

# Annual Financial Report

City of Mayer

Mayer, Minnesota

For the Year Ended

December 31, 2015

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CITY OF MAYER  
MAYER, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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**INTRODUCTORY SECTION**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF MAYER, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gerry Thomas	Mayor	12/31/16
Bruce Osborn	Council Member	12/31/16
Etienne Stieve-McPadden	Council Member	12/31/16
Nikki McNeilly	Council Member	12/31/18
Erick Boder	Council Member	12/31/18

**APPOINTED**

<u>Name</u>	<u>Title</u>
Luayn Ruch-Hammond	City Administrator/Treasurer
Lois A. Maetzold	City Clerk

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**FINANCIAL SECTION**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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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, 2015, 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, 2015 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 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. 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 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions 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***

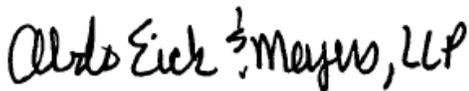
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 2, 2016

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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, 2015.

### **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 \$14,002,885 (net position). Of this amount, \$4,193,226 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$4,786,453 and \$4,340,936 at December 31, 2015 and 2014, respectively.
- The City's total net position increased by \$859,254. Both governmental and business-type activities increase during the by \$494,449 and \$364,805, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,440,111 a decrease of \$1,643,474 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$577,902, or 62.0 percent of 2016 budgeted General fund expenditures. The City Council has worked to improve the fund balance level to maintain it at a level to meet working capital needs.
- The City's total debt increased by \$282,768 during the current fiscal year. The increase was due to the issuance of debt offset by 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**

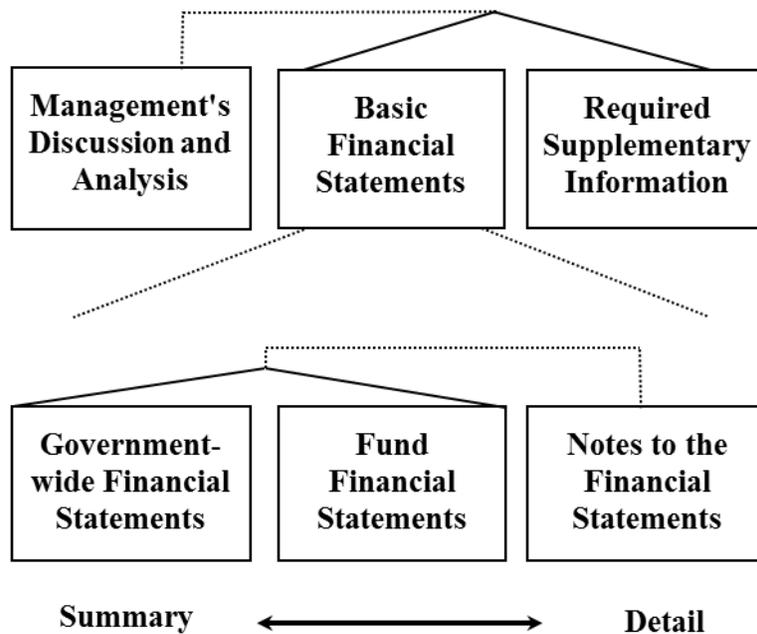


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets, 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 29 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 34 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 42 of this report.

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

The basic fiduciary fund financial statements start on page 46 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 47 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 74 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 \$14,002,885 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$8,712,931) 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 3,282,283	\$ 4,436,371	\$ (1,154,088)	\$ 2,380,159	\$ 2,035,268	\$ 344,891
Capital assets	6,715,282	5,956,714	758,568	10,136,031	10,406,838	(270,807)
<b>Total assets</b>	<b>9,997,565</b>	<b>10,393,085</b>	<b>(395,520)</b>	<b>12,516,190</b>	<b>12,442,106</b>	<b>74,084</b>
Deferred outflows of resources	35,998	-	35,998	2,968	-	2,968
<b>Liabilities</b>						
Noncurrent liabilities outstanding	2,615,601	3,553,940	(938,339)	5,674,134	5,967,000	(292,866)
Other liabilities	149,426	91,023	58,403	84,292	62,037	22,255
<b>Total liabilities</b>	<b>2,765,027</b>	<b>3,644,963</b>	<b>(879,936)</b>	<b>5,758,426</b>	<b>6,029,037</b>	<b>(270,611)</b>
Deferred inflows of resources	24,765	-	24,765	1,618	-	1,618
<b>Net position</b>						
Net invested in capital assets	4,229,900	4,094,694	135,206	4,483,031	4,439,838	43,193
Restricted	1,040,824	2,328,110	(1,287,286)	55,904	51,273	4,631
Unrestricted	1,973,047	325,318	1,647,729	2,220,179	1,921,958	298,221
<b>Total net position</b>	<b>\$ 7,243,771</b>	<b>\$ 6,748,122</b>	<b>\$ 495,649</b>	<b>\$ 6,759,114</b>	<b>\$ 6,413,069</b>	<b>\$ 346,045</b>

An additional portion of the City's net position (7.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$4,193,226) 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 \$494,449. Key elements of this increase are as follows:

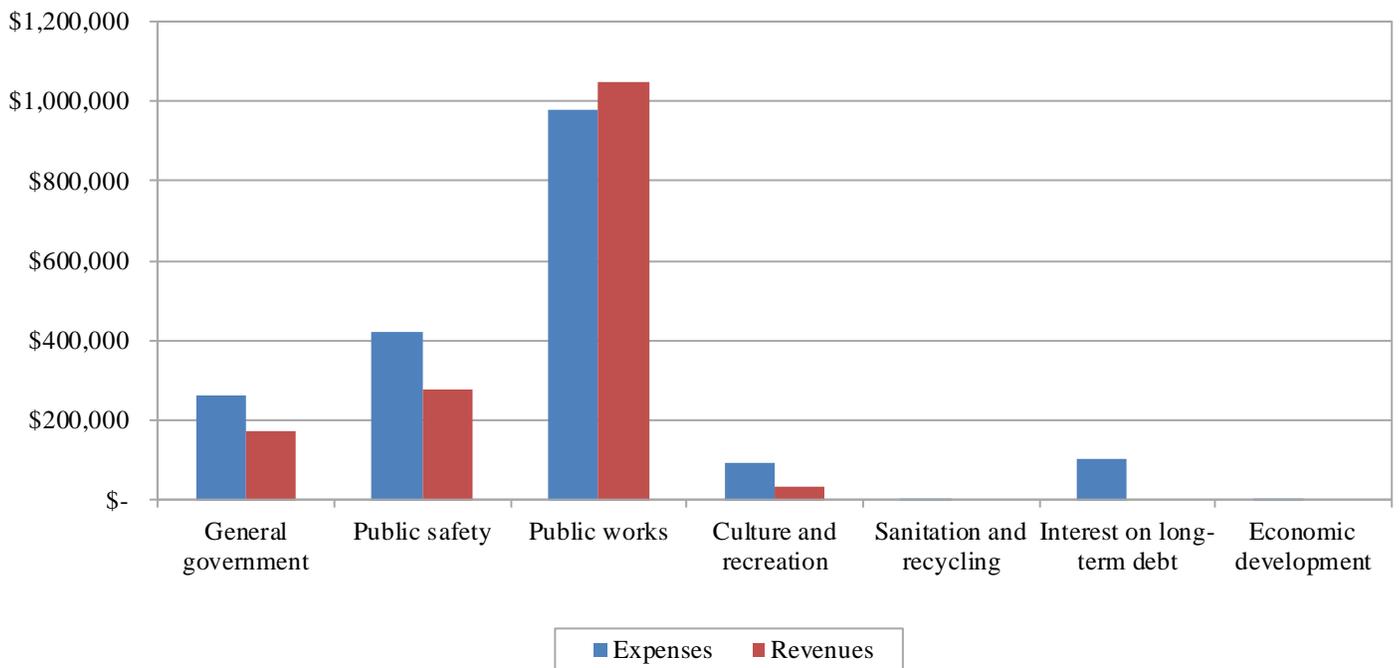
### City of Mayer's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 240,163	\$ 204,214	\$ 35,949	\$ 705,070	\$ 643,622	\$ 61,448
Operating grants and contributions	609,232	27,677	581,555	-	-	-
Capital grants and contributions	681,748	39,987	641,761	234,795	165,387	69,408
<b>General revenues</b>						
<b>Property taxes,</b>						
levied for general purpose	423,209	374,105	49,104	-	-	-
levied for debt service	188,602	163,800	24,802	336,000	390,000	(54,000)
<b>State grants and contributions</b>						
not restricted to specific programs	296,591	290,530	6,061	-	-	-
Unrestricted investment earnings	12,703	5,563	7,140	8,848	3,086	5,762
<b>Total revenues</b>	<b>2,452,248</b>	<b>1,105,876</b>	<b>1,346,372</b>	<b>1,284,713</b>	<b>1,202,095</b>	<b>82,618</b>
<b>Expenses</b>						
General government	262,041	275,258	(13,217)	-	-	-
Public safety	422,965	233,941	189,024	-	-	-
Public works	979,804	415,077	564,727	-	-	-
Culture and recreation	92,043	59,525	32,518	-	-	-
Sanitation and recycling	3,110	3,598	(488)	-	-	-
Economic development	2,651	4,870	(2,219)	-	-	-
Interest on long-term debt	102,254	90,493	11,761	-	-	-
Water utility	-	-	-	375,376	363,827	11,549
Sewer utility	-	-	-	611,622	604,571	7,051
Storm water utility	-	-	-	25,841	14,283	11,558
<b>Total expenses</b>	<b>1,864,868</b>	<b>1,082,762</b>	<b>782,106</b>	<b>1,012,839</b>	<b>982,681</b>	<b>30,158</b>
<b>Change in net position</b>	<b>494,449</b>	<b>23,114</b>	<b>471,335</b>	<b>364,805</b>	<b>219,414</b>	<b>145,391</b>
<b>Net position (restated), January 1</b>	<b>6,749,322</b>	<b>6,725,008</b>	<b>24,314</b>	<b>6,394,309</b>	<b>6,193,655</b>	<b>200,654</b>
<b>Net position, December 31</b>	<b>\$ 7,243,771</b>	<b>\$ 6,748,122</b>	<b>\$ 495,649</b>	<b>\$ 6,759,114</b>	<b>\$ 6,413,069</b>	<b>\$ 346,045</b>

