

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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SECTION I

INTRODUCTORY SECTION

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

	<u>2014</u>	<u>TERM EXPIRES</u>
MAYOR	Dean Janzen	12/31/2014
COUNCIL MEMBER	David Savage	12/31/2016
COUNCIL MEMBER	Audi Nickel	Resigned 6/23/2014
COUNCIL MEMBER	Brian Schultz	12/31/2014
COUNCIL MEMBER	Andrew Ysker	12/31/2014
CLERK/ADMINISTRATOR	Wendy Meyer	Appointed - Indefinite

	<u>2015</u>	<u>TERM EXPIRES</u>
MAYOR	Mike Nelson	12/31/2016
COUNCIL MEMBER	David Savage	12/31/2016
COUNCIL MEMBER	Darla Kruser	12/31/2016
COUNCIL MEMBER	Dana Kass	12/31/2018
COUNCIL MEMBER	Andrew Ysker	12/31/2018
CLERK/ADMINISTRATOR	Wendy Meyer	Appointed - Indefinite

SECTION II
FINANCIAL SECTION

DENNIS E. OBERLOH, LTD.

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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, 2014, 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 above 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, 2014, 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 and budgetary comparison information on pages 5 through 14 and 46 through 51 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 governmental fund financial statements and operation statistics schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and operation statistics schedules 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 1, 2015 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 1, 2015

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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, 2014.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$18,077,602 (net position). Of this amount, \$8,063,932 (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 \$2,747,714 compared to an increase of \$186,566 in the previous year. The governmental activities net position increased by \$2,044,382 and the business-type activities net position increased \$703,332.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,186,500, an increase of \$237,831 in comparison with the prior year. Approximately 51.4 percent of this total amount, \$2,667,434, is available for spending at the City's discretion, \$1,006,521 of which has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,907,050, or 168.3 percent of total General Fund expenditures.
- The City's total debt increased by \$2,126,169 or 10.9 percent during the current fiscal year. The increase was due to the issuance of the \$2,040,000 GO Tax Increment Bonds of 2014A, \$32,000 USDA Fire Truck Note, and advances on PFA funding in the amount of \$1,190,622.

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, 2014

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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 45 of this report.

Required Supplementary Information

This Management's Discussion and Analysis and the Fund Budgetary Comparison Schedules (on pages 46 - 53) 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 54) includes optional financial information such as combining nonmajor governmental fund and nonmajor proprietary fund statements and component unit financial statements (which are added together and shown in the fund financial statements in a single column). 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, 2014

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current Assets	\$ 8,674,613	\$ 6,490,325	\$ 4,746,298	\$ 4,242,878	\$ 13,420,911	\$ 10,733,203
Capital Assets	<u>9,718,609</u>	<u>7,766,317</u>	<u>17,709,178</u>	<u>17,034,115</u>	<u>27,427,787</u>	<u>24,800,432</u>
Total Assets	<u>18,393,222</u>	<u>14,256,642</u>	<u>22,455,476</u>	<u>21,276,993</u>	<u>40,848,698</u>	<u>35,533,635</u>
Current Liabilities	784,621	180,668	1,791,306	682,993	2,575,927	863,661
Long-term Liabilities	<u>7,583,920</u>	<u>6,095,675</u>	<u>12,611,249</u>	<u>13,244,411</u>	<u>20,195,169</u>	<u>19,340,086</u>
Total Liabilities	<u>8,368,541</u>	<u>6,276,343</u>	<u>14,402,555</u>	<u>13,927,404</u>	<u>22,771,096</u>	<u>20,203,747</u>
Net Investment in						
Capital Assets	2,634,993	2,248,868	4,154,524	3,808,937	6,789,517	6,057,805
Restricted	2,519,066	2,825,171	705,087	692,958	3,224,153	3,518,129
Unrestricted	<u>4,870,622</u>	<u>2,906,260</u>	<u>3,193,310</u>	<u>2,847,694</u>	<u>8,063,932</u>	<u>5,753,954</u>
Total Net Position	<u>\$ 10,024,681</u>	<u>\$ 7,980,299</u>	<u>\$ 8,052,921</u>	<u>\$ 7,349,589</u>	<u>\$ 18,077,602</u>	<u>\$ 15,329,888</u>

