

Annual Financial Report

City of Mayer

Mayer, Minnesota

For the Year Ended

December 31, 2016

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CITY OF MAYER
MAYER, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

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INTRODUCTORY SECTION

CITY OF MAYER
MAYER, MINNESOTA

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CITY OF MAYER, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

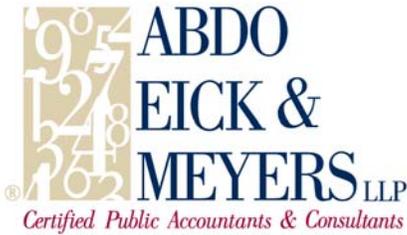
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FINANCIAL SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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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, 2016, 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, 2016 and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

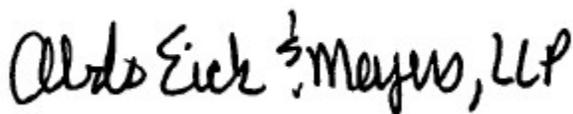
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 14, 2017

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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, 2016.

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 \$14,601,712 (net position). Of this amount, \$4,047,111 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$4,780,725 and \$4,786,453 at December 31, 2016 and 2015, respectively.
- The City's total net position increased by \$598,827. Both governmental and business-type activities increased during the year \$247,006 and \$351,821, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,299,891 a decrease of \$140,220 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$765,175, or 78.2 percent of 2017 budgeted General fund expenditures. The City Council has worked to improve the fund balance level to maintain it at a level to meet working capital needs.
- The City's total debt decreased by \$636,508 during the current fiscal year. The decrease was due to regularly scheduled debt principal payments.

Overview of the Financial Statements

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

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

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

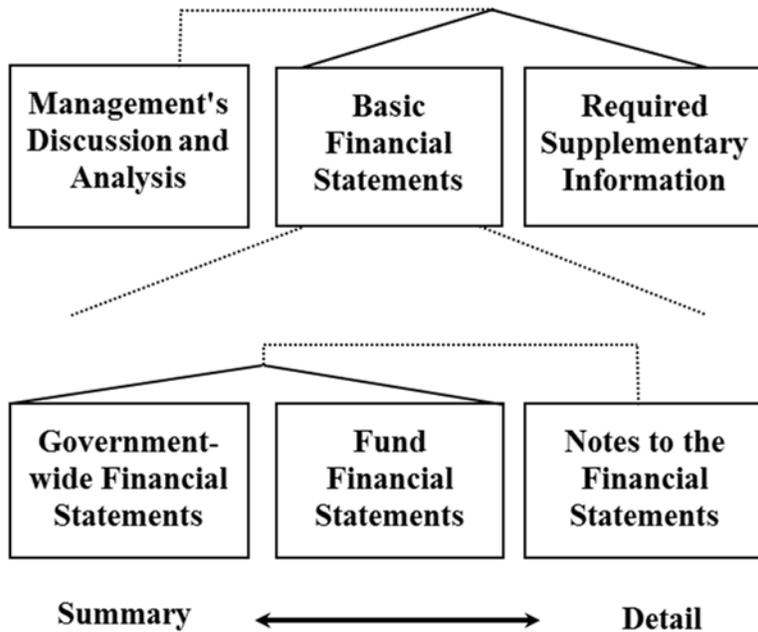


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 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 39 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 43 of this report.

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

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

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 \$14,601,712 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$9,458,729) 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Assets						
Current and other assets	\$ 3,061,856	\$ 3,282,283	\$ (220,427)	\$ 2,462,192	\$ 2,380,159	\$ 82,033
Capital assets	6,968,678	6,715,282	253,396	9,902,426	10,136,031	(233,605)
Total assets	<u>10,030,534</u>	<u>9,997,565</u>	<u>32,969</u>	<u>12,364,618</u>	<u>12,516,190</u>	<u>(151,572)</u>
Deferred outflows of resources	<u>101,882</u>	<u>35,998</u>	<u>65,884</u>	<u>30,804</u>	<u>2,968</u>	<u>27,836</u>
Liabilities						
Noncurrent liabilities						
outstanding	2,445,359	2,615,601	(170,242)	5,207,868	5,674,134	(466,266)
Other liabilities	<u>171,756</u>	<u>149,426</u>	<u>22,330</u>	<u>71,037</u>	<u>84,292</u>	<u>(13,255)</u>
Total liabilities	<u>2,617,115</u>	<u>2,765,027</u>	<u>(147,912)</u>	<u>5,278,905</u>	<u>5,758,426</u>	<u>(479,521)</u>
Deferred inflows of resources	<u>24,524</u>	<u>24,765</u>	<u>(241)</u>	<u>5,582</u>	<u>1,618</u>	<u>3,964</u>
Net position						
Net invested in capital assets	4,685,303	4,229,900	455,403	4,773,426	4,483,031	290,395
Restricted	1,034,553	1,040,824	(6,271)	61,319	55,904	5,415
Unrestricted	<u>1,770,921</u>	<u>1,973,047</u>	<u>(202,126)</u>	<u>2,276,190</u>	<u>2,220,179</u>	<u>56,011</u>
Total net position	<u>\$ 7,490,777</u>	<u>\$ 7,243,771</u>	<u>\$ 247,006</u>	<u>\$ 7,110,935</u>	<u>\$ 6,759,114</u>	<u>\$ 351,821</u>

An additional portion of the City's net position (7.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$4,047,111) 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.

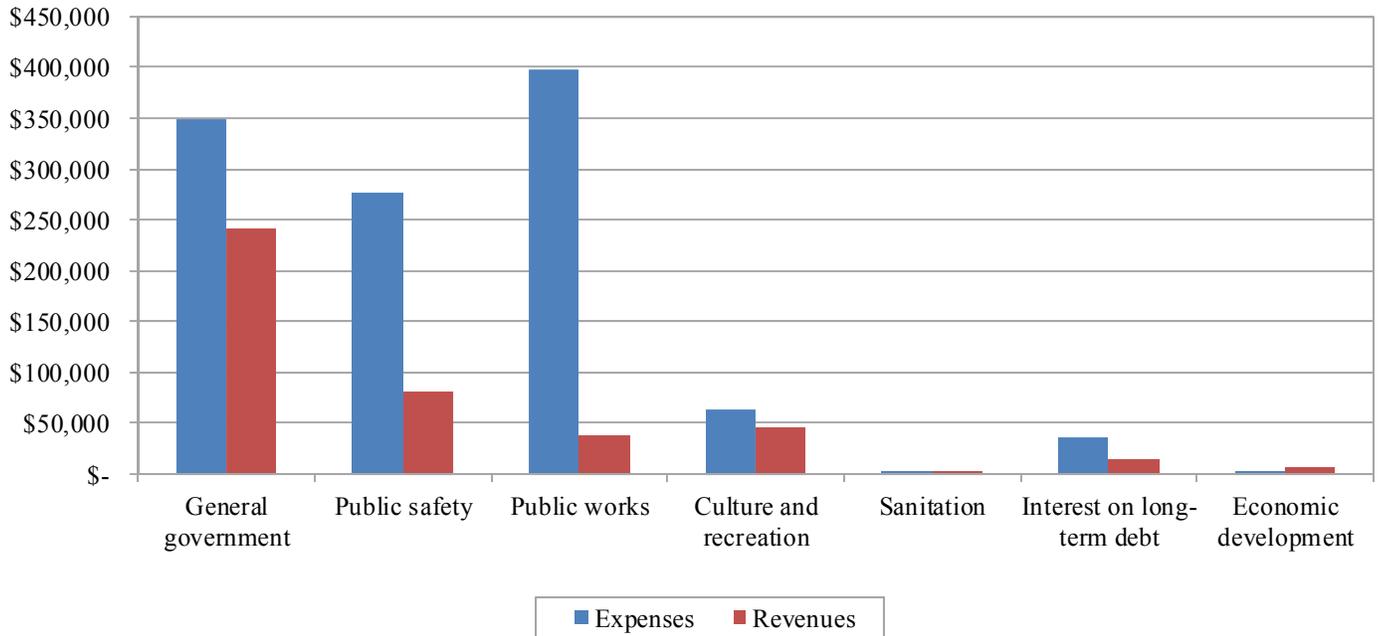
Governmental activities: Governmental-type activities and business-type activities increased the City's net position by \$247,006. Key elements of this increase are as follows:

