

CITY OF MOUNTAIN LAKE  
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016

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SECTION I

INTRODUCTORY SECTION

CITY OF MOUNTAIN LAKE  
MOUNTAIN LAKE, MINNESOTA  
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

|                     |              | <u>TERM EXPIRES</u>    |
|---------------------|--------------|------------------------|
| MAYOR               | Mike Nelson  | 12/31/2016             |
| COUNCIL MEMBER      | David Savage | 12/31/2016             |
| COUNCIL MEMBER      | Darla Kruser | 12/31/2016             |
| COUNCIL MEMBER      | Dana Kass    | 12/31/2018             |
| COUNCIL MEMBER      | Andrew Ysker | 12/31/2018             |
| CLERK/ADMINISTRATOR | Wendy Meyer  | Appointed - Indefinite |

SECTION II

FINANCIAL SECTION

**DENNIS E. OBERLOH, LTD.**  
**CERTIFIED PUBLIC ACCOUNTANT**  
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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members of the Council  
City of Mountain Lake  
Mountain Lake, Minnesota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions 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 from 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 entity'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 entity'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 on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Mountain Lake, Minnesota as of December 31, 2016, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension reporting schedules on pages 5 through 14 and 51 through 62 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 of Mountain Lake, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and summary financial report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and summary financial report 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 nonmajor fund financial statements, and summary financial report 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 June 5, 2017 on our consideration of City of Mountain Lake, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Mountain Lake, Minnesota's internal control over financial reporting and compliance.

*Dennis E Oberloh, Ltd.*  
Dennis E. Oberloh, Ltd.

June 5, 2017

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS

As Management of the City of Mountain Lake (hereinafter referred to as "the City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

- 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 \$18,438,224 (net position). Of this amount, \$7,386,759 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$374,062 compared to an increase of \$918,333 in the previous year. The governmental activities net position decreased by \$781,293 and the business-type activities net position increased \$1,155,355.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,708,737, a decrease of \$341,826 in comparison with the prior year. Approximately 48.3 percent of this total amount, \$2,273,040, is available for spending at the City's discretion, \$979,000 of which has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,611,946, or 122.8 percent of total General Fund expenditures.
- The City's total debt decreased by \$1,185,836 or 5.8 percent during the current fiscal year.

USING THIS ANNUAL REPORT

This management 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 additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

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 (on page 15) provides information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented 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 (on page 16) provides 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).

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

USING THIS ANNUAL REPORT (Cont.)

Government-wide Financial Statements (Cont.)

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, health and welfare, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer and electric operations and housing and redevelopment.

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 two categories: governmental funds and proprietary funds.

*Governmental Funds:* Governmental funds are used to account for essentially the same function 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 nonspendable and 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 government's near-term financing decisions. Both the governmental fund balance sheet (on page 17) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 19) provide a reconciliation (on pages 18 and 20) to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Pankratz Industrial Park; which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund, Library, Fire, Ambulance and Lake Commission. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

*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 electric operations and housing and redevelopment.

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements (Cont.)

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Public Utilities Commission; which is considered to be a major fund of the City. Data from the other nonmajor enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 24 through 50 of this report.

Required Supplementary Information

This Management's Discussion and Analysis, the governmental fund Budgetary Comparisons, and Pension Schedules (on pages 51 - 62) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 63) includes optional financial information such as combining nonmajor governmental fund and nonmajor proprietary fund statements (which are added together and shown in the fund financial statements in a single column) and summary financial report. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

|                                  | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total</u>         |                      |
|----------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
|                                  | <u>2016</u>                    | <u>2015</u>         | <u>2016</u>                     | <u>2015</u>         | <u>2016</u>          | <u>2015</u>          |
| Current Assets                   | \$ 7,531,886                   | \$ 8,020,265        | \$ 4,140,915                    | \$ 4,614,902        | \$ 11,672,801        | \$ 12,635,167        |
| Capital Assets                   | <u>9,437,415</u>               | <u>9,997,253</u>    | <u>18,179,665</u>               | <u>17,344,105</u>   | <u>27,617,080</u>    | <u>27,341,358</u>    |
| Total Assets                     | <u>16,969,301</u>              | <u>18,017,518</u>   | <u>22,320,580</u>               | <u>21,959,007</u>   | <u>39,289,881</u>    | <u>39,976,525</u>    |
| Deferred Outflows of Resources   | <u>737,974</u>                 | <u>97,246</u>       | <u>131,705</u>                  | <u>28,323</u>       | <u>39,289,881</u>    | <u>39,976,525</u>    |
| Current Liabilities              | 800,868                        | 890,289             | 1,374,893                       | 1,309,933           | 2,175,761            | 2,200,222            |
| Long-term Liabilities            | <u>7,868,195</u>               | <u>7,484,101</u>    | <u>11,486,333</u>               | <u>12,257,502</u>   | <u>19,354,528</u>    | <u>19,741,603</u>    |
| Total Liabilities                | <u>8,669,063</u>               | <u>8,374,390</u>    | <u>12,861,226</u>               | <u>13,567,435</u>   | <u>21,530,289</u>    | <u>21,941,825</u>    |
| Deferred Inflows of Resources    | <u>154,216</u>                 | <u>75,085</u>       | <u>36,831</u>                   | <u>21,021</u>       | <u>21,530,289</u>    | <u>21,941,825</u>    |
| Net Position                     |                                |                     |                                 |                     |                      |                      |
| Net Investment in Capital Assets | 2,255,764                      | 2,505,507           | 6,019,498                       | 4,320,323           | 8,275,262            | 6,825,830            |
| Restricted                       | 2,058,405                      | 2,092,557           | 717,798                         | 705,087             | 2,776,203            | 2,797,644            |
| Unrestricted                     | <u>4,569,827</u>               | <u>5,067,225</u>    | <u>2,816,932</u>                | <u>3,360,752</u>    | <u>7,386,759</u>     | <u>8,427,977</u>     |
| Total Net Position               | \$ <u>8,883,996</u>            | \$ <u>9,665,289</u> | \$ <u>9,554,228</u>             | \$ <u>8,386,162</u> | \$ <u>18,438,224</u> | \$ <u>18,051,451</u> |

A large portion of the City's net position (44.8 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, 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.

An additional portion of the City's net position (15.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (40.2 percent) 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 categories of net position for both governmental and business-type activities.

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

|                        | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Total</u>         |                      |
|------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
|                        | <u>2016</u>                    | <u>2015</u>         | <u>2016</u>                     | <u>2015</u>         | <u>2016</u>          | <u>2015</u>          |
| <u>Revenues</u>        |                                |                     |                                 |                     |                      |                      |
| Program Revenues:      |                                |                     |                                 |                     |                      |                      |
| Fees, Fines, and       |                                |                     |                                 |                     |                      |                      |
| Charges for Services   | \$ 462,711                     | \$ 184,867          | \$ 3,856,141                    | \$ 3,805,941        | \$ 4,318,852         | \$ 3,990,808         |
| Operating Grants and   |                                |                     |                                 |                     |                      |                      |
| Contributions          | 62,163                         | 34,693              | -                               | -                   | 62,163               | 34,693               |
| Operating Grants and   |                                |                     |                                 |                     |                      |                      |
| Contributions          | 277,168                        | -                   | -                               | -                   | 277,168              | -                    |
| Capital Grants and     |                                |                     |                                 |                     |                      |                      |
| Contributions          | -                              | 648,687             | -                               | 8,385               | -                    | 657,072              |
| Rental Income          | -                              | -                   | 120,316                         | 119,305             | 120,316              | 119,305              |
| General Revenues:      |                                |                     |                                 |                     |                      |                      |
| Taxes and              |                                |                     |                                 |                     |                      |                      |
| Assessments            | 976,140                        | 445,650             | 4,571                           | 37,285              | 980,711              | 482,935              |
| Intergovernmental      |                                |                     |                                 |                     |                      |                      |
| Revenue                | 660,735                        | 1,000,360           | -                               | -                   | 660,735              | 1,000,360            |
| Interest Income        | 15,200                         | 51,214              | 12,907                          | 38,272              | 28,107               | 89,486               |
| Debt Issuance Costs    | -                              | (5,403)             | -                               | -                   | -                    | (5,403)              |
| Gain (Loss) on Sale of |                                |                     |                                 |                     |                      |                      |
| Capital Assets         | -                              | (11,575)            | -                               | -                   | -                    | (11,575)             |
| Miscellaneous Income   | 163,166                        | 389,867             | 7,056                           | 7,305               | 170,222              | 397,172              |
| Refunds and            |                                |                     |                                 |                     |                      |                      |
| Reimbursements         | -                              | -                   | 47,741                          | 34,004              | 47,741               | 34,004               |
| Total Revenues         | <u>2,617,283</u>               | <u>2,738,360</u>    | <u>4,048,732</u>                | <u>4,050,497</u>    | <u>6,666,015</u>     | <u>6,788,857</u>     |
| <u>Expenses</u>        |                                |                     |                                 |                     |                      |                      |
| General Government     | 246,209                        | 268,601             | -                               | -                   | 246,209              | 268,601              |
| Public Safety          | 698,802                        | 608,546             | -                               | -                   | 698,802              | 608,546              |
| Public Works           | 577,047                        | 479,085             | -                               | -                   | 577,047              | 479,085              |
| Culture and Recreation | 412,253                        | 326,801             | -                               | -                   | 412,253              | 326,801              |
| Sanitation             | 19,326                         | 17,374              | -                               | -                   | 19,326               | 17,374               |
| Economic Development   | 473,323                        | 437,886             | -                               | -                   | 473,323              | 437,886              |
| Miscellaneous          | 140,348                        | 88,609              | -                               | -                   | 140,348              | 88,609               |
| Interest on Long-Term  |                                |                     |                                 |                     |                      |                      |
| Debt                   | 234,774                        | 252,713             | -                               | -                   | 234,774              | 252,713              |
| Debt Issuance Costs    | 15,471                         | -                   | -                               | -                   | 15,471               | -                    |
| Water Utility          | -                              | -                   | 506,299                         | 443,468             | 506,299              | 443,468              |
| Sewer Utility          | -                              | -                   | 507,339                         | 477,459             | 507,339              | 477,459              |
| Electric Utility       | -                              | -                   | 2,312,990                       | 2,340,103           | 2,312,990            | 2,340,103            |
| Housing and            |                                |                     |                                 |                     |                      |                      |
| Rcdevelopment          | -                              | -                   | 147,772                         | 129,859             | 147,772              | 129,859              |
| Total Expenses         | <u>2,817,553</u>               | <u>2,479,615</u>    | <u>3,474,400</u>                | <u>3,390,889</u>    | <u>6,291,953</u>     | <u>5,870,504</u>     |
| Transfers              | 152,000                        | 120,000             | (152,000)                       | (120,000)           | -                    | -                    |
| Contributions          | (733,023)                      | -                   | 733,023                         | -                   | -                    | -                    |
| Change in Net Position | <u>(781,293)</u>               | <u>378,745</u>      | <u>1,155,355</u>                | <u>539,608</u>      | <u>374,062</u>       | <u>918,353</u>       |
| Net Position Beginning |                                |                     |                                 |                     |                      |                      |
| Originally Stated      | 9,665,289                      | 10,024,681          | 8,398,873                       | 8,052,921           | 18,064,162           | 18,077,602           |
| Change in Accounting   | -                              | (738,137)           | -                               | (193,656)           | -                    | (931,793)            |
| As Restated            | <u>9,665,289</u>               | <u>9,286,544</u>    | <u>8,398,873</u>                | <u>7,859,265</u>    | <u>18,064,162</u>    | <u>17,145,809</u>    |
| Net Position Ending    | <u>\$ 8,883,996</u>            | <u>\$ 9,665,289</u> | <u>\$ 9,554,228</u>             | <u>\$ 8,398,873</u> | <u>\$ 18,438,224</u> | <u>\$ 18,064,162</u> |

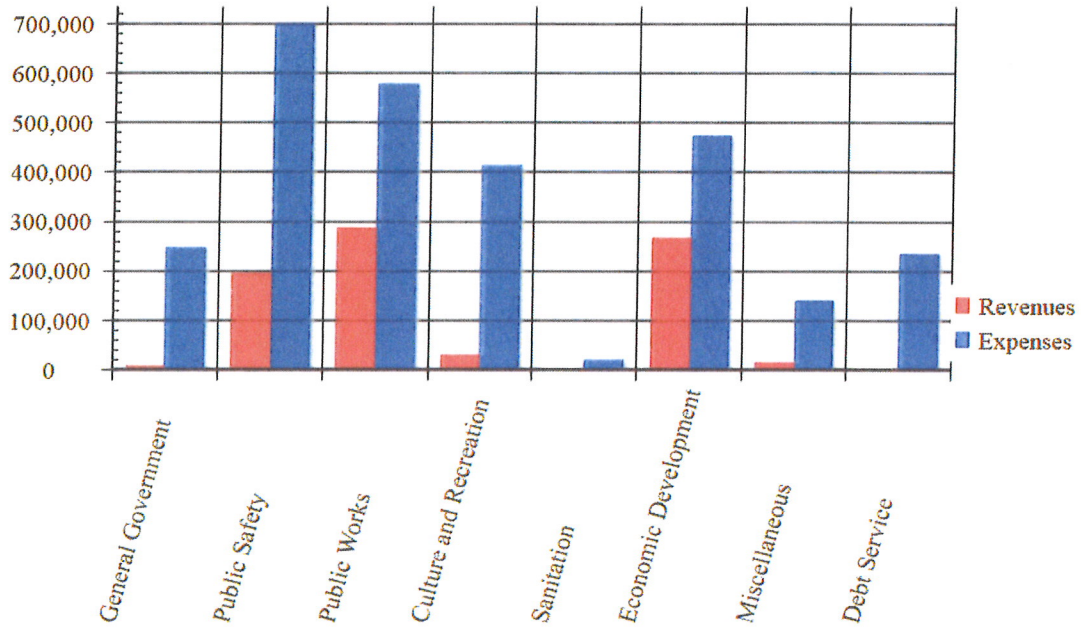
CITY OF MOUNTAIN LAKE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2016

THE CITY AS A WHOLE (Cont.)

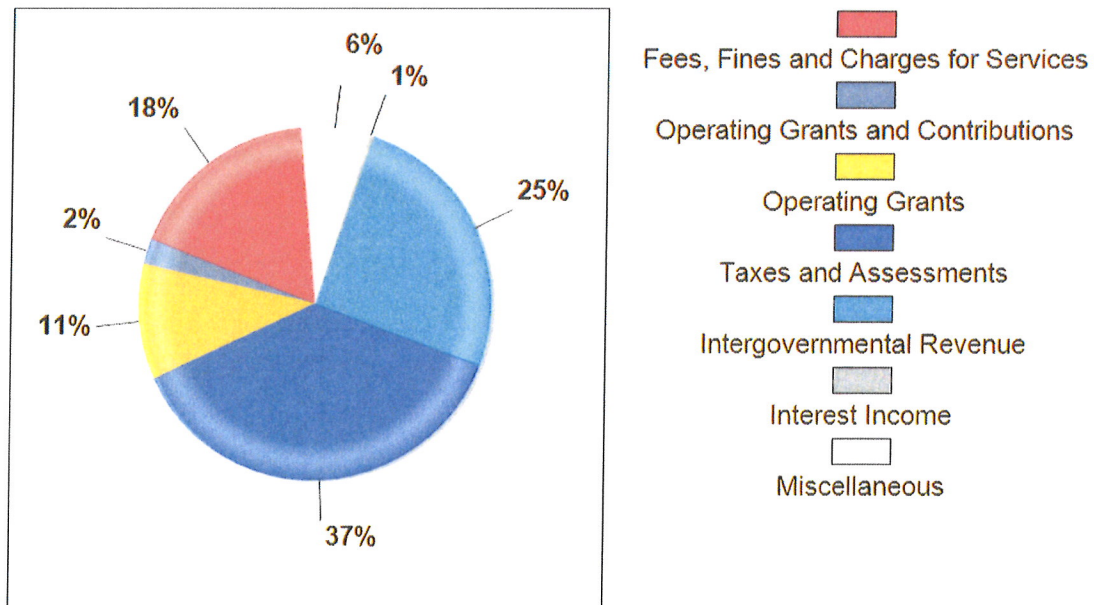
Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

**Program Revenues and Expenses -  
 Governmental Activities**



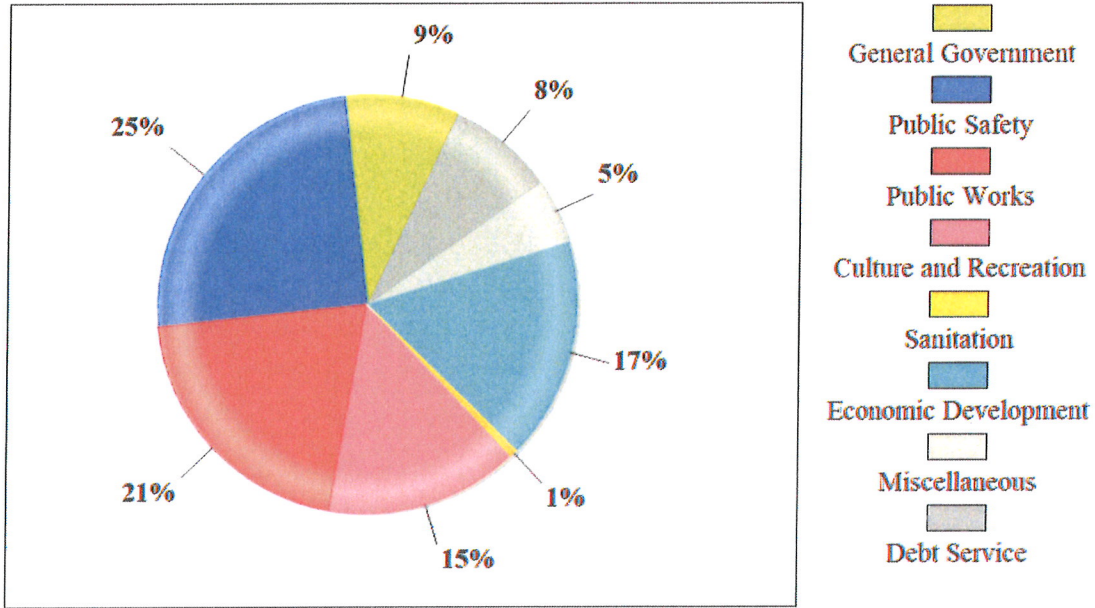
**Sources of Funds in Governmental Activities**



CITY OF MOUNTAIN LAKE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2016

THE CITY AS A WHOLE (Cont.)  
Governmental Activities (Cont.)

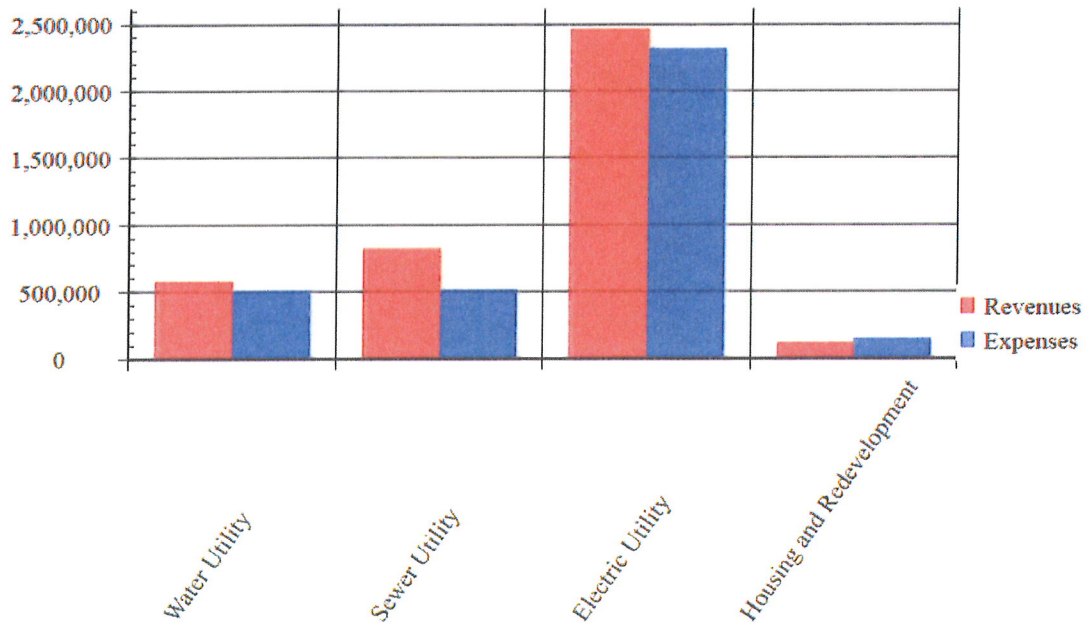
**Uses of Funds in Governmental Activities**



Business-Type Activities

The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.

**Program Revenues and Expenses -  
 Business-Type Activities**

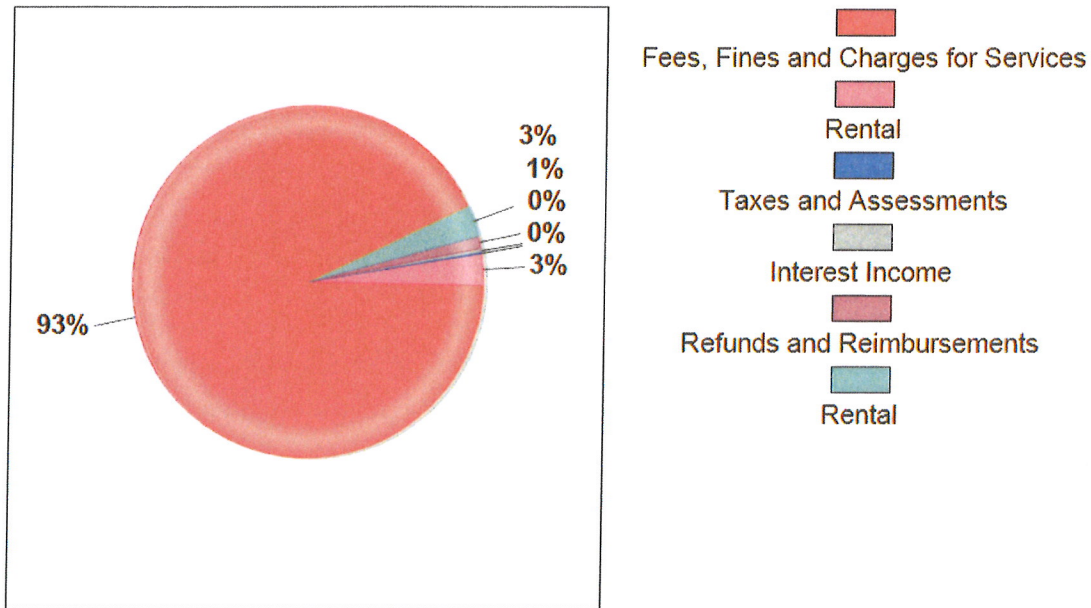




CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

THE CITY AS A WHOLE (Cont.)  
Business-Type Activities (Cont.)

