \$11,924 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 revenue bonds to provide financial assistance to a private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City authorized and issued \$4,720,000 in revenue bonds in 2014, and \$10,000,000 in revenue bonds in 2016. As of December 31, 2017, the outstanding balance was \$4,720,000 for the 2014 bonds, and \$9,906,591 for the bond issued in 2016.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Draft

City of Mayer, Minnesota
Required Supplementary Information
December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0029 %	\$ 185,134	\$ 2,308	\$ 187,442	\$ 174,640	106.01 %	75.9 %
06/30/16	0.0027 %	219,226	-	219,226	169,293	129.49 %	68.9
06/30/15	0.0026	134,745	-	134,745	151,471	88.96	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Required Supplementary Information						
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)	
12/31/17	\$ 13,098	\$ 13,098	\$ -	\$ 174,640	7.5 %	
12/31/16	12,697	12,697	-	169,293	7.5	
12/31/15	11,846	11,846	-	157,947	7.5	

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Mayer, Minnesota
 Required Supplementary Information (Continued)
 December 31, 2017

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)
	(a)	(b)	(a-b)
12/31/15	\$ 3,979	\$ 3,979	\$ -
12/31/14	9,096	32,862	(23,766)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Mayer, Minnesota
Required Supplementary Information (Continued)
December 31, 2017

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 21,414	\$ 21,992	\$ 23,202
Interest on pension liability (asset)	37,634	35,629	35,437
Differences between expected and actual experience	(10,709)	(11,415)	(16,246)
Benefit payments	(24,432)	-	(75,000)
Net Change in Total Pension Liability	<u>23,907</u>	<u>46,206</u>	<u>(32,607)</u>
Total Pension Liability - January 1	<u>618,027</u>	<u>571,821</u>	<u>604,920</u>
Total Pension Liability - December 31	<u><u>\$ 641,934</u></u>	<u><u>\$ 618,027</u></u>	<u><u>\$ 572,313</u></u>
Plan Fiduciary Net Position			
Nonemployer contributions	\$ 16,009	\$ 21,046	\$ 48,137
Projected investment return	42,639	857	42,113
Gain (loss)	6,069	-	-
Benefit payments	(24,432)	-	(75,000)
Administrative expenses	(1,044)	(1,043)	(1,450)
Net Change in Plan Fiduciary Net Position	<u>39,241</u>	<u>20,860</u>	<u>13,800</u>
Plan Fiduciary Net Position - January 1	<u>710,499</u>	<u>689,639</u>	<u>675,839</u>
Plan Fiduciary Net Position - December 31	<u><u>\$ 749,740</u></u>	<u><u>\$ 710,499</u></u>	<u><u>\$ 689,639</u></u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u><u>\$ (107,806)</u></u>	<u><u>\$ (92,472)</u></u>	<u><u>\$ (117,326)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	116.79%	114.96%	120.50%
Covered-employee Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A

Notes to Schedule:

Benefit changes. In 2016, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MAYER
MAYER, MINNESOTA

Draft
FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Mayer, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2017

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 52,540	\$ 608,953	\$ 661,493
Liabilities			
Unearned revenue	\$ -	\$ 20,552	\$ 20,552
Fund Balances			
Restricted	52,540	-	52,540
Assigned	-	598,289	598,289
Unassigned	-	(9,888)	(9,888)
Total Fund Balances	52,540	588,401	640,941
Total Liabilities and Fund Balances	\$ 52,540	\$ 608,953	\$ 661,493

Draft

City of Mayer, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2017

	Special Revenue	Capital Projects	Total
Revenues			
Charges for services	\$ -	\$ 450	\$ 450
Interest on investments	229	3,566	3,795
Miscellaneous	4,055	19,372	23,427
Total Revenues	4,284	23,388	27,672
Expenditures			
Current			
Public safety	1,030	-	1,030
Capital outlay			
Culture and recreation	-	14,730	14,730
Total Expenditures	1,030	14,730	15,760
Excess of Revenues Over Expenditures	3,254	8,658	11,912
Other Financing Sources			
Transfers in	-	156,992	156,992
Net Change in Fund Balances	3,254	165,650	168,904
Fund Balances, January 1	49,286	422,751	472,037
Fund Balances, December 31	\$ 52,540	\$ 588,401	\$ 640,941

City of Mayer, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2017

	225	212	222	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
Assets				
Cash and temporary investments	\$ 19,730	\$ 27,365	\$ 5,445	\$ 52,540
Fund Balances				
Restricted	\$ 19,730	\$ 27,365	\$ 5,445	\$ 52,540

