

Annual Financial Report

City of Mayer
Mayer, Minnesota

For the Year Ended
December 31, 2019

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 Annual Financial Report
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INTRODUCTORY SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Mayer, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Dodge	Mayor	12/31/20
Etienne Stieve-McPadden	Council Member	12/31/20
Elizabeth Butterfield	Council Member	12/31/20
Nikki McNeilly	Council Member	12/31/22
Erick Boder	Council Member	12/31/22

APPOINTED

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

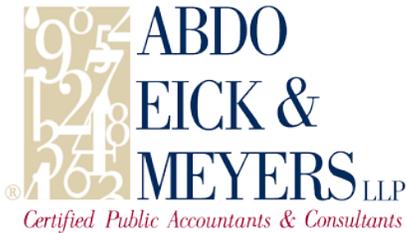
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FINANCIAL SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2019, 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, 2019 and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements

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, the related note disclosures, 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

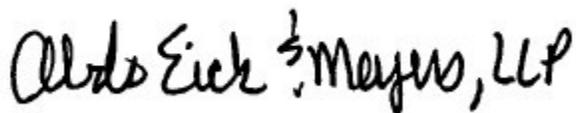
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 19, 2020, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 19, 2020

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Management's Discussion and Analysis

As management of the City of Mayer, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

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 \$16,609,244 (net position). Of this amount, \$5,286,986 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$5,681,406 and \$6,030,855 at December 31, 2019 and 2018, respectively.
- The City's total net position increased by \$507,294. Governmental activities increased during the year by \$134,899 and business-type activities increased during the year by \$372,395. The increase in business-type activities is due to revenues exceeding expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,846,166, a decrease of \$30,450 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$979,366, or 79.9 percent of 2020 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 \$954,720 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

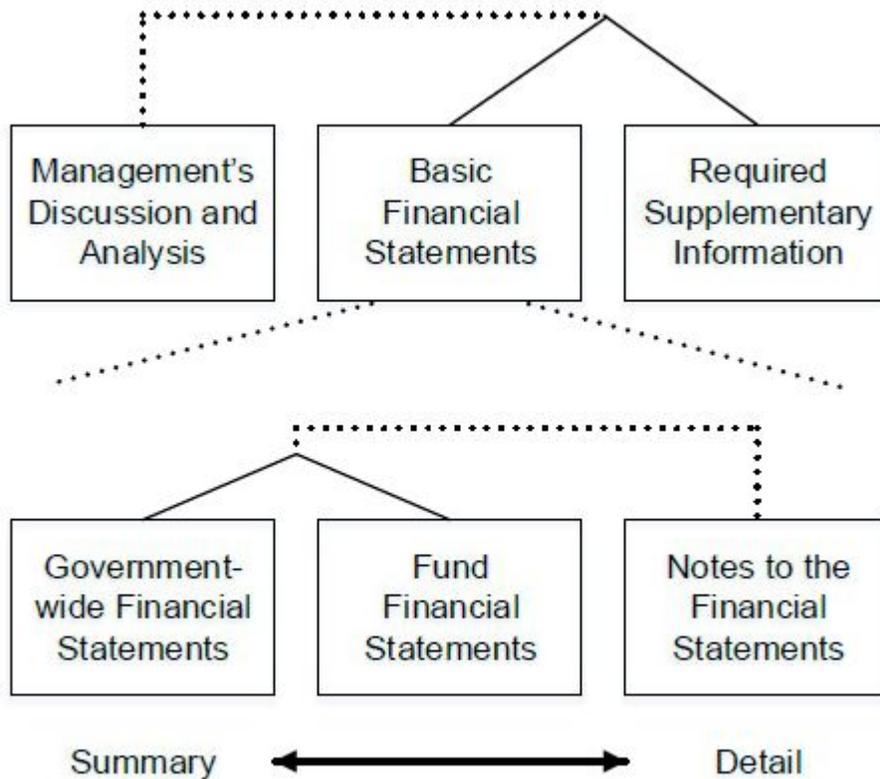


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Mayer's share of net pension liabilities for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and benefits to its employees. Required supplementary information can be found starting on page 72 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.

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 \$16,609,244 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$10,491,847) 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$3,346,401	\$3,483,103	\$ (136,702)	\$3,190,625	\$3,114,352	\$ 76,273
Capital assets	6,521,621	6,502,048	19,573	8,713,840	9,119,318	(405,478)
Total Assets	<u>9,868,022</u>	<u>9,985,151</u>	<u>(117,129)</u>	<u>11,904,465</u>	<u>12,233,670</u>	<u>(329,205)</u>
Deferred Outflows of Resources	<u>76,988</u>	<u>43,237</u>	<u>33,751</u>	<u>13,266</u>	<u>14,761</u>	<u>(1,495)</u>
Liabilities						
Noncurrent liabilities						
outstanding	1,555,605	1,833,442	(277,837)	3,386,403	4,046,480	(660,077)
Other liabilities	156,975	98,172	58,803	51,412	92,075	(40,663)
Total Liabilities	<u>1,712,580</u>	<u>1,931,614</u>	<u>(219,034)</u>	<u>3,437,815</u>	<u>4,138,555</u>	<u>(700,740)</u>
Deferred Inflows of Resources	<u>92,960</u>	<u>92,203</u>	<u>757</u>	<u>10,142</u>	<u>12,497</u>	<u>(2,355)</u>
Net Position						
Net invested in capital assets	5,096,621	4,788,883	307,738	5,395,226	5,130,982	264,244
Restricted	752,721	834,785	(82,064)	77,690	71,815	5,875
Unrestricted	<u>2,290,128</u>	<u>2,380,903</u>	<u>(90,775)</u>	<u>2,996,858</u>	<u>2,894,582</u>	<u>102,276</u>
Total Net Position	<u>\$8,139,470</u>	<u>\$8,004,571</u>	<u>\$ 134,899</u>	<u>\$8,469,774</u>	<u>\$8,097,379</u>	<u>\$ 372,395</u>

An additional portion of the City's net position (5.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,286,986) 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.

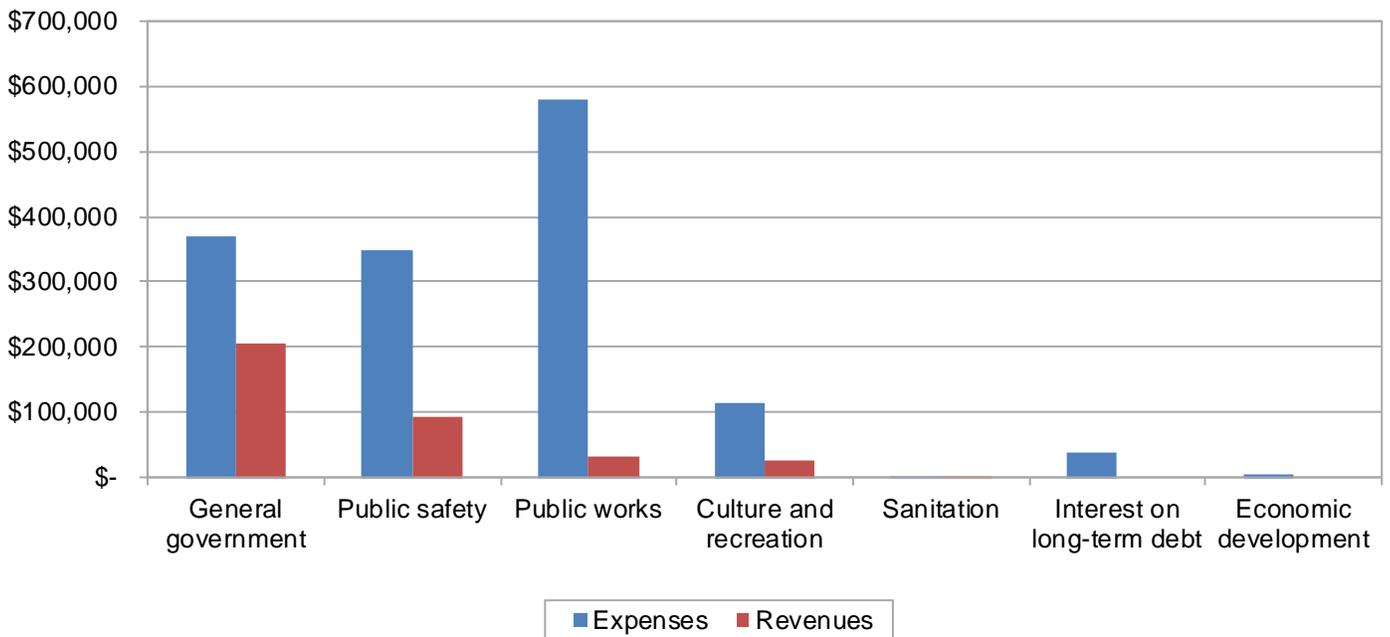
Governmental Activities: Governmental-type activities increased the City's net position by \$134,899. Key elements of this are as follows:

City of Mayer's Changes in Net Position

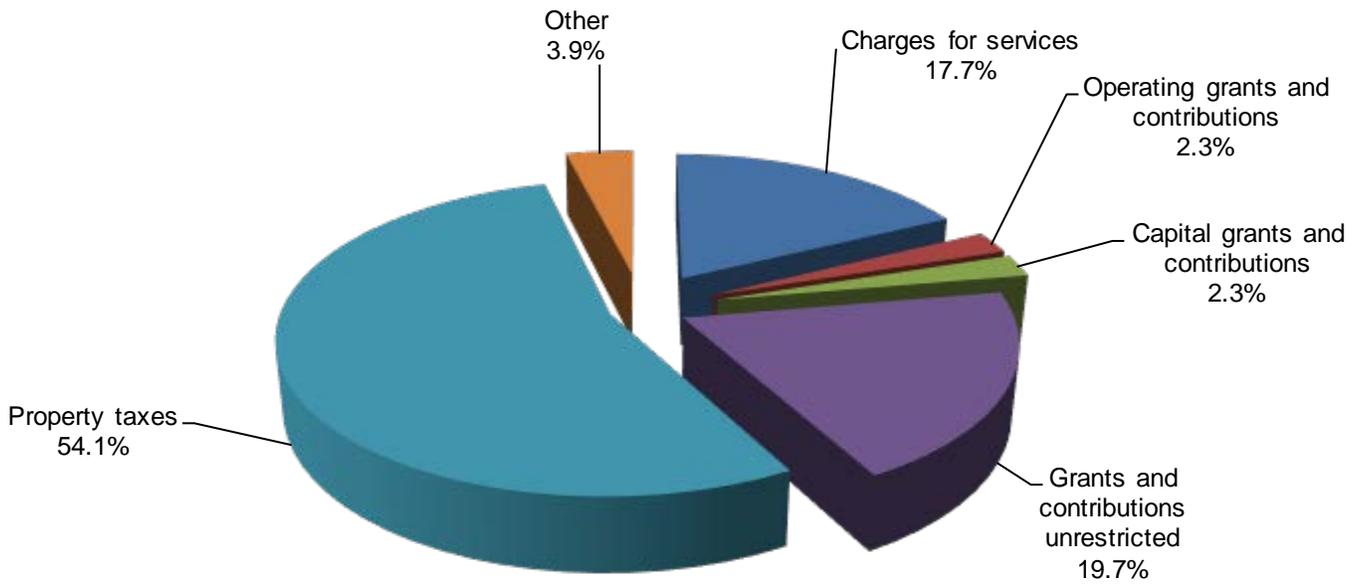
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 283,399	\$ 293,760	\$ (10,361)	\$ 981,339	\$ 934,384	\$ 46,955
Operating grants and contributions	36,463	64,246	(27,783)	158	425	(267)
Capital grants and contributions	37,078	24,384	12,694	218,753	318,736	(99,983)
General Revenues						
Property taxes,						
levied for general purpose	638,830	481,003	157,827	-	-	-
levied for debt service	222,563	220,634	1,929	254,462	282,000	(27,538)
State grants and contributions						
not restricted to specific programs	313,167	312,405	762	-	-	-
Unrestricted investment earnings	61,681	25,372	36,309	73,393	29,177	44,216
Total Revenues	1,593,181	1,421,804	171,377	1,528,105	1,564,722	(36,617)
Expenses						
General government	370,515	376,927	(6,412)	-	-	-
Public safety	348,924	408,307	(59,383)	-	-	-
Public works	580,233	491,546	88,687	-	-	-
Culture and recreation	114,035	98,253	15,782	-	-	-
Economic development	3,522	3,240	282	-	-	-
Sanitation	3,228	3,920	(692)	-	-	-
Interest on long-term debt	37,825	40,553	(2,728)	-	-	-
Water utility	-	-	-	417,026	414,758	2,268
Sewer utility	-	-	-	691,522	633,112	58,410
Storm water utility	-	-	-	47,162	28,907	18,255
Total Expenses	1,458,282	1,422,746	35,536	1,155,710	1,076,777	78,933
Change in Net Position	134,899	(942)	135,841	372,395	487,945	(115,550)
Net Position, January 1	8,004,571	8,005,513	(942)	8,097,379	7,609,434	487,945
Net Position, December 31	\$ 8,139,470	\$ 8,004,571	\$ 134,899	\$ 8,469,774	\$ 8,097,379	\$ 372,395

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

Expenses and Program Revenues - Governmental Activities



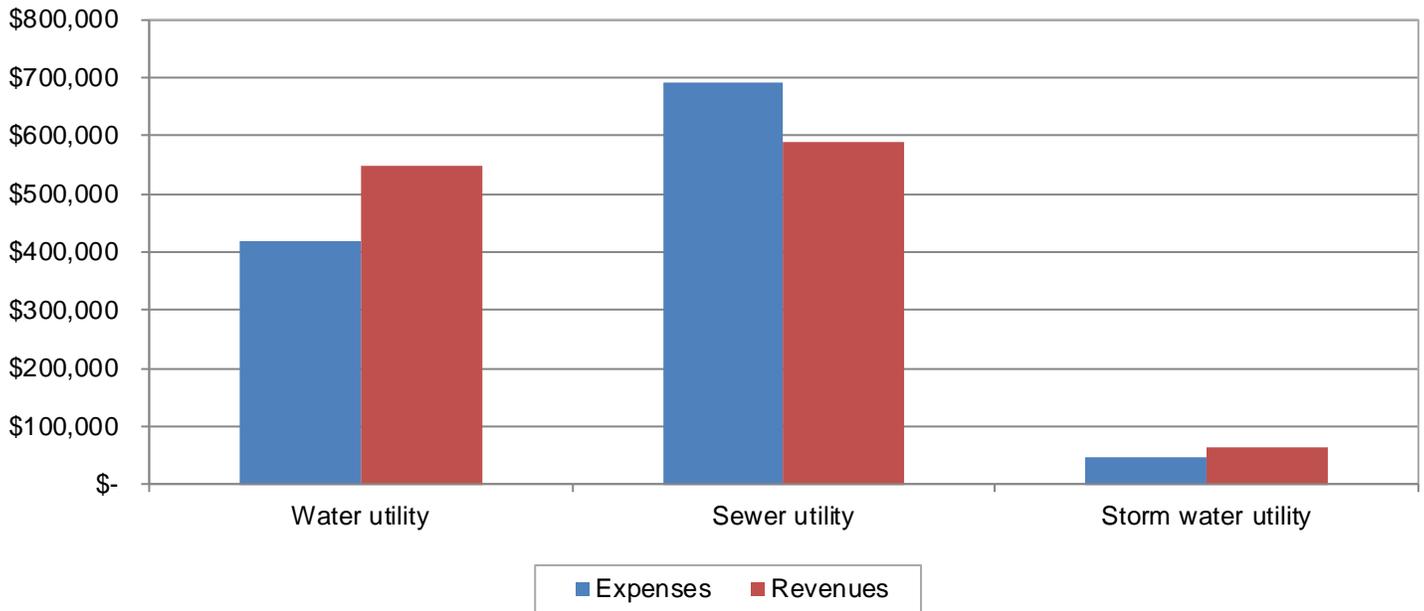
Revenues by Source - Governmental Activities



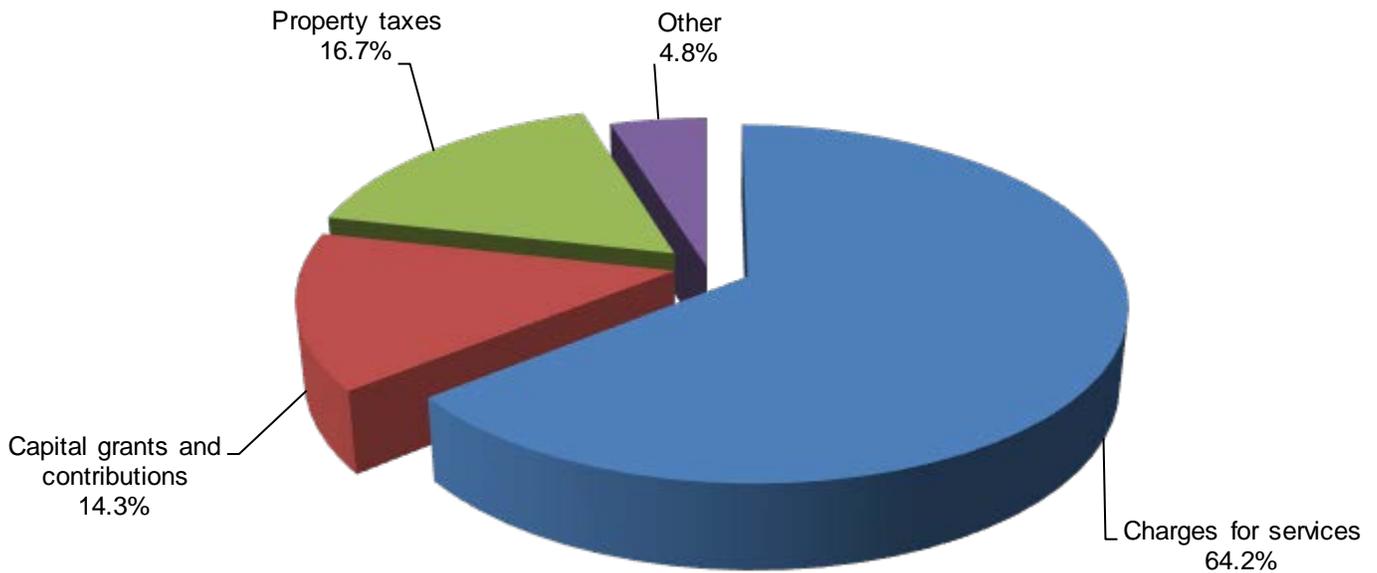
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type Activities: Business-type activities increased the City's net position by \$372,395. 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 \$2,846,166, a decrease of \$30,450 in comparison with the prior year. The primary reason for this decrease is due to capital outlay expenditures. Approximately 34.4 percent of the combined ending fund balances, \$979,366, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$1,866,800) is not available for new spending because it is either 1) restricted (\$496,292), or 2) assigned (\$1,370,508) 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 \$979,366 which was an increase of \$108,055.