**Sources of Funds in Business-Type Activities**



**A FINANCIAL ANALYSIS OF THE CITY'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, unrestricted 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 balance of \$4,708,737 a decrease of \$341,826 in comparison to the prior year. Approximately 48.3% of this total amount, \$2,273,040 is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed to pay debt service and capital improvements in the amount of \$2,058,405 or is nonspendable as the funds have been borrowed to another fund in the amount of \$377,292.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,884,238. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 122.8 percent of fund expenditures. The fund balance of the City's General Fund decreased by \$74,616 during the current fiscal year.

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Cont.)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,816,932.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues equal to expenditures for the year. Revenues were over expectations by \$9,841 and transfers in were over expectations by \$32,001. The expenditures came in over budget by \$187,904 and the transfers out came in over budget by \$71,446.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$27,617,080 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.0 percent (an 5.6 percent decrease for governmental activities and a 4.8 percent increase for business-type activities). The increase was due to capital outlay exceeding depreciation.

|                                    | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                      | <u>Totals</u>        |                      |
|------------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                    | <u>2016</u>                    | <u>2015</u>         | <u>2016</u>                     | <u>2015</u>          | <u>2016</u>          | <u>2015</u>          |
| Land                               | \$ 661,456                     | \$ 284,470          | \$ 64,521                       | \$ 64,521            | \$ 725,977           | \$ 348,991           |
| Construction in Progress           | 411,386                        | 1,063,288           | 611,487                         | 80,237               | 1,022,873            | 1,143,525            |
| Buildings and Improvements         | 5,886,018                      | 5,886,018           | 5,188,055                       | 5,188,061            | 11,074,073           | 11,074,079           |
| Infrastructure and Improvements    | 6,469,918                      | 6,427,703           | 23,517,281                      | 22,427,776           | 29,987,199           | 28,855,479           |
| Machinery and Equipment            | 489,216                        | 456,480             | 862,021                         | 841,333              | 1,351,237            | 1,297,813            |
| Transportation and Other Equipment | <u>1,747,004</u>               | <u>1,637,441</u>    | <u>311,634</u>                  | <u>338,053</u>       | <u>2,058,638</u>     | <u>1,975,494</u>     |
| Subtotal                           | 15,664,998                     | 15,755,400          | 30,554,999                      | 28,939,981           | 46,219,997           | 44,695,381           |
| Less: Accumulated Depreciation     | <u>6,227,583</u>               | <u>5,758,147</u>    | <u>12,375,334</u>               | <u>11,595,876</u>    | <u>18,602,917</u>    | <u>17,354,023</u>    |
| Total                              | <u>\$ 9,437,415</u>            | <u>\$ 9,997,253</u> | <u>\$ 18,179,665</u>            | <u>\$ 17,344,105</u> | <u>\$ 27,617,080</u> | <u>\$ 27,341,358</u> |

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$19,329,694.

|                          | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Totals</u>       |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|                          | <u>2016</u>                    | <u>2015</u>         | <u>2016</u>                     | <u>2015</u>         | <u>2016</u>         | <u>2015</u>         |
| G.O. Tax Increment Bonds | \$ 4,306,000                   | \$ 4,160,000        | \$ -                            | \$ -                | \$ 4,306,000        | \$ 4,160,000        |
| G.O. Improvement Bonds   | 2,574,600                      | 2,782,950           | -                               | -                   | 2,574,600           | 2,782,950           |
| G.O. Refunding Bonds     | 226,400                        | 276,400             | 834,000                         | 999,600             | 1,060,400           | 1,276,000           |
| G.O. Revenue Bonds       | -                              | 17,578              | 8,911,636                       | 9,735,265           | 8,911,636           | 9,752,843           |
| Revenue Bonds            | -                              | 170,000             | 2,402,407                       | 2,288,917           | 2,402,407           | 2,458,917           |
| Notes                    | <u>74,651</u>                  | <u>84,820</u>       | <u>-</u>                        | <u>-</u>            | <u>74,651</u>       | <u>84,820</u>       |
| Total                    | <u>\$ 7,181,651</u>            | <u>\$ 7,491,748</u> | <u>\$12,148,043</u>             | <u>\$13,023,782</u> | <u>\$19,329,694</u> | <u>\$20,515,530</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City continues to have strong property valuations. The City's 2017 levy was unchanged from 2016 levy amounts. The City expects an increase for the 2018 levy. The City will continue to monitor local trends when determining the property tax levies in the future, along with preparing future budgets. The general fund budget decreased in 2017 by about \$44,000. The City anticipates increases in the budget across all funds for 2018.

The water and sewer rate increases for 2017 were 2% over 2016 rates. An additional 2% increase is planned for 2018. Upon completion of the wastewater treatment facility upgrade project the City will need to review the wastewater rates for additional increases. The electric rate increase for 2017 was an average of 4.5% for all classes over 2016 rates. An additional average increase of 4.5% for all classes is planned for 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Mountain Lake, PO Box C, Mountain Lake, MN 56159, phone 507-427-2999.

CITY OF MOUNTAIN LAKE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

|                                       | Primary Government         |                             |                      |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>                         |                            |                             |                      |
| Cash and Investments                  | \$ 3,691,052               | \$ 3,179,767                | \$ 6,870,819         |
| Escrowed Investment                   | 459,401                    | -                           | 459,401              |
| Receivables:                          |                            |                             |                      |
| Accounts Receivable                   | 14,969                     | 604,751                     | 619,720              |
| Property Taxes Receivable             | 53,067                     | -                           | 53,067               |
| Special Assessments Receivable        | 1,741,494                  | 147,605                     | 1,889,099            |
| Interest Receivable                   | 1,173                      | -                           | 1,173                |
| Notes Receivable                      | 1,454,083                  | -                           | 1,454,083            |
| Land Held for Resale                  | 36,373                     | -                           | 36,373               |
| Prepaid Expense                       | 3,094                      | 11,802                      | 14,896               |
| Internal Balances                     | 41,194                     | (41,194)                    | -                    |
| Inventory                             | -                          | 172,503                     | 172,503              |
| Capital assets not being depreciated: |                            |                             |                      |
| Land                                  | 661,456                    | 64,521                      | 725,977              |
| Construction in Progress              | 411,386                    | 611,487                     | 1,022,873            |
| Other capital assets:                 |                            |                             |                      |
| Buildings and Improvements            | 5,886,018                  | 5,188,055                   | 11,074,073           |
| Infrastructure and Improvements       | 6,469,918                  | 23,517,281                  | 29,987,199           |
| Machinery and Equipment               | 489,216                    | 862,021                     | 1,351,237            |
| Transportation and Other Equipment    | 1,747,004                  | 311,634                     | 2,058,638            |
| Accumulated Depreciation              | (6,227,583)                | (12,375,334)                | (18,602,917)         |
| Bond Discount                         | 35,986                     | 65,681                      | 101,667              |
| <b>TOTAL ASSETS</b>                   | <b>16,969,301</b>          | <b>22,320,580</b>           | <b>39,289,881</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                             |                      |
| Related to Pensions                   | 737,974                    | 131,705                     | 869,679              |
| <b>LIABILITIES</b>                    |                            |                             |                      |
| Accounts Payable                      | 58,261                     | 183,361                     | 241,622              |
| Accrued Interest                      | 82,490                     | 44,195                      | 126,685              |
| Accrued Payroll                       | 22,710                     | 9,803                       | 32,513               |
| Due to Other Governments              | -                          | 6,861                       | 6,861                |
| Accrued Compensated Absences          | 84,801                     | 42,519                      | 127,320              |
| Customer Deposits                     | -                          | 104,468                     | 104,468              |
| Unamortized Bond Premium              | 5,250                      | 5,316                       | 10,566               |
| Noncurrent liabilities:               |                            |                             |                      |
| Due within one year                   | 547,356                    | 978,370                     | 1,525,726            |
| Net Pension Liability                 | 1,233,900                  | 316,661                     | 1,550,561            |
| Due in more than one year             | 6,634,295                  | 11,169,672                  | 17,803,967           |
| <b>TOTAL LIABILITIES</b>              | <b>8,669,063</b>           | <b>12,861,226</b>           | <b>21,530,289</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                             |                      |
| Related to Pensions                   | 154,216                    | 36,831                      | 191,047              |
| <b>NET POSITION</b>                   |                            |                             |                      |
| Net Investment in Capital Assets      | 2,255,764                  | 6,019,498                   | 8,275,262            |
| Restricted                            | 2,058,405                  | 717,798                     | 2,776,203            |
| Unrestricted                          | 4,569,827                  | 2,816,932                   | 7,386,759            |
| <b>TOTAL NET POSITION</b>             | <b>\$ 8,883,996</b>        | <b>\$ 9,554,228</b>         | <b>\$ 18,438,224</b> |

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

| Functions/Programs<br>Primary Government | Program Revenues |  |  |                     | Net Sources (Uses) and<br>Changes in Net Position<br>Primary Government |                            |                             |                    |
|--|------------------|--|--|---------------------|---|----------------------------|-----------------------------|--------------------|
|  | Expenses         | Fees, Fines and<br>Charges for<br>Services | Operating Grants<br>and<br>Contributions | Operating<br>Grants | Rental  | Governmental<br>Activities | Business-Type<br>Activities | Total              |
| <b>Governmental Activities:</b>          |                  |  |  |                     |   |                            |                             |                    |
| General Government                       | \$ 246,209       | \$ 6,867                                   | -  | -                   | \$ -  | \$ (239,342)               | \$ -                        | \$ (239,342)       |
| Public Safety                            | 698,802          | 132,674                                    | 62,163                                   | -                   | -   | (503,965)                  | -                           | (503,965)          |
| Public Works                             | 577,047          | 10,249                                     | -  | 277,168             | -   | (289,630)                  | -                           | (289,630)          |
| Culture and Recreation                   | 412,253          | 30,326                                     | -  | -                   | -   | (381,727)                  | -                           | (381,727)          |
| Sanitation                               | 19,326           | -  | -  | -                   | -   | (19,326)                   | -                           | (19,326)           |
| Economic Development                     | 473,323          | 266,795                                    | -  | -                   | -   | (206,528)                  | -                           | (206,528)          |
| Miscellaneous                            | 140,348          | 15,600                                     | -  | -                   | -   | (124,748)                  | -                           | (124,748)          |
| Debt Service                             | 234,774          | -  | -  | -                   | -   | (234,774)                  | -                           | (234,774)          |
| <b>Total Governmental Activities</b>     | <b>2,802,082</b> | <b>462,711</b>                             | <b>62,163</b>                            | <b>277,168</b>      | <b>-</b>  | <b>(2,000,040)</b>         | <b>-</b>                    | <b>(2,000,040)</b> |
| <b>Business-Type Activities:</b>         |                  |  |  |                     |   |                            |                             |                    |
| Water Utility                            | 506,299          | 578,219                                    | -  | -                   | 1,200   | -                          | 73,120                      | 73,120             |
| Sewer Utility                            | 507,339          | 819,572                                    | -  | -                   | -   | -                          | 312,233                     | 312,233            |
| Electric Utility                         | 2,312,990        | 2,458,350                                  | -  | -                   | -   | -                          | 145,360                     | 145,360            |
| Housing and Redevelopment                | 147,772          | -  | -  | -                   | 119,116   | -                          | (28,656)                    | (28,656)           |
| <b>Total Business-Type Activities</b>    | <b>3,474,400</b> | <b>3,856,141</b>                           | <b>-</b>                                 | <b>-</b>            | <b>120,316</b>  | <b>-</b>                   | <b>502,057</b>              | <b>502,057</b>     |
| <b>Total Primary Government</b>          | <b>6,276,482</b> | <b>4,318,852</b>                           | <b>62,163</b>                            | <b>277,168</b>      | <b>\$ 120,316</b>   | <b>(2,000,040)</b>         | <b>502,057</b>              | <b>(1,497,983)</b> |
| <b>General Revenues:</b>                 |                  |  |  |                     |   |                            |                             |                    |
| Taxes and Assessments                    |                  |  |  |                     |   | 976,140                    | 4,571                       | 980,711            |
| Intergovernmental Revenue                |                  |  |  |                     |   | 660,735                    | -                           | 660,735            |
| Interest Income                          |                  |  |  |                     |   | 15,200                     | 12,907                      | 28,107             |
| Refunds and Reimbursements               |                  |  |  |                     |   | -                          | 47,741                      | 47,741             |
| Miscellaneous                            |                  |  |  |                     |   | 163,166                    | 7,056                       | 170,222            |
| Debt Issuance Costs                      |                  |  |  |                     |   | (15,471)                   | -                           | (15,471)           |
| Transfers                                |                  |  |  |                     |   | 152,000                    | (152,000)                   | -                  |
| Capital Contributions                    |                  |  |  |                     |   | (733,023)                  | 733,023                     | -                  |
| Total General Revenues                   |                  |  |  |                     |   | 1,218,747                  | 633,298                     | 1,872,045          |
| Changes in Net Position                  |                  |  |  |                     |   | (781,293)                  | 1,155,355                   | 374,062            |
| Net Position- January 1                  |                  |  |  |                     |   | 9,665,289                  | 8,398,873                   | 18,064,162         |
| Net Position- December 31                |                  |  |  |                     |   | \$ 8,883,996               | \$ 9,554,228                | \$ 18,438,224      |

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

|   | 101 - General<br>Fund | 460 - Pankratz<br>Industrial<br>Park | Nonmajor<br>Governmental<br>Funds | Total               |
|---|-----------------------|--------------------------------------|-----------------------------------|---------------------|
| <b>ASSETS:</b>  |                       |                                      |                                   |                     |
| Cash and Investments  | \$ 1,215,900          | \$ 10,972                            | \$ 2,464,179                      | \$ 3,691,051        |
| Escrowed Investment   | 417,400               | -                                    | 42,001                            | 459,401             |
| Accounts Receivable   | 10,272                | -                                    | 4,697                             | 14,969              |
| Property Taxes Receivable   | 53,067                | -                                    | -                                 | 53,067              |
| Special Assessments Receivable  | 124                   | -                                    | 1,741,370                         | 1,741,494           |
| Interest Receivable   | 968                   | -                                    | 205                               | 1,173               |
| Notes Receivable  | -                     | -                                    | 1,454,083                         | 1,454,083           |
| Land Held for Resale  | -                     | -                                    | 36,373                            | 36,373              |
| Prepaid Expense   | 3,094                 | -                                    | -                                 | 3,094               |
| Due from Other Funds  | 272,292               | -                                    | 147,731                           | 420,023             |
| Total Assets  | <u>\$ 1,973,117</u>   | <u>\$ 10,972</u>                     | <u>\$ 5,890,639</u>               | <u>\$ 7,874,728</u> |
| <b>LIABILITIES:</b>   |                       |                                      |                                   |                     |
| Accounts Payable  | \$ 22,425             | \$ 27,383                            | \$ 8,453                          | \$ 58,261           |
| Accrued Interest  | -                     | -                                    | 7,036                             | 7,036               |
| Accrued Payroll   | 17,175                | -                                    | 5,535                             | 22,710              |
| Due to Other Funds  | -                     | -                                    | 378,829                           | 378,829             |
| Total Liabilities   | <u>39,600</u>         | <u>27,383</u>                        | <u>399,853</u>                    | <u>466,836</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |                       |                                      |                                   |                     |
| Unavailable Revenue   | 49,279                | -                                    | 2,649,876                         | 2,699,155           |
| Total Deferred Inflows of Resources   | <u>49,279</u>         | <u>-</u>                             | <u>2,649,876</u>                  | <u>2,699,155</u>    |
| <b>FUND BALANCES:</b>   |                       |                                      |                                   |                     |
| Nonspendable  | 272,292               | -                                    | 105,000                           | 377,292             |
| Restricted  | -                     | -                                    | 2,058,405                         | 2,058,405           |
| Assigned  | -                     | -                                    | 979,000                           | 979,000             |
| Unassigned (Deficit)  | 1,611,946             | (16,411)                             | (301,495)                         | 1,294,040           |
| Total Fund Balances (Deficit)   | <u>1,884,238</u>      | <u>(16,411)</u>                      | <u>2,840,910</u>                  | <u>4,708,737</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <u>\$ 1,973,117</u>   | <u>\$ 10,972</u>                     | <u>\$ 5,890,639</u>               | <u>\$ 7,874,728</u> |

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

|   |                     |
|---|---------------------|
| Total Governmental Fund Balances  | \$ 4,708,737        |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i>   |                     |
| Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.   | 9,437,415           |
| Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.  | 2,699,156           |
| Long-term liabilities, including bonds payable, accrued interest, bond premium, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.  | (7,347,156)         |
| Long-term assets, including bond discounts are not financial resources and therefore are not reported in the funds.   | 35,986              |
| Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in governmental activities is not current financial resources and therefore not reported in the governmental funds. | <u>(650,142)</u>    |
| Net Position of Governmental Activities   | <u>\$ 8,883,996</u> |

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

|  | 101 - General<br>Fund | 460 - Pankratz<br>Industrial<br>Park | Nonmajor<br>Governmental<br>Funds | Total               |
|--|-----------------------|--------------------------------------|-----------------------------------|---------------------|
| <b>REVENUES</b>  |                       |                                      |                                   |                     |
| Taxes  | \$ 251,409            | \$ -                                 | \$ 641,865                        | \$ 893,274          |
| Licenses and Permits   | 5,916                 | -                                    | -                                 | 5,916               |
| Intergovernmental Revenue  | 832,619               | -                                    | 314,136                           | 1,146,755           |
| Charges for Services   | 57,220                | -                                    | 393,242                           | 450,462             |
| Fines and Forfeits   | 6,227                 | -                                    | 106                               | 6,333               |
| Interest Income  | 8,614                 | -                                    | 6,586                             | 15,200              |
| Miscellaneous  | 21,524                | -                                    | 142,806                           | 164,330             |
| Total Revenues   | <u>1,183,529</u>      | <u>-</u>                             | <u>1,498,741</u>                  | <u>2,682,270</u>    |
| <b>EXPENDITURES</b>  |                       |                                      |                                   |                     |
| Current Operations:  |                       |                                      |                                   |                     |
| General Government   | 209,161               | -                                    | -                                 | 209,161             |
| Public Safety  | 332,483               | -                                    | 220,777                           | 553,260             |
| Public Works   | 308,190               | -                                    | -                                 | 308,190             |
| Culture and Recreation   | 208,530               | -                                    | 138,955                           | 347,485             |
| Sanitation   | 9,610                 | -                                    | 9,716                             | 19,326              |
| Economic Development   | -                     | -                                    | 393,065                           | 393,065             |
| Miscellaneous  | 87,671                | -                                    | 52,677                            | 140,348             |
| Debt Service:  |                       |                                      |                                   |                     |
| Principal Payments   | -                     | -                                    | 658,519                           | 658,519             |
| Interest Payments  | -                     | -                                    | 235,582                           | 235,582             |
| Miscellaneous  | -                     | -                                    | 1,490                             | 1,490               |
| Cost of Issuance of Debt   | -                     | 15,471                               | -                                 | 15,471              |
| Capital Outlay   | <u>157,573</u>        | <u>366,940</u>                       | <u>155,450</u>                    | <u>679,963</u>      |
| Total Expenditures   | <u>1,313,218</u>      | <u>382,411</u>                       | <u>1,866,231</u>                  | <u>3,561,860</u>    |
| EXCESS EXPENDITURES UNDER REVENUES   | (129,689)             | (382,411)                            | (367,490)                         | (879,590)           |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                       |                                      |                                   |                     |
| Transfer In  | 169,560               | -                                    | 302,906                           | 472,466             |
| Issuance of Debt   | -                     | 366,000                              | 19,765                            | 385,765             |
| Transfer Out   | <u>(114,487)</u>      | <u>-</u>                             | <u>(205,980)</u>                  | <u>(320,467)</u>    |
| EXCESS REVENUES AND OTHER SOURCES<br>OVER (UNDER) EXPENDITURES AND OTHER<br>USES | (74,616)              | (16,411)                             | (250,799)                         | (341,826)           |
| FUND BALANCES - January 1  | <u>1,958,854</u>      | <u>-</u>                             | <u>3,091,709</u>                  | <u>5,050,563</u>    |
| FUND BALANCES (DEFICIT) - December 31  | <u>\$ 1,884,238</u>   | <u>\$ (16,411)</u>                   | <u>\$ 2,840,910</u>               | <u>\$ 4,708,737</u> |

The Notes to the Financial Statements are an integral part of this statement.



CITY OF MOUNTAIN LAKE, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (341,824)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                      |           |
|----------------------|-----------|
| Capital Outlay       | 679,962   |
| Depreciation Expense | (469,436) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

|                     |          |
|---------------------|----------|
| Property Taxes      | (5,786)  |
| Special Assessments | (58,037) |
| Loan Repayments     | (1,164)  |

Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.

3,547

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 and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.

|                       |           |
|-----------------------|-----------|
| Debt Issued           | (385,765) |
| Principal Repayments  | 658,519   |
| Debt Premium/Discount | (1,249)   |

Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.