A large portion of the City's net position (37.5 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 (17.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (44.7 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, 2014

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 193,651	\$ 300,743	\$ 3,910,217	\$ 3,770,698	\$ 4,103,868	\$ 4,071,441
Operating Grants and Contributions	96,974	127,378	-	921	96,974	128,299
Capital Grants and Contributions	2,004,855	6,418	2,156	148,263	2,007,011	154,681
Sales	150,410	-	116,640	-	267,050	-
General Revenues:						
Taxes and Assessments	625,964	587,573	72,921	-	698,885	587,573
Intergovernmental Revenue	1,163,946	809,211	-	-	1,163,946	809,211
Interest Income	5,677	460	6,368	(5,502)	12,045	(5,042)
Miscellaneous Income	144,709	8,124	10,945	-	155,654	8,124
Refunds and Reimbursements	-	-	44,205	-	44,205	-
Total Revenues	<u>4,386,186</u>	<u>1,839,907</u>	<u>4,163,452</u>	<u>3,914,380</u>	<u>8,549,638</u>	<u>5,754,287</u>
<u>Expenses</u>						
General Government	305,001	238,675	-	-	305,001	238,675
Public Safety	654,866	596,478	-	-	654,866	596,478
Public Works	507,400	439,208	-	-	507,400	439,208
Culture and Recreation	320,142	277,337	-	-	320,142	277,337
Sanitation	28,329	70,407	-	-	28,329	70,407
Economic Development	284,387	305,285	-	-	284,387	305,285
Miscellaneous	82,848	61,515	-	-	82,848	61,515
Interest on Long-Term Debt	278,831	261,011	-	-	278,831	261,011
Water Utility	-	-	456,399	517,362	456,399	517,362
Sewer Utility	-	-	413,063	326,204	413,063	326,204
Electric Utility	-	-	2,334,958	2,352,963	2,334,958	2,352,963
Housing and Redevelopment	-	-	135,700	121,276	135,700	121,276
Total Expenses	<u>2,461,804</u>	<u>2,249,916</u>	<u>3,340,120</u>	<u>3,317,805</u>	<u>5,801,924</u>	<u>5,567,721</u>
Transfers	<u>120,000</u>	<u>111,762</u>	<u>(120,000)</u>	<u>(111,762)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,044,382	(298,247)	703,332	484,813	2,747,714	186,566
Net Position Beginning	<u>7,980,299</u>	<u>8,278,546</u>	<u>7,349,589</u>	<u>6,864,776</u>	<u>15,329,888</u>	<u>15,143,322</u>
Net Position Ending	<u>\$ 10,024,681</u>	<u>\$ 7,980,299</u>	<u>\$ 8,052,921</u>	<u>\$ 7,349,589</u>	<u>\$ 18,077,602</u>	<u>\$ 15,329,888</u>