Draft

City of Mayer, Minnesota
 Nonmajor Special Revenue Funds
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2017

	225	212	222	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
Revenues				
Interest on investments	\$ 86	\$ 119	\$ 24	\$ 229
Miscellaneous	-	4,055	-	4,055
Total Revenues	<u>86</u>	<u>4,174</u>	<u>24</u>	<u>4,284</u>
Expenditures				
Current				
Public safety	-	1,030	-	1,030
Net Change in Fund Balances	86	3,144	24	3,254
Fund Balances, January 1	<u>19,644</u>	<u>24,221</u>	<u>5,421</u>	<u>49,286</u>
Fund Balances, December 31	<u><u>\$ 19,730</u></u>	<u><u>\$ 27,365</u></u>	<u><u>\$ 5,445</u></u>	<u><u>\$ 52,540</u></u>

Draft

City of Mayer, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2017

	210	215	220
	<u>Fire Truck</u>	<u>FEMA Grant</u>	<u>Park Improvements</u>
Assets			
Cash and temporary investments	<u>\$ 151,021</u>	<u>\$ (9,888)</u>	<u>\$ 332,126</u>
Liabilities			
Unearned revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,552</u>
Fund Balances			
Assigned	151,021	-	311,574
Unassigned	<u>-</u>	<u>(9,888)</u>	<u>-</u>
Total Fund Balances	<u>151,021</u>	<u>(9,888)</u>	<u>311,574</u>
Total Liabilities and Fund Balances	<u>\$ 151,021</u>	<u>\$ (9,888)</u>	<u>\$ 332,126</u>

Draft

400 70th Street Reserve	405 Public Works	410 Community Center	Total
<u>\$ 43,010</u>	<u>\$ 68,489</u>	<u>\$ 24,195</u>	<u>\$ 608,953</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,552</u>
43,010	68,489	24,195	598,289
-	-	-	(9,888)
<u>43,010</u>	<u>68,489</u>	<u>24,195</u>	<u>588,401</u>
<u>\$ 43,010</u>	<u>\$ 68,489</u>	<u>\$ 24,195</u>	<u>\$ 608,953</u>

Draft

City of Mayer, Minnesota
 Nonmajor Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2017

	210	215	220
	<u>Fire Truck</u>	<u>FEMA Grant</u>	<u>Park Improvement</u>
Revenues			
Charges for services	\$ 450	\$ -	\$ -
Interest on investments	923	(43)	1,918
Miscellaneous	-	-	19,372
Total Revenues	<u>1,373</u>	<u>(43)</u>	<u>21,290</u>
Expenditures			
Capital outlay			
Culture and recreation	-	-	14,730
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,373	(43)	6,560
Other Financing Sources			
Transfers in	<u>73,573</u>	-	<u>21,029</u>
Net Change in Fund Balances	74,946	(43)	27,589
Fund Balances, January 1	<u>76,075</u>	<u>(9,845)</u>	<u>283,985</u>
Fund Balances, December 31	<u>\$ 151,021</u>	<u>\$ (9,888)</u>	<u>\$ 311,574</u>

Draft

400 70th Street Reserve	405 Public Works	410 Community Center	Totals
\$ -	\$ -	\$ -	\$ 450
276	387	105	3,566
-	-	-	19,372
<u>276</u>	<u>387</u>	<u>105</u>	<u>23,388</u>
-	-	-	14,730
276	387	105	8,658
-	48,718	13,672	156,992
276	49,105	13,777	165,650
42,734	19,384	10,418	422,751
<u>\$ 43,010</u>	<u>\$ 68,489</u>	<u>\$ 24,195</u>	<u>\$ 588,401</u>