(7,606)

Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(119,431)

The net affect to transfer capital assets and related debt in connection with the Water Project to the Water Fund

(733,023)

Change in Net Position of Governmental Activities

\$ (781,293)

CITY OF MOUNTAIN LAKE, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

|   | Public Utilities<br>Commission | Nonmajor<br>Enterprise Funds | Total                |
|---|--------------------------------|------------------------------|----------------------|
| <b>ASSETS</b>   |                                |                              |                      |
| <b>CURRENT ASSETS</b>   |                                |                              |                      |
| Cash and Investments  | \$ 3,053,600                   | \$ 126,167                   | \$ 3,179,767         |
| Accounts Receivable   | 604,751                        | -                            | 604,751              |
| Special Assessments Receivable  | 147,605                        | -                            | 147,605              |
| Due from Other Funds  | 1,536                          | 11,791                       | 13,327               |
| Prepaid Expense   | 11,802                         | -                            | 11,802               |
| Inventory   | <u>172,503</u>                 | <u>-</u>                     | <u>172,503</u>       |
| Total Current Assets  | <u>3,991,797</u>               | <u>137,958</u>               | <u>4,129,755</u>     |
| <b>NONCURRENT ASSETS</b>  |                                |                              |                      |
| Capital Assets:   |                                |                              |                      |
| Land  | 43,692                         | 20,829                       | 64,521               |
| Buildings and Improvements  | 3,816,783                      | 1,371,272                    | 5,188,055            |
| Infrastructure and Improvements                                       | 23,517,281                     | -                            | 23,517,281           |
| Machinery and Equipment   | 862,021                        | -                            | 862,021              |
| Transportation and Other Equipment                                    | 311,634                        | -                            | 311,634              |
| Construction in Progress  | <u>611,487</u>                 | <u>-</u>                     | <u>611,487</u>       |
| Total Capital Assets  | 29,162,898                     | 1,392,101                    | 30,554,999           |
| Less: Accumulated Depreciation  | <u>11,760,588</u>              | <u>614,746</u>               | <u>12,375,334</u>    |
| Net Capital Assets  | 17,402,310                     | 777,355                      | 18,179,665           |
| Bond Discount   | <u>65,681</u>                  | <u>-</u>                     | <u>65,681</u>        |
| Total Noncurrent Assets   | <u>17,467,991</u>              | <u>777,355</u>               | <u>18,245,346</u>    |
| <b>TOTAL ASSETS</b>   | <u>21,459,788</u>              | <u>915,313</u>               | <u>22,375,101</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |                                |                              |                      |
| Related to Pensions   | <u>131,705</u>                 | <u>-</u>                     | <u>131,705</u>       |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                | <u>\$ 21,591,493</u>           | <u>\$ 915,313</u>            | <u>\$ 22,506,806</u> |
| <b>LIABILITIES</b>  |                                |                              |                      |
| <b>CURRENT LIABILITIES</b>  |                                |                              |                      |
| Accounts Payable  | \$ 180,846                     | \$ 2,515                     | \$ 183,361           |
| Due to Other Funds  | 42,730                         | 11,791                       | 54,521               |
| Accrued Interest  | 38,464                         | 5,731                        | 44,195               |
| Accrued Payroll   | 9,803                          | -                            | 9,803                |
| Due to Other Governments  | 6,861                          | -                            | 6,861                |
| Accrued Compensated Absences  | 42,519                         | -                            | 42,519               |
| Customer Deposits   | 93,498                         | 10,970                       | 104,468              |
| Unamortized Bond Premium  | 2,489                          | 2,827                        | 5,316                |
| Current Amount of Long-Term Debt                                      | <u>937,950</u>                 | <u>40,420</u>                | <u>978,370</u>       |
| Total Current Liabilities   | <u>1,355,160</u>               | <u>74,254</u>                | <u>1,429,414</u>     |
| <b>LONG-TERM LIABILITIES</b>  |                                |                              |                      |
| Net Pension Liability   | 316,661                        | -                            | 316,661              |
| Bonds and Notes Payable   | <u>10,488,935</u>              | <u>680,737</u>               | <u>11,169,672</u>    |
| Total Long-Term Liabilities   | <u>10,805,596</u>              | <u>680,737</u>               | <u>11,486,333</u>    |
| <b>TOTAL LIABILITIES</b>  | <u>12,160,756</u>              | <u>754,991</u>               | <u>12,915,747</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                                |                              |                      |
| Related to Pensions   | <u>36,831</u>                  | <u>-</u>                     | <u>36,831</u>        |
| <b>NET POSITION</b>   |                                |                              |                      |
| Net Investment in Capital Assets                                      | 5,963,300                      | 56,198                       | 6,019,498            |
| Restricted for Debt Service   | 717,798                        | -                            | 717,798              |
| Unrestricted  | <u>2,712,808</u>               | <u>104,124</u>               | <u>2,816,932</u>     |
| Total Net Position  | <u>9,393,906</u>               | <u>160,322</u>               | <u>9,554,228</u>     |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY</b> | <u>\$ 21,591,493</u>           | <u>\$ 915,313</u>            | <u>\$ 22,506,806</u> |

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

|                                      | Public<br>Utilities<br>Commission | Nonmajor<br>Enterprise<br>Funds | Total               |
|--------------------------------------|-----------------------------------|---------------------------------|---------------------|
| OPERATING REVENUES                   |                                   |                                 |                     |
| Sales to Consumers                   | \$ 3,856,141                      | \$ -                            | \$ 3,856,141        |
| Rental Income                        | <u>1,200</u>                      | <u>119,116</u>                  | <u>120,316</u>      |
| Total Operating Revenues             | <u>3,857,341</u>                  | <u>119,116</u>                  | <u>3,976,457</u>    |
| OPERATING EXPENSES                   |                                   |                                 |                     |
| Depreciation                         | 756,312                           | 49,571                          | 805,883             |
| Insurance                            | -                                 | 7,919                           | 7,919               |
| Miscellaneous                        | -                                 | 7,923                           | 7,923               |
| Professional Services                | -                                 | 9,933                           | 9,933               |
| Repairs, Maintenance and Supplies    | -                                 | 49,873                          | 49,873              |
| Utilities                            | -                                 | 362                             | 362                 |
| Pumping, Treatment, Production       | 1,657,574                         | -                               | 1,657,574           |
| Distribution and Collection          | 502,013                           | -                               | 502,013             |
| Administration and General           | <u>236,943</u>                    | <u>-</u>                        | <u>236,943</u>      |
| Total Operating Expenses             | <u>3,152,842</u>                  | <u>125,581</u>                  | <u>3,278,423</u>    |
| NET OPERATING INCOME (LOSS)          | <u>704,499</u>                    | <u>(6,465)</u>                  | <u>698,034</u>      |
| NON OPERATING INCOME AND EXPENSE     |                                   |                                 |                     |
| Interest Income                      | 12,814                            | 93                              | 12,907              |
| Taxes and Special Assessments        | 4,571                             | -                               | 4,571               |
| Refunds and Reimbursements           | 47,741                            | -                               | 47,741              |
| CAP X Credit                         | 7,056                             | -                               | 7,056               |
| Interest Expense                     | <u>(173,786)</u>                  | <u>(22,191)</u>                 | <u>(195,977)</u>    |
| Net Non Operating Income and Expense | <u>(101,604)</u>                  | <u>(22,098)</u>                 | <u>(123,702)</u>    |
| INCOME (LOSS) BEFORE TRANSFERS       | 602,895                           | (28,563)                        | 574,332             |
| Capital Contributions                | 733,023                           | -                               | 733,023             |
| Transfer Out                         | <u>(152,000)</u>                  | <u>-</u>                        | <u>(152,000)</u>    |
| CHANGE IN NET POSITION               | 1,183,918                         | (28,563)                        | 1,155,355           |
| NET POSITION - January 1             | <u>8,209,988</u>                  | <u>188,885</u>                  | <u>8,398,873</u>    |
| NET POSITION - December 31           | <u>\$ 9,393,906</u>               | <u>\$ 160,322</u>               | <u>\$ 9,554,228</u> |

The Notes to the Financial Statements are an integral part of this statement.

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

|   | Public<br>Utilities<br><u>Commission</u> | Nonmajor<br>Enterprise<br><u>Funds</u> | <u>Total</u>        |
|---|--|--|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |  |                     |
| Receipts from Customers   | \$ 3,855,684                             | \$ 119,125                             | \$3,974,809         |
| Payments to Vendors   | (1,854,785)                              | (75,452)                               | (1,930,237)         |
| Payments to Employees   | (402,017)                                | -                                      | (402,017)           |
| Other Receipts and Payments   | <u>54,797</u>                            | <u>-</u>                               | <u>54,797</u>       |
| Net Cash Provided By Operating Activities   | <u>1,653,679</u>                         | <u>43,673</u>                          | <u>1,697,352</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                       |  |  |                     |
| Contributions   | 733,023                                  | -                                      | 733,023             |
| Transfer to Other Funds   | (152,000)                                | -                                      | (152,000)           |
| Due to (from) Other Funds   | <u>(11,181)</u>                          | <u>-</u>                               | <u>(11,181)</u>     |
| Net Cash Provided By Noncapital Financing Activities  | <u>569,842</u>                           | <u>-</u>                               | <u>569,842</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                              |  |  |                     |
| Purchase of Capital Assets  | (1,641,444)                              | -                                      | (1,641,444)         |
| Taxes and Assessments Collected   | 4,901                                    | -                                      | 4,901               |
| Proceeds from Bond Issuance   | 99,843                                   | -                                      | 99,843              |
| Principal Paid on Capital Debt  | (935,401)                                | (40,182)                               | (975,583)           |
| Interest Paid on Capital Debt   | <u>(181,499)</u>                         | <u>(22,636)</u>                        | <u>(204,135)</u>    |
| Net Cash Used By Capital and Related Financing Activities                                     | <u>(2,653,600)</u>                       | <u>(62,818)</u>                        | <u>2,716,418</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |  |                     |
| Investment Earnings   | <u>12,814</u>                            | <u>92</u>                              | <u>12,906</u>       |
| Net Cash Provided By Investing Activities   | <u>12,814</u>                            | <u>92</u>                              | <u>12,906</u>       |
| NET DECREASE IN CASH  | (417,265)                                | (19,053)                               | (436,318)           |
| CASH AND CASH EQUIVALENTS - January 1   | <u>3,470,865</u>                         | <u>145,220</u>                         | <u>3,616,085</u>    |
| CASH AND CASH EQUIVALENTS - December 31   | <u>\$ 3,053,600</u>                      | <u>\$ 126,167</u>                      | <u>\$ 3,179,767</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</b> |  |  |                     |
| Operating Income (Loss)   | \$ 704,499                               | \$ (6,465)                             | \$ 698,034          |
| <b>Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities</b> |  |  |                     |
| Depreciation  | 756,312                                  | 49,571                                 | 805,883             |
| Noncash Pension Expense   | 21,787                                   | -                                      | 21,787              |
| <b>Changes in Assets and Liabilities</b>  |  |  |                     |
| Receivables   | (3,699)                                  | -                                      | (3,699)             |
| Inventory   | 25,458                                   | -                                      | 25,458              |
| Prepaid Expenses  | 18,058                                   | -                                      | 18,058              |
| Accounts Payable  | 64,479                                   | 557                                    | 65,036              |
| Accrued Wages   | 1,548                                    | -                                      | 1,548               |
| Accrued Compensated Absence   | 1,543                                    | -                                      | 1,543               |
| Due to Other Governments  | 6,861                                    | -                                      | 6,861               |
| Deposits Payable  | 2,036                                    | 10                                     | 2,046               |
| Other Receipts and Payments   | <u>54,797</u>                            | <u>-</u>                               | <u>54,797</u>       |
| Net Cash Provided By Operating Activities   | <u>\$ 1,653,679</u>                      | <u>\$ 43,673</u>                       | <u>\$ 1,697,352</u> |

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mountain Lake (the City) operates under a "Optional Plan A" form of government as defined in the Minnesota Statutes. The City is governed by an elected Mayor and four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following services: general government, public safety, public works, public health and welfare, culture, recreation, electricity, waterworks, sanitary sewer, surface water and ancillary services.

The financial statements of the City of Mountain Lake, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

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.

Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108, and is responsible for economic and industrial development and redevelopment within the City's jurisdiction. The members of the EDA's governing board are appointed and approved by the City Council. In accordance with GASB Statement No. 61, this entity is presented as a blended component unit as special revenue and debt service funds. The basis for the presentation includes the City appointing a voting majority of the EDA's governing body, the City's ability to impose its will on the EDA and the EDA's expectation for the City to pay its debt. There is no separate report prepared for this component unit.

The Mountain Lake Municipal Utilities Commission was established and statutory authority is provided in accordance with Minnesota statutes, chapter 412.321. The Commission has five Council approved members who serve overlapping three year terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The Utility funds are included with the enterprise funds in this report.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) sales. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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 and claims and judgments, are recorded only when payment is due.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Property taxes, special assessments, franchise taxes, licenses, charges for services, 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 which 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 deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - The General Fund is the City's primary operating fund. It is used to account for all financial resources not required to be accounted for in another fund.
- Pankratz Industrial Park - This fund is used to account for the resources related to and the payments for the Pankratz Industrial Park Capital Project.

The City reports the following major proprietary funds:

- Public Utilities Fund - To account for the costs associated with the operation, maintenance and improvement of the City's electric, water and sewer utilities system and insures that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions 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.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

D. Use of Estimates

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

E. Restricted Assets

Certain funds of the City are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

G. 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 the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.



CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Deposits and Investments (Cont.)

2. Share of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. General obligations of the State of Minnesota or any of its municipalities.
4. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
6. Repurchase or reverse repurchase agreements 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.
7. Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

Investments for the City are reported at fair value. The 4M Fund and broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

The City has adopted an investment policy to establish objectives and specific guidelines that the City will use in the investment of City funds. The objectives of the policy are as follows:

- Safety of Principal - Safety of the principal is the foremost objective of the City. Each investment transaction must seek to first ensure that losses are minimized.
- Liquidity - The investment portfolio must remain sufficiently liquid to meet all operating costs that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- Yield - The investment portfolio must be maintained so as to attain a market-average rate of return.

The City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no more than five percent of unreserved funds shall extend beyond three years unless ratified by the City Council to extend beyond that period.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary funds have original maturities of 90 days or less. Therefore, the entire balance in the proprietary funds is considered cash equivalents.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and 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 Treasurer 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 an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

I. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

J. 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 during the year or within 60 days after year end. All governmental special assessments receivable are offset by an unearned revenue liability in the fund financial statements.

K. Inventories

Inventories of the Public Utilities are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

L. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

M. 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.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. 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. 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.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: land improvements 15-40; buildings and building improvements: 15-50 years; system improvements/infrastructure 10-50 years; machinery, vehicles and equipment: 5-20 years.

O. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An accrual for earned sick leave is recorded only to the extent it is probable that the benefits will result in termination payments. Accordingly sick pay has been accrued for employees who meet the Rule of 90 and are retirement eligible in the government-wide, and proprietary fund financial statements. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued at December 31, 2016 was \$127,320.

P. 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. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Long-term Obligations (Cont.)

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.

Q. 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. 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.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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.

S. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. Fund Balance (Cont.)

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

T. Net Position

Net position represent the difference between assets and deferred outflows 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 – Consists of net position 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 that does not meet the definition of “restricted” or “net investment in capital assets”.

U. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General Fund and the following special revenue funds: Library, Fire, Ambulance and Lake Commission. 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 15, the proposed budget is presented to the Council for review. The 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 fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2016.

| <u>Function Area</u>   | Budget     | Actual     | Variance     |
|------------------------|------------|------------|--------------|
| General Fund:          |            |            |              |
| Public Safety          | \$ 346,247 | \$ 368,655 | \$ (22,408)  |
| Public Works           | \$ 331,293 | \$ 417,700 | \$ (86,407)  |
| Culture and Recreation | \$ 104,133 | \$ 220,421 | \$ (116,288) |
| Sanitation             | \$ 9,000   | \$ 9,610   | \$ (610)     |
| Miscellaneous          | \$ 81,616  | \$ 87,671  | \$ (6,055)   |
| Special Revenue Funds: |            |            |              |
| Ambulance              | \$ 134,175 | \$ 155,728 | \$ (21,553)  |

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2016:

|                                    |           |
|------------------------------------|-----------|
| Pankratz Industrial Park           | (16,411)  |
| 2014 Small Cities Development      | (8,730)   |
| SW Housing Grant                   | (15,444)  |
| Tax Increment Bonds of 2013B       | (12,222)  |
| 2008A Public Project Revenue Bonds | (4,959)   |
| MSG Construction                   | (2,024)   |
| Downtown Rehab                     | (258,116) |

The above deficits will be eliminated through transfers from other funds, bonding and future tax and assessment collections.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - 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, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$5,995,251 and the bank balance was \$6,079,840. Of the bank balance, \$5,927,460 was covered by federal depository insurance. Of the remaining balance, \$152,380 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

B. Investments

As of December 31, 2016, the City had the following pooled and non pooled investments that are insured or registered, or securities held by the City or its agent in the City's name.

| <u>Type of Investment</u>         | Fair Value<br>and Carrying<br><u>Amount</u> | <u>Cost</u>         | Credit<br>Quality<br>Rating (1) | Segmented Time<br>Distribution (2) |
|-----------------------------------|---|---------------------|---------------------------------|------------------------------------|
| Pooled Investments:               |   |                     |                                 |                                    |
| Broker Money Market               | \$ 63,362                                   | \$ 63,362           | N/A                             | Less than 6 months                 |
| Mutual Fund - AIM Treasury        | 52,295                                      | 52,295              | N/A                             | Less than 6 months                 |
| U.S. Government Bonds             | 161,125                                     | 160,000             | AA+                             | More than 6 months                 |
| Municipal Bonds                   | 159,369                                     | 150,000             | AA-                             | More than 6 months                 |
| Broker Certificates of<br>Deposit | <u>75,447</u>                               | <u>75,000</u>       | N/A                             | More than 6 months                 |
| Total Pooled Investments          | <u>511,598</u>                              | <u>500,657</u>      |                                 |                                    |
| Non Pooled Investments:           |   |                     |                                 |                                    |
| Broker Money Market               | 26,320                                      | 26,320              | N/A                             | Less than 6 months                 |
| U.S. Government Bonds             | <u>796,896</u>                              | <u>800,000</u>      | AA+                             | More than 6 months                 |
| Total Non Pooled<br>Investments   | <u>823,216</u>                              | <u>826,320</u>      |                                 |                                    |
| Total Investments                 | <u>\$ 1,334,814</u>                         | <u>\$ 1,326,977</u> |                                 |                                    |

(1) Ratings are provided by credit rating agencies where applicable to indicate associated credit risk. N/A indicates not applicable or available.

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

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$155.

D. Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

|                            |                     |
|----------------------------|---------------------|
| Total Deposits             | \$ 5,995,251        |
| Total Investments          | 1,334,814           |
| Total Cash on Hand         | <u>155</u>          |
|                            | <u>\$ 7,330,220</u> |
| Statement of Net Position: |                     |
| Cash and Investments       | \$ 6,870,819        |
| Escrowed Investments       | <u>459,401</u>      |
|                            | <u>\$ 7,330,220</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

E. Designated and Restricted Funds

The City has designated Water, Sewer, and Electric utility fund cash and investments for the following purposes:

Public Utilities Commission

|                                       |                     |
|---------------------------------------|---------------------|
| City-Wide Equipment                   |                     |
| Water                                 | \$ 181,012          |
| Sewer                                 | 74,872              |
| Electric                              | 425,229             |
| 69KV Line                             |                     |
| Electric                              | <u>835,691</u>      |
| Total Designated Cash and Investments | <u>\$ 1,516,804</u> |

The City has restricted cash and investments for the following purposes:

Public Utilities Commission

|                                       |                   |
|---------------------------------------|-------------------|
| Sewer:                                |                   |
| Capital Replacement                   | \$ 435,728        |
| WIF Replacement                       | <u>182,096</u>    |
| Total Sewer                           | <u>617,824</u>    |
| Electric:                             |                   |
| Capital Replacement                   | <u>99,974</u>     |
| Total Electric                        | <u>99,974</u>     |
| Total Restricted Cash and Investments | <u>\$ 717,798</u> |

4. NOTES RECEIVABLE

In the Protient DTED Loan Fund, the City issued a loan to Custom Motors, Inc. during 2006, JSK Bridal during 2015, and ML Family Fitness during 2016 that have a balance of \$116,058 at December 31, 2016.

The loans receivable in the Southwest Housing Loan special revenue fund of \$32,129 are housing loans granted by Southwest Housing Agency that will be collected by the City. These loans will be paid back with various monthly payments. These loans are non-interest bearing.

The City received a \$500,000 CDBG Grant that was loaned to Balzer, Inc. in exchange for 1,000 shares of \$500 par value Series A Preferred Stock. The terms of the original agreement stipulate that shares be redeemed as principal payments through July 1, 2008 and that no payments are required for the first years and interest shall be accrued for year three at 3 percent, interest at 5 to 6 percent for the remaining years. This agreement was amended on December 22, 2000 to extend the payment schedule through May 1, 2015. The remaining 926 shares will be redeemed at 60 shares per year (\$30,000 principal), through December 1, 2014 and the remaining 26 shares in 2015 (\$13,000 principal). Interest is to be paid semiannually at 2 percent on the unredeemed balance. The balance at December 31, 2016 is \$40,978 and is secured by life insurance of an officer, and the preferred stock of the new corporation must be paid in full if the business is sold.

As the Balzer funds have been repaid, loans to various other local businesses have been made out of this fund. The balance of these loans as of year-end was \$503,220. These loans will be paid back with various monthly payments with interest at 5.0 percent to 6.5 percent per annum on all unpaid balances. These loans are unsecured.



CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

4. NOTES RECEIVABLE (Cont.)

In 2012 the City issued a loan to the Good Samaritan project for \$761,696. As this loan is paid back to the City, the revenues will cover debt payments for the General Obligation Tax Increment Bonds of 2012B.

5. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2016, follows:

|                             | Due from Other<br>Funds | Due to Other<br>Funds |
|-----------------------------|-------------------------|-----------------------|
| General Fund                | \$ 272,292              | \$ -                  |
| Public Utilities Fund       | 1,536                   | 42,730                |
| Nonmajor Governmental Funds | 147,731                 | 378,829               |
| Nonmajor Enterprise Funds   | <u>11,791</u>           | <u>11,791</u>         |
|                             | <u>\$ 433,350</u>       | <u>\$ 433,350</u>     |

The Public Utilities Fund owes Debt Service Funds \$42,730 for the utility portions of street projects capitalized by the Utility Funds. The Mason Manor fund owes the 9-Plex fund \$11,791 for the repayment for the construction of Mason Manor. The outstanding balance of the \$30,000 between the Southwest Housing Loans fund and the Economic Development Authority fund is a result of money borrowed to help assist the Southwest Housing Loan Program. The outstanding balance of \$75,000 between the Protient DTED Loan and the Pop'd Kerns Construction Fund is to help cover the costs of the Pop'd Kerns building construction. All other balances are for internal cash purposes and are expected to be repaid with future available resources.

6. UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

|                                | <u>Unavailable</u>  | <u>Unearned</u> |
|--------------------------------|---------------------|-----------------|
| General Fund                   |                     |                 |
| Delinquent taxes receivable    | \$ 32,158           | \$ -            |
| Special Assessments Receivable | 17,121              | -               |
| Nonmajor Governmental Funds    |                     |                 |
| Special assessments receivable | 1,764,992           | -               |
| Loans Receivable               | <u>909,884</u>      | <u>-</u>        |
| Total                          | <u>\$ 2,724,155</u> | <u>\$ -</u>     |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

7. TRANSFERS

Transfers to and from other funds at December 31, 2016, follows:

|                             | Transfers to<br><u>Other Funds</u> | Transfers from<br><u>Other Funds</u> |
|-----------------------------|------------------------------------|--------------------------------------|
| General Fund                | \$ 114,486                         | \$ 169,560                           |
| Nonmajor Governmental Funds | 205,980                            | 302,906                              |
| Public Utilities Fund       | <u>152,000</u>                     | <u>-</u>                             |
|                             | <u>\$ 472,466</u>                  | <u>\$ 472,466</u>                    |

The Public Utilities Fund transferred \$152,000 to the General Fund for payment in lieu of taxes on the Electric Fund. The General Fund transferred \$114,486 to the Nonmajor Governmental Funds for operating purposes and Nonmajor Governmental Funds transferred \$17,560 to the General Fund for operating purposes. The Nonmajor Governmental Funds transferred \$188,420 to other Nonmajor Governmental Funds for contributions towards project costs.

8. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2016 was as follows:

|                                    | <u>Balance</u><br><u>January 1</u> | <u>Additions</u>  | <u>Transfers/</u><br><u>Retirements</u> | <u>Balance</u><br><u>December 31</u> |
|------------------------------------|------------------------------------|-------------------|---|--------------------------------------|
| Not Being Depreciated:             |                                    |                   |   |                                      |
| Land                               | \$ 284,470                         | \$ 376,986        | \$ -                                    | \$ 661,456                           |
| Construction in Progress           | <u>1,063,288</u>                   | <u>118,464</u>    | <u>(770,366)</u>                        | <u>411,386</u>                       |
| Subtotal                           | <u>1,347,758</u>                   | <u>495,450</u>    | <u>(770,366)</u>                        | <u>1,072,842</u>                     |
| Other Capital Assets:              |                                    |                   |   |                                      |
| Buildings                          | 5,886,018                          | -                 | -                                       | 5,886,018                            |
| Infrastructure and Improvements    | 6,427,703                          | 42,215            | -                                       | 6,469,918                            |
| Machinery and Equipment            | 456,481                            | 32,735            | -                                       | 489,216                              |
| Transportation and Other Equipment | <u>1,637,442</u>                   | <u>109,562</u>    | <u>-</u>                                | <u>1,747,004</u>                     |
| Subtotal                           | <u>14,407,644</u>                  | <u>184,512</u>    | <u>-</u>                                | <u>14,592,156</u>                    |
| Less: Accumulated Depreciation     |                                    |                   |   |                                      |
| Buildings                          | 1,924,507                          | 118,106           | -                                       | 2,042,613                            |
| Infrastructure and Improvements    | 2,053,042                          | 213,975           | -                                       | 2,267,017                            |
| Machinery and Equipment            | 267,933                            | 47,717            | -                                       | 315,650                              |
| Transportation and Other Equipment | <u>1,512,666</u>                   | <u>89,637</u>     | <u>-</u>                                | <u>1,602,303</u>                     |
| Subtotal                           | <u>5,758,148</u>                   | <u>469,435</u>    | <u>-</u>                                | <u>6,227,583</u>                     |
| Net Other Capital Assets           | <u>8,649,496</u>                   | <u>(284,923)</u>  | <u>-</u>                                | <u>8,364,573</u>                     |
| Net Capital Assets                 | <u>\$ 9,997,254</u>                | <u>\$ 210,527</u> | <u>\$ (770,366)</u>                     | <u>\$ 9,437,415</u>                  |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN CAPITAL ASSETS (Cont.)

Business Type Activities - The following is a summary of business-type activities capital assets at December 31, 2016.

|                                       | Balance<br><u>January 1</u> | Additions        | Transfers/<br>Retirements | Balance<br><u>December 31</u> |
|---------------------------------------|-----------------------------|------------------|---------------------------|-------------------------------|
| Not Being Depreciated:                |                             |                  |                           |                               |
| Land                                  | \$ 64,521                   | \$ -             | \$ -                      | \$ 64,521                     |
| Construction in Progress              | <u>80,237</u>               | <u>531,250</u>   | <u>-</u>                  | <u>611,487</u>                |
| Subtotal                              | <u>144,758</u>              | <u>531,250</u>   | <u>-</u>                  | <u>676,008</u>                |
| Other Capital Assets:                 |                             |                  |                           |                               |
| Buildings                             | 5,188,055                   | -                | -                         | 5,188,055                     |
| Infrastructure and<br>Improvements    | 22,427,776                  | 319,139          | 770,366                   | 23,517,281                    |
| Machinery and Equipment               | 841,333                     | 20,688           | -                         | 862,021                       |
| Transportation and Other<br>Equipment | <u>311,634</u>              | <u>-</u>         | <u>-</u>                  | <u>311,634</u>                |
| Subtotal                              | <u>28,768,798</u>           | <u>339,827</u>   | <u>770,366</u>            | <u>29,878,991</u>             |
| Less: Accumulated<br>Depreciation     |                             |                  |                           |                               |
| Buildings                             | 2,524,476                   | 173,698          | -                         | 2,698,174                     |
| Infrastructure and<br>Improvements    | 8,321,186                   | 560,053          | -                         | 8,881,239                     |
| Machinery and Equipment               | 537,637                     | 47,849           | -                         | 585,486                       |
| Transportation and Other<br>Equipment | <u>186,152</u>              | <u>24,283</u>    | <u>-</u>                  | <u>210,435</u>                |
| Subtotal                              | <u>11,569,451</u>           | <u>805,883</u>   | <u>-</u>                  | <u>12,375,334</u>             |
| Net Other Capital Assets              | <u>17,199,347</u>           | <u>(466,056)</u> | <u>770,366</u>            | <u>17,503,657</u>             |
| Net Capital Assets                    | <u>\$ 17,344,105</u>        | <u>\$ 65,194</u> | <u>\$ 770,366</u>         | <u>\$ 18,179,665</u>          |

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

|   |                   |
|---|-------------------|
| Governmental Activities:                              |                   |
| General Government                                    | \$ 23,357         |
| Public Safety   | 60,497            |
| Public Works  | 260,966           |
| Culture and Recreation                                | 54,018            |
| Economic Development                                  | <u>70,597</u>     |
| Total Depreciation Expense - Governmental Activities  | <u>\$ 469,435</u> |
| Business-Type Activities:                             |                   |
| Public Utilities Commission                           | \$ 756,312        |
| Nonmajor Enterprise Funds                             | <u>49,571</u>     |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 805,883</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE

A. Classifications

|                                 | <u>General<br/>Fund</u> | <u>Pankratz<br/>Industrial<br/>Park</u> | <u>Non Major<br/>Governmental<br/>Funds</u> | <u>Total</u>       |
|---------------------------------|-------------------------|---|---|--------------------|
| Nonspendable:                   |                         |   |   |                    |
| Interfund Receivable            | \$ 272,292              | \$ -                                    | \$ 105,000                                  | \$ 377,292         |
| Total Nonspendable              | <u>272,292</u>          | <u>-</u>                                | <u>105,000</u>                              | <u>377,292</u>     |
| Restricted for:                 |                         |   |   |                    |
| Debt Service                    | -                       | -                                       | 1,026,362                                   | 1,026,362          |
| Economic Development            | -                       | -                                       | 1,031,249                                   | 1,031,249          |
| Library                         | <u>-</u>                | <u>-</u>                                | <u>794</u>                                  | <u>794</u>         |
| Total Restricted                | <u>-</u>                | <u>-</u>                                | <u>2,058,405</u>                            | <u>2,058,405</u>   |
| Assigned to:                    |                         |   |   |                    |
| Capital Outlay and Improvements | -                       | -                                       | 109,127                                     | 109,127            |
| Ambulance                       | -                       | -                                       | 288,797                                     | 288,797            |
| Fire                            | -                       | -                                       | 308,299                                     | 308,299            |
| Library                         | -                       | -                                       | 155,810                                     | 155,810            |
| Lake Commission                 | -                       | -                                       | 16,413                                      | 16,413             |
| Economic Development            | <u>-</u>                | <u>-</u>                                | <u>100,554</u>                              | <u>100,554</u>     |
| Total Assigned                  | <u>-</u>                | <u>-</u>                                | <u>979,000</u>                              | <u>979,000</u>     |
| Unassigned                      | <u>1,611,946</u>        | <u>(16,411)</u>                         | <u>(301,495)</u>                            | <u>1,294,040</u>   |
| Total                           | <u>\$1,884,238</u>      | <u>\$ (16,411)</u>                      | <u>\$ 2,840,910</u>                         | <u>\$4,708,737</u> |

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2016, the unassigned fund balance of the General Fund was 143.2% of the subsequent year's budgeted expenditures

10. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2016.

|                          | <u>Balance<br/>January 1</u> | <u>Debt Issued</u> | <u>Debt<br/>Retired</u> | <u>Balance<br/>December 31</u> | <u>Current<br/>Amount</u> |
|--------------------------|------------------------------|--------------------|-------------------------|--------------------------------|---------------------------|
| G.O. Tax Increment Bonds | \$ 4,160,000                 | \$ 366,000         | \$ 220,000              | \$ 4,306,000                   | \$ 225,000                |
| G.O. Improvement Bonds   | 2,782,950                    | -                  | 208,350                 | 2,574,600                      | 184,700                   |
| G.O. Refunding Bonds     | 1,185,700                    | -                  | 125,300                 | 1,060,400                      | 150,300                   |
| G.O. Revenue Bonds       | 9,469,721                    | 82,265             | 640,350                 | 8,911,636                      | 655,300                   |
| Revenue Bonds            | 2,832,339                    | -                  | 429,932                 | 2,402,407                      | 265,170                   |
| Notes Payable            | <u>84,820</u>                | <u>-</u>           | <u>10,169</u>           | <u>74,651</u>                  | <u>10,555</u>             |
| Totals                   | <u>\$20,515,530</u>          | <u>\$ 448,265</u>  | <u>\$1,634,101</u>      | <u>\$19,329,694</u>            | <u>\$ 1,491,025</u>       |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

General Obligation bonds issued by the governmental activities are liquidated by the debt service funds. The revenue bonds issued by the governmental activities are expected to be liquidated by the related enterprise fund upon project completion. The notes payable issued by the governmental activities is expected to be liquidated by the related special revenue fund. The general obligation bonds and revenue bonds issued by the business-type activities are expected to be liquidated by those activities.

Bonds outstanding at December 31, 2016 are comprised of the following issues:

Governmental Activities

|   |                  |
|---|------------------|
| \$830,000 GO Tax Increment Bond of 2012B, due in annual installments through February 1, 2039, plus interest from 3.0-4.75% due in semi-annual installments.        | \$ 785,000       |
| \$1,310,000 GO Tax Increment Bond of 2013B, due in annual installments through February 1, 2029, plus interest from 2.0-5.25% due in semi-annual installments.      | 1,235,000        |
| \$2,040,000 GO Tax Increment Bond of 2014A, due in annual installments through February 1, 2021, plus interest from 1.0-4.75% due in semi-annual installments.      | 1,920,000        |
| \$366,000 GO Tax Abatement Bond of 2016A, due in annual installments through February 1, 2032, plus interest from 2.6-4.1% due in semi-annual installments.         | 366,000          |
| \$2,180,000 GO Improvement Bond of 2013A, due in annual installments through December 13, 2034, plus interest from 1.0-3.0% due in semi-annual installments.        | 1,995,000        |
| \$276,400 GO Improvement Refunding Bond of 2015A, due in annual installments through February 1, 2029, plus interest from 1.0-3.0% due in semi-annual installments. | 226,400          |
| \$845,000 GO Refunding Bond of 2011A, due in annual installments through February 1, 2022, plus interest at 2.0-3.0% due in semi-annual installments.               | 579,600          |
| \$32,000 USDA Fire Truck Note, due in annual installments of \$7,189 through December 5, 2019 including interest at 4.0%.   | 19,946           |
| \$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%.                                       | <u>54,705</u>    |
| Total Governmental Activities   | <u>7,181,651</u> |

Business-Type Activities

|   |           |
|---|-----------|
| \$2,985,751 GO Revenue Bonds of 2003 (PFA), due in annual installments through August 20, 2023, plus interest at 1.43% due in semi-annual installments. | 1,148,000 |
|---|-----------|

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

|  |                     |
|--|---------------------|
| \$608,600 GO Refunding Bond of 2015A, due in annual installments through February 1, 2029, plus interest from 1.0-3.0% due in semi-annual installments.                        | 573,600             |
| \$47,444 GO Revenue Bonds, due in annual installments through August 20, 2034, plus interest at 1.0% due in semi-annual installments.  | 35,342              |
| \$370,000 GO Refunding Bond of 2011A, due in annual installments through February 1, 2022, plus interest from 2.0-3.0% due in semi-annual installments.                        | 260,400             |
| \$7,754,480 2012 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.  | 5,895,956           |
| \$2,060,000 GO Water Revenue Bonds of 2013A, due in annual installments through December 15, 2034, plus interest from 1.0-3.0% due in semi-annual installments.                | 1,805,000           |
| \$38,440 2013 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.   | 27,338              |
| \$620,000 Housing Development Refunding Bonds of 2012A, due in annual installments through February 1, 2031, including interest from 0.5-3.3% due in semi-annual installments. | 495,000             |
| \$254,700 EDA Public Project Revenue Bonds of 2009, due in annual installments through October 6, 2040, plus interest at 4.5% due in semi-annual installments.                 | 226,157             |
| \$391,000 Electric Revenue refunding Bonds of 2015B, due in annual installments through December 1, 2024, plus interest from 1.9-2.65% due in semi-annual installments.        | 355,000             |
| \$2,060,000 Electric Revenue CREB Bonds of 2007B, due in annual installments through June 1, 2023. The interest rate on this bond is 0.0%.                                     | 901,250             |
| \$645,000 Electric Revenue Refunding Bonds of 2012C, due in annual installments through December 1, 2023, plus interest from 1.0-2.65% due in semi-annual installments.        | <u>425,000</u>      |
| Total Business-Type Activities   | <u>12,148,043</u>   |
| Total Long-Term Debt   | <u>\$19,329,694</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

The annual requirements to maturity for long-term liabilities are as follows assuming full issuance of the 2012 PFA Loan and 2013 PFA Loan:

|           | GO Tax Increment Bonds<br>Governmental Activities |                    |                    | G.O. Improvement Bonds<br>Governmental Activities |                   |                     |
|-----------|---|--------------------|--------------------|---|-------------------|---------------------|
|           | <u>Principal</u>                                  | <u>Interest</u>    | <u>Total</u>       | <u>Principal</u>                                  | <u>Interest</u>   | <u>Total</u>        |
| 2017      | \$ 225,000  | \$ 162,831         | \$ 387,831         | \$ 184,700  | \$ 59,190         | \$ 243,890          |
| 2018      | 247,000   | 160,867            | 407,867            | 188,150   | 56,270            | 244,420             |
| 2019      | 250,000   | 154,346            | 404,346            | 188,150   | 53,009            | 241,159             |
| 2020      | 261,000   | 146,751            | 407,751            | 200,050   | 49,285            | 249,335             |
| 2021      | 266,000   | 138,183            | 404,183            | 200,050   | 45,033            | 245,083             |
| 2022-2026 | 1,496,000   | 526,037            | 2,022,037          | 628,500   | 175,720           | 804,220             |
| 2027-2031 | 1,185,000   | 185,835            | 1,370,835          | 590,000   | 112,860           | 702,860             |
| 2032-2036 | 236,000   | 58,184             | 294,184            | 395,000   | 23,850            | 418,850             |
| 2037-2041 | <u>140,000</u>                                    | <u>10,216</u>      | <u>150,216</u>     | -   | -                 | -                   |
| Total     | <u>\$4,306,000</u>                                | <u>\$1,543,250</u> | <u>\$5,849,250</u> | <u>\$2,574,600</u>                                | <u>\$ 575,217</u> | <u>\$ 3,149,817</u> |

|           | GO Refunding Bond<br>Governmental Activities |                 |                   | G.O. Refunding Bonds<br>Business-Type Activities |                   |                    |
|-----------|--|-----------------|-------------------|--|-------------------|--------------------|
|           | <u>Principal</u>                             | <u>Interest</u> | <u>Total</u>      | <u>Principal</u>                                 | <u>Interest</u>   | <u>Total</u>       |
| 2017      | \$ 52,100                                    | \$ 3,211        | \$ 55,311         | \$ 98,900  | \$ 20,094         | \$ 118,994         |
| 2018      | 52,100                                       | 2,534           | 54,634            | 98,900   | 18,562            | 117,462            |
| 2019      | 57,400                                       | 1,658           | 59,058            | 112,600  | 16,779            | 129,379            |
| 2020      | 62,400                                       | 622             | 63,022            | 111,600  | 14,757            | 126,357            |
| 2021      | 2,400  | 22              | 2,422             | 115,600  | 12,672            | 128,272            |
| 2022-2026 | -  | -               | -                 | 286,000  | 33,009            | 319,009            |
| 2027-2031 | -  | -               | -                 | 105,000  | 4,725             | 109,725            |
| 2032-2036 | -  | -               | -                 | -  | -                 | -                  |
| 2037-2041 | -  | -               | -                 | -  | -                 | -                  |
| Total     | <u>\$ 226,400</u>                            | <u>\$ 8,047</u> | <u>\$ 234,447</u> | <u>\$ 928,600</u>                                | <u>\$ 120,598</u> | <u>\$1,049,198</u> |

|           | GO Revenue Bond<br>Business-Type Activities |                     |                     |
|-----------|---|---------------------|---------------------|
|           | <u>Principal</u>                            | <u>Interest</u>     | <u>Total</u>        |
| 2017      | \$ 655,300                                  | \$ 128,250          | \$ 783,550          |
| 2018      | 662,850                                     | 120,573             | 783,423             |
| 2019      | 668,850                                     | 112,537             | 781,387             |
| 2020      | 682,950                                     | 104,154             | 787,104             |
| 2021      | 688,950                                     | 95,360              | 784,310             |
| 2022-2026 | 2,861,500                                   | 352,920             | 3,214,420           |
| 2027-2031 | 2,640,000                                   | 185,347             | 2,825,347           |
| 2032-2036 | 799,000                                     | 26,380              | 825,380             |
| 2037-2041 | -   | -                   | -                   |
| Total     | <u>\$ 9,659,400</u>                         | <u>\$ 1,125,521</u> | <u>\$10,784,921</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM DEBT (Cont.)

|           | Revenue Bonds                   |                   |                    | Mortgage Note                  |                  |                  |
|-----------|---------------------------------|-------------------|--------------------|--------------------------------|------------------|------------------|
|           | <u>Business-Type Activities</u> |                   |                    | <u>Governmental Activities</u> |                  |                  |
|           | <u>Principal</u>                | <u>Interest</u>   | <u>Total</u>       | <u>Principal</u>               | <u>Interest</u>  | <u>Total</u>     |
| 2017      | \$ 224,170                      | \$ 31,029         | \$ 255,199         | \$ 10,555                      | \$ 2,713         | \$ 13,268        |
| 2018      | 229,419                         | 29,519            | 258,938            | 10,957                         | 2,311            | 13,268           |
| 2019      | 229,680                         | 27,644            | 257,324            | 11,369                         | 1,899            | 13,268           |
| 2020      | 229,952                         | 25,662            | 255,614            | 4,617                          | 1,462            | 6,079            |
| 2021      | 230,237                         | 23,426            | 253,663            | 4,779                          | 1,300            | 6,079            |
| 2022-2026 | 614,689                         | 79,420            | 694,109            | 26,523                         | 3,872            | 30,395           |
| 2027-2031 | 176,553                         | 41,039            | 217,592            | 5,851                          | 205              | 6,056            |
| 2032-2036 | 58,275                          | 19,158            | 77,433             | -                              | 1,203            | 1,203            |
| 2037-2041 | <u>54,432</u>                   | <u>4,931</u>      | <u>59,363</u>      | -                              | -                | -                |
| Total     | <u>\$2,047,407</u>              | <u>\$ 281,828</u> | <u>\$2,329,235</u> | <u>\$ 74,651</u>               | <u>\$ 14,965</u> | <u>\$ 89,616</u> |

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

The City of Mountain Lake, Minnesota 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.

**1. General Employees Retirement Fund (General Employees Plan (accounted for in the General Employees Fund))**

All full-time and certain part-time employees of the City of Mountain Lake, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**2. Public Employees Police and Fire Fund (Police and Fire Fund (accounted for in the Police and Fire Fund))**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

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



CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Benefits Provided (Cont.)

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

**1. General Employees Plan Benefits**

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

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by that state Legislature.

**1. General Employees Fund Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 6.50% and 9.10%, respectively, of their annual covered salary in 2016. The City of Mountain Lake, Minnesota was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City of Mountain Lake, Minnesota contributions to the General Employees Fund for the year ended December 31, 2016, were \$47,810. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2016. The City of Mountain Lake, Minnesota was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2016. The City of Mountain Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$31,063. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs

**1. General Employees Fund Pension Costs**

At December 31, 2016, the City of Mountain Lake, Minnesota reported a liability of \$828,190 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Mountain Lake, Minnesota proportion of the net pension liability was based on the City of Mountain Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Mountain Lake, Minnesota proportion share was 0.0102% which was an decrease of 0.0003% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Mountain Lake, Minnesota recognized pension expense of \$110,903 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2016, the City of Mountain Lake, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br><u>Resources</u> | Deferred<br>Inflows of<br><u>Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience   | \$ -  | \$ 67,801                                  |
| Changes in actuarial assumptions                              | 162,160                                     | -  |
| Difference between projected and actual investment earnings   | 158,297                                     | -  |
| Changes in proportion   | -   | 28,102                                     |
| Contributions paid to PERA subsequent to the measurement date | <u>24,132</u>                               | <u>-</u>                                   |
| Total   | <u>\$ 344,589</u>                           | <u>\$ 95,903</u>                           |

\$24,132 reported as deferred outflows of resources related to pensions resulting from City of Mountain Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> | <u>Pension Expense Amount</u> |
|----------------------------|-------------------------------|
| 2017                       | \$ (59,091)                   |
| 2018                       | \$ (59,090)                   |
| 2019                       | \$ (76,456)                   |
| 2020                       | \$ (29,917)                   |
| 2021                       | \$ -                          |
| Thereafter                 | \$ -                          |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

**2. Police and Fire Fund Pension Costs**

At December 31, 2016, the City of Mountain Lake, Minnesota reported a liability of \$722,371 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Mountain Lake, Minnesota proportion of the net pension liability was based on the City of Mountain Lake, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Mountain Lake, Minnesota proportion was 0.0180% which was an decrease of 0.0010% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Mountain Lake, Minnesota recognized pension expense of \$120,938 for its proportionate share of the Police and Fire Fund's pension expense. The City of Mountain Lake, Minnesota also recognized \$1,620 for the year ended December 31, 2016, as pension expense (and as offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required that State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016, the City of Mountain Lake, Minnesota reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience                                     | \$ -  | \$ 79,675                                    |
| Changes in actuarial assumptions  | 397,553                                       | -  |
| Difference between projected and actual investment earnings                                     | 111,723                                       | -  |
| Changes in proportion   | -   | 15,469                                       |
| Contributions paid to PERA subsequent to the measurement date<br>[to be calculated by employer] | <u>15,815</u>                                 | <u>-</u>                                     |
| Total   | <u>\$ 525,091</u>                             | <u>\$ 95,144</u>                             |

\$15,815 reported as deferred outflows of resources related to pensions resulting from City of Mountain Lake, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amount reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> | <u>Pension Expense Amount</u> |
|----------------------------|-------------------------------|
| 2017                       | \$ (126,195)                  |
| 2018                       | \$ (126,196)                  |
| 2019                       | \$ (140,862)                  |
| 2020                       | \$ (20,879)                   |
| 2021                       |                               |
| Thereafter                 |                               |

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

E. Actuarial Assumptions

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

|                              |                |
|------------------------------|----------------|
| Inflation                    | 2.75% per year |
| Active Member Payroll Growth | 3.25% per year |
| Investment Rate of Return    | 7.50%          |

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

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for the Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

**General Employees Fund**

- The assumed post-retirement benefit increases rate was changed from 1 percent per year through 2035 and 2.5 percent per year thereafter to 1 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 2.5 percent for inflation

**Police and Fire Fund**

- The assumed post-retirement benefit increases rate was changed from 1 percent per year through 2037 and 2.5 percent per year thereafter to 1 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.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation..