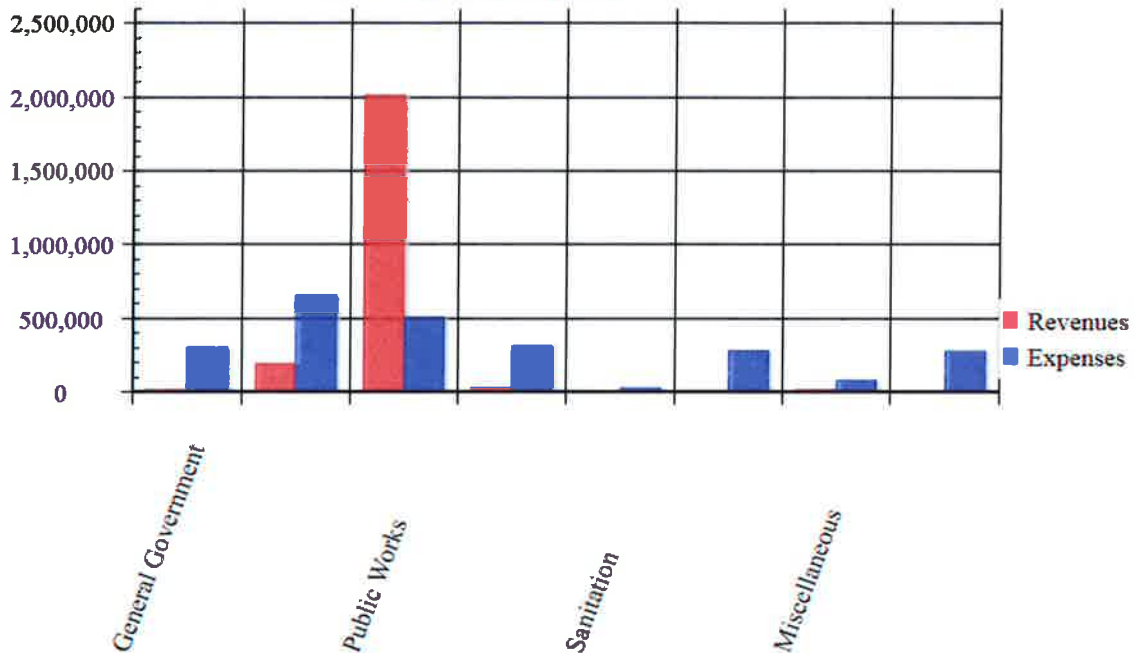
CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2014

THE CITY AS A WHOLE (Cont.)