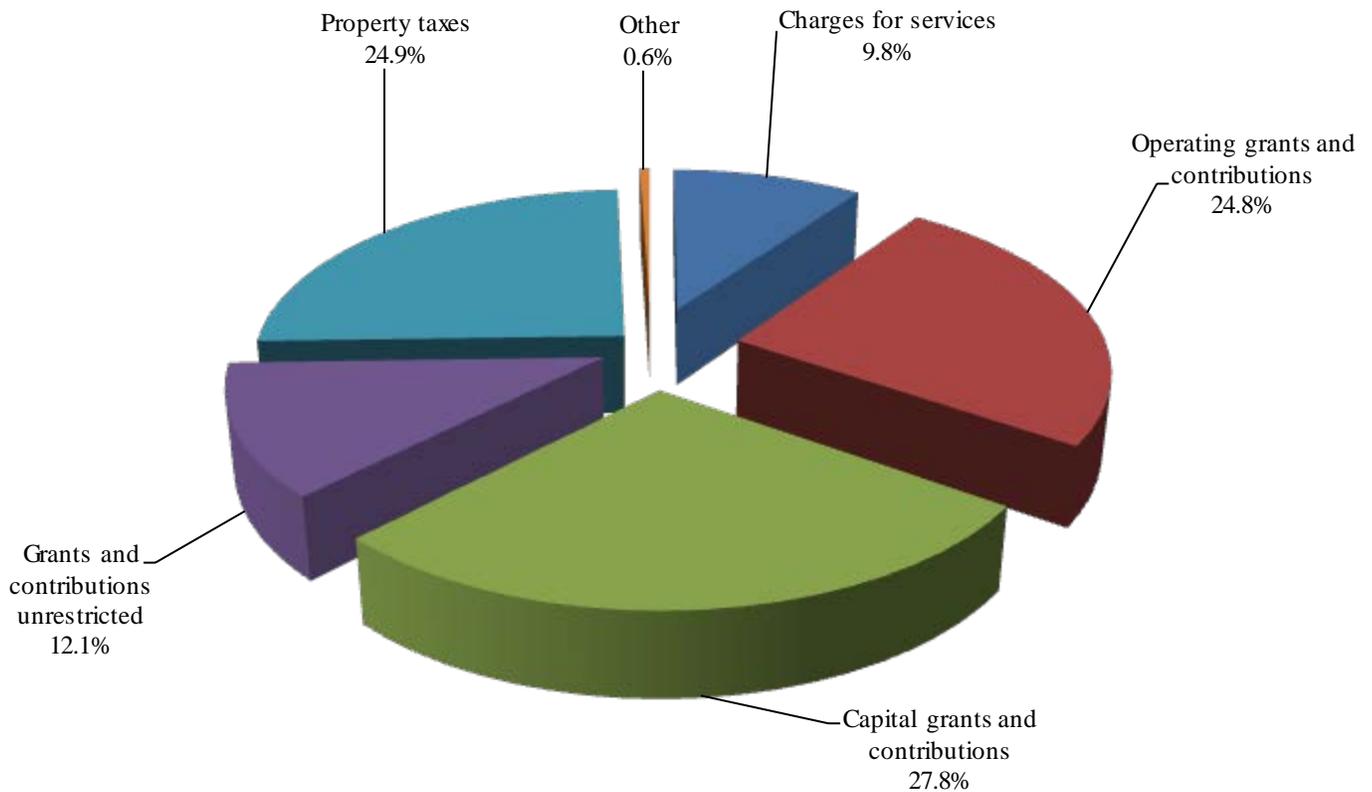
\* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$17,560 restatement of beginning net position. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See Note 6.

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

### Expenses and Program Revenues - Governmental Activities



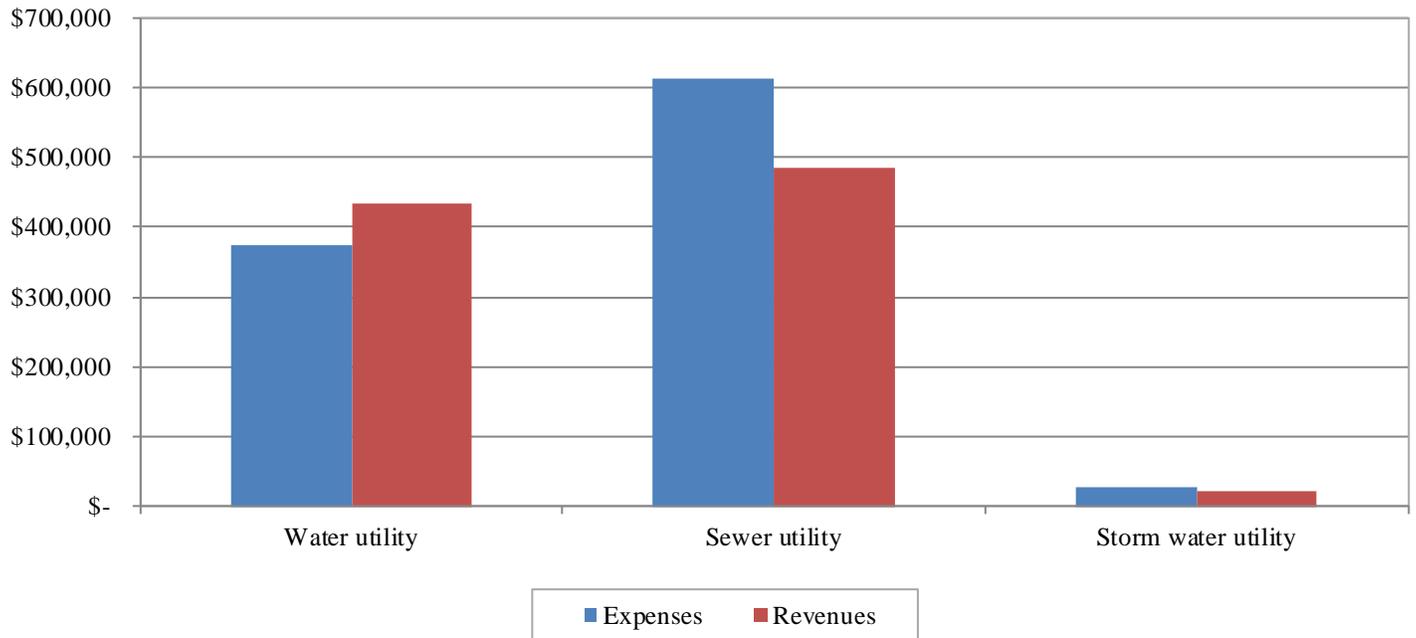
### Revenues by Source - Governmental Activities



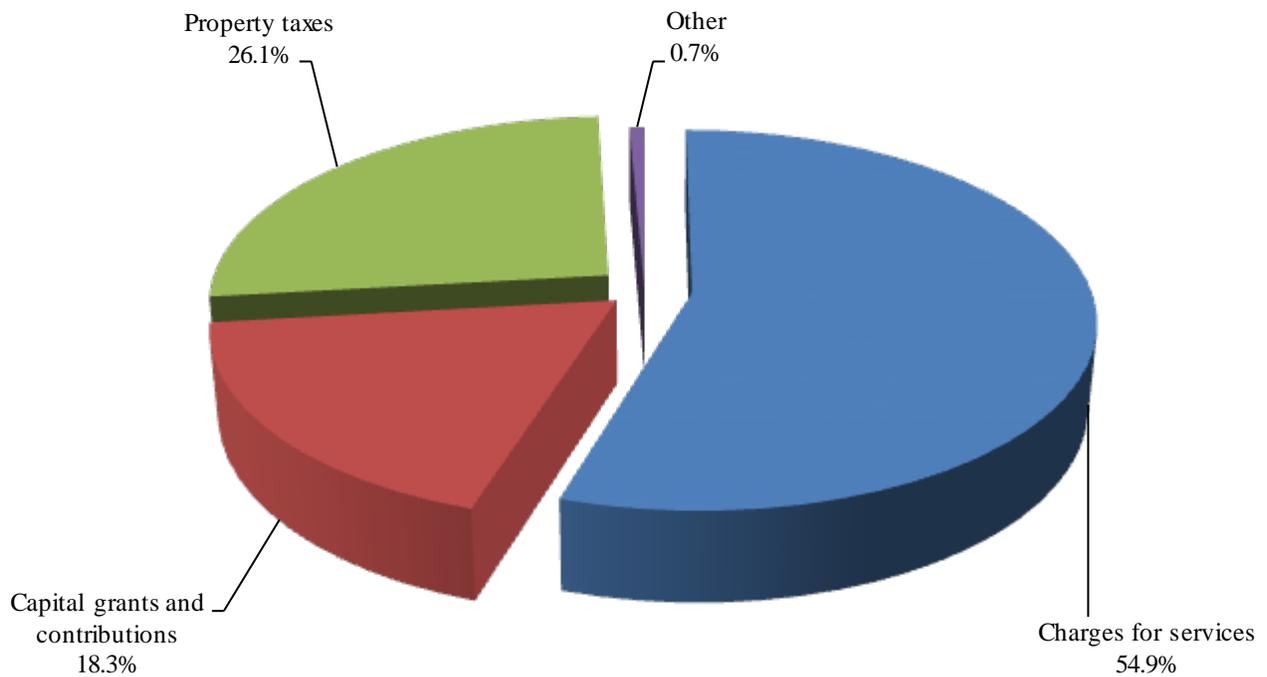
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type activities:** Business-type activities increased the City’s net position by \$364,805. 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 \$2,440,111, a decrease of \$1,643,474 in comparison with the prior year. Approximately 23 percent of this total amount, \$561,266, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$1,878,845) is not available for new spending because it is either 1) restricted (\$576,320), or 2) assigned (\$1,302,525) 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 \$577,902 which was an decrease of \$170,092. The General fund transferred \$64,607 to other funds for future capital needs.