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

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

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Stocks      | 45%                      | 5.50%   |
| International Stocks | 15%                      | 6.00%   |
| Bonds                | 18%                      | 1.45%   |
| Alternative Assets   | 20%                      | 6.40%   |
| Cash                 | <u>2%</u>                | 0.50%   |
| Total                | 100%                     |   |

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefits payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.6% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.5% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

G. Pension Liability Sensitivity

The following presents the City of Mountain Lake, Minnesota 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 of Mountain Lake, Minnesota proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

|                         | 1% Decrease<br>in Discount<br>Rate (6.5%) | Discount<br>Rate (7.5%) | 1% Increase<br>in Discount<br>Rate (8.5%) |
|-------------------------|---|-------------------------|---|
| General Employees Fund: | \$ 1,176,274                              | \$ 828,190              | \$ 541,462                                |
|                         | 1% Decrease<br>in Discount<br>Rate (4.6%) | Discount<br>Rate (5.6%) | 1% Increase<br>in Discount<br>Rate (6.6%) |
| Police and Fire Fund    | \$ 1,011,224                              | \$ 722,371              | \$ 486,357                                |

H. Pension Plan Fiduciary Net Position

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

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

All members of the Mountain Lake Fire Department (the Department) are covered by a Defined Benefit Plan (the Plan) administered by the Mountain Lake Firefighters' Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, chapter 69.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to Mountain Lake Firefighters' Relief Association, 930 Third Ave, Mountain Lake, Minnesota 56159.

13. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

14. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2016.

CITY OF MOUNTAIN LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, 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 the 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 (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Commitments

CapX Initiative - CMMPA entered into a Transmissions Project Memorandum of Understanding dated August 24, 2006, along with five other energy companies to construct power transmission lines in Minnesota, the largest portion of which consists of 220 miles of new power transmission lines between Brookings, South Dakota and the Twin Cities. The CapX Initiative is one of several transmission projects arising from the CapX 2020 Initiative, the purpose of which is to enhance the reliability of electrical power transmission for customers in Minnesota and the surrounding region.

The City is one of ten agency participants in the CapX Initiative. The City's participant election share is \$1,075,571 for participant election of 2.17 percent.

Land Lease and Easement Contract - On May 19, 2006, the City entered into a land lease and wind easement contract with a local citizen. The term of the lease is 20 years with rents being paid equal to \$4,000 per year for a wind turbine constructed on the premises.

REQUIRED SUPPLEMENTAL INFORMATION



CITY OF MOUNTAIN LAKE, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 With Comparative Amounts for the year ended December 31, 2015

|   | Original<br>Budget | Final<br>Budget  | <u>2016</u><br>Actual | Variance with<br>Final Budget | <u>2015</u><br>Actual |
|---|--------------------|------------------|-----------------------|-------------------------------|-----------------------|
| <b>REVENUES:</b>                                      |                    |                  |                       |                               |                       |
| <b>TAXES:</b>   |                    |                  |                       |                               |                       |
| General Property Taxes                                | \$ 278,768         | \$ 278,768       | \$ 251,285            | \$ (27,483)                   | \$ 260,830            |
| Special Assessments                                   | -                  | -                | 124                   | 124                           | -                     |
| <b>LICENSES AND PERMITS:</b>                          |                    |                  |                       |                               |                       |
| Business  | -                  | -                | 575                   | 575                           | 675                   |
| Nonbusiness   | 8,700              | 8,700            | 5,341                 | (3,359)                       | 4,611                 |
| Total Licenses and Permits                            | 8,700              | 8,700            | 5,916                 | (2,784)                       | 5,286                 |
| <b>INTERGOVERNMENTAL REVENUE:</b>                     |                    |                  |                       |                               |                       |
| Local Government Aid                                  | 794,248            | 794,248          | 794,248               | -                             | 791,958               |
| Market Value Credit                                   | -                  | -                | 591                   | 591                           | 631                   |
| PERA Rate Increase Aid                                | 1,228              | 1,228            | 1,228                 | -                             | 1,228                 |
| State Police Aid                                      | 28,000             | 28,000           | 25,495                | (2,505)                       | 27,351                |
| Other State Grants                                    | 5,000              | 5,000            | 10,769                | 5,769                         | 6,715                 |
| Small Cities Street Aid                               | -                  | -                | 288                   | 288                           | 30,859                |
| Total Intergovernmental Revenue                       | 828,476            | 828,476          | 832,619               | 4,143                         | 858,742               |
| <b>CHARGES FOR SERVICES:</b>                          |                    |                  |                       |                               |                       |
| General Government                                    | 400                | 400              | 951                   | 551                           | 520                   |
| Public Works  | 7,500              | 7,500            | 10,249                | 2,749                         | 5,951                 |
| Culture and Recreation                                | 12,193             | 12,193           | 30,420                | 18,227                        | 32,379                |
| Miscellaneous   | 21,000             | 21,000           | 15,600                | (5,400)                       | 18,000                |
| Total Charges for Services                            | 41,093             | 41,093           | 57,220                | 16,127                        | 56,850                |
| <b>FINES AND FORFEITS</b>                             |                    |                  |                       |                               |                       |
|   | 6,200              | 6,200            | 6,227                 | 27                            | 2,341                 |
| <b>INTEREST INCOME</b>                                |                    |                  |                       |                               |                       |
|   | 1,000              | 1,000            | 8,613                 | 7,613                         | 43,333                |
| <b>MISCELLANEOUS:</b>                                 |                    |                  |                       |                               |                       |
| Loan Repayments                                       | -                  | -                | 8,300                 | 8,300                         | 5,000                 |
| Miscellaneous Income                                  | 9,450              | 9,450            | 13,224                | 3,774                         | 11,631                |
| Total Miscellaneous                                   | 9,450              | 9,450            | 21,524                | 12,074                        | 16,631                |
| <b>TOTAL REVENUES</b>                                 | <u>1,173,687</u>   | <u>1,173,687</u> | <u>1,183,528</u>      | <u>9,841</u>                  | <u>1,244,013</u>      |
| <b>OTHER FINANCING SOURCES</b>                        |                    |                  |                       |                               |                       |
| Transfer In   | 137,559            | 137,559          | 169,560               | 32,001                        | 120,000               |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b> | <u>1,311,246</u>   | <u>1,311,246</u> | <u>1,353,088</u>      | <u>41,842</u>                 | <u>1,364,013</u>      |
| <b>EXPENDITURES:</b>                                  |                    |                  |                       |                               |                       |
| <b>GENERAL GOVERNMENT:</b>                            |                    |                  |                       |                               |                       |
| Mayor and Council:                                    |                    |                  |                       |                               |                       |
| Personnel Services                                    | 12,780             | 12,780           | 13,115                | (335)                         | 13,641                |
| Other Current Expenditures                            | 3,100              | 3,100            | 1,386                 | 1,714                         | 3,658                 |
| Total Mayor and Council                               | 15,880             | 15,880           | 14,501                | 1,379                         | 17,299                |
| Election:   |                    |                  |                       |                               |                       |
| Personnel Services                                    | 2,700              | 2,700            | 2,599                 | 101                           | -                     |
| Other Current Expenditures                            | 300                | 300              | 176                   | 124                           | (63)                  |
| Total Election  | 3,000              | 3,000            | 2,775                 | 225                           | (63)                  |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 With Comparative Amounts for the year ended December 31, 2015

|                                  | <u>2016</u>                |                         |                | Variance<br>with Final<br>Budget | <u>2015</u>    |
|----------------------------------|----------------------------|-------------------------|----------------|----------------------------------|----------------|
|                                  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  |                                  | <u>Actual</u>  |
| EXPENDITURES (Cont.):            |                            |                         |                |                                  |                |
| GENERAL GOVERNMENT (Cont.):      |                            |                         |                |                                  |                |
| Administrative and Finance:      |                            |                         |                |                                  |                |
| Personnel Services               | \$ 167,053                 | \$ 167,053              | \$ 127,684     | \$ 39,369                        | \$ 124,784     |
| Supplies                         | 4,500                      | 4,500                   | 7,350          | (2,850)                          | 9,138          |
| Other Current Expenditures       | 20,861                     | 20,861                  | 23,055         | (2,194)                          | 20,590         |
| Capital Outlay                   | <u>1,000</u>               | <u>1,000</u>            | <u>-</u>       | <u>1,000</u>                     | <u>-</u>       |
| Total Administrative and Finance | <u>193,414</u>             | <u>193,414</u>          | <u>158,089</u> | <u>35,325</u>                    | <u>154,512</u> |
| Community Center:                |                            |                         |                |                                  |                |
| Supplies                         | 1,250                      | 1,250                   | 519            | 731                              | 1,636          |
| Other Current Expenditures       | <u>10,925</u>              | <u>10,925</u>           | <u>10,442</u>  | <u>483</u>                       | <u>16,551</u>  |
| Total Community Center           | <u>12,175</u>              | <u>12,175</u>           | <u>10,961</u>  | <u>1,214</u>                     | <u>18,187</u>  |
| Planning and Zoning:             |                            |                         |                |                                  |                |
| Personnel Services               | 850                        | 850                     | 190            | 660                              | 470            |
| Other Current Expenditures       | <u>10,706</u>              | <u>10,706</u>           | <u>4,356</u>   | <u>6,350</u>                     | <u>33,115</u>  |
| Total Planning and Zoning        | <u>11,556</u>              | <u>11,556</u>           | <u>4,546</u>   | <u>7,010</u>                     | <u>33,585</u>  |
| Independent Auditing:            |                            |                         |                |                                  |                |
| Current Expenditures             | <u>9,000</u>               | <u>9,000</u>            | <u>6,000</u>   | <u>3,000</u>                     | <u>8,150</u>   |
| Legal:                           |                            |                         |                |                                  |                |
| Current Expenditures             | <u>8,000</u>               | <u>8,000</u>            | <u>12,289</u>  | <u>(4,289)</u>                   | <u>5,033</u>   |
| Total Legal                      | <u>8,000</u>               | <u>8,000</u>            | <u>12,289</u>  | <u>(4,289)</u>                   | <u>5,033</u>   |
| Total General Government         | <u>253,025</u>             | <u>253,025</u>          | <u>209,161</u> | <u>43,864</u>                    | <u>236,703</u> |
| PUBLIC SAFETY:                   |                            |                         |                |                                  |                |
| Police Protection:               |                            |                         |                |                                  |                |
| Personnel Services               | 299,546                    | 299,546                 | 284,193        | 15,353                           | 282,921        |
| Supplies                         | 15,700                     | 15,700                  | 10,955         | 4,745                            | 10,483         |
| Other Current Expenditures       | 31,001                     | 31,001                  | 37,335         | (6,334)                          | 30,577         |
| Capital Outlay                   | <u>-</u>                   | <u>-</u>                | <u>36,172</u>  | <u>(36,172)</u>                  | <u>782</u>     |
| Total Police Protection          | <u>346,247</u>             | <u>346,247</u>          | <u>368,655</u> | <u>(22,408)</u>                  | <u>324,763</u> |
| Total Public Safety              | <u>346,247</u>             | <u>346,247</u>          | <u>368,655</u> | <u>(22,408)</u>                  | <u>324,763</u> |
| PUBLIC WORKS:                    |                            |                         |                |                                  |                |
| Streets and Alleys:              |                            |                         |                |                                  |                |
| Personnel Services               | 133,748                    | 133,748                 | 135,373        | (1,625)                          | 129,597        |
| Supplies                         | 37,000                     | 37,000                  | 35,358         | 1,642                            | 27,791         |
| Other Current Expenditures       | 65,045                     | 65,045                  | 97,818         | (32,773)                         | 66,285         |
| Capital Outlay                   | <u>52,500</u>              | <u>52,500</u>           | <u>109,510</u> | <u>(57,010)</u>                  | <u>11,500</u>  |
| Total Streets and Alleys         | <u>288,293</u>             | <u>288,293</u>          | <u>378,059</u> | <u>(89,766)</u>                  | <u>235,173</u> |
| Street Lighting:                 |                            |                         |                |                                  |                |
| Current Expenditures             | <u>38,000</u>              | <u>38,000</u>           | <u>35,717</u>  | <u>2,283</u>                     | <u>41,559</u>  |
| Total Street Lighting            | <u>38,000</u>              | <u>38,000</u>           | <u>35,717</u>  | <u>2,283</u>                     | <u>41,559</u>  |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

|                                     | 2016               |                  |                  | Variance<br>with Final<br>Budget | 2015             |
|-------------------------------------|--------------------|------------------|------------------|----------------------------------|------------------|
|                                     | Original<br>Budget | Final<br>Budget  | Actual           |                                  | Actual           |
| EXPENDITURES (Cont.):               |                    |                  |                  |                                  |                  |
| PUBLIC WORKS (Cont.):               |                    |                  |                  |                                  |                  |
| Storm Sewer:                        |                    |                  |                  |                                  |                  |
| Supplies                            | \$ 1,500           | \$ 1,500         | \$ 3,921         | \$ (2,421)                       | \$ 1,755         |
| Other Current Expenditures          | 3,500              | 3,500            | 3                | 3,497                            | 3                |
| Total Storm Sewer                   | <u>5,000</u>       | <u>5,000</u>     | <u>3,924</u>     | <u>1,076</u>                     | <u>1,758</u>     |
| Total Public Works                  | <u>331,293</u>     | <u>331,293</u>   | <u>417,700</u>   | <u>(86,407)</u>                  | <u>278,490</u>   |
| CULTURE AND RECREATION:             |                    |                  |                  |                                  |                  |
| Parks and Recreation:               |                    |                  |                  |                                  |                  |
| Personnel Services                  | 41,285             | 41,285           | 41,019           | 266                              | 38,081           |
| Supplies                            | 4,000              | 4,000            | 3,465            | 535                              | 3,989            |
| Other Current Expenditures          | 43,155             | 43,155           | 152,302          | (109,147)                        | 67,301           |
| Capital Outlay                      | <u>5,000</u>       | <u>5,000</u>     | <u>5,800</u>     | <u>(800)</u>                     | <u>-</u>         |
| Total Parks and Recreation          | <u>93,440</u>      | <u>93,440</u>    | <u>202,586</u>   | <u>(109,146)</u>                 | <u>109,371</u>   |
| Campgrounds:                        |                    |                  |                  |                                  |                  |
| Personnel Services                  | 2,883              | 2,883            | 2,722            | 161                              | 2,718            |
| Other Current Expenditures          | 5,810              | 5,810            | 9,022            | (3,212)                          | 12,325           |
| Capital Outlay                      | <u>2,000</u>       | <u>2,000</u>     | <u>6,091</u>     | <u>(4,091)</u>                   | <u>-</u>         |
| Total Campgrounds                   | <u>10,693</u>      | <u>10,693</u>    | <u>17,835</u>    | <u>(7,142)</u>                   | <u>15,043</u>    |
| Total Culture and Recreation        | <u>104,133</u>     | <u>104,133</u>   | <u>220,421</u>   | <u>(116,288)</u>                 | <u>124,414</u>   |
| SANITATION:                         |                    |                  |                  |                                  |                  |
| Waste Collection and Disposal:      |                    |                  |                  |                                  |                  |
| Other Current Expenditures          | <u>9,000</u>       | <u>9,000</u>     | <u>9,610</u>     | <u>(610)</u>                     | <u>11,000</u>    |
| Total Waste Collection and Disposal | <u>9,000</u>       | <u>9,000</u>     | <u>9,610</u>     | <u>(610)</u>                     | <u>11,000</u>    |
| Total Sanitation                    | <u>9,000</u>       | <u>9,000</u>     | <u>9,610</u>     | <u>(610)</u>                     | <u>11,000</u>    |
| ECONOMIC DEVELOPMENT:               |                    |                  |                  |                                  |                  |
| Other Current Expenditures          | <u>-</u>           | <u>-</u>         | <u>-</u>         | <u>-</u>                         | <u>1,250</u>     |
| MISCELLANEOUS:                      |                    |                  |                  |                                  |                  |
| Cemetery                            | -                  | -                | -                | -                                | -                |
| Personnel Services                  | 44,336             | 44,336           | 43,639           | 697                              | 41,687           |
| Other Current Expenditures          | 2,280              | 2,280            | 3,179            | (899)                            | 1,208            |
| Supplies                            | 24,000             | 24,000           | 25,857           | (1,857)                          | 22,947           |
| Current Expenditures                | <u>11,000</u>      | <u>11,000</u>    | <u>14,996</u>    | <u>(3,996)</u>                   | <u>18,451</u>    |
| Total Miscellaneous                 | <u>81,616</u>      | <u>81,616</u>    | <u>87,671</u>    | <u>(6,055)</u>                   | <u>84,293</u>    |
| TOTAL EXPENDITURES                  | <u>1,125,314</u>   | <u>1,125,314</u> | <u>1,313,218</u> | <u>(187,904)</u>                 | <u>1,060,913</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
With Comparative Amounts for the year ended December 31, 2015

|   | <u>2016</u>                |                         |                     | Variance<br>with Final<br>Budget | <u>2015</u>         |
|---|----------------------------|-------------------------|---------------------|----------------------------------|---------------------|
|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       |                                  | <u>Actual</u>       |
| EXCESS REVENUES AND OTHER<br>FINANCING SOURCES OVER<br>EXPENDITURES                                     | <u>\$ 185,932</u>          | <u>\$ 185,932</u>       | <u>\$ 39,870</u>    | <u>\$ (146,062)</u>              | <u>\$ 303,100</u>   |
| OTHER FINANCING USES:<br>Transfer Out   | <u>185,932</u>             | <u>185,932</u>          | <u>114,486</u>      | <u>(71,446)</u>                  | <u>251,296</u>      |
| EXCESS REVENUES AND OTHER<br>FINANCING SOURCES OVER<br>(UNDER) EXPENDITURES AND<br>OTHER FINANCING USES | -                          | -                       | (74,616)            | (217,508)                        | 51,804              |
| FUND BALANCES - January 1   | <u>1,958,854</u>           | <u>1,958,854</u>        | <u>1,958,854</u>    | <u>-</u>                         | <u>1,907,050</u>    |
| FUND BALANCES - December 31   | <u>\$ 1,958,854</u>        | <u>\$ 1,958,854</u>     | <u>\$ 1,884,238</u> | <u>\$ (217,508)</u>              | <u>\$ 1,958,854</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 LIBRARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

|                                      | <u>2016</u>       |                   |                   | Variance         | <u>2015</u>       |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|                                      | <u>Original</u>   | <u>Final</u>      | <u>Actual</u>     | with Final       | <u>Actual</u>     |
|                                      | <u>Budget</u>     | <u>Budget</u>     |                   | <u>Budget</u>    |                   |
| REVENUES                             |                   |                   |                   |                  |                   |
| General Property Taxes               | \$ 120,824        | \$ 120,824        | \$ 120,824        | \$ -             | \$ 116,202        |
| Intergovernmental Revenue            |                   |                   |                   |                  |                   |
| Local Government Aid                 | 17,456            | 17,456            | 17,456            | -                | 17,406            |
| Other State Grants                   | 23,000            | 23,000            | 22,731            | (269)            | 20,915            |
| Fines and Forfeits                   | -                 | -                 | 106               | 106              | 141               |
| Interest Income                      | -                 | -                 | 248               | 248              | 176               |
| Miscellaneous                        |                   |                   |                   |                  |                   |
| Miscellaneous Income                 | <u>-</u>          | <u>-</u>          | <u>96</u>         | <u>96</u>        | <u>64</u>         |
| TOTAL REVENUES                       | <u>161,280</u>    | <u>161,280</u>    | <u>161,461</u>    | <u>181</u>       | <u>154,904</u>    |
| EXPENDITURES                         |                   |                   |                   |                  |                   |
| Personnel Services                   | 113,837           | 113,837           | 109,407           | 4,430            | 108,220           |
| Supplies                             | 18,000            | 18,000            | 11,142            | 6,858            | 16,513            |
| Other Current Expenditures           | 23,364            | 23,364            | 18,406            | 4,958            | 19,810            |
| Debt Service                         |                   |                   |                   |                  |                   |
| Principal Payments                   | 4,024             | 4,024             | 4,024             | -                | 3,887             |
| Interest Payments                    | <u>2,055</u>      | <u>2,055</u>      | <u>2,055</u>      | <u>-</u>         | <u>2,192</u>      |
| TOTAL EXPENDITURES                   | <u>161,280</u>    | <u>161,280</u>    | <u>145,034</u>    | <u>16,246</u>    | <u>150,622</u>    |
| EXCESS REVENUES OVER<br>EXPENDITURES | <u>-</u>          | <u>-</u>          | <u>16,427</u>     | <u>16,427</u>    | <u>4,282</u>      |
| FUND BALANCES - January 1            | <u>140,177</u>    | <u>140,177</u>    | <u>140,177</u>    | <u>-</u>         | <u>135,895</u>    |
| FUND BALANCES - December 31          | <u>\$ 140,177</u> | <u>\$ 140,177</u> | <u>\$ 156,604</u> | <u>\$ 16,427</u> | <u>\$ 140,177</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
FIRE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

|                                      | 2016               |                   |                   |                                  | 2015              |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|-------------------|
|                                      | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>with Final<br>Budget | Actual            |
| REVENUES:                            |                    |                   |                   |                                  |                   |
| General Property Taxes               | \$ 37,535          | \$ 37,535         | \$ 37,535         | \$ -                             | \$ 45,944         |
| Intergovernmental Revenue            |                    |                   |                   |                                  |                   |
| Local Government Aid                 | 34,912             | 34,912            | 34,912            | -                                | 34,811            |
| State Fire Aid                       | 53,270             | 53,270            | 57,488            | 4,218                            | 48,948            |
| Other State Grants                   | -                  | -                 | 400               | 400                              | 1,810             |
| Charges for Services                 | 12,000             | 12,000            | 11,391            | (609)                            | 9,200             |
| Interest Income                      | 100                | 100               | 602               | 502                              | 375               |
| Miscellaneous                        | -                  | -                 | 900               | 900                              | 30,674            |
| TOTAL REVENUES                       | <u>137,817</u>     | <u>137,817</u>    | <u>143,228</u>    | <u>5,411</u>                     | <u>171,762</u>    |
| EXPENDITURES:                        |                    |                   |                   |                                  |                   |
| Personnel Services                   | 42,696             | 42,696            | 44,980            | (2,284)                          | 51,408            |
| Supplies                             | 3,000              | 3,000             | 1,066             | 1,934                            | 1,326             |
| Other Current Expenditures           | 37,934             | 37,934            | 39,084            | (1,150)                          | 27,883            |
| Debt Service                         |                    |                   |                   |                                  |                   |
| Principal Payments                   | 6,145              | 6,145             | 6,145             | -                                | 5,909             |
| Interest Payments                    | 1,044              | 1,044             | 1,044             | -                                | 1,280             |
| Capital Outlay                       | <u>46,998</u>      | <u>46,998</u>     | <u>6,855</u>      | <u>40,143</u>                    | <u>28,781</u>     |
| TOTAL EXPENDITURES                   | <u>137,817</u>     | <u>137,817</u>    | <u>99,174</u>     | <u>38,643</u>                    | <u>116,587</u>    |
| EXCESS REVENUES OVER<br>EXPENDITURES | <u>-</u>           | <u>-</u>          | <u>44,054</u>     | <u>44,054</u>                    | <u>55,175</u>     |
| FUND BALANCE - January 1             | <u>228,797</u>     | <u>228,797</u>    | <u>228,797</u>    | <u>-</u>                         | <u>173,622</u>    |
| FUND BALANCE - December 31           | <u>\$ 228,797</u>  | <u>\$ 228,797</u> | <u>\$ 272,851</u> | <u>\$ 44,054</u>                 | <u>\$ 228,797</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 AMBULANCE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