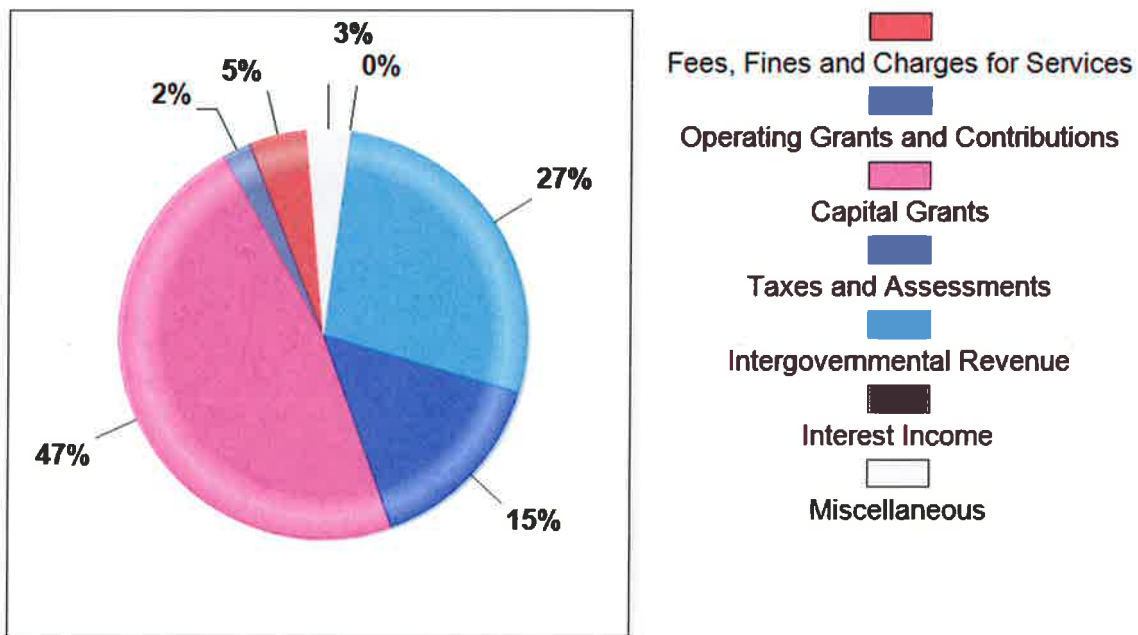
Governmental Activities

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

**Expenses and Program Revenues -
 Governmental Activities**



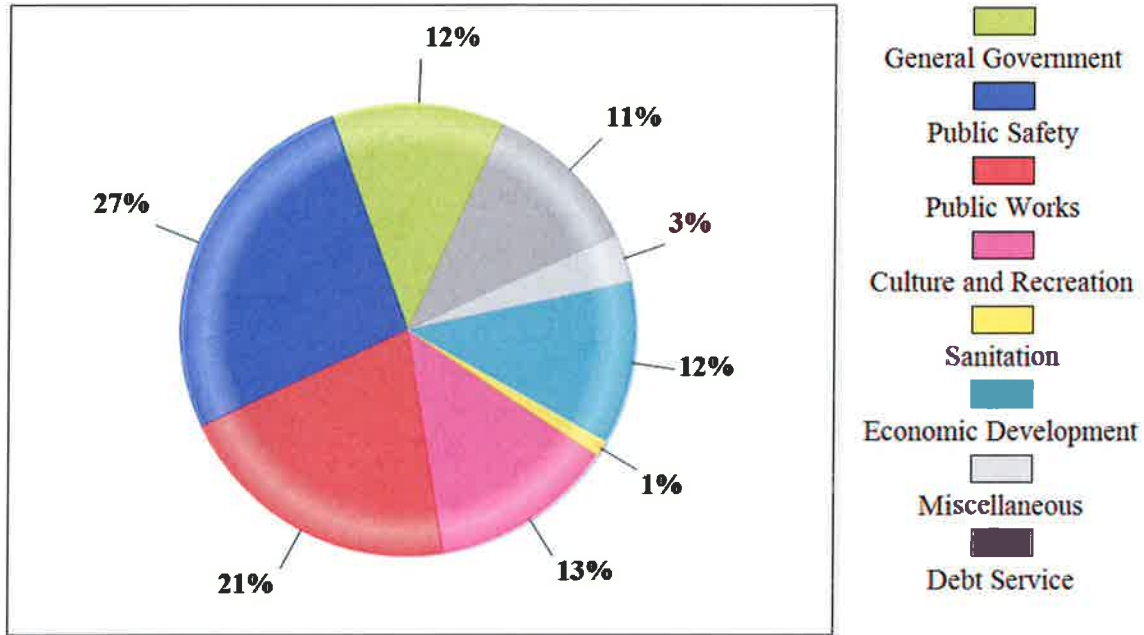
Sources of Funds in Governmental Activities



CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2014

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

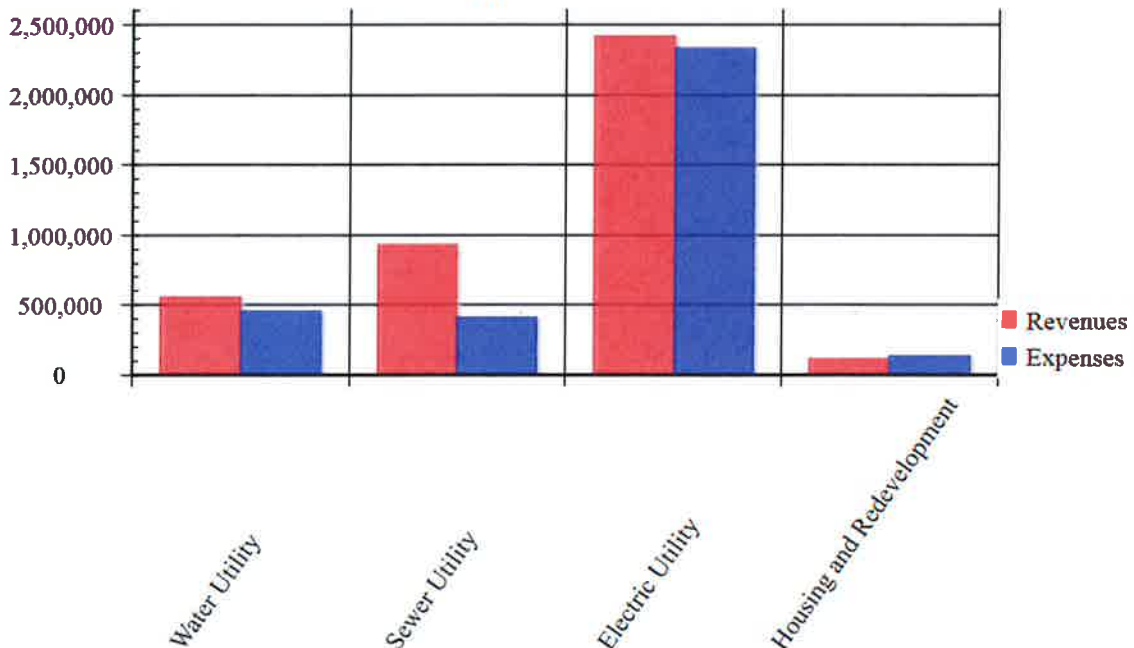
Uses of Funds in Governmental Activities