City of Mayer's Changes in Net Position

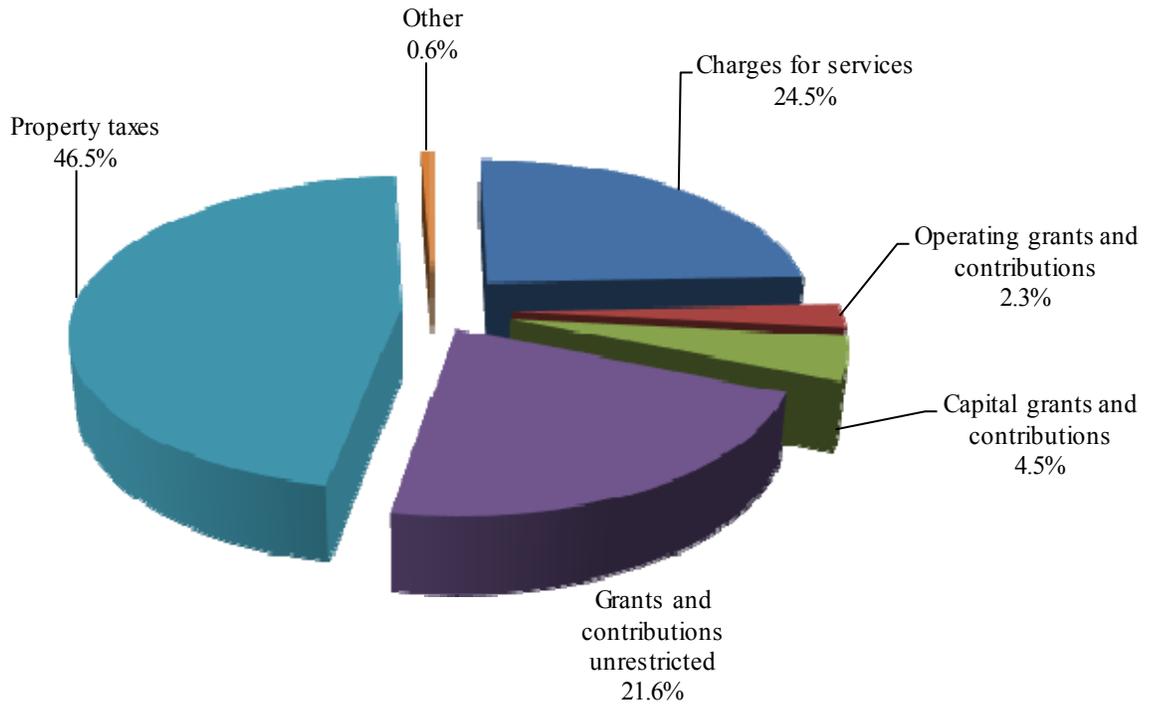
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 335,560	\$ 240,163	\$ 95,397	\$ 769,382	\$ 705,070	\$ 64,312
Operating grants and contributions	32,337	609,232	(576,895)	-	-	-
Capital grants and contributions	61,979	681,748	(619,769)	395,800	234,795	161,005
General revenues						
Property taxes,						
levied for general purpose	453,198	423,209	29,989	-	-	-
levied for debt service	187,984	188,602	(618)	309,000	336,000	(27,000)
State grants and contributions						
not restricted to specific programs	298,126	296,591	1,535	-	-	-
Unrestricted investment earnings	8,418	12,703	(4,285)	4,845	8,848	(4,003)
Total revenues	1,377,602	2,452,248	(1,074,646)	1,479,027	1,284,713	194,314
Expenses						
General government	349,217	262,041	87,176	-	-	-
Public safety	276,500	422,965	(146,465)	-	-	-
Public works	397,294	979,804	(582,510)	-	-	-
Culture and recreation	64,529	92,043	(27,514)	-	-	-
Economic development	3,536	2,651	885	-	-	-
Sanitation	2,778	3,110	(332)	-	-	-
Interest on long-term debt	36,742	102,254	(65,512)	-	-	-
Water utility	-	-	-	431,335	375,376	55,959
Sewer utility	-	-	-	675,000	611,622	63,378
Storm water utility	-	-	-	20,871	25,841	(4,970)
Total expenses	1,130,596	1,864,868	(734,272)	1,127,206	1,012,839	114,367
Increase (decrease) in net position before transfers	247,006	587,380	(340,374)	351,821	271,874	79,947
Transfers	-	(92,931)	92,931	-	92,931	(92,931)
Change in net position	247,006	494,449	(247,443)	351,821	364,805	(12,984)
Net position, January 1	7,243,771	6,749,322	494,449	6,759,114	6,394,309	364,805
Net position, December 31	\$ 7,490,777	\$ 7,243,771	\$ 247,006	\$ 7,110,935	\$ 6,759,114	\$ 351,821

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

Expenses and Program Revenues - Governmental Activities



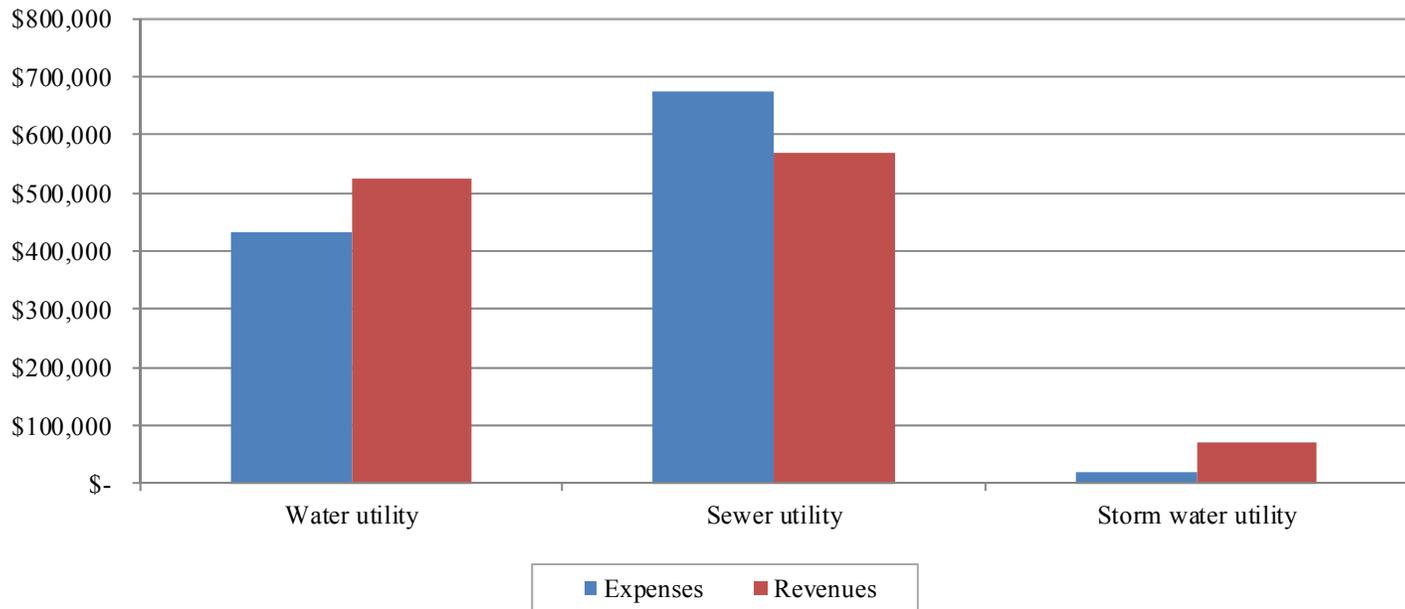
Revenues by Source - Governmental Activities



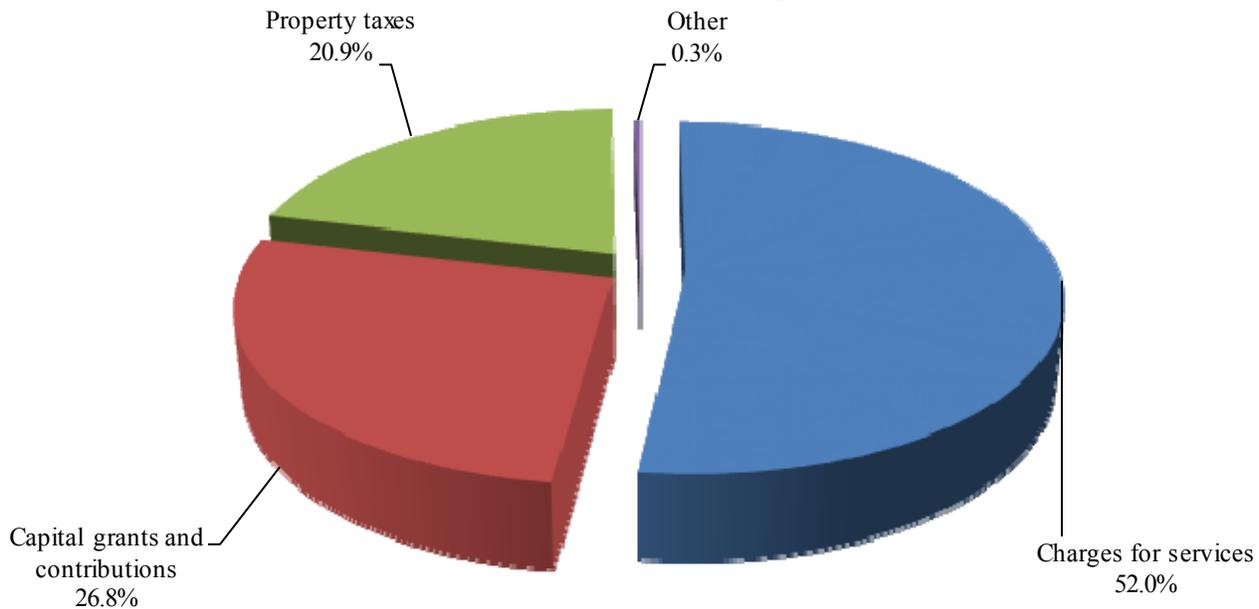
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities: Business-type activities increased the City’s net position by \$351,821. 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 \$2,299,891, a decrease of \$140,220 in comparison with the prior year. Approximately 33 percent of this total amount, \$755,330, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$1,544,561) is not available for new spending because it is either 1) restricted (\$633,864), or 2) assigned (\$910,697) 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 \$765,175 which was an increase of \$187,273. The General fund transferred \$95,533 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 \$584,578, which was an increase of \$55,962 due to additional cash and temporary investments.

