

Annual Financial Report

City of Mayer
Mayer, Minnesota

For the Year Ended
December 31, 2018

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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Mayer, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

ELECTED

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

APPOINTED

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

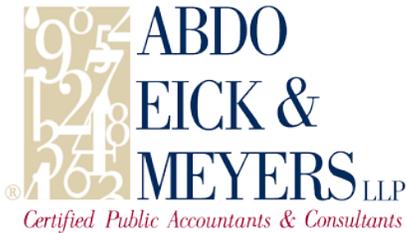
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FINANCIAL SECTION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018, 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, 2018 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 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

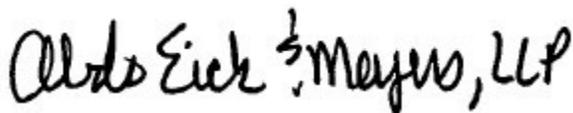
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 4, 2019

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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, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,101,950 (net position). Of this amount, \$5,275,485 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Cash and temporary investments were \$5,965,464 and \$5,597,996 at December 31, 2018 and 2017, respectively.
- The City's total net position increased by \$487,003. Governmental activities decreased during the year by \$942 and business-type activities increased during the year by \$487,945. The increase in business-type activities is due to revenues exceeding expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,888,523, an increase of \$11,777 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$871,311, or 72.7 percent of 2019 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 \$909,723 during the current fiscal year. The decrease was due to regularly scheduled debt principal payments.

Overview of the Financial Statements

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

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

Figure 1
Required Components of the
City's Annual Financial Report

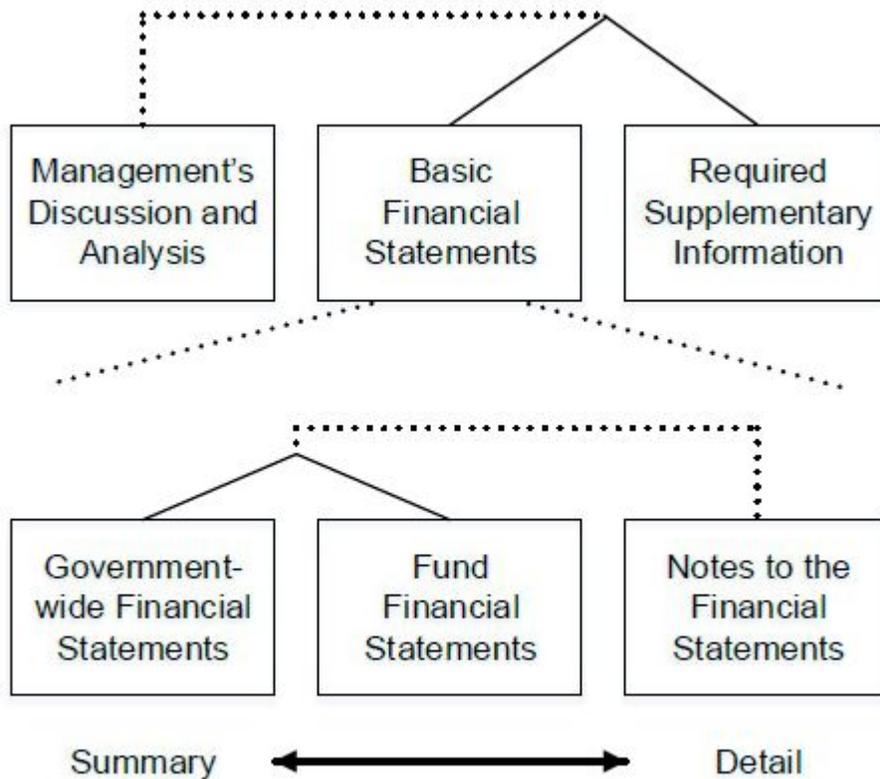


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 31 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 41 of this report.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$16,101,950 at the close of the most recent fiscal year.

The City's amount invested in capital assets, net of related debt (\$9,919,865) 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 | | |
|---------------------------------------|-------------------------|--------------------|------------------------|--------------------------|--------------------|------------------------|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Assets | | | | | | |
| Current and other assets | \$3,483,103 | \$3,468,380 | \$ 14,723 | \$3,114,352 | \$2,806,398 | \$ 307,954 |
| Capital assets | 6,502,048 | 6,718,350 | (216,302) | 9,119,318 | 9,568,527 | (449,209) |
| Total Assets | <u>9,985,151</u> | <u>10,186,730</u> | <u>(201,579)</u> | <u>12,233,670</u> | <u>12,374,925</u> | <u>(141,255)</u> |
| Deferred Outflows of Resources | 43,237 | 49,225 | (5,988) | 14,761 | 22,028 | (7,267) |
| Liabilities | | | | | | |
| Noncurrent liabilities outstanding | 1,833,442 | 2,128,856 | (295,414) | 4,046,480 | 4,684,864 | (638,384) |
| Other liabilities | 98,172 | 61,599 | 36,573 | 92,075 | 89,031 | 3,044 |
| Total Liabilities | <u>1,931,614</u> | <u>2,190,455</u> | <u>(258,841)</u> | <u>4,138,555</u> | <u>4,773,895</u> | <u>(635,340)</u> |
| Deferred Inflows of Resources | 92,203 | 39,987 | 52,216 | 12,497 | 13,624 | (1,127) |
| Net Position | | | | | | |
| Net invested in capital assets | 4,788,883 | 4,712,373 | 76,510 | 5,130,982 | 4,955,469 | 175,513 |
| Restricted | 834,785 | 939,089 | (104,304) | 71,815 | 66,734 | 5,081 |
| Unrestricted | 2,380,903 | 2,354,051 | 26,852 | 2,894,582 | 2,587,231 | 307,351 |
| Total Net Position | <u>\$8,004,571</u> | <u>\$8,005,513</u> | <u>\$ (942)</u> | <u>\$8,097,379</u> | <u>\$7,609,434</u> | <u>\$ 487,945</u> |

An additional portion of the City's net position (5.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,275,485) 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.

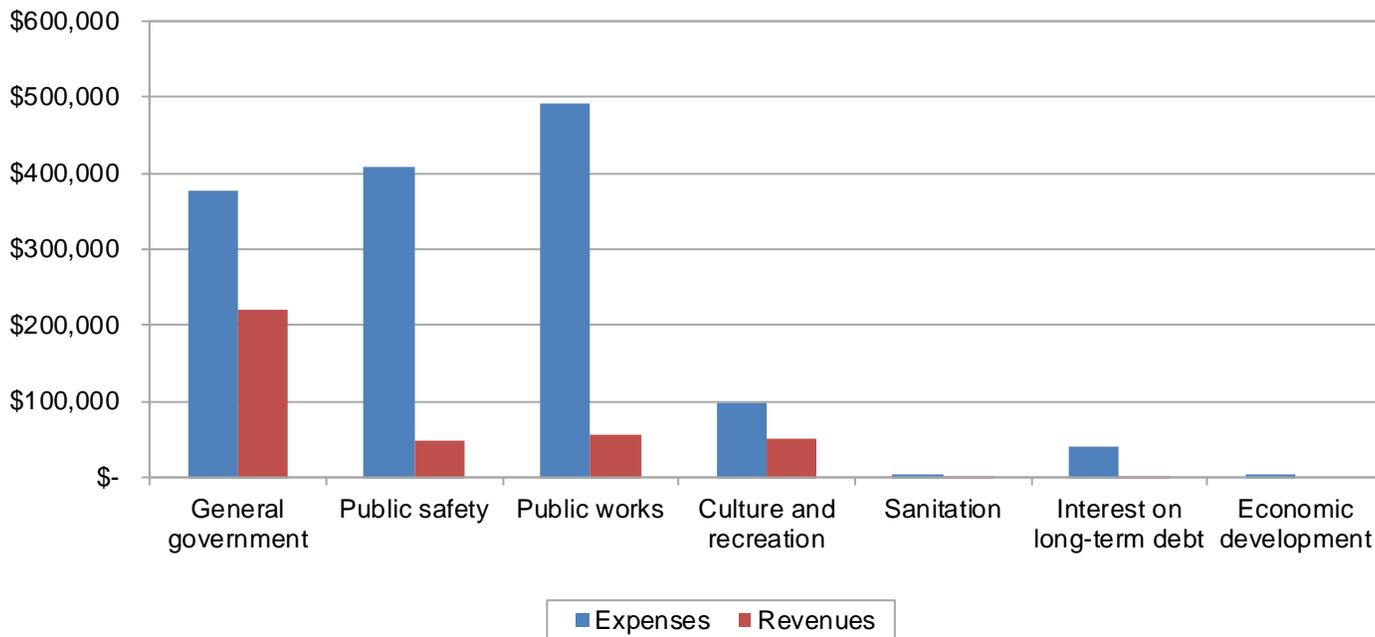
Governmental Activities: Governmental-type activities decreased the City's net position by \$942. Key elements of this decrease are as follows:

City of Mayer's Changes in Net Position

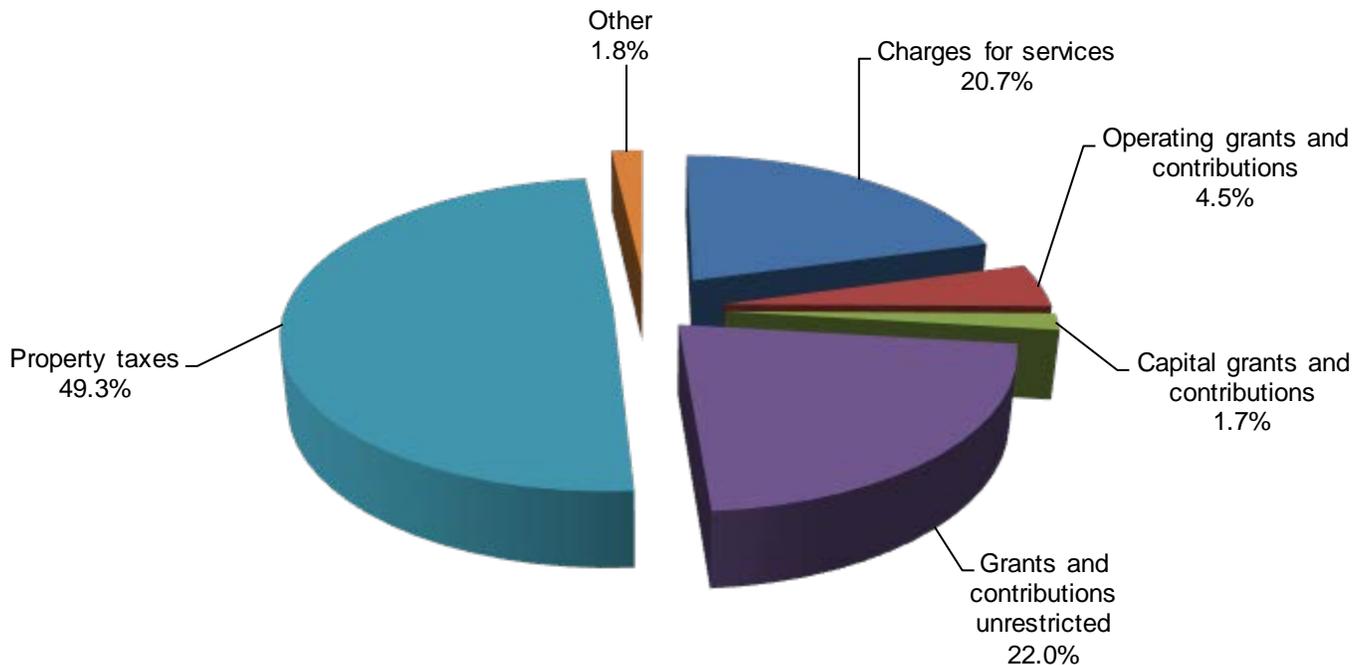
| | Governmental Activities | | | Business-type Activities | | |
|---------------------------------------|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 293,760 | \$ 372,253 | \$ (78,493) | \$ 934,384 | \$ 896,271 | \$ 38,113 |
| Operating grants and contributions | 64,246 | 62,226 | 2,020 | 425 | - | 425 |
| Capital grants and contributions | 24,384 | 56,319 | (31,935) | 318,736 | 487,786 | (169,050) |
| General Revenues | | | | | | |
| Property taxes, | | | | | | |
| levied for general purpose | 481,003 | 507,786 | (26,783) | - | - | - |
| levied for debt service | 220,634 | 176,403 | 44,231 | 282,000 | 273,000 | 9,000 |
| State grants and contributions | | | | | | |
| not restricted to specific programs | 312,405 | 298,827 | 13,578 | - | - | - |
| Unrestricted investment earnings | 25,372 | 15,847 | 9,525 | 29,177 | 16,095 | 13,082 |
| Miscellaneous | - | - | - | - | 26 | (26) |
| Gain on sale of capital assets | - | 207,403 | (207,403) | - | - | - |
| Total Revenues | 1,421,804 | 1,697,064 | (275,260) | 1,564,722 | 1,673,178 | (108,456) |
| Expenses | | | | | | |
| General government | 376,927 | 320,088 | 56,839 | - | - | - |
| Public safety | 408,307 | 276,369 | 131,938 | - | - | - |
| Public works | 491,546 | 468,311 | 23,235 | - | - | - |
| Culture and recreation | 98,253 | 63,967 | 34,286 | - | - | - |
| Economic development | 3,240 | 2,665 | 575 | - | - | - |
| Sanitation | 3,920 | 4,114 | (194) | - | - | - |
| Interest on long-term debt | 40,553 | 46,814 | (6,261) | - | - | - |
| Water utility | - | - | - | 414,758 | 448,016 | (33,258) |
| Sewer utility | - | - | - | 633,112 | 697,822 | (64,710) |
| Storm water utility | - | - | - | 28,907 | 28,841 | 66 |
| Total Expenses | 1,422,746 | 1,182,328 | 240,418 | 1,076,777 | 1,174,679 | (97,902) |
| Change in Net Position | (942) | 514,736 | (515,678) | 487,945 | 498,499 | (10,554) |
| Net Position, January 1 | 8,005,513 | 7,490,777 | 514,736 | 7,609,434 | 7,110,935 | 498,499 |
| Net Position, December 31 | \$ 8,004,571 | \$ 8,005,513 | \$ (942) | \$ 8,097,379 | \$ 7,609,434 | \$ 487,945 |