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 \$462,700, which was a decrease of \$44,194 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 \$711,252 which is assigned for future capital improvements and purchases. The change in fund balance was a decrease of \$139,876 which is primarily due to capital outlay expenditures.

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

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and called for no change in fund balance. Total revenues were over budget by \$71,446 and expenditures were \$36,609 under budget. Some of the significant variances can be briefly summarized as follows:

- All revenues were over budget in all functions, except intergovernmental and charges for services. Miscellaneous was over budget by \$54,223 due to a signing bonus from the American Tower for tower rental.
- The most significant variances were in public works, which was \$135,126 over budget primarily due to snow removal, general government expenditures, which were over budget by \$40,986 related to professional services, and capital outlay, which was under budget by \$170,951 primarily relating to the public works department.

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, 2019, amounts to \$15,235,461 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 876,567	\$ 876,567	\$ -	\$ 40,792	\$ 40,792	\$ -
Construction Work in Process	50,985	10,766	61,751	-	-	-
Land Improvements	149,540	161,681	(12,141)	369,150	389,317	(20,167)
Buildings	402,490	419,574	(17,084)	-	-	-
Infrastructure	4,109,817	4,235,112	(125,295)	8,196,996	8,566,190	(369,194)
Machinery and Equipment	932,222	798,348	133,874	106,902	123,019	(16,117)
Total	\$6,521,621	\$6,502,048	\$ 19,573	\$8,713,840	\$9,119,318	\$ (405,478)

Additional information on the City's capital assets can be found in Note 3B starts on page 55 of this report.

Long-term Debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,743,615. 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Bonds	\$1,425,000	\$1,710,000	\$ (285,000)	\$ -	\$ -	\$ -
Bond Premium	-	-	-	108,615	130,335	(21,720)
General Obligation Revenue Bonds	-	-	-	3,210,000	3,858,000	(648,000)
Total	\$1,425,000	\$1,710,000	\$ (285,000)	\$3,318,615	\$3,988,335	\$ (669,720)

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 3C starts on page 57 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 2019, the City issued 28 single family home permits. Although not the 70 required, the City is remaining relatively stable year to year in housing numbers. 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, Margaret McCallum, 413 Bluejay Ave, Mayer, Minnesota 55360.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Mayer, Minnesota
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 2,623,593	\$ 3,057,813	\$ 5,681,406
Receivables			
Taxes	10,248	-	10,248
Accounts	5,618	99,400	105,018
Special assessments	329,698	13,412	343,110
Due from other governments	55,517	-	55,517
Prepaid items	307,063	20,000	327,063
Pension asset	14,664	-	14,664
Capital assets			
Non-depreciable	927,552	40,792	968,344
Depreciable (net of accumulated depreciation)	5,594,069	8,673,048	14,267,117
Total Assets	<u>9,868,022</u>	<u>11,904,465</u>	<u>21,772,487</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>76,988</u>	<u>13,266</u>	<u>90,254</u>
Liabilities			
Accounts payable	47,223	21,684	68,907
Escrows payable	54,847	-	54,847
Accrued salaries payable	40,686	2,958	43,644
Due to other governments	-	1,922	1,922
Accrued interest payable	14,219	12,298	26,517
Deposits payable	-	12,550	12,550
Noncurrent liabilities			
Due within one year	301,159	693,000	994,159
Due in more than one year	1,254,446	2,693,403	3,947,849
Total Liabilities	<u>1,712,580</u>	<u>3,437,815</u>	<u>5,150,395</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>92,960</u>	<u>10,142</u>	<u>103,102</u>
Net Position			
Net investment in capital assets	5,096,621	5,395,226	10,491,847
Restricted for			
Future expansion	-	77,690	77,690
Debt service	719,129	-	719,129
Future capital	25,338	-	25,338
Economic development	20,161	-	20,161
Unrestricted	<u>2,278,221</u>	<u>2,996,858</u>	<u>5,275,079</u>
Total Net Position	<u>\$ 8,139,470</u>	<u>\$ 8,469,774</u>	<u>\$ 16,609,244</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, 2019

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 370,515	\$ 182,580	\$ 7,645	\$ 13,800
Public safety	348,924	71,875	20,192	-
Public works	580,233	151	8,626	23,278
Culture and recreation	114,035	26,293	-	-
Economic development	3,522	-	-	-
Sanitation	3,228	2,500	-	-
Interest on long-term debt	37,825	-	-	-
Total Governmental Activities	<u>1,458,282</u>	<u>283,399</u>	<u>36,463</u>	<u>37,078</u>
Business-type Activities				
Water utility	417,026	450,660	79	97,450
Sewer utility	691,522	487,796	79	101,303
Storm water utility	47,162	42,883	-	20,000
Total Business-type Activities	<u>1,155,710</u>	<u>981,339</u>	<u>158</u>	<u>218,753</u>
Total	<u>\$ 2,613,992</u>	<u>\$ 1,264,738</u>	<u>\$ 36,621</u>	<u>\$ 255,831</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

State grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net Revenues (Expenses)
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (166,490)	\$ -	\$ (166,490)
(256,857)	-	(256,857)
(548,178)	-	(548,178)
(87,742)	-	(87,742)
(3,522)	-	(3,522)
(728)	-	(728)
(37,825)	-	(37,825)
<u>(1,101,342)</u>	<u>-</u>	<u>(1,101,342)</u>
-	131,163	131,163
-	(102,344)	(102,344)
-	15,721	15,721
<u>-</u>	<u>44,540</u>	<u>44,540</u>
<u>(1,101,342)</u>	<u>44,540</u>	<u>(1,056,802)</u>
638,830	-	638,830
222,563	254,462	477,025
313,167	-	313,167
61,681	73,393	135,074
<u>1,236,241</u>	<u>327,855</u>	<u>1,564,096</u>
134,899	372,395	507,294
<u>8,004,571</u>	<u>8,097,379</u>	<u>16,101,950</u>
<u>\$ 8,139,470</u>	<u>\$ 8,469,774</u>	<u>\$ 16,609,244</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Mayer, Minnesota
Balance Sheet
Governmental Funds
December 31, 2019

	101	300's	435	Other	Total
	General	Debt Service	Capital Project/ Equipment	Governmental Funds	Governmental Funds
Assets					
Cash and temporary investments	\$ 1,051,949	\$ 155,637	\$ 711,252	\$ 704,755	\$ 2,623,593
Receivables					
Taxes	10,248	-	-	-	10,248
Accounts	5,618	-	-	-	5,618
Special assessments	-	270,648	59,050	-	329,698
Due from other governments	55,517	-	-	-	55,517
Prepaid items	-	307,063	-	-	307,063
Total Assets	\$ 1,123,332	\$ 733,348	\$ 770,302	\$ 704,755	\$ 3,331,737
Liabilities					
Accounts payable	\$ 47,223	\$ -	\$ -	\$ -	\$ 47,223
Escrows payable	54,847	-	-	-	54,847
Accrued salaries payable	40,686	-	-	-	40,686
Total Liabilities	142,756	-	-	-	142,756
Deferred Inflows of Resources					
Unavailable revenue - property taxes	1,210	-	-	-	1,210
Unavailable revenue - special assessments	-	270,648	59,050	-	329,698
Total Deferred Inflows of Resources	1,210	270,648	59,050	-	330,908
Fund Balances					
Restricted	-	462,700	-	45,499	508,199
Assigned	-	-	711,252	659,256	1,370,508
Unassigned	979,366	-	-	-	979,366
Total Fund Balances	979,366	462,700	711,252	704,755	2,858,073
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,123,332	\$ 733,348	\$ 770,302	\$ 704,755	\$ 3,331,737

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, 2019

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

Total Fund Balances - Governmental Funds	\$ 2,858,073
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	6,521,621
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	
Bonds payable	(1,425,000)
Compensated absences payable	(15,941)
Pension liability	(114,664)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes	1,210
Special assessments	329,698
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	76,988
Deferred inflows of pension resources	(92,960)
Pension asset	14,664
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(14,219)</u>
Total Net Position - Governmental Activities	<u><u>\$ 8,139,470</u></u>