Business-Type Activities

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

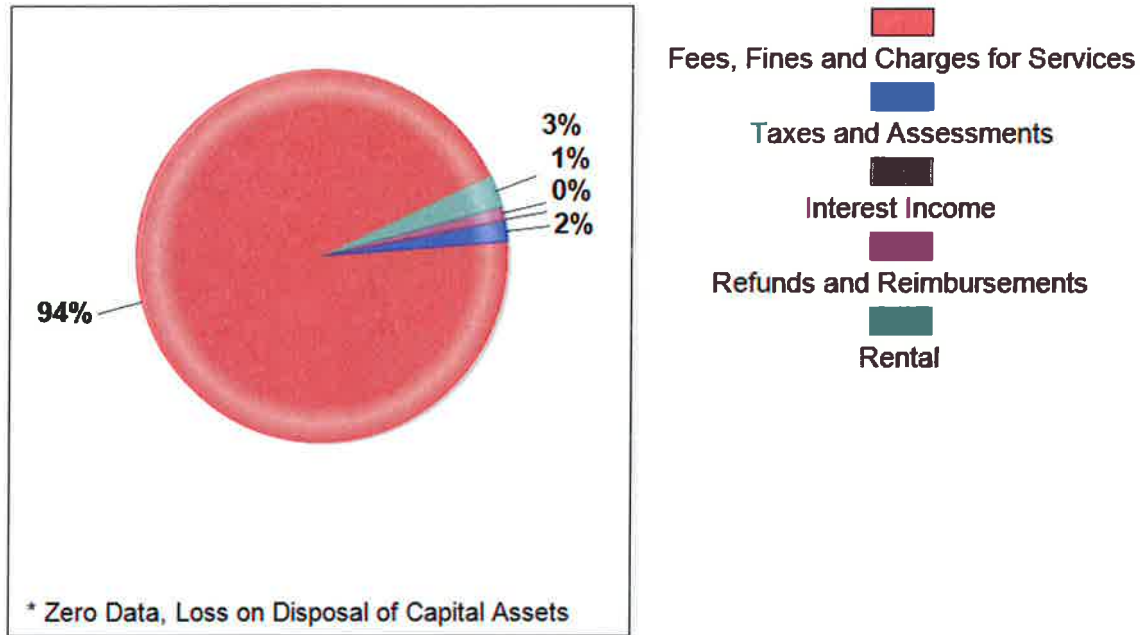
**Expenses and Program Revenues -
 Business-Type Activities**



CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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 \$5,186,500 an increase of \$237,831 in comparison to the prior year. Approximately 51.4% of this total amount, \$2,667,434 is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed to pay debt service and capital improvements in the amount of \$2,519,066.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,907,050. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 168.3 percent of fund expenditures. The fund balance of the City's General Fund decreased by \$24,158 during the current fiscal year.

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 \$3,193,310.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for an excess of \$52,501. Revenues were over expectations by \$27,938 and expenditures came in over budget by \$104,596 in 2014.