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

Expenses and Program Revenues - Governmental Activities



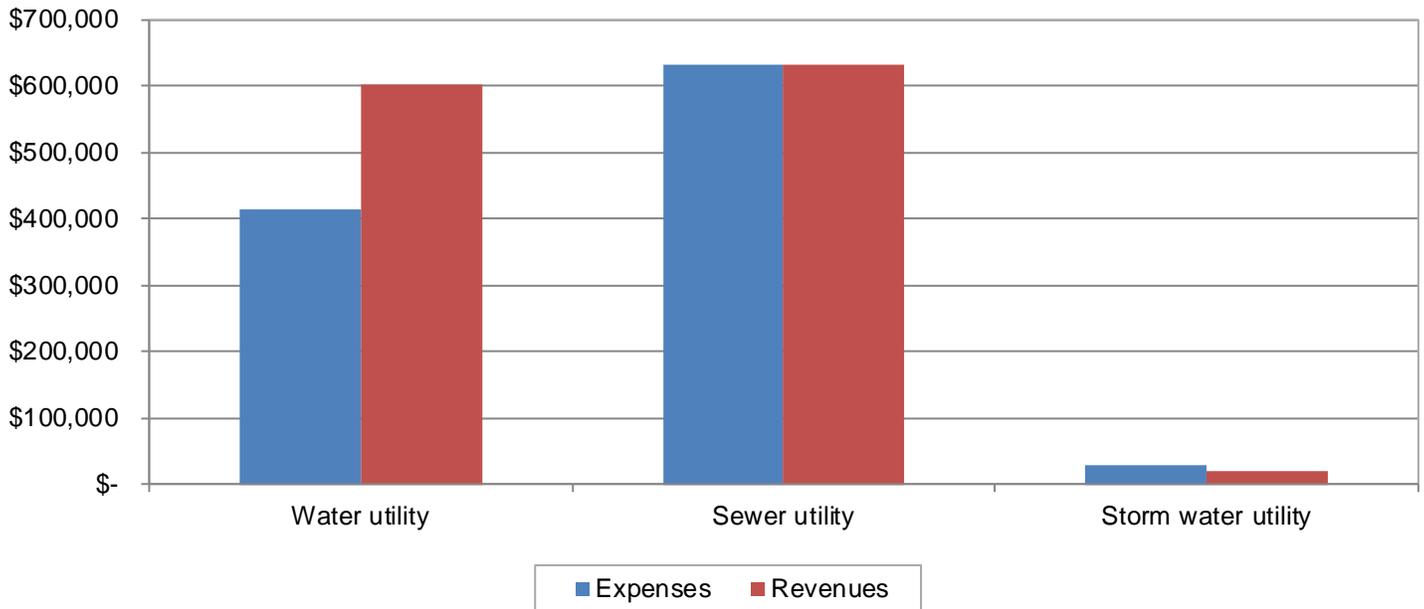
Revenues by Source - Governmental Activities



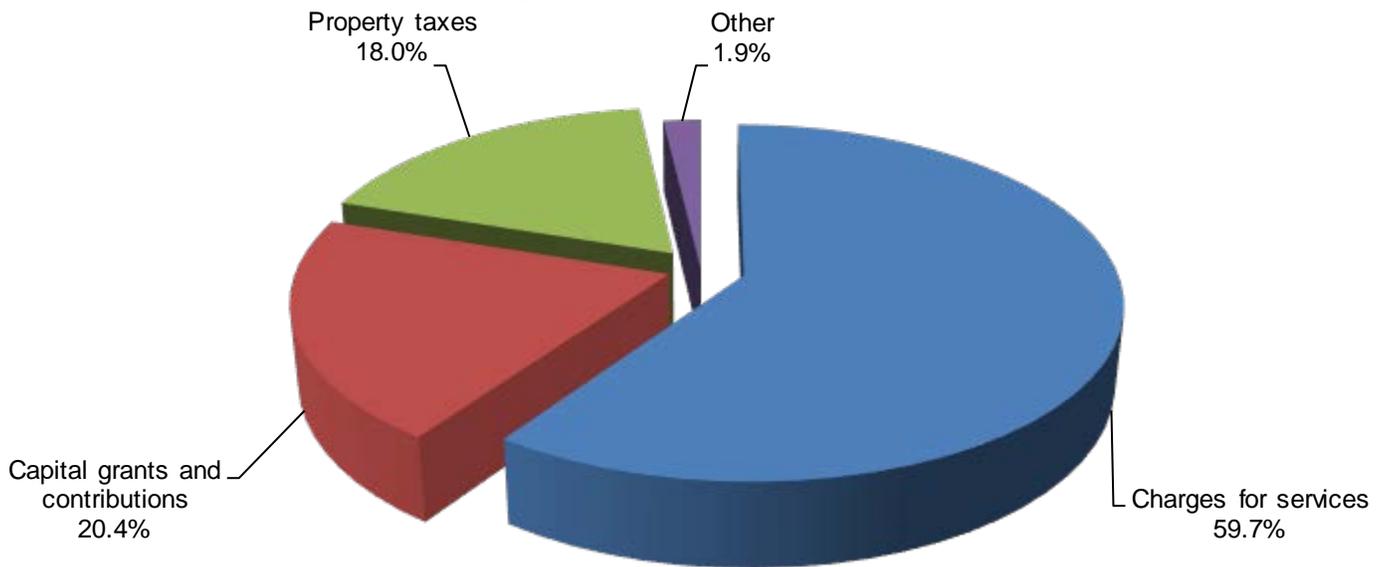
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type Activities: Business-type activities increased the City's net position by \$487,945. 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 \$2,888,523, an increase of \$11,777 in comparison with the prior year. The primary reason for this increase is due to revenues exceeding expenditures. Approximately 30.2 percent of the combined ending fund balances, \$871,311, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$2,017,212) is not available for new spending because it is either 1) restricted (\$540,486), or 2) assigned (\$1,476,726) 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 \$871,311 which was an increase of \$19,161.

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 \$506,894, which was a decrease of \$50,426 due to routine debt payments.

The *Capital Project/Equipment fund* accounts for the accumulation of resources for future capital project and equipment purchases. The ending fund balance was \$851,128 which is assigned for future capital improvements and purchases. The change in fund balance was an increase of \$24,793 which is primarily due to revenue from special assessments and interest on investments.

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

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and called for no change in fund balance. Total revenues were over budget by \$83,725 and expenditures were \$37,178 over budget. Some of the significant variances can be briefly summarized as follows:

- All revenues were over budget in all functions, except charges for services. Taxes were over budget by \$11,592 due to higher than expected property tax revenue and budgeting conservatively.
- The most significant variances were in public works, which was \$39,509 over budget primarily due to snow removal, general government expenditures, which were over budget by \$39,443 related to professional services, and capital outlay, which was under budget by \$33,896 primarily relating to the public works department.

Capital Asset and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$15,621,366 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

| | Governmental Activities | | | Business-type Activities | | |
|------------------------------|-------------------------|--------------------|------------------------|--------------------------|--------------------|------------------------|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Land | \$ 876,567 | \$ 876,567 | \$ - | \$ 40,792 | \$ 40,792 | \$ - |
| Construction Work in Process | 10,766 | 10,766 | 21,532 | - | 368,635 | (368,635) |
| Land Improvements | 161,681 | 173,821 | (12,140) | 389,317 | - | 389,317 |
| Buildings | 419,574 | 436,658 | (17,084) | - | - | - |
| Infrastructure | 4,235,112 | 4,466,217 | (231,105) | 8,566,190 | 9,050,569 | (484,379) |
| Machinery and Equipment | 798,348 | 754,321 | 44,027 | 123,019 | 108,531 | 14,488 |
| Total | \$6,502,048 | \$6,718,350 | \$ (216,302) | \$9,119,318 | \$9,568,527 | \$ (449,209) |

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

Long-term Debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,698,335. 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 | | |
|----------------------------------|-------------------------|--------------------|------------------------|--------------------------|--------------------|------------------------|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| General Obligation Bonds | \$1,710,000 | \$1,995,000 | \$ (285,000) | \$ - | \$ - | \$ - |
| Bond Premium | - | - | - | 130,335 | 152,058 | (21,723) |
| General Obligation Revenue Bonds | - | - | - | 3,858,000 | 4,461,000 | (603,000) |
| Total | \$1,710,000 | \$1,995,000 | \$ (285,000) | \$3,988,335 | \$4,613,058 | \$ (624,723) |

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 59 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 2018, the City issued 34 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, Margaret McCallum , 413 Bluejay Ave, Mayer, Minnesota 55360.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Mayer, Minnesota
Statement of Net Position
December 31, 2018

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and temporary investments | \$ 2,957,542 | \$ 3,007,922 | \$ 5,965,464 |
| Receivables | | | |
| Taxes | 9,527 | - | 9,527 |
| Accounts | 2,969 | 101,894 | 104,863 |
| Special assessments | 380,525 | 4,536 | 385,061 |
| Due from other governments | 6,244 | - | 6,244 |
| Pension asset | 126,296 | - | 126,296 |
| Capital assets | | | |
| Non-depreciable | 887,333 | 40,792 | 928,125 |
| Depreciable (net of accumulated depreciation) | 5,614,715 | 9,078,526 | 14,693,241 |
| Total Assets | <u>9,985,151</u> | <u>12,233,670</u> | <u>22,218,821</u> |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | <u>43,237</u> | <u>14,761</u> | <u>57,998</u> |
| Liabilities | | | |
| Accounts payable | 24,287 | 30,800 | 55,087 |
| Accrued salaries payable | 36,261 | 1,948 | 38,209 |
| Due to other governments | - | 755 | 755 |
| Accrued interest payable | 16,456 | 14,560 | 31,016 |
| Deposits payable | - | 15,000 | 15,000 |
| Unearned revenue | 21,168 | 29,012 | 50,180 |
| Noncurrent liabilities | | | |
| Due within one year | 296,560 | 648,000 | 944,560 |
| Due in more than one year | 1,536,882 | 3,398,480 | 4,935,362 |
| Total Liabilities | <u>1,931,614</u> | <u>4,138,555</u> | <u>6,070,169</u> |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | <u>92,203</u> | <u>12,497</u> | <u>104,700</u> |
| Net Position | | | |
| Net investment in capital assets | 4,788,883 | 5,130,982 | 9,919,865 |
| Restricted for | | | |
| Future expansion | - | 71,815 | 71,815 |
| Debt service | 801,193 | - | 801,193 |
| Future capital | 13,844 | - | 13,844 |
| Economic development | 19,748 | - | 19,748 |
| Unrestricted | <u>2,380,903</u> | <u>2,894,582</u> | <u>5,275,485</u> |
| Total Net Position | <u>\$ 8,004,571</u> | <u>\$ 8,097,379</u> | <u>\$ 16,101,950</u> |