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 494,289	\$ 494,289	\$ 502,734	\$ 8,445	\$ 457,726
Licenses and permits					
Business	4,445	4,445	11,307	6,862	4,710
Nonbusiness	20,250	20,250	207,500	187,250	150,496
Total	24,695	24,695	218,807	194,112	155,206
Intergovernmental					
State					
Local government aid	298,717	298,717	298,717	-	298,017
Other state aid	36,919	36,919	41,775	4,856	1,796
Police aid	3,500	3,500	6,737	3,237	6,464
County aid	3,750	3,750	4,951	1,201	3,740
Total	342,886	342,886	352,180	9,294	310,017
Charges for services					
General government	300	300	4,845	4,545	8,306
Public safety	68,262	68,262	62,876	(5,386)	52,747
Community center	32,020	32,020	40,666	8,646	20,340
Sanitation and recycling	2,500	2,500	2,500	-	2,500
Total	103,082	103,082	110,887	7,805	83,893
Fines and forfeitures	1,000	1,000	3,809	2,809	5,903
Interest on investments	2,500	2,500	3,462	962	4,737
Special assessments	-	-	162	162	15
Miscellaneous					
Rents and royalties	18,703	18,703	14,957	(3,746)	13,394
Contributions and donations	2,000	2,000	8,558	6,558	7,088
Refunds and reimbursements	-	-	11,646	11,646	26,887
Other	-	-	486	486	26,249
Total	20,703	20,703	35,647	14,944	73,618
Total Revenues	989,155	989,155	1,227,688	238,533	1,091,115

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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Original			
Expenditures					
Current					
General government					
Mayor and City Council					
Personal services	\$ 15,071	\$ 15,071	\$ 14,693	\$ 378	\$ 13,413
Supplies	1,000	1,000	30	970	35
Other services and charges	1,040	1,040	366	674	727
Total	<u>17,111</u>	<u>17,111</u>	<u>15,089</u>	<u>2,022</u>	<u>14,175</u>
City hall					
Supplies	3,000	3,000	4,688	(1,688)	3,904
Other services and charges	24,500	24,500	53,560	(29,060)	28,756
Total	<u>27,500</u>	<u>27,500</u>	<u>58,248</u>	<u>(30,748)</u>	<u>32,660</u>
City Clerk					
Personal services	18,394	18,394	21,400	(3,006)	14,450
Other services and charges	1,400	1,400	477	923	188
Total	<u>19,794</u>	<u>19,794</u>	<u>21,877</u>	<u>(2,083)</u>	<u>14,638</u>
City Administrator					
Personal services	104,241	104,241	134,380	(30,139)	100,986
Supplies	1,000	1,000	300	700	163
Other services and charges	750	750	436	314	560
Total	<u>105,991</u>	<u>105,991</u>	<u>135,116</u>	<u>(29,125)</u>	<u>101,709</u>
Election					
Other services and charges	1,050	1,050	-	1,050	3,429
Auditing					
Other services and charges	30,000	30,000	21,581	8,419	30,520
Assessing					
Other services and charges	12,500	12,500	12,993	(493)	12,124
Legal					
Other services and charges	10,000	10,000	18,332	(8,332)	99,773
Planning and zoning					
Personal services	3,110	3,110	-	3,110	1,230
Other services and charges	5,000	5,000	8,585	(3,585)	9,325
Total	<u>8,110</u>	<u>8,110</u>	<u>8,585</u>	<u>(475)</u>	<u>10,555</u>

City of Mayer, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended December 31, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Original			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Community service center					
Other services and charges	\$ 29,380	\$ 29,380	\$ 21,785	\$ 7,595	\$ 27,485
Total General Government	<u>261,436</u>	<u>261,436</u>	<u>313,606</u>	<u>(52,170)</u>	<u>347,068</u>
Public safety					
Police					
Other services and charges	<u>118,903</u>	<u>118,903</u>	<u>80,394</u>	<u>38,509</u>	<u>84,536</u>
Fire					
Personal services	32,295	32,295	31,375	920	30,347
Supplies	11,000	11,000	5,293	5,707	4,739
Other services and charges	42,175	42,175	45,176	(3,001)	34,390
Total	<u>85,470</u>	<u>85,470</u>	<u>81,844</u>	<u>3,626</u>	<u>69,476</u>
Building inspection					
Other services and charges	<u>20,000</u>	<u>20,000</u>	<u>55,279</u>	<u>(35,279)</u>	<u>39,570</u>
Civil defense					
Other services and charges	<u>450</u>	<u>450</u>	<u>250</u>	<u>200</u>	<u>200</u>
Animal control					
Other services and charges	<u>650</u>	<u>650</u>	<u>-</u>	<u>650</u>	<u>-</u>
Total Public Safety	<u>225,473</u>	<u>225,473</u>	<u>217,767</u>	<u>7,706</u>	<u>193,782</u>
Public works					
Streets					
Personal services	71,200	71,200	72,039	(839)	32,242
Supplies	4,750	4,750	3,085	1,665	4,038
Other services and charges	7,330	7,330	2,112	5,218	5,539
Total	<u>83,280</u>	<u>83,280</u>	<u>77,236</u>	<u>6,044</u>	<u>41,819</u>
Snow removal					
Supplies	7,000	7,000	4,546	2,454	4,820
Other services and charges	20,000	20,000	17,079	2,921	13,426
Total	<u>27,000</u>	<u>27,000</u>	<u>21,625</u>	<u>5,375</u>	<u>18,246</u>