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

City of Mayer, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	101	300's	435	Other	Total
	General	Debt Service	Capital Project/ Equipment	Governmental Funds	Governmental Funds
Revenues					
General property taxes	\$ 644,560	\$ 222,563	\$ -	\$ -	\$ 867,123
Licenses and permits	111,264	-	-	-	111,264
Intergovernmental	336,875	-	-	-	336,875
Charges for services	73,723	-	-	-	73,723
Fines and forfeitures	6,979	-	-	-	6,979
Special assessments	(139)	50,296	15,511	-	65,668
Interest on investments	19,843	5,772	19,781	16,285	61,681
Miscellaneous	76,223	-	-	33,818	110,041
Total Revenues	<u>1,269,328</u>	<u>278,631</u>	<u>35,292</u>	<u>50,103</u>	<u>1,633,354</u>
Expenditures					
Current					
General government	353,419	-	-	-	353,419
Public safety	225,903	-	-	1,493	227,396
Public works	292,949	-	-	-	292,949
Sanitation	3,228	-	-	-	3,228
Culture and recreation	72,086	-	-	-	72,086
Economic development	-	-	-	60	60
Capital outlay					
General government	18,675	-	72,912	-	91,587
Public safety	3,375	-	-	-	3,375
Public works	73,189	-	102,256	-	175,445
Culture and recreation	111,810	-	-	2,985	114,795
Economic development	1,237	-	-	-	1,237
Debt service					
Principal	3,165	285,000	-	-	288,165
Interest and other	2,237	37,825	-	-	40,062
Total Expenditures	<u>1,161,273</u>	<u>322,825</u>	<u>175,168</u>	<u>4,538</u>	<u>1,663,804</u>
Net Change in Fund Balances	108,055	(44,194)	(139,876)	45,565	(30,450)
Fund Balances, January 1	<u>871,311</u>	<u>506,894</u>	<u>851,128</u>	<u>659,190</u>	<u>2,888,523</u>
Fund Balances, December 31	<u>\$ 979,366</u>	<u>\$ 462,700</u>	<u>\$ 711,252</u>	<u>\$ 704,755</u>	<u>\$ 2,858,073</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, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (30,450)
<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	340,233
Depreciation expense	(334,460)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Developer contributed assets	13,800
<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	288,165
<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>	
	2,237
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(86,705)
Pension revenue	1,687
<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	(5,730)
Special assessments	(49,930)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(3,948)
Compensated absences	<u>(3,948)</u>
Change in Net Position - Governmental Activities	<u>\$ 134,899</u>

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

City of Mayer, Minnesota
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 639,646	\$ 639,646	\$ 644,560	\$ 4,914
Licenses and permits	102,400	102,400	111,264	8,864
Intergovernmental	348,058	348,058	336,875	(11,183)
Charges for services	82,278	82,278	73,723	(8,555)
Fines and forfeitures	1,000	1,000	6,979	5,979
Interest on investments	2,500	2,500	19,843	17,343
Special assessments	-	-	(139)	(139)
Miscellaneous	22,000	22,000	76,223	54,223
Total Revenues	<u>1,197,882</u>	<u>1,197,882</u>	<u>1,269,328</u>	<u>71,446</u>
Expenditures				
Current				
General government	312,433	312,433	353,419	(40,986)
Public safety	245,625	245,625	225,903	19,722
Public works	157,823	157,823	292,949	(135,126)
Sanitation	5,390	5,390	3,228	2,162
Culture and recreation	67,912	67,912	72,086	(4,174)
Economic development	4,550	4,550	1,237	3,313
Capital outlay	378,000	378,000	207,049	170,951
Debt service	26,149	26,149	5,402	20,747
Total Expenditures	<u>1,197,882</u>	<u>1,197,882</u>	<u>1,161,273</u>	<u>36,609</u>
Net Change in Fund Balances	-	-	108,055	108,055
Fund Balances, January 1	<u>871,311</u>	<u>871,311</u>	<u>871,311</u>	-
Fund Balances, December 31	<u>\$ 871,311</u>	<u>\$ 871,311</u>	<u>\$ 979,366</u>	<u>\$ 108,055</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, 2019

	Business-type Activities - Enterprise Funds			Totals
	620	640	Nonmajor 650	
	Water Utility	Sewer Utility	Storm Water Utility	
Assets				
Current Assets				
Cash and temporary investments	\$ 1,103,465	\$ 1,892,029	\$ 62,319	\$ 3,057,813
Receivables				
Accounts	39,088	55,502	4,810	99,400
Special assessments	6,706	6,706	-	13,412
Prepaid items	20,000	-	-	20,000
Total Current Assets	<u>1,169,259</u>	<u>1,954,237</u>	<u>67,129</u>	<u>3,190,625</u>
Noncurrent Assets				
Capital assets not being depreciated	40,792	-	-	40,792
Capital assets being depreciated	6,231,536	8,540,583	803,727	15,575,846
Total Capital Assets	<u>6,272,328</u>	<u>8,540,583</u>	<u>803,727</u>	<u>15,616,638</u>
Less Accumulated Depreciation	(2,573,080)	(4,137,576)	(192,142)	(6,902,798)
Capital Assets Net of Accumulated Depreciation	<u>3,699,248</u>	<u>4,403,007</u>	<u>611,585</u>	<u>8,713,840</u>
Total Assets	<u>4,868,507</u>	<u>6,357,244</u>	<u>678,714</u>	<u>11,904,465</u>
Deferred Outflows of Resources				
Deferred pension resources	6,633	6,633	-	13,266
Current Liabilities				
Accounts payable	9,418	12,217	49	21,684
Deposits payable	12,550	-	-	12,550
Due to other governments	1,922	-	-	1,922
Accrued interest payable	8,303	3,995	-	12,298
Accrued salaries payable	1,479	1,479	-	2,958
Current portion of bonds payable	309,550	383,450	-	693,000
Total Current Liabilities	<u>343,222</u>	<u>401,141</u>	<u>49</u>	<u>744,412</u>
Noncurrent Liabilities				
Bonds payable, less current portion above	1,447,676	1,177,938	-	2,625,614
Pension liability	33,895	33,894	-	67,789
Total Noncurrent Liabilities	<u>1,481,571</u>	<u>1,211,832</u>	<u>-</u>	<u>2,693,403</u>
Total Liabilities	<u>1,824,793</u>	<u>1,612,973</u>	<u>49</u>	<u>3,437,815</u>
Deferred Inflows of Resources				
Deferred pension resources	5,071	5,071	-	10,142
Net Position				
Net investment in capital assets	1,942,022	2,841,619	611,585	5,395,226
Restricted for future expansion	-	77,690	-	77,690
Unrestricted	1,103,254	1,826,524	67,080	2,996,858
Total Net Position	<u>\$ 3,045,276</u>	<u>\$ 4,745,833</u>	<u>\$ 678,665</u>	<u>\$ 8,469,774</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, 2019

	Business-type Activities - Enterprise Funds			
	620	640	Nonmajor 650	Totals
	Water Utility	Sewer Utility	Storm Water Utility	
Operating Revenues				
Charges for services	\$ 393,454	\$ 481,371	\$ 42,883	\$ 917,708
Operating Expenses				
Personal services	72,549	74,014	-	146,563
Supplies	4,488	54,569	-	59,057
Repairs and maintenance	34,655	47,517	-	82,172
Other services and charges	38,549	134,963	14,094	187,606
Insurance	5,964	13,896	-	19,860
Utilities	21,703	40,393	-	62,096
Depreciation	197,211	291,352	33,068	521,631
Total Operating Expenses	<u>375,119</u>	<u>656,704</u>	<u>47,162</u>	<u>1,078,985</u>
Operating Loss	<u>18,335</u>	<u>(175,333)</u>	<u>(4,279)</u>	<u>(161,277)</u>
Nonoperating Revenues (Expenses)				
Property taxes	-	254,462	-	254,462
Special assessments	6,416	6,395	-	12,811
Interest income	26,720	45,893	780	73,393
Miscellaneous income	50,869	109	-	50,978
Bond premium amortization	5,865	15,857	-	21,722
Interest expense	(47,772)	(50,675)	-	(98,447)
Total Nonoperating Revenues (Expenses)	<u>42,098</u>	<u>272,041</u>	<u>780</u>	<u>314,919</u>
Income (Loss) Before Contributions	60,433	96,708	(3,499)	153,642
Capital Contributions	<u>97,450</u>	<u>101,303</u>	<u>20,000</u>	<u>218,753</u>
Change in Net Position	157,883	198,011	16,501	372,395
Net Position, January 1	<u>2,887,393</u>	<u>4,547,822</u>	<u>662,164</u>	<u>8,097,379</u>
Net Position, December 31	<u>\$ 3,045,276</u>	<u>\$ 4,745,833</u>	<u>\$ 678,665</u>	<u>\$ 8,469,774</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, 2019