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

City of Mayer, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

| Functions/Programs | Expenses | Program Revenue | | |
|---------------------------------|---------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General government | \$ 376,927 | \$ 214,788 | \$ 6,852 | \$ - |
| Public safety | 408,307 | 26,162 | 22,374 | - |
| Public works | 491,546 | - | 35,020 | 21,884 |
| Culture and recreation | 98,253 | 50,310 | - | - |
| Economic development | 3,240 | - | - | - |
| Sanitation | 3,920 | 2,500 | - | - |
| Interest on long-term debt | 40,553 | - | - | 2,500 |
| Total Governmental Activities | <u>1,422,746</u> | <u>293,760</u> | <u>64,246</u> | <u>24,384</u> |
| Business-type Activities | | | | |
| Water utility | 414,758 | 442,760 | 219 | 157,500 |
| Sewer utility | 633,112 | 469,880 | 206 | 161,236 |
| Storm water utility | 28,907 | 21,744 | - | - |
| Total Business-type Activities | <u>1,076,777</u> | <u>934,384</u> | <u>425</u> | <u>318,736</u> |
| Total | <u>\$ 2,499,523</u> | <u>\$ 1,228,144</u> | <u>\$ 64,671</u> | <u>\$ 343,120</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 |
|----------------------------|-----------------------------|----------------------|
| \$ (155,287) | \$ - | \$ (155,287) |
| (359,771) | - | (359,771) |
| (434,642) | - | (434,642) |
| (47,943) | - | (47,943) |
| (3,240) | - | (3,240) |
| (1,420) | - | (1,420) |
| (38,053) | - | (38,053) |
| <u>(1,040,356)</u> | <u>-</u> | <u>(1,040,356)</u> |
| - | 185,721 | 185,721 |
| - | (1,790) | (1,790) |
| - | (7,163) | (7,163) |
| <u>-</u> | <u>176,768</u> | <u>176,768</u> |
| <u>(1,040,356)</u> | <u>176,768</u> | <u>(863,588)</u> |
| 481,003 | - | 481,003 |
| 220,634 | 282,000 | 502,634 |
| 312,405 | - | 312,405 |
| 25,372 | 29,177 | 54,549 |
| <u>1,039,414</u> | <u>311,177</u> | <u>1,350,591</u> |
| (942) | 487,945 | 487,003 |
| <u>8,005,513</u> | <u>7,609,434</u> | <u>15,614,947</u> |
| <u>\$ 8,004,571</u> | <u>\$ 8,097,379</u> | <u>\$ 16,101,950</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, 2018

City of Mayer, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

| | 101 | 300's | 435 | Other | Total |
|---|-------------------|-------------------|-------------------------------|-----------------------|-----------------------|
| | General | Debt Service | Capital Project/ Equipment | Governmental Funds | Governmental Funds |
| Assets | | | | | |
| Cash and temporary investments | \$ 920,059 | \$ 506,251 | \$ 850,874 | \$ 680,358 | \$ 2,957,542 |
| Receivables | | | | | |
| Taxes | 9,527 | - | - | - | 9,527 |
| Accounts | 2,969 | - | - | - | 2,969 |
| Special assessments | - | 311,398 | 69,127 | - | 380,525 |
| Due from other governments | 6,244 | - | - | - | 6,244 |
| Total Assets | \$ 938,799 | \$ 817,649 | \$ 920,001 | \$ 680,358 | \$ 3,356,807 |
| Liabilities | | | | | |
| Accounts payable | \$ 21,111 | \$ - | \$ - | \$ - | \$ 21,111 |
| Accrued salaries payable | 39,437 | - | - | - | 39,437 |
| Unearned revenue | - | - | - | 21,168 | 21,168 |
| Total Liabilities | 60,548 | - | - | 21,168 | 81,716 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - property taxes | 6,940 | - | - | - | 6,940 |
| Unavailable revenue - special assessments | - | 310,755 | 68,873 | - | 379,628 |
| Total Deferred Inflows of Resources | 6,940 | 310,755 | 68,873 | - | 386,568 |
| Fund Balances | | | | | |
| Restricted | - | 506,894 | - | 33,592 | 540,486 |
| Assigned | - | - | 851,128 | 625,598 | 1,476,726 |
| Unassigned | 871,311 | - | - | - | 871,311 |
| Total Fund Balances | 871,311 | 506,894 | 851,128 | 659,190 | 2,888,523 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 938,799 | \$ 817,649 | \$ 920,001 | \$ 680,358 | \$ 3,356,807 |

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, 2018

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

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 2,888,523 |
| 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 | 6,502,048 |
| 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 | (3,165) |
| Bonds payable | (1,710,000) |
| Compensated absences payable | (11,993) |
| Pension liability | (108,284) |
| Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds. | |
| Taxes | 6,940 |
| Special assessments | 379,628 |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred outflows of pension resources | 43,237 |
| Deferred inflows of pension resources | (92,203) |
| Pension asset | 126,296 |
| Governmental funds do not report a liability for accrued interest until due and payable. | |
| | (16,456) |
| Total Net Position - Governmental Activities | \$ 8,004,571 |

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, 2018

| | 101 General | 300's Debt Service | 435 Capital Project/ Equipment | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------|--------------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| General property taxes | \$ 486,523 | \$ 220,634 | \$ - | \$ - | \$ 707,157 |
| Licenses and permits | 192,258 | - | - | - | 192,258 |
| Intergovernmental | 357,828 | - | - | - | 357,828 |
| Charges for services | 60,396 | - | - | - | 60,396 |
| Fines and forfeitures | 3,131 | - | - | - | 3,131 |
| Special assessments | 194 | 50,149 | 16,436 | - | 66,779 |
| Interest on investments | 6,756 | 3,666 | 8,357 | 6,593 | 25,372 |
| Miscellaneous | 23,481 | 2,500 | - | 36,579 | 62,560 |
| Total Revenues | <u>1,130,567</u> | <u>276,949</u> | <u>24,793</u> | <u>43,172</u> | <u>1,475,481</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 359,749 | - | - | - | 359,749 |
| Public safety | 235,283 | - | - | 29,229 | 264,512 |
| Public works | 194,710 | - | - | - | 194,710 |
| Sanitation | 3,920 | - | - | - | 3,920 |
| Culture and recreation | 62,610 | - | - | - | 62,610 |
| Economic development | - | - | - | 180 | 180 |
| Capital outlay | | | | | |
| General government | 5,382 | - | - | - | 5,382 |
| Public safety | 92,139 | - | - | - | 92,139 |
| Public works | 58,414 | - | - | - | 58,414 |
| Culture and recreation | 85,544 | - | - | - | 85,544 |
| Economic development | 835 | - | - | - | 835 |
| Debt service | | | | | |
| Principal | 7,812 | 285,000 | - | - | 292,812 |
| Interest and other | 522 | 42,375 | - | - | 42,897 |
| Total Expenditures | <u>1,106,920</u> | <u>327,375</u> | <u>-</u> | <u>29,409</u> | <u>1,463,704</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>23,647</u> | <u>(50,426)</u> | <u>24,793</u> | <u>13,763</u> | <u>11,777</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 5,500 | - | - | 53,959 | 59,459 |
| Transfers out | (9,986) | - | - | (49,473) | (59,459) |
| Total Other Financing Sources (Uses) | <u>(4,486)</u> | <u>-</u> | <u>-</u> | <u>4,486</u> | <u>-</u> |
| Net Change in Fund Balances | 19,161 | (50,426) | 24,793 | 18,249 | 11,777 |
| Fund Balances, January 1 | <u>852,150</u> | <u>557,320</u> | <u>826,335</u> | <u>640,941</u> | <u>2,876,746</u> |
| Fund Balances, December 31 | <u>\$ 871,311</u> | <u>\$ 506,894</u> | <u>\$ 851,128</u> | <u>\$ 659,190</u> | <u>\$ 2,888,523</u> |

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

City of Mayer, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2018

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

| | |
|---|------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 11,777 |
| <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 | 103,808 |
| Depreciation expense | (320,110) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p> | |
| Principal repayments | 292,812 |
| <p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p> | |
| | 2,344 |
| <p>Long-term pension activity is not reported in governmental funds.</p> | |
| Pension expense | (35,454) |
| Pension revenue | 794 |
| <p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p> | |
| Property taxes | (5,520) |
| Special assessments | (48,951) |
| <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 | (2,442) |
| Compensated absences | <u>(2,442)</u> |
| Change in Net Position - Governmental Activities | <u><u>\$ (942)</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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 474,931 | \$ 474,931 | \$ 486,523 | \$ 11,592 |
| Licenses and permits | 94,710 | 94,710 | 192,258 | 97,548 |
| Intergovernmental | 341,536 | 341,536 | 357,828 | 16,292 |
| Charges for services | 110,462 | 110,462 | 60,396 | (50,066) |
| Fines and forfeitures | 1,000 | 1,000 | 3,131 | 2,131 |
| Interest on investments | 2,500 | 2,500 | 6,756 | 4,256 |
| Special assessments | - | - | 194 | 194 |
| Miscellaneous | 21,703 | 21,703 | 23,481 | 1,778 |
| Total Revenues | <u>1,046,842</u> | <u>1,046,842</u> | <u>1,130,567</u> | <u>83,725</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 320,306 | 320,306 | 359,749 | (39,443) |
| Public safety | 212,975 | 212,975 | 235,283 | (22,308) |
| Public works | 155,201 | 155,201 | 194,710 | (39,509) |
| Sanitation | 5,390 | 5,390 | 3,920 | 1,470 |
| Culture and recreation | 61,488 | 61,488 | 62,610 | (1,122) |
| Economic development | 8,050 | 8,050 | 835 | 7,215 |
| Capital outlay | 275,375 | 275,375 | 241,479 | 33,896 |
| Debt service | 30,957 | 30,957 | 8,334 | 22,623 |
| Total Expenditures | <u>1,069,742</u> | <u>1,069,742</u> | <u>1,106,920</u> | <u>(37,178)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(22,900)</u> | <u>(22,900)</u> | <u>23,647</u> | <u>46,547</u> |
| Other Financing Uses | | | | |
| Transfers in | 22,900 | 22,900 | 5,500 | (17,400) |
| Transfers out | - | - | (9,986) | (9,986) |
| Total Other Financing Sources (Uses) | <u>22,900</u> | <u>22,900</u> | <u>(4,486)</u> | <u>(27,386)</u> |
| Net Change in Fund Balances | - | - | 19,161 | 19,161 |
| Fund Balances, January 1 | <u>852,150</u> | <u>852,150</u> | <u>852,150</u> | <u>-</u> |
| Fund Balances, December 31 | <u>\$ 852,150</u> | <u>\$ 852,150</u> | <u>\$ 871,311</u> | <u>\$ 19,161</u> |