City of Mayer, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Original			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 40,545	\$ 40,545	\$ 60,406	\$ (19,861)	\$ 46,822
Maintenance building					
Supplies	-	-	189	(189)	54
Other services and charges	13,220	13,220	13,456	(236)	3,314
Total	<u>13,220</u>	<u>13,220</u>	<u>13,645</u>	<u>(425)</u>	<u>3,368</u>
Engineering					
Other services and charges	15,000	15,000	29,397	(14,397)	12,331
Total Public Works	<u>179,045</u>	<u>179,045</u>	<u>202,309</u>	<u>(23,264)</u>	<u>122,586</u>
Sanitation					
Personal services	3,287	3,287	2,974	313	2,121
Other services and charges	-	-	1,140	(1,140)	657
Total Sanitation	<u>3,287</u>	<u>3,287</u>	<u>4,114</u>	<u>(827)</u>	<u>2,778</u>
Culture and recreation					
Parks					
Personal services	11,576	11,576	3,330	8,246	8,885
Supplies	1,300	1,300	763	537	1,652
Other services and charges	23,654	23,654	19,128	4,526	10,708
Total Culture and Recreation	<u>36,530</u>	<u>36,530</u>	<u>23,221</u>	<u>13,309</u>	<u>21,245</u>
Economic development					
Personal services	450	450	-	450	270
Other services and charges	4,100	4,100	847	3,253	1,855
Total Economic Development	<u>4,550</u>	<u>4,550</u>	<u>847</u>	<u>3,703</u>	<u>2,125</u>
Total Current Expenditures	<u>710,321</u>	<u>710,321</u>	<u>761,864</u>	<u>(51,543)</u>	<u>689,584</u>
Capital outlay					
General government	20,704	20,704	11,929	8,775	5,828
Public safety	80,000	80,000	7,502	72,498	6,427
Public works	74,480	74,480	28,603	45,877	45,782
Culture and recreation	61,820	61,820	45,515	16,305	52,380
Total Capital Outlay	<u>237,004</u>	<u>237,004</u>	<u>93,549</u>	<u>143,455</u>	<u>110,417</u>

City of Mayer, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended December 31, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Original			
Expenditures (Continued)					
Current (continued)					
Debt service					
Principal	\$ 26,692	\$ 26,692	\$ 7,398	\$ 19,294	\$ 7,007
Interest and other	4,265	4,265	910	3,355	1,301
Total Debt Service	<u>30,957</u>	<u>30,957</u>	<u>8,308</u>	<u>22,649</u>	<u>8,308</u>
Total Expenditures	<u>978,282</u>	<u>978,282</u>	<u>863,721</u>	<u>114,561</u>	<u>808,309</u>
Excess of Revenues Over Expenditures	10,873	10,873	363,967	353,094	282,806
Other Financing Uses					
Transfer out	-	-	(276,992)	(276,992)	(95,533)
Net Change in Fund Balances	10,873	10,873	86,975	76,102	187,273
Fund Balances, January 1	<u>765,175</u>	<u>765,175</u>	<u>765,175</u>	-	<u>577,902</u>
Fund Balances, December 31	<u>\$ 776,048</u>	<u>\$ 776,048</u>	<u>\$ 852,150</u>	<u>\$ 76,102</u>	<u>\$ 765,175</u>

Draft

City of Mayer, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2017

	325	350	
	GO	GO	
	Improvement/ Utility Revenue	Improvement	
	2014	2015	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 441,767	\$ 112,099	\$ 553,866
Receivables			
Special assessments	<u>20,036</u>	<u>331,447</u>	<u>351,483</u>
Total Assets	<u><u>\$ 461,803</u></u>	<u><u>\$ 443,546</u></u>	<u><u>\$ 905,349</u></u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 16,582	\$ 331,447	\$ 348,029
Fund Balances			
Restricted	<u>445,221</u>	<u>112,099</u>	<u>557,320</u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 461,803</u></u>	<u><u>\$ 443,546</u></u>	<u><u>\$ 905,349</u></u>

Draft

City of Mayer, Minnesota
Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2017