	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	\$ 394,907	\$ 484,485	\$ 40,810	\$ 920,202
Other operating receipts	50,869	109	-	50,978
Payments to suppliers, contractors and other governments	(157,161)	(296,294)	(16,747)	(470,202)
Payments to employees	(68,594)	(68,174)	-	(136,768)
Net Cash Provided (Used) by Operating Activities	<u>220,021</u>	<u>120,126</u>	<u>24,063</u>	<u>364,210</u>
Cash Flows from Noncapital Financing Activities				
Special assessments received	1,978	1,957	-	3,935
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(116,153)	-	(116,153)
Intergovernmental receipts	-	-	20,000	20,000
Property taxes received	-	254,462	-	254,462
Connection fees collected	97,450	101,303	-	198,753
Principal paid on long-term debt	(294,750)	(353,250)	-	(648,000)
Interest paid on long-term debt	(49,125)	(51,584)	-	(100,709)
Net Cash Used by Capital and Related Financing Activities	<u>(246,425)</u>	<u>(165,222)</u>	<u>20,000</u>	<u>(391,647)</u>
Cash Flows from Investing Activities				
Interest received on investments	26,720	45,893	780	73,393
Net Increase (Decrease) in Cash and Cash Equivalents	2,294	2,754	44,843	49,891
Cash and Cash Equivalents, January 1	1,101,171	1,889,275	17,476	3,007,922
Cash and Cash Equivalents, December 31	<u>\$ 1,103,465</u>	<u>\$ 1,892,029</u>	<u>\$ 62,319</u>	<u>\$ 3,057,813</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating loss	\$ 18,335	\$ (175,333)	\$ (4,279)	\$ (161,277)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	197,211	291,352	33,068	521,631
Other income related to operations	50,869	109	-	50,978
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	1,453	3,114	(2,073)	2,494
Deferred pension resources	978	517	-	1,495
Prepaid items	(20,000)	-	-	(20,000)
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	(1,507)	(4,956)	(2,653)	(9,116)
Deposits payable	(2,450)	-	-	(2,450)
Accrued salaries payable	505	505	-	1,010
Unearned revenue	(29,012)	-	-	(29,012)
Due to other governments	1,167	-	-	1,167
Pension liability	3,883	5,762	-	9,645
Deferred pension resources	(1,411)	(944)	-	(2,355)
Net Cash Provided (Used) by Operating Activities	<u>\$ 220,021</u>	<u>\$ 120,126</u>	<u>\$ 24,063</u>	<u>\$ 364,210</u>
Schedule of Noncash Capital and Related Financing Activities				
Amortization of bond premium	<u>\$ 5,865</u>	<u>\$ 15,857</u>	<u>\$ -</u>	<u>\$ 21,722</u>

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

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City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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 and proprietary funds. 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. 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.

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.

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 54 and are valued using quoted market prices (Level 1 inputs).

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2019:

- Brokered certificates of deposits of \$3,341,385 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.

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 regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. 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.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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 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, 2019

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:

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

Deferred Outflows 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.

The total pension expense for the GERP and the Fire Relief Association is as follows:

	GERP	Fire Relief Association	Total All Plans
Pension Expense	\$ 15,926	\$ 161,821	\$ 177,747

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of the next year's budgeted expenditures for cash-flow timing needs. For 2019, fifty percent of the next year's budgeted operating expenditures is \$613,080.

Note 2: Stewardship, Compliance and Accountability

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 2019.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds

At year-end, the City's carrying amount of deposits was \$2,340,021 and the bank balance was \$2,351,260. 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	\$ 576,324	\$ 576,324	\$ -	\$ -
Non-pooled Investments at fair value						
Brokered certificates of deposit	N/A	Less than 6 months	1,190,205	1,190,205	-	-
Brokered certificates of deposit	N/A	6 months to 12 months	533,027	533,027	-	-
Brokered certificates of deposit	N/A	1 to 3 years	1,041,829	1,041,829	-	-
Total Investments			<u>\$ 3,341,385</u>	<u>\$ 3,341,385</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.

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.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 2,340,021
Investments	<u>3,341,385</u>
 Total Cash and Temporary Investments	 <u><u>\$ 5,681,406</u></u>

B. Capital Assets

Capital asset activity for City for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 876,567	\$ -	\$ -	\$ 876,567
Construction in progress	10,766	68,455	(28,236)	50,985
Total Capital Assets not Being Depreciated	<u>887,333</u>	<u>68,455</u>	<u>(28,236)</u>	<u>927,552</u>
Capital Assets Being Depreciated				
Land improvements	257,803	-	-	257,803
Buildings	845,700	-	-	845,700
Infrastructure	6,796,990	105,809	-	6,902,799
Machinery and equipment	1,983,513	208,005	-	2,191,518
Total Capital Assets Being Depreciated	<u>9,884,006</u>	<u>313,814</u>	<u>-</u>	<u>10,197,820</u>
Less Accumulated Depreciation for				
Land improvements	(96,122)	(12,141)	-	(108,263)
Buildings	(426,126)	(17,084)	-	(443,210)
Infrastructure	(2,561,878)	(231,104)	-	(2,792,982)
Machinery and equipment	(1,185,165)	(74,131)	-	(1,259,296)
Total Accumulated Depreciation	<u>(4,269,291)</u>	<u>(334,460)</u>	<u>-</u>	<u>(4,603,751)</u>
 Total Capital Assets Being Depreciated, Net	 <u>5,614,715</u>	 <u>(20,646)</u>	 <u>-</u>	 <u>5,594,069</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$ 6,502,048</u></u>	 <u><u>\$ 47,809</u></u>	 <u><u>\$ (28,236)</u></u>	 <u><u>\$ 6,521,621</u></u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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
Capital Assets Being Depreciated				
Land improvements	389,985	-	-	389,985
Infrastructure	14,779,787	116,153	-	14,895,940
Machinery and equipment	289,921	-	-	289,921
Total Capital Assets Being Depreciated	<u>15,459,693</u>	<u>116,153</u>	<u>-</u>	<u>15,575,846</u>
Less Accumulated Depreciation for				
Land improvements	(668)	(20,167)	-	(20,835)
Infrastructure	(6,213,597)	(485,347)	-	(6,698,944)
Machinery and equipment	(166,902)	(16,117)	-	(183,019)
Total Accumulated Depreciation	<u>(6,381,167)</u>	<u>(521,631)</u>	<u>-</u>	<u>(6,902,798)</u>
Total Capital Assets Being Depreciated, Net	<u>9,078,526</u>	<u>(405,478)</u>	<u>-</u>	<u>8,673,048</u>
Business-type Activities Capital Assets, Net	<u>\$ 9,119,318</u>	<u>\$ (405,478)</u>	<u>\$ -</u>	<u>\$ 8,713,840</u>

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

Governmental Activities		
General government		\$ 11,025
Public safety		36,606
Public works		263,099
Culture and recreation		21,505
Economic and development		<u>2,225</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 334,460</u>
Business-type Activities		
Water utilities		\$ 197,211
Sewer utilities		291,352
Storm sewer utilities		<u>33,068</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 521,631</u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. 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	\$ 44,000
Minnesota Public Facilities Project Loan	347,000	3.910	01/27/01	08/20/20	25,000
Minnesota Public Facilities Project Loan	2,627,000	2.070	08/28/06	08/20/26	1,031,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	140,000
G.O. 2017 Water Refunding bond 2017	751,950	2.0 - 3.0	11/15/17	12/01/24	531,900
G.O. 2017 Sewer Refunding bond 2017	2,033,050	2.0 - 3.0	11/15/17	12/01/24	<u>1,438,100</u>
Total G.O. Revenue Bonds					<u><u>\$ 3,210,000</u></u>

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2019 are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 693,000	\$ 85,500	\$ 778,500
2021	666,000	66,214	732,214
2022	499,000	47,746	546,746
2023	492,000	34,265	526,265
2024	510,000	20,972	530,972
2025 - 2026	<u>350,000</u>	<u>12,292</u>	<u>362,292</u>
Total	<u><u>\$ 3,210,000</u></u>	<u><u>\$ 266,989</u></u>	<u><u>\$ 3,476,989</u></u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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	\$ 875,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	<u>550,000</u>
Total General Obligation Bonds					<u><u>\$ 1,425,000</u></u>

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2019 are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 290,000	\$ 36,775	\$ 326,775
2021	295,000	31,425	326,425
2022	305,000	25,775	330,775
2023	315,000	18,675	333,675
2024	85,000	10,013	95,013
2025 - 2026	<u>135,000</u>	<u>7,250</u>	<u>142,250</u>
Total	<u><u>\$ 1,425,000</u></u>	<u><u>\$ 129,913</u></u>	<u><u>\$ 1,554,913</u></u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019, 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					
Bonds Payable					
General obligation bonds	\$ 1,710,000	\$ -	\$ (285,000)	\$ 1,425,000	\$ 290,000
Capital Leases Payable	3,165	-	(3,165)	-	-
Pension Liability	108,284	21,836	(15,456)	114,664	-
Compensated Absences Payable	<u>11,993</u>	<u>18,832</u>	<u>(14,884)</u>	<u>15,941</u>	<u>11,159</u>
Governmental Activities Long- term Liabilities	<u>\$ 1,833,442</u>	<u>\$ 40,668</u>	<u>\$ (318,505)</u>	<u>\$ 1,555,605</u>	<u>\$ 301,159</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 3,858,000	\$ -	\$ (648,000)	\$ 3,210,000	\$ 693,000
Bond premium	130,335	-	(21,720)	108,615	-
Pension Liability	<u>58,145</u>	<u>15,773</u>	<u>(6,130)</u>	<u>67,788</u>	<u>-</u>
Business-type Activities Long- term Liabilities	<u>\$ 4,046,480</u>	<u>\$ 15,773</u>	<u>\$ (675,850)</u>	<u>\$ 3,386,403</u>	<u>\$ 693,000</u>