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

City of Mayer, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---------------------|---------------------|---------------------|
| | 620 | 640 | Nonmajor 650 | Totals |
| | Water Utility | Sewer Utility | Storm Water Utility | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and temporary investments | \$ 1,101,171 | \$ 1,889,275 | \$ 17,476 | \$ 3,007,922 |
| Receivables | | | | |
| Accounts | 40,541 | 58,616 | 2,737 | 101,894 |
| Special assessments | 2,268 | 2,268 | - | 4,536 |
| Total Current Assets | <u>1,143,980</u> | <u>1,950,159</u> | <u>20,213</u> | <u>3,114,352</u> |
| Noncurrent Assets | | | | |
| Capital assets not being depreciated | 40,792 | - | - | 40,792 |
| Capital assets being depreciated | 6,231,536 | 8,424,430 | 803,727 | 15,459,693 |
| Total Capital Assets | <u>6,272,328</u> | <u>8,424,430</u> | <u>803,727</u> | <u>15,500,485</u> |
| Less Accumulated Depreciation | <u>(2,375,869)</u> | <u>(3,846,224)</u> | <u>(159,074)</u> | <u>(6,381,167)</u> |
| Capital Assets Net of Accumulated Depreciation | <u>3,896,459</u> | <u>4,578,206</u> | <u>644,653</u> | <u>9,119,318</u> |
| Total Assets | <u>5,040,439</u> | <u>6,528,365</u> | <u>664,866</u> | <u>12,233,670</u> |
| Deferred Outflows of Resources | | | | |
| Deferred pension resources | <u>7,611</u> | <u>7,150</u> | <u>-</u> | <u>14,761</u> |
| Current Liabilities | | | | |
| Accounts payable | 10,925 | 17,173 | 2,702 | 30,800 |
| Deposits payable | 15,000 | - | - | 15,000 |
| Due to other governments | 755 | - | - | 755 |
| Accrued interest payable | 9,656 | 4,904 | - | 14,560 |
| Accrued salaries payable | 974 | 974 | - | 1,948 |
| Unearned revenue | 29,012 | - | - | 29,012 |
| Current portion of bonds payable | 294,750 | 353,250 | - | 648,000 |
| Total Current Liabilities | <u>361,072</u> | <u>376,301</u> | <u>2,702</u> | <u>740,075</u> |
| Noncurrent Liabilities | | | | |
| Bonds payable, less current portion above | 1,763,091 | 1,577,245 | - | 3,340,336 |
| Pension liability | 30,012 | 28,132 | - | 58,144 |
| Total Noncurrent Liabilities | <u>1,793,103</u> | <u>1,605,377</u> | <u>-</u> | <u>3,398,480</u> |
| Total Liabilities | <u>2,154,175</u> | <u>1,981,678</u> | <u>2,702</u> | <u>4,138,555</u> |
| Deferred Inflows of Resources | | | | |
| Deferred pension resources | <u>6,482</u> | <u>6,015</u> | <u>-</u> | <u>12,497</u> |
| Net Position | | | | |
| Net investment in capital assets | 1,838,618 | 2,647,711 | 644,653 | 5,130,982 |
| Restricted for future expansion | - | 71,815 | - | 71,815 |
| Unrestricted | <u>1,048,775</u> | <u>1,828,296</u> | <u>17,511</u> | <u>2,894,582</u> |
| Total Net Position | <u>\$ 2,887,393</u> | <u>\$ 4,547,822</u> | <u>\$ 662,164</u> | <u>\$ 8,097,379</u> |

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

City of Mayer, Minnesota
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|---|----------------------------|--------------------------|----------------------------|
| | 620 | 640 | Nonmajor 650 | Totals |
| | Water Utility | Sewer Utility | Storm Water Utility | |
| Operating Revenues | | | | |
| Charges for services | \$ 381,209 | \$ 460,282 | \$ 21,744 | \$ 863,235 |
| Operating Expenses | | | | |
| Personal services | 52,802 | 50,737 | - | 103,539 |
| Supplies | 4,492 | 63,891 | - | 68,383 |
| Repairs and maintenance | 41,917 | 45,246 | - | 87,163 |
| Other services and charges | 58,626 | 95,814 | 14,671 | 169,111 |
| Insurance | 3,106 | 11,824 | - | 14,930 |
| Utilities | 24,489 | 36,681 | - | 61,170 |
| Depreciation | 196,640 | 288,816 | 14,236 | 499,692 |
| Total Operating Expenses | <u>382,072</u> | <u>593,009</u> | <u>28,907</u> | <u>1,003,988</u> |
| Operating Loss | <u>(863)</u> | <u>(132,727)</u> | <u>(7,163)</u> | <u>(140,753)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Property taxes | - | 282,000 | - | 282,000 |
| Special assessments | 2,761 | 2,761 | - | 5,522 |
| Interest income | 10,260 | 18,676 | 241 | 29,177 |
| Miscellaneous income | 59,009 | 7,043 | - | 66,052 |
| Bond premium amortization | 5,865 | 15,857 | - | 21,722 |
| Interest expense | (38,551) | (55,960) | - | (94,511) |
| Total Nonoperating Revenues (Expenses) | <u>39,344</u> | <u>270,377</u> | <u>241</u> | <u>309,962</u> |
| Income (Loss) Before Contributions | 38,481 | 137,650 | (6,922) | 169,209 |
| Capital Contributions | <u>157,500</u> | <u>161,236</u> | <u>-</u> | <u>318,736</u> |
| Change in Net Position | 195,981 | 298,886 | (6,922) | 487,945 |
| Net Position, January 1 | <u>2,691,412</u> | <u>4,248,936</u> | <u>669,086</u> | <u>7,609,434</u> |
| Net Position, December 31 | <u><u>\$ 2,887,393</u></u> | <u><u>\$ 4,547,822</u></u> | <u><u>\$ 662,164</u></u> | <u><u>\$ 8,097,379</u></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, 2018

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|---|----------------------|--|---------------------|
| | 620 Water Utility | 640 Sewer Utility | 650 Nonmajor Storm Water Utility | |
| Cash Flows from Operating Activities | | | | |
| Receipts from customers and users | \$ 375,443 | \$ 452,005 | \$ 21,369 | \$ 848,817 |
| Other operating receipts | 59,009 | 7,043 | - | 66,052 |
| Payments to suppliers, contractors and other governments | (123,159) | (241,226) | (29,039) | (393,424) |
| Payments to employees | (55,103) | (54,924) | - | (110,027) |
| Net Cash Provided (Used) by Operating Activities | <u>256,190</u> | <u>162,898</u> | <u>(7,670)</u> | <u>411,418</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Special assessments received | <u>4,255</u> | <u>4,255</u> | <u>-</u> | <u>8,510</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition of capital assets | (13,693) | (28,790) | (8,000) | (50,483) |
| Property taxes received | - | 282,000 | - | 282,000 |
| Connection fees collected | 157,500 | 161,236 | - | 318,736 |
| Principal paid on long-term debt | (276,300) | (326,700) | - | (603,000) |
| Interest paid on long-term debt | (40,688) | (59,146) | - | (99,834) |
| Net Cash Used by Capital and Related Financing Activities | <u>(173,181)</u> | <u>28,600</u> | <u>(8,000)</u> | <u>(152,581)</u> |
| Cash Flows from Investing Activities | | | | |
| Interest received on investments | <u>10,260</u> | <u>18,676</u> | <u>241</u> | <u>29,177</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 97,524 | 214,429 | (15,429) | 296,524 |
| Cash and Cash Equivalents, January 1 | <u>1,003,647</u> | <u>1,674,846</u> | <u>32,905</u> | <u>2,711,398</u> |
| Cash and Cash Equivalents, December 31 | <u>\$ 1,101,171</u> | <u>\$ 1,889,275</u> | <u>\$ 17,476</u> | <u>\$ 3,007,922</u> |
| Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating loss | \$ (863) | \$ (132,727) | \$ (7,163) | \$ (140,753) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities | | | | |
| Depreciation | 196,640 | 288,816 | 14,236 | 499,692 |
| Other income related to operations | 59,009 | 7,043 | - | 66,052 |
| (Increase) decrease in assets/deferred outflows of resources | | | | |
| Accounts receivable | (5,766) | (8,277) | (375) | (14,418) |
| Deferred pension resources | 3,403 | 3,864 | - | 7,267 |
| Increase (decrease) in liabilities/deferred inflows of resources | | | | |
| Accounts payable | 7,600 | 12,230 | (14,368) | 5,462 |
| Accrued salaries payable | 517 | 517 | - | 1,034 |
| Unearned revenue | 1,116 | - | - | 1,116 |
| Due to other governments | 755 | - | - | 755 |
| Pension liability | (5,891) | (7,771) | - | (13,662) |
| Deferred pension resources | (330) | (797) | - | (1,127) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 256,190</u> | <u>\$ 162,898</u> | <u>\$ (7,670)</u> | <u>\$ 411,418</u> |
| Schedule of Noncash Capital and Related Financing Activities | | | | |
| Amortization of bond premium | <u>\$ 5,865</u> | <u>\$ 15,857</u> | <u>\$ -</u> | <u>\$ 21,722</u> |

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

City of Mayer, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2018

| | Agency 800 |
|--------------------------------|----------------------|
| | Developer Escrows |
| Assets | |
| Cash and temporary investments | \$ 65,391 |
| Accounts receivable | 4,303 |
| Total Assets | \$ 69,694 |
| Liabilities | |
| Accounts payable | \$ 69,694 |

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

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

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

The City has the following recurring fair value measurements as of December 31, 2018:

- Brokered certificates of deposits of \$2,703,154 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, 2018

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 acquisition value of the item at the date of its donation.

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Deferred Outflows of Resources

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

Pensions

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

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

The City participates in various pension plans, total pension expense for the year ended December 31, 2018 was \$28,357. The components of pension expense are noted in the plan summaries in Note 4 and 5.

Compensated Absences

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

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Deferred Inflows of Resources

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

Net Position

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of the next year's budgeted expenditures for cash-flow timing needs. For 2018, 50 percent of the next year's budgeted operating expenditures is \$598,941.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments in 2018.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

| <u>Fund</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Excess of Expenditures Over Appropriations</u> |
|-------------|-------------------------|---------------------------|---|
| General | <u>\$ 1,069,742</u> | <u>\$ 1,106,920</u> | <u>\$ 37,178</u> |

These excess expenditures were funded by revenues in excess of budget.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds

At year-end, the City's carrying amount of deposits was \$2,783,473 and the bank balance was \$2,839,246. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered with collateral held by the City's agent in the City's name.

Investments

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

| Types of Investments | Credit Quality/ Ratings (1) | Segmented Time Distribution (2) | Amounts | Fair Value Measurement Using | | |
|---------------------------------------|--------------------------------|------------------------------------|---------------------|------------------------------|-------------|-------------|
| | | | | Level 1 | Level 2 | Level 3 |
| Pooled Investments at Amortized Costs | | | | | | |
| Broker money market | N/A | Less than 6 months | \$ 544,228 | \$ - | \$ - | \$ - |
| Non-pooled Investments | | | | | | |
| Brokered certificates of deposit | N/A | Less than 6 months | 798,766 | 798,766 | - | - |
| Brokered certificates of deposit | N/A | 6 months to 12 months | 1,210,205 | 1,210,205 | - | - |
| Brokered certificates of deposit | N/A | 1 to 3 years | 694,183 | 694,183 | - | - |
| Total Investments | | | <u>\$ 3,247,382</u> | <u>\$ 2,703,154</u> | <u>\$ -</u> | <u>\$ -</u> |

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

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

N/A indicates not applicable or available.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

- *Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 48 of the notes.
- *Custodial Credit Risk.* This is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Interest Rate Risk.* This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City will also not invest in securities, other than money-market funds, without a fixed maturity date and fixed interest or discount rate.
- *Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer. The City's investments are exempt from consideration of concentration of credit risk.