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, 2014, amounts to \$27,427,787 (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 10.5 percent (an 20.0 percent increase for governmental activities and a 3.9 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 284,470	\$ 206,471	\$ 64,521	\$ 64,521	\$ 348,991	\$ 270,992
Construction in Progress	3,824,668	1,638,574	9,404,614	8,165,096	13,229,282	9,803,670
Buildings and Improvements	4,157,825	4,157,825	5,188,061	5,188,061	9,345,886	9,345,886
Infrastructure and Improvements	4,755,471	4,755,471	12,901,350	12,873,036	17,656,821	17,628,507
Machinery and Equipment	421,070	383,572	705,787	705,787	1,126,857	1,089,359
Transportation and Other Equipment	<u>1,626,905</u>	<u>1,594,796</u>	<u>338,053</u>	<u>309,229</u>	<u>1,964,958</u>	<u>1,904,025</u>
Subtotal	15,070,409	12,736,709	28,602,386	27,305,730	43,672,795	40,042,439
Less: Accumulated Depreciation	<u>5,351,800</u>	<u>4,970,392</u>	<u>10,893,208</u>	<u>10,271,615</u>	<u>16,245,008</u>	<u>15,242,007</u>
Total	<u>\$ 9,718,609</u>	<u>\$ 7,766,317</u>	<u>\$ 17,709,178</u>	<u>\$ 17,034,115</u>	<u>\$ 27,427,787</u>	<u>\$ 24,800,432</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$21,468,269.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
G.O. Tax Increment Bonds	\$ 4,180,000	\$ 2,140,000	\$ -	\$ -	\$ 4,180,000	\$ 2,140,000
G.O. Improvement Bonds	3,404,000	3,543,300	-	-	3,404,000	3,543,300
G.O. Revenue Bonds	-	-	10,654,611	10,143,129	10,654,611	10,143,129
Revenue Bonds	235,000	295,000	2,900,042	3,153,530	3,135,042	3,448,530
Notes	<u>94,616</u>	<u>67,142</u>	<u>-</u>	<u>-</u>	<u>94,616</u>	<u>67,142</u>
Total	<u>\$ 7,913,616</u>	<u>\$ 6,045,442</u>	<u>\$13,554,653</u>	<u>\$13,296,659</u>	<u>\$21,468,269</u>	<u>\$19,342,101</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's property valuations remain strong and growing. Inflationary trends in the region compare favorably to national indexes. The unemployment rate also compares favorably with the State's average unemployment rate and the national average. All of these factors were considered in preparing the City's 2015 budget. The City Council will continue to monitor local trends when determining user rates and property taxes in the future.

CITY OF MOUNTAIN LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 4,030,584	\$ 3,747,222	\$ 7,777,806
Escrowed Investment	563,463	-	563,463
Receivables:			
Accounts Receivable	23,079	654,163	677,242
Property Taxes Receivable	39,491	-	39,491
Special Assessments Receivable	2,247,313	110,910	2,358,223
Interest Receivable	1,173	-	1,173
Notes Receivable	1,468,565	-	1,468,565
Due from Other Governments	4,302	-	4,302
Land Held for Resale	36,373	-	36,373
Grant Receivable	155,194	-	155,194
Internal Balances	65,092	(65,092)	-
Inventory	-	228,834	228,834
Capital assets not being depreciated:			
Land	284,470	64,521	348,991
Construction in Progress	3,824,668	9,404,614	13,229,282
Other capital assets:			
Buildings and Improvements	4,157,825	5,188,061	9,345,886
Infrastructure and Improvements	4,755,471	12,901,350	17,656,821
Machinery and Equipment	421,070	705,787	1,126,857
Transportation and Other Equipment	1,626,905	338,053	1,964,958
Accumulated Depreciation	(5,351,800)	(10,893,208)	(16,245,008)
Bond Discount	39,984	70,261	110,245
TOTAL ASSETS	18,393,222	22,455,476	40,848,698
LIABILITIES			
Accounts Payable	248,384	628,595	876,979
Accrued Interest	109,054	64,656	173,710
Accrued Payroll	17,495	7,049	24,544
Due to Other Governments	-	6,071	6,071
Accrued Compensated Absences	73,242	39,204	112,446
Customer Deposits	-	95,960	95,960
Unamortized Bond Premium	6,750	6,366	13,116
Noncurrent liabilities:			
Due within one year	329,696	943,405	1,273,101
Due in more than one year	7,583,920	12,611,249	20,195,169
TOTAL LIABILITIES	8,368,541	14,402,555	22,771,096
NET POSITION			
Net Investment in Capital Assets	2,634,993	4,154,524	6,789,517
Restricted	2,519,066	705,087	3,224,153
Unrestricted	4,870,622	3,193,310	8,063,932
TOTAL NET POSITION	\$ 10,024,681	\$ 8,052,921	\$ 18,077,602