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

D. Components of Fund Balance

At December 31, 2019, 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:

	<u>Debt Service</u>	<u>Capital Project/ Equipment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for				
Debt service	\$ 462,700	\$ -	\$ -	\$ 462,700
Economic development	-	-	19,748	19,748
Future capital	-	-	13,844	13,844
	<u>-\$ 462,700</u>	<u>-\$ -</u>	<u>-\$ 33,592</u>	<u>-\$ 496,292</u>
Total Restricted	<u>\$ 462,700</u>	<u>\$ -</u>	<u>\$ 33,592</u>	<u>\$ 496,292</u>
Assigned				
Fire truck	\$ -	\$ -	\$ 156,189	\$ 156,189
Park improvements	-	-	365,186	365,186
Community center	-	-	22,022	22,022
Futures capital projects/equipment	-	711,252	-	711,252
Street improvements	-	-	115,859	115,859
	<u>-\$ -</u>	<u>\$ 711,252</u>	<u>\$ 659,256</u>	<u>\$ 1,370,508</u>
Total Assigned	<u>\$ -</u>	<u>\$ 711,252</u>	<u>\$ 659,256</u>	<u>\$ 1,370,508</u>

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 Plan (GERP)

All full-time and certain part-time employees of the City, other than teachers, are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

B. Benefits Provided

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

GERP Benefits

GERP benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. The accrual rates for former MERF members is 2.0 percent for each of the first 10 years of service and 2.5 percent for each additional year. 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent of pay for Coordinated Plan members. The City's contributions to the GERF for the years ending December 31, 2019, 2018 and 2017 were \$18,186, \$16,368 and \$13,098 respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$182,450 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,666. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0033 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$182,450
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	5,666
Total	\$ 188,116

For the year ended December 31, 2019, the City recognized negative pension expense of \$15,502 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$182,450 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of General Employee Plan'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 Economic Experience	\$ 5,121	\$ 3,015
Changes in Actuarial Assumptions	1,413	14,554
Net Difference Between Projected and Actual Earnings on Plan Investments	-	15,014
Changes in Proportion	20,270	-
Contributions to GERP Subsequent to the Measurement Date	7,581	-
Total	\$ 34,385	\$ 32,583

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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

Deferred outflows of resources totaling \$7,581 related to pensions resulting from the City's contributions to General Employees Plan's subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$	(423)
2021		(7,421)
2022		1,772
2023		293

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 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 males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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 Equity	35.50 %	5.10 %
Private Markets	25.00	5.30
Fixed Income	20.00	0.75
International Equity	17.50	5.90
Cash Equivalents	2.00	-
 Total	 <u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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%)
General Employees Fund	\$ 299,937	\$ 182,452	\$ 85,440

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 (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered 27 active firefighters and 9 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides 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 approved by the City. 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 Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$15,732 in fire state aid to the fund for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2019 were \$0. The City's contributions were equal to the required contributions as set by state statute, if applicable. The City made no voluntary contributions to the plan.

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 investment 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 2019 for the SVF plan.

E. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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

E. Pension Costs

At December 31, 2019, the City reported a net pension asset of \$14,664 for the SVF plan. The net pension asset was measured as of December 31, 2018. 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. The following table presents the changes in net pension asset during the year.

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a-b)</u>
Beginning Balance January 1, 2018	\$ 739,016	\$ 865,312	\$ (126,296)
Changes for the Year			
Service cost	23,434	-	23,434
Interest on pension liability (asset)	45,148	-	45,148
Actuarial experience (gains)/losses	(59,952)	-	(59,952)
Projected investment earnings	-	51,919	(51,919)
Contributions (employer)	-	3,726	(3,726)
Contributions (State)	-	15,732	(15,732)
Changes in benefit level	89,366	-	89,366
Asset (gain)/loss	-	(83,914)	83,914
Benefit payments	(19,952)	(19,952)	-
Administrative costs	-	(1,099)	1,099
	<u>78,044</u>	<u>(33,588)</u>	<u>111,632</u>
Total Net Changes			
Ending Balance December 31, 2018	<u>\$ 817,060</u>	<u>\$ 831,724</u>	<u>\$ (14,664)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$161,821.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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

At December 31, 2019, 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	\$ -	\$ 70,519
Net Difference Between Projected and Actual Earnings on Plan Investments	40,137	-
Contributions to SVF Subsequent to the Measurement Date	15,732	-
Total	\$ 55,869	\$ 70,519

Deferred inflows of resources totaling , 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to SVF pensions will be recognized in pension expense as follows:

2020	\$ (8,962)
2021	(14,783)
2022	(11,427)
2023	4,790

F. Actuarial Assumptions

The total pension liability at December 31, 2019 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 2018.

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, 2019

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 Volunteer Firefighter Plan 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	\$ 6,773	\$ (14,664)	\$ (36,178)

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.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2019

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 2019 was \$313,058 for LGA. This accounted for 24.7 percent of General fund revenues.

D. Related Party Transaction

During 2019, the City made purchases from Mayer Lumber Company which is owned by the Fire Chief. During 2019, \$10,927 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, 2019, the outstanding balance was \$4,720,000 for the 2014 bonds, and \$9,033,664 for the bond issued in 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Mayer, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2019

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

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 Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0033 %	\$ 182,452	\$ 5,666	\$ 188,118	\$ 247,203	76.1 %	80.2 %
06/30/18	0.0030	166,429	5,462	171,891	197,926	86.8	79.5
06/30/17	0.0029	185,134	2,308	187,442	174,640	106.0	75.9
06/30/16	0.0027	219,226	-	219,226	169,293	129.5	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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 18,186	\$ 18,186	\$ -	\$ 242,480	7.5 %
12/31/18	16,368	16,368	-	218,240	7.5
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)
 For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 3,726	\$ 3,726	\$ -
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)
 For the Year Ended December 31, 2019

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

	2019	2018	2017	2016
Total Pension Liability				
Service cost	\$ 23,434	\$ 20,993	\$ 21,414	\$ 21,992
Interest on pension liability (asset)	45,148	39,776	37,634	35,629
Changes of benefit terms	89,366	-	-	-
Differences between expected and actual experience	(59,952)	(26,649)	(10,709)	(11,415)
Benefit payments	(19,952)	62,962	(24,432)	-
Net Change in Total Pension Liability	<u>78,044</u>	<u>97,082</u>	<u>23,907</u>	<u>46,206</u>
Total Pension Liability - January 1	<u>739,016</u>	<u>641,934</u>	<u>618,027</u>	<u>571,821</u>
Total Pension Liability - December 31	<u><u>\$ 817,060</u></u>	<u><u>\$ 739,016</u></u>	<u><u>\$ 641,934</u></u>	<u><u>\$ 618,027</u></u>
Plan Fiduciary Net Position				
Employer contributions	\$ 3,726	\$ -	\$ -	\$ -
Nonemployer contributions	15,732	17,152	16,009	21,046
Projected investment return	(31,995)	99,436	42,639	857
Gain (loss)	-	-	6,069	-
Benefit payments	(19,952)	-	(24,432)	-
Administrative expenses	(1,099)	(1,006)	(1,044)	(1,043)
Net Change in Plan Fiduciary Net Position	<u>(33,588)</u>	<u>115,582</u>	<u>39,241</u>	<u>20,860</u>
Plan Fiduciary Net Position - January 1	<u>865,322</u>	<u>749,740</u>	<u>710,499</u>	<u>689,639</u>
Plan Fiduciary Net Position - December 31	<u><u>\$ 831,734</u></u>	<u><u>\$ 865,322</u></u>	<u><u>\$ 749,740</u></u>	<u><u>\$ 710,499</u></u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u><u>\$ (14,674)</u></u>	<u><u>\$ (126,306)</u></u>	<u><u>\$ (107,806)</u></u>	<u><u>\$ (92,472)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	101.80%	117.09%	116.79%	114.96%
Covered-employee Payroll	N/A	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	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

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Mayer, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2019

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 45,499	\$ 659,256	\$ 704,755
Fund Balances			
Restricted	\$ 45,499	\$ -	\$ 45,499
Assigned	-	659,256	659,256
Total Fund Balances	45,499	659,256	704,755
Total Liabilities and Fund Balances	\$ 45,499	\$ 659,256	\$ 704,755

City of Mayer, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total
Revenues			
Interest on investments	\$ 810	\$ 15,475	\$ 16,285
Miscellaneous	12,650	21,168	33,818
Total Revenues	<u>13,460</u>	<u>36,643</u>	<u>50,103</u>
Expenditures			
Current			
Public safety	1,493	-	1,493
Economic development	60	-	60
Culture and recreation	-	2,985	2,985
Total Expenditures	<u>1,553</u>	<u>2,985</u>	<u>4,538</u>
Net Change in Fund Balances	11,907	33,658	45,565
Fund Balances, January 1	<u>33,592</u>	<u>625,598</u>	<u>659,190</u>
Fund Balances, December 31	<u>\$ 45,499</u>	<u>\$ 659,256</u>	<u>\$ 704,755</u>