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

| | |
|--|--------------------------------|
| Carrying Amount of Deposits | \$ 2,783,473 |
| Investments | <u>3,247,382</u> |
| Total Cash and Temporary Investments | <u><u>\$ 6,030,855</u></u> |
| Statement of Net Position | |
| Cash and temporary investments | \$ 5,965,464 |
| Statement of Fiduciary Net Position | |
| Cash and temporary investments | <u>65,391</u> |
| Total | <u><u>\$ 6,030,855</u></u> |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for City for the year ended December 31, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|--------------------|---------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 876,567 | \$ - | \$ - | \$ 876,567 |
| Construction in progress | 10,766 | - | - | 10,766 |
| Total Capital Assets not Being Depreciated | <u>887,333</u> | <u>-</u> | <u>-</u> | <u>887,333</u> |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 257,803 | - | - | 257,803 |
| Buildings | 845,700 | - | - | 845,700 |
| Infrastructure | 6,796,990 | - | - | 6,796,990 |
| Machinery and equipment | 1,899,926 | 132,120 | (48,533) | 1,983,513 |
| Total Capital Assets Being Depreciated | <u>9,800,419</u> | <u>132,120</u> | <u>(48,533)</u> | <u>9,884,006</u> |
| Less Accumulated Depreciation for | | | | |
| Land improvements | (83,982) | (12,140) | - | (96,122) |
| Buildings | (409,042) | (17,084) | - | (426,126) |
| Infrastructure | (2,330,773) | (231,105) | - | (2,561,878) |
| Machinery and equipment | (1,145,605) | (59,781) | 20,221 | (1,185,165) |
| Total Accumulated Depreciation | <u>(3,969,402)</u> | <u>(320,110)</u> | <u>20,221</u> | <u>(4,269,291)</u> |
| Total Capital Assets Being Depreciated, Net | <u>5,831,017</u> | <u>(187,990)</u> | <u>(28,312)</u> | <u>5,614,715</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 6,718,350</u> | <u>\$ (187,990)</u> | <u>\$ (28,312)</u> | <u>\$ 6,502,048</u> |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------------|---------------------|---------------------|
| Business-type Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 40,792 | \$ - | \$ - | \$ 40,792 |
| Construction in progress | 368,635 | 8,000 | (376,635) | - |
| Total Capital Assets not Being Depreciated | <u>409,427</u> | <u>8,000</u> | <u>(376,635)</u> | <u>40,792</u> |
| Capital Assets Being Depreciated | | | | |
| Land improvements | - | 389,985 | - | 389,985 |
| Infrastructure | 14,779,787 | - | - | 14,779,787 |
| Machinery and equipment | 260,788 | 29,133 | - | 289,921 |
| Total Capital Assets Being Depreciated | <u>15,040,575</u> | <u>419,118</u> | <u>-</u> | <u>15,459,693</u> |
| Less Accumulated Depreciation for | | | | |
| Land improvements | - | (668) | - | (668) |
| Infrastructure | (5,729,218) | (484,379) | - | (6,213,597) |
| Machinery and equipment | (152,257) | (14,645) | - | (166,902) |
| Total Accumulated Depreciation | <u>(5,881,475)</u> | <u>(499,692)</u> | <u>-</u> | <u>(6,381,167)</u> |
| Total Capital Assets Being Depreciated, Net | <u>9,159,100</u> | <u>(80,574)</u> | <u>-</u> | <u>9,078,526</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 9,568,527</u> | <u>\$ (72,574)</u> | <u>\$ (376,635)</u> | <u>\$ 9,119,318</u> |

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

| | | |
|---|--|-------------------|
| Governmental Activities | | |
| General government | | \$ 7,196 |
| Public safety | | 36,821 |
| Public works | | 256,257 |
| Culture and recreation | | 17,611 |
| Economic and development | | <u>2,225</u> |
| Total Depreciation Expense - Governmental Activities | | <u>\$ 320,110</u> |
| Business-type Activities | | |
| Water utilities | | \$ 196,640 |
| Sewer utilities | | 288,816 |
| Storm sewer utilities | | <u>14,236</u> |
| Total Depreciation Expense - Business-type Activities | | <u>\$ 499,692</u> |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Transfers

The composition of interfund transfers as of December 31, 2018 is as follows:

| Fund | Transfer in | | |
|-----------------------------|-----------------|-----------------------------------|------------------|
| | General | Nonmajor Governmental Funds | Total |
| Transfer Out | | | |
| General | \$ - | \$ 9,986 | \$ 9,986 |
| Nonmajor Governmental Funds | 5,500 | 43,973 | 49,473 |
| Total | <u>\$ 5,500</u> | <u>\$ 53,959</u> | <u>\$ 59,459</u> |

During the year ended December 31, 2018 the City made the following transfers:

- From the General fund to nonmajor governmental funds in the amount of \$9,986 to close out the FEMA Grant fund.
- From nonmajor governmental funds to nonmajor governmental funds in the amount of \$43,973 to close out the Street Improvements fund.
- From nonmajor governmental funds to the General fund in the amount of \$5,500 to close out the Old Schoolhouse fund.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation Bonds.

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

General Obligation Revenue Bonds

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

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|--------------------------|------------------|---------------|------------------|----------------------------|
| Minnesota Public Facilities Project Loan | \$ 689,274 | 2.570 % | 01/20/00 | 08/20/20 | \$ 87,000 |
| Minnesota Public Facilities Project Loan | 347,000 | 3.910 | 01/27/01 | 08/20/20 | 49,000 |
| Minnesota Public Facilities Project Loan | 2,627,000 | 2.070 | 08/28/06 | 08/20/26 | 1,167,000 |
| G.O. Improvement Bonds of 2015 | 975,000 | 1.50 - 2.50 | 07/01/15 | 02/01/26 | 160,000 |
| G.O. 2017 Water Refunding bond 2017 | 751,950 | 2.0 - 3.0 | 11/15/17 | 12/01/24 | 646,650 |
| G.O. 2017 Sewer Refunding bond 2017 | 2,033,050 | 2.0 - 3.0 | 11/15/17 | 12/01/24 | <u>1,748,350</u> |
| Total G.O. Revenue Bonds | | | | | <u><u>\$ 3,858,000</u></u> |

The annual requirements to amortize the general obligation revenue bonds as of December 31, 2018 are as follows:

| Year Ending December 31, | Business-type Activities | | |
|-----------------------------|----------------------------|--------------------------|----------------------------|
| | Principal | Interest | Total |
| 2019 | \$ 648,000 | \$ 99,159 | \$ 747,159 |
| 2020 | 693,000 | 85,500 | 778,500 |
| 2021 | 666,000 | 66,214 | 732,214 |
| 2022 | 499,000 | 47,746 | 546,746 |
| 2023 | 492,000 | 34,265 | 526,265 |
| 2024 - 2026 | <u>860,000</u> | <u>31,639</u> | <u>891,639</u> |
| Total | <u><u>\$ 3,858,000</u></u> | <u><u>\$ 364,523</u></u> | <u><u>\$ 4,222,523</u></u> |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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 | \$ 1,080,000 |
| G.O. Improvement Bonds of 2015 | 975,000 | 1.50 - 2.50 | 07/01/15 | 02/01/26 | <u>630,000</u> |
| Total General Obligation Bonds | | | | | <u><u>\$ 1,710,000</u></u> |

The annual requirements to amortize the general obligation improvement bonds as of December 31, 2018 are as follows:

| Year Ending December 31, | Governmental Activities | | |
|-----------------------------|----------------------------|--------------------------|----------------------------|
| | Principal | Interest | Total |
| 2019 | \$ 285,000 | \$ 36,775 | \$ 321,775 |
| 2020 | 290,000 | 31,425 | 321,425 |
| 2021 | 295,000 | 25,775 | 320,775 |
| 2022 | 305,000 | 18,675 | 323,675 |
| 2023 | 315,000 | 10,013 | 325,013 |
| 2024 - 2026 | <u>220,000</u> | <u>7,250</u> | <u>227,250</u> |
| Total | <u><u>\$ 1,710,000</u></u> | <u><u>\$ 129,913</u></u> | <u><u>\$ 1,839,913</u></u> |

Capital Lease Agreements

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

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|--------------------|--------------------------|------------------|---------------|------------------|------------------------|
| Fire Station Lease | \$ 100,000 | 5.50 % | 09/01/99 | 03/01/19 | <u><u>\$ 3,165</u></u> |

The annual requirements to amortize the capital leases as of December 31, 2018 are as follows:

| Year Ending December 31, | Governmental Activities | | |
|-----------------------------|-------------------------|---------------------|------------------------|
| | Principal | Interest | Total |
| 2019 | <u><u>\$ 3,165</u></u> | <u><u>\$ 87</u></u> | <u><u>\$ 3,252</u></u> |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|----------------------|-------------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation bonds | \$ 1,995,000 | \$ - | \$ (285,000) | \$ 1,710,000 | \$ 285,000 |
| Capital Leases Payable | 10,977 | - | (7,812) | 3,165 | 3,165 |
| Pension Liability | 113,328 | 6,406 | (11,450) | 108,284 | - |
| Compensated Absences Payable | <u>9,551</u> | <u>16,531</u> | <u>(14,089)</u> | <u>11,993</u> | <u>8,395</u> |
| Governmental Activities Long- term Liabilities | <u>\$ 2,128,856</u> | <u>\$ 22,937</u> | <u>\$ (318,351)</u> | <u>\$ 1,833,442</u> | <u>\$ 296,560</u> |
| Business-type Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation revenue bonds | \$ 4,461,000 | \$ - | \$ (603,000) | \$ 3,858,000 | \$ 648,000 |
| Bond premium | 152,058 | - | (21,723) | 130,335 | - |
| Pension Liability | <u>71,806</u> | <u>-</u> | <u>(13,661)</u> | <u>58,145</u> | <u>-</u> |
| Business-type Activities Long- term Liabilities | <u>\$ 4,684,864</u> | <u>\$ -</u> | <u>\$ (638,384)</u> | <u>\$ 4,046,480</u> | <u>\$ 648,000</u> |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2018, 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 | \$ 506,894 | \$ - | \$ - | \$ 506,894 |
| Economic development | - | - | 19,748 | 19,748 |
| Future capital | - | - | 13,844 | 13,844 |
| | <u>-\$ 506,894</u> | <u>-\$ -</u> | <u>-\$ 33,592</u> | <u>-\$ 540,486</u> |
| Total Restricted | <u>\$ 506,894</u> | <u>\$ -</u> | <u>\$ 33,592</u> | <u>\$ 540,486</u> |
| Assigned | | | | |
| Fire truck | \$ - | \$ - | \$ 152,535 | \$ 152,535 |
| Park improvements | - | - | 335,476 | 335,476 |
| Community center | - | - | 24,438 | 24,438 |
| Futures capital projects/equipment | - | 851,128 | - | 851,128 |
| Street improvements | - | - | 113,149 | 113,149 |
| | <u>-\$ -</u> | <u>\$ 851,128</u> | <u>\$ 625,598</u> | <u>\$ 1,476,726</u> |
| Total Assigned | <u>\$ -</u> | <u>\$ 851,128</u> | <u>\$ 625,598</u> | <u>\$ 1,476,726</u> |

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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. 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. The accrual rates for former MERF members is 2.0 percent for each of the first 10 years of service and 2.5 percent for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2018. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$16,368, \$13,098 and \$13,737 respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$166,429 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,462. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0030 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of a 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized negative pension expense of \$2,817 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,274 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2018, 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 | \$ 4,419 | \$ 5,727 |
| Changes in Actuarial Assumptions | 16,182 | 18,700 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 16,966 |
| Changes in Proportion | 12,310 | - |
| Contributions to GERF Subsequent to the Measurement Date | 7,935 | - |
| Total | \$ 40,846 | \$ 41,393 |

Deferred outflows of resources totaling \$7,935 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| | |
|------|-----------|
| 2019 | \$ 10,883 |
| 2020 | (4,448) |
| 2021 | (11,446) |
| 2022 | (3,471) |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the GERF and PEPFF. Salary growth assumptions in the GERF decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the PEPFF, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the GERF are reviewed every four to six years. The most recent six-year experience study for the GERF was completed in 2015. The most recent four-year experience study for the PEPFF was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes occurred in 2018:

GERF

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

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 | 36.00 % | 5.10 % |
| International Stocks | 17.00 | 5.30 |
| Bonds (Fixed Income) | 20.00 | 0.75 |
| Alternative Assets (Private Markets) | 25.00 | 5.90 |
| Cash | 2.00 | - |
| Total | 100.00 % | |

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

| | City Proportionate Share of NPL | | |
|------|---------------------------------|-------------------|-------------------------------|
| | 1 Percent Decrease (6.50%) | Current (7.50%) | 1 Percent Increase (8.50%) |
| GERF | <u>\$ 270,466</u> | <u>\$ 166,429</u> | <u>\$ 80,547</u> |

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

The Mayer Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2018, the plan covered 27 active firefighters and 9 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$17,152 in fire state aid to the fund for the year ended December 31, 2018. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2018 were \$17,152. The City's contributions were equal to the required contributions as set by state statute, if applicable. The City made no voluntary contributions to the plan.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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 2018 for the SVF plan.

