

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

CITY OF MOUNTAIN LAKE, MINNESOTA
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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	12/31/2018
COUNCIL MEMBER	David Savage	12/31/2020
COUNCIL MEMBER	Darla Kruser	12/31/2020
COUNCIL MEMBER	Dana Kass	12/31/2018
COUNCIL MEMBER	Andrew Ysker	12/31/2018
CLERK/ADMINISTRATOR	Michael Schulte	Appointed - 4/26/2018
CLERK/ADMINISTRATOR	Wendy Meyer	Resigned - 5/4/2018

SECTION II
FINANCIAL SECTION

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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, 2017, 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, 2017, 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 53 through 64 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 25, 2018 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.

June 25, 2018

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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, 2017.

- 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 \$19,223,983 (net position). Of this amount, \$8,074,982 (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 \$785,759 compared to an increase of \$374,062 in the previous year. The governmental activities net position increased by \$165,986 and the business-type activities net position increased \$619,773.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,041,625, an increase of \$1,332,888 in comparison with the prior year. Approximately 38.8 percent of this total amount, \$2,346,688, is available for spending at the City's discretion, \$1,988,978 of which has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$720,837, or 65.8 percent of total General Fund expenditures.
- The City's total debt increased by \$4,057,604 or 20.9 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, 2017

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; which is considered to be a major fund. 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, 2017

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 52 of this report.

Required Supplementary Information

This Management's Discussion and Analysis, the governmental fund Budgetary Comparisons, and Pension Schedules (on pages 53 - 64) 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 65) 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, 2017

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 8,772,472	\$ 7,531,886	\$ 5,152,328	\$ 4,140,915	\$ 13,924,800	\$ 11,672,801
Capital Assets	<u>10,598,555</u>	<u>9,437,415</u>	<u>20,130,950</u>	<u>18,179,665</u>	<u>30,729,505</u>	<u>27,617,080</u>
Total Assets	<u>19,371,027</u>	<u>16,969,301</u>	<u>25,283,278</u>	<u>22,320,580</u>	<u>44,654,305</u>	<u>39,289,881</u>
Deferred Outflows of Resources	<u>603,654</u>	<u>737,974</u>	<u>102,108</u>	<u>131,705</u>	<u>705,762</u>	<u>869,679</u>
Current Liabilities	785,568	800,868	1,674,874	1,374,893	2,460,442	2,175,761
Long-term Liabilities	<u>9,467,005</u>	<u>7,868,195</u>	<u>13,442,694</u>	<u>11,486,333</u>	<u>22,909,699</u>	<u>19,354,528</u>
Total Liabilities	<u>10,252,573</u>	<u>8,669,063</u>	<u>15,117,568</u>	<u>12,861,226</u>	<u>25,370,141</u>	<u>21,530,289</u>
Deferred Inflows of Resources	<u>672,126</u>	<u>154,216</u>	<u>93,817</u>	<u>36,831</u>	<u>765,943</u>	<u>191,047</u>
Net Position						
Net Investment in						
Capital Assets	1,363,308	2,255,764	5,978,898	6,019,498	7,342,206	8,275,262
Restricted	3,271,093	2,058,405	535,702	717,798	3,806,795	2,776,203
Unrestricted	<u>4,415,581</u>	<u>4,569,827</u>	<u>3,659,401</u>	<u>2,816,932</u>	<u>8,074,982</u>	<u>7,386,759</u>
Total Net Position	<u>\$ 9,049,982</u>	<u>\$ 8,883,996</u>	<u>\$ 10,174,001</u>	<u>\$ 9,554,228</u>	<u>\$ 19,223,983</u>	<u>\$ 18,438,224</u>

A large portion of the City's net position (38.2 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 (19.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (42.0 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, 2017

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and						
Charges for Services	\$ 533,297	\$ 462,711	\$ 4,082,595	\$ 3,856,141	\$ 4,615,892	\$ 4,318,852
Operating Grants and						
Contributions	162,814	62,163	-	-	162,814	62,163
Operating Grants and						
Contributions	-	277,168	-	-	-	277,168
Rental Income	-	-	122,245	120,316	122,245	120,316
General Revenues:						
Taxes and						
Assessments	982,884	976,140	-	4,571	982,884	980,711
Intergovernmental						
Revenue	927,744	660,735	-	-	927,744	660,735
Interest Income	35,127	15,200	22,689	12,907	57,816	28,107
Miscellaneous Income	140,052	163,166	4,234	7,056	144,286	170,222
Refunds and						
Reimbursements	-	-	22,525	47,741	22,525	47,741
Total Revenues	<u>2,781,918</u>	<u>2,617,283</u>	<u>4,254,288</u>	<u>4,048,732</u>	<u>7,036,206</u>	<u>6,666,015</u>
<u>Expenses</u>						
General Government	250,577	246,209	-	-	250,577	246,209
Public Safety	707,522	698,802	-	-	707,522	698,802
Public Works	526,115	577,047	-	-	526,115	577,047
Culture and Recreation	308,182	412,253	-	-	308,182	412,253
Sanitation	24,594	19,326	-	-	24,594	19,326
Economic Development	525,115	473,323	-	-	525,115	473,323
Miscellaneous	135,983	140,348	-	-	135,983	140,348
Interest on Long-Term						
Debt	235,594	234,774	-	-	235,594	234,774
Debt Issuance Costs	22,250	15,471	12,095	-	34,345	15,471
Water Utility	-	-	474,230	506,299	474,230	506,299
Sewer Utility	-	-	482,864	507,339	482,864	507,339
Electric Utility	-	-	2,406,516	2,312,990	2,406,516	2,312,990
Housing and						
Redevelopment	-	-	138,810	147,772	138,810	147,772
Total Expenses	<u>2,735,932</u>	<u>2,817,553</u>	<u>3,514,515</u>	<u>3,474,400</u>	<u>6,250,447</u>	<u>6,291,953</u>
Transfers	120,000	152,000	(120,000)	(152,000)	-	-
Contributions	-	(733,023)	-	733,023	-	-
Change in Net Position	165,986	(781,293)	619,773	1,155,355	785,759	374,062
Net Position Beginning	<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>
Net Position Ending	<u>\$ 9,049,982</u>	<u>\$ 8,883,996</u>	<u>\$ 10,174,001</u>	<u>\$ 9,554,228</u>	<u>\$ 19,223,983</u>	<u>\$ 18,438,224</u>

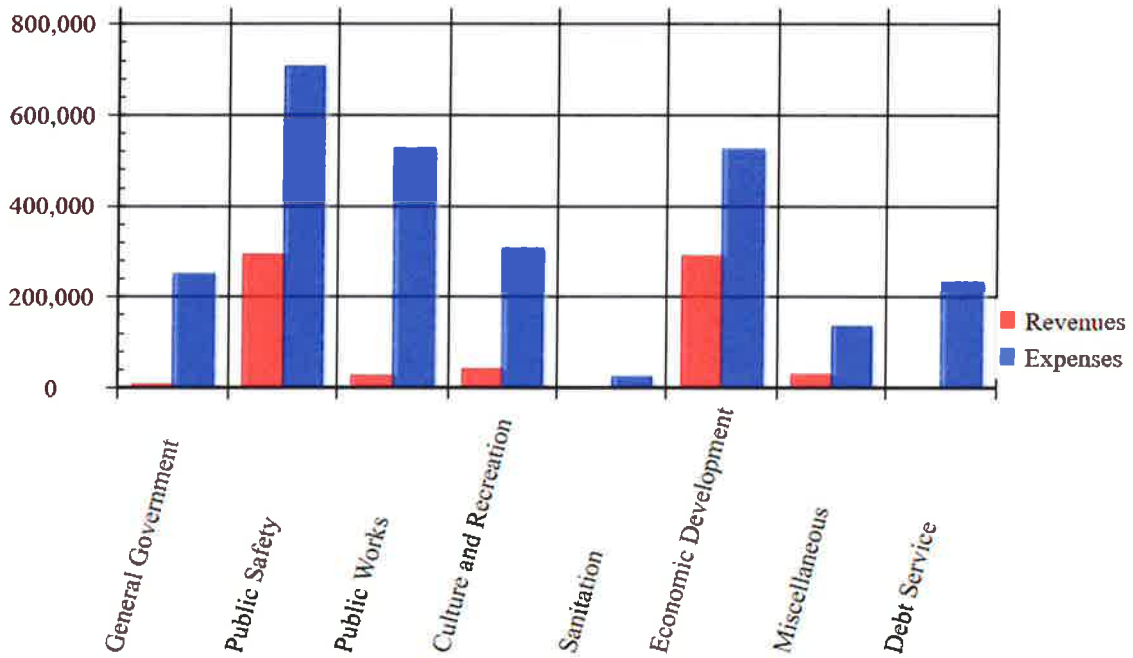
CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2017

THE CITY AS A WHOLE (Cont.)

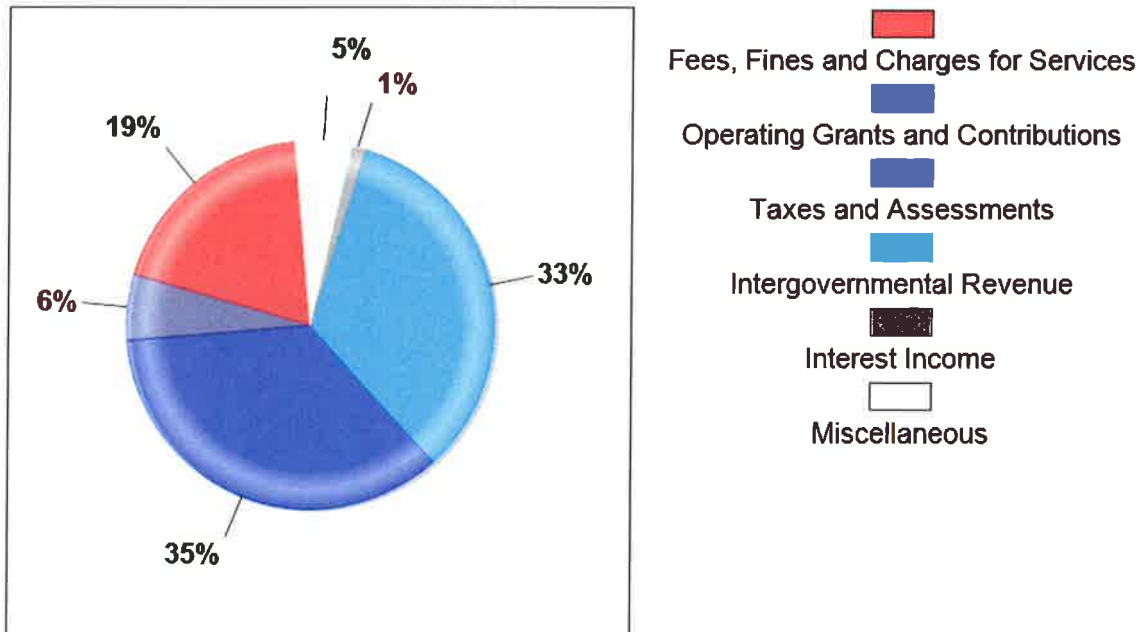
Governmental Activities

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

**Program Revenues and Expenses -
 Governmental Activities**



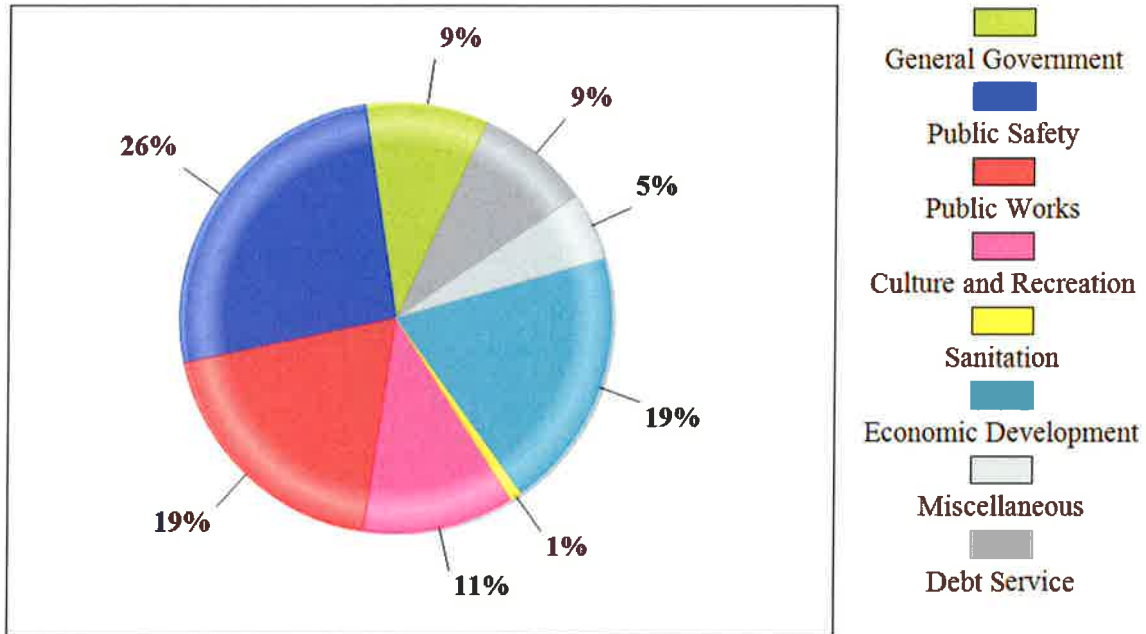
Sources of Funds in Governmental Activities



CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2017

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

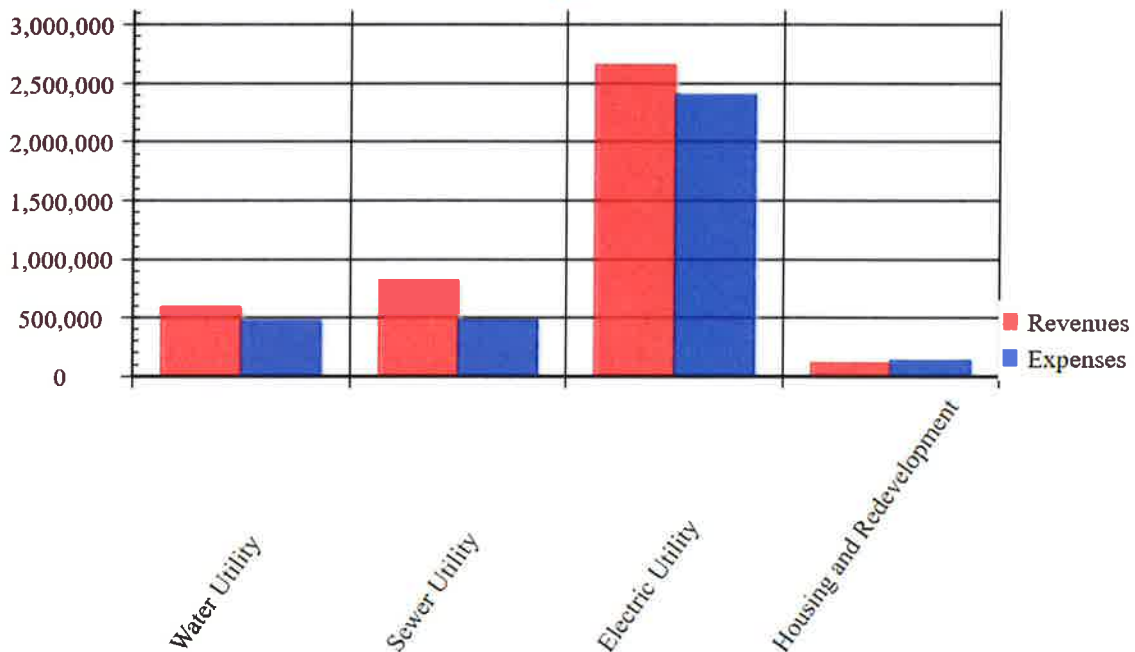
Uses of Funds in Governmental Activities



Business-Type Activities

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

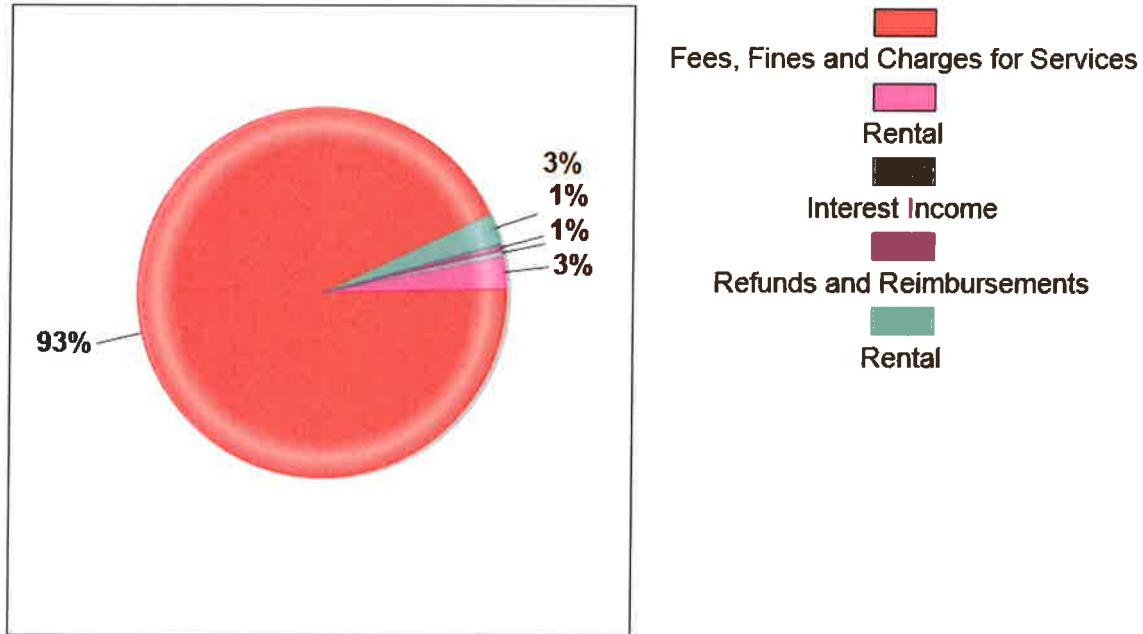
**Program Revenues and Expenses -
 Business-Type Activities**



CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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 \$6,041,625 an increase of \$1,332,888 in comparison to the prior year. Approximately 38.8% of this total amount, \$2,346,688 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 \$3,271,093 or is nonspendable as the funds have been borrowed to another fund in the amount of \$423,844.

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 \$2,017,020. 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 65.8 percent of fund expenditures. The fund balance of the City's General Fund increased by \$132,782 during the current fiscal year.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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 \$3,659,401.

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 \$69,533. The expenditures came in under budget by \$63,249.

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, 2017, amounts to \$30,729,505 (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 11.3 percent (an 12.3 percent increase for governmental activities and a 10.7 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 711,456	\$ 661,456	\$ 64,521	\$ 64,521	\$ 775,977	\$ 725,977
Construction in Progress	1,208,311	411,386	3,118,262	611,487	4,326,573	1,022,873
Buildings and Improvements	5,942,872	5,886,018	5,188,055	5,188,055	11,130,927	11,074,073
Infrastructure and Improvements	6,929,482	6,469,918	23,760,385	23,517,281	30,689,867	29,987,199
Machinery and Equipment	521,644	489,216	867,987	862,021	1,389,631	1,351,237
Transportation and Other Equipment	<u>1,948,259</u>	<u>1,747,004</u>	<u>311,634</u>	<u>311,634</u>	<u>2,259,893</u>	<u>2,058,638</u>
Subtotal	17,262,024	15,664,998	33,310,844	30,554,999	50,572,868	46,219,997
Less: Accumulated Depreciation	<u>6,663,469</u>	<u>6,227,583</u>	<u>13,179,894</u>	<u>12,375,334</u>	<u>19,843,363</u>	<u>18,602,917</u>
Total	<u>\$ 10,598,555</u>	<u>\$ 9,437,415</u>	<u>\$ 20,130,950</u>	<u>\$ 18,179,665</u>	<u>\$ 30,729,505</u>	<u>\$ 27,617,080</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$23,387,298.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
G.O. Tax Increment Bonds	\$ 4,081,000	\$ 4,306,000	\$ -	\$ -	\$ 4,081,000	\$ 4,306,000
G.O. Improvement Bonds	4,874,900	2,574,600	-	-	4,874,900	2,574,600
G.O. Refunding Bonds	174,300	226,400	735,800	834,000	910,100	1,060,400
G.O. Revenue Bonds	-	-	8,324,015	8,911,636	8,324,015	8,911,636
Revenue Bonds	-	-	5,092,237	2,402,407	5,092,237	2,402,407
Notes	64,095	74,651	-	-	64,095	74,651
Mortgage Payable	<u>40,951</u>	-	-	-	<u>40,951</u>	-
Total	<u>\$ 9,235,246</u>	<u>\$ 7,181,651</u>	<u>\$14,152,052</u>	<u>\$12,148,043</u>	<u>\$23,387,298</u>	<u>\$19,329,694</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 5,153,429	\$ 4,096,102	\$ 9,249,531
Escrowed Investment	462,654	-	462,654
Receivables:			
Accounts Receivable	23,618	712,909	736,527
Property Taxes Receivable	47,079	-	47,079
Special Assessments Receivable	1,659,229	84,182	1,743,411
Interest Receivable	1,173	-	1,173
Notes Receivable	1,318,122	-	1,318,122
Land Held for Resale	36,373	-	36,373
Prepaid Expense	6,417	11,802	18,219
Internal Balances	30,391	(30,391)	-
Inventory	-	175,207	175,207
Capital assets not being depreciated:			
Land	711,456	64,521	775,977
Construction in Progress	1,208,311	3,118,262	4,326,573
Other capital assets:			
Buildings and Improvements	5,942,872	5,188,055	11,130,927
Infrastructure and Improvements	6,929,482	23,760,385	30,689,867
Machinery and Equipment	521,644	867,987	1,389,631
Transportation and Other Equipment	1,948,259	311,634	2,259,893
Accumulated Depreciation	(6,663,469)	(13,179,894)	(19,843,363)
Bond Discount	33,987	102,517	136,504
TOTAL ASSETS	<u>19,371,027</u>	<u>25,283,278</u>	<u>44,654,305</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>603,654</u>	<u>102,108</u>	<u>705,762</u>
LIABILITIES			
Accounts Payable	68,234	519,688	587,922
Accrued Interest	114,777	49,699	164,476
Accrued Payroll	25,600	8,014	33,614
Due to Other Governments	-	6,163	6,163
Accrued Compensated Absences	27,966	-	27,966
Customer Deposits	-	108,792	108,792
Unamortized Bond Premium	41,283	4,684	45,967
Noncurrent liabilities:			
Due within one year	507,708	977,834	1,485,542
Net Pension Liability	672,212	242,589	914,801
Due in more than one year	8,727,538	13,174,218	21,901,756
Accrued Compensated Absences	67,255	25,887	93,142
TOTAL LIABILITIES	<u>10,252,573</u>	<u>15,117,568</u>	<u>25,370,141</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>672,126</u>	<u>93,817</u>	<u>765,943</u>
NET POSITION			
Net Investment in Capital Assets	1,363,308	5,978,898	7,342,206
Restricted	3,271,093	535,702	3,806,795
Unrestricted	4,415,581	3,659,401	8,074,982
TOTAL NET POSITION	<u>\$ 9,049,982</u>	<u>\$ 10,174,001</u>	<u>\$ 19,223,983</u>

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, 2017**

Functions/Programs Primary Government	Program Revenues				Net Sources (Uses) and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Rental	Primary Government	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 250,577	\$ 8,142	\$ -	\$ -	\$ (242,435)	\$ -	\$ (242,435)
Public Safety	707,522	174,614	120,381	-	(412,527)	-	(412,527)
Public Works	526,115	8,919	19,517	-	(497,679)	-	(497,679)
Culture and Recreation	308,182	19,878	22,916	-	(265,388)	-	(265,388)
Sanitation	24,594	-	-	-	(24,594)	-	(24,594)
Economic Development	525,115	291,344	-	-	(233,771)	-	(233,771)
Miscellaneous	135,983	30,400	-	-	(105,583)	-	(105,583)
Debt Service	235,594	-	-	-	(235,594)	-	(235,594)
Total Governmental Activities	<u>2,713,682</u>	<u>533,297</u>	<u>162,814</u>	<u>-</u>	<u>(2,017,571)</u>	<u>-</u>	<u>(2,017,571)</u>
Business-Type Activities:							
Water Utility	474,230	595,937	-	1,200	-	122,907	122,907
Sewer Utility	482,864	821,085	-	-	-	338,221	338,221
Electric Utility	2,406,516	2,665,573	-	-	-	259,057	259,057
Housing and Redevelopment	138,810	-	-	121,045	-	(17,765)	(17,765)
Total Business-Type Activities	<u>3,502,420</u>	<u>4,082,595</u>	<u>-</u>	<u>122,245</u>	<u>-</u>	<u>702,420</u>	<u>702,420</u>
Total Primary Government	<u>\$ 6,216,102</u>	<u>\$ 4,615,892</u>	<u>\$ 162,814</u>	<u>\$ 122,245</u>	<u>(2,017,571)</u>	<u>702,420</u>	<u>(1,315,151)</u>
General Revenues:							
Taxes and Assessments					982,884	-	982,884
Intergovernmental Revenue					927,744	-	927,744
Interest Income					35,127	-	35,127
Refunds and Reimbursements					-	22,689	22,689
Miscellaneous					140,052	4,234	144,286
Debt Issuance Costs					(22,250)	(12,095)	(34,345)
Transfers					120,000	(120,000)	-
Total General Revenues					<u>2,183,557</u>	<u>(82,647)</u>	<u>2,100,910</u>
Changes in Net Position					165,986	619,773	785,759
Net Position- January 1					8,883,996	9,554,228	18,438,224
Net Position- December 31					<u>\$ 9,049,982</u>	<u>\$ 10,174,001</u>	<u>\$ 19,223,983</u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	101 - General Fund	Nonmajor Governmental Funds	Total
ASSETS:			
Cash and Investments	\$ 1,297,382	\$ 3,856,049	\$ 5,153,431
Escrowed Investment	420,377	42,277	462,654
Accounts Receivable	650	22,968	23,618
Property Taxes Receivable	47,079	-	47,079
Special Assessments Receivable	4,158	1,655,071	1,659,229
Interest Receivable	968	205	1,173
Notes Receivable	-	1,318,122	1,318,122
Land Held for Resale	-	36,373	36,373
Prepaid Expense	6,417	-	6,417
Due from Other Funds	330,499	86,928	417,427
Total Assets	\$ 2,107,530	\$ 7,017,993	\$ 9,125,523
LIABILITIES:			
Accounts Payable	\$ 24,686	\$ 43,548	\$ 68,234
Accrued Interest	-	7,036	7,036
Accrued Payroll	19,779	5,821	25,600
Due to Other Funds	-	387,036	387,036
Total Liabilities	44,465	443,441	487,906
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	46,045	2,549,947	2,595,992
Total Deferred Inflows of Resources	46,045	2,549,947	2,595,992
FUND BALANCES:			
Nonspendable	336,916	86,928	423,844
Restricted	-	3,271,093	3,271,093
Assigned	959,267	1,029,711	1,988,978
Unassigned (Deficit)	720,837	(363,127)	357,710
Total Fund Balances	2,017,020	4,024,605	6,041,625
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,107,530	\$ 7,017,993	\$ 9,125,523