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, 2014

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	Capital Grants	Rental	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
General Government	\$ 305,001	\$ 17,431	\$ -	\$ -	\$ -	\$ (287,570)	\$ -	\$ (287,570)
Public Safety	654,866	124,845	71,652	-	-	(458,369)	-	(458,369)
Public Works	507,400	11,173	-	2,004,855	-	1,508,628	-	1,508,628
Culture and Recreation	320,142	9,069	25,322	-	-	(285,751)	-	(285,751)
Sanitation	28,329	-	-	-	-	(28,329)	-	(28,329)
Economic Development	284,387	9,933	-	-	150,410	(124,044)	-	(124,044)
Miscellaneous	82,848	21,200	-	-	-	(61,648)	-	(61,648)
Debt Service	278,831	-	-	-	-	(278,831)	-	(278,831)
Total Governmental Activities	2,461,804	193,651	96,974	2,004,855	150,410	(15,914)	-	(15,914)
Business-Type Activities:								
Water Utility	456,399	555,912	-	2,156	1,200	-	102,869	102,869
Sewer Utility	413,063	930,612	-	-	-	-	517,549	517,549
Electric Utility	2,334,958	2,423,693	-	-	-	-	88,735	88,735
Housing and Redevelopment	135,700	-	-	-	115,440	-	(20,260)	(20,260)
Total Business-Type Activities	3,340,120	3,910,217	-	2,156	116,640	-	688,893	(20,260)
Total Primary Government	\$ 5,801,924	\$ 4,103,868	\$ 96,974	\$ 2,007,011	\$ 267,050	(15,914)	688,893	672,979
General Revenues:								
Taxes and Assessments						625,964	72,921	698,885
Intergovernmental Revenue						1,163,946	-	1,163,946
Interest Income						5,677	6,368	12,045
Refunds and Reimbursements						-	44,205	44,205
Miscellaneous						144,709	10,945	155,654
Transfers						120,000	(120,000)	-
Total General Revenues						2,060,296	14,439	2,074,735
Changes in Net Position						2,044,382	703,332	2,747,714
Net Position- January 1						7,980,299	7,349,589	15,329,888
Net Position- December 31						\$ 10,024,681	\$ 8,052,921	\$ 18,077,602

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

CITY OF MOUNTAIN LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	101 - General Fund	441 - Mt Power Construction	Nonmajor Governmental Funds	Total
ASSETS:				
Cash and Investments	\$ 1,331,598	\$ 135,169	\$ 2,563,817	\$ 4,030,584
Escrowed Investment	469,438	-	94,025	563,463
Accounts Receivable	6,415	-	16,664	23,079
Property Taxes Receivable	39,491	-	-	39,491
Special Assessments Receivable	-	-	2,247,313	2,247,313
Interest Receivable	968	-	205	1,173
Notes Receivable	-	-	1,468,565	1,468,565
Due from Other Governments	4,302	-	-	4,302
Land Held for Resale	-	-	36,373	36,373
Grant Receivable	-	-	155,194	155,194
Due from Other Funds	119,319	-	270,092	389,411
Total Assets	\$ 1,971,531	\$ 135,169	\$ 6,852,248	\$ 8,958,948
LIABILITIES:				
Accounts Payable	\$ 11,433	\$ 65,076	\$ 171,875	\$ 248,384
Accrued Interest	-	-	7,036	7,036
Accrued Payroll	13,557	-	3,938	17,495
Due to Other Funds	-	-	324,319	324,319
Total Liabilities	24,990	65,076	507,168	597,234
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	39,491	-	3,135,723	3,175,214
Total Deferred Inflows of Resources	39,491	-	3,135,723	3,175,214
FUND BALANCES:				
Restricted	-	70,093	2,448,973	2,519,066
Assigned	-	-	1,006,521	1,006,521
Unassigned (Deficit)	1,907,050	-	(246,137)	1,660,913
Total Fund Balances	1,907,050	70,093	3,209,357	5,186,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,971,531	\$ 135,169	\$ 6,852,248	\$ 8,958,948