|                                      | <u>2016</u>       |                   |                   | Variance         | <u>2015</u>       |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|                                      | <u>Original</u>   | <u>Final</u>      | <u>Actual</u>     | with Final       | <u>Actual</u>     |
|                                      | <u>Budget</u>     | <u>Budget</u>     |                   | <u>Budget</u>    |                   |
| REVENUES                             |                   |                   |                   |                  |                   |
| General Property Taxes               | \$ 24,071         | \$ 24,071         | \$ 24,071         | \$ -             | \$ 31,483         |
| Intergovernmental Revenue            |                   |                   |                   |                  |                   |
| Local Government Aid                 | 26,184            | 26,184            | 26,184            | -                | 26,109            |
| Other State Grants                   | -                 | -                 | 4,275             | 4,275            | 3,725             |
| Other Public Safety                  | 83,420            | 83,420            | 115,056           | 31,636           | 111,049           |
| Interest Income                      | 500               | 500               | 636               | 136              | 385               |
| Miscellaneous                        |                   |                   |                   |                  |                   |
| Miscellaneous Income                 | -                 | -                 | 462               | 462              | 11,245            |
| TOTAL REVENUES                       | <u>134,175</u>    | <u>134,175</u>    | <u>170,684</u>    | <u>36,509</u>    | <u>183,996</u>    |
| EXPENDITURES                         |                   |                   |                   |                  |                   |
| Personnel Services                   | 90,355            | 90,355            | 88,094            | 2,261            | 89,089            |
| Other                                | 7,500             | 7,500             | 7,460             | 40               | 8,696             |
| Current Expenditures                 | 32,320            | 32,320            | 40,093            | (7,773)          | 39,156            |
| Capital Outlay                       | <u>4,000</u>      | <u>4,000</u>      | <u>20,081</u>     | <u>(16,081)</u>  | <u>4,885</u>      |
| TOTAL EXPENDITURES                   | <u>134,175</u>    | <u>134,175</u>    | <u>155,728</u>    | <u>(21,553)</u>  | <u>141,826</u>    |
| EXCESS REVENUES OVER<br>EXPENDITURES | <u>-</u>          | <u>-</u>          | <u>14,956</u>     | <u>14,956</u>    | <u>42,170</u>     |
| FUND BALANCE - January 1             | <u>273,841</u>    | <u>273,841</u>    | <u>273,841</u>    | <u>-</u>         | <u>231,671</u>    |
| FUND BALANCE - December 31           | <u>\$ 273,841</u> | <u>\$ 273,841</u> | <u>\$ 288,797</u> | <u>\$ 14,956</u> | <u>\$ 273,841</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 LAKE COMMISSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

|   | <u>2016</u>      |                  |                  | Variance          | <u>2015</u>      |
|---|------------------|------------------|------------------|-------------------|------------------|
|   | <u>Original</u>  | <u>Final</u>     | <u>Actual</u>    | with Final        | <u>Actual</u>    |
|   | <u>Budget</u>    | <u>Budget</u>    |                  | <u>Budget</u>     |                  |
| REVENUES  |                  |                  |                  |                   |                  |
| General Property Taxes  | \$ 1,500         | \$ 1,500         | \$ 1,500         | \$ -              | \$ 1,500         |
| Intergovernmental Revenue   |                  |                  |                  |                   |                  |
| Other State Grants  | 10,000           | 10,000           | 4,000            | (6,000)           | 19,587           |
| Interest Income   | -                | -                | 36               | 36                | -                |
| Miscellaneous   |                  |                  |                  |                   |                  |
| Miscellaneous   | <u>1,500</u>     | <u>1,500</u>     | <u>1,299</u>     | <u>(201)</u>      | <u>4,650</u>     |
| TOTAL REVENUES  | <u>13,000</u>    | <u>13,000</u>    | <u>6,835</u>     | <u>(6,165)</u>    | <u>25,737</u>    |
| OTHER FINANCING SOURCES   |                  |                  |                  |                   |                  |
| Transfer In   | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>          | <u>76,499</u>    |
| EXPENDITURES  |                  |                  |                  |                   |                  |
| Personnel Services  | 2,905            | 2,905            | 4,549            | (1,644)           | 3,222            |
| Supplies  | 3,000            | 3,000            | 499              | 2,501             | 1,236            |
| Other Current Expenditures  | <u>7,095</u>     | <u>7,095</u>     | <u>4,668</u>     | <u>2,427</u>      | <u>1,916</u>     |
| TOTAL EXPENDITURES  | <u>13,000</u>    | <u>13,000</u>    | <u>9,716</u>     | <u>3,284</u>      | <u>6,374</u>     |
| EXCESS REVENUES AND OTHER<br>FINANCING SOURCES OVER<br>EXPENDITURES | <u>-</u>         | <u>-</u>         | <u>(2,881)</u>   | <u>(2,881)</u>    | <u>95,862</u>    |
| FUND BALANCES (DEFICIT) - January 1                                 | <u>19,294</u>    | <u>19,294</u>    | <u>19,294</u>    | <u>-</u>          | <u>(76,568)</u>  |
| FUND BALANCES (DEFICIT) -<br>December 31                            | <u>\$ 19,294</u> | <u>\$ 19,294</u> | <u>\$ 16,413</u> | <u>\$ (2,881)</u> | <u>\$ 19,294</u> |



CITY OF MOUNTAIN LAKE, MINNESOTA  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2016

| Fiscal Year<br>Ending | Proportion<br>(Percentage) of<br>the Net Pension<br>Liability (Asset) | Proportionate<br>Share (Amount)<br>of the Net<br>Pension Liability<br>(Asset) | Covered-<br>Employee<br>Payroll | Proportionate<br>Share of the Net<br>Pension Liability<br>(Asset) as a<br>Percentage of its<br>Covered-<br>Employee<br>Payroll | Plan Fiduciary<br>Net Position as a<br>Percentage of<br>the Total<br>Pension Liability |
|-----------------------|---|---|---------------------------------|--|--|
| June 30, 2016         | 0.0102 %  | 828,190   | 633,214                         | 130.79 %   | 68.90 %  |
| June 30, 2015         | 0.0105 %  | 544,290   | 616,226                         | 88.33 %  | 78.19 %  |

CITY OF MOUNTAIN LAKE, MINNESOTA  
SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2016

| Fiscal Year Ended | Statutorily<br>Required<br>Contribution | Contributions in<br>Relation to the<br>Statutorily<br>Required<br>Contributions | Contributions<br>Deficiency<br>(Excess) | Covered-<br>Employee<br>Payroll | Contributions as<br>a Percentage of<br>Covered-<br>Employee<br>Payroll |
|-------------------|---|---|---|---------------------------------|--|
| December 31, 2016 | \$ 47,810                               | \$ 47,810   | -                                       | \$ 637,467                      | 7.50 %   |
| December 31, 2015 | \$ 47,215                               | \$ 47,215   | -                                       | \$ 629,533                      | 7.50 %   |

CITY OF MOUNTAIN LAKE, MINNESOTA  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND  
DECEMBER 31, 2016

| Fiscal Year<br>Ending | Proportion<br>(Percentage) of<br>the Net Pension<br>Liability (Asset) | Proportionate<br>Share (Amount)<br>of the Net<br>Pension Liability<br>(Asset) | Covered-<br>Employee<br>Payroll | Proportionate<br>Share of the Net<br>Pension Liability<br>(Asset) as a<br>Percentage of its<br>Covered-<br>Employee<br>Payroll | Plan Fiduciary<br>Net Position as a<br>Percentage of<br>the Total<br>Pension Liability |
|-----------------------|---|---|---------------------------------|--|--|
| June 30, 2016         | 0.0180 %  | 722,371   | 175,290                         | 412.10 %   | 63.90 %  |
| June 30, 2015         | 0.0190 %  | 215,884   | 176,581                         | 122.26 %   | 78.19 %  |

CITY OF MOUNTAIN LAKE, MINNESOTA  
SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND  
DECEMBER 31, 2016

| Fiscal Year Ended | Statutorily<br>Required<br>Contribution | Contributions in<br>Relation to the<br>Statutorily<br>Required<br>Contributions | Contributions<br>Deficiency<br>(Excess) | Covered-<br>Employee<br>Payroll | Contributions as<br>a Percentage of<br>Covered-<br>Employee<br>Payroll |
|-------------------|---|---|---|---------------------------------|--|
| December 31, 2016 | \$ 31,063                               | \$ 31,063   | -                                       | \$ 191,747                      | 16.20 %  |
| December 31, 2015 | \$ 27,675                               | \$ 27,675   | -                                       | \$ 170,833                      | 16.20 %  |

SECTION III

SUPPLEMENTAL SECTION

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

|   | Special<br>Revenue      | Debt Service            | Capital<br>Projects   | Total                   |
|---|-------------------------|-------------------------|-----------------------|-------------------------|
| <b>ASSETS:</b>  |                         |                         |                       |                         |
| Cash and Investments  | \$ 1,340,190            | \$ 1,014,862            | \$ 109,129            | \$ 2,464,181            |
| Escrowed Investment   | -                       | 42,001                  | -                     | 42,001                  |
| Accounts Receivable   | 4,697                   | -                       | -                     | 4,697                   |
| Special Assessments Receivable  | -                       | 1,741,370               | -                     | 1,741,370               |
| Interest Receivable   | -                       | 205                     | -                     | 205                     |
| Notes Receivable  | 692,387                 | 761,696                 | -                     | 1,454,083               |
| Due from Other Funds  | 105,000                 | 42,731                  | -                     | 147,731                 |
| Land Held for Resale  | <u>36,373</u>           | <u>-</u>                | <u>-</u>              | <u>36,373</u>           |
| <br>TOTAL ASSETS  | <br><u>\$ 2,178,647</u> | <br><u>\$ 3,602,865</u> | <br><u>\$ 109,129</u> | <br><u>\$ 5,890,641</u> |
| <br><b>LIABILITIES:</b>   |                         |                         |                       |                         |
| Accounts Payable  | \$ 3,453                | \$ 5,000                | \$ 2                  | \$ 8,455                |
| Accrued Interest  | -                       | 7,036                   | -                     | 7,036                   |
| Accrued Payroll   | 5,535                   | -                       | -                     | 5,535                   |
| Due to Other Funds  | <u>38,730</u>           | <u>79,959</u>           | <u>260,140</u>        | <u>378,829</u>          |
| <br>Total Liabilities   | <br><u>47,718</u>       | <br><u>91,995</u>       | <br><u>260,142</u>    | <br><u>399,855</u>      |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>   |                         |                         |                       |                         |
| Unavailable Revenue   | <u>148,187</u>          | <u>2,501,689</u>        | <u>-</u>              | <u>2,649,876</u>        |
| Total Deferred Inflows of Resources   | <u>148,187</u>          | <u>2,501,689</u>        | <u>-</u>              | <u>2,649,876</u>        |
| <br><b>FUND BALANCES:</b>   |                         |                         |                       |                         |
| Nonspendable  | 105,000                 | -                       | -                     | 105,000                 |
| Restricted  | 1,032,043               | 1,026,362               | -                     | 2,058,405               |
| Assigned  | 869,873                 | -                       | 109,127               | 979,000                 |
| Unassigned (Deficit)  | <u>(24,174)</u>         | <u>(17,181)</u>         | <u>(260,140)</u>      | <u>(301,495)</u>        |
| Total Fund Balances (Deficit)   | <u>1,982,742</u>        | <u>1,009,181</u>        | <u>(151,013)</u>      | <u>2,840,910</u>        |
| <br><b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <br><u>\$ 2,178,647</u> | <br><u>\$ 3,602,865</u> | <br><u>\$ 109,129</u> | <br><u>\$ 5,890,641</u> |

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

|  | <u>Special<br/>Revenue</u> | <u>Debt Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>        |
|--|----------------------------|---------------------|-----------------------------|---------------------|
| <b>REVENUES</b>  |                            |                     |                             |                     |
| Taxes  | \$ 211,400                 | \$ 420,914          | \$ 9,551                    | \$ 641,865          |
| Intergovernmental Revenue  | 314,136                    | -                   | -                           | 314,136             |
| Charges for Services   | 126,447                    | 266,795             | -                           | 393,242             |
| Fines and Forfeits   | 106                        | -                   | -                           | 106                 |
| Interest Income  | 3,460                      | 2,190               | 936                         | 6,586               |
| Miscellaneous  | <u>74,143</u>              | <u>68,663</u>       | <u>-</u>                    | <u>142,806</u>      |
| Total Revenues   | <u>729,692</u>             | <u>758,562</u>      | <u>10,487</u>               | <u>1,498,741</u>    |
| <b>EXPENDITURES</b>  |                            |                     |                             |                     |
| Public Safety  | 220,777                    | -                   | -                           | 220,777             |
| Culture and Recreation   | 138,955                    | -                   | -                           | 138,955             |
| Sanitation   | 9,716                      | -                   | -                           | 9,716               |
| Economic Development   | 298,000                    | 90,433              | 4,632                       | 393,065             |
| Miscellaneous  | -                          | 52,677              | -                           | 52,677              |
| Debt Service   |                            |                     |                             |                     |
| Principal Payments   | 10,169                     | 648,350             | -                           | 658,519             |
| Interest Payments  | 3,099                      | 232,483             | -                           | 235,582             |
| Miscellaneous  | -                          | 1,490               | -                           | 1,490               |
| Capital Outlay   | <u>97,301</u>              | <u>-</u>            | <u>58,149</u>               | <u>155,450</u>      |
| Total Expenditures   | <u>778,017</u>             | <u>1,025,433</u>    | <u>62,781</u>               | <u>1,866,231</u>    |
| EXCESS EXPENDITURES OVER REVENUES  | (48,325)                   | (266,871)           | (52,294)                    | (367,490)           |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                            |                     |                             |                     |
| Transfer In  | 122,957                    | 179,949             | -                           | 302,906             |
| Issuance of Debt   | 19,765                     | -                   | -                           | 19,765              |
| Transfer Out   | <u>(14,400)</u>            | <u>-</u>            | <u>(191,580)</u>            | <u>(205,980)</u>    |
| EXCESS REVENUES AND OTHER SOURCES<br>OVER (UNDER) EXPENDITURES AND<br>OTHER USES | 79,997                     | (86,922)            | (243,874)                   | (250,799)           |
| FUND BALANCES - January 1  | <u>1,902,745</u>           | <u>1,096,103</u>    | <u>92,861</u>               | <u>3,091,709</u>    |
| FUND BALANCES (DEFICIT) - December 31  | <u>\$ 1,982,742</u>        | <u>\$ 1,009,181</u> | <u>\$ (151,013)</u>         | <u>\$ 2,840,910</u> |

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

|   | 202 - 2014<br>Small Cities<br>Development | 205 -<br>Economic<br>Development<br>Authority | 211 -<br>Library  | 221 - Fire<br>Department | 230 -<br>Revolving<br>Loan Fund |
|---|---|---|-------------------|--------------------------|---------------------------------|
| <b>ASSETS</b>   |   |   |                   |                          |                                 |
| Cash and Investments  | \$ -                                      | \$ 50,326                                     | \$ 159,800        | \$ 307,072               | \$ 172,749                      |
| Accounts Receivable   | -   | 158   | -                 | 2,150                    | -                               |
| Notes Receivable  | -   | -   | -                 | -                        | 544,198                         |
| Due from Other Funds  | -   | 30,000  | -                 | -                        | -                               |
| Land Held for Resale  | -   | 24,352  | -                 | -                        | 12,021                          |
| <b>TOTAL ASSETS</b>   | <b>\$ -</b>                               | <b>\$ 104,836</b>                             | <b>\$ 159,800</b> | <b>\$ 309,222</b>        | <b>\$ 728,968</b>               |
| <b>LIABILITIES</b>  |   |   |                   |                          |                                 |
| Accounts Payable  | \$ -                                      | \$ 309  | \$ 277            | \$ 923                   | \$ -                            |
| Accrued Payroll   | -   | 2,616   | 2,919             | -                        | -                               |
| Due to Other Funds  | 8,730                                     | -   | -                 | -                        | -                               |
| <b>Total Liabilities</b>  | <b>8,730</b>                              | <b>2,925</b>                                  | <b>3,196</b>      | <b>923</b>               | <b>-</b>                        |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |   |   |                   |                          |                                 |
| Unavailable Revenue   | -   | -   | -                 | -                        | -                               |
| <b>Total Deferred Inflows of Resources</b>  | <b>-</b>                                  | <b>-</b>                                      | <b>-</b>          | <b>-</b>                 | <b>-</b>                        |
| <b>FUND BALANCES</b>  |   |   |                   |                          |                                 |
| Nonspendable  | -   | 30,000  | -                 | -                        | -                               |
| Restricted  | -   | -   | 794               | -                        | 700,325                         |
| Assigned  | -   | 71,911  | 155,810           | 308,299                  | 28,643                          |
| Unassigned (Deficit)  | (8,730)                                   | -   | -                 | -                        | -                               |
| <b>Total Fund Balances (Deficit)</b>  | <b>(8,730)</b>                            | <b>101,911</b>                                | <b>156,604</b>    | <b>308,299</b>           | <b>728,968</b>                  |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES AND<br/>FUND BALANCES</b> | <b>\$ -</b>                               | <b>\$ 104,836</b>                             | <b>\$ 159,800</b> | <b>\$ 309,222</b>        | <b>\$ 728,968</b>               |



| 231 - Ambulance Fund | 235 - SW Housing Grant | 240 - Protient - DTED Loan | 280 - MSC - DEED Loan | 360 - TIF #1-3 Pinebrook | 470 - TIF #1 Hospital Project | 507 - Lake Commission Fund | Total               |
|----------------------|------------------------|----------------------------|-----------------------|--------------------------|-------------------------------|----------------------------|---------------------|
| \$ 287,702           | \$ 14,555              | \$ 86,221                  | \$ 221,541            | \$ 6,745                 | \$ 17,054                     | \$ 16,425                  | \$ 1,340,190        |
| 2,384                | -                      | -                          | -                     | -                        | -                             | 5                          | 4,697               |
| -                    | 32,130                 | 116,059                    | -                     | -                        | -                             | -                          | 692,387             |
| -                    | -                      | 75,000                     | -                     | -                        | -                             | -                          | 105,000             |
| -                    | -                      | -                          | -                     | -                        | -                             | -                          | 36,373              |
| <u>\$ 290,086</u>    | <u>\$ 46,685</u>       | <u>\$ 277,280</u>          | <u>\$ 221,541</u>     | <u>\$ 6,745</u>          | <u>\$ 17,054</u>              | <u>\$ 16,430</u>           | <u>\$ 2,178,647</u> |
| \$ 1,289             | \$ -                   | \$ 638                     | \$ -                  | \$ -                     | \$ -                          | \$ 17                      | \$ 3,453            |
| -                    | -                      | -                          | -                     | -                        | -                             | -                          | 5,535               |
| -                    | 30,000                 | -                          | -                     | -                        | -                             | -                          | 38,730              |
| <u>1,289</u>         | <u>30,000</u>          | <u>638</u>                 | <u>-</u>              | <u>-</u>                 | <u>-</u>                      | <u>17</u>                  | <u>47,718</u>       |
| -                    | 32,129                 | 116,058                    | -                     | -                        | -                             | -                          | 148,187             |
| -                    | <u>32,129</u>          | <u>116,058</u>             | <u>-</u>              | <u>-</u>                 | <u>-</u>                      | <u>-</u>                   | <u>148,187</u>      |
| -                    | -                      | 75,000                     | -                     | -                        | -                             | -                          | 105,000             |
| -                    | -                      | 85,584                     | 221,541               | 6,745                    | 17,054                        | -                          | 1,032,043           |
| 288,797              | -                      | -                          | -                     | -                        | -                             | 16,413                     | 869,873             |
| -                    | (15,444)               | -                          | -                     | -                        | -                             | -                          | (24,174)            |
| <u>288,797</u>       | <u>(15,444)</u>        | <u>160,584</u>             | <u>221,541</u>        | <u>6,745</u>             | <u>17,054</u>                 | <u>16,413</u>              | <u>1,982,742</u>    |
| <u>\$ 290,086</u>    | <u>\$ 46,685</u>       | <u>\$ 277,280</u>          | <u>\$ 221,541</u>     | <u>\$ 6,745</u>          | <u>\$ 17,054</u>              | <u>\$ 16,430</u>           | <u>\$ 2,178,647</u> |