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, 2017

Total Governmental Fund Balances	\$ 6,041,625
<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.	10,598,552
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	2,595,993
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.	(9,479,491)
Long-term assets, including bond discounts are not financial resources and therefore are not reported in the funds.	33,987
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>(740,684)</u>
Net Position of Governmental Activities	<u>\$ 9,049,982</u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	101 - General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 252,172	\$ 673,554	\$ 925,726
Licenses and Permits	7,187	-	7,187
Intergovernmental Revenue	855,523	379,924	1,235,447
Charges for Services	60,045	460,910	520,955
Fines and Forfeits	5,048	107	5,155
Interest Income	9,371	25,756	35,127
Miscellaneous	26,699	126,985	153,684
Total Revenues	1,216,045	1,667,236	2,883,281
EXPENDITURES			
Current Operations:			
General Government	212,237	-	212,237
Public Safety	353,754	235,215	588,969
Public Works	275,277	-	275,277
Culture and Recreation	105,390	149,249	254,639
Sanitation	9,199	15,395	24,594
Economic Development	-	447,741	447,741
Miscellaneous	81,824	54,159	135,983
Debt Service:			
Principal Payments	-	481,404	481,404
Interest Payments	-	230,942	230,942
Miscellaneous	-	4,874	4,874
Cost of Issuance of Debt	-	22,250	22,250
Capital Outlay	57,454	1,508,439	1,565,893
Total Expenditures	1,095,135	3,149,668	4,244,803
EXCESS REVENUES OVER (UNDER) EXPENDITURES	120,910	(1,482,432)	(1,361,522)
OTHER FINANCING SOURCES (USES)			
Transfer In	120,000	108,128	228,128
Issuance of Debt	-	2,574,410	2,574,410
Transfer Out	(108,128)	-	(108,128)
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	132,782	1,200,106	1,332,888
FUND BALANCES - January 1	1,884,238	2,824,499	4,708,737
FUND BALANCES - December 31	\$ 2,017,020	\$ 4,024,605	\$ 6,041,625

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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 1,332,888
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	1,597,024
Depreciation Expense	(435,887)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(3,234)
Special Assessments	(86,297)
Loan Repayments	(13,632)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	
	(32,288)
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	(2,574,410)
Principal Repayments	481,404
Debt Premium/Discount	1,378
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	
	(10,418)
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.	
	<u>(90,542)</u>
Change in Net Position of Governmental Activities	\$ <u><u>165,986</u></u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 3,967,926	\$ 128,177	\$ 4,096,103
Accounts Receivable	712,909	-	712,909
Special Assessments Receivable	84,182	-	84,182
Due from Other Funds	1,536	8,991	10,527
Prepaid Expense	11,802	-	11,802
Inventory	175,207	-	175,207
Total Current Assets	<u>4,953,562</u>	<u>137,168</u>	<u>5,090,730</u>
NONCURRENT ASSETS			
Capital Assets:			
Land	43,692	20,829	64,521
Buildings and Improvements	3,816,783	1,371,272	5,188,055
Infrastructure and Improvements	23,760,385	-	23,760,385
Machinery and Equipment	867,987	-	867,987
Transportation and Other Equipment	311,634	-	311,634
Construction in Progress	3,118,262	-	3,118,262
Total Capital Assets	<u>31,918,743</u>	<u>1,392,101</u>	<u>33,310,844</u>
Less: Accumulated Depreciation	<u>12,515,570</u>	<u>664,324</u>	<u>13,179,894</u>
Net Capital Assets	<u>19,403,173</u>	<u>727,777</u>	<u>20,130,950</u>
Bond Discount	<u>102,517</u>	<u>-</u>	<u>102,517</u>
Total Noncurrent Assets	<u>19,505,690</u>	<u>727,777</u>	<u>20,233,467</u>
TOTAL ASSETS	<u>24,459,252</u>	<u>864,945</u>	<u>25,324,197</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>102,108</u>	<u>-</u>	<u>102,108</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,561,360</u>	<u>\$ 864,945</u>	<u>\$ 25,426,305</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 506,279	\$ 13,409	\$ 519,688
Due to Other Funds	31,928	8,991	40,919
Accrued Interest	44,183	5,516	49,699
Accrued Payroll	8,014	-	8,014
Due to Other Governments	6,163	-	6,163
Customer Deposits	97,822	10,970	108,792
Unamortized Bond Premium	2,075	2,609	4,684
Current Amount of Long-Term Debt	937,165	40,669	977,834
Total Current Liabilities	<u>1,633,629</u>	<u>82,164</u>	<u>1,715,793</u>
LONG-TERM LIABILITIES			
Accrued Compensated Absences	25,887	-	25,887
Net Pension Liability	242,589	-	242,589
Bonds and Notes Payable	12,534,150	640,068	13,174,218
Total Long-Term Liabilities	<u>12,802,626</u>	<u>640,068</u>	<u>13,442,694</u>
TOTAL LIABILITIES	<u>14,436,255</u>	<u>722,232</u>	<u>15,158,487</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>93,817</u>	<u>-</u>	<u>93,817</u>
NET POSITION			
Net Investment in Capital Assets	5,931,858	47,040	5,978,898
Restricted for Debt Service	535,702	-	535,702
Unrestricted	3,563,728	95,673	3,659,401
Total Net Position	<u>10,031,288</u>	<u>142,713</u>	<u>10,174,001</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	<u>\$ 24,561,360</u>	<u>\$ 864,945</u>	<u>\$ 25,426,305</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, 2017

	<u>Public Utilities Commission</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
OPERATING REVENUES			
Sales to Consumers	\$ 4,082,595	\$ -	\$ 4,082,595
Rental Income	<u>1,200</u>	<u>121,045</u>	<u>122,245</u>
Total Operating Revenues	<u>4,083,795</u>	<u>121,045</u>	<u>4,204,840</u>
OPERATING EXPENSES			
Depreciation	754,981	49,578	804,559
Insurance	-	10,080	10,080
Miscellaneous	-	7,962	7,962
Professional Services	-	10,551	10,551
Repairs, Maintenance and Supplies	-	38,901	38,901
Utilities	-	212	212
Pumping, Treatment, Production	1,628,385	-	1,628,385
Distribution and Collection	515,389	-	515,389
Administration and General	<u>302,953</u>	<u>-</u>	<u>302,953</u>
Total Operating Expenses	<u>3,201,708</u>	<u>117,284</u>	<u>3,318,992</u>
NET OPERATING INCOME	<u>882,087</u>	<u>3,761</u>	<u>885,848</u>
NON OPERATING INCOME AND EXPENSE			
Interest Income	22,538	151	22,689
Refunds and Reimbursements	22,520	5	22,525
CAP X Credit	4,234	-	4,234
Interest Expense	(161,902)	(21,526)	(183,428)
Cost of Issuance of Debt	<u>(12,095)</u>	<u>-</u>	<u>(12,095)</u>
Net Non Operating Income and Expense	<u>(124,705)</u>	<u>(21,370)</u>	<u>(146,075)</u>
INCOME (LOSS) BEFORE TRANSFERS	757,382	(17,609)	739,773
Transfer Out	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	637,382	(17,609)	619,773
NET POSITION - January 1	<u>9,393,906</u>	<u>160,322</u>	<u>9,554,228</u>
NET POSITION - December 31	<u>\$10,031,288</u>	<u>\$ 142,713</u>	<u>\$ 10,174,001</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, 2017

	Public Utilities <u>Commission</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 3,979,960	\$ 121,045	\$4,101,005
Payments to Vendors	(1,722,722)	(56,812)	(1,779,534)
Payments to Employees	(407,884)	-	(407,884)
Other Receipts and Payments	<u>26,756</u>	<u>5</u>	<u>26,761</u>
Net Cash Provided By Operating Activities	<u>1,876,110</u>	<u>64,238</u>	<u>1,940,348</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer to Other Funds	(120,000)	-	(120,000)
Due to (from) Other Funds	<u>(10,802)</u>	<u>-</u>	<u>(10,802)</u>
Net Cash Used By Noncapital Financing Activities	<u>(130,802)</u>	<u>-</u>	<u>(130,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(2,666,192)	-	(2,666,192)
Special Assessments Collected	63,423	-	63,423
Proceeds from Bond Issuance	2,938,863	-	2,938,863
Principal Paid on Capital Debt	(955,570)	(40,420)	(995,990)
Interest Paid on Capital Debt	<u>(234,044)</u>	<u>(21,959)</u>	<u>(256,003)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(853,520)</u>	<u>(62,379)</u>	<u>(915,899)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Earnings	<u>22,538</u>	<u>151</u>	<u>22,689</u>
Net Cash Provided By Investing Activities	<u>22,538</u>	<u>151</u>	<u>22,689</u>
NET INCREASE IN CASH	914,326	2,010	916,336
CASH AND CASH EQUIVALENTS - January 1	<u>3,053,600</u>	<u>126,167</u>	<u>3,179,767</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 3,967,926</u>	<u>\$ 128,177</u>	<u>\$4,096,103</u>
 Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating Income	\$ 882,087	\$ 3,761	\$ 885,848
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities			
Depreciation	754,981	49,578	804,559
Noncash Pension Expense	12,511	-	12,511
Changes in Assets and Liabilities			
Receivables	(108,159)	-	(108,159)
Inventory	(2,704)	-	(2,704)
Accounts Payable	325,433	10,894	336,327
Accrued Wages	(1,789)	-	(1,789)
Accrued Compensated Absence	(16,632)	-	(16,632)
Due to Other Governments	(698)	-	(698)
Deposits Payable	4,324	-	4,324
Other Receipts and Payments	<u>26,756</u>	<u>5</u>	<u>26,761</u>
Net Cash Provided By Operating Activities	<u>\$ 1,876,110</u>	<u>\$ 64,238</u>	<u>\$1,940,348</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.

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 2017. 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, 2017 was \$93,142.

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, 2017.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public Safety	\$ 358,225	\$ 394,014	\$ (35,789)
Culture and Recreation	\$ 93,286	\$ 118,888	\$ (25,602)
Special Revenue Funds:			
Ambulance	\$ 154,875	\$ 318,675	\$ (163,800)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2017:

Small Cities Development	(1,537)
SW Housing Grant	(7,958)
Tax Increment Bonds of 2013B	(22,133)
2008A Public Project Revenue Bonds	(4,959)
Downtown Ross Project	(307,961)
Pankratz Industrial Park	(18,579)

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 \$8,362,104 and the bank balance was \$9,244,736. Of the bank balance, \$9,115,911 was covered by federal depository insurance. Of the remaining balance, \$128,825 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, 2017, the City had the following 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>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Northland Securities Brokerage Account	\$ 1,297,429	\$ -	\$ 1,297,429	\$ -
Invest Co Brokerage Account	<u>52,497</u>	<u>-</u>	<u>52,497</u>	<u>-</u>
Total	<u>\$ 1,349,926</u>	<u>\$ -</u>	<u>\$ 1,349,926</u>	<u>\$ -</u>

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related assets. Level 3 inputs are unobservable inputs related to the asset.

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	\$ 8,362,104
Total Investments	1,349,926
Total Cash on Hand	<u>155</u>
	<u>\$ 9,712,185</u>
Statement of Net Position:	
Cash and Investments	\$ 9,249,531
Escrowed Investments	<u>462,654</u>
	<u>\$ 9,712,185</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	<u>\$ 435,728</u>
Total Sewer	<u>435,728</u>
Electric:	
Capital Replacement	<u>99,974</u>
Total Electric	<u>99,974</u>
Total Restricted Cash and Investments	<u>\$ 535,702</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 \$103,184 at December 31, 2017.

The loans receivable in the Southwest Housing Loan special revenue fund of \$31,370 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, 2017 is \$0.

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 \$421,872. 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, 2017, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 330,499	\$ -
Public Utilities Fund	1,537	31,928
Nonmajor Governmental Funds	86,928	387,036
Nonmajor Enterprise Funds	<u>8,991</u>	<u>8,991</u>
	<u>\$ 427,955</u>	<u>\$ 427,955</u>

The Public Utilities Fund owes Debt Service Funds \$30,391 for the utility portions of street projects capitalized by the Utility Funds. The Mason Manor fund owes the 9-Plex fund \$8,991 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 \$25,000 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	\$ 28,924	\$ -
Special Assessments Receivable	17,121	-
G.O. Improvement Bonds of 2013A		
Special Assessments Receivable	1,653,695	-
Loans Receivable	<u>896,252</u>	<u>-</u>
Total	<u>\$ 2,595,992</u>	<u>\$ -</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. TRANSFERS

Transfers to and from other funds at December 31, 2017, follows:

	Transfers to <u>Other Funds</u>	Transfers from <u>Other Funds</u>
General Fund	\$ 108,128	\$ 120,000
Nonmajor Governmental Funds	-	108,128
Public Utilities Fund	<u>120,000</u>	<u>-</u>
	<u>\$ 228,128</u>	<u>\$ 228,128</u>

The Public Utilities Fund transferred \$120,000 to the General Fund for payment in lieu of taxes on the Electric Fund. The General Fund transferred \$108,128 to the Nonmajor Governmental Funds for operating purposes.

8. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance December 31</u>
Not Being Depreciated:				
Land	\$ 661,456	\$ 50,000	\$ -	\$ 711,456
Construction in Progress	<u>411,386</u>	<u>1,097,239</u>	<u>(300,314)</u>	<u>1,208,311</u>
Subtotal	<u>1,072,842</u>	<u>1,147,239</u>	<u>(300,314)</u>	<u>1,919,767</u>
Other Capital Assets:				
Buildings	5,886,018	10,025	46,829	5,942,872
Infrastructure and Improvements	6,469,918	206,079	253,485	6,929,482
Machinery and Equipment	489,216	32,428	-	521,644
Transportation and Other Equipment	<u>1,747,004</u>	<u>202,255</u>	<u>-</u>	<u>1,949,259</u>
Subtotal	<u>14,592,156</u>	<u>450,787</u>	<u>300,314</u>	<u>15,343,257</u>
Less: Accumulated Depreciation				
Buildings	2,042,613	119,348	-	2,161,961
Infrastructure and Improvements	2,267,017	220,488	-	2,487,505
Machinery and Equipment	315,650	42,226	-	357,876
Transportation and Other Equipment	<u>1,602,303</u>	<u>53,824</u>	<u>-</u>	<u>1,656,127</u>
Subtotal	<u>6,227,583</u>	<u>435,886</u>	<u>-</u>	<u>6,663,469</u>
Net Other Capital Assets	<u>8,364,573</u>	<u>14,901</u>	<u>300,314</u>	<u>8,679,788</u>
Net Capital Assets	<u>\$ 9,437,415</u>	<u>\$ 1,162,140</u>	<u>\$ -</u>	<u>\$ 10,599,555</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, 2017.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 64,521	\$ -	\$ -	\$ 64,521
Construction in Progress	<u>611,487</u>	<u>2,506,775</u>	<u>-</u>	<u>3,118,262</u>
Subtotal	<u>676,008</u>	<u>2,506,775</u>	<u>-</u>	<u>3,182,783</u>
Other Capital Assets:				
Buildings	5,188,055	-	-	5,188,055
Infrastructure and Improvements	23,517,281	243,104	-	23,760,385
Machinery and Equipment	862,021	5,966	-	867,987
Transportation and Other Equipment	<u>311,634</u>	<u>-</u>	<u>-</u>	<u>311,634</u>
Subtotal	<u>29,878,991</u>	<u>249,070</u>	<u>-</u>	<u>30,128,061</u>
Less: Accumulated Depreciation				
Buildings	2,698,175	172,867	-	2,871,042
Infrastructure and Improvements	8,881,239	567,609	-	9,448,848
Machinery and Equipment	585,486	41,799	-	627,285
Transportation and Other Equipment	<u>210,435</u>	<u>22,284</u>	<u>-</u>	<u>232,719</u>
Subtotal	<u>12,375,335</u>	<u>804,559</u>	<u>-</u>	<u>13,179,894</u>
Net Other Capital Assets	<u>17,503,656</u>	<u>(555,489)</u>	<u>-</u>	<u>16,948,167</u>
Net Capital Assets	<u>\$ 18,179,664</u>	<u>\$ 1,951,286</u>	<u>\$ -</u>	<u>\$ 20,130,950</u>

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

Governmental Activities:	
General Government	\$ 23,415
Public Safety	45,879
Public Works	246,891
Culture and Recreation	47,903
Economic Development	<u>71,798</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 435,886</u>
Business-Type Activities:	
Public Utilities Commission	\$ 754,981
Nonmajor Enterprise Funds	<u>49,578</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 804,559</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE
A. Classifications

	General Fund	Non Major Governmental Funds	Total
Nonspendable:			
Interfund Receivable	\$ 330,499	\$ 86,928	\$ 417,427
Prepaid Expenses	<u>6,417</u>	<u>-</u>	<u>6,417</u>
Total Nonspendable	<u>336,916</u>	<u>86,928</u>	<u>423,844</u>
Restricted for:			
Debt Service	-	955,225	955,225
Library	-	794	794
Capital Improvements	<u>-</u>	<u>2,315,074</u>	<u>2,315,074</u>
Total Restricted	<u>-</u>	<u>3,271,093</u>	<u>3,271,093</u>
Assigned to:			
Capital Outlay and Improvements	872,879	136,972	1,009,851
Cemetery	86,388	-	86,388
Ambulance	-	197,565	197,565
Fire	-	392,247	392,247
Library	-	173,878	173,878
Lake Commission	-	38,933	38,933
Economic Development	<u>-</u>	<u>90,116</u>	<u>90,116</u>
Total Assigned	<u>959,267</u>	<u>1,029,711</u>	<u>1,988,978</u>
Unassigned	<u>720,837</u>	<u>(363,127)</u>	<u>357,710</u>
Total	<u>\$2,017,020</u>	<u>\$ 4,024,605</u>	<u>\$6,041,625</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, 2017, the unassigned fund balance of the General Fund was 62.2% 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, 2017.

	Balance January 1	Debt Issued	Debt Retired	Balance December 31	Current Amount
G.O. Tax Increment Bonds	\$ 4,306,000	\$ -	\$ 225,000	\$ 4,081,000	\$ 247,000
G.O. Improvement Bonds	2,574,600	2,485,000	184,700	4,874,900	188,150
G.O. Refunding Bonds	1,060,400	-	150,300	910,100	151,850
G.O. Revenue Bonds	8,911,635	-	587,620	8,324,015	592,665
Revenue Bonds	2,402,407	3,000,000	310,170	5,092,237	285,419
Notes Payable	<u>74,652</u>	<u>50,000</u>	<u>19,606</u>	<u>105,046</u>	<u>20,458</u>
Totals	<u>\$19,329,694</u>	<u>\$5,535,000</u>	<u>\$1,477,396</u>	<u>\$23,387,298</u>	<u>\$ 1,485,542</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, 2017 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.	\$ 760,000
\$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.	1,160,000
\$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.	1,795,000
\$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.	1,900,000
\$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.	174,300
\$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.	489,900
\$2,485,000 GO Improvement Bond of 2017B, due in annual installments through February 1, 2043, plus interest from 1.55-4.0% due in semi-annual installments.	2,485,000
\$32,000 USDA Fire Truck Note, due in annual installments of \$7,189 through December 5, 2019 including interest at 4.0%.	13,554
\$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%.	50,541

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

\$50,000 Contract for DEED Watkins land purchase, due in annual installments of \$11,549, including interest at 5.0% through November 1, 2021	<u>40,951</u>
Total Governmental Activities	<u>9,235,246</u>
<u>Business-Type Activities</u>	
\$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.	991,000
\$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.	515,700
\$47,444 GO Revenue Bonds, due in annual installments through August 20, 2034, plus interest at 1.0% due in semi-annual installments.	33,377
\$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.	220,100
\$7,754,480 2012 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	5,554,000
\$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.	1,720,000
\$38,440 2013 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	25,638
\$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.	460,000
\$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.	220,737
\$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.	314,000
\$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%.	772,500

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CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

\$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.	370,000
\$3,000,000 Electric Revenue Bonds of 2017A, due in annual installments through December 1, 2036, plus interest from 2.5-4.0% due in semi-annual installments	<u>2,955,000</u>
Total Business-Type Activities	<u>14,152,052</u>
Total Long-Term Debt	<u>\$23,387,298</u>

The annual requirements to maturity for long-term liabilities are as follows:

	<u>G.O. Tax Increment Bonds</u> <u>Governmental Activities</u>			<u>G.O. Improvement Bonds</u> <u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 247,000	\$ 160,867	\$ 407,867	\$ 188,150	\$ 135,451	\$ 323,601
2019	250,000	154,346	404,346	238,150	134,894	373,044
2020	261,000	146,751	407,751	285,050	130,011	415,061
2021	266,000	138,183	404,183	285,050	124,442	409,492
2022	277,000	128,520	405,520	293,500	118,280	411,780
2023-2027	1,555,000	462,525	2,017,525	1,025,000	517,147	1,542,147
2028-2032	920,000	136,650	1,056,650	1,040,000	380,778	1,420,778
2033-2037	210,000	47,944	257,944	770,000	214,100	984,100
2038-2042	95,000	4,633	99,633	610,000	90,400	700,400
2043-2047	-	-	-	140,000	2,800	142,800
Total	<u>\$4,081,000</u>	<u>\$1,380,419</u>	<u>\$5,461,419</u>	<u>\$4,874,900</u>	<u>\$1,848,303</u>	<u>\$ 6,723,203</u>

	<u>G.O. Refunding Bond</u> <u>Governmental Activities</u>			<u>G.O. Refunding Bonds</u> <u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 52,100	\$ 2,534	\$ 54,634	\$ 99,750	\$ 16,461	\$ 116,211
2019	57,400	1,658	59,058	109,450	14,526	123,976
2020	62,400	622	63,022	112,550	12,283	124,833
2021	2,400	22	2,422	112,550	9,820	122,370
2022	-	-	-	76,500	7,478	83,978
2023-2027	-	-	-	155,000	21,885	176,885
2028-2032	-	-	-	70,000	2,100	72,100
2033-2037	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-
2043-2047	-	-	-	-	-	-
Total	<u>\$ 174,300</u>	<u>\$ 4,836</u>	<u>\$ 179,136</u>	<u>\$ 735,800</u>	<u>\$ 84,553</u>	<u>\$ 820,353</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

GO Revenue Bond			
<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 592,665	\$ 110,728	\$ 703,393
2019	598,665	103,907	702,572
2020	609,665	96,882	706,547
2021	614,665	89,586	704,251
2022	621,665	82,141	703,806
2023-2027	2,526,325	304,603	2,830,928
2028-2032	2,511,463	144,669	2,656,132
2033-2037	248,902	11,160	260,062
2038-2042	-	-	-
2043-2047	-	-	-
Total	<u>\$ 8,324,015</u>	<u>\$ 943,676</u>	<u>\$ 9,267,691</u>

	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>
2018	\$ 285,419	\$ 142,485	\$ 427,904	\$ 20,458	\$ 4,359	\$ 24,817
2019	289,680	139,457	429,137	21,344	3,471	24,815
2020	288,952	136,244	425,196	15,092	2,536	17,628
2021	293,237	132,798	426,035	15,778	1,850	17,628
2022	297,535	128,737	426,272	4,946	1,133	6,079
2023-2027	1,251,647	560,197	1,811,844	27,428	2,944	30,372
2028-2032	1,258,692	365,445	1,624,137	-	-	-
2033-2037	1,085,952	120,681	1,206,633	-	1,203	1,203
2038-2042	41,123	2,754	43,877	-	-	-
2043-2047	-	-	-	-	-	-
Total	<u>\$5,092,237</u>	<u>\$1,728,798</u>	<u>\$6,821,035</u>	<u>\$ 105,046</u>	<u>\$ 17,496</u>	<u>\$ 122,542</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 Plan (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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description (Cont.)

2. Public Employees Police and Fire Plan (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.

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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 7.50%, respectively, of their annual covered salary in calendar year 2017. 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 2017. The City of Mountain Lake, Minnesota contributions to the General Employees Fund for the year ended December 31, 2017, were \$49,250. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2017. The City of Mountain Lake, Minnesota was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2017. The City of Mountain Lake, Minnesota contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$33,885. The City of Mountain Lake, Minnesota contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the City of Mountain Lake, Minnesota reported a liability of \$644,777 for its proportionate share of the General Employees Fund's net pension liability. The City of Mountain Lake, Minnesota's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Mountain Lake, Minnesota totaled \$8,153. The net pension liability was measured as of June 30, 2017 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of Mountain Lake, Minnesota proportionate share was 0.0101% which was an decrease of 0.0001% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City of Mountain Lake, Minnesota recognized pension expense of \$83,566 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Mountain Lake, Minnesota recognized an additional \$236 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

At December 31, 2017, 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 Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ 21,250	\$ 42,153
Changes in actuarial assumptions	108,107	64,639
Difference between projected and actual investment earnings	115,504	109,478
Changes in proportion	-	22,084
Contributions paid to PERA subsequent to the measurement date	<u>24,311</u>	<u>-</u>
Total	<u>\$ 269,172</u>	<u>\$ 238,354</u>

\$24,311 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, 2018. 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>
2018	\$ 15,226
2019	\$ 32,592
2020	\$ (13,944)
2021	\$ (27,367)
2022	\$ -
Thereafter	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City of Mountain Lake, Minnesota reported a liability of \$270,024 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of Mountain Lake, Minnesota proportion was 0.0200% which was an increase of 0.0020% from its proportion measured as of June 30, 2016. The City of Mountain Lake, Minnesota also recognized \$1,800 for the year ended December 31, 2017 as revenue and an 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 the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

CITY OF MOUNTAIN LAKE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

For the year ended December 31, 2017, the City of Mountain Lake, Minnesota recognized pension expense of \$104,281 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2017, 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 6,215	\$ 49,226
Changes in actuarial assumptions	265,035	383,367
Difference between projected and actual investment earnings	81,441	85,683
Changes in proportion	66,886	9,313
Contributions paid to PERA subsequent to the measurement date	<u>17,013</u>	<u>-</u>
Total	<u>\$ 436,590</u>	<u>\$ 527,589</u>

\$17,103 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, 2018. 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>
2018	\$ 1,353
2019	\$ 16,019
2020	\$ (103,964)
2021	\$ (21,420)
2022	\$ -
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

Actuarial assumptions used in the June 30, 2017, 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 most recent five-year experience study for the Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

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

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

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 CITY OF MOUNTAIN LAKE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

Police and Fire Fund (Cont.)

- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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 2017 was 7.50%. 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 assumption, the fiduciary net position of the General Employees Fund and the Police and Fire 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.

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 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 in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
General Employees Fund:	\$ 1,000,097	\$ 644,777	\$ 353,883
Police and Fire Fund	\$ 508,534	\$ 270,024	\$ 73,121

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.

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

A. The Plan

The City contributes to the Mountain Lake Firefighter's Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters.

Volunteer firefighters of the City are members of the Mountain Lake Firefighter's Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,200 per person per year of service after reaching a minimum retirement age of 50 and at least 20 years of service in the association. Association members are eligible to receive partial pension benefits for service of 10 years, but less than 20 years, with 10 years of membership in the association. These benefit provisions are consistent with enabling state statutes. Volunteers of the department are not required to contribute to the relief association. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes.

B. Funding Status and Progress

At December 31, 2017, the Association funding status is as follows:

Total Plan Assets	\$ 255,313
Total Accrued Liability	<u>(231,168)</u>
Excess of Plan Assets Over Accrued Liability	<u>\$ 24,145</u>

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CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION (Cont.)

C. Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investments earnings and State Aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis.

Total contributions made by the City to the Association in 2017 amount to \$27,197 (\$27,197 pass-through of State Aid). The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2017.

The payments received from the State of Minnesota on behalf of the Association have been recognized as revenue and the contribution to the Association has been recognized as an expenditure in the accompanying financial statements.

The computation of the pension contribution requirements of 2017 was based on the same assumptions, benefit provisions, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

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 2017.

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.

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CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES (Cont.)

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.

D. Construction Contracts

The City has entered into construction contracts with GM Contracting Inc. for the improvements of the Mountain Lake Commercial Park. The total contract including approved change orders is for \$1,179,436. As of December 31, 2017 the City had \$395,156 remaining on the contract.

The City has also entered into construction contracts with Conductor Power for the construction of the electric substation. The total contract including approved change orders is for \$1,202,000. As of December 31, 2017 the City had \$366,865 remaining on the contract.

REQUIRED SUPPLEMENTAL INFORMATION

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 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, 2017

With Comparative Amounts for the year ended December 31, 2016

	Original Budget	Final Budget	<u>2017</u> Actual	Variance with Final Budget	<u>2016</u> Actual
REVENUES:					
TAXES:					
General Property Taxes	\$ 247,610	\$ 247,610	\$ 252,172	\$ 4,562	\$ 251,285
Special Assessments	-	-	-	-	124
Total Taxes	<u>247,610</u>	<u>247,610</u>	<u>252,172</u>	<u>4,562</u>	<u>251,409</u>
LICENSES AND PERMITS:					
Business	575	575	675	100	575
Nonbusiness	<u>8,700</u>	<u>8,700</u>	<u>6,512</u>	<u>(2,188)</u>	<u>5,341</u>
Total Licenses and Permits	<u>9,275</u>	<u>9,275</u>	<u>7,187</u>	<u>(2,088)</u>	<u>5,916</u>
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	795,352	795,352	795,352	-	794,248
Market Value Credit	-	-	592	592	591
PERA Rate Increase Aid	1,228	1,228	1,228	-	1,228
State Police Aid	28,000	28,000	31,850	3,850	25,495
Other State Grants	3,625	3,625	1,934	(1,691)	10,769
Small Cities Street Aid	-	-	19,517	19,517	288
County Grants	-	-	5,050	5,050	-
Total Intergovernmental Revenue	<u>828,205</u>	<u>828,205</u>	<u>855,523</u>	<u>27,318</u>	<u>832,619</u>
CHARGES FOR SERVICES:					
General Government	400	400	955	555	951
Public Works	7,500	7,500	8,919	1,419	10,249
Culture and Recreation	13,392	13,392	19,771	6,379	30,420
Miscellaneous	<u>21,000</u>	<u>21,000</u>	<u>30,400</u>	<u>9,400</u>	<u>15,600</u>
Total Charges for Services	<u>42,292</u>	<u>42,292</u>	<u>60,045</u>	<u>17,753</u>	<u>57,220</u>
FINES AND FORFEITS	<u>6,200</u>	<u>6,200</u>	<u>5,048</u>	<u>(1,152)</u>	<u>6,227</u>
INTEREST INCOME	<u>1,904</u>	<u>1,904</u>	<u>9,370</u>	<u>7,466</u>	<u>8,613</u>
MISCELLANEOUS:					
Loan Repayments	-	-	10,730	10,730	8,300
Miscellaneous Income	<u>11,025</u>	<u>11,025</u>	<u>15,969</u>	<u>4,944</u>	<u>13,224</u>
Total Miscellaneous	<u>11,025</u>	<u>11,025</u>	<u>26,699</u>	<u>15,674</u>	<u>21,524</u>
TOTAL REVENUES	<u>1,146,511</u>	<u>1,146,511</u>	<u>1,216,044</u>	<u>69,533</u>	<u>1,183,528</u>
OTHER FINANCING SOURCES					
Transfer In	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>169,560</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>1,266,511</u>	<u>1,266,511</u>	<u>1,336,044</u>	<u>69,533</u>	<u>1,353,088</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	13,320	13,320	13,918	(598)	13,115
Other Current Expenditures	<u>3,100</u>	<u>3,100</u>	<u>703</u>	<u>2,397</u>	<u>1,386</u>
Total Mayor and Council	<u>16,420</u>	<u>16,420</u>	<u>14,621</u>	<u>1,799</u>	<u>14,501</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, 2017
 With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance with Final Budget	<u>2016</u>
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES (Cont.):					
GENERAL GOVERNMENT (Cont.):					
Election:					
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ 2,599
Other Current Expenditures	-	-	57	(57)	176
Total Election	-	-	57	(57)	2,775
Administrative and Finance:					
Personnel Services	170,634	170,634	137,236	33,398	127,684
Supplies	4,500	4,500	6,665	(2,165)	7,350
Other Current Expenditures	21,801	21,801	22,240	(439)	23,055
Capital Outlay	1,000	1,000	1,037	(37)	-
Total Administrative and Finance	197,935	197,935	167,178	30,757	158,089
Community Center:					
Supplies	1,250	1,250	1,296	(46)	519
Other Current Expenditures	11,425	11,425	13,119	(1,694)	10,442
Total Community Center	12,675	12,675	14,415	(1,740)	10,961
Planning and Zoning:					
Personnel Services	850	850	360	490	190
Other Current Expenditures	20,706	20,706	5,061	15,645	4,356
Total Planning and Zoning	21,556	21,556	5,421	16,135	4,546
Independent Auditing:					
Current Expenditures	8,000	8,000	6,603	1,397	6,000
Legal:					
Current Expenditures	12,000	12,000	4,979	7,021	12,289
Total Legal	12,000	12,000	4,979	7,021	12,289
Total General Government	268,586	268,586	213,274	55,312	209,161
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	309,524	309,524	314,096	(4,572)	284,193
Supplies	15,900	15,900	13,053	2,847	10,955
Other Current Expenditures	32,801	32,801	25,588	7,213	37,335
Capital Outlay	-	-	40,260	(40,260)	36,172
Total Police Protection	358,225	358,225	392,997	(34,772)	368,655
Civil Defense:					
Current Expenditures	-	-	1,017	(1,017)	-
Total Civil Defense	-	-	1,017	(1,017)	-
Total Public Safety	358,225	358,225	394,014	(35,789)	368,655

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 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, 2017
 With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance	<u>2016</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
EXPENDITURES (Cont.):					
PUBLIC WORKS:					
Streets and Alleys:					
Personnel Services	\$ 136,594	\$ 136,594	\$ 140,707	\$ (4,113)	\$ 135,373
Supplies	37,000	37,000	19,777	17,223	35,358
Other Current Expenditures	65,345	65,345	67,587	(2,242)	97,818
Capital Outlay	<u>52,500</u>	<u>52,500</u>	<u>2,659</u>	<u>49,841</u>	<u>109,510</u>
Total Streets and Alleys	<u>291,439</u>	<u>291,439</u>	<u>230,730</u>	<u>60,709</u>	<u>378,059</u>
Street Lighting:					
Current Expenditures	<u>44,000</u>	<u>44,000</u>	<u>44,271</u>	<u>(271)</u>	<u>35,717</u>
Total Street Lighting	<u>44,000</u>	<u>44,000</u>	<u>44,271</u>	<u>(271)</u>	<u>35,717</u>
Storm Sewer:					
Supplies	1,500	1,500	2,932	(1,432)	3,921
Other Current Expenditures	<u>3,500</u>	<u>3,500</u>	<u>3</u>	<u>3,497</u>	<u>3</u>
Total Storm Sewer	<u>5,000</u>	<u>5,000</u>	<u>2,935</u>	<u>2,065</u>	<u>3,924</u>
Total Public Works	<u>340,439</u>	<u>340,439</u>	<u>277,936</u>	<u>62,503</u>	<u>417,700</u>
CULTURE AND RECREATION:					
Parks and Recreation:					
Personnel Services	44,838	44,838	44,637	201	41,019
Supplies	4,000	4,000	3,747	253	3,465
Other Current Expenditures	28,755	28,755	45,516	(16,761)	152,302
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>11,776</u>	<u>(6,776)</u>	<u>5,800</u>
Total Parks and Recreation	<u>82,593</u>	<u>82,593</u>	<u>105,676</u>	<u>(23,083)</u>	<u>202,586</u>
Campgrounds:					
Personnel Services	2,883	2,883	2,495	388	2,722
Other Current Expenditures	5,810	5,810	8,995	(3,185)	9,022
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>1,722</u>	<u>278</u>	<u>6,091</u>
Total Campgrounds	<u>10,693</u>	<u>10,693</u>	<u>13,212</u>	<u>(2,519)</u>	<u>17,835</u>
Total Culture and Recreation	<u>93,286</u>	<u>93,286</u>	<u>118,888</u>	<u>(25,602)</u>	<u>220,421</u>
SANITATION:					
Waste Collection and Disposal:					
Other Current Expenditures	<u>10,000</u>	<u>10,000</u>	<u>9,199</u>	<u>801</u>	<u>9,610</u>
Total Waste Collection and Disposal	<u>10,000</u>	<u>10,000</u>	<u>9,199</u>	<u>801</u>	<u>9,610</u>
Total Sanitation	<u>10,000</u>	<u>10,000</u>	<u>9,199</u>	<u>801</u>	<u>9,610</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, 2017