The *Debt Service funds* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment. The ending fund balance was \$528,616, which was a decrease of \$1,654,149 due to the payment of bonds refunded.

The *Capital Project/Equipment fund* accounts for the accumulation of resources for future capital project and equipment purchases. The ending fund balance was \$992,537 which is assigned for future capital improvements and purchases.

The *Roundabout Project fund* accounts for the accumulation of resources for highway 25 roundabout project. The ending fund balance was a deficit of \$6,917 due to expenditures exceeding revenues for the project.

The *Fire Truck fund* accounts for the accumulation of resources for future capital purchases for the fire department. The ending fund balance was \$992,537 which was a decrease of \$129,590 due to the purchase of a new fire truck.

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

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and called for no increase or decrease in fund balance. Total revenues were over budget by \$106,280 and expenditures were \$152,398 less than anticipated. Some of the significant variances can be briefly summarized as follows:

- All revenues were over budget, with the exception of taxes, which were under budget by \$37,645. Licenses and permits were over budget by \$102,666 due to higher than expected building permit revenue.
- All functions of expenditures were under budget, with the exception of sanitation. The most significant variance was in capital outlay expenditures, which was under budget by \$94,569.

## 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, 2015, amounts to \$16,851,313 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City's capital assets can be found in Note 3B starts on page 56 of this report.

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 691,724	\$ 691,724	\$ -	\$ 40,792	\$ 40,792	\$ -
Construction work in process	626,651	222,443	849,094	88,642	60,333	28,309
Land improvements	175,484	185,658	(10,174)	-	-	-
Buildings	102,650	107,580	(4,930)	-	-	-
Infrastructure	4,263,746	4,469,286	(205,540)	9,977,368	10,272,775	(295,407)
Machinery and equipment	855,027	280,023	575,004	29,229	32,938	(3,709)
<b>Total</b>	<b>\$ 6,715,282</b>	<b>\$ 5,956,714</b>	<b>\$ 758,568</b>	<b>\$10,136,031</b>	<b>\$10,406,838</b>	<b>\$ (270,807)</b>

**Long-term debt:** At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,113,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Mayer's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 2,460,000	\$ 1,990,000	\$ 470,000	\$ -	\$ -	\$ -
General obligation revenue bonds	-	-	-	5,653,000	5,967,000	(314,000)
Capital leases payable	25,382	38,307	(12,925)	-	-	-
Compensated absences payable	16,608	11,660	4,948	-	-	-
Pension liability	113,611	-	113,611	21,134	-	21,134
<b>Total</b>	<b>\$ 2,615,601</b>	<b>\$ 2,039,967</b>	<b>\$ 575,634</b>	<b>\$ 5,674,134</b>	<b>\$ 5,967,000</b>	<b>\$ (292,866)</b>

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

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

### **Economic Factors and Next Year's Budget**

The economy seems to be returning to profitability the housing market in Mayer continues to not meet the needs of the debt that was issued. Projections for income on the debt repayment were for 70 new homes a year. In 2015, the City issued 23 new home permits and 2 permits for townhomes for a total of 25 hook-up fees. Although not the 70 required the City is continuing to gain a couple of new homes from last year to 2015. The City will continue to levy property taxes to make up for the short fall in hookup fee revenue and will also continue to adjust the property tax levy according to the number of hookup fees.

### **Requests for Information**

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

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF MAYER, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 2,493,756	\$ 2,292,697	\$ 4,786,453
Receivables			
Taxes	19,494	-	19,494
Accounts	48,038	84,644	132,682
Special assessments	603,669	2,818	606,487
Pension asset	117,326	-	117,326
Capital assets			
Non-depreciable	1,318,375	129,434	1,447,809
Depreciable (net of accumulated depreciation)	5,396,907	10,006,597	15,403,504
<b>TOTAL ASSETS</b>	<b>9,997,565</b>	<b>12,516,190</b>	<b>22,513,755</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	35,998	2,968	38,966
<b>LIABILITIES</b>			
Accounts payable	90,060	32,317	122,377
Accrued salaries payable	499	90	589
Accrued interest payable	39,495	26,093	65,588
Unearned revenue	19,372	25,792	45,164
Noncurrent liabilities			
Due within one year	213,633	524,000	737,633
Due in more than one year	2,401,968	5,150,134	7,552,102
<b>TOTAL LIABILITIES</b>	<b>2,765,027</b>	<b>5,758,426</b>	<b>8,523,453</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Resources	24,765	1,618	26,383
<b>NET POSITION</b>			
Net invested in capital assets	4,229,900	4,483,031	8,712,931
Restricted for			
Debt service	993,120	-	993,120
Future capital	35,064	-	35,064
Economic development	12,640	-	12,640
Unrestricted	1,973,047	2,220,179	4,193,226
<b>TOTAL NET POSITION</b>	<b>\$ 7,243,771</b>	<b>\$ 6,759,114</b>	<b>\$ 14,002,885</b>

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

CITY OF MAYER, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 262,041	\$ 166,322	\$ 3,705	\$ -
Public safety	422,965	41,819	14,084	222,964
Public works	979,804	-	591,443	458,784
Culture and recreation	92,043	32,022	-	-
Economic development	2,651	-	-	-
Sanitation	3,110	-	-	-
Interest on long-term debt	102,254	-	-	-
Total governmental activities	<u>1,864,868</u>	<u>240,163</u>	<u>609,232</u>	<u>681,748</u>
Business-type activities				
Water utility	375,376	319,799	-	114,236
Sewer utility	611,622	365,830	-	117,658
Storm water utility	25,841	19,441	-	2,901
Total business-type activities	<u>1,012,839</u>	<u>705,070</u>	<u>-</u>	<u>234,795</u>
Total	<u>\$ 2,877,707</u>	<u>\$ 945,233</u>	<u>\$ 609,232</u>	<u>\$ 916,543</u>

General revenues and transfers

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

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 6)

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
\$ (92,014)	\$ -	\$ (92,014)
(144,098)	-	(144,098)
70,423	-	70,423
(60,021)	-	(60,021)
(2,651)	-	(2,651)
(3,110)	-	(3,110)
(102,254)	-	(102,254)
<u>(333,725)</u>	<u>-</u>	<u>(333,725)</u>
-	58,659	58,659
-	(128,134)	(128,134)
-	(3,499)	(3,499)
<u>-</u>	<u>(72,974)</u>	<u>(72,974)</u>
<u>(333,725)</u>	<u>(72,974)</u>	<u>(406,699)</u>
423,209	-	423,209
188,602	336,000	524,602
296,591	-	296,591
12,703	8,848	21,551
(92,931)	92,931	-
<u>828,174</u>	<u>437,779</u>	<u>1,265,953</u>
494,449	364,805	859,254
<u>6,749,322</u>	<u>6,394,309</u>	<u>13,143,631</u>
<u>\$ 7,243,771</u>	<u>\$ 6,759,114</u>	<u>\$ 14,002,885</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF MAYER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<b>101</b>	<b>300's</b>	<b>435</b>	<b>440</b>
	General	Debt Service	Capital Project/ Equipment	Roundabout Project
<b>ASSETS</b>				
Cash and temporary investments	\$ 600,922	\$ 527,926	\$ 992,537	\$ 39,218
Receivables				
Taxes	19,494	-	-	-
Accounts	8,846	-	-	-
Special assessments	-	504,689	98,980	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 629,262</u></u>	<u><u>\$ 1,032,615</u></u>	<u><u>\$ 1,091,517</u></u>	<u><u>\$ 39,218</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 38,925	\$ -	\$ -	\$ 46,135
Accrued salaries payable	499	-	-	-
Unearned revenue	-	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>TOTAL LIABILITIES</b>	<u>39,424</u>	<u>-</u>	<u>-</u>	<u>46,135</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	11,936	-	-	-
Unavailable revenue - special assessments	-	503,999	98,980	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>TOTAL DEFERRED INFLOWS     OF RESOURCES</b>	<u>11,936</u>	<u>503,999</u>	<u>98,980</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	528,616	-	-
Assigned	-	-	992,537	-
Unassigned	577,902	-	-	(6,917)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>TOTAL FUND BALANCES</b>	<u>577,902</u>	<u>528,616</u>	<u>992,537</u>	<u>(6,917)</u>
<b>TOTAL LIABILITIES, DEFERRED     INFLOWS OF RESOURCES,     AND FUND BALANCES</b>	<u><u>\$ 629,262</u></u>	<u><u>\$ 1,032,615</u></u>	<u><u>\$ 1,091,517</u></u>	<u><u>\$ 39,218</u></u>