The *Capital Project/Equipment fund* accounts for the accumulation of resources for future capital project and equipment purchases. The ending fund balance was \$478,101 which is assigned for future capital improvements and purchases.

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

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and called for no increase or decrease in fund balance. Total revenues were over budget by \$158,552 and expenditures were \$124,254 less than anticipated. Some of the significant variances can be briefly summarized as follows:

- All revenues were over budget, with the exception of taxes and intergovernmental revenue, which were under budget by \$34,634 and \$5,295, respectively. Licenses and permits were over budget by \$129,796 due to higher than expected building permit revenue and budgeting conservatively. Miscellaneous revenues were over budget due to the City receiving compensation for the issuance of conduit debt and reimbursement from the League of Minnesota Cities related to a settled law suit.
- Expenditures were under budget in all functions except general government, public safety, and sanitation. The most significant variance were in capital outlay, which was \$152,534 under budget, and legal expenditures, which were over budget by \$89,773 related to a settled law suit.

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, 2016, amounts to \$16,871,104 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

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

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 876,567	\$ 691,724	\$ 184,843	\$ 40,792	\$ 40,792	\$ -
Construction work in process	6,700	626,651	633,351	257,844	88,642	169,202
Land improvements	165,310	175,484	(10,174)	-	-	-
Buildings	414,142	102,650	311,492	-	-	-
Infrastructure	4,697,321	4,263,746	433,575	9,534,948	9,977,368	(442,420)
Machinery and equipment	808,638	855,027	(46,389)	68,842	29,229	39,613
Total	\$ 6,968,678	\$ 6,715,282	\$ 253,396	\$ 9,902,426	\$10,136,031	\$ (233,605)

Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,394,000. 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 2,265,000	\$ 2,460,000	\$ (195,000)	\$ -	\$ -	\$ -
General obligation revenue bonds	-	-	-	5,129,000	5,653,000	(524,000)
Capital leases payable	18,375	25,382	(7,007)	-	-	-
Compensated absences payable	21,626	16,608	5,018	-	-	-
Pension liability	140,358	113,611	26,747	78,868	21,134	57,734
Total	\$ 2,445,359	\$ 2,615,601	\$ (170,242)	\$ 5,207,868	\$ 5,674,134	\$ (466,266)

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

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

Economic Factors and Next Year's Budget

While the economy seems to be returning to profitability, the housing market in Mayer continues to not meet the needs of the debt that was issued. Projections for income on the debt repayment were for 70 new homes a year. In 2016, the City issued 32 single family home permits. Although not the 70 required, the City is continuing to gain a couple of new homes each year. The City will continue to levy property taxes to make up for the short fall in hookup fee revenue and will also continue to adjust the property tax levy according to the number of hookup fees.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF MAYER, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 2,421,415	\$ 2,359,310	\$ 4,780,725
Receivables			
Taxes	10,078	-	10,078
Accounts	8,295	98,890	107,185
Special assessments	511,711	3,992	515,703
Due from other governments	17,885	-	17,885
Pension asset	92,472	-	92,472
Capital assets			
Non-depreciable	883,267	298,636	1,181,903
Depreciable (net of accumulated depreciation)	6,085,411	9,603,790	15,689,201
TOTAL ASSETS	10,030,534	12,364,618	22,395,152
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	101,882	30,804	132,686
LIABILITIES			
Accounts payable	130,352	21,046	151,398
Accrued salaries payable	1,000	424	1,424
Accrued interest payable	21,032	22,744	43,776
Unearned revenue	19,372	26,823	46,195
Noncurrent liabilities			
Due within one year	292,536	573,000	865,536
Due in more than one year	2,152,823	4,634,868	6,787,691
TOTAL LIABILITIES	2,617,115	5,278,905	7,896,020
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	24,524	5,582	30,106
NET POSITION			
Net invested in capital assets	4,685,303	4,773,426	9,458,729
Restricted for			
Future expansion	-	61,319	61,319
Debt service	985,267	-	985,267
Future capital	29,642	-	29,642
Economic development	19,644	-	19,644
Unrestricted	1,770,921	2,276,190	4,047,111
TOTAL NET POSITION	\$ 7,490,777	\$ 7,110,935	\$ 14,601,712

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, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 349,217	\$ 235,645	\$ 6,820	\$ -
Public safety	276,500	57,499	11,336	11,624
Public works	397,294	120	1,687	35,893
Culture and recreation	64,529	39,792	5,675	-
Economic development	3,536	4	6,819	-
Sanitation	2,778	2,500	-	-
Interest on long-term debt	36,742	-	-	14,462
Total governmental activities	<u>1,130,596</u>	<u>335,560</u>	<u>32,337</u>	<u>61,979</u>
Business-type activities				
Water utility	431,335	355,657	-	169,816
Sewer utility	675,000	394,131	-	173,283
Storm water utility	20,871	19,594	-	52,701
Total business-type activities	<u>1,127,206</u>	<u>769,382</u>	<u>-</u>	<u>395,800</u>
Total	<u>\$ 2,257,802</u>	<u>\$ 1,104,942</u>	<u>\$ 32,337</u>	<u>\$ 457,779</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

State grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total general revenues

Change in net position

Net position, January 1

Net position, December 31

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

Net Revenues (Expenses)
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (106,752)	\$ -	\$ (106,752)
(196,041)	-	(196,041)
(359,594)	-	(359,594)
(19,062)	-	(19,062)
3,287	-	3,287
(278)	-	(278)
(22,280)	-	(22,280)
<u>(700,720)</u>	<u>-</u>	<u>(700,720)</u>
-	94,138	94,138
-	(107,586)	(107,586)
-	51,424	51,424
<u>-</u>	<u>37,976</u>	<u>37,976</u>
<u>(700,720)</u>	<u>37,976</u>	<u>(662,744)</u>
453,198	-	453,198
187,984	309,000	496,984
298,126	-	298,126
8,418	4,845	13,263
<u>947,726</u>	<u>313,845</u>	<u>1,261,571</u>
247,006	351,821	598,827
<u>7,243,771</u>	<u>6,759,114</u>	<u>14,002,885</u>
<u><u>\$ 7,490,777</u></u>	<u><u>\$ 7,110,935</u></u>	<u><u>\$ 14,601,712</u></u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MAYER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	101	300's	435	Other	Total
	General	Debt Service	Capital Project/ Equipment	Governmental Funds	Governmental Funds
ASSETS					
Cash and temporary investments	\$ 852,584	\$ 584,228	\$ 478,101	\$ 506,502	\$ 2,421,415
Receivables					
Taxes	10,078	-	-	-	10,078
Accounts	1,476	-	-	6,819	8,295
Special assessments	-	422,071	89,640	-	511,711
Due from other governments	17,885	-	-	-	17,885
TOTAL ASSETS	<u>\$ 882,023</u>	<u>\$ 1,006,299</u>	<u>\$ 567,741</u>	<u>\$ 513,321</u>	<u>\$ 2,969,384</u>
LIABILITIES					
Accounts payable	\$ 108,440	\$ -	\$ -	\$ 21,912	\$ 130,352
Accrued salaries payable	1,000	-	-	-	1,000
Unearned revenue	-	-	-	19,372	19,372
TOTAL LIABILITIES	<u>109,440</u>	<u>-</u>	<u>-</u>	<u>41,284</u>	<u>150,724</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	7,408	-	-	-	7,408
Unavailable revenue - special assessments	-	421,721	89,640	-	511,361
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,408</u>	<u>421,721</u>	<u>89,640</u>	<u>-</u>	<u>518,769</u>
FUND BALANCES					
Restricted	-	584,578	-	49,286	633,864
Assigned	-	-	478,101	432,596	910,697
Unassigned	765,175	-	-	(9,845)	755,330
TOTAL FUND BALANCES	<u>765,175</u>	<u>584,578</u>	<u>478,101</u>	<u>472,037</u>	<u>2,299,891</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 882,023</u>	<u>\$ 1,006,299</u>	<u>\$ 567,741</u>	<u>\$ 513,321</u>	<u>\$ 2,969,384</u>

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

CITY OF MAYER, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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