City of Mayer, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2019

	225	212	
	<u>EDA</u>	<u>Fire Department Contributions</u>	<u>Total</u>
Assets			
Cash and temporary investments	<u>\$ 20,161</u>	<u>\$ 25,338</u>	<u>\$ 45,499</u>
Fund Balances			
Restricted	<u>\$ 20,161</u>	<u>\$ 25,338</u>	<u>\$ 45,499</u>

City of Mayer, Minnesota
 Nonmajor Special Revenue Funds
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2019

	225	212	
	EDA	Fire Department Contributions	Total
Revenues			
Interest on investments	\$ 473	\$ 337	\$ 810
Miscellaneous	-	12,650	12,650
Total Revenues	<u>473</u>	<u>12,987</u>	<u>13,460</u>
Expenditures			
Current			
Public safety	-	1,493	1,493
Economic development	60	-	60
Total Expenditures	<u>60</u>	<u>1,493</u>	<u>1,553</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	413	11,494	11,907
Fund Balances, January 1	<u>19,748</u>	<u>13,844</u>	<u>33,592</u>
Fund Balances, December 31	<u>\$ 20,161</u>	<u>\$ 25,338</u>	<u>\$ 45,499</u>

City of Mayer, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2019

	210	220	405	410	
	Fire Truck	Park Improvements	Street Improvements	Community Center	Total
Assets					
Cash and temporary investments	<u>\$ 156,189</u>	<u>\$ 365,186</u>	<u>\$ 115,859</u>	<u>\$ 22,022</u>	<u>\$ 659,256</u>
Fund Balances					
Assigned	<u>\$ 156,189</u>	<u>\$ 365,186</u>	<u>\$ 115,859</u>	<u>\$ 22,022</u>	<u>\$ 659,256</u>

City of Mayer, Minnesota
 Nonmajor Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2019

	210	220	405	410	
	Fire Truck	Park Improvement	Street Improvements	Community Center	Totals
Revenues					
Interest on investments	\$ 3,654	\$ 8,542	\$ 2,710	\$ 569	\$ 15,475
Miscellaneous	-	21,168	-	-	21,168
Total Revenues	<u>3,654</u>	<u>29,710</u>	<u>2,710</u>	<u>569</u>	<u>36,643</u>
Expenditures					
Capital outlay					
Culture and recreation	-	-	-	2,985	2,985
Net Change in Fund Balances	3,654	29,710	2,710	(2,416)	33,658
Fund Balances, January 1	<u>152,535</u>	<u>335,476</u>	<u>113,149</u>	<u>24,438</u>	<u>625,598</u>
Fund Balances, December 31	<u>\$ 156,189</u>	<u>\$ 365,186</u>	<u>\$ 115,859</u>	<u>\$ 22,022</u>	<u>\$ 659,256</u>

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City of Mayer, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued on the Following Pages)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 639,646	\$ 639,646	\$ 644,560	\$ 4,914	\$ 486,523
Licenses and permits					
Business	2,000	2,000	7,253	5,253	1,488
Nonbusiness	100,400	100,400	104,011	3,611	190,770
Total licenses and permits	<u>102,400</u>	<u>102,400</u>	<u>111,264</u>	<u>8,864</u>	<u>192,258</u>
Intergovernmental					
State					
Local government aid	313,058	313,058	313,058	-	312,296
Other state aid	25,000	25,000	12,587	(12,413)	32,488
Police aid	6,500	6,500	7,542	1,042	6,874
County aid	3,500	3,500	3,688	188	6,170
Total intergovernmental	<u>348,058</u>	<u>348,058</u>	<u>336,875</u>	<u>(11,183)</u>	<u>357,828</u>
Charges for services					
General government	6,600	6,600	419	(6,181)	2,771
Public safety	68,178	68,178	65,679	(2,499)	25,367
Community center	5,000	5,000	5,125	125	29,758
Sanitation and recycling	2,500	2,500	2,500	-	2,500
Total charges for services	<u>82,278</u>	<u>82,278</u>	<u>73,723</u>	<u>(8,555)</u>	<u>60,396</u>
Fines and forfeitures	<u>1,000</u>	<u>1,000</u>	<u>6,979</u>	<u>5,979</u>	<u>3,131</u>
Interest on investments	<u>2,500</u>	<u>2,500</u>	<u>19,843</u>	<u>17,343</u>	<u>6,756</u>
Special assessments	<u>-</u>	<u>-</u>	<u>(139)</u>	<u>(139)</u>	<u>194</u>
Miscellaneous					
Rents and royalties	19,000	19,000	17,830	(1,170)	14,591
Contributions and donations	3,000	3,000	7,645	4,645	6,852
Refunds and reimbursements	-	-	8,292	8,292	1,902
Other	-	-	42,456	42,456	136
Total miscellaneous	<u>22,000</u>	<u>22,000</u>	<u>76,223</u>	<u>54,223</u>	<u>23,481</u>
Total Revenues	<u>1,197,882</u>	<u>1,197,882</u>	<u>1,269,328</u>	<u>71,446</u>	<u>1,130,567</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Original			
Expenditures					
Current					
General government					
Mayor and city council					
Personal services	\$ 18,000	\$ 18,000	\$ 17,391	\$ 609	\$ 13,732
Supplies	1,000	1,000	-	1,000	450
Other services and charges	2,300	2,300	1,825	475	405
Total mayor and city council	<u>21,300</u>	<u>21,300</u>	<u>19,216</u>	<u>2,084</u>	<u>14,587</u>
City hall					
Supplies	3,000	3,000	1,287	1,713	3,576
Other services and charges	41,900	41,900	51,064	(9,164)	37,359
Total city hall	<u>44,900</u>	<u>44,900</u>	<u>52,351</u>	<u>(7,451)</u>	<u>40,935</u>
City clerk					
Personal services	22,374	22,374	25,566	(3,192)	20,918
Other services and charges	2,750	2,750	2,835	(85)	1,658
Total city clerk	<u>25,124</u>	<u>25,124</u>	<u>28,401</u>	<u>(3,277)</u>	<u>22,576</u>
City administrator					
Personal services	100,699	100,699	96,623	4,076	115,106
Supplies	3,000	3,000	3,252	(252)	3,734
Other services and charges	1,750	1,750	3,427	(1,677)	1,126
Total city administrator	<u>105,449</u>	<u>105,449</u>	<u>103,302</u>	<u>2,147</u>	<u>119,966</u>
Election					
Other services and charges	1,050	1,050	837	213	2,850
Auditing					
Other services and charges	45,000	45,000	43,722	1,278	48,540
Assessing					
Other services and charges	14,000	14,000	14,447	(447)	13,506
Legal					
Other services and charges	15,000	15,000	39,194	(24,194)	18,094
Planning and zoning					
Personal services	3,110	3,110	1,955	1,155	1,440
Other services and charges	6,500	6,500	16,678	(10,178)	50,651
Total planning and zoning	<u>9,610</u>	<u>9,610</u>	<u>18,633</u>	<u>(9,023)</u>	<u>52,091</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, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Original			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Community service center					
Other services and charges	\$ 31,000	\$ 31,000	\$ 33,316	\$ (2,316)	\$ 26,604
Total general government	312,433	312,433	353,419	(40,986)	359,749
Public safety					
Police					
Other services and charges	102,100	102,100	91,432	10,668	84,833
Fire					
Personal services	43,400	43,400	30,267	13,133	31,859
Supplies	11,000	11,000	13,947	(2,947)	5,821
Other services and charges	63,025	63,025	43,956	19,069	48,575
Total fire	117,425	117,425	88,170	29,255	86,255
Building inspection					
Other services and charges	25,000	25,000	44,872	(19,872)	63,945
Civil defense					
Other services and charges	450	450	560	(110)	250
Animal control					
Other services and charges	650	650	869	(219)	-
Total public safety	245,625	245,625	225,903	19,722	235,283
Public works					
Streets					
Personal services	44,463	44,463	53,697	(9,234)	44,907
Supplies	10,000	10,000	8,589	1,411	10,313
Other services and charges	6,400	6,400	14,662	(8,262)	17,384
Total streets	60,863	60,863	76,948	(16,085)	72,604
Snow removal					
Supplies	7,000	7,000	10,767	(3,767)	9,418
Other services and charges	20,000	20,000	62,535	(42,535)	36,042
Total snow removal	27,000	27,000	73,302	(46,302)	45,460