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

<b>210</b>	Other	Total
Fire Truck	Governmental Funds	Governmental Funds
\$ 10,902	\$ 322,251	\$ 2,493,756
-	-	19,494
450	38,742	48,038
-	-	603,669
<u>\$ 11,352</u>	<u>\$ 360,993</u>	<u>\$ 3,164,957</u>
\$ -	\$ 5,000	\$ 90,060
-	-	499
-	19,372	19,372
-	24,372	109,931
-	-	11,936
-	-	602,979
-	-	614,915
-	47,704	576,320
11,352	298,636	1,302,525
-	(9,719)	561,266
<u>11,352</u>	<u>336,621</u>	<u>2,440,111</u>
<u>\$ 11,352</u>	<u>\$ 360,993</u>	<u>\$ 3,164,957</u>

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CITY OF MAYER, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

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

Total fund balances - governmental funds	\$ 2,440,111
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	6,715,282
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Capital lease payable	(25,382)
Bonds payable	(2,460,000)
Compensated absences payable	(16,608)
Pension liability	(113,611)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes	11,936
Special assessments	602,979
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	35,998
Deferred inflows of pension resources	(24,765)
Pension asset	117,326
Governmental funds do not report a liability for accrued interest until due and payable.	
	(39,495)
Total net position - governmental activities	\$ 7,243,771

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, 2015

	<b>101</b>	<b>300's</b>	<b>435</b>	<b>440</b>
	General	Debt Service	Capital Project/ Equipment	Roundabout Project
<b>REVENUES</b>				
General property taxes	\$ 424,519	\$ 188,602	\$ -	\$ -
Licenses and permits	130,251	-	-	-
Intergovernmental	308,841	-	-	588,000
Charges for services	75,561	-	-	-
Fines and forfeitures	4,197	-	-	-
Special assessments	21	63,738	52,605	-
Interest on investments	4,711	2,422	4,012	112
Miscellaneous	33,050	-	-	-
<b>TOTAL REVENUES</b>	<b>981,151</b>	<b>254,762</b>	<b>56,617</b>	<b>588,112</b>
<b>EXPENDITURES</b>				
Current				
General government	254,282	-	-	-
Public safety	175,949	-	-	-
Public works	119,609	-	-	-
Sanitation	3,110	-	-	-
Culture and recreation	31,374	-	-	-
Economic development	-	-	-	-
Capital outlay				
General government	9,007	-	-	-
Public safety	24,605	-	-	-
Public works	70,564	-	45,289	1,002,818
Culture and recreation	23,755	-	-	-
Economic development	1,010	-	-	-
Debt service				
Principal	6,638	1,830,000	-	-
Interest and other	2,570	78,911	-	17,211
<b>TOTAL EXPENDITURES</b>	<b>722,473</b>	<b>1,908,911</b>	<b>45,289</b>	<b>1,020,029</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>258,678</b>	<b>(1,654,149)</b>	<b>11,328</b>	<b>(431,917)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(88,836)	-	(92,931)	-
Bonds issued	-	-	-	425,000
Sale of capital assets	250	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(88,586)</b>	<b>-</b>	<b>(92,931)</b>	<b>425,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>170,092</b>	<b>(1,654,149)</b>	<b>(81,603)</b>	<b>(6,917)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>407,810</b>	<b>2,182,765</b>	<b>1,074,140</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 577,902</b>	<b>\$ 528,616</b>	<b>\$ 992,537</b>	<b>\$ (6,917)</b>

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

<b>210</b>	Other	Total
Fire Truck	Governmental	Governmental
<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ -	\$ 613,121
-	-	130,251
-	243,499	1,140,340
3,400	-	78,961
-	-	4,197
-	-	116,364
209	1,237	12,703
-	35,646	68,696
<u>3,609</u>	<u>280,382</u>	<u>2,164,633</u>
-	-	254,282
-	-	175,949
-	-	119,609
-	-	3,110
-	-	31,374
-	230	230
-	-	9,007
538,223	227,365	790,193
-	5,440	1,124,111
-	17,887	41,642
-	-	1,010
-	-	1,836,638
14,579	-	113,271
<u>552,802</u>	<u>250,922</u>	<u>4,500,426</u>
<u>(549,193)</u>	<u>29,460</u>	<u>(2,335,793)</u>
59,603	29,233	88,836
-	-	(181,767)
360,000	-	785,000
-	-	250
<u>419,603</u>	<u>29,233</u>	<u>692,319</u>
(129,590)	58,693	(1,643,474)
<u>140,942</u>	<u>277,928</u>	<u>4,083,585</u>
<u>\$ 11,352</u>	<u>\$ 336,621</u>	<u>\$ 2,440,111</u>

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, 2015

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

Total net change in fund balances - governmental funds	\$ (1,643,474)
<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	1,043,834
Depreciation expense	(285,079)
Loss on disposal of capital assets	(187)
<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	1,836,638
Debt issued or incurred	(785,000)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	11,017
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	29,023
Pension revenue	(15,275)
<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	(1,310)
Special assessments	303,950
<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	312
Change in net position - governmental activities	\$ 494,449

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 462,164	\$ 462,164	\$ 424,519	\$ (37,645)
Licenses and permits	27,585	27,585	130,251	102,666
Intergovernmental	292,240	292,240	308,841	16,601
Charges for services	69,309	69,309	75,561	6,252
Fines and forfeitures	1,000	1,000	4,197	3,197
Interest on investments	2,500	2,500	4,711	2,211
Special assessments	-	-	21	21
Miscellaneous	20,073	20,073	33,050	12,977
<b>TOTAL REVENUES</b>	<b>874,871</b>	<b>874,871</b>	<b>981,151</b>	<b>106,280</b>
<b>EXPENDITURES</b>				
Current				
General government	266,396	266,396	254,282	12,114
Public safety	182,958	182,958	175,949	7,009
Public works	120,253	120,253	119,609	644
Sanitation	2,823	2,823	3,110	(287)
Culture and recreation	28,618	28,618	31,374	(2,756)
Economic development	1,800	1,800	1,010	790
Capital outlay	222,500	222,500	127,931	94,569
Debt service	49,523	49,523	9,208	40,315
<b>TOTAL EXPENDITURES</b>	<b>874,871</b>	<b>874,871</b>	<b>722,473</b>	<b>152,398</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>258,678</b>	<b>258,678</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(88,836)	(88,836)
Sale of capital assets	-	-	250	250
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(88,586)</b>	<b>(88,586)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>170,092</b>	<b>170,092</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>407,810</b>	<b>407,810</b>	<b>407,810</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 407,810</b>	<b>\$ 407,810</b>	<b>\$ 577,902</b>	<b>\$ 170,092</b>

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, 2015

	Business-type Activities - Enterprise Funds			Totals
	620	640	650	
	Water Utility	Sewer Utility	Storm Water Utility	
Nonmajor				
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 763,741	\$ 1,357,624	\$ 171,332	\$ 2,292,697
Receivables				
Accounts	34,352	47,769	2,523	84,644
Special assessments	1,409	1,409	-	2,818
<b>TOTAL CURRENT ASSETS</b>	<b>799,502</b>	<b>1,406,802</b>	<b>173,855</b>	<b>2,380,159</b>
<b>NONCURRENT ASSETS</b>				
Capital assets not being depreciated	40,792	-	88,642	129,434
Capital assets being depreciated	6,217,843	8,255,430	427,092	14,900,365
<b>TOTAL CAPITAL ASSETS</b>	<b>6,258,635</b>	<b>8,255,430</b>	<b>515,734</b>	<b>15,029,799</b>
<b>LESS ACCUMULATED DEPRECIATION</b>	<b>(1,781,538)</b>	<b>(2,995,864)</b>	<b>(116,366)</b>	<b>(4,893,768)</b>
<b>CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION</b>	<b>4,477,097</b>	<b>5,259,566</b>	<b>399,368</b>	<b>10,136,031</b>
<b>TOTAL ASSETS</b>	<b>5,276,599</b>	<b>6,666,368</b>	<b>573,223</b>	<b>12,516,190</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	1,484	1,484	-	2,968
<b>CURRENT LIABILITIES</b>				
Accounts payable	21,796	5,243	5,278	32,317
Accrued interest payable	15,417	10,676	-	26,093
Accrued salaries payable	45	45	-	90
Unearned revenue	25,792	-	-	25,792
Current portion of bonds payable	239,450	284,550	-	524,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>302,500</b>	<b>300,514</b>	<b>5,278</b>	<b>608,292</b>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable, less current portion above	2,590,150	2,538,850	-	5,129,000
Pension liability	10,567	10,567	-	21,134
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,600,717</b>	<b>2,549,417</b>	<b>-</b>	<b>5,150,134</b>
<b>TOTAL LIABILITIES</b>	<b>2,903,217</b>	<b>2,849,931</b>	<b>5,278</b>	<b>5,758,426</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	809	809	-	1,618
<b>NET POSITION</b>				
Net investment in capital assets	1,647,497	2,436,166	399,368	4,483,031
Restricted for future expansion	-	55,904	-	55,904
Unrestricted	726,560	1,325,042	168,577	2,220,179
<b>TOTAL NET POSITION</b>	<b>\$ 2,374,057</b>	<b>\$ 3,817,112</b>	<b>\$ 567,945</b>	<b>\$ 6,759,114</b>