Total fund balances - governmental funds	\$ 2,299,891
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	6,968,678
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	(18,375)
Bonds payable	(2,265,000)
Compensated absences payable	(21,626)
Pension liability	(140,358)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes	7,408
Special assessments	511,361
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	101,882
Deferred inflows of pension resources	(24,524)
Pension asset	92,472
Governmental funds do not report a liability for accrued interest until due and payable.	
	(21,032)
Total net position - governmental activities	\$ 7,490,777

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, 2016

	101	300's	435	Other	Total
	General	Debt Service	Capital Project/ Equipment	Governmental Funds	Governmental Funds
REVENUES					
General property taxes	\$ 457,726	\$ 187,984	\$ -	\$ -	\$ 645,710
Licenses and permits	155,206	-	-	-	155,206
Intergovernmental	310,017	-	-	12,790	322,807
Charges for services	83,893	-	-	9,979	93,872
Fines and forfeitures	5,903	-	-	-	5,903
Special assessments	15	101,290	15,174	-	116,479
Interest on investments	4,737	1,130	1,392	1,159	8,418
Miscellaneous	73,618	14,462	-	37,215	125,295
TOTAL REVENUES	1,091,115	304,866	16,566	61,143	1,473,690
EXPENDITURES					
Current					
General government	347,068	-	-	-	347,068
Public safety	193,782	-	-	11,152	204,934
Public works	122,586	-	-	-	122,586
Sanitation	2,778	-	-	-	2,778
Culture and recreation	21,245	-	-	-	21,245
Capital outlay					
General government	5,828	-	-	-	5,828
Public safety	6,427	-	185,843	6,099	198,369
Public works	45,782	-	325,463	28,140	399,385
Culture and recreation	52,380	-	-	-	52,380
Economic development	2,125	-	-	-	2,125
Debt service					
Principal	7,007	195,000	-	-	202,007
Interest and other	1,301	53,904	-	-	55,205
TOTAL EXPENDITURES	808,309	248,904	511,306	45,391	1,613,910
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	282,806	55,962	(494,740)	15,752	(140,220)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	115,229	115,229
Transfers out	(95,533)	-	(19,696)	-	(115,229)
TOTAL OTHER FINANCING SOURCES (USES)	(95,533)	-	(19,696)	115,229	-
NET CHANGE IN FUND BALANCES	187,273	55,962	(514,436)	130,981	(140,220)
FUND BALANCES, JANUARY 1	577,902	528,616	992,537	341,056	2,440,111
FUND BALANCES, DECEMBER 31	\$ 765,175	\$ 584,578	\$ 478,101	\$ 472,037	\$ 2,299,891

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

CITY OF MAYER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Total net change in fund balances - governmental funds	\$ (140,220)
<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	560,210
Depreciation expense	(306,814)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the the effects of these differences in the treatment of long-term debt and related items.</p>	
Principal repayments	202,007
<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>	
	18,463
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	14,466
Pension revenue	58
<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	(4,528)
Special assessments	(91,618)
<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	<u>(5,018)</u>
Change in net position - governmental activities	<u><u>\$ 247,006</u></u>

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

CITY OF MAYER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 492,360	\$ 492,360	\$ 457,726	\$ (34,634)
Licenses and permits	25,410	25,410	155,206	129,796
Intergovernmental	315,312	315,312	310,017	(5,295)
Charges for services	75,278	75,278	83,893	8,615
Fines and forfeitures	1,000	1,000	5,903	4,903
Interest on investments	2,500	2,500	4,737	2,237
Special assessments	-	-	15	15
Miscellaneous	20,703	20,703	73,618	52,915
TOTAL REVENUES	932,563	932,563	1,091,115	158,552
EXPENDITURES				
Current				
General government	261,554	261,554	347,068	(85,514)
Public safety	189,207	189,207	193,782	(4,575)
Public works	132,435	132,435	122,586	9,849
Sanitation	1,900	1,900	2,778	(878)
Culture and recreation	31,185	31,185	21,245	9,940
Economic development	2,950	2,950	2,125	825
Capital outlay	262,951	262,951	110,417	152,534
Debt service	50,381	50,381	8,308	42,073
TOTAL EXPENDITURES	932,563	932,563	808,309	124,254
EXCESS OF REVENUES OVER EXPENDITURES	-	-	282,806	282,806
OTHER FINANCING USES				
Transfers out	-	-	(95,533)	(95,533)
NET CHANGE IN FUND BALANCES	-	-	187,273	187,273
FUND BALANCES, JANUARY 1	577,902	577,902	577,902	-
FUND BALANCES, DECEMBER 31	\$ 577,902	\$ 577,902	\$ 765,175	\$ 187,273

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, 2016

	Business-type Activities - Enterprise Funds			
	620	640	Nonmajor	
			650	Totals
Water Utility	Sewer Utility	Storm Water Utility		
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 809,281	\$ 1,478,562	\$ 71,467	\$ 2,359,310
Receivables				
Accounts	41,327	55,391	2,172	98,890
Special assessments	1,996	1,996	-	3,992
TOTAL CURRENT ASSETS	852,604	1,535,949	73,639	2,462,192
NONCURRENT ASSETS				
Capital assets not being depreciated	40,792	-	257,844	298,636
Capital assets being depreciated	6,217,843	8,342,980	427,092	14,987,915
TOTAL CAPITAL ASSETS	6,258,635	8,342,980	684,936	15,286,551
LESS ACCUMULATED DEPRECIATION	(1,980,384)	(3,273,139)	(130,602)	(5,384,125)
CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION	4,278,251	5,069,841	554,334	9,902,426
TOTAL ASSETS	5,130,855	6,605,790	627,973	12,364,618
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	15,402	15,402	-	30,804
CURRENT LIABILITIES				
Accounts payable	3,720	8,866	8,460	21,046
Accrued interest payable	13,247	9,497	-	22,744
Accrued salaries payable	212	212	-	424
Unearned revenue	26,823	-	-	26,823
Current portion of bonds payable	265,550	307,450	-	573,000
TOTAL CURRENT LIABILITIES	309,552	326,025	8,460	644,037
NONCURRENT LIABILITIES				
Bonds payable, less current portion above	2,324,600	2,231,400	-	4,556,000
Pension liability	39,434	39,434	-	78,868
TOTAL NONCURRENT LIABILITIES	2,364,034	2,270,834	-	4,634,868
TOTAL LIABILITIES	2,673,586	2,596,859	8,460	5,278,905
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	2,791	2,791	-	5,582
NET POSITION				
Net investment in capital assets	1,688,101	2,530,991	554,334	4,773,426
Restricted for future expansion	-	61,319	-	61,319
Unrestricted	781,779	1,429,232	65,179	2,276,190
TOTAL NET POSITION	\$ 2,469,880	\$ 4,021,542	\$ 619,513	\$ 7,110,935

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			Totals
	620 Water Utility	640 Sewer Utility	650 Nonmajor Storm Water Utility	
OPERATING REVENUES				
Charges for services	\$ 308,095	\$ 392,124	\$ 19,594	\$ 719,813
OPERATING EXPENSES				
Personal services	58,183	58,183	-	116,366
Supplies	5,789	44,557	-	50,346
Repairs and maintenance	10,320	72,085	656	83,061
Other services and charges	54,081	58,894	5,979	118,954
Insurance	2,953	12,713	-	15,666
Utilities	23,389	41,562	-	64,951
Depreciation	198,846	277,275	14,236	490,357
TOTAL OPERATING EXPENSES	353,561	565,269	20,871	939,701
OPERATING LOSS	(45,466)	(173,145)	(1,277)	(219,888)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	309,000	-	309,000
Special assessments	2,007	2,007	-	4,014
Interest income	1,685	3,016	144	4,845
Miscellaneous income	45,555	-	-	45,555
Interest expense	(77,774)	(109,731)	-	(187,505)
TOTAL NONOPERATING REVENUES (EXPENSES)	(28,527)	204,292	144	175,909
INCOME (LOSS) BEFORE CONTRIBUTIONS	(73,993)	31,147	(1,133)	(43,979)
CAPITAL CONTRIBUTIONS	169,816	173,283	52,701	395,800
CHANGE IN NET POSITION	95,823	204,430	51,568	351,821
NET POSITION, JANUARY 1	2,374,057	3,817,112	567,945	6,759,114
NET POSITION, DECEMBER 31	<u>\$ 2,469,880</u>	<u>\$ 4,021,542</u>	<u>\$ 619,513</u>	<u>\$ 7,110,935</u>