	325 GO Improvement/ Utility Revenue 2014	350 GO Improvement 2015	Totals
Revenues			
Property taxes	\$ 154,654	\$ 21,749	\$ 176,403
Special assessments	56,228	56,100	112,328
Interest on investments	2,009	138	2,147
Miscellaneous	-	-	-
Total Revenues	<u>212,891</u>	<u>77,987</u>	<u>290,878</u>
Expenditures			
Debt service			
Principal	195,000	75,000	270,000
Interest and other	32,600	15,536	48,136
Total Expenditures	<u>227,600</u>	<u>90,536</u>	<u>318,136</u>
Net Change in Fund Balances	(14,709)	(12,549)	(27,258)
Fund Balances, January 1	<u>459,930</u>	<u>124,648</u>	<u>584,578</u>
Fund Balances, December 31	<u>\$ 445,221</u>	<u>\$ 112,099</u>	<u>\$ 557,320</u>

City of Mayer, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 679,137	\$ 645,710	5.18 %
Licenses and permits	218,807	155,206	40.98
Intergovernmental	352,180	322,807	9.10
Charges for services	111,337	93,872	18.61
Fines and forfeitures	3,809	5,903	(35.47)
Investment earnings	15,847	8,418	88.25
Special assessments	126,874	116,479	8.92
Miscellaneous	59,074	125,295	(52.85)
Total Revenues	\$ 1,567,065	\$ 1,473,690	6.34 %
Per Capita	\$ 786	\$ 752	4.47 %
Expenditures			
Current			
General government	\$ 313,606	\$ 347,068	(9.64) %
Public safety	218,797	204,934	6.76
Public works	202,309	122,586	65.03
Sanitation and recycling	4,114	2,778	48.09
Culture and recreation	23,221	21,245	9.30
Capital outlay			
General government	11,929	5,828	104.68
Public safety	7,502	198,369	(96.22)
Public works	28,599	399,385	(92.84)
Culture and recreation	60,245	52,380	15.02
Economic development	847	2,125	(60.14)
Debt service			
Principal	277,398	202,007	37.32
Interest and other	49,046	55,205	(11.16)
Total Expenditures	\$ 1,197,613	\$ 1,613,910	(25.79) %
Per Capita	\$ 600	\$ 823	(27.10) %
Total Long-term Indebtedness	\$ 2,005,977	\$ 2,283,375	(12.15) %
Per Capita	1,006	1,165	(13.65)
General Fund Balance - December 31	\$ 852,150	\$ 765,175	11.37 %
Per Capita	427	390	9.49

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 Margaret McCallum, City Administrator-Treasurer at (952) 657-1502.

OTHER REQUIRED REPORTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft



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, 2017, 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 21, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*, except as noted on the Schedule of Findings and Responses as findings 2017-007 and 2017-008. 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
Minneapolis, Minnesota
February 21, 2018

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 the City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2017, 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 21, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses we identified a certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2017-001 through 2017-006 to be material weaknesses.

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.

Compliance and Other Matters

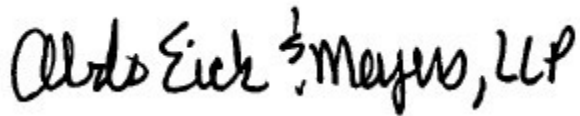
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 two instances of noncompliance (findings 2017-007 and 2017-008) 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 21, 2018

Draft

City of Mayer, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. 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.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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 the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, and receipting.
<i>Criteria:</i>	<p>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.</p> <p>Also, a well-designed system of internal control has documentation of significant transaction cycles. Documentation is especially important in the event of staff turnover.</p>
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error. There were a significant number of coding and posting errors in the 2017 records where only one person was involved in the transaction.
<i>Recommendation:</i>	While we recognize that the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring.
<i>Management Response:</i>	<p>The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This does not always allow for complete segregation. The City will continue to review its processes and make changes where possible.</p>
2017-003	Control of Check Signing Stamp
<i>Condition:</i>	During our audit, we reviewed procedures over check signing and staff indicated that the Mayor's stamp is controlled and used by a staff person who has custody, record keeping and reconciliation duties.
<i>Criteria:</i>	If a signing stamp is to be used the control of the stamp needs to be controlled by someone who independent of record keeping and reconciliation duties.
<i>Cause:</i>	It appears this condition occurs because staff has not recently completed a review of internal processes and evaluated their effectiveness.
<i>Effect:</i>	The existence of this condition increases the risk of fraud and error because there is not a second or independent review of transactions
<i>Recommendation:</i>	We recommend the processes be reviewed and the stamp be controlled by someone not involved with creating and posting transactions and reconciling accounts.
<i>Management Response:</i>	<p>The City agrees with the finding and recommendation and will implement it.</p>