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Original			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 45,000	\$ 45,000	\$ 47,257	\$ (2,257)	\$ 44,606
Maintenance building					
Supplies	-	-	-	-	101
Other services and charges	9,960	9,960	8,446	1,514	7,171
Total maintenance building	9,960	9,960	8,446	1,514	7,272
Engineering					
Other services and charges	15,000	15,000	86,996	(71,996)	24,768
Total public works	157,823	157,823	292,949	(135,126)	194,710
Sanitation					
Personal services	3,390	3,390	2,355	1,035	2,730
Other services and charges	2,000	2,000	873	1,127	1,190
Total sanitation	5,390	5,390	3,228	2,162	3,920
Culture and recreation					
Parks					
Personal services	45,962	45,962	48,998	(3,036)	38,419
Supplies	1,300	1,300	1,839	(539)	1,403
Other services and charges	20,650	20,650	21,249	(599)	22,788
Total culture and recreation	67,912	67,912	72,086	(4,174)	62,610
Economic development					
Personal services	450	450	-	450	-
Other services and charges	4,100	4,100	1,237	2,863	835
Total economic development	4,550	4,550	1,237	3,313	835
Total current	793,733	793,733	948,822	(155,089)	857,107
Capital outlay					
General government	125,000	125,000	18,675	106,325	5,382
Public safety	100,000	100,000	3,375	96,625	92,139
Public works	81,000	81,000	73,189	7,811	58,414
Culture and recreation	72,000	72,000	111,810	(39,810)	85,544
Total capital outlay	378,000	378,000	207,049	170,951	241,479

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, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Original			
Expenditures (Continued)					
Current (continued)					
Debt service					
Principal	\$ 22,793	\$ 22,793	\$ 3,165	\$ 19,628	\$ 7,812
Interest and other	3,356	3,356	2,237	1,119	522
Total debt service	<u>26,149</u>	<u>26,149</u>	<u>5,402</u>	<u>20,747</u>	<u>8,334</u>
Total Expenditures	<u>1,197,882</u>	<u>1,197,882</u>	<u>1,161,273</u>	<u>36,609</u>	<u>1,106,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>108,055</u>	<u>108,055</u>	<u>23,647</u>
Other Financing Sources (Uses)					
Transfer in	-	-	-	-	5,500
Transfer out	-	-	-	-	(9,986)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,486)</u>
Net Change in Fund Balances	-	-	108,055	108,055	19,161
Fund Balances, January 1	<u>871,311</u>	<u>871,311</u>	<u>871,311</u>	<u>-</u>	<u>852,150</u>
Fund Balances, December 31	<u>\$ 871,311</u>	<u>\$ 871,311</u>	<u>\$ 979,366</u>	<u>\$ 108,055</u>	<u>\$ 871,311</u>

City of Mayer, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2019

	325 GO Improvement/ Utility Revenue 2014	350 GO Improvement 2015	Totals
Assets			
Cash and temporary investments	\$ 79,628	\$ 76,009	\$ 155,637
Receivables			
Special assessments	14,866	255,782	270,648
Prepaid items	221,000	86,063	307,063
	<u>221,000</u>	<u>86,063</u>	<u>307,063</u>
Total Assets	<u>\$ 315,494</u>	<u>\$ 417,854</u>	<u>\$ 733,348</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 14,866	\$ 255,782	\$ 270,648
Fund Balances			
Restricted	300,628	162,072	462,700
	<u>300,628</u>	<u>162,072</u>	<u>462,700</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 315,494</u>	<u>\$ 417,854</u>	<u>\$ 733,348</u>

City of Mayer, Minnesota
Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2019

	325 GO Improvement/ Utility Revenue 2014	350 GO Improvement 2015	Totals
Revenues			
Property taxes	\$ 153,865	\$ 68,698	\$ 222,563
Special assessments	3,079	47,217	50,296
Interest on investments	4,019	1,753	5,772
Total Revenues	<u>160,963</u>	<u>117,668</u>	<u>278,631</u>
Expenditures			
Debt service			
Principal	205,000	80,000	285,000
Interest and other	24,525	13,300	37,825
Total Expenditures	<u>229,525</u>	<u>93,300</u>	<u>322,825</u>
Net Change in Fund Balances	(68,562)	24,368	(44,194)
Fund Balances, January 1	<u>369,190</u>	<u>137,704</u>	<u>506,894</u>
Fund Balances, December 31	<u>\$ 300,628</u>	<u>\$ 162,072</u>	<u>\$ 462,700</u>

City of Mayer, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 867,123	\$ 707,157	22.62 %
Licenses and permits	111,264	192,258	(42.13)
Intergovernmental	336,875	357,828	(5.86)
Charges for services	73,723	60,396	22.07
Fines and forfeitures	6,979	3,131	122.90
Investment earnings	61,681	25,372	143.11
Special assessments	65,668	66,779	(1.66)
Miscellaneous	110,041	62,560	75.90
Total Revenues	\$ 1,633,354	\$ 1,475,481	10.70 %
Per Capita	\$ 712	\$ 694	2.60 %
Expenditures			
Current			
General government	\$ 353,419	\$ 359,749	(1.76) %
Public safety	227,396	264,512	(14.03)
Public works	292,949	194,710	50.45
Sanitation and recycling	3,228	3,920	(17.65)
Culture and recreation	72,086	62,610	15.13
Economic development	60	180	(66.67)
Capital outlay			
General government	91,587	5,382	1,601.73
Public safety	3,375	92,139	(96.34)
Public works	175,445	58,414	200.35
Culture and recreation	114,795	85,544	34.19
Economic development	1,237	835	48.14
Debt service			
Principal	288,165	292,812	(1.59)
Interest and other	40,062	42,897	(6.61)
Total Expenditures	\$ 1,663,804	\$ 1,463,704	13.67 %
Per Capita	\$ 725	\$ 688	5.35 %
Total Long-term Indebtedness	\$ 1,425,000	\$ 1,710,000	(16.67) %
Per Capita	621	804	(22.76)
General Fund Balance - December 31	\$ 979,366	\$ 871,311	12.40 %
Per Capita	427	410	4.15

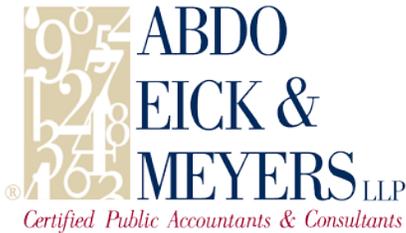
The purpose of this report is to provide a summary of financial information concerning the City of Mayer to interested citizens. The complete financial statements may be examined at City Hall, 413 Bluejay Ave, Mayer, Minnesota 55360. Questions about this report should be directed to Margaret McCallum,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

OTHER REQUIRED REPORTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2020.

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 items 2019-005 through 2019-007. 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 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.

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 19, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2020.

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 items 2019-001 through 2019-004, 2019-007, and 2019-008 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

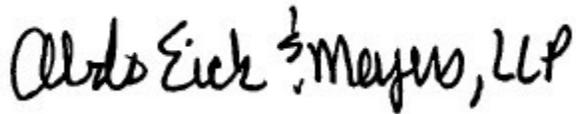
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 three instances of noncompliance (items 2019-005 and 2019-006) that are required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 19, 2020

City of Mayer, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-001	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, 2019

<u>Finding</u>	<u>Description</u>
2019-002	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.
<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>
2019-003	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. Additionally, technology is changing how processes are implemented. The City may want to consider other means for signing than maintaining a physical check stamp.
<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, 2019

<u>Finding</u>	<u>Description</u>
2019-004	Developer Escrow Account Deficit Balance
<i>Condition:</i>	The City has a developer escrow accounts for the Coldwater Crossing, Jaguar and Hidden Creek development. The City incurred over \$6,000 of expense on behalf of the developers during 2019 and into 2020 that had not been repaid.
<i>Criteria:</i>	The City maintains 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.
<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.

Management Response:

The City will reconcile the balance monthly, maintain deposits when possible and bill timely for any shortfall.

2019-005 **Proper Supporting Documentation**

<i>Condition:</i>	During our audit, it came to our attention the City did not have supporting documentation for five of fifty three transactions tested on selected credit card statements.
<i>Criteria:</i>	Minnesota statute §15.17 requires that the City keep original invoices for documentation support.
<i>Cause:</i>	During our audit, we found that eight transactions could not be supported by original invoices or expense receipts.
<i>Effect:</i>	The City is out of compliance with Minnesota statutes.
<i>Recommendation:</i>	We recommended that the City develop a procedure to keep track of original invoices and to automatically put the invoice in the corresponding folder after approval for payment.

Management Response:

The City Clerk will focus on creating a procedure to allow original invoice documentation to be properly kept track of in the future.

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-006	Time Period for Payment
<i>Condition:</i>	During our audit procures, it came to our attention that the City had not made several payments within the timeframe set forth by State statutes.
<i>Criteria:</i>	Minnesota statute §471.425 requires the City to pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.
<i>Cause:</i>	While testing disbursements the city had two transactions that were not paid within 35 days from receipt.
<i>Effect:</i>	The City is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the City develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the City.
<i>Management Response:</i>	

The City is aware of the situation and plans to implement procedures to ensure that timely payments are made from now on.

2019-007	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 and lack of systems and repeatable processes to ensure transactions are correctly coded. This is especially evident in the coding of bond transactions.
<i>Effect:</i>	The condition results in inaccurate internal information that could be unreliable for decision making. The audit form 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.

Management Response:

The City agrees with the finding and recommendation and will implement it.

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City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-008	Authorized Signers
<i>Condition:</i>	During our audit, we noted that the former mayor is still the signer for the 4M investment account and the current mayor 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 mayor position.
<i>Effect:</i>	The City is 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 signer.
<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.