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

CITY OF MAYER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	620	640	650	Totals
	Water Utility	Sewer Utility	Nonmajor Storm Water Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 301,120	\$ 384,502	\$ 19,945	\$ 705,567
Other operating receipts	45,555	-	-	45,555
Payments to suppliers, contractors and other governments	(113,577)	(226,188)	(11,913)	(351,678)
Payments to employees	(41,085)	(41,085)	-	(82,170)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>192,013</u>	<u>117,229</u>	<u>8,032</u>	<u>317,274</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Special assessments received	<u>1,420</u>	<u>1,420</u>	<u>-</u>	<u>2,840</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(87,550)	(160,742)	(248,292)
Intergovernmental receipts	-	-	25,000	25,000
Property taxes received	-	309,000	-	309,000
Connection fees collected	169,816	173,283	27,701	370,800
Principal paid on long-term debt	(239,450)	(284,550)	-	(524,000)
Interest paid on long-term debt	(79,944)	(110,910)	-	(190,854)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(149,578)</u>	<u>(727)</u>	<u>(108,041)</u>	<u>(258,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	<u>1,685</u>	<u>3,016</u>	<u>144</u>	<u>4,845</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,540	120,938	(99,865)	66,613
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>763,741</u>	<u>1,357,624</u>	<u>171,332</u>	<u>2,292,697</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 809,281</u></u>	<u><u>\$ 1,478,562</u></u>	<u><u>\$ 71,467</u></u>	<u><u>\$ 2,359,310</u></u>

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, 2016

	Business-type Activities - Enterprise Funds			
	620	640	650	Totals
	Water Utility	Sewer Utility	Nonmajor Storm Water Utility	
RECONCILIATION OF OPERATING LOSS				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (45,466)	\$ (173,145)	\$ (1,277)	\$ (219,888)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	198,846	277,275	14,236	490,357
Other income related to operations	45,555	-	-	45,555
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(6,975)	(7,622)	351	(14,246)
Deferred pension resources	(13,918)	(13,918)	-	(27,836)
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	(18,076)	3,623	(5,278)	(19,731)
Accrued salaries payable	167	167	-	334
Unearned revenue	1,031	-	-	1,031
Pension liability	28,867	28,867	-	57,734
Deferred pension resources	1,982	1,982	-	3,964
	<u>\$ 192,013</u>	<u>\$ 117,229</u>	<u>\$ 8,032</u>	<u>\$ 317,274</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
SCHEDULE OF NONCASH CAPITAL FINANCING ACTIVITIES				
Capital assets purchased on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,460</u>	<u>\$ 8,460</u>

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

CITY OF MAYER, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2016

	<u>Agency</u>
	800
	Developer
	<u>Escrows</u>
ASSETS	
Cash and temporary investments	<u>\$ 31,232</u>
LIABILITIES	
Accounts payable	<u>\$ 31,232</u>

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

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CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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

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

The *Capital Project/Equipment fund* accounts for the financial resources to be used for future capital equipment acquisitions and capital projects.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deposits and investments

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 54 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2016:

- Brokered certificates of deposits of \$1,189,837 are valued using quoted market prices (Level 1 inputs).

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County and tax settlements are made to the City during January, June and November each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Account receivable

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

Special assessments

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

Prepaid items

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

Capital assets

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

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

CITY OF MAYER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Deferred outflows of resources

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

Pensions

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

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

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.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred inflows of resources

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

Net position

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

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

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

Fund balance

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

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

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

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

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

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

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

A. Budgetary information

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

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30 the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments in 2016.

B. Deficit fund balance

The nonmajor capital project fund FEMA Grant has a fund deficit of \$9,845 as of December 31, 2016. The deficit will be eliminated with future transfers in.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

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

At year-end, the City's carrying amount of deposits was \$3,593,188 and the bank balance was \$3,685,478. Of the bank balance, \$1,229,390 was covered by federal depository insurance and the remainder was covered with collateral held by the City's agent in the City's name.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	12/31/2016	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled investments at amortized costs						
4M fund	N/A	Less than 6 months	\$ 25,559	\$ -	\$ -	\$ -
Broker money market	N/A	Less than 6 months	3,373	-	-	-
Non-pooled investments						
Brokered certificates of deposit	N/A	6 months to 12 months	201,637	201,637	-	-
Brokered certificates of deposit	N/A	1 to 3 years	988,200	988,200	-	-
Total investments			<u>\$1,218,769</u>	<u>\$1,189,837</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

N/A indicates not applicable or available

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

- *Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 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
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Carrying amount of deposits	\$3,593,188
Investments	<u>1,218,769</u>
Total cash and temporary investments	<u><u>\$4,811,957</u></u>
Statement of Net Position	
Cash and temporary investments	\$4,780,725
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>31,232</u>
Total	<u><u>\$4,811,957</u></u>

B. Capital assets

Capital asset activity for City for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 691,724	\$ 184,843	\$ -	\$ 876,567
Construction in progress	<u>626,651</u>	<u>19,164</u>	<u>(639,115)</u>	<u>6,700</u>
Total capital assets not being depreciated	<u>1,318,375</u>	<u>204,007</u>	<u>(639,115)</u>	<u>883,267</u>
Capital assets being depreciated				
Land improvements	238,135	-	-	238,135
Buildings	481,085	325,463	-	806,548
Infrastructure	6,157,874	639,116	-	6,796,990
Machinery and equipment	<u>1,911,463</u>	<u>30,739</u>	<u>(55,855)</u>	<u>1,886,347</u>
Total capital assets being depreciated	<u>8,788,557</u>	<u>995,318</u>	<u>(55,855)</u>	<u>9,728,020</u>
Less accumulated depreciation for				
Land improvements	(62,651)	(10,174)	-	(72,825)
Buildings	(378,435)	(13,971)	-	(392,406)
Infrastructure	(1,894,128)	(205,541)	-	(2,099,669)
Machinery and equipment	<u>(1,056,436)</u>	<u>(77,128)</u>	<u>55,855</u>	<u>(1,077,709)</u>
Total accumulated depreciation	<u>(3,391,650)</u>	<u>(306,814)</u>	<u>55,855</u>	<u>(3,642,609)</u>
Total capital assets being depreciated, net	<u>5,396,907</u>	<u>688,504</u>	<u>-</u>	<u>6,085,411</u>
Governmental activities capital assets, net	<u><u>\$ 6,715,282</u></u>	<u><u>\$ 892,511</u></u>	<u><u>\$ (639,115)</u></u>	<u><u>\$ 6,968,678</u></u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 40,792	\$ -	\$ -	\$ 40,792
Construction in progress	88,642	169,202	-	257,844
	<u>129,434</u>	<u>169,202</u>	<u>-</u>	<u>298,636</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Infrastructure	14,738,787	41,000	-	14,779,787
Machinery and equipment	161,578	46,550	-	208,128
	<u>14,900,365</u>	<u>87,550</u>	<u>-</u>	<u>14,987,915</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Infrastructure	(4,761,419)	(483,420)	-	(5,244,839)
Machinery and equipment	(132,349)	(6,937)	-	(139,286)
	<u>(4,893,768)</u>	<u>(490,357)</u>	<u>-</u>	<u>(5,384,125)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>10,006,597</u>	<u>(402,807)</u>	<u>-</u>	<u>9,603,790</u>
Business-type activities capital assets, net	<u>\$10,136,031</u>	<u>\$ (233,605)</u>	<u>\$ -</u>	<u>\$ 9,902,426</u>

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

Governmental activities	
General government	\$ 7,324
Public safety	52,376
Public works	226,209
Culture and recreation	19,494
Economic and development	1,411
Total depreciation expense - governmental activities	<u>\$ 306,814</u>
Business-type activities	
Water utilities	\$ 198,846
Sewer utilities	277,275
Storm sewer utilities	14,236
Total depreciation expense - business-type activities	<u>\$ 490,357</u>

CITY OF MAYER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Construction Commitments

The City has active construction projects as of December 31, 2016. At year end, the City's had commitments related to the following projects:

Project	Spent-to-Date	Remaining Commitment
Wetland Restoration Project	\$ 169,202	\$ 21,778
Park Shelter	6,700	21,585
Total	\$ 175,902	\$ 43,363

D. Interfund transfers

The composition of interfund transfers as of December 31, 2016 is as follows:

Fund	Transfer in Nonmajor Governmental Funds
Transfer out	
General	\$ 95,533
Capital Project/Equipment	19,696
Total	\$ 115,229

The General fund transferred the following to governmental funds:

- \$55,395 to nonmajor Fire Truck fund for the purpose of future fire department capital purchases.
- \$31,245 to nonmajor Park Improvement fund for the purpose of future capital purchases.
- \$8,893 to nonmajor Community Center fund for the purpose of improvements to the Community Center.

The Capital Project/Equipment fund transferred \$19,696 to the nonmajor Roundabout fund to close the capital project fund.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds.