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, 2015

	Business-type Activities - Enterprise Funds			
	Nonmajor			Totals
	620 Water Utility	640 Sewer Utility	650 Storm Water Utility	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 273,341	\$ 364,387	\$ 19,441	\$ 657,169
<b>OPERATING EXPENSES</b>				
Personal services	16,228	16,228	-	32,456
Supplies	6,604	41,645	-	48,249
Repairs and maintenance	6,356	37,575	7,502	51,433
Other services and charges	36,805	69,656	4,103	110,564
Insurance	3,072	12,138	-	15,210
Utilities	20,925	36,476	-	57,401
Depreciation	193,847	278,112	14,236	486,195
<b>TOTAL OPERATING EXPENSES</b>	<b>283,837</b>	<b>491,830</b>	<b>25,841</b>	<b>801,508</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(10,496)</b>	<b>(127,443)</b>	<b>(6,400)</b>	<b>(144,339)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property taxes	-	336,000	-	336,000
Special assessments	1,443	1,443	-	2,886
Interest income	3,027	5,233	588	8,848
Miscellaneous income	45,015	-	-	45,015
Interest expense	(91,539)	(119,792)	-	(211,331)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(42,054)</b>	<b>222,884</b>	<b>588</b>	<b>181,418</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>(52,550)</b>	<b>95,441</b>	<b>(5,812)</b>	<b>37,079</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>114,236</b>	<b>117,658</b>	<b>2,901</b>	<b>234,795</b>
<b>TRANSFERS IN</b>	<b>-</b>	<b>-</b>	<b>92,931</b>	<b>92,931</b>
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>114,236</b>	<b>117,658</b>	<b>95,832</b>	<b>327,726</b>
<b>CHANGE IN NET POSITION</b>	<b>61,686</b>	<b>213,099</b>	<b>90,020</b>	<b>364,805</b>
<b>NET POSITION, JANUARY 1 AS RESTATED</b>	<b>2,312,371</b>	<b>3,604,013</b>	<b>477,925</b>	<b>6,394,309</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 2,374,057</b>	<b>\$ 3,817,112</b>	<b>\$ 567,945</b>	<b>\$ 6,759,114</b>

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, 2015

	Business-type Activities - Enterprise Funds			Totals
	620	640	650	
	Water Utility	Sewer Utility	Nonmajor Storm Water Utility	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 261,518	\$ 358,610	\$ 19,673	\$ 639,801
Other operating receipts	45,015	-	-	45,015
Payments to suppliers, contractors and other governments	(71,908)	(199,428)	(6,762)	(278,098)
Payments to employees	(16,155)	(16,155)	-	(32,310)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>218,470</b>	<b>143,027</b>	<b>12,911</b>	<b>374,408</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Special assessments received	550	550	-	1,100
Transfers in	-	-	92,931	92,931
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>550</b>	<b>550</b>	<b>92,931</b>	<b>94,031</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(163,006)	(5,873)	(28,309)	(197,188)
Proceeds of bonds issued, net of issuance costs	190,000	-	-	190,000
Property taxes received	-	336,000	-	336,000
Connection fees collected	114,236	117,658	2,901	234,795
Principal paid on long-term debt	(231,400)	(272,600)	-	(504,000)
Interest paid on long-term debt	(90,230)	(120,927)	-	(211,157)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(180,400)</b>	<b>54,258</b>	<b>(25,408)</b>	<b>(151,550)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	3,027	5,233	588	8,848
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>41,647</b>	<b>203,068</b>	<b>81,022</b>	<b>325,737</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>722,094</b>	<b>1,154,556</b>	<b>90,310</b>	<b>1,966,960</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 763,741</b>	<b>\$ 1,357,624</b>	<b>\$ 171,332</b>	<b>\$ 2,292,697</b>

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

CITY OF MAYER, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Nonmajor			Totals
	620 Water Utility	640 Sewer Utility	650 Storm Water Utility	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (10,496)	\$ (127,443)	\$ (6,400)	\$ (144,339)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	193,847	278,112	14,236	486,195
Other income related to operations	45,015	-	-	45,015
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(11,823)	(5,777)	232	(17,368)
Deferred pension resources	(1,060)	(1,060)	-	(2,120)
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	862	(1,938)	4,843	3,767
Accrued salaries payable	(439)	(439)	-	(878)
Unearned revenue	992	-	-	992
Pension liability	763	763	-	1,526
Deferred pension resources	809	809	-	1,618
<b>NET CASH PROVIDED (USED) BY     OPERATING ACTIVITIES</b>	<b>\$ 218,470</b>	<b>\$ 143,027</b>	<b>\$ 12,911</b>	<b>\$ 374,408</b>
<b>SCHEDULE OF NONCASH CAPITAL FINANCING ACTIVITIES</b>				
Loss on disposal of capital assets	\$ 87	\$ 87	\$ -	\$ 174
Capital assets purchased on account	\$ 18,200	\$ -	\$ -	\$ 18,200

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

CITY OF MAYER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2015

	Agency <b>800</b> Developer Escrows
<b>ASSETS</b>	
Cash and temporary investments	\$ 23,973
Accounts receivable	2,298
<b>TOTAL ASSETS</b>	<b>\$ 26,271</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 26,271

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

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**A. Reporting entity**

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

*Blended Component Unit.* The Economic Development Authority (EDA) was created in 2005 pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The five-member Board is comprised of the City Council members. Therefore, the activities are blended and will be reported in a separate special revenue fund. Separate financial statements are not issued for this component unit. The EDA has a December 31 year end.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

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

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

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 *Roundabout Project fund* accounts for the financial resources used for the constructions of the Highway 25 roundabout.

The *Fire Truck fund* accounts for the financial resources used capital purchases for public safety equipment and vehicles.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

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

**Deposits and investments**

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. 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.

Investments for the City are reported at fair value.

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

***Property taxes***

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

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

CITY OF MAYER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**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 estimated fair value of the item at the date of its donation.

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

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

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

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

*Deferred outflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City 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 (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Fire Relief Association (FRA) and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA 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.

*Compensated absences*

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

*Long-term obligations*

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

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

*Deferred inflows of resources*

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

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.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

*Net position*

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

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

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

*Fund balance*

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

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

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

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

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

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

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.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 2015.

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

**A. Deposits and investments**

*Deposits*

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- 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.

CITY OF MAYER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

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

At year-end, the City's carrying amount of deposits was \$4,201,874 and the bank balance was \$4,417,317. 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)	Fair Value and Carrying Amount
Pooled investments			
Broker money market	N/A	Less than 6 months	\$ 3,322
Non-pooled investments			
Brokered certificates of deposit	N/A	1 to 3 years	<u>605,230</u>
Total investments			<u><u>\$ 608,552</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 50 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  
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**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	\$ 4,201,874
Investments	<u>608,552</u>
Total cash and temporary investments	<u><u>\$ 4,810,426</u></u>
Statement of Net Position	
Cash and temporary investments	\$ 4,786,453
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>23,973</u>
Total	<u><u>\$ 4,810,426</u></u>

**B. Capital assets**

Capital asset activity for City for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 691,724	\$ -	\$ -	\$ 691,724
Construction in progress	<u>222,443</u>	<u>404,208</u>	<u>-</u>	<u>626,651</u>
Total capital assets not being depreciated	<u>914,167</u>	<u>404,208</u>	<u>-</u>	<u>1,318,375</u>
Capital assets being depreciated				
Land improvements	238,135	-	-	238,135
Buildings	481,085	-	-	481,085
Infrastructure	6,157,874	-	-	6,157,874
Machinery and equipment	<u>1,294,264</u>	<u>639,626</u>	<u>(22,427)</u>	<u>1,911,463</u>
Total capital assets being depreciated	<u>8,171,358</u>	<u>639,626</u>	<u>(22,427)</u>	<u>8,788,557</u>
Less accumulated depreciation for				
Land improvements	(52,477)	(10,174)	-	(62,651)
Buildings	(373,505)	(4,930)	-	(378,435)
Infrastructure	(1,688,588)	(205,540)	-	(1,894,128)
Machinery and equipment	<u>(1,014,241)</u>	<u>(64,435)</u>	<u>22,240</u>	<u>(1,056,436)</u>
Total accumulated depreciation	<u>(3,128,811)</u>	<u>(285,079)</u>	<u>22,240</u>	<u>(3,391,650)</u>
Total capital assets being depreciated, net	<u>5,042,547</u>	<u>354,547</u>	<u>(187)</u>	<u>5,396,907</u>
Governmental activities capital assets, net	<u><u>\$ 5,956,714</u></u>	<u><u>\$ 758,755</u></u>	<u><u>\$ (187)</u></u>	<u><u>\$ 6,715,282</u></u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 40,792	\$ -	\$ -	\$ 40,792
Construction in progress	60,333	28,309	-	88,642
	<u>101,125</u>	<u>28,309</u>	<u>-</u>	<u>129,434</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Infrastructure	14,557,494	181,293	-	14,738,787
Machinery and equipment	176,524	5,960	(20,906)	161,578
	<u>14,734,018</u>	<u>187,253</u>	<u>(20,906)</u>	<u>14,900,365</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Infrastructure	(4,284,719)	(476,700)	-	(4,761,419)
Machinery and equipment	(143,586)	(9,495)	20,732	(132,349)
	<u>(4,428,305)</u>	<u>(486,195)</u>	<u>20,732</u>	<u>(4,893,768)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>10,305,713</u>	<u>(298,942)</u>	<u>(174)</u>	<u>10,006,597</u>
Business-type activities capital assets, net	<u>\$10,406,838</u>	<u>\$ (270,633)</u>	<u>\$ (174)</u>	<u>\$10,136,031</u>

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

<b>Governmental activities</b>	
General government	\$ 8,736
Public safety	39,543
Public works	216,362
Culture and recreation	19,027
Economic and development	1,411
Total depreciation expense - governmental activities	<u>\$ 285,079</u>
<b>Business-type activities</b>	
Water utilities	\$ 193,847
Sewer utilities	278,112
Storm sewer utilities	14,236
Total depreciation expense - business-type activities	<u>\$ 486,195</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

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

The composition of interfund transfers as of December 31, 2015 is as follows:

Fund	Transfer in			Total
	Fire Truck	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
Transfer out				
General	\$ 59,603	\$ 29,233	\$ -	\$ 88,836
Capital Project/Equipment	-	-	92,931	92,931
<b>Total</b>	<b>\$ 59,603</b>	<b>\$ 29,233</b>	<b>\$ 92,931</b>	<b>\$ 181,767</b>

The General fund transferred the following to governmental funds:

- \$59,603 to the Fire Truck fund for the purpose of future fire department capital purchases.
- \$26,474 to nonmajor Street Improvement fund for the purpose of future capital purchases.
- \$2,759 to nonmajor Community Center fund for the purpose of improvements to the Community Center.