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-004	Material Audit Adjustments
<i>Condition:</i>	During our audit, there were a number of transactions incorrectly coded that were material and resulted in the need for audit adjustments.
<i>Criteria:</i>	The City should have coding and review procedures that ensure transactions are coded to the correct account and period initially.
<i>Cause:</i>	It appears this condition occurs because of staff transition and lack of systems and repeatable processes to ensure repeatable transactions are consistently coded. This is especially evident in the coding of bond and tax revenue transactions.
<i>Effect:</i>	The condition results in inaccurate internal information that could be unreliable for decision making. The audit firm cannot serve as a compensation control over this deficiency.
<i>Recommendation:</i>	We recommend the firm processes be reviewed and that coding systems be established and followed.
<i>Management Response:</i>	
The City agrees with the finding and recommendation and will implement it.	
2017-005	Developer Escrow Account Deficit Balance
<i>Condition:</i>	The City has a developer escrow accounts for the Coldwater Crossing and Hidden Creek development. The City incurred over \$73,000 of expense on behalf of the developers during 2017 and into 2018 that was not billed to the developer.
<i>Criteria:</i>	The City maintain a deposit to cover the planning, legal, engineering, and any other City cost that a developer incurs. If a deposit is not sufficient the City should bill these costs timely to the developer.
<i>Cause:</i>	Reconciliations were not completed during the year mainly due to staff turnover.
<i>Effect:</i>	The effect of allowing deficit balances means that the shortfall needs to be funded with other resources and there is greater risk to an orderly accounts receivable process. A longer bill cycle makes collection more difficult.
<i>Recommendation:</i>	We recommend that the City enforce a policy and implement a monitoring procedure that ensures deposits are received in advance of any activity and that any negative account be billed timely. This also include reconciling and billing balances monthly.
<i>Management Response:</i>	
The City will reconcile the balance monthly, maintain deposits when possible and bill timely for any shortfall.	

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-006	Authorized Signors
<i>Condition:</i>	During our audit, we noted that the former City Administrator is still the signor for the 4M investment account and the current City Administrator is not.
<i>Criteria:</i>	Bank signers should only be current employees.
<i>Cause:</i>	The City did not consider all the required transition procedures upon transition of the City Administrator position.
<i>Effect:</i>	The City has a risk that a former employee has access to their banking. Additionally, the Bank should not allow a transaction to be authorized by someone who is not a signor.
<i>Recommendation:</i>	We recommend the City correct the signature cards at 4M and create a checklist to be used in any future transition.

Management Response:

Management understands the risk and has taken steps to ensure that this will not happen again.

2017-007	PERA Remittances
<i>Condition:</i>	During our audit, we noted that the City has not made any deposits to PERA of employee withholdings.
<i>Criteria:</i>	PERA requires the amounts withheld from employees checks to be remitted within in 14 days of when the employee is paid.
<i>Cause:</i>	It appears the City did not follow up on this issue when converting payroll to ADP. Ultimately it is the City's responsibility to ensure timely remittances.
<i>Effect:</i>	As a result the City is not in compliance with the requirement of PERA and could be subject to penalty.
<i>Recommendation:</i>	We recommend that City remit the delinquent payments and establish procedures to complete this task in the future.

Management Response:

The City agrees with the finding and recommendation and has implemented.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-008	Time Period for Payment of Claims
<i>Condition:</i>	Our testing of the City's compliance with Minnesota statutes for payment of claims indicated one instance of non-compliance.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the City pay bills within 35 days from receipt. If the invoice is not paid within the 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	We noted an invoice that was paid after the 35 day period.
<i>Effect:</i>	This transaction is not in compliance with state statute since it was paid after the 35 day period and no interest was remitted.
<i>Recommendation:</i>	We recommend that the City review the 2017 Minnesota Legal Compliance Audit Guide for Claims and Disbursements (http://www.osa.state.mn.us/default.aspx?page=20180208.007) with staff responsible for approving and paying bills and ensure the City's processes consider the requirements of the guide. Implementing this recommendation will not result in any additional cost to the city.
<i>Management Response:</i>	Management will schedule a meeting to review the guide and document new processes to ensure compliance.

Draft