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

General obligation revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Minnesota Public Facilities Project Loan	\$ 689,274	2.570 %	01/20/00	08/20/20	\$ 170,000
Minnesota Public Facilities Project Loan	347,000	3.910	01/27/01	08/20/20	94,000
Minnesota Public Facilities Project Loan	2,627,000	2.070	08/28/06	08/20/26	1,430,000
G.O. Water and Sewer Refunding bonds 2007	4,820,000	4.00 - 4.125	04/27/07	12/01/24	3,245,000
G.O. Improvement Bonds of 2015	975,000	1.50 - 2.50	07/01/15	02/01/26	<u>190,000</u>
Total G.O. Revenue Bonds					<u>\$ 5,129,000</u>

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2016 are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
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	681,000	85,152	766,152
2022 - 2026	<u>1,911,000</u>	<u>141,129</u>	<u>2,052,129</u>
Total	<u>\$ 5,129,000</u>	<u>\$ 792,727</u>	<u>\$ 5,921,727</u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation improvement bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Utility Refunding Revenue Bonds of 2014	1,675,000	2.00 - 3.00 %	07/01/14	02/01/23	\$ 1,480,000
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><u>\$ 2,265,000</u></u>

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2016 are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	295,000	25,775	320,775
2022 - 2026	<u>840,000</u>	<u>35,937</u>	<u>875,937</u>
Total	<u><u>\$ 2,265,000</u></u>	<u><u>\$ 219,225</u></u>	<u><u>\$ 2,484,225</u></u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>\$ 18,375</u>

The annual requirements to amortize the capital leases as of December 31, 2016 are as follows:

December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 7,398	\$ 910	\$ 8,308
2018	7,812	496	8,308
2019	3,165	87	3,252
Total	<u>\$ 18,375</u>	<u>\$ 1,493</u>	<u>\$ 19,868</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,460,000	\$ -	\$ (195,000)	\$ 2,265,000	\$ 270,000
Capital leases payable	25,382	-	(7,007)	18,375	7,398
Pension liability	113,611	45,368	(18,621)	140,358	-
Compensated absences payable	16,608	13,400	(8,382)	21,626	15,138
Governmental activities long- term liabilities	<u>\$ 2,615,601</u>	<u>\$ 58,768</u>	<u>\$ (229,010)</u>	<u>\$ 2,445,359</u>	<u>\$ 292,536</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 5,653,000	\$ -	\$ (524,000)	\$ 5,129,000	\$ 573,000
Pension liability	21,134	83,355	(25,621)	78,868	-
Business-type activities long- term liabilities	<u>\$ 5,674,134</u>	<u>\$ 83,355</u>	<u>\$ (549,621)</u>	<u>\$ 5,207,868</u>	<u>\$ 573,000</u>

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2016, portions of the City's fund balance are not available for appropriation due to legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	<u>Debt Service</u>	<u>Capital Project/ Equipment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for				
Debt service	\$ 584,578	\$ -	\$ -	\$ 584,578
Economic development	-	-	19,644	19,644
Future capital	-	-	29,642	29,642
	<u>-\$ 584,578</u>	<u>\$ -</u>	<u>\$ 49,286</u>	<u>\$ 633,864</u>
Total restricted				
Assigned				
Fire truck	\$ -	\$ -	\$ 76,075	\$ 76,075
Park improvements	-	-	283,985	283,985
Community center	-	-	10,418	10,418
Futures capital projects/equipment	-	478,101	42,734	520,835
Street improvements	-	-	19,384	19,384
	<u>\$ -</u>	<u>\$ 478,101</u>	<u>\$ 432,596</u>	<u>\$ 910,697</u>
Total assigned				

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
DECEMBER 31, 2016

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 2016. 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 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$12,697, \$11,846, and \$10,946 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, 2016, the City reported a liability of \$219,226 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0027 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$14,155 for its proportionate share of GERF's pension expense.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 680	\$ 18,270
Changes in actuarial assumptions	47,311	-
Net difference between projected and actual earnings on plan investments	24,915	-
Changes in proportion	4,150	2,704
Contributions to GERF subsequent to the measurement date	7,204	-
Total	\$ 84,260	\$ 20,974

Deferred outflows of resources totaling \$7,204 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ (15,249)
2018	(10,428)
2019	(22,489)
2020	(7,916)

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years.

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

CITY OF MAYER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

The following changes occurred in 2016:

GERF

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

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

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

F. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction of the 7.90 percent used in 2015. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MAYER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

G. Pension liability sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 311,367	\$ 219,226

H. Pension plan fiduciary net position

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

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

A. Plan description

The Mayer Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2015, the plan covered 28 active firefighters and 6 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353 G.

B. Benefits provided

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

C. Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributed for the year ended December 31, 2015, 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, 2016 was \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

D. Investment policy

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

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

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

The SBI made no significant changes to their investment policy during fiscal year 2016 for the SVF plan.

E. Pension costs

At December 31, 2016, the City reported a net pension asset of \$92,472 for the SVF plan. The net pension asset was measured as of December 31, 2015. 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, 2015. 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, 2015	\$ 571,821	\$ 689,639	\$ (117,818)
Changes for the year			
Service cost	21,992	-	21,992
Interest on pension liability (asset)	35,629	-	35,629
Actuarial experience (gains)/losses	(11,415)	-	(11,415)
Projected investment earnings	-	41,378	(41,378)
Contributions (employer)	-	3,979	(3,979)
Contributions (State)	-	17,067	(17,067)
Asset (gain)/loss	-	(40,521)	40,521
Administrative costs	-	(1,043)	1,043
Total net changes	46,206	20,860	25,346
Ending balance December 31, 2015	\$ 618,027	\$ 710,499	\$ (92,472)

For the year ended December 31, 2016, the City recognized pension expense of \$5,606.

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

At December 31, 2016, 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	\$ -	\$ 9,132
Changes in actuarial assumptions	-	-
Net difference between projected and actual earnings on plan investments	32,417	-
Changes in proportion	-	-
State aid to City subsequent to the measurement date	-	-
Contributions to SVF subsequent to the measurement date	16,009	-
Total	\$ 48,426	\$ 9,132

There were \$16,009 of deferred outflows of resources related to pensions resulting from the City's contributions to SVF subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Deferred inflows of resources totaling \$9,132 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	\$ 5,821
2017	5,821
2018	5,821
2019	5,822
2020	-

F. Actuarial assumptions

The total pension liability at December 31, 2016 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 2015.

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, 2016

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	\$ (73,508)	\$ (92,472)	\$ (111,213)

I. Pension plan fiduciary net position

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

CITY OF MAYER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6: OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

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

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2016 was \$298,017 for LGA. This accounted for 27 percent of General fund revenues.

D. Related party transaction

During 2016, the City made purchases from Mayer Lumber Company which is owned by the Fire Chief. During 2016, \$11,383 was paid to Mayer Lumber Company for supplies.

E. Conduit debt obligations

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide financial assistance to a private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City authorized and issued \$4,720,000 in revenue bonds in 2014, and \$10,000,000 in revenue bonds in 2016. As of December 31, 2016, the outstanding balance was \$4,720,000 for the 2014 bonds, and \$9,906,591 for the bond issued in 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MAYER, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2016

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
06/30/16	0.0027 %	\$ 219,226	\$ -	\$ 219,226	\$ 169,293	129.49 %	68.9 %
06/30/15	0.0026	134,745	-	134,745	151,471	88.96	78.7

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

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

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

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

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)

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

CITY OF MAYER, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 DECEMBER 31, 2016

Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 21,992	\$ 23,202
Interest on pension liability (asset)	35,629	35,437
Differences between expected and actual experience	(11,415)	(16,246)
Benefit payments	<u>-</u>	<u>(75,000)</u>
Net change in total pension liability	46,206	(32,607)
Total pension liability - January 1	<u>571,821</u>	<u>604,920</u>
Total pension liability - December 31	<u><u>\$ 618,027</u></u>	<u><u>\$ 572,313</u></u>
Plan fiduciary net position		
Nonemployer contributions	\$ 21,046	\$ 48,137
Projected investment return	857	42,113
Benefit payments	-	(75,000)
Administrative expenses	<u>(1,043)</u>	<u>(1,450)</u>
Net change in plan fiduciary net position	20,860	13,800
Plan fiduciary net position - January 1	<u>689,639</u>	<u>675,839</u>
Plan fiduciary net position - December 31	<u><u>\$ 710,499</u></u>	<u><u>\$ 689,639</u></u>
Fire Relief's net pension liability (asset) - December 31 (a-b)	<u><u>\$ (92,472)</u></u>	<u><u>\$ (117,326)</u></u>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	114.96%	120.50%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

Benefit changes. In 2015, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes of assumptions. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

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

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

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MAYER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and temporary investments	\$ 42,467	\$ 464,035	\$ 506,502
Accounts receivable	6,819	-	6,819
TOTAL ASSETS	\$ 49,286	\$ 464,035	\$ 513,321
LIABILITIES			
Accounts payable	\$ -	\$ 21,912	\$ 21,912
Unearned revenue	-	19,372	19,372
TOTAL LIABILITIES	-	41,284	41,284
FUND BALANCES			
Restricted	49,286	-	49,286
Assigned	-	432,596	432,596
Unassigned	-	(9,845)	(9,845)
TOTAL FUND BALANCES	49,286	422,751	472,037
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,286	\$ 464,035	\$ 513,321