The Capital Project/Equipment fund transferred \$92,931 to the nonmajor Storm Water enterprise fund for future storm water improvements.

**D. Long-term debt**

General obligation bonds.

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

General obligation revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Minnesota Public Facilities Project Loan	\$ 689,274	2.570 %	01/20/00	08/20/20	\$ 210,000
Minnesota Public Facilities Project Loan	347,000	3.910	01/27/01	08/20/20	115,000
Minnesota Public Facilities Project Loan	2,627,000	2.070	08/28/06	08/20/26	1,558,000
G.O. Water and Sewer Refunding bonds 2007	4,820,000	4.00-4.125	04/27/07	12/01/24	3,580,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	190,000
<b>Total G.O. Revenue Bonds</b>					<b>\$ 5,653,000</b>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 524,000	\$ 190,403	\$ 714,403
2017	573,000	172,071	745,071
2018	603,000	152,641	755,641
2019	653,000	132,046	785,046
2020	708,000	109,688	817,688
2021 - 2025	2,415,000	222,783	2,637,783
2026	<u>177,000</u>	<u>3,500</u>	<u>180,500</u>
Total	<u>\$ 5,653,000</u>	<u>\$ 983,132</u>	<u>\$ 6,636,132</u>

General obligation improvement bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement and Utility Refunding Revenue Bonds of 2014	1,675,000	2.00 - 3.00 %	07/01/14	02/01/23	\$ 1,675,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	<u>785,000</u>
Total General Obligation Bonds					<u>\$ 2,460,000</u>

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 195,000	\$ 53,004	\$ 248,004
2017	270,000	47,238	317,238
2018	285,000	42,075	327,075
2019	285,000	36,775	321,775
2020	290,000	31,425	321,425
2021 - 2025	1,090,000	61,150	1,151,150
2026	<u>45,000</u>	<u>562</u>	<u>45,562</u>
Total	<u>\$ 2,460,000</u>	<u>\$ 272,229</u>	<u>\$ 2,732,229</u>

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Capital lease agreements

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Fire Station Lease	\$ 100,000	5.50 %	09/01/99	03/01/19	<u>\$ 25,382</u>

The annual requirements to amortize the capital leases as of December 31, 2015 are as follows:

<u>December 31,</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,007	\$ 1,301	\$ 8,308
2017	7,398	910	8,308
2018	7,812	496	8,308
2019	<u>3,165</u>	<u>87</u>	<u>3,252</u>
Total	<u>\$ 25,382</u>	<u>\$ 2,794</u>	<u>\$ 28,176</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General obligation					
bonds	\$ 3,505,000	\$ 785,000	\$ (1,830,000)	\$ 2,460,000	\$ 195,000
Capital leases payable	32,020	-	(6,638)	25,382	7,007
Pension liability	-	216,192 *	(102,581)	113,611	-
Compensated absences payable	<u>16,920</u>	<u>20,649</u>	<u>(20,961)</u>	<u>16,608</u>	<u>11,626</u>
Governmental activities long-term liabilities	<u>\$ 3,553,940</u>	<u>\$ 1,021,841</u>	<u>\$ (1,960,180)</u>	<u>\$ 2,615,601</u>	<u>\$ 213,633</u>
<b>Business-type activities</b>					
Bonds payable					
General obligations revenue bonds	\$ 5,967,000	\$ 190,000	\$ (504,000)	\$ 5,653,000	\$ 524,000
Pension liability	-	39,894 *	(18,760)	21,134	-
Business-type activities long-term liabilities	<u>\$ 5,967,000</u>	<u>\$ 229,894</u>	<u>\$ (522,760)</u>	<u>\$ 5,674,134</u>	<u>\$ 524,000</u>

\* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 6 for further detail.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Components of fund balance**

At December 31, 2015, 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>Fire Truck</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for					
Debt service	\$ 528,616	\$ -	\$ -	\$ -	\$ 528,616
Economic development	-	-	-	12,640	12,640
Future capital	-	-	-	35,064	35,064
	<u>\$ 528,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,704</u>	<u>\$ 576,320</u>
Assigned					
Fire truck	\$ -	\$ -	\$ 11,352	\$ -	\$ 11,352
Park improvements	-	-	-	227,078	227,078
FEMA grant	-	-	-	-	-
Community center	-	-	-	1,502	1,502
Futures capital projects/equipment	-	992,537	-	35,355	1,027,892
Roundabout Project	-	-	-	-	-
Street improvements	-	-	-	34,701	34,701
	<u>\$ -</u>	<u>\$ 992,537</u>	<u>\$ 11,352</u>	<u>\$ 298,636</u>	<u>\$ 1,302,525</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 Fund (GERF)

All full-time and certain part-time employees of the City, other than teachers, are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED**

**B. Benefits provided**

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

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

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

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**C. Contributions**

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$11,846, \$10,946 and \$9,890 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension costs**

GERF pension costs

At December 31, 2015, the City reported a liability of \$134,745 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0026 percent which was a decrease of 0.0001 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$4,800 for its proportionate share of GERF's pension expense.

CITY OF MAYER, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED**

At December 31, 2015, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,793
Changes in actuarial assumptions	-	-
Net difference between projected and actual earnings on plan investments	12,756	-
Changes in proportion	-	3,523
Contributions to GERP subsequent to the measurement date	6,164	-
Total	\$ 18,920	\$ 10,316

Deferred outflows of resources totaling \$6,164 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ 249
2017	249
2018	249
2019	(3,187)

**E. Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERP.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

CITY OF MAYER, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED**

The long-term expected rate of return on pension plan investments is 7.9 percent. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

**F. Discount rate**

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.90%)</u>	<u>Current (7.90%)</u>	<u>1 Percent Increase (8.90%)</u>
GERF	<u>\$ 211,868</u>	<u>\$ 134,745</u>	<u>\$ 71,054</u>

**H. Pension plan fiduciary net position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION**

**A. Plan description**

The Mayer Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2014, the plan covered 29 active firefighters and 6 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353 G.

**B. Benefits provided**

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

**C. Contributions**

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$15,275 in fire state aid to the plan on behalf of the Mayer Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the SVF plan for the year ended December 31, 2015 was \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

**D. Investment policy**

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

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

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

The SBI made no significant changes to their investment policy during fiscal year 2015 for the SVF plan.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

**E. Pension costs**

At December 31, 2015, the City reported a net pension asset of \$117,326 for the SVF plan. The net pension asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department as of December 31, 2014. The following table presents the changes in net pension asset during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance January 1, 2014	\$ 604,920	\$ 675,839	\$ (70,919)
Changes for the year			
Service cost	23,202	-	23,202
Interest on pension liability (asset)	35,437	-	35,437
Actuarial experience (gains)/losses	(16,246)	-	(16,246)
Projected investment earnings	-	40,550	(40,550)
Contributions (employer)	-	32,862	(32,862)
Contributions (State)	-	15,275	(15,275)
Asset (gain)/loss	-	1,563	(1,563)
Benefit payouts	(75,000)	(75,000)	-
Administrative costs	-	(1,450)	1,450
Total net changes	(32,607)	13,800	(46,407)
Ending balance December 31, 2014	\$ 572,313	\$ 689,639	\$ (117,326)

For the year ended December 31, 2015, the City recognized pension expense of \$32,799.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

At December 31, 2015, 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	\$ -	\$ -
Changes in actuarial assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion	-	-
State aid to City subsequent to the measurement date	-	16,067
Contributions to SVF subsequent to the measurement date	20,046	-
Total	\$ 20,046	\$ 16,067

Deferred outflows of resources totaling \$3,979 related to pensions resulting from the City's contributions to SVF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Deferred inflows of resources totaling \$16,067 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to SVF pensions will be recognized in pension expense as follows:

2016	\$ (3,562)
2017	(3,562)
2018	(3,562)
2019	(3,561)
2020	-
Thereafter	-

**F. Actuarial assumptions**

The total pension liability at December 31, 2015 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 2014.

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, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	35.00 %	5.50 %
International stocks	15.00	6.00
Bonds	45.00	1.45
Cash	5.00	0.50
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	\$ (98,573)	\$ (117,326)	\$ (136,127)

**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](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 6: CHANGE IN ACCOUNTING STANDARDS**

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 6,748,122	\$ 1,200	\$ 6,749,322
Business-type activities	\$ 6,413,069	\$ (18,760)	\$ 6,394,309
Business-type activities			
Water Utility	\$ 2,321,751	\$ 9,380	\$ 2,331,131
Sewer Utility	3,613,393	9,380	3,622,773
Storm Water Utility	477,925	-	477,925
Total business-type activities	\$ 6,413,069	\$ 18,760	\$ 6,431,829

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

**Note 7: 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.

CITY OF MAYER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 7: OTHER INFORMATION - CONTINUED**

**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.

**B. 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 2015 was \$296,482 for LGA. This accounted for 30 percent of General fund revenues.

**C. Related party transaction**

During 2015, the City made purchases from Mayer Lumber Company which is owned by the fire Chief. During 2015, \$12,231 was paid to Mayer Lumber Company for supplies.