With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance	<u>2016</u>
	Original Budget	Final Budget	Actual	with Final Budget	Actual
EXPENDITURES (Cont.):					
MISCELLANEOUS:					
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Personnel Services	44,896	44,896	45,293	(397)	43,639
Other Current Expenditures	2,280	2,280	897	1,383	3,179
Insurance	24,000	24,000	23,815	185	25,857
Current Expenditures	<u>16,672</u>	<u>16,672</u>	<u>11,819</u>	<u>4,853</u>	<u>14,996</u>
Total Miscellaneous	<u>87,848</u>	<u>87,848</u>	<u>81,824</u>	<u>6,024</u>	<u>87,671</u>
TOTAL EXPENDITURES	<u>1,158,384</u>	<u>1,158,384</u>	<u>1,095,135</u>	<u>63,249</u>	<u>1,313,218</u>
EXCESS REVENUES OVER EXPENDITURES	<u>108,127</u>	<u>108,127</u>	<u>240,909</u>	<u>132,782</u>	<u>39,870</u>
OTHER FINANCING USES:					
Transfer Out	<u>108,127</u>	<u>108,127</u>	<u>108,127</u>	<u>-</u>	<u>114,486</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	132,782	132,782	(74,616)
FUND BALANCES - January 1	<u>1,884,238</u>	<u>1,884,238</u>	<u>1,884,238</u>	<u>-</u>	<u>1,958,854</u>
FUND BALANCES - December 31	<u>\$ 1,884,238</u>	<u>\$ 1,884,238</u>	<u>\$ 2,017,020</u>	<u>\$ 132,782</u>	<u>\$ 1,884,238</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, 2017
 With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance	<u>2016</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES					
General Property Taxes	\$ 128,595	\$ 128,595	\$ 128,595	\$ -	\$ 120,824
Intergovernmental Revenue					
Local Government Aid	17,480	17,480	17,480	-	17,456
Other State Grants	20,000	20,000	26,835	6,835	22,731
Fines and Forfeits	-	-	107	107	106
Interest Income	-	-	376	376	248
Miscellaneous					
Miscellaneous Income	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>96</u>
TOTAL REVENUES	<u>166,075</u>	<u>166,075</u>	<u>173,396</u>	<u>7,321</u>	<u>161,461</u>
EXPENDITURES					
Personnel Services	117,182	117,182	115,301	1,881	109,407
Supplies	18,000	18,000	14,727	3,273	11,142
Other Current Expenditures	24,814	24,814	19,221	5,593	18,406
Debt Service					
Principal Payments	4,164	4,164	4,164	-	4,024
Interest Payments	<u>1,915</u>	<u>1,915</u>	<u>1,915</u>	<u>-</u>	<u>2,055</u>
TOTAL EXPENDITURES	<u>166,075</u>	<u>166,075</u>	<u>155,328</u>	<u>10,747</u>	<u>145,034</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>18,068</u>	<u>18,068</u>	<u>16,427</u>
FUND BALANCES - January 1	<u>156,604</u>	<u>156,604</u>	<u>156,604</u>	<u>-</u>	<u>140,177</u>
FUND BALANCES - December 31	<u>\$ 156,604</u>	<u>\$ 156,604</u>	<u>\$ 174,672</u>	<u>\$ 18,068</u>	<u>\$ 156,604</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, 2017
 With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance with Final	<u>2016</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:					
General Property Taxes	\$ 41,823	\$ 41,823	\$ 41,823	\$ -	\$ 37,535
Intergovernmental Revenue					
Local Government Aid	34,961	34,961	34,961	-	34,912
State Fire Aid	14,000	14,000	30,177	16,177	57,488
Other State Grants	-	-	3,890	3,890	400
Township Contracts	19,635	19,635	45,830	26,195	-
Charges for Services	12,000	12,000	18,650	6,650	11,391
Interest Income	100	100	972	872	602
Miscellaneous	<u>-</u>	<u>-</u>	<u>19,350</u>	<u>19,350</u>	<u>900</u>
TOTAL REVENUES	<u>122,519</u>	<u>122,519</u>	<u>195,653</u>	<u>73,134</u>	<u>143,228</u>
EXPENDITURES:					
Personnel Services	42,696	42,696	48,569	(5,873)	44,980
Supplies	3,000	3,000	1,841	1,159	1,066
Other Current Expenditures	43,134	43,134	28,725	14,409	39,084
Debt Service					
Principal Payments	6,391	6,391	6,391	-	6,145
Interest Payments	798	798	798	-	1,044
Capital Outlay	<u>26,500</u>	<u>26,500</u>	<u>25,380</u>	<u>1,120</u>	<u>6,855</u>
TOTAL EXPENDITURES	<u>122,519</u>	<u>122,519</u>	<u>111,704</u>	<u>10,815</u>	<u>99,174</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>83,949</u>	<u>83,949</u>	<u>44,054</u>
FUND BALANCE - January 1	<u>272,851</u>	<u>272,851</u>	<u>272,851</u>	<u>-</u>	<u>228,797</u>
FUND BALANCE - December 31	<u>\$ 272,851</u>	<u>\$ 272,851</u>	<u>\$ 356,800</u>	<u>\$ 83,949</u>	<u>\$ 272,851</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, 2017
 With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance with Final Budget	<u>2016</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 34,211	\$ 34,211	\$ 34,211	\$ -	\$ 24,071
Intergovernmental Revenue					
Local Government Aid	26,220	26,220	26,220	-	26,184
Other State Grants	-	-	1,925	1,925	4,275
Other Public Safety	93,944	93,944	150,916	56,972	115,056
Interest Income	500	500	858	358	636
Miscellaneous					
Sale of Property	-	-	7,500	7,500	-
Miscellaneous Income	<u>-</u>	<u>-</u>	<u>5,813</u>	<u>5,813</u>	<u>462</u>
TOTAL REVENUES	<u>154,875</u>	<u>154,875</u>	<u>227,443</u>	<u>72,568</u>	<u>170,684</u>
EXPENDITURES					
Personnel Services	105,355	105,355	95,625	9,730	88,094
Other	8,500	8,500	9,482	(982)	7,460
Current Expenditures	37,020	37,020	50,973	(13,953)	40,093
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>162,595</u>	<u>(158,595)</u>	<u>20,081</u>
TOTAL EXPENDITURES	<u>154,875</u>	<u>154,875</u>	<u>318,675</u>	<u>(163,800)</u>	<u>155,728</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(91,232)</u>	<u>(91,232)</u>	<u>14,956</u>
FUND BALANCE - January 1	<u>288,797</u>	<u>288,797</u>	<u>288,797</u>	<u>-</u>	<u>273,841</u>
FUND BALANCE - December 31	<u>\$ 288,797</u>	<u>\$ 288,797</u>	<u>\$ 197,565</u>	<u>\$ (91,232)</u>	<u>\$ 288,797</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, 2017
 With Comparative Amounts for the year ended December 31, 2016

	<u>2017</u>			Variance with Final Budget	<u>2016</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 16,800	\$ 16,800	\$ 11,800	\$ (5,000)	\$ 1,500
Intergovernmental Revenue					
Other State Grants	-	-	3,141	3,141	4,000
County Grants	-	-	19,500	19,500	-
Interest Income	-	-	76	76	36
Miscellaneous					
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>3,398</u>	<u>1,898</u>	<u>1,299</u>
TOTAL REVENUES	<u>18,300</u>	<u>18,300</u>	<u>37,915</u>	<u>19,615</u>	<u>6,835</u>
EXPENDITURES					
Personnel Services	4,550	4,550	186	4,364	4,549
Supplies	1,450	1,450	340	1,110	499
Other Current Expenditures	<u>12,300</u>	<u>12,300</u>	<u>14,869</u>	<u>(2,569)</u>	<u>4,668</u>
TOTAL EXPENDITURES	<u>18,300</u>	<u>18,300</u>	<u>15,395</u>	<u>2,905</u>	<u>9,716</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>22,520</u>	<u>22,520</u>	<u>(2,881)</u>
FUND BALANCES - January 1	<u>16,413</u>	<u>16,413</u>	<u>16,413</u>	<u>-</u>	<u>19,294</u>
FUND BALANCES - December 31	<u>\$ 16,413</u>	<u>\$ 16,413</u>	<u>\$ 38,933</u>	<u>\$ 22,520</u>	<u>\$ 16,413</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2017

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.0101 %	644,777	654,307	98.54 %	75.90 %
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 %

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CITY OF MOUNTAIN LAKE, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2017

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2017	\$ 45,466	\$ 45,466	-	\$ 606,213	7.50 %
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, 2017

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.0200 %	270,024	201,765	133.83 %	85.40 %
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, 2017

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2017	\$ 27,675	\$ 27,675	-	\$ 170,833	16.20 %
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

- 65 -
CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS:				
Cash and Investments	\$ 1,534,295	\$ 926,272	\$ 1,395,484	\$ 3,856,051
Escrowed Investment	-	42,277	-	42,277
Accounts Receivable	22,968	-	-	22,968
Special Assessments Receivable	-	1,655,071	-	1,655,071
Interest Receivable	-	205	-	205
Notes Receivable	556,426	761,696	-	1,318,122
Due from Other Funds	55,000	31,928	-	86,928
Land Held for Resale	<u>36,373</u>	<u>-</u>	<u>-</u>	<u>36,373</u>
 TOTAL ASSETS	 <u>\$ 2,205,062</u>	 <u>\$ 3,417,449</u>	 <u>\$ 1,395,484</u>	 <u>\$ 7,017,995</u>
LIABILITIES:				
Accounts Payable	\$ 26,556	\$ 5,000	\$ 11,994	\$ 43,550
Accrued Interest	-	7,036	-	7,036
Accrued Payroll	5,821	-	-	5,821
Due to Other Funds	<u>31,537</u>	<u>29,959</u>	<u>325,540</u>	<u>387,036</u>
 Total Liabilities	 <u>63,914</u>	 <u>41,995</u>	 <u>337,534</u>	 <u>443,443</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	<u>134,554</u>	<u>2,415,393</u>	<u>-</u>	<u>2,549,947</u>
Total Deferred Inflows of Resources	<u>134,554</u>	<u>2,415,393</u>	<u>-</u>	<u>2,549,947</u>
FUND BALANCES:				
Nonspendable	55,000	31,928	-	86,928
Restricted	1,068,350	955,225	1,247,518	3,271,093
Assigned	892,739	-	136,972	1,029,711
Unassigned (Deficit)	<u>(9,495)</u>	<u>(27,092)</u>	<u>(326,540)</u>	<u>(363,127)</u>
Total Fund Balances	<u>2,006,594</u>	<u>960,061</u>	<u>1,057,950</u>	<u>4,024,605</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 2,205,062</u>	 <u>\$ 3,417,449</u>	 <u>\$ 1,395,484</u>	 <u>\$ 7,017,995</u>

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CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Taxes	\$ 245,029	\$ 389,607	\$ 38,918	\$ 673,554
Intergovernmental Revenue	379,924	-	-	379,924
Charges for Services	188,716	272,194	-	460,910
Fines and Forfeits	107	-	-	107
Interest Income	17,987	5,150	2,620	25,757
Miscellaneous	71,140	55,845	-	126,985
Total Revenues	<u>902,903</u>	<u>722,796</u>	<u>41,538</u>	<u>1,667,237</u>
EXPENDITURES				
Public Safety	235,215	-	-	235,215
Culture and Recreation	149,249	-	-	149,249
Sanitation	15,395	-	-	15,395
Economic Development	374,527	35,251	37,963	447,741
Miscellaneous	-	54,159	-	54,159
Debt Service				
Principal Payments	19,604	461,800	-	481,404
Interest Payments	5,213	215,832	9,897	230,942
Miscellaneous	-	4,874	-	4,874
Capital Outlay	<u>237,975</u>	<u>-</u>	<u>1,270,464</u>	<u>1,508,439</u>
Total Expenditures	<u>1,037,178</u>	<u>771,916</u>	<u>1,318,324</u>	<u>3,127,418</u>
EXCESS EXPENDITURES OVER REVENUES	(134,275)	(49,120)	(1,276,786)	(1,460,181)
OTHER FINANCING SOURCES (USES)				
Transfer In	108,127	-	-	108,127
Issuance of Debt	50,000	-	2,524,410	2,574,410
Cost of Issuance of Debt	<u>-</u>	<u>-</u>	<u>(22,250)</u>	<u>(22,250)</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	23,852	(49,120)	1,225,374	1,200,106
FUND BALANCES (DEFICIT) - January 1	<u>1,982,742</u>	<u>1,009,181</u>	<u>(167,424)</u>	<u>2,824,499</u>
FUND BALANCES - December 31	<u>\$ 2,006,594</u>	<u>\$ 960,061</u>	<u>\$ 1,057,950</u>	<u>\$ 4,024,605</u>

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CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
ASSETS					
Cash and Investments	\$ -	\$ 70,831	\$ 178,028	\$ 396,701	\$ 234,951
Accounts Receivable	-	-	-	11,695	-
Notes Receivable	-	-	-	-	421,872
Due from Other Funds	-	30,000	-	-	-
Land Held for Resale	-	24,352	-	-	12,021
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 125,183</u>	<u>\$ 178,028</u>	<u>\$ 408,396</u>	<u>\$ 668,844</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 2,464	\$ 138	\$ 16,149	\$ -
Accrued Payroll	-	2,603	3,218	-	-
Due to Other Funds	1,537	-	-	-	-
Total Liabilities	<u>1,537</u>	<u>5,067</u>	<u>3,356</u>	<u>16,149</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	30,000	-	-	-
Restricted	-	-	794	-	668,844
Assigned	-	90,116	173,878	392,247	-
Unassigned (Deficit)	(1,537)	-	-	-	-
Total Fund Balances (Deficit)	<u>(1,537)</u>	<u>120,116</u>	<u>174,672</u>	<u>392,247</u>	<u>668,844</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 125,183</u>	<u>\$ 178,028</u>	<u>\$ 408,396</u>	<u>\$ 668,844</u>

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
\$ 193,372	\$ 22,042	\$ 151,498	\$ 222,161	\$ 7,537	\$ 18,246	\$ 38,928	\$ 1,534,295
11,268	-	-	-	-	-	5	22,968
-	31,370	103,184	-	-	-	-	556,426
-	-	25,000	-	-	-	-	55,000
-	-	-	-	-	-	-	36,373
<u>\$ 204,640</u>	<u>\$ 53,412</u>	<u>\$ 279,682</u>	<u>\$ 222,161</u>	<u>\$ 7,537</u>	<u>\$ 18,246</u>	<u>\$ 38,933</u>	<u>\$ 2,205,062</u>
\$ 7,075	\$ -	\$ 730	\$ -	\$ -	\$ -	\$ -	\$ 26,556
-	-	-	-	-	-	-	5,821
-	30,000	-	-	-	-	-	31,537
<u>7,075</u>	<u>30,000</u>	<u>730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,914</u>
-	31,370	103,184	-	-	-	-	134,554
-	31,370	103,184	-	-	-	-	134,554
-	-	25,000	-	-	-	-	55,000
-	-	150,768	222,161	7,537	18,246	-	1,068,350
197,565	-	-	-	-	-	38,933	892,739
-	(7,958)	-	-	-	-	-	(9,495)
<u>197,565</u>	<u>(7,958)</u>	<u>175,768</u>	<u>222,161</u>	<u>7,537</u>	<u>18,246</u>	<u>38,933</u>	<u>2,006,594</u>
<u>\$ 204,640</u>	<u>\$ 53,412</u>	<u>\$ 279,682</u>	<u>\$ 222,161</u>	<u>\$ 7,537</u>	<u>\$ 18,246</u>	<u>\$ 38,933</u>	<u>\$ 2,205,062</u>

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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, 2017

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
REVENUES					
Taxes	\$ -	\$ 9,443	\$ 128,595	\$ 41,823	\$ -
Intergovernmental Revenue	169,965	-	44,315	114,858	-
Charges for Services	-	-	-	18,650	7,150
Fines and Forfeits	-	-	107	-	-
Interest Income	122	156	376	971	14,369
Miscellaneous	-	18,950	3	19,350	-
Total Revenues	<u>170,087</u>	<u>28,549</u>	<u>173,396</u>	<u>195,652</u>	<u>21,519</u>
EXPENDITURES					
Public Safety	-	-	-	79,135	-
Culture and Recreation	-	-	149,249	-	-
Sanitation	-	-	-	-	-
Economic Development	162,894	118,471	-	-	70,094
Principal Payments	-	-	4,164	6,391	9,049
Interest Payments	-	-	1,915	798	2,500
Capital Outlay	-	-	-	25,380	50,000
Total Expenditures	<u>162,894</u>	<u>118,471</u>	<u>155,328</u>	<u>111,704</u>	<u>131,643</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>7,193</u>	<u>(89,922)</u>	<u>18,068</u>	<u>83,948</u>	<u>(110,124)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	-	108,127	-	-	-
Issuance of Debt	-	-	-	-	50,000
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	7,193	18,205	18,068	83,948	(60,124)
FUND BALANCES (DEFICIT) - January 1	<u>(8,730)</u>	<u>101,911</u>	<u>156,604</u>	<u>308,299</u>	<u>728,968</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ (1,537)</u>	<u>\$ 120,116</u>	<u>\$ 174,672</u>	<u>\$ 392,247</u>	<u>\$ 668,844</u>