CITY OF MAYER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Capital Projects	Total
REVENUES			
Intergovernmental	\$ 6,819	\$ 5,971	\$ 12,790
Charges for services	-	9,979	9,979
Interest on investments	239	920	1,159
Miscellaneous	4,876	32,339	37,215
	<u>11,934</u>	<u>49,209</u>	<u>61,143</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	10,352	800	11,152
Capital outlay			
Public safety	-	6,099	6,099
Public works	-	28,140	28,140
	<u>10,352</u>	<u>35,039</u>	<u>45,391</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	1,582	14,170	15,752
OTHER FINANCING SOURCES			
Transfers in	-	115,229	115,229
NET CHANGE IN FUND BALANCES	1,582	129,399	130,981
FUND BALANCES, JANUARY 1	47,704	293,352	341,056
FUND BALANCES, DECEMBER 31	<u>\$ 49,286</u>	<u>\$ 422,751</u>	<u>\$ 472,037</u>

CITY OF MAYER, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	225 EDA	212 Fire Department Contributions	222 Old Schoolhouse	Total
ASSETS				
Cash and temporary investments	\$ 12,825	\$ 24,221	\$ 5,421	\$ 42,467
Accounts receivable	6,819	-	-	6,819
TOTAL ASSETS	\$ 19,644	\$ 24,221	\$ 5,421	\$ 49,286
FUND BALANCES				
Restricted	\$ 19,644	\$ 24,221	\$ 5,421	\$ 49,286

CITY OF MAYER, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	225	212	222	
	EDA	Fire Department Contributions	Old Schoolhouse	Total
REVENUES				
Intergovernmental	\$ 6,819	\$ -	\$ -	\$ 6,819
Interest on investments	181	47	11	239
Miscellaneous	4	4,872	-	4,876
TOTAL REVENUES	7,004	4,919	11	11,934
EXPENDITURES				
Current				
Public safety	-	10,352	-	10,352
NET CHANGE IN FUND BALANCES	7,004	(5,433)	11	1,582
FUND BALANCES, JANUARY 1	12,640	29,654	5,410	47,704
FUND BALANCES, DECEMBER 31	<u>\$ 19,644</u>	<u>\$ 24,221</u>	<u>\$ 5,421</u>	<u>\$ 49,286</u>

CITY OF MAYER, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	210	215	220
	<u>Fire Truck</u>	<u>FEMA Grant</u>	<u>Park Improvements</u>
ASSETS			
Cash and temporary investments	<u>\$ 76,075</u>	<u>\$ (9,845)</u>	<u>\$ 303,357</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	<u>-</u>	<u>-</u>	<u>19,372</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>19,372</u>
FUND BALANCES			
Assigned	76,075	-	283,985
Unassigned	<u>-</u>	<u>(9,845)</u>	<u>-</u>
TOTAL FUND BALANCES	<u>76,075</u>	<u>(9,845)</u>	<u>283,985</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 76,075</u>	<u>\$ (9,845)</u>	<u>\$ 303,357</u>

400 70th Street Reserve	405 Street Improvement	410 Community Center	440 Roundabout Project	Total
<u>\$ 42,734</u>	<u>\$ 19,384</u>	<u>\$ 10,418</u>	<u>\$ 21,912</u>	<u>\$ 464,035</u>
\$ -	\$ -	\$ -	\$ 21,912	\$ 21,912
-	-	-	-	19,372
-	-	-	21,912	41,284
42,734	19,384	10,418	-	432,596
-	-	-	-	(9,845)
<u>42,734</u>	<u>19,384</u>	<u>10,418</u>	<u>-</u>	<u>422,751</u>
<u>\$ 42,734</u>	<u>\$ 19,384</u>	<u>\$ 10,418</u>	<u>\$ 21,912</u>	<u>\$ 464,035</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, 2016

	210	215	220
	Fire Truck	FEMA Grant	Park Improvement
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ -	\$ 5,971	\$ -
Charges for services	9,979	-	-
Interest on investments	149	2	615
Miscellaneous	-	-	25,047
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>10,128</u>	<u>5,973</u>	<u>25,662</u>
EXPENDITURES			
Current			
Public safety	800	-	-
Capital outlay			
Public safety	-	6,099	-
Public works	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>800</u>	<u>6,099</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,328	(126)	25,662
OTHER FINANCING SOURCES			
Transfers in	<u>55,395</u>	<u>-</u>	<u>31,245</u>
NET CHANGE IN FUND BALANCES	64,723	(126)	56,907
FUND BALANCES, JANUARY 1	<u>11,352</u>	<u>(9,719)</u>	<u>227,078</u>
FUND BALANCES, DECEMBER 31	<u>\$ 76,075</u>	<u>\$ (9,845)</u>	<u>\$ 283,985</u>

400 70th Street Reserve	405 Street Improvement	410 Community Center	440 Roundabout Project	Totals
\$ -	\$ -	\$ -	\$ -	\$ 5,971
-	-	-	-	9,979
87	38	23	6	920
7,292	-	-	-	32,339
<u>7,379</u>	<u>38</u>	<u>23</u>	<u>6</u>	<u>49,209</u>
-	-	-	-	800
-	-	-	-	6,099
-	15,355	-	12,785	28,140
-	15,355	-	12,785	35,039
7,379	(15,317)	23	(12,779)	14,170
-	-	8,893	19,696	115,229
7,379	(15,317)	8,916	6,917	129,399
35,355	34,701	1,502	(6,917)	293,352
<u>\$ 42,734</u>	<u>\$ 19,384</u>	<u>\$ 10,418</u>	<u>\$ -</u>	<u>\$ 422,751</u>

CITY OF MAYER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 492,360	\$ 492,360	\$ 457,726	\$ (34,634)	\$ 424,519
Licenses and permits					
Business	4,410	4,410	4,710	300	6,595
Nonbusiness	21,000	21,000	150,496	129,496	123,656
Total	25,410	25,410	155,206	129,796	130,251
Intergovernmental					
State					
Local government aid	298,017	298,017	298,017	-	296,482
Other state aid	10,055	10,055	1,796	(8,259)	3,552
Police aid	3,500	3,500	6,464	2,964	6,236
County aid	3,740	3,740	3,740	-	2,571
Total	315,312	315,312	310,017	(5,295)	308,841
Charges for services					
General government	545	545	8,306	7,761	7,858
Public safety	66,733	66,733	52,747	(13,986)	58,809
Community center	8,000	8,000	20,340	12,340	8,894
Sanitation and recycling	-	-	2,500	2,500	-
Total	75,278	75,278	83,893	8,615	75,561
Fines and forfeitures	1,000	1,000	5,903	4,903	4,197
Interest on investments	2,500	2,500	4,737	2,237	4,711
Special assessments	-	-	15	15	21
Miscellaneous					
Rents and royalties	18,703	18,703	13,394	(5,309)	12,821
Contributions and donations	2,000	2,000	7,088	5,088	4,138
Refunds and reimbursements	-	-	26,887	26,887	11,602
Other	-	-	26,249	26,249	4,489
Total	20,703	20,703	73,618	52,915	33,050
TOTAL REVENUES	932,563	932,563	1,091,115	158,552	981,151

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Original			
EXPENDITURES					
Current					
General government					
Mayor and City Council					
Personal services	\$ 15,071	\$ 15,071	\$ 13,413	\$ 1,658	\$ 14,961
Supplies	1,000	1,000	35	965	305
Other services and charges	1,040	1,040	727	313	1,163
Total	17,111	17,111	14,175	2,936	16,429
City hall					
Supplies	3,000	3,000	3,904	(904)	2,913
Other services and charges	23,720	23,720	28,756	(5,036)	24,839
Total	26,720	26,720	32,660	(5,940)	27,752
City Clerk					
Personal services	33,157	33,157	14,450	18,707	37,063
Other services and charges	250	250	188	62	-
Total	33,407	33,407	14,638	18,769	37,063
City Administrator					
Personal services	100,246	100,246	100,986	(740)	95,215
Supplies	1,000	1,000	163	837	295
Other services and charges	750	750	560	190	531
Total	101,996	101,996	101,709	287	96,041
Election					
Other services and charges	3,275	3,275	3,429	(154)	1,015
Auditing					
Other services and charges	25,000	25,000	30,520	(5,520)	26,764
Assessing					
Other services and charges	11,750	11,750	12,124	(374)	11,634
Legal					
Other services and charges	10,000	10,000	99,773	(89,773)	7,738
Planning and zoning					
Personal services	3,100	3,100	1,230	1,870	1,110
Other services and charges	5,000	5,000	9,325	(4,325)	5,101
Total	8,100	8,100	10,555	(2,455)	6,211