**D. Conduit debt obligations**

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued a revenue bond to provide financial assistance to a private-sector entity for a project deemed to be in the public interest. Although this bond bears the name of the City, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bond. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City has authorized and issued \$4,720,000 in revenue bonds. As of December 31, 2015, the outstanding balance was \$4,720,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF MAYER, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2015

**Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0026 %	\$ 11,171	-	\$ 11,171	\$ 151,471	7.38 %	78.7 %

**Schedule of employer's PERA contributions - General Employees Retirement Fund**

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

**Schedule of employer's Fire Relief Association contributions**

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

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

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF MAYER, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 52,704	\$ 269,547	\$ 322,251
Accounts Receivable	-	38,742	38,742
<b>TOTAL ASSETS</b>	<b>\$ 52,704</b>	<b>\$ 308,289</b>	<b>\$ 360,993</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,000	\$ -	\$ 5,000
Unearned revenue	-	19,372	19,372
<b>TOTAL LIABILITIES</b>	<b>5,000</b>	<b>19,372</b>	<b>24,372</b>
<b>FUND BALANCES</b>			
Restricted	47,704	-	47,704
Assigned	-	298,636	298,636
Unassigned	-	(9,719)	(9,719)
<b>TOTAL FUND BALANCES</b>	<b>47,704</b>	<b>288,917</b>	<b>336,621</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 52,704</b>	<b>\$ 308,289</b>	<b>\$ 360,993</b>

CITY OF MAYER, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue	Capital Projects	Total
REVENUES			
Intergovernmental	\$ -	\$ 243,499	\$ 243,499
Interest on investments	142	1,095	1,237
Miscellaneous	7,848	27,798	35,646
TOTAL REVENUES	7,990	272,392	280,382
EXPENDITURES			
Current			
Economic development	230	-	230
Capital outlay			
Public safety	-	227,365	227,365
Public works	-	5,440	5,440
Culture and recreation	-	17,887	17,887
TOTAL EXPENDITURES	230	250,692	250,922
EXCESS OF REVENUES OVER EXPENDITURES	7,760	21,700	29,460
OTHER FINANCING SOURCES			
Transfers in	-	29,233	29,233
NET CHANGE IN FUND BALANCES	7,760	50,933	58,693
FUND BALANCES, JANUARY 1	39,944	237,984	277,928
FUND BALANCES, DECEMBER 31	\$ 47,704	\$ 288,917	\$ 336,621

CITY OF MAYER, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>225</b>	<b>212</b>	<b>222</b>	
	<u>EDA</u>	<u>Fire Department Contributions</u>	<u>Old Schoolhouse</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and temporary investments	<u>\$ 12,640</u>	<u>\$ 34,654</u>	<u>\$ 5,410</u>	<u>\$ 52,704</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 5,000	\$ -	\$ 5,000
<b>FUND BALANCES</b>				
Restricted	<u>12,640</u>	<u>29,654</u>	<u>5,410</u>	<u>47,704</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 12,640</u></u>	<u><u>\$ 34,654</u></u>	<u><u>\$ 5,410</u></u>	<u><u>\$ 52,704</u></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, 2015

	<b>225</b>	<b>212</b>	<b>222</b>	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
REVENUES				
Interest on investments	\$ 51	\$ 67	\$ 24	\$ 142
Miscellaneous	-	7,848	-	7,848
TOTAL REVENUES	51	7,915	24	7,990
EXPENDITURES				
Current				
Economic development	230	-	-	230
NET CHANGE IN FUND BALANCES	(179)	7,915	24	7,760
FUND BALANCES, JANUARY 1	12,819	21,739	5,386	39,944
FUND BALANCES, DECEMBER 31	\$ 12,640	\$ 29,654	\$ 5,410	\$ 47,704

CITY OF MAYER, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>215</b> FEMA Grant	<b>220</b> Park Improvements	<b>400</b> 70th Street Reserve
<b>ASSETS</b>			
Cash and temporary investments	\$ (47,329)	\$ 246,450	\$ 34,223
Accounts Receivable	37,610	-	1,132
<b>TOTAL ASSETS</b>	<b>\$ (9,719)</b>	<b>\$ 246,450</b>	<b>\$ 35,355</b>
<b>LIABILITIES</b>			
Unearned revenue	\$ -	\$ 19,372	\$ -
<b>FUND BALANCES</b>			
Assigned	-	227,078	35,355
Unassigned	(9,719)	-	-
<b>TOTAL FUND BALANCES</b>	<b>(9,719)</b>	<b>227,078</b>	<b>35,355</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ (9,719)</b>	<b>\$ 246,450</b>	<b>\$ 35,355</b>

<b>405</b> Street Improvement	<b>410</b> Community Center	Total
\$ 34,701	\$ 1,502	\$ 269,547
<u>-</u>	<u>-</u>	<u>38,742</u>
<u>\$ 34,701</u>	<u>\$ 1,502</u>	<u>\$ 308,289</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,372</u>
34,701	1,502	298,636
<u>-</u>	<u>-</u>	<u>(9,719)</u>
<u>34,701</u>	<u>1,502</u>	<u>288,917</u>
<u>\$ 34,701</u>	<u>\$ 1,502</u>	<u>\$ 308,289</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, 2015

	<b>215</b> FEMA Grant	<b>220</b> Park Improvement	<b>400</b> 70th Street Reserve
REVENUES			
Intergovernmental	\$ 216,590	\$ -	\$ -
Interest on investments	3	875	129
Miscellaneous	-	18,808	8,990
	<u>216,593</u>	<u>19,683</u>	<u>9,119</u>
TOTAL REVENUES			
EXPENDITURES			
Capital outlay			
Public safety	227,365	-	-
Public works	-	-	-
Culture and recreation	-	5,287	-
	<u>227,365</u>	<u>5,287</u>	<u>-</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,772)	14,396	9,119
OTHER FINANCING SOURCES			
Transfers in	-	26,474	-
NET CHANGE IN FUND BALANCES	(10,772)	40,870	9,119
FUND BALANCES, JANUARY 1	1,053	186,208	26,236
FUND BALANCES, DECEMBER 31	<u>\$ (9,719)</u>	<u>\$ 227,078</u>	<u>\$ 35,355</u>

<b>405</b> Street Improvement	<b>410</b> Community Center	Totals
\$ 26,909	\$ -	\$ 243,499
76	12	1,095
-	-	27,798
<u>26,985</u>	<u>12</u>	<u>272,392</u>
-	-	227,365
5,440	-	5,440
-	12,600	17,887
<u>5,440</u>	<u>12,600</u>	<u>250,692</u>
21,545	(12,588)	21,700
-	2,759	29,233
21,545	(9,829)	50,933
<u>13,156</u>	<u>11,331</u>	<u>237,984</u>
<u>\$ 34,701</u>	<u>\$ 1,502</u>	<u>\$ 288,917</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 462,164	\$ 462,164	\$ 424,519	\$ (37,645)	\$ 405,430
Licenses and permits					
Business	6,585	6,585	6,595	10	6,915
Nonbusiness	21,000	21,000	123,656	102,656	70,137
Total	27,585	27,585	130,251	102,666	77,052
Intergovernmental					
Federal					
FEMA aid	-	-	-	-	3,560
State					
Local government aid	275,000	275,000	296,482	21,482	290,421
Other state aid	10,000	10,000	3,552	(6,448)	7,410
Police aid	3,500	3,500	6,236	2,736	6,400
County aid	3,740	3,740	2,571	(1,169)	8,673
Total	292,240	292,240	308,841	16,601	316,464
Charges for services					
General government	500	500	7,858	7,358	1,272
Public safety	58,809	58,809	58,809	-	39,881
Community center	10,000	10,000	8,894	(1,106)	11,226
Total	69,309	69,309	75,561	6,252	52,379
Fines and forfeitures	1,000	1,000	4,197	3,197	3,192
Interest on investments	2,500	2,500	4,711	2,211	2,791
Special assessments	-	-	21	21	738
Miscellaneous					
Rents and royalties	18,073	18,073	12,821	(5,252)	12,160
Contributions and donations	2,000	2,000	4,138	2,138	4,456
Refunds and reimbursements	-	-	11,602	11,602	7,637
Other	-	-	4,489	4,489	33,534
Total	20,073	20,073	33,050	12,977	57,787
<b>TOTAL REVENUES</b>	<b>874,871</b>	<b>874,871</b>	<b>981,151</b>	<b>106,280</b>	<b>915,833</b>