<u>231 - Ambulance Fund</u>	<u>235 - SW Housing Grant</u>	<u>240 - Protient - DTED Loan</u>	<u>280 - MSC - DEED Loan</u>	<u>360 - TIF #1-3 Pinebrook</u>	<u>470 - TIF #1 Hospital Project</u>	<u>507 - Lake Commission Fund</u>	<u>Total</u>
\$ 34,211	\$ -	\$ -	\$ -	\$ 7,723	\$ 11,434	\$ 11,800	\$ 245,029
28,145	-	-	-	-	-	22,641	379,924
150,916	12,000	-	-	-	-	-	188,716
-	-	-	-	-	-	-	107
858	41	329	620	20	48	77	17,987
<u>13,313</u>	<u>696</u>	<u>15,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,397</u>	<u>71,140</u>
<u>227,443</u>	<u>12,737</u>	<u>15,760</u>	<u>620</u>	<u>7,743</u>	<u>11,482</u>	<u>37,915</u>	<u>902,903</u>
156,080	-	-	-	-	-	-	235,215
-	-	-	-	-	-	-	149,249
-	-	-	-	-	-	15,395	15,395
-	5,251	576	-	6,951	10,290	-	374,527
-	-	-	-	-	-	-	19,604
-	-	-	-	-	-	-	5,213
<u>162,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,975</u>
<u>318,675</u>	<u>5,251</u>	<u>576</u>	<u>-</u>	<u>6,951</u>	<u>10,290</u>	<u>15,395</u>	<u>1,037,178</u>
<u>(91,232)</u>	<u>7,486</u>	<u>15,184</u>	<u>620</u>	<u>792</u>	<u>1,192</u>	<u>22,520</u>	<u>(134,275)</u>
-	-	-	-	-	-	-	108,127
-	-	-	-	-	-	-	<u>50,000</u>
(91,232)	7,486	15,184	620	792	1,192	22,520	23,852
<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>\$ 197,565</u>	<u>\$ (7,958)</u>	<u>\$ 175,768</u>	<u>\$ 222,161</u>	<u>\$ 7,537</u>	<u>\$ 18,246</u>	<u>\$ 38,933</u>	<u>\$ 2,006,594</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2017

	303 - G.O. Tax Increment Bonds of 2013B	307 - G.O. Improvement Bonds of 2007C	308 - G.O. Crossover Refunding Bonds of 2011A	312 - G.O. Improvement Bonds of 2013A	320 - 2008A Public Project Revenue Bonds	332 - G.O. Improvement Bonds of 2009A	341 - TIF #1-6 Mt Power	342 - TIF #1-4 Good Samaritan	Total
ASSETS									
Cash and Investments	\$ 12,125	\$ 42,079	\$ 93,309	\$ 505,925	\$ -	\$ 5,495	\$ 233,837	\$ 33,501	\$ 926,277
Escrowed Investment	-	-	-	-	-	42,277	-	-	42,277
Special Assessments Receivable	-	-	47,116	1,605,090	-	2,865	-	-	1,655,071
Interest Receivable	-	-	-	-	-	205	-	-	205
Notes Receivable	-	-	-	-	-	-	-	761,696	761,696
Due from Other Funds	-	24,141	5,675	-	-	2,112	-	-	31,928
TOTAL ASSETS	\$ 12,125	\$ 66,220	\$ 146,100	\$ 2,111,015	\$ -	\$ 52,954	\$ 233,837	\$ 795,197	\$ 3,417,448
LIABILITIES									
Accounts Payable	\$ 5,000	-	-	-	-	-	-	-	\$ 5,000
Accrued Interest	4,258	-	-	-	-	-	2,778	-	7,036
Due to Other Funds	25,000	-	-	-	4,959	-	-	-	29,959
Total Liabilities	34,258	-	-	-	4,959	-	2,778	-	41,995
DEFERRED INFLOWS OF RESOURCES:									
Unavailable Revenue	-	-	47,117	1,603,715	-	2,865	-	761,696	2,415,393
Total Deferred Inflows of Resources	-	-	47,117	1,603,715	-	2,865	-	761,696	2,415,393
FUND BALANCES									
Nonspendable	-	24,141	5,675	-	-	2,112	-	-	31,928
Restricted	-	42,079	93,308	507,300	-	47,978	231,059	33,501	955,225
Unassigned (Deficit)	(22,133)	-	-	-	(4,959)	-	-	-	(27,092)
Total Fund Balances (Deficit)	(22,133)	66,220	98,983	507,300	(4,959)	50,090	231,059	33,501	960,061
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,125	\$ 66,220	\$ 146,100	\$ 2,111,015	\$ -	\$ 52,955	\$ 233,837	\$ 795,197	\$ 3,417,449

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, 2017

	303 - G.O. Tax Increment Bonds of 2013B	307 - G.O. Improvement Bonds of 2007C	308 - G.O. Crossover Refunding Bonds of 2011A	312 - G.O. Improvement Bonds of 2013A	320 - 2008A Public Project Revenue Bonds	332 - G.O. Improvement Bonds of 2009A	341 - TIF #1-6 Mt Power	342 - TIF #1-4 Good Samaritan	Total
REVENUES									
Taxes	\$ 24,731	\$ 52,919	\$ 105,208	\$ 128,390	\$ -	\$ 2,607	\$ 50,288	\$ 25,464	\$ 389,607
Charges for Services	98,345	-	-	-	-	-	173,849	-	272,194
Interest Income	7	29	83	1,449	-	288	487	2,807	5,150
Miscellaneous	-	397	-	-	-	-	-	55,448	55,845
Total Revenues	<u>123,083</u>	<u>53,345</u>	<u>105,291</u>	<u>129,839</u>	<u>-</u>	<u>2,895</u>	<u>224,624</u>	<u>83,719</u>	<u>722,799</u>
EXPENDITURES									
Economic Development	3,354	-	-	6,433	-	-	-	25,464	35,251
Miscellaneous	-	-	-	-	-	-	54,159	-	54,159
Debt Service									
Principal Payments	75,000	50,000	89,700	95,000	-	2,100	125,000	25,000	461,800
Interest Payments	50,603	3,040	13,550	45,640	-	171	69,305	33,523	215,832
Miscellaneous	4,037	-	342	-	-	-	-	495	4,874
Total Expenditures	<u>132,994</u>	<u>53,040</u>	<u>103,592</u>	<u>147,073</u>	<u>-</u>	<u>2,271</u>	<u>248,464</u>	<u>84,482</u>	<u>771,916</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(9,911)	305	1,699	(17,234)	-	624	(23,840)	(763)	(49,120)
FUND BALANCES (Deficit) - January 1	<u>(12,222)</u>	<u>65,915</u>	<u>97,284</u>	<u>524,534</u>	<u>(4,959)</u>	<u>49,466</u>	<u>254,899</u>	<u>34,264</u>	<u>1,009,181</u>
FUND BALANCES (Deficit) - December 31	<u>\$(22,133)</u>	<u>\$ 66,220</u>	<u>\$ 98,983</u>	<u>\$ 507,300</u>	<u>\$ (4,959)</u>	<u>\$ 50,090</u>	<u>\$ 231,059</u>	<u>\$ 33,501</u>	<u>\$ 960,061</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2017

	501 - Capital				
	Outlay				
	Revolving	415 - MSG	450 -	485 - ML	
	Fund	Construction	Downtown	Comm Park	
			Ross Project	Infrastructure	Total
ASSETS:					
Cash and Investments	\$ 109,438	\$ 27,534	\$ -	\$ 1,258,510	\$ 1,395,482
	\$ 109,438	\$ 27,534	\$ -	\$ 1,258,510	\$ 1,395,482
TOTAL ASSETS	\$ -	\$ -	\$ 1,000	\$ 10,992	\$ 11,992
LIABILITIES:	-	-	306,961	-	325,540
Accounts Payable					
Due to Other Funds					
Total Liabilities	-	-	307,961	18,579	337,532
FUND BALANCES:					
Restricted	-	-	-	1,247,518	1,247,518
Assigned	109,438	27,534	-	-	136,972
Unassigned (Deficit)	-	-	(307,961)	-	(326,540)
Total Fund Balances (Deficit)	109,438	27,534	(307,961)	1,247,518	1,057,950
TOTAL LIABILITIES AND FUND BALANCE	\$ 109,438	\$ 27,534	\$ -	\$ 1,258,510	\$ 1,395,482

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	501 - Capital Outlay	450 - Downtown Ross Project	415 - MSG Construction	460 - Pankratz Industrial Park	485 - ML Comm Park Infrastructure	Total	Total
REVENUES							
Taxes	-	-	\$ 29,516	\$ 9,402	-	\$	\$ 38,918
Interest Income	<u>311</u>	<u>-</u>	<u>42</u>	<u>-</u>	<u>2,268</u>	<u>2,268</u>	<u>2,621</u>
Total Revenues	<u>311</u>	<u>-</u>	<u>29,558</u>	<u>9,402</u>	<u>2,268</u>	<u>2,268</u>	<u>41,539</u>
EXPENDITURES							
Economic Development	-	36,291	-	1,673	-	-	37,964
Interest Payments	-	-	-	9,897	-	-	9,897
Cost of Issuance of Debt	-	-	-	-	22,250	-	22,250
Capital Outlay	-	13,554	-	-	1,256,910	-	1,270,464
Total Expenditures	<u>-</u>	<u>49,845</u>	<u>-</u>	<u>11,570</u>	<u>1,279,160</u>	<u>1,279,160</u>	<u>1,340,575</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>311</u>	<u>(49,845)</u>	<u>29,558</u>	<u>(2,168)</u>	<u>(1,276,892)</u>	<u>(1,276,892)</u>	<u>(1,299,036)</u>
OTHER FINANCING SOURCES (USES):							
Issuance of Debt	-	-	-	-	2,524,410	-	2,524,410
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>311</u>	<u>(49,845)</u>	<u>29,558</u>	<u>(2,168)</u>	<u>1,247,518</u>	<u>1,247,518</u>	<u>1,225,374</u>
FUND BALANCES (DEFICIT) - January 1	<u>109,127</u>	<u>(258,116)</u>	<u>(2,024)</u>	<u>(16,411)</u>	<u>-</u>	<u>-</u>	<u>(167,424)</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 109,438</u>	<u>\$ 27,534</u>	<u>\$ (307,961)</u>	<u>\$ (18,579)</u>	<u>\$ 1,247,518</u>	<u>\$ 1,247,518</u>	<u>\$ 1,057,950</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2017

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 28,252	\$ 73,193	\$ 26,732	\$ 128,177
Due from Other Funds	<u>-</u>	<u>8,991</u>	<u>-</u>	<u>8,991</u>
Total Current Assets	<u>28,252</u>	<u>82,184</u>	<u>26,732</u>	<u>137,168</u>
NONCURRENT ASSETS				
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>171,285</u>	<u>393,946</u>	<u>99,093</u>	<u>664,324</u>
Net Capital Assets	<u>201,037</u>	<u>313,770</u>	<u>212,970</u>	<u>727,777</u>
Total Assets	<u>\$ 229,289</u>	<u>\$ 395,954</u>	<u>\$ 239,702</u>	<u>\$ 864,945</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 2,082	\$ 7,832	\$ 3,495	\$ 13,409
Due to Other Funds	-	-	8,991	8,991
Accrued Interest	1,217	3,605	694	5,516
Customer Deposits	2,470	5,035	3,465	10,970
Unamortized Bond Premium	985	1,624	-	2,609
Current Amount of Long-Term Debt	<u>15,000</u>	<u>20,000</u>	<u>5,669</u>	<u>40,669</u>
Total Current Liabilities	<u>21,754</u>	<u>38,096</u>	<u>22,314</u>	<u>82,164</u>
LONG-TERM LIABILITIES				
Bonds and Notes Payable	<u>115,000</u>	<u>310,000</u>	<u>215,068</u>	<u>640,068</u>
Total Liabilities	<u>136,754</u>	<u>348,096</u>	<u>237,382</u>	<u>722,232</u>
NET POSITION				
Net Investment in Capital Assets (Deficit)	71,037	(16,230)	(7,767)	47,040
Unrestricted	<u>21,498</u>	<u>64,088</u>	<u>10,087</u>	<u>95,673</u>
Total Net Position	<u>92,535</u>	<u>47,858</u>	<u>2,320</u>	<u>142,713</u>
Total Liabilities and Net Position	<u>\$ 229,289</u>	<u>\$ 395,954</u>	<u>\$ 239,702</u>	<u>\$ 864,945</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, 2017