E. Pension Costs

At December 31, 2018, the City reported a net pension asset of \$126,296 for the SVF plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension asset during the year.

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a-b) |
|---------------------------------------|--------------------------------------|--|--|
| Beginning Balance January 1, 2017 | \$ 641,934 | \$ 749,730 | \$ (107,796) |
| Changes for the Year | | | |
| Service cost | 20,993 | - | 20,993 |
| Interest on pension liability (asset) | 39,776 | - | 39,776 |
| Actuarial experience (gains)/losses | (26,649) | - | (26,649) |
| Projected investment earnings | - | 44,984 | (44,984) |
| Contributions (State) | - | 17,152 | (17,152) |
| Changes in benefit level | 62,962 | - | 62,962 |
| Asset (gain)/loss | - | 54,452 | (54,452) |
| Administrative costs | - | (1,006) | 1,006 |
| Total Net Changes | 97,082 | 115,582 | (18,500) |
| Ending Balance December 31, 2017 | \$ 739,016 | \$ 865,312 | \$ (126,296) |

For the year ended December 31, 2018, the City recognized pension expense of \$29,957.

City of Mayer, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, 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 | \$ - | \$ 32,311 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 30,996 |
| Contributions to SVF Subsequent to the Measurement Date | 17,152 | - |
| Total | \$ 17,152 | \$ 63,307 |

Deferred inflows of resources totaling \$17,152, related to State aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to SVF pensions will be recognized in pension expense as follows:

| | |
|------|-------------|
| 2019 | \$ (13,755) |
| 2020 | (13,755) |
| 2021 | (19,576) |
| 2022 | (16,221) |

F. Actuarial Assumptions

The total pension liability at December 31, 2018 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 2017.

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, 2018

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

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

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

| | 1 Percent Decrease (5.00%) | Current (6.00%) | 1 Percent Increase (7.00%) |
|-----|-------------------------------|-----------------|-------------------------------|
| SVF | \$ (106,938) | \$ (126,296) | \$ (145,577) |

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, 2018

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 2018 was \$312,296 for LGA. This accounted for 27.6 percent of General fund revenues.

D. Related Party Transaction

During 2018, the City made purchases from Mayer Lumber Company which is owned by the Fire Chief. During 2018, \$13,618 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, 2018, the outstanding balance was \$4,720,000 for the 2014 bonds, and \$9,332,814 for the bond issued in 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Mayer, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2018

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

| Fiscal Year Ending | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the City (b) | Total (a+b) | City's Covered Payroll (c) | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------|---|--|--|----------------|-------------------------------------|--|--|
| 06/30/18 | 0.0030 % | \$ 166,429 | \$ 5,462 | \$ 171,891 | \$ 197,926 | 86.8 % | 79.5 % |
| 06/30/17 | 0.0029 | 185,134 | 2,308 | 187,442 | 174,640 | 106.0 | 75.9 |
| 06/30/16 | 0.0027 | 219,226 | - | 219,226 | 169,293 | 129.5 | 68.9 |
| 06/30/15 | 0.0026 | 134,745 | - | 134,745 | 151,471 | 89.0 | 78.2 |

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

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

| Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | City's Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|----------------|--|---|---|-------------------------------------|--|
| 12/31/18 | \$ 16,368 | \$ 16,368 | \$ - | \$ 218,240 | 7.5 % |
| 12/31/17 | 13,098 | 13,098 | - | 174,640 | 7.5 |
| 12/31/16 | 12,697 | 12,697 | - | 169,293 | 7.5 |
| 12/31/15 | 11,846 | 11,846 | - | 157,947 | 7.5 |

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

City of Mayer, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

Changes in Plan Provisions

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

Schedule of Employer's Fire Relief Association Contributions

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

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

City of Mayer, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2018

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

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|--------------------|---------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 20,993 | \$ 21,414 | \$ 21,992 | \$ 23,202 |
| Interest on pension liability (asset) | 39,776 | 37,634 | 35,629 | 35,437 |
| Differences between expected and actual experience | (26,649) | (10,709) | (11,415) | (16,246) |
| Benefit payments | 62,962 | (24,432) | - | (75,000) |
| Net Change in Total Pension Liability | <u>97,082</u> | <u>23,907</u> | <u>46,206</u> | <u>(32,607)</u> |
| Total Pension Liability - January 1 | <u>641,934</u> | <u>618,027</u> | <u>571,821</u> | <u>604,920</u> |
| Total Pension Liability - December 31 | <u>\$ 739,016</u> | <u>\$ 641,934</u> | <u>\$ 618,027</u> | <u>\$ 572,313</u> |
| Plan Fiduciary Net Position | | | | |
| Nonemployer contributions | \$ 17,152 | \$ 16,009 | \$ 21,046 | \$ 48,137 |
| Projected investment return | 99,436 | 42,639 | 857 | 42,113 |
| Gain (loss) | - | 6,069 | - | - |
| Benefit payments | - | (24,432) | - | (75,000) |
| Administrative expenses | (1,006) | (1,044) | (1,043) | (1,450) |
| Net Change in Plan Fiduciary Net Position | <u>115,582</u> | <u>39,241</u> | <u>20,860</u> | <u>13,800</u> |
| Plan Fiduciary Net Position - January 1 | <u>749,740</u> | <u>710,499</u> | <u>689,639</u> | <u>675,839</u> |
| Plan Fiduciary Net Position - December 31 | <u>\$ 865,322</u> | <u>\$ 749,740</u> | <u>\$ 710,499</u> | <u>\$ 689,639</u> |
| Fire Relief's Net Pension Liability (Asset) - December 31 (a-b) | <u>\$ (126,306)</u> | <u>\$ (107,806)</u> | <u>\$ (92,472)</u> | <u>\$ (117,326)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a) | 117.09% | 116.79% | 114.96% | 120.50% |
| Covered-employee Payroll | N/A | N/A | N/A | N/A |
| Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll | N/A | N/A | N/A | N/A |

Notes to Schedule:

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

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

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Mayer, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2018

| | Special Revenue | Capital Projects | Total |
|-------------------------------------|--------------------|---------------------|------------|
| Assets | | | |
| Cash and temporary investments | \$ 33,592 | \$ 646,766 | \$ 680,358 |
| Liabilities | | | |
| Unearned revenue | \$ - | \$ 21,168 | \$ 21,168 |
| Fund Balances | | | |
| Restricted | 33,592 | - | 33,592 |
| Assigned | - | 625,598 | 625,598 |
| Total Fund Balances | 33,592 | 625,598 | 659,190 |
| Total Liabilities and Fund Balances | \$ 33,592 | \$ 646,766 | \$ 680,358 |

City of Mayer, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2018

| | Special Revenue | Capital Projects | Total |
|--|--------------------|---------------------|------------|
| Revenues | | | |
| Interest on investments | \$ 461 | \$ 6,132 | \$ 6,593 |
| Miscellaneous | 15,500 | 21,079 | 36,579 |
| Total Revenues | 15,961 | 27,211 | 43,172 |
| Expenditures | | | |
| Current | | | |
| Public safety | 29,229 | - | 29,229 |
| Economic development | 180 | - | 180 |
| Total Expenditures | 29,409 | - | 29,409 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (13,448) | 27,211 | 13,763 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 53,959 | 53,959 |
| Transfers out | (5,500) | (43,973) | (49,473) |
| Total Other Financing Sources (Uses) | (5,500) | 9,986 | 4,486 |
| Net Change in Fund Balances | (18,948) | 37,197 | 18,249 |
| Fund Balances, January 1 | 52,540 | 588,401 | 640,941 |
| Fund Balances, December 31 | \$ 33,592 | \$ 625,598 | \$ 659,190 |

City of Mayer, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2018

| | 225 EDA | 212 Fire Department Contributions | 222 Old Schoolhouse | Total |
|--------------------------------|------------|---|---------------------------|-----------|
| Assets | | | | |
| Cash and temporary investments | \$ 19,748 | \$ 13,844 | \$ - | \$ 33,592 |
| Fund Balances | | | | |
| Restricted | \$ 19,748 | \$ 13,844 | \$ - | \$ 33,592 |

City of Mayer, Minnesota
 Nonmajor Special Revenue Funds
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2018

| | 225 | 212 | 222 | |
|--|------------------|----------------------------------|--------------------|------------------|
| | EDA | Fire Department Contributions | Old Schoolhouse | Total |
| Revenues | | | | |
| Interest on investments | \$ 198 | \$ 208 | \$ 55 | \$ 461 |
| Miscellaneous | - | 15,500 | - | 15,500 |
| Total Revenues | <u>198</u> | <u>15,708</u> | <u>55</u> | <u>15,961</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | - | 29,229 | - | 29,229 |
| Economic development | 180 | - | - | 180 |
| Total Expenditures | <u>180</u> | <u>29,229</u> | <u>-</u> | <u>29,409</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 18 | (13,521) | 55 | (13,448) |
| Other Financing Uses | | | | |
| Transfers out | - | - | (5,500) | (5,500) |
| Net Change in Fund Balances | 18 | (13,521) | (5,445) | (18,948) |
| Fund Balances, January 1 | <u>19,730</u> | <u>27,365</u> | <u>5,445</u> | <u>52,540</u> |
| Fund Balances, December 31 | <u>\$ 19,748</u> | <u>\$ 13,844</u> | <u>\$ -</u> | <u>\$ 33,592</u> |

City of Mayer, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2018

| | 210 | 215 | 220 |
|-------------------------------------|-------------------|-----------------------|------------------------------|
| | <u>Fire Truck</u> | <u>FEMA Grant</u> | <u>Park Improvements</u> |
| Assets | | | |
| Cash and temporary investments | <u>\$ 152,535</u> | <u>\$ -</u> | <u>\$ 356,644</u> |
| Liabilities | | | |
| Unearned revenue | \$ - | \$ - | \$ 21,168 |
| Fund Balances | | | |
| Assigned | <u>152,535</u> | <u>-</u> | <u>335,476</u> |
| Total Liabilities and Fund Balances | <u>\$ 152,535</u> | <u>\$ -</u> | <u>\$ 356,644</u> |

| 400 70th Street Reserve | 405 Street Improvements | 410 Community Center | Total |
|--------------------------------------|--------------------------------------|-----------------------------------|-------------------|
| <u>\$ -</u> | <u>\$ 113,149</u> | <u>\$ 24,438</u> | <u>\$ 646,766</u> |
| \$ - | \$ - | \$ - | \$ 21,168 |
| <u>-</u> | <u>113,149</u> | <u>24,438</u> | <u>625,598</u> |
| <u>\$ -</u> | <u>\$ 113,149</u> | <u>\$ 24,438</u> | <u>\$ 646,766</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, 2018

| | 210 | 215 | 220 |
|---|-------------------|----------------|---------------------|
| | Fire Truck | FEMA Grant | Park Improvement |
| Revenues | | | |
| Interest on investments | \$ 1,514 | \$ (98) | \$ 3,350 |
| Miscellaneous | - | - | 20,552 |
| Total Revenues | <u>1,514</u> | <u>(98)</u> | <u>23,902</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 9,986 | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>9,986</u> | <u>-</u> |
| Net Change in Fund Balances | 1,514 | 9,888 | 23,902 |
| Fund Balances, January 1 | <u>151,021</u> | <u>(9,888)</u> | <u>311,574</u> |
| Fund Balances, December 31 | <u>\$ 152,535</u> | <u>\$ -</u> | <u>\$ 335,476</u> |

| 400 70th Street Reserve | 405 Street Improvements | 410 Community Center | Totals |
|--------------------------------------|--------------------------------------|-----------------------------------|-------------------|
| \$ 436 | \$ 687 | \$ 243 | \$ 6,132 |
| 527 | - | - | 21,079 |
| <u>963</u> | <u>687</u> | <u>243</u> | <u>27,211</u> |
| - | 43,973 | - | 53,959 |
| <u>(43,973)</u> | <u>-</u> | <u>-</u> | <u>(43,973)</u> |
| (43,973) | 43,973 | - | 9,986 |
| (43,010) | 44,660 | 243 | 37,197 |
| <u>43,010</u> | <u>68,489</u> | <u>24,195</u> | <u>588,401</u> |
| <u>\$ -</u> | <u>\$ 113,149</u> | <u>\$ 24,438</u> | <u>\$ 625,598</u> |