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

|  | 202 - 2014<br>Small Cities<br>Development | 205 -<br>Economic<br>Development<br>Authority | 211 -<br>Library         | 221 - Fire<br>Department | 230 -<br>Revolving<br>Loan Fund |
|--|---|---|--------------------------|--------------------------|---------------------------------|
| <b>REVENUES</b>  |   |   |                          |                          |                                 |
| Taxes  | \$ -                                      | \$ 8,482                                      | \$ 120,824               | \$ 37,535                | \$ -                            |
| Intergovernmental Revenue  | 146,690                                   | -   | 40,187                   | 92,800                   | -                               |
| Charges for Services   | -   | -   | -                        | 11,391                   | -                               |
| Fines and Forfeits   | -   | -   | 106                      | -                        | -                               |
| Interest Income  | 1   | 98  | 248                      | 604                      | 764                             |
| Miscellaneous  | -   | 18,333  | 96                       | 900                      | 17,130                          |
| Total Revenues   | <u>146,691</u>                            | <u>26,913</u>                                 | <u>161,461</u>           | <u>143,230</u>           | <u>17,894</u>                   |
| <b>EXPENDITURES</b>  |   |   |                          |                          |                                 |
| Public Safety  | -   | -   | -                        | 85,130                   | -                               |
| Culture and Recreation   | -   | -   | 138,955                  | -                        | -                               |
| Sanitation   | -   | -   | -                        | -                        | -                               |
| Economic Development   | 115,594                                   | 124,971                                       | -                        | -                        | 5,849                           |
| Principal Payments   | -   | -   | 4,024                    | 6,145                    | -                               |
| Interest Payments  | -   | -   | 2,055                    | 1,044                    | -                               |
| Capital Outlay   | <u>38,076</u>                             | <u>-</u>                                      | <u>-</u>                 | <u>6,855</u>             | <u>32,289</u>                   |
| Total Expenditures   | <u>153,670</u>                            | <u>124,971</u>                                | <u>145,034</u>           | <u>99,174</u>            | <u>38,138</u>                   |
| EXCESS REVENUES OVER (UNDER)<br>EXPENDITURES                                     | <u>(6,979)</u>                            | <u>(98,058)</u>                               | <u>16,427</u>            | <u>44,056</u>            | <u>(20,244)</u>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>  |   |   |                          |                          |                                 |
| Transfer In  | -   | 122,957                                       | -                        | -                        | -                               |
| Issuance of Debt   | 19,765                                    | -   | -                        | -                        | -                               |
| Transfer Out   | <u>-</u>                                  | <u>-</u>                                      | <u>-</u>                 | <u>-</u>                 | <u>-</u>                        |
| EXCESS REVENUES AND OTHER<br>SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER USES | 12,786                                    | 24,899  | 16,427                   | 44,056                   | (20,244)                        |
| <b>FUND BALANCES (DEFICIT) -</b>   |   |   |                          |                          |                                 |
| January 1  | <u>(21,516)</u>                           | <u>77,012</u>                                 | <u>140,177</u>           | <u>264,243</u>           | <u>749,212</u>                  |
| <b>FUND BALANCES (DEFICIT) -</b>   |   |   |                          |                          |                                 |
| December 31  | <u><u>\$ (8,730)</u></u>                  | <u><u>\$ 101,911</u></u>                      | <u><u>\$ 156,604</u></u> | <u><u>\$ 308,299</u></u> | <u><u>\$ 728,968</u></u>        |

| 231 -<br>Ambulance<br>Fund | 235 - SW<br>Housing<br>Grant | 240 -<br>Protient -<br>DTED Loan | 280 - MSC -<br>DEED Loan | 360 - TIF<br>#1-3<br>Pinebrook | 470 - TIF #1<br>Hospital<br>Project | 507 - Lake<br>Commission<br>Fund | Total               |
|----------------------------|------------------------------|----------------------------------|--------------------------|--------------------------------|-------------------------------------|----------------------------------|---------------------|
| \$ 24,071                  | \$ -                         | \$ -                             | \$ -                     | \$ 7,443                       | \$ 11,545                           | \$ 1,500                         | \$ 211,400          |
| 30,459                     | -                            | -                                | -                        | -                              | -                                   | 4,000                            | 314,136             |
| 115,056                    | -                            | -                                | -                        | -                              | -                                   | -                                | 126,447             |
| -                          | -                            | -                                | -                        | -                              | -                                   | -                                | 106                 |
| 636                        | 30                           | 432                              | 581                      | 9                              | 22                                  | 36                               | 3,460               |
| 462                        | 20,665                       | 15,258                           | -                        | -                              | -                                   | 1,299                            | 74,143              |
| <u>170,684</u>             | <u>20,695</u>                | <u>15,690</u>                    | <u>581</u>               | <u>7,452</u>                   | <u>11,567</u>                       | <u>6,835</u>                     | <u>729,692</u>      |
| 135,647                    | -                            | -                                | -                        | -                              | -                                   | -                                | 220,777             |
| -                          | -                            | -                                | -                        | -                              | -                                   | -                                | 138,955             |
| -                          | -                            | -                                | -                        | -                              | -                                   | 9,716                            | 9,716               |
| -                          | 23,010                       | 11,487                           | -                        | 6,699                          | 10,390                              | -                                | 298,000             |
| -                          | -                            | -                                | -                        | -                              | -                                   | -                                | 10,169              |
| -                          | -                            | -                                | -                        | -                              | -                                   | -                                | 3,099               |
| 20,081                     | -                            | -                                | -                        | -                              | -                                   | -                                | 97,301              |
| <u>155,728</u>             | <u>23,010</u>                | <u>11,487</u>                    | <u>-</u>                 | <u>6,699</u>                   | <u>10,390</u>                       | <u>9,716</u>                     | <u>778,017</u>      |
| <u>14,956</u>              | <u>(2,315)</u>               | <u>4,203</u>                     | <u>581</u>               | <u>753</u>                     | <u>1,177</u>                        | <u>(2,881)</u>                   | <u>(48,325)</u>     |
| -                          | -                            | -                                | -                        | -                              | -                                   | -                                | 122,957             |
| -                          | -                            | -                                | -                        | -                              | -                                   | -                                | 19,765              |
| -                          | -                            | (14,400)                         | -                        | -                              | -                                   | -                                | (14,400)            |
| 14,956                     | (2,315)                      | (10,197)                         | 581                      | 753                            | 1,177                               | (2,881)                          | 79,997              |
| <u>273,841</u>             | <u>(13,129)</u>              | <u>170,781</u>                   | <u>220,960</u>           | <u>5,993</u>                   | <u>15,877</u>                       | <u>19,294</u>                    | <u>1,902,745</u>    |
| <u>\$ 288,797</u>          | <u>\$ (15,444)</u>           | <u>\$ 160,584</u>                | <u>\$ 221,541</u>        | <u>\$ 6,746</u>                | <u>\$ 17,054</u>                    | <u>\$ 16,413</u>                 | <u>\$ 1,982,742</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2016

|   | 303 - G.O.<br>Tax<br>Increment<br>Bonds of<br>2013B | 307 - G.O.<br>Improvement<br>Bonds of<br>2007C | 308 - G.O.<br>Crossover<br>Refunding<br>Bonds of<br>2011A | 312 - G.O.<br>Improvement<br>Bonds of<br>2013A | 320 - 2008A<br>Public<br>Project<br>Revenue<br>Bonds | 332 - G.O.<br>Improvement<br>Bonds of<br>2009A | 341 - TIF<br>#1-6 Mt<br>Power | 342 - TIF<br>#1-4 Good<br>Samaritan | Total               |
|---|---|--|---|--|--|--|-------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>   |   |  |   |  |  |  |                               |                                     |                     |
| Cash and Investments  | \$ 72,036   | \$ 33,727                                      | \$ 90,208   | \$ 523,157                                     | \$ -   | \$ 3,793                                       | \$ 257,677                    | \$ 34,264                           | \$ 1,014,862        |
| Escrowed Investment   | -   | -  | -   | -  | -  | 42,001   | -                             | -                                   | 42,001              |
| Special Assessments Receivable  | -   | -  | 59,735  | 1,677,612                                      | -  | 4,023  | -                             | -                                   | 1,741,370           |
| Interest Receivable   | -   | -  | -   | -  | -  | 205  | -                             | -                                   | 205                 |
| Notes Receivable  | -   | -  | -   | -  | -  | -  | -                             | 761,696                             | 761,696             |
| Due from Other Funds  | -   | 32,188   | 7,076   | -  | -  | 3,467  | -                             | -                                   | 42,731              |
| <b>TOTAL ASSETS</b>   | <b>\$ 72,036</b>                                    | <b>\$ 65,915</b>                               | <b>\$ 157,019</b>   | <b>\$ 2,200,769</b>                            | <b>\$ -</b>  | <b>\$ 53,489</b>                               | <b>\$ 257,677</b>             | <b>\$ 795,960</b>                   | <b>\$ 3,602,865</b> |
| <b>LIABILITIES</b>  |   |  |   |  |  |  |                               |                                     |                     |
| Accounts Payable  | \$ 5,000  | -  | -   | -  | -  | -  | -                             | -                                   | \$ 5,000            |
| Accrued Interest  | 4,258   | -  | -   | -  | -  | -  | 2,778                         | -                                   | 7,036               |
| Due to Other Funds  | 75,000  | -  | -   | -  | 4,959  | -  | -                             | -                                   | 79,959              |
| Total Liabilities   | 84,258  | -  | -   | -  | 4,959  | -  | 2,778                         | -                                   | 91,995              |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |   |  |   |  |  |  |                               |                                     |                     |
| Unavailable Revenue   | -   | -  | -   | 1,676,235                                      | -  | 4,023  | -                             | 761,696                             | 2,501,689           |
| Total Deferred Inflows of Resources   | -   | -  | -   | 1,676,235                                      | -  | 4,023  | -                             | 761,696                             | 2,501,689           |
| <b>FUND BALANCES</b>  |   |  |   |  |  |  |                               |                                     |                     |
| Restricted  | -   | 65,915   | 97,284  | 524,534  | -  | 49,466   | 254,899                       | 34,264                              | 1,026,362           |
| Unassigned (Deficit)  | (12,222)  | -  | -   | -  | (4,959)  | -  | -                             | -                                   | (17,181)            |
| Total Fund Balances (Deficit)   | (12,222)  | 65,915   | 97,284  | 524,534  | (4,959)  | 49,466   | 254,899                       | 34,264                              | 1,009,181           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b>\$ 72,036</b>                                    | <b>\$ 65,915</b>                               | <b>\$ 157,019</b>   | <b>\$ 2,200,769</b>                            | <b>\$ -</b>  | <b>\$ 53,489</b>                               | <b>\$ 257,677</b>             | <b>\$ 795,960</b>                   | <b>\$ 3,602,865</b> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 303 - G.O.<br>Tax<br>Increment<br>Bonds of<br>2013B | 307 - G.O.<br>Improvement<br>Bonds of<br>2007C | 308 - G.O.<br>Crossover<br>Refunding<br>Bonds of<br>2011A | 312 - G.O.<br>Improvement<br>Bonds of<br>2013A | 320 - 2008A<br>Public<br>Project<br>Revenue<br>Bonds | 332 - G.O.<br>Improvement<br>Bonds of<br>2009A | 341 - TIF<br>#1-6 Mt<br>Power | 342 - TIF<br>#1-4 Good<br>Samaritan | Total               |
|--|---|--|---|--|--|--|-------------------------------|-------------------------------------|---------------------|
| REVENUES   |   |  |   |  |  |  |                               |                                     |                     |
| Taxes  | \$ 49,542   | \$ 46,629                                      | \$ 88,741   | \$ 134,909                                     | \$ -   | \$ 26,848                                      | \$ 49,892                     | \$ 24,353                           | \$ 420,914          |
| Charges for Services   | 98,181  | -  | -   | -  | -  | -  | 168,614                       | -                                   | 266,795             |
| Interest Income  | 88  | 12   | 56  | 993  | 23   | 696  | 286                           | 35                                  | 2,189               |
| Miscellaneous  | -   | 9,053  | -   | 650  | -  | -  | -                             | 58,960                              | 68,663              |
| Total Revenues   | <u>147,811</u>                                      | <u>55,694</u>                                  | <u>88,797</u>   | <u>136,552</u>                                 | <u>23</u>  | <u>27,544</u>                                  | <u>218,792</u>                | <u>83,348</u>                       | <u>758,561</u>      |
| EXPENDITURES   |   |  |   |  |  |  |                               |                                     |                     |
| Economic Development   | 49,503  | -  | -   | -  | -  | -  | -                             | 40,930                              | 90,433              |
| Miscellaneous  | -   | -  | -   | -  | -  | -  | 52,677                        | -                                   | 52,677              |
| Debt Service   |   |  |   |  |  |  |                               |                                     |                     |
| Principal Payments   | 75,000  | 50,000   | 89,700  | 95,000   | 170,000  | 23,650   | 120,000                       | 25,000                              | 648,350             |
| Interest Payments  | 52,103  | 3,224  | 15,344  | 46,590   | 7,375  | 2,731  | 70,843                        | 34,273                              | 232,483             |
| Miscellaneous  | -   | -  | 495   | -  | 500  | -  | -                             | 495                                 | 1,490               |
| Total Expenditures   | <u>176,606</u>                                      | <u>53,224</u>                                  | <u>105,539</u>  | <u>141,590</u>                                 | <u>177,875</u>                                       | <u>26,381</u>                                  | <u>243,520</u>                | <u>100,698</u>                      | <u>1,025,433</u>    |
| EXCESS REVENUES OVER (UNDER)<br>EXPENDITURES                                     | (28,795)  | 2,470  | (16,742)  | (5,038)  | (177,852)  | 1,163  | (24,728)                      | (17,350)                            | (266,872)           |
| OTHER FINANCING SOURCES (USES)<br>Transfer In                                    | -   | -  | -   | 333  | 179,616  | -  | -                             | -                                   | 179,949             |
| EXCESS REVENUES AND OTHER<br>SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER USES | (28,795)  | 2,470  | (16,742)  | (4,705)  | 1,764  | 1,163  | (24,728)                      | (17,350)                            | (86,923)            |
| FUND BALANCES (Deficit) - January 1  | <u>16,573</u>                                       | <u>63,445</u>                                  | <u>114,026</u>  | <u>529,239</u>                                 | <u>(6,724)</u>                                       | <u>48,303</u>                                  | <u>279,627</u>                | <u>51,614</u>                       | <u>1,096,103</u>    |
| FUND BALANCES (Deficit) - December 31  | <u>\$ (12,222)</u>                                  | <u>\$ 65,915</u>                               | <u>\$ 97,284</u>  | <u>\$ 524,534</u>                              | <u>\$ (4,960)</u>                                    | <u>\$ 49,466</u>                               | <u>\$ 254,899</u>             | <u>\$ 34,264</u>                    | <u>\$ 1,009,180</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 DECEMBER 31, 2016

|                                    | 501 - Capital<br>Outlay<br>Revolving<br>Fund | 412 - 2012<br>City Wide<br>Project | 415 - MSG<br>Construction | 450 -<br>Downtown<br>Ross Project | Total      |
|------------------------------------|--|------------------------------------|---------------------------|-----------------------------------|------------|
| ASSETS:                            |  |                                    |                           |                                   |            |
| Cash and Investments               | \$ 109,127                                   | \$ -                               | \$ -                      | \$ -                              | \$ 109,127 |
| TOTAL ASSETS                       | \$ 109,127                                   | \$ -                               | \$ -                      | \$ -                              | \$ 109,127 |
| LIABILITIES:                       |  |                                    |                           |                                   |            |
| Due to Other Funds                 | \$ -   | \$ -                               | \$ 2,024                  | \$ 258,116                        | \$ 260,140 |
| Total Liabilities                  | -  | -                                  | 2,024                     | 258,116                           | 260,140    |
| FUND BALANCES:                     |  |                                    |                           |                                   |            |
| Assigned                           | 109,127                                      | -                                  | -                         | -                                 | 109,127    |
| Unassigned (Deficit)               | -  | -                                  | (2,024)                   | (258,116)                         | (260,140)  |
| Total Fund Balances (Deficit)      | 109,127                                      | -                                  | (2,024)                   | (258,116)                         | (151,013)  |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 109,127                                   | \$ -                               | \$ -                      | \$ -                              | \$ 109,127 |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 501 - Capital<br>Outlay<br>Revolving<br>Fund | 412 - 2012<br>City Wide<br>Project | 415 - MSG<br>Construction | 450 -<br>Downtown<br>Ross Project | Total               |
|--|--|------------------------------------|---------------------------|-----------------------------------|---------------------|
| REVENUES                                       |  |                                    |                           |                                   |                     |
| Taxes  | \$ -   | \$ -                               | \$ 9,551                  | \$ -                              | \$ 9,551            |
| Interest Income                                | <u>603</u>                                   | <u>333</u>                         | <u>-</u>                  | <u>-</u>                          | <u>936</u>          |
| Total Revenues                                 | <u>603</u>                                   | <u>333</u>                         | <u>9,551</u>              | <u>-</u>                          | <u>10,487</u>       |
| EXPENDITURES                                   |  |                                    |                           |                                   |                     |
| Economic Development                           | -  | -                                  | -                         | 4,632                             | 4,632               |
| Capital Outlay                                 | -  | -                                  | -                         | 58,149                            | 58,149              |
| Total Expenditures                             | <u>-</u>                                     | <u>-</u>                           | <u>-</u>                  | <u>62,781</u>                     | <u>62,781</u>       |
| EXCESS REVENUES OVER EXPENDITURES              | <u>603</u>                                   | <u>333</u>                         | <u>9,551</u>              | <u>(62,781)</u>                   | <u>(52,294)</u>     |
| OTHER FINANCING SOURCES (USES):                |  |                                    |                           |                                   |                     |
| Transfer Out                                   | <u>(191,247)</u>                             | <u>(333)</u>                       | <u>-</u>                  | <u>-</u>                          | <u>(191,580)</u>    |
| EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) | <u>(190,644)</u>                             | <u>-</u>                           | <u>9,551</u>              | <u>(62,781)</u>                   | <u>(243,874)</u>    |
| EXPENDITURES AND OTHER USES                    | <u>299,771</u>                               | <u>-</u>                           | <u>(11,575)</u>           | <u>(195,335)</u>                  | <u>92,861</u>       |
| FUND BALANCES (DEFICIT) - January 1            | <u>\$ 109,127</u>                            | <u>\$ -</u>                        | <u>\$ (2,024)</u>         | <u>\$ (258,116)</u>               | <u>\$ (151,013)</u> |
| FUND BALANCES (DEFICIT) - December 31          |  |                                    |                           |                                   |                     |

CITY OF MOUNTAIN LAKE, MINNESOTA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2016

|  | 607 - EDA -<br>4 Plex Fund | 608 - EDA -<br>8 Plex Fund | 609 - EDA -<br>Mason<br>Manor | Total             |
|--|----------------------------|----------------------------|-------------------------------|-------------------|
| <b>ASSETS</b>                              |                            |                            |                               |                   |
| Current Assets:                            |                            |                            |                               |                   |
| Cash and Investments                       | \$ 38,315                  | \$ 64,850                  | \$ 23,002                     | \$ 126,167        |
| Due from Other Funds                       | <u>-</u>                   | <u>11,791</u>              | <u>-</u>                      | <u>11,791</u>     |
| Total Current Assets                       | <u>38,315</u>              | <u>76,641</u>              | <u>23,002</u>                 | <u>137,958</u>    |
| <b>NONCURRENT ASSETS</b>                   |                            |                            |                               |                   |
| Capital Assets:                            |                            |                            |                               |                   |
| Land                                       | 6,175                      | 12,350                     | 2,304                         | 20,829            |
| Buildings and Improvements                 | <u>366,147</u>             | <u>695,366</u>             | <u>309,759</u>                | <u>1,371,272</u>  |
| Total Capital Assets                       | <u>372,322</u>             | <u>707,716</u>             | <u>312,063</u>                | <u>1,392,101</u>  |
| Less: Accumulated Depreciation             | <u>161,913</u>             | <u>366,131</u>             | <u>86,702</u>                 | <u>614,746</u>    |
| Net Capital Assets                         | <u>210,409</u>             | <u>341,585</u>             | <u>225,361</u>                | <u>777,355</u>    |
| Total Assets                               | <u>\$ 248,724</u>          | <u>\$ 418,226</u>          | <u>\$ 248,363</u>             | <u>\$ 915,313</u> |
| <b>LIABILITIES</b>                         |                            |                            |                               |                   |
| Current Liabilities:                       |                            |                            |                               |                   |
| Accounts Payable                           | \$ 1,999                   | \$ 348                     | \$ 168                        | \$ 2,515          |
| Due to Other Funds                         | -                          | -                          | 11,791                        | 11,791            |
| Accrued Interest                           | 1,306                      | 3,741                      | 684                           | 5,731             |
| Customer Deposits                          | 2,470                      | 5,035                      | 3,465                         | 10,970            |
| Unamortized Bond Premium                   | 1,095                      | 1,732                      | -                             | 2,827             |
| Current Amount of Long-Term Debt           | <u>15,000</u>              | <u>20,000</u>              | <u>5,420</u>                  | <u>40,420</u>     |
| Total Current Liabilities                  | <u>21,870</u>              | <u>30,856</u>              | <u>21,528</u>                 | <u>74,254</u>     |
| <b>LONG-TERM LIABILITIES</b>               |                            |                            |                               |                   |
| Bonds and Notes Payable                    | <u>130,000</u>             | <u>330,000</u>             | <u>220,737</u>                | <u>680,737</u>    |
| Total Liabilities                          | <u>151,870</u>             | <u>360,856</u>             | <u>242,265</u>                | <u>754,991</u>    |
| <b>NET POSITION</b>                        |                            |                            |                               |                   |
| Net Investment in Capital Assets (Deficit) | 65,409                     | (8,415)                    | (796)                         | 56,198            |
| Unrestricted                               | <u>31,445</u>              | <u>65,785</u>              | <u>6,894</u>                  | <u>104,124</u>    |
| Total Net Position                         | <u>96,854</u>              | <u>57,370</u>              | <u>6,098</u>                  | <u>160,322</u>    |
| Total Liabilities and Net Position         | <u>\$ 248,724</u>          | <u>\$ 418,226</u>          | <u>\$ 248,363</u>             | <u>\$ 915,313</u> |



CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 607 - EDA -<br>4 Plex Fund | 608 - EDA -<br>8 Plex Fund | 609 - EDA -<br>Mason<br>Manor | Total             |
|--|----------------------------|----------------------------|-------------------------------|-------------------|
| <b>OPERATING REVENUES</b>              |                            |                            |                               |                   |
| Rental Income                          | \$ 28,920                  | \$ 59,690                  | \$ 30,506                     | \$ 119,116        |
| Total Operating Revenues               | <u>28,920</u>              | <u>59,690</u>              | <u>30,506</u>                 | <u>119,116</u>    |
| <b>OPERATING EXPENSES</b>              |                            |                            |                               |                   |
| Depreciation                           | 9,366                      | 27,815                     | 12,390                        | 49,571            |
| Insurance                              | 1,823                      | 4,026                      | 2,070                         | 7,919             |
| Miscellaneous                          | 2,067                      | 4,136                      | 1,720                         | 7,923             |
| Professional Services                  | 3,131                      | 6,262                      | 540                           | 9,933             |
| Repairs, Maintenance and Supplies      | 9,224                      | 34,073                     | 6,576                         | 49,873            |
| Utilities                              | 43                         | 92                         | 227                           | 362               |
| Total Operating Expenses               | <u>25,654</u>              | <u>76,404</u>              | <u>23,523</u>                 | <u>125,581</u>    |
| Net Operating Income (Loss)            | <u>3,266</u>               | <u>(16,714)</u>            | <u>6,983</u>                  | <u>(6,465)</u>    |
| <b>NON OPERATING REVENUE (EXPENSE)</b> |                            |                            |                               |                   |
| Interest Income                        | 21                         | 42                         | 30                            | 93                |
| Interest Expense                       | <u>(3,035)</u>             | <u>(8,895)</u>             | <u>(10,261)</u>               | <u>(22,191)</u>   |
| Total Non Operating Revenue (Expense)  | <u>(3,014)</u>             | <u>(8,853)</u>             | <u>(10,231)</u>               | <u>(22,098)</u>   |
| <b>CHANGE IN NET POSITION</b>          | 252                        | (25,567)                   | (3,248)                       | (28,563)          |
| <b>NET POSITION - January 1</b>        | <u>96,602</u>              | <u>82,937</u>              | <u>9,346</u>                  | <u>188,885</u>    |
| <b>NET POSITION - December 31</b>      | <u>\$ 96,854</u>           | <u>\$ 57,370</u>           | <u>\$ 6,098</u>               | <u>\$ 160,322</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <u>607 - EDA -<br/>4 Plex Fund</u> | <u>608 - EDA -<br/>8 Plex Fund</u> | <u>609 - EDA -<br/>Mason<br/>Manor</u> | <u>Total</u>      |
|---|------------------------------------|------------------------------------|--|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                    |                                    |  |                   |
| Receipts from Customers   | \$ 28,920                          | \$ 59,689                          | \$ 30,516                              | \$ 119,125        |
| Payments to Vendors   | <u>(14,848)</u>                    | <u>(49,134)</u>                    | <u>(11,470)</u>                        | <u>(75,452)</u>   |
| Net Cash Provided By Operating Activities   | <u>14,072</u>                      | <u>10,555</u>                      | <u>19,046</u>                          | <u>43,673</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                       |                                    |                                    |  |                   |
| Due to (from) Other Funds   | <u>-</u>                           | <u>2,800</u>                       | <u>(2,800)</u>                         | <u>-</u>          |
| Net Cash Provided (Used) By Noncapital Financing Activities                                   | <u>-</u>                           | <u>2,800</u>                       | <u>(2,800)</u>                         | <u>-</u>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                              |                                    |                                    |  |                   |
| Principal Paid on Capital Debt  | (10,000)                           | (25,000)                           | (5,182)                                | (40,182)          |
| Interest Paid on Capital Debt   | <u>(3,197)</u>                     | <u>(9,134)</u>                     | <u>(10,305)</u>                        | <u>(22,636)</u>   |
| Net Cash Used By Capital and Related Financing Activities                                     | <u>(13,197)</u>                    | <u>(34,134)</u>                    | <u>(15,487)</u>                        | <u>(62,818)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                    |                                    |  |                   |
| Interest Received   | <u>20</u>                          | <u>42</u>                          | <u>30</u>                              | <u>92</u>         |
| Net Cash Provided By Investing Activities   | <u>20</u>                          | <u>42</u>                          | <u>30</u>                              | <u>92</u>         |
| NET INCREASE (DECREASE) IN CASH   | 895                                | (20,737)                           | 789                                    | (19,053)          |
| CASH AND INVESTMENTS - January 1  | <u>37,420</u>                      | <u>85,587</u>                      | <u>22,213</u>                          | <u>145,220</u>    |
| CASH AND INVESTMENTS - December 31  | <u>\$ 38,315</u>                   | <u>\$ 64,850</u>                   | <u>\$ 23,002</u>                       | <u>\$ 126,167</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</b> |                                    |                                    |  |                   |
| Income (Loss)   | \$ 3,266                           | \$ (16,714)                        | \$ 6,983                               | \$ (6,465)        |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities        |                                    |                                    |  |                   |
| Depreciation  | 9,366                              | 27,815                             | 12,390                                 | 49,571            |
| Changes in Assets and Liabilities   |                                    |                                    |  |                   |
| Accounts Payable  | 1,440                              | (546)                              | (337)                                  | 557               |
| Customer Deposits'  | <u>-</u>                           | <u>-</u>                           | <u>10</u>                              | <u>10</u>         |
| Net Cash Provided By Operating Activities   | <u>\$ 14,072</u>                   | <u>\$ 10,555</u>                   | <u>\$ 19,046</u>                       | <u>\$ 43,673</u>  |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING STATEMENT OF NET POSITION  
 PUBLIC UTILITIES COMMISSION  
 DECEMBER 31, 2016

|   | 601 - Water<br>Fund | 602 - Sewer<br>Fund | 604 - Electric<br>Fund | Total                |
|---|---------------------|---------------------|------------------------|----------------------|
| <b>ASSETS</b>   |                     |                     |                        |                      |
| Current Assets:   |                     |                     |                        |                      |
| Cash and Investments  | \$ 282,514          | \$ 1,149,272        | \$ 1,621,814           | \$ 3,053,600         |
| Accounts Receivable   | 81,031              | 82,996              | 440,724                | 604,751              |
| Special Assessments Receivable                                    | -                   | 147,605             | -                      | 147,605              |
| Due from Other Funds  | 1,536               | -                   | -                      | 1,536                |
| Prepaid Expense   | -                   | 11,802              | -                      | 11,802               |
| Inventory   | 19,563              | 190                 | 152,750                | 172,503              |
| Total Current Assets  | <u>384,644</u>      | <u>1,391,865</u>    | <u>2,215,288</u>       | <u>3,991,797</u>     |
| NONCURRENT ASSETS   |                     |                     |                        |                      |
| Capital Assets:   |                     |                     |                        |                      |
| Land  | 24,350              | 3,500               | 15,842                 | 43,692               |
| Buildings and Improvements  | 3,342,383           | 283,953             | 190,447                | 3,816,783            |
| Infrastructure and Improvements                                   | 5,077,683           | 9,515,706           | 8,923,892              | 23,517,281           |
| Machinery and Equipment   | 68,820              | 345,152             | 448,049                | 862,021              |
| Transportation and Other Equipment                                | 35,819              | 21,793              | 254,022                | 311,634              |
| Construction in Progress  | -                   | -                   | 611,487                | 611,487              |
| Total Capital Assets  | <u>8,549,055</u>    | <u>10,170,104</u>   | <u>10,443,739</u>      | <u>29,162,898</u>    |
| Less: Accumulated Depreciation                                    | <u>3,181,726</u>    | <u>2,002,422</u>    | <u>6,576,440</u>       | <u>11,760,588</u>    |
| Net Capital Assets  | <u>5,367,329</u>    | <u>8,167,682</u>    | <u>3,867,299</u>       | <u>17,402,310</u>    |
| Net Bond Discount   | 403                 | 10,628              | 54,650                 | 65,681               |
| Total Assets  | <u>5,752,376</u>    | <u>9,570,175</u>    | <u>6,137,237</u>       | <u>21,459,788</u>    |
| DEFERRED OUTFLOWS OF RESOURCES                                    |                     |                     |                        |                      |
| Related to Pensions   | 27,490              | 27,490              | 76,725                 | 131,705              |
| Total Assets and Deferred Outflows of Resources                   | <u>\$ 5,779,866</u> | <u>\$ 9,597,665</u> | <u>\$ 6,213,962</u>    | <u>\$ 21,591,493</u> |
| <b>LIABILITIES</b>  |                     |                     |                        |                      |
| Current Liabilities:  |                     |                     |                        |                      |
| Accounts Payable  | \$ 8,715            | \$ 3,938            | \$ 168,193             | \$ 180,846           |
| Due to Other Funds  | 19,909              | 22,821              | -                      | 42,730               |
| Accrued Interest  | 9,483               | 27,548              | 1,433                  | 38,464               |
| Accrued Payroll   | 2,010               | 2,010               | 5,783                  | 9,803                |
| Due to Other Governments  | -                   | -                   | 6,861                  | 6,861                |
| Accrued Compensated Absences                                      | 13,465              | 13,465              | 15,589                 | 42,519               |
| Customer Deposits   | 430                 | -                   | 93,068                 | 93,498               |
| Unamortized Bond Premium  | 1,245               | 1,244               | -                      | 2,489                |
| Current Amount of Long-Term Debt                                  | 270,700             | 442,500             | 224,750                | 937,950              |
| Total Current Liabilities   | <u>325,957</u>      | <u>513,526</u>      | <u>515,677</u>         | <u>1,355,160</u>     |
| LONG-TERM LIABILITIES   |                     |                     |                        |                      |
| Net Pension Liability   | 66,147              | 66,147              | 184,367                | 316,661              |
| Bonds and Notes Payable   | 2,899,880           | 6,132,555           | 1,456,500              | 10,488,935           |
| Total Long-Term Liabilities                                       | <u>2,966,027</u>    | <u>6,198,702</u>    | <u>1,640,867</u>       | <u>10,805,596</u>    |
| Total Liabilities   | <u>3,291,984</u>    | <u>6,712,228</u>    | <u>2,156,544</u>       | <u>12,160,756</u>    |
| DEFERRED INFLOWS OF RESOURCES                                     |                     |                     |                        |                      |
| Related to Pensions   | 7,690               | 7,690               | 21,451                 | 36,831               |
| <b>NET POSITION</b>   |                     |                     |                        |                      |
| Net Investment in Capital Assets                                  | 2,184,624           | 1,592,627           | 2,186,049              | 5,963,300            |
| Restricted for Debt Service                                       | -                   | 617,824             | 99,974                 | 717,798              |
| Unrestricted  | 295,568             | 667,296             | 1,749,944              | 2,712,808            |
| Total Net Position  | <u>2,480,192</u>    | <u>2,877,747</u>    | <u>4,035,967</u>       | <u>9,393,906</u>     |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 5,779,866</u> | <u>\$ 9,597,665</u> | <u>\$ 6,213,962</u>    | <u>\$ 21,591,493</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 PUBLIC UTILITIES COMMISSION  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|   | 601 - Water<br>Fund | 602 - Sewer<br>Fund | 604 - Electric<br>Fund | Total               |
|---|---------------------|---------------------|------------------------|---------------------|
| OPERATING REVENUES                      |                     |                     |                        |                     |
| Sales to Consumers                      | \$ 578,219          | \$ 819,572          | \$ 2,458,350           | \$ 3,856,141        |
| Rental Income                           | <u>1,200</u>        | <u>-</u>            | <u>-</u>               | <u>1,200</u>        |
| Total Operating Revenues                | <u>579,419</u>      | <u>819,572</u>      | <u>2,458,350</u>       | <u>3,857,341</u>    |
| OPERATING EXPENSES                      |                     |                     |                        |                     |
| Pumping, Treatment, Production          |                     |                     |                        |                     |
| Utilities                               | 2,634               | 282                 | 18,295                 | 21,211              |
| Power for Pumping                       | 20,609              | 29,443              | -                      | 50,052              |
| Supplies and Chemicals                  | 2,198               | 1,129               | 6,893                  | 10,220              |
| Travel and Meetings                     | 590                 | 1,119               | 976                    | 2,685               |
| Outside Services                        | -                   | -                   | 4,925                  | 4,925               |
| Repairs and Maintenance                 | 45,428              | 13,870              | 79,843                 | 139,141             |
| Miscellaneous                           | 265                 | -                   | -                      | 265                 |
| Purchased Power                         | -                   | -                   | <u>1,429,075</u>       | <u>1,429,075</u>    |
| Total Pumping, Treatment, Production    | <u>71,724</u>       | <u>45,843</u>       | <u>1,540,007</u>       | <u>1,657,574</u>    |
| Distribution and Collection             |                     |                     |                        |                     |
| Salaries                                | 73,647              | 73,683              | 170,338                | 317,668             |
| Supplies and Chemicals                  | 31,317              | -                   | 8,475                  | 39,792              |
| Outside Services                        | 1,494               | 5,941               | 55,775                 | 63,210              |
| Repairs and Maintenance                 | 3,723               | 36,096              | 34,696                 | 74,515              |
| Miscellaneous                           | <u>763</u>          | <u>766</u>          | <u>5,299</u>           | <u>6,828</u>        |
| Total Distribution and Collection       | <u>110,944</u>      | <u>116,486</u>      | <u>274,583</u>         | <u>502,013</u>      |
| Administration and General              |                     |                     |                        |                     |
| Salaries                                | 16,398              | 16,398              | 76,425                 | 109,221             |
| Supplies                                | 1,037               | -                   | -                      | 1,037               |
| Outside Services                        | 902                 | 927                 | 34,865                 | 36,694              |
| Insurance                               | 4,568               | 10,224              | 21,269                 | 36,061              |
| Repairs and Maintenance                 | 3,909               | 4,515               | 15,493                 | 23,917              |
| Miscellaneous                           | <u>5,051</u>        | <u>2,620</u>        | <u>22,342</u>          | <u>30,013</u>       |
| Total Administration and General        | <u>31,865</u>       | <u>34,684</u>       | <u>170,394</u>         | <u>236,943</u>      |
| Depreciation                            | <u>227,917</u>      | <u>245,642</u>      | <u>282,753</u>         | <u>756,312</u>      |
| Total Operating Expenses                | <u>442,450</u>      | <u>442,655</u>      | <u>2,267,737</u>       | <u>3,152,842</u>    |
| Net Operating Income                    | <u>136,969</u>      | <u>376,917</u>      | <u>190,613</u>         | <u>704,499</u>      |
| NON OPERATING REVENUE (EXPENSE)         |                     |                     |                        |                     |
| Interest Income                         | 960                 | 2,611               | 9,243                  | 12,814              |
| Taxes and Special Assessments           | -                   | 4,571               | -                      | 4,571               |
| Refunds and Reimbursements              | 212                 | 6,680               | 40,849                 | 47,741              |
| CAP X Credit                            | -                   | -                   | 7,056                  | 7,056               |
| Interest Expense                        | <u>(63,849)</u>     | <u>(64,684)</u>     | <u>(45,253)</u>        | <u>(173,786)</u>    |
| Total Non Operating Revenue (Expense)   | <u>(62,677)</u>     | <u>(50,822)</u>     | <u>11,895</u>          | <u>(101,604)</u>    |
| CHANGE IN NET POSITION BEFORE TRANSFERS | 74,292              | 326,095             | 202,508                | 602,895             |
| Transfer to Other Funds                 | -                   | -                   | (152,000)              | (152,000)           |
| Contributions                           | <u>733,023</u>      | <u>-</u>            | <u>-</u>               | <u>733,023</u>      |
| CHANGE IN NET POSITION                  | 807,315             | 326,095             | 50,508                 | 1,183,918           |
| NET POSITION - January 1                | <u>1,672,877</u>    | <u>2,551,652</u>    | <u>3,985,459</u>       | <u>8,209,988</u>    |
| NET POSITION - December 31              | <u>\$ 2,480,192</u> | <u>\$ 2,877,747</u> | <u>\$ 4,035,967</u>    | <u>\$ 9,393,906</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
STATEMENT OF CASH FLOWS  
PUBLIC UTILITIES COMMISSION  
FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 601 - Water<br><u>Fund</u> | 602 - Sewer<br><u>Fund</u> | 604 - Electric<br><u>Fund</u> | <u>Total</u>        |
|--|----------------------------|----------------------------|-------------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                            |                            |                               |                     |
| Receipts from Customers  | \$ 580,118                 | \$ 825,910                 | \$ 2,449,656                  | \$ 3,855,684        |
| Payments to Vendors  | (115,989)                  | (103,046)                  | (1,635,750)                   | (1,854,785)         |
| Payments to Employees  | (84,856)                   | (84,892)                   | (232,269)                     | (402,017)           |
| Other Receipts and Payments  | <u>212</u>                 | <u>6,680</u>               | <u>47,905</u>                 | <u>54,797</u>       |
| Net Cash Provided By Operating Activities  | <u>379,485</u>             | <u>644,652</u>             | <u>629,542</u>                | <u>1,653,679</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>  |                            |                            |                               |                     |
| Transfers to Other Funds   | -                          | -                          | (152,000)                     | (152,000)           |
| Contributions  | 733,023                    | -                          | -                             | 733,023             |
| Due to (from) Other Funds  | <u>(4,862)</u>             | <u>(6,319)</u>             | <u>-</u>                      | <u>(11,181)</u>     |
| Net Cash Provided (Used) By Noncapital Financing Activities                                      | <u>728,161</u>             | <u>(6,319)</u>             | <u>(152,000)</u>              | <u>569,842</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                 |                            |                            |                               |                     |
| Purchase of Capital Assets   | (810,620)                  | (38,418)                   | (792,406)                     | (1,641,444)         |
| Proceeds from Bond Issuance  | 37,343                     | 62,500                     | -                             | 99,843              |
| Principal Paid on Capital Debt   | (268,551)                  | (447,100)                  | (219,750)                     | (935,401)           |
| Interest Paid on Capital Debt  | (65,444)                   | (78,396)                   | (37,659)                      | (181,499)           |
| Special Assessments Received   | <u>165</u>                 | <u>4,736</u>               | <u>-</u>                      | <u>4,901</u>        |
| Net Cash Used By Capital and Related Financing Activities  | <u>(1,107,107)</u>         | <u>(496,678)</u>           | <u>(1,049,815)</u>            | <u>(2,653,600)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                            |                            |                               |                     |
| Interest Received  | <u>960</u>                 | <u>2,611</u>               | <u>9,243</u>                  | <u>12,814</u>       |
| Net Cash Provided By Investing Activities  | <u>960</u>                 | <u>2,611</u>               | <u>9,243</u>                  | <u>12,814</u>       |
| NET INCREASE (DECREASE) IN CASH  | 1,499                      | 144,266                    | (563,030)                     | (417,265)           |
| CASH AND INVESTMENTS - January 1   | <u>281,015</u>             | <u>1,005,006</u>           | <u>2,184,844</u>              | <u>3,470,865</u>    |
| CASH AND INVESTMENTS - December 31   | <u>\$ 282,514</u>          | <u>\$ 1,149,272</u>        | <u>\$ 1,621,814</u>           | <u>\$ 3,053,600</u> |
| <b>Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities</b> |                            |                            |                               |                     |
| Operating Income   | \$ 136,969                 | \$ 376,917                 | \$ 190,613                    | \$ 704,499          |
| <b>Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities</b>    |                            |                            |                               |                     |
| Depreciation   | 227,917                    | 245,642                    | 282,753                       | 756,312             |
| Noncash Pension Expense  | 4,547                      | 4,547                      | 12,693                        | 21,787              |
| <b>Changes in Assets and Liabilities</b>   |                            |                            |                               |                     |
| Receivables  | 699                        | 6,338                      | (10,736)                      | (3,699)             |
| Inventory  | (50)                       | -                          | 25,508                        | 25,458              |
| Prepaid Expenses   | -                          | -                          | 18,058                        | 18,058              |
| Accounts Payable   | 8,549                      | 3,886                      | 52,044                        | 64,479              |
| Accrued Wages  | 304                        | 304                        | 940                           | 1,548               |
| Accrued Compensated Absences   | 338                        | 338                        | 867                           | 1,543               |
| Due to Other Governments   | -                          | -                          | 6,861                         | 6,861               |
| Deposits Payable   | -                          | -                          | 2,036                         | 2,036               |
| Other Receipts and Payments  | <u>212</u>                 | <u>6,680</u>               | <u>47,905</u>                 | <u>54,797</u>       |
| Net Cash Provided By Operating Activities  | <u>\$ 379,485</u>          | <u>\$ 644,652</u>          | <u>\$ 629,542</u>             | <u>\$ 1,653,679</u> |

CITY OF MOUNTAIN LAKE, MINNESOTA  
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

The purpose of this report is to provide a summary of financial information concerning the City of Mountain Lake to interested citizens. The complete financial statements may be examined at the City Hall, PO Box C Mountain Lake, MN Questions about this report should be directed to Wendy Meyer, City Clerk, at 507-427-2999

|  | Total<br><u>2016</u> | Total<br><u>2015</u> | Percent<br>Increase<br>(Decrease) |
|--|----------------------|----------------------|-----------------------------------|
| <b>REVENUES:</b>                                     |                      |                      |                                   |
| Taxes and Assessments                                | \$ 893,274           | \$ 841,595           | 6.14 %                            |
| Licenses and Permits                                 | 5,916                | 5,286                | 11.92 %                           |
| Intergovernmental                                    | 1,146,755            | 1,496,670            | (23.38)%                          |
| Charges for Services                                 | 450,462              | 177,099              | 154.36 %                          |
| Fines  | 6,333                | 2,482                | 155.16 %                          |
| Investment Earnings                                  | 15,200               | 51,215               | (70.32)%                          |
| Miscellaneous  | 164,330              | 367,343              | (55.27)%                          |
| Transfer In  | 472,466              | 923,100              | (48.82)%                          |
| Issuance of Debt                                     | <u>385,765</u>       | <u>290,019</u>       | 33.01 %                           |
| Total Revenues                                       | <u>\$ 3,540,501</u>  | <u>\$ 4,154,809</u>  | (14.79)%                          |
| Per Capita   | <u>1,662</u>         | <u>1,951</u>         |                                   |
| <b>EXPENDITURES:</b>                                 |                      |                      |                                   |
| Current  |                      |                      |                                   |
| General Government                                   | \$ 209,161           | \$ 236,703           | (11.64)%                          |
| Public Safety  | 553,260              | 541,539              | 2.16 %                            |
| Public Works   | 308,190              | 266,990              | 15.43 %                           |
| Culture and Recreation                               | 347,485              | 268,957              | 29.20 %                           |
| Sanitation   | 19,326               | 17,374               | 11.24 %                           |
| Economic Development                                 | 393,065              | 379,134              | 3.67 %                            |
| Miscellaneous  | 140,348              | 88,609               | 58.39 %                           |
| Debt Service:  |                      |                      |                                   |
| Principal Payments                                   | 658,519              | 717,290              | (8.19)%                           |
| Interest Payments                                    | 235,582              | 273,645              | (13.91)%                          |
| Cost of Issuance of Debt                             | 16,961               | 837                  | 1,926.40 %                        |
| Capital Outlay                                       | 679,963              | 2,264,489            | (69.97)%                          |
| Transfer Out   | <u>320,467</u>       | <u>803,100</u>       | (60.10)%                          |
| Total Expenditures                                   | <u>\$ 3,882,327</u>  | <u>\$ 4,290,746</u>  | (9.52)%                           |
| Per Capita   | <u>1,823</u>         | <u>2,014</u>         |                                   |
| Governmental Long-term Indebtedness                  | <u>\$ 7,181,651</u>  | <u>\$ 7,491,748</u>  | (4.14)%                           |
| Per Capita   | <u>3,372</u>         | <u>3,517</u>         |                                   |
| General Fund Unrestricted Fund Balance - December 31 | <u>\$ 1,884,238</u>  | <u>\$ 1,958,854</u>  | (3.81)%                           |
| Per Capita   | <u>885</u>           | <u>920</u>           |                                   |

SECTION IV

ADDITIONAL INFORMATION

**DENNIS E. OBERLOH, LTD.**

**CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 186 • 530 WEST PARK ROAD  
REDWOOD FALLS, MN 56283**

**Telephone: (507) 644-6400**

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**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***

Honorable Mayor and Members of the Council  
City of Mountain Lake  
Mountain Lake, 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Mountain Lake, Minnesota's basic financial statements, and have issued our report thereon dated June 5, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Mountain Lake, Minnesota'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 of Mountain Lake, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mountain Lake, Minnesota's internal control.

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



Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2016-001 and 2016-002.

### **Compliance and Other Matters**


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

### **City of Mountain Lake, Minnesota's Response to Findings**

City of Mountain Lake, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Mountain Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Dennis E. Oberloh, Ltd.

June 5, 2017

CITY OF MOUNTAIN LAKE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2016

INTERNAL CONTROL FINDINGS

Audit Finding 2016-001

*Criteria:* The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

*Condition:* The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

*Cause:* The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

*Effect:* The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

*Recommendations:* For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

*Managements Response:* Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2016-002

*Criteria:* Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

*Condition:* The City does not have adequate segregation of accounting duties.

*Cause:* There are a limited number of office employees.

*Effect:* The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

*Recommendations:* For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

*Managements Response:* Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

**DENNIS E. OBERLOH, LTD.**

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

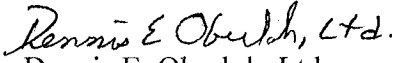
Honorable Mayor and Members of the Council  
City of Mountain Lake  
Mountain Lake, Minnesota

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 basic financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2017.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 contains seven main 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 included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that City of Mountain Lake, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 of Mountain Lake, Minnesota's noncompliance with the above reference provisions.

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

  
Dennis E. Oberloh, Ltd.

June 5, 2017