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	<u>Total</u>
OPERATING REVENUES				
Rental Income	\$ 29,150	\$ 60,140	\$ 31,755	\$ 121,045
Total Operating Revenues	<u>29,150</u>	<u>60,140</u>	<u>31,755</u>	<u>121,045</u>
OPERATING EXPENSES				
Depreciation	9,372	27,815	12,391	49,578
Insurance	2,537	5,114	2,429	10,080
Miscellaneous	2,079	4,214	1,669	7,962
Professional Services	3,376	6,647	528	10,551
Repairs, Maintenance and Supplies	13,195	17,199	8,507	38,901
Utilities	72	140	-	212
Total Operating Expenses	<u>30,631</u>	<u>61,129</u>	<u>25,524</u>	<u>117,284</u>
Net Operating Income (Loss)	<u>(1,481)</u>	<u>(989)</u>	<u>6,231</u>	<u>3,761</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	4	80	67	151
Refunds and Reimbursements	-	5	-	5
Interest Expense	<u>(2,842)</u>	<u>(8,608)</u>	<u>(10,076)</u>	<u>(21,526)</u>
Total Non Operating Revenue (Expense)	<u>(2,838)</u>	<u>(8,523)</u>	<u>(10,009)</u>	<u>(21,370)</u>
CHANGE IN NET POSITION	(4,319)	(9,512)	(3,778)	(17,609)
NET POSITION - January 1	<u>96,854</u>	<u>57,370</u>	<u>6,098</u>	<u>160,322</u>
NET POSITION - December 31	<u>\$ 92,535</u>	<u>\$ 47,858</u>	<u>\$ 2,320</u>	<u>\$ 142,713</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>607 - EDA - 4 Plex Fund</u>	<u>608 - EDA - 8 Plex Fund</u>	<u>609 - EDA - Mason Manor</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 29,150	\$ 60,140	\$ 31,755	\$ 121,045
Payments to Vendors	(21,176)	(25,830)	(9,806)	(56,812)
Other Receipts and Payments	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Net Cash Provided By Operating Activities	<u>7,974</u>	<u>34,315</u>	<u>21,949</u>	<u>64,238</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
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>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	(15,000)	(20,000)	(5,420)	(40,420)
Interest Paid on Capital Debt	<u>(3,041)</u>	<u>(8,852)</u>	<u>(10,066)</u>	<u>(21,959)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(18,041)</u>	<u>(28,852)</u>	<u>(15,486)</u>	<u>(62,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>4</u>	<u>80</u>	<u>67</u>	<u>151</u>
Net Cash Provided By Investing Activities	<u>4</u>	<u>80</u>	<u>67</u>	<u>151</u>
NET INCREASE (DECREASE) IN CASH	(10,063)	8,343	3,730	2,010
CASH AND INVESTMENTS - January 1	<u>38,315</u>	<u>64,850</u>	<u>23,002</u>	<u>126,167</u>
CASH AND INVESTMENTS - December 31	<u>\$ 28,252</u>	<u>\$ 73,193</u>	<u>\$ 26,732</u>	<u>\$ 128,177</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Income (Loss)	\$ (1,481)	\$ (989)	\$ 6,231	\$ 3,761
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	9,372	27,815	12,391	49,578
Changes in Assets and Liabilities				
Accounts Payable	83	7,484	3,327	10,894
Other Receipts and Payments	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Net Cash Provided By Operating Activities	<u>\$ 7,974</u>	<u>\$ 34,315</u>	<u>\$ 21,949</u>	<u>\$ 64,238</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 PUBLIC UTILITIES COMMISSION
 DECEMBER 31, 2017

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 248,668	\$ 1,122,194	\$ 2,597,064	\$ 3,967,926
Accounts Receivable	85,983	115,622	511,304	712,909
Special Assessments Receivable	-	84,182	-	84,182
Due from Other Funds	1,536	-	-	1,536
Prepaid Expense	-	11,802	-	11,802
Inventory	22,127	190	152,890	175,207
Total Current Assets	358,314	1,333,990	3,261,258	4,953,562
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	5,168,978	9,641,773	8,949,634	23,760,385
Machinery and Equipment	74,786	345,152	448,049	867,987
Transportation and Other Equipment	35,819	21,793	254,022	311,634
Construction in Progress	-	118,891	2,999,371	3,118,262
Total Capital Assets	8,646,316	10,415,062	12,857,365	31,918,743
Less: Accumulated Depreciation	3,418,738	2,245,230	6,851,602	12,515,570
Net Capital Assets	5,227,578	8,169,832	6,005,763	19,403,173
Net Bond Discount	323	9,810	92,384	102,517
Total Assets	5,586,215	9,513,632	9,359,405	24,459,252
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	21,035	21,035	60,038	102,108
Total Assets and Deferred Outflows of Resources	\$ 5,607,250	\$ 9,534,667	\$ 9,419,443	\$ 24,561,360
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 501	\$ 30,515	\$ 475,263	\$ 506,279
Due to Other Funds	15,047	16,881	-	31,928
Accrued Interest	8,348	25,845	9,990	44,183
Accrued Payroll	1,253	1,253	5,508	8,014
Due to Other Governments	-	-	6,163	6,163
Customer Deposits	430	-	97,392	97,822
Unamortized Bond Premium	1,038	1,037	-	2,075
Current Amount of Long-Term Debt	273,140	419,275	244,750	937,165
Total Current Liabilities	299,757	494,806	839,066	1,633,629
LONG-TERM LIABILITIES				
Accrued Compensated Absences	4,918	4,918	16,051	25,887
Net Pension Liability	49,682	49,682	143,225	242,589
Bonds and Notes Payable	2,627,075	5,740,325	4,166,750	12,534,150
Total Long-Term Liabilities	2,681,675	5,794,925	4,326,026	12,802,626
Total Liabilities	2,981,432	6,289,731	5,165,092	14,436,255
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	20,358	20,358	53,101	93,817
NET POSITION				
Net Investment in Capital Assets	2,327,363	2,010,232	1,594,263	5,931,858
Restricted for Debt Service	-	435,728	99,974	535,702
Unrestricted	278,097	778,618	2,507,013	3,563,728
Total Net Position	2,605,460	3,224,578	4,201,250	10,031,288
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,607,250	\$ 9,534,667	\$ 9,419,443	\$ 24,561,360

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, 2017

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
OPERATING REVENUES				
Sales to Consumers	\$ 595,937	\$ 821,085	\$ 2,665,573	\$ 4,082,595
Rental Income	1,200	-	-	1,200
Total Operating Revenues	597,137	821,085	2,665,573	4,083,795
OPERATING EXPENSES				
Pumping, Treatment, Production				
Utilities	1,898	308	26,584	28,790
Power for Pumping	23,866	28,050	-	51,916
Supplies and Chemicals	573	552	7,380	8,505
Travel and Meetings	435	846	2,016	3,297
Outside Services	-	-	7,745	7,745
Repairs and Maintenance	6,682	12,082	33,078	51,842
Miscellaneous	55	-	-	55
Purchased Power	-	-	1,476,235	1,476,235
Total Pumping, Treatment, Production	33,509	41,838	1,553,038	1,628,385
Distribution and Collection				
Salaries	73,256	73,289	143,095	289,640
Supplies and Chemicals	28,866	-	1,336	30,202
Outside Services	1,093	4,182	61,158	66,433
Repairs and Maintenance	6,211	15,641	100,030	121,882
Miscellaneous	967	440	5,825	7,232
Total Distribution and Collection	110,393	93,552	311,444	515,389
Administration and General				
Salaries	16,824	16,824	78,686	112,334
Supplies	1,189	-	-	1,189
Outside Services	983	1,033	100,705	102,721
Insurance	5,160	7,552	26,003	38,715
Repairs and Maintenance	3,643	4,420	15,040	23,103
Miscellaneous	4,915	2,317	17,659	24,891
Total Administration and General	32,714	32,146	238,093	302,953
Depreciation	237,012	242,808	275,161	754,981
Total Operating Expenses	413,628	410,344	2,377,736	3,201,708
Net Operating Income	183,509	410,741	287,837	882,087
NON OPERATING REVENUE (EXPENSE)				
Interest Income	1,244	5,336	15,958	22,538
Refunds and Reimbursements	1,117	3,274	18,129	22,520
CAP X Credit	-	-	4,234	4,234
Interest Expense	(60,602)	(72,520)	(28,780)	(161,902)
Cost of Issuance of Debt	-	-	(12,095)	(12,095)
Total Non Operating Revenue (Expense)	(58,241)	(63,910)	(2,554)	(124,705)
CHANGE IN NET POSITION BEFORE TRANSFERS	125,268	346,831	285,283	757,382
Transfer to Other Funds	-	-	(120,000)	(120,000)
CHANGE IN NET POSITION	125,268	346,831	165,283	637,382
NET POSITION - January 1	2,480,192	2,877,747	4,035,967	9,393,906
NET POSITION - December 31	\$ 2,605,460	\$ 3,224,578	\$ 4,201,250	\$ 10,031,288

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2017

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 592,185	\$ 788,457	\$ 2,599,318	\$ 3,979,960
Payments to Vendors	(97,314)	(50,846)	(1,574,562)	(1,722,722)
Payments to Employees	(96,726)	(96,759)	(214,399)	(407,884)
Other Receipts and Payments	1,117	3,276	22,363	26,756
Net Cash Provided By Operating Activities	<u>399,262</u>	<u>644,128</u>	<u>832,720</u>	<u>1,876,110</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Other Funds	-	-	(120,000)	(120,000)
Due to (from) Other Funds	(4,862)	(5,940)	-	(10,802)
Net Cash Used By Noncapital Financing Activities	<u>(4,862)</u>	<u>(5,940)</u>	<u>(120,000)</u>	<u>(130,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(97,261)	(244,958)	(2,323,973)	(2,666,192)
Proceeds from Bond Issuance	-	-	2,938,863	2,938,863
Principal Paid on Capital Debt	(270,365)	(415,455)	(269,750)	(955,570)
Interest Paid on Capital Debt	(61,864)	(73,612)	(98,568)	(234,044)
Special Assessments Received	-	63,423	-	63,423
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(429,490)</u>	<u>(670,602)</u>	<u>246,572</u>	<u>(853,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	1,244	5,336	15,958	22,538
Net Cash Provided By Investing Activities	<u>1,244</u>	<u>5,336</u>	<u>15,958</u>	<u>22,538</u>
NET INCREASE (DECREASE) IN CASH	(33,846)	(27,078)	975,250	914,326
CASH AND INVESTMENTS - January 1	282,514	1,149,272	1,621,814	3,053,600
CASH AND INVESTMENTS - December 31	<u>\$ 248,668</u>	<u>\$ 1,122,194</u>	<u>\$ 2,597,064</u>	<u>\$ 3,967,926</u>
Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 183,509	\$ 410,741	\$ 287,837	\$ 882,087
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	237,012	242,808	275,161	754,981
Noncash Pension Expense	2,658	2,658	7,195	12,511
Changes in Assets and Liabilities				
Receivables	(4,952)	(32,628)	(70,579)	(108,159)
Inventory	(2,564)	-	(140)	(2,704)
Accounts Payable	(8,214)	26,577	307,070	325,433
Accrued Wages	(757)	(757)	(275)	(1,789)
Accrued Compensated Absences	(8,547)	(8,547)	462	(16,632)
Due to Other Governments	-	-	(698)	(698)
Deposits Payable	-	-	4,324	4,324
Other Receipts and Payments	1,117	3,276	22,363	26,756
Net Cash Provided By Operating Activities	<u>\$ 399,262</u>	<u>\$ 644,128</u>	<u>\$ 832,720</u>	<u>\$ 1,876,110</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

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 Michael Schulte, City Clerk, at 507-427-2999

	Total <u>2017</u>	Total <u>2016</u>	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 925,726	\$ 893,274	3.63 %
Licenses and Permits	7,187	5,916	21.48 %
Intergovernmental	1,235,447	1,146,755	7.73 %
Charges for Services	520,955	450,462	15.65 %
Fines	5,155	6,333	(18.60)%
Investment Earnings	35,127	15,200	131.10 %
Miscellaneous	153,684	164,330	(6.48)%
Transfer In	228,128	472,466	(51.72)%
Issuance of Debt	<u>2,574,410</u>	<u>385,765</u>	567.35 %
Total Revenues	<u>\$ 5,685,819</u>	<u>\$ 3,540,501</u>	60.59 %
Per Capita	<u>2,705</u>	<u>1,662</u>	
EXPENDITURES:			
Current			
General Government	\$ 212,237	\$ 209,161	1.47 %
Public Safety	588,969	553,260	6.45 %
Public Works	275,277	308,190	(10.68)%
Culture and Recreation	254,639	347,485	(26.72)%
Sanitation	24,594	19,326	27.26 %
Economic Development	447,741	393,065	13.91 %
Miscellaneous	135,983	140,348	(3.11)%
Debt Service:			
Principal Payments	481,404	658,519	(26.90)%
Interest Payments	235,816	235,582	0.10 %
Cost of Issuance of Debt	22,250	16,961	31.18 %
Capital Outlay	1,565,893	2,264,489	(30.85)%
Transfer Out	<u>108,128</u>	<u>320,467</u>	(66.26)%
Total Expenditures	<u>\$ 4,352,931</u>	<u>\$ 3,882,327</u>	12.12 %
Per Capita	<u>2,071</u>	<u>1,823</u>	
Governmental Long-term Indebtedness	<u>\$ 9,235,246</u>	<u>\$ 7,181,651</u>	28.60 %
Per Capita	<u>4,394</u>	<u>3,417</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 720,837</u>	<u>\$ 1,884,238</u>	(61.74)%
Per Capita	<u>343</u>	<u>896</u>	

SECTION IV

ADDITIONAL INFORMATION

DENNIS E. OBERLOH, LTD.

**CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 186 • 530 WEST PARK ROAD
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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, 2017, 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 25, 2018.

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 2017-001 and 2017-002.

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 25, 2018

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

INTERNAL CONTROL FINDINGS

Audit Finding 2017-001

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 2017-002

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

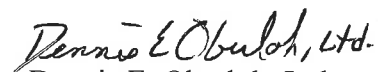
Honorable Mayor and Members of the Council
City of Mountain Lake
Mountain Lake, Minnesota

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018.

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 25, 2018