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City of Mayer, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | 2018 | | | Variance with Final Budget | 2017 |
|-----------------------------|------------------|------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | | Actual Amounts |
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | | | | | |
| Property taxes | \$ 474,931 | \$ 474,931 | \$ 486,523 | \$ 11,592 | \$ 502,734 |
| Licenses and permits | | | | | |
| Business | 4,310 | 4,310 | 1,488 | (2,822) | 11,307 |
| Nonbusiness | 90,400 | 90,400 | 190,770 | 100,370 | 207,500 |
| Total licenses and permits | <u>94,710</u> | <u>94,710</u> | <u>192,258</u> | <u>97,548</u> | <u>218,807</u> |
| Intergovernmental | | | | | |
| State | | | | | |
| Local government aid | 313,296 | 313,296 | 312,296 | (1,000) | 298,717 |
| Other state aid | 18,000 | 18,000 | 32,488 | 14,488 | 41,775 |
| Police aid | 6,500 | 6,500 | 6,874 | 374 | 6,737 |
| County aid | 3,740 | 3,740 | 6,170 | 2,430 | 4,951 |
| Total intergovernmental | <u>341,536</u> | <u>341,536</u> | <u>357,828</u> | <u>16,292</u> | <u>352,180</u> |
| Charges for services | | | | | |
| General government | 6,600 | 6,600 | 2,771 | (3,829) | 4,845 |
| Public safety | 68,362 | 68,362 | 25,367 | (42,995) | 62,876 |
| Community center | 33,000 | 33,000 | 29,758 | (3,242) | 40,666 |
| Sanitation and recycling | 2,500 | 2,500 | 2,500 | - | 2,500 |
| Total charges for services | <u>110,462</u> | <u>110,462</u> | <u>60,396</u> | <u>(50,066)</u> | <u>110,887</u> |
| Fines and forfeitures | <u>1,000</u> | <u>1,000</u> | <u>3,131</u> | <u>2,131</u> | <u>3,809</u> |
| Interest on investments | <u>2,500</u> | <u>2,500</u> | <u>6,756</u> | <u>4,256</u> | <u>3,462</u> |
| Special assessments | <u>-</u> | <u>-</u> | <u>194</u> | <u>194</u> | <u>162</u> |
| Miscellaneous | | | | | |
| Rents and royalties | 18,703 | 18,703 | 14,591 | (4,112) | 14,957 |
| Contributions and donations | 3,000 | 3,000 | 6,852 | 3,852 | 8,558 |
| Refunds and reimbursements | - | - | 1,902 | 1,902 | 11,646 |
| Other | - | - | 136 | 136 | 486 |
| Total miscellaneous | <u>21,703</u> | <u>21,703</u> | <u>23,481</u> | <u>1,778</u> | <u>35,647</u> |
| Total Revenues | <u>1,046,842</u> | <u>1,046,842</u> | <u>1,130,567</u> | <u>83,725</u> | <u>1,227,688</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|------------------------------|------------------|----------------|-------------------|-------------------------------|-------------------|
| | 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 | \$ 13,732 | \$ 1,339 | \$ 14,693 |
| Supplies | 1,000 | 1,000 | 450 | 550 | 30 |
| Other services and charges | 2,300 | 2,300 | 405 | 1,895 | 366 |
| Total mayor and city council | <u>18,371</u> | <u>18,371</u> | <u>14,587</u> | <u>3,784</u> | <u>15,089</u> |
| City hall | | | | | |
| Supplies | 3,000 | 3,000 | 3,576 | (576) | 4,688 |
| Other services and charges | 33,900 | 33,900 | 37,359 | (3,459) | 53,560 |
| Total city hall | <u>36,900</u> | <u>36,900</u> | <u>40,935</u> | <u>(4,035)</u> | <u>58,248</u> |
| City clerk | | | | | |
| Personal services | 20,097 | 20,097 | 20,918 | (821) | 21,400 |
| Other services and charges | 1,400 | 1,400 | 1,658 | (258) | 477 |
| Total city clerk | <u>21,497</u> | <u>21,497</u> | <u>22,576</u> | <u>(1,079)</u> | <u>21,877</u> |
| City administrator | | | | | |
| Personal services | 100,378 | 100,378 | 115,106 | (14,728) | 134,380 |
| Supplies | 1,500 | 1,500 | 3,734 | (2,234) | 300 |
| Other services and charges | 2,500 | 2,500 | 1,126 | 1,374 | 436 |
| Total city administrator | <u>104,378</u> | <u>104,378</u> | <u>119,966</u> | <u>(15,588)</u> | <u>135,116</u> |
| Election | | | | | |
| Other services and charges | 2,550 | 2,550 | 2,850 | (300) | - |
| Auditing | | | | | |
| Other services and charges | 30,000 | 30,000 | 48,540 | (18,540) | 21,581 |
| Assessing | | | | | |
| Other services and charges | 13,500 | 13,500 | 13,506 | (6) | 12,993 |
| Legal | | | | | |
| Other services and charges | 10,000 | 10,000 | 18,094 | (8,094) | 18,332 |
| Planning and zoning | | | | | |
| Personal services | 3,110 | 3,110 | 1,440 | 1,670 | - |
| Other services and charges | 50,000 | 50,000 | 50,651 | (651) | 8,585 |
| Total planning and zoning | <u>53,110</u> | <u>53,110</u> | <u>52,091</u> | <u>1,019</u> | <u>8,585</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | 2018 | | | Variance with Final Budget | 2017 |
|--------------------------------|------------------|-----------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | | Actual Amounts |
| | Original | Original | | | |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| General government (continued) | | | | | |
| Community service center | | | | | |
| Other services and charges | \$ 30,000 | \$ 30,000 | \$ 26,604 | \$ 3,396 | \$ 21,785 |
| Total general government | 320,306 | 320,306 | 359,749 | (39,443) | 313,606 |
| Public safety | | | | | |
| Police | | | | | |
| Other services and charges | 102,100 | 102,100 | 84,833 | 17,267 | 80,394 |
| Fire | | | | | |
| Personal services | 33,325 | 33,325 | 31,859 | 1,466 | 31,375 |
| Supplies | 11,000 | 11,000 | 5,821 | 5,179 | 5,293 |
| Other services and charges | 40,450 | 40,450 | 48,575 | (8,125) | 45,176 |
| Total fire | 84,775 | 84,775 | 86,255 | (1,480) | 81,844 |
| Building inspection | | | | | |
| Other services and charges | 25,000 | 25,000 | 63,945 | (38,945) | 55,279 |
| Civil defense | | | | | |
| Other services and charges | 450 | 450 | 250 | 200 | 250 |
| Animal control | | | | | |
| Other services and charges | 650 | 650 | - | 650 | - |
| Total public safety | 212,975 | 212,975 | 235,283 | (22,308) | 217,767 |
| Public works | | | | | |
| Streets | | | | | |
| Personal services | 32,661 | 32,661 | 44,907 | (12,246) | 72,039 |
| Supplies | 9,000 | 9,000 | 10,313 | (1,313) | 3,085 |
| Other services and charges | 16,080 | 16,080 | 17,384 | (1,304) | 2,112 |
| Total streets | 57,741 | 57,741 | 72,604 | (14,863) | 77,236 |
| Snow removal | | | | | |
| Supplies | 7,000 | 7,000 | 9,418 | (2,418) | 4,546 |
| Other services and charges | 20,000 | 20,000 | 36,042 | (16,042) | 17,079 |
| Total snow removal | 27,000 | 27,000 | 45,460 | (18,460) | 21,625 |

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | 2018 | | | Variance with Final Budget | 2017 |
|------------------------------|------------------|-----------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | | Actual Amounts |
| | Original | Original | | | |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Public works (continued) | | | | | |
| Street lighting | | | | | |
| Other services and charges | \$ 45,000 | \$ 45,000 | \$ 44,606 | \$ 394 | \$ 60,406 |
| Maintenance building | | | | | |
| Supplies | - | - | 101 | (101) | 189 |
| Other services and charges | 10,460 | 10,460 | 7,171 | 3,289 | 13,456 |
| Total maintenance building | 10,460 | 10,460 | 7,272 | 3,188 | 13,645 |
| Engineering | | | | | |
| Other services and charges | 15,000 | 15,000 | 24,768 | (9,768) | 29,397 |
| Total public works | 155,201 | 155,201 | 194,710 | (39,509) | 202,309 |
| Sanitation | | | | | |
| Personal services | 3,390 | 3,390 | 2,730 | 660 | 2,974 |
| Other services and charges | 2,000 | 2,000 | 1,190 | 810 | 1,140 |
| Total sanitation | 5,390 | 5,390 | 3,920 | 1,470 | 4,114 |
| Culture and recreation | | | | | |
| Parks | | | | | |
| Personal services | 38,663 | 38,663 | 38,419 | 244 | 3,330 |
| Supplies | 1,300 | 1,300 | 1,403 | (103) | 763 |
| Other services and charges | 21,525 | 21,525 | 22,788 | (1,263) | 19,128 |
| Total culture and recreation | 61,488 | 61,488 | 62,610 | (1,122) | 23,221 |
| Economic development | | | | | |
| Personal services | 450 | 450 | - | 450 | - |
| Other services and charges | 7,600 | 7,600 | 835 | 6,765 | 847 |
| Total economic development | 8,050 | 8,050 | 835 | 7,215 | 847 |
| Total current | 763,410 | 763,410 | 857,107 | (93,697) | 761,864 |
| Capital outlay | | | | | |
| General government | 16,000 | 16,000 | 5,382 | 10,618 | 11,929 |
| Public safety | 100,000 | 100,000 | 92,139 | 7,861 | 7,502 |
| Public works | 86,375 | 86,375 | 58,414 | 27,961 | 28,603 |
| Culture and recreation | 73,000 | 73,000 | 85,544 | (12,544) | 45,515 |
| Total capital outlay | 275,375 | 275,375 | 241,479 | 33,896 | 93,549 |

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | 2018 | | | 2017 | |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Original | | | |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Debt service | | | | | |
| Principal | \$ 26,692 | \$ 26,692 | \$ 7,812 | \$ 18,880 | \$ 7,398 |
| Interest and other | 4,265 | 4,265 | 522 | 3,743 | 910 |
| Total debt service | <u>30,957</u> | <u>30,957</u> | <u>8,334</u> | <u>22,623</u> | <u>8,308</u> |
| Total Expenditures | <u>1,069,742</u> | <u>1,069,742</u> | <u>1,106,920</u> | <u>(37,178)</u> | <u>863,721</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(22,900)</u> | <u>(22,900)</u> | <u>23,647</u> | <u>46,547</u> | <u>363,967</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfer in | 22,900 | 22,900 | 5,500 | (17,400) | - |
| Transfer out | <u>-</u> | <u>-</u> | <u>(9,986)</u> | <u>(9,986)</u> | <u>(276,992)</u> |
| Total Other Financing Sources (Uses) | <u>22,900</u> | <u>22,900</u> | <u>(4,486)</u> | <u>(27,386)</u> | <u>(276,992)</u> |
| Net Change in Fund Balances | - | - | 19,161 | 19,161 | 86,975 |
| Fund Balances, January 1 | <u>852,150</u> | <u>852,150</u> | <u>852,150</u> | <u>-</u> | <u>765,175</u> |
| Fund Balances, December 31 | <u>\$ 852,150</u> | <u>\$ 852,150</u> | <u>\$ 871,311</u> | <u>\$ 19,161</u> | <u>\$ 852,150</u> |