CITY OF MAYER, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and City Council					
Personal services	\$ 15,071	\$ 15,071	\$ 14,961	\$ 110	\$ 13,865
Supplies	1,000	1,000	305	695	-
Other services and charges	500	500	1,163	(663)	375
Total	<u>16,571</u>	<u>16,571</u>	<u>16,429</u>	<u>142</u>	<u>14,240</u>
City hall					
Supplies	3,000	3,000	2,913	87	2,608
Other services and charges	24,600	24,600	24,839	(239)	21,641
Total	<u>27,600</u>	<u>27,600</u>	<u>27,752</u>	<u>(152)</u>	<u>24,249</u>
City Clerk					
Personal services	46,535	46,535	37,063	9,472	35,165
Other services and charges	250	250	-	250	53
Total	<u>46,785</u>	<u>46,785</u>	<u>37,063</u>	<u>9,722</u>	<u>35,218</u>
City Administrator					
Personal services	94,890	94,890	95,215	(325)	94,253
Supplies	1,000	1,000	295	705	265
Other services and charges	750	750	531	219	537
Total	<u>96,640</u>	<u>96,640</u>	<u>96,041</u>	<u>599</u>	<u>95,055</u>
Election					
Other services and charges	200	200	1,015	(815)	2,730
Auditing					
Other services and charges	21,000	21,000	26,764	(5,764)	24,093
Assessing					
Other services and charges	11,500	11,500	11,634	(134)	11,245
Legal					
Other services and charges	15,000	15,000	7,738	7,262	8,113
Planning and zoning					
Personal services	3,100	3,100	1,110	1,990	1,350
Other services and charges	5,000	5,000	5,101	(101)	3,232
Total	<u>8,100</u>	<u>8,100</u>	<u>6,211</u>	<u>1,889</u>	<u>4,582</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Original			
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
General government - continued					
Community service center					
Other services and charges	\$ 23,000	\$ 23,000	\$ 23,635	\$ (635)	\$ 29,336
Total general government	266,396	266,396	254,282	12,114	248,861
Public safety					
Police					
Other services and charges	79,493	79,493	77,182	2,311	78,043
Fire					
Personal services	25,836	25,836	26,279	(443)	23,004
Supplies	10,400	10,400	5,640	4,760	9,146
Other services and charges	46,129	46,129	33,897	12,232	51,802
Total	82,365	82,365	65,816	16,549	83,952
Building inspection					
Other services and charges	20,000	20,000	32,751	(12,751)	15,618
Civil defense					
Other services and charges	450	450	200	250	1,640
Animal control					
Other services and charges	650	650	-	650	-
Total public safety	182,958	182,958	175,949	7,009	179,253
Public works					
Streets					
Personal services	25,473	25,473	30,488	(5,015)	32,953
Supplies	6,600	6,600	4,920	1,680	5,564
Other services and charges	6,680	6,680	3,654	3,026	7,891
Total	38,753	38,753	39,062	(309)	46,408
Snow removal					
Supplies	5,000	5,000	2,788	2,212	8,312
Other services and charges	20,000	20,000	11,722	8,278	28,794
Total	25,000	25,000	14,510	10,490	37,106

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public works - continued					
Street lighting					
Other services and charges	\$ 39,000	\$ 39,000	\$ 42,004	\$ (3,004)	\$ 33,673
Maintenance building					
Other services and charges	2,500	2,500	483	2,017	1,333
Engineering					
Other services and charges	15,000	15,000	23,550	(8,550)	16,866
Total public works	120,253	120,253	119,609	644	135,386
Sanitation					
Personal services	2,498	2,498	1,721	777	1,936
Other services and charges	325	325	1,389	(1,064)	1,662
Total sanitation	2,823	2,823	3,110	(287)	3,598
Culture and recreation					
Parks					
Personal services	9,768	9,768	5,846	3,922	1,050
Supplies	1,000	1,000	1,264	(264)	1,061
Other services and charges	17,850	17,850	24,264	(6,414)	17,192
Total culture and recreation	28,618	28,618	31,374	(2,756)	19,303
Economic development					
Personal services	450	450	180	270	-
Other services and charges	1,350	1,350	830	520	931
Total economic development	1,800	1,800	1,010	790	931
Total current expenditures	602,848	602,848	585,334	17,514	587,332
Capital outlay					
General government	18,000	18,000	9,007	8,993	12,241
Public safety	80,000	80,000	24,605	55,395	15,397
Public works	69,500	69,500	70,564	(1,064)	226,862
Culture and recreation	55,000	55,000	23,755	31,245	2,526
Total capital outlay	222,500	222,500	127,931	94,569	257,026

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Original	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Debt service					
Principal	\$ 45,603	\$ 45,603	\$ 6,638	\$ 38,965	\$ 6,287
Interest and other	3,920	3,920	2,570	1,350	4,721
Total debt service	49,523	49,523	9,208	40,315	11,008
TOTAL EXPENDITURES	874,871	874,871	722,473	152,398	855,366
EXCESS OF REVENUES OVER EXPENDITURES	-	-	258,678	258,678	60,467
OTHER FINANCING SOURCES (USES)					
Transfer out	-	-	(88,836)	(88,836)	(64,607)
Sale of capital assets	-	-	250	250	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(88,586)	(88,586)	(64,607)
NET CHANGE IN FUND BALANCES	-	-	170,092	170,092	(4,140)
FUND BALANCES, JANUARY 1	407,810	407,810	407,810	-	411,950
FUND BALANCES, DECEMBER 31	\$ 407,810	\$ 407,810	\$ 577,902	\$ 170,092	\$ 407,810

CITY OF MAYER, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>325</b>	<b>350</b>	
	GO	GO	
	Improvement/ Utility Revenue 2014	Improvement 2015	Totals
	<u>2014</u>	<u>2015</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 488,851	\$ 39,075	\$ 527,926
Receivables			
Special assessments	<u>101,921</u>	<u>402,768</u>	<u>504,689</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 590,772</u></u>	<u><u>\$ 441,843</u></u>	<u><u>\$ 1,032,615</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	\$ 101,231	\$ 402,768	\$ 503,999
<b>FUND BALANCES</b>			
Restricted	<u>489,541</u>	<u>39,075</u>	<u>528,616</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 590,772</u></u>	<u><u>\$ 441,843</u></u>	<u><u>\$ 1,032,615</u></u>

CITY OF MAYER, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>325</b> GO Improvement/ Utility Revenue 2014	<b>350</b> GO Improvement 2015	Totals
<b>REVENUES</b>			
Property taxes	\$ 149,637	\$ 38,965	\$ 188,602
Special assessments	63,738	-	63,738
Interest on investments	2,312	110	2,422
<b>TOTAL REVENUES</b>	<u>215,687</u>	<u>39,075</u>	<u>254,762</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	1,830,000	-	1,830,000
Interest and other	78,911	-	78,911
<b>TOTAL EXPENDITURES</b>	<u>1,908,911</u>	<u>-</u>	<u>1,908,911</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,693,224)	39,075	(1,654,149)
<b>FUND BALANCES, JANUARY 1</b>	<u>2,182,765</u>	<u>-</u>	<u>2,182,765</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u><u>\$ 489,541</u></u>	<u><u>\$ 39,075</u></u>	<u><u>\$ 528,616</u></u>

CITY OF MAYER, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
<b>REVENUES</b>			
Taxes	\$ 613,121	\$ 569,230	7.71 %
Licenses and permits	130,251	77,052	69.04
Intergovernmental	1,140,340	318,964	257.51
Charges for services	78,961	52,379	50.75
Fines and forfeitures	4,197	3,192	31.48
Investment earnings	12,703	5,563	128.35
Special assessments	116,364	109,416	6.35
Miscellaneous	68,696	87,971	(21.91)
<b>TOTAL REVENUES</b>	<b>\$ 2,164,633</b>	<b>\$ 1,223,767</b>	<b>76.88 %</b>
Per Capita	\$ 1,184	\$ 674	75.72 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 254,282	\$ 248,861	2.18 %
Public safety	175,949	179,253	(1.84)
Public works	119,609	135,386	(11.65)
Sanitation and recycling	3,110	3,598	(13.56)
Culture and recreation	31,374	19,303	62.53
Economic development	230	2,527	(90.90)
Capital outlay			
General government	9,007	12,241	(26.42)
Public safety	790,193	15,397	5,032.12
Public works	1,124,111	332,610	237.97
Culture and recreation	41,642	16,673	149.76
Economic development	1,010	931	8.49
Debt service			
Principal	1,836,638	166,287	1,004.50
Interest and other	113,271	74,886	51.26
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,500,426</b>	<b>\$ 1,207,953</b>	<b>272.57 %</b>
Per Capita	\$ 2,461	\$ 665	270.12 %
Total Long-term Indebtedness	\$ 2,485,382	\$ 3,537,020	(29.73) %
Per Capita	1,359	1,947	(30.20)
General Fund Balance - December 31	\$ 577,902	\$ 407,810	41.71 %
Per Capita	316	224	41.07

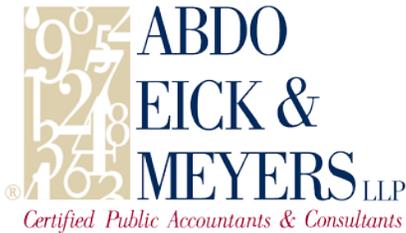
The purpose of this report is to provide a summary of financial information concerning the City of Mayer to interested citizens. The complete financial statements may be examined at City Hall, 413 Bluejay Ave, Mayer, Minnesota 55360. Questions about this report should be directed to Luayn Murphy, City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

**OTHER REQUIRED REPORTS**

CITY OF MAYER  
MAYER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2016.

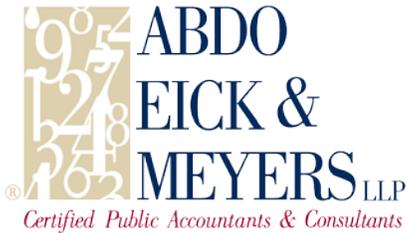
The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, 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*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 2, 2016



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

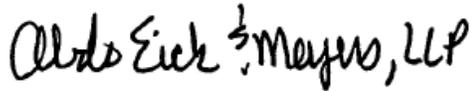
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

## The City's Responses to Findings

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

## Purpose of this Report

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 2, 2016

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CITY OF MAYER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding      Description

**2015-001      Preparation of financial statements**

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

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

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

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

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

*Management response:*

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

**2015-002      Limited segregation of duties**

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

*Criteria:*              There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

*Cause:*                As a result of the number of staff, in the disbursement cycle, the City Clerk has control over checks, posts to the general ledger, and prepares bank reconciliations. In the utility billing cycle, the City Clerk and the Deputy Clerk approve accounts, generate statements, post payments, and reconcile the bank statement.

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

*Recommendation:* While we recognize the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with continued monitoring. We management annually review processes and evaluate the risk of fraud or error and design processes to mitigate this risk.

*Management response:*

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