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Original			
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Community service center					
Other services and charges	\$ 24,195	\$ 24,195	\$ 27,485	\$ (3,290)	\$ 23,635
Total general government	<u>261,554</u>	<u>261,554</u>	<u>347,068</u>	<u>(85,514)</u>	<u>254,282</u>
Public safety					
Police					
Other services and charges	84,668	84,668	84,536	132	77,182
Fire					
Personal services	30,730	30,730	30,347	383	26,279
Supplies	11,400	11,400	4,739	6,661	5,640
Other services and charges	41,309	41,309	34,390	6,919	33,897
Total	<u>83,439</u>	<u>83,439</u>	<u>69,476</u>	<u>13,963</u>	<u>65,816</u>
Building inspection					
Other services and charges	20,000	20,000	39,570	(19,570)	32,751
Civil defense					
Other services and charges	450	450	200	250	200
Animal control					
Other services and charges	650	650	-	650	-
Total public safety	<u>189,207</u>	<u>189,207</u>	<u>193,782</u>	<u>(4,575)</u>	<u>175,949</u>
Public works					
Streets					
Personal services	31,050	31,050	32,242	(1,192)	30,488
Supplies	4,750	4,750	4,038	712	4,920
Other services and charges	7,080	7,080	5,539	1,541	3,654
Total	<u>42,880</u>	<u>42,880</u>	<u>41,819</u>	<u>1,061</u>	<u>39,062</u>
Snow removal					
Supplies	7,000	7,000	4,820	2,180	2,788
Other services and charges	20,000	20,000	13,426	6,574	11,722
Total	<u>27,000</u>	<u>27,000</u>	<u>18,246</u>	<u>8,754</u>	<u>14,510</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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public works - continued					
Street lighting					
Other services and charges	\$ 45,055	\$ 45,055	\$ 46,822	\$ (1,767)	\$ 42,004
Maintenance building					
Supplies	-	-	54	(54)	-
Other services and charges	2,500	2,500	3,314	(814)	483
Total	2,500	2,500	3,368	(868)	483
Engineering					
Other services and charges	15,000	15,000	12,331	2,669	23,550
Total public works	132,435	132,435	122,586	9,849	119,609
Sanitation					
Personal services	1,900	1,900	2,121	(221)	1,721
Other services and charges	-	-	657	(657)	1,389
Total sanitation	1,900	1,900	2,778	(878)	3,110
Culture and recreation					
Parks					
Personal services	9,768	9,768	8,885	883	5,846
Supplies	1,100	1,100	1,652	(552)	1,264
Other services and charges	20,317	20,317	10,708	9,609	24,264
Total culture and recreation	31,185	31,185	21,245	9,940	31,374
Economic development					
Personal services	450	450	270	180	180
Other services and charges	2,500	2,500	1,855	645	830
Total economic development	2,950	2,950	2,125	825	1,010
Total current expenditures	619,231	619,231	689,584	(70,353)	585,334
Capital outlay					
General government	19,500	19,500	5,828	13,672	9,007
Public safety	80,000	80,000	6,427	73,573	24,605
Public works	94,500	94,500	45,782	48,718	70,564
Culture and recreation	68,951	68,951	52,380	16,571	23,755
Total capital outlay	262,951	262,951	110,417	152,534	127,931

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Original	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Debt service					
Principal	\$ 42,007	\$ 42,007	\$ 7,007	\$ 35,000	\$ 6,638
Interest and other	8,374	8,374	1,301	7,073	2,570
Total debt service	<u>50,381</u>	<u>50,381</u>	<u>8,308</u>	<u>42,073</u>	<u>9,208</u>
TOTAL EXPENDITURES	<u>932,563</u>	<u>932,563</u>	<u>808,309</u>	<u>124,254</u>	<u>722,473</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>282,806</u>	<u>282,806</u>	<u>258,678</u>
OTHER FINANCING SOURCES (USES)					
Transfer out	-	-	(95,533)	(95,533)	(88,836)
Sale of capital assets	-	-	-	-	250
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(95,533)</u>	<u>(95,533)</u>	<u>(88,586)</u>
NET CHANGE IN FUND BALANCES	-	-	187,273	187,273	170,092
FUND BALANCES, JANUARY 1	<u>577,902</u>	<u>577,902</u>	<u>577,902</u>	<u>-</u>	<u>407,810</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 577,902</u></u>	<u><u>\$ 577,902</u></u>	<u><u>\$ 765,175</u></u>	<u><u>\$ 187,273</u></u>	<u><u>\$ 577,902</u></u>

CITY OF MAYER, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	325	350	
	GO	GO	
	Improvement/ Utility Revenue 2014	Improvement 2015	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 459,580	\$ 124,648	\$ 584,228
Receivables			
Special assessments	<u>54,437</u>	<u>367,634</u>	<u>422,071</u>
TOTAL ASSETS	<u><u>\$ 514,017</u></u>	<u><u>\$ 492,282</u></u>	<u><u>\$ 1,006,299</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	\$ 54,087	\$ 367,634	\$ 421,721
FUND BALANCES			
Restricted	<u>459,930</u>	<u>124,648</u>	<u>584,578</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 514,017</u></u>	<u><u>\$ 492,282</u></u>	<u><u>\$ 1,006,299</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, 2016

	325 GO Improvement/ Utility Revenue 2014	350 GO Improvement 2015	Totals
REVENUES			
Property taxes	\$ 148,161	\$ 39,823	\$ 187,984
Special assessments	52,782	48,508	101,290
Interest on investments	946	184	1,130
Miscellaneous	-	14,462	14,462
TOTAL REVENUES	<u>201,889</u>	<u>102,977</u>	<u>304,866</u>
EXPENDITURES			
Debt service			
Principal	195,000	-	195,000
Interest and other	36,500	17,404	53,904
TOTAL EXPENDITURES	<u>231,500</u>	<u>17,404</u>	<u>248,904</u>
NET CHANGE IN FUND BALANCES	(29,611)	85,573	55,962
FUND BALANCES, JANUARY 1	<u>489,541</u>	<u>39,075</u>	<u>528,616</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 459,930</u></u>	<u><u>\$ 124,648</u></u>	<u><u>\$ 584,578</u></u>

CITY OF MAYER, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 645,710	\$ 613,121	5.32 %
Licenses and permits	155,206	130,251	19.16
Intergovernmental	322,807	1,140,340	(71.69)
Charges for services	93,872	78,961	18.88
Fines and forfeitures	5,903	4,197	40.65
Investment earnings	8,418	12,703	(33.73)
Special assessments	116,479	116,364	0.10
Miscellaneous	125,295	68,696	82.39
TOTAL REVENUES	\$ 1,473,690	\$ 2,164,633	(31.92) %
Per Capita	\$ 752	\$ 1,184	(36.47) %
EXPENDITURES			
Current			
General government	\$ 347,068	\$ 254,282	36.49 %
Public safety	204,934	175,949	16.47
Public works	122,586	119,609	2.49
Sanitation and recycling	2,778	3,110	(10.68)
Culture and recreation	21,245	31,374	(32.28)
Economic development	-	230	(100.00)
Capital outlay			
General government	5,828	9,007	(35.29)
Public safety	198,369	790,193	(74.90)
Public works	399,385	1,124,111	(64.47)
Culture and recreation	52,380	41,642	25.79
Economic development	2,125	1,010	110.40
Debt service			
Principal	202,007	1,836,638	(89.00)
Interest and other	55,205	113,271	(51.26)
TOTAL EXPENDITURES	\$ 1,613,910	\$ 4,500,426	(64.14) %
Per Capita	\$ 823	\$ 2,461	(66.54) %
Total Long-term Indebtedness	\$ 2,283,375	\$ 2,485,382	(8.13) %
Per Capita	1,165	1,359	(14.28)
General Fund Balance - December 31	\$ 765,175	\$ 577,902	32.41 %
Per Capita	390	316	23.42

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 Ruch-Hammond, City Administrator-Treasurer at (952) 657-1502.

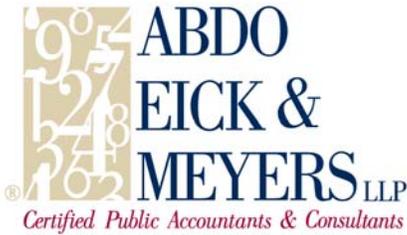
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OTHER REQUIRED REPORTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

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

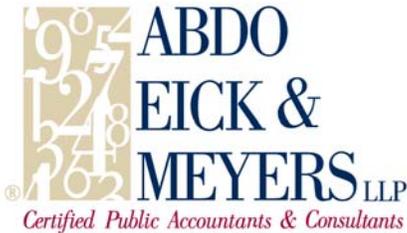
We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 14, 2017.

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
Minneapolis, Minnesota
February 14, 2017



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 14, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified a certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 to be significant deficiencies.

Compliance and Other Matters

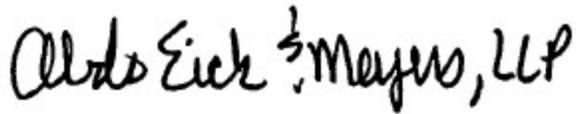
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's Responses to Findings

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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 14, 2017

CITY OF MAYER, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Description

2016-001 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.

2016-002 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.

CITY OF MAYER, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Description

2016-003 Material audit adjustments

Condition: During our audit, material adjustments were needed to record prior year adjusting entries and record a transaction related to a purchase of land from the City's savings account.

Criteria: The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.

Cause: The City had incomplete reconciliation processes.

Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's systems of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review its closing and month end reconciliation processes and ensure that they are closely followed. We reviewed them with management and it appears corrections have been implemented.

Management response:

Management has reviewed the final audit work paper and related journal entries and understands the adjustments made in the audit.