City of Mayer, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2018

| | 325 | 350 | |
|--|---|--------------------------|--------------------------|
| | GO | GO | |
| | Improvement/ Utility Revenue 2014 | Improvement 2015 | Totals |
| | <u>2014</u> | <u>2015</u> | <u>Totals</u> |
| Assets | | | |
| Cash and temporary investments | \$ 368,547 | \$ 137,704 | \$ 506,251 |
| Receivables | | | |
| Special assessments | <u>17,225</u> | <u>294,173</u> | <u>311,398</u> |
| Total Assets | <u><u>\$ 385,772</u></u> | <u><u>\$ 431,877</u></u> | <u><u>\$ 817,649</u></u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - special assessments | \$ 16,582 | \$ 294,173 | \$ 310,755 |
| Fund Balances | | | |
| Restricted | <u>369,190</u> | <u>137,704</u> | <u>506,894</u> |
| Total Deferred Inflows of Resources and Fund Balances | <u><u>\$ 385,772</u></u> | <u><u>\$ 431,877</u></u> | <u><u>\$ 817,649</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, 2018

| | 325 GO Improvement/ Utility Revenue 2014 | 350 GO Improvement 2015 | Totals |
|-----------------------------|---|---|-------------------|
| Revenues | | | |
| Property taxes | \$ 150,664 | \$ 69,970 | \$ 220,634 |
| Special assessments | 2,932 | 47,217 | 50,149 |
| Interest on investments | 2,923 | 743 | 3,666 |
| Miscellaneous | - | 2,500 | 2,500 |
| Total Revenues | <u>156,519</u> | <u>120,430</u> | <u>276,949</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal | 205,000 | 80,000 | 285,000 |
| Interest and other | 27,550 | 14,825 | 42,375 |
| Total Expenditures | <u>232,550</u> | <u>94,825</u> | <u>327,375</u> |
| Net Change in Fund Balances | (76,031) | 25,605 | (50,426) |
| Fund Balances, January 1 | <u>445,221</u> | <u>112,099</u> | <u>557,320</u> |
| Fund Balances, December 31 | <u>\$ 369,190</u> | <u>\$ 137,704</u> | <u>\$ 506,894</u> |

City of Mayer, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2018 and 2017

| | Total | | Percent Increase (Decrease) |
|---|---------------------|---------------------|-----------------------------------|
| | 2018 | 2017 | |
| Revenues | | | |
| Taxes | \$ 707,157 | \$ 679,137 | 4.13 % |
| Licenses and permits | 192,258 | 218,807 | (12.13) |
| Intergovernmental | 357,828 | 352,180 | 1.60 |
| Charges for services | 60,396 | 111,337 | (45.75) |
| Fines and forfeitures | 3,131 | 3,809 | (17.80) |
| Investment earnings | 25,372 | 15,847 | 60.11 |
| Special assessments | 66,779 | 126,874 | (47.37) |
| Miscellaneous | 62,560 | 59,074 | 5.90 |
| Total Revenues | \$ 1,475,481 | \$ 1,567,065 | (5.84) % |
| Per Capita | \$ 694 | \$ 786 | (11.69) % |
| Expenditures | | | |
| Current | | | |
| General government | \$ 359,749 | \$ 313,606 | 14.71 % |
| Public safety | 264,512 | 218,797 | 20.89 |
| Public works | 194,710 | 202,309 | (3.76) |
| Sanitation and recycling | 3,920 | 4,114 | (4.72) |
| Culture and recreation | 62,610 | 23,221 | 169.63 |
| Economic development | 180 | - | N/A |
| Capital outlay | | | |
| General government | 5,382 | 11,929 | (54.88) |
| Public safety | 92,139 | 7,502 | 1,128.19 |
| Public works | 58,414 | 28,599 | 104.25 |
| Culture and recreation | 85,544 | 60,245 | 41.99 |
| Economic development | 835 | 847 | (1.42) |
| Debt service | | | |
| Principal | 292,812 | 277,398 | 5.56 |
| Interest and other | 42,897 | 49,046 | (12.54) |
| Total Expenditures | \$ 1,463,704 | \$ 1,197,613 | 22.22 % |
| Per Capita | \$ 688 | \$ 600 | 14.63 % |
| Total Long-term Indebtedness | \$ 1,710,000 | \$ 1,995,000 | (14.29) % |
| Per Capita | 804 | 1,000 | (19.60) |
| General Fund Balance - December 31 | \$ 871,311 | \$ 852,150 | 2.25 % |
| Per Capita | 410 | 427 | (3.98) |

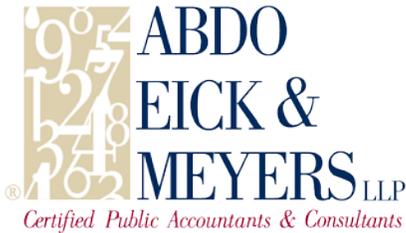
The purpose of this report is to provide a summary of financial information concerning the City of Mayer to interested citizens. The complete financial statements may be examined at City Hall, 413 Bluejay Ave, Mayer, Minnesota 55360. Questions about this report should be directed to Margaret McCallum,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

OTHER REQUIRED REPORTS

CITY OF MAYER
MAYER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2019.

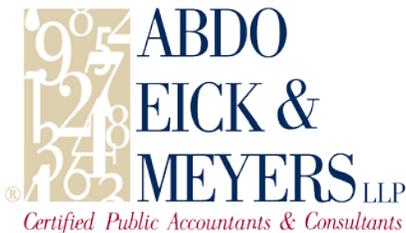
The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements,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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as noted on the Schedule of Findings and Responses as items 2018-005 through 2018-007. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 4, 2019



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mayer, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-001 through 2018-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

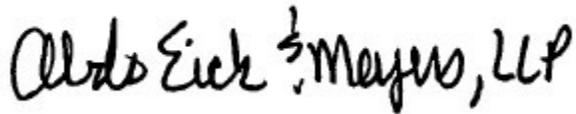
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance (items 2018-005 through 2018-007) that are required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 4, 2019

City of Mayer, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2018

| <u>Finding</u> | <u>Description</u> |
|-----------------------------|---|
| 2018-001 | Preparation of Financial Statements |
| <i>Condition:</i> | As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. |
| <i>Criteria:</i> | Internal controls should be in place to provide reasonable assurance over financial reporting. |
| <i>Cause:</i> | From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size. |
| <i>Effect:</i> | The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. |
| <i>Recommendation:</i> | It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that the City agree its financial software to the numbers reported in the financial statements. |
| <i>Management Response:</i> | |
| | For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements |

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

| <u>Finding</u> | <u>Description</u> |
|-----------------------------|--|
| 2018-002 | Limited Segregation of Duties |
| <i>Condition:</i> | During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, and receipting. |
| <i>Criteria:</i> | 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. Also, a well-designed system of internal control has documentation of significant transaction cycles. Documentation is especially important in the event of staff turnover. |
| <i>Cause:</i> | As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions. |
| <i>Effect:</i> | The existence of this limited segregation of duties increases the risk of fraud and error. There were a significant number of coding and posting errors in the 2017 records where only one person was involved in the transaction. |
| <i>Recommendation:</i> | While we recognize that the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring. |
| <i>Management Response:</i> | |
| | The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This does not always allow for complete segregation. The City will continue to review its processes and make changes where possible. |
| 2018-003 | Control of Check Signing Stamp |
| <i>Condition:</i> | During our audit, we reviewed procedures over check signing and staff indicated that the Mayor's stamp is controlled and used by a staff person who has custody, record keeping and reconciliation duties. |
| <i>Criteria:</i> | If a signing stamp is to be used the control of the stamp needs to be controlled by someone who independent of record keeping and reconciliation duties. |
| <i>Cause:</i> | It appears this condition occurs because staff has not recently completed a review of internal processes and evaluated their effectiveness. |
| <i>Effect:</i> | The existence of this condition increases the risk of fraud and error because there is not a second or independent review of transactions |
| <i>Recommendation:</i> | We recommend the processes be reviewed and the stamp be controlled by someone not involved with creating and posting transactions and reconciling accounts. We also recommend the Mayor review and sign before or after the meeting instead of using the stamp. |
| <i>Management Response:</i> | |
| | The City agrees with the finding and recommendation and will implement it. |

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

| <u>Finding</u> | <u>Description</u> |
|------------------------|--|
| 2018-004 | Developer Escrow Account Deficit Balance |
| <i>Condition:</i> | The City has a developer escrow accounts for the Coldwater Crossing, Jaguar and Hidden Creek development. The City incurred over \$12,000 of expense on behalf of the developers during 2018 and into 2019 that was not billed to the developer. |
| <i>Criteria:</i> | The City maintain a deposit to cover the planning, legal, engineering, and any other City cost that a developer incurs. If a deposit is not sufficient the City should bill these costs timely to the developer. |
| <i>Cause:</i> | Reconciliations were not completed during the year mainly due to staff turnover. |
| <i>Effect:</i> | The effect of allowing deficit balances means that the shortfall needs to be funded with other resources and there is greater risk to an orderly accounts receivable process. A longer bill cycle makes collection more difficult. |
| <i>Recommendation:</i> | We recommend that the City enforce a policy and implement a monitoring procedure that ensures deposits are received in advance of any activity and that any negative account be billed timely. This also include reconciling and billing balances monthly. |

Management Response:

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

2018-005 **Claims Approval**

| | |
|------------------------|--|
| <i>Condition:</i> | We conducted an audit under the provisions of the Minnesota Legal Compliance Audit Guide for Cities. This audit for legal compliance requires a review of the City's claims and disbursements. Our study indicated an instance of non-compliance that we believe should be remedied. |
| <i>Criteria:</i> | Minnesota Statute § 412.271, subd. 1 directs all claims be audited and allowed by the City Council. Meaning all claims paid by the City are required to be approved by the City Council at the City's monthly meetings. We noted instances throughout the year where there were gaps in the check sequences that the City Council was approving, thereby not approving all claims. |
| <i>Cause:</i> | The current process of running the check register report to be approved by the City Council is not a continuous list of claims from month to month. Checks written after the City Council meeting but before the end of the month are being excluded from the next month's report. |
| <i>Effect:</i> | This does not permit a clear process to document that all disbursements have been approved by the City Council. |
| <i>Recommendation:</i> | We recommend that a claims list be generated by looking at the previous claims list and generating the report for checks after that last check number. We recommend that the minutes disclose the total amount approved as well as disclose the sequence of checks disbursed. |

Management Response:

All disbursements will be included in future check register reports.

City of Mayer, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

| <u>Finding</u> | <u>Description</u> |
|------------------------|--|
| 2018-006 | Proper Supporting Documentation |
| <i>Condition:</i> | During our audit, it came to our attention the City did not have supporting documentation for eight of forty seven transactions tested on selected credit card statements. |
| <i>Criteria:</i> | Minnesota statute §15.17 requires that the City keep original invoices for documentation support. |
| <i>Cause:</i> | During our audit, we found that eight transactions could not be supported by original invoices or expense receipts. |
| <i>Effect:</i> | The City is out of compliance with Minnesota statutes. |
| <i>Recommendation:</i> | We recommended that the City develop a procedure to keep track of original invoices and to automatically put the invoice in the corresponding folder after approval for payment. |

Management Response:

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

| | |
|------------------------|--|
| 2018-007 | Time Period for Payment |
| <i>Condition:</i> | During our audit procures, it came to our attention that the City had not made several payments within the timeframe set forth by State statutes. |
| <i>Criteria:</i> | Minnesota statute §471.425 requires the City to pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due. |
| <i>Cause:</i> | While testing payroll, we noted that two employees had received a raise but were not being paid at the new rate indicating that timely payments had not been made. Specifically, the City had not paid the amount due within 35 days set forth in State statute. |
| <i>Effect:</i> | The City is out of compliance with Minnesota statute. |
| <i>Recommendation:</i> | We recommend that the City develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the City. |

Management Response:

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