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, 2014

Total Governmental Fund Balances	\$ 5,186,500
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,718,609
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	3,175,214
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.	(8,095,626)
Long-term assets, including bond discounts are not financial resources and therefore are not reported in the funds.	<u>39,984</u>
Net Position of Governmental Activities	<u>\$10,024,681</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	101 - General Fund	441 - Mt Power Construction	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 255,801	\$ -	\$ 587,195	\$ 842,996
Licenses and Permits	16,976	-	-	16,976
Intergovernmental Revenue	821,777	-	439,143	1,260,920
Charges for Services	41,784	-	120,123	161,907
Fines and Forfeits	4,722	-	113	4,835
Interest Income	1,829	63	3,786	5,678
Miscellaneous	15,648	-	303,523	319,171
Total Revenues	<u>1,158,537</u>	<u>63</u>	<u>1,453,883</u>	<u>2,612,483</u>
EXPENDITURES				
Current Operations:				
General Government	261,275	-	-	261,275
Public Safety	332,419	-	262,203	594,622
Public Works	290,180	-	-	290,180
Culture and Recreation	116,889	-	137,597	254,486
Sanitation	10,338	-	17,991	28,329
Economic Development	1,250	-	258,071	259,321
Miscellaneous	83,598	-	-	83,598
Debt Service:				
Principal Payments	-	-	203,826	203,826
Interest Payments	-	-	181,748	181,748
Miscellaneous	-	-	495	495
Cost of Issuance of Debt	-	75,075	-	75,075
Capital Outlay	37,498	1,698,800	597,399	2,333,697
Total Expenditures	<u>1,133,447</u>	<u>1,773,875</u>	<u>1,659,330</u>	<u>4,566,652</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	25,090	(1,773,812)	(205,447)	(1,954,169)
OTHER FINANCING SOURCES (USES)				
Transfer In	120,000	-	292,993	412,993
Issuance of Debt	-	1,852,308	219,692	2,072,000
Transfer Out	(169,248)	-	(123,745)	(292,993)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(24,158)	78,496	183,493	237,831
FUND BALANCES (DEFICIT) - January 1	<u>1,931,208</u>	<u>(8,403)</u>	<u>3,025,864</u>	<u>4,948,669</u>
FUND BALANCES - December 31	<u>\$ 1,907,050</u>	<u>\$ 70,093</u>	<u>\$ 3,209,357</u>	<u>\$ 5,186,500</u>

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

CITY OF MOUNTAIN LAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 237,831

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

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

Capital Outlay	2,332,287
Depreciation Expense	(381,402)

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

Property Taxes	3,920
Special Assessments	1,783,903
Loan Repayments	(12,710)

Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Net Position. (61,497)

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	(2,072,000)
Principal Repayments	203,826
Debt Premium/Discount	40,734

Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements. (30,510)

Change in Net Position of Governmental Activities \$ 2,044,382

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Public Utilities Commission	Nonmajor Enterprise Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 3,609,718	\$ 137,503	\$ 3,747,221
Accounts Receivable	654,163	-	654,163
Special Assessments Receivable	110,910	-	110,910
Due from Other Funds	-	17,391	17,391
Inventory	228,834	-	228,834
Total Current Assets	4,603,625	154,894	4,758,519
NONCURRENT ASSETS			
Capital Assets:			
Land	43,692	20,829	64,521
Buildings and Improvements	3,816,783	1,371,278	5,188,061
Infrastructure and Improvements	12,901,350	-	12,901,350
Machinery and Equipment	705,787	-	705,787
Transportation and Other Equipment	338,053	-	338,053
Construction in Progress	9,404,614	-	9,404,614
Total Capital Assets	27,210,279	1,392,107	28,602,386
Less: Accumulated Depreciation	10,377,598	515,610	10,893,208
Net Capital Assets	16,832,681	876,497	17,709,178
Bond Discount	70,261	-	70,261
Total Noncurrent Assets	16,902,942	876,497	17,779,439
TOTAL ASSETS	\$ 21,506,567	\$ 1,031,391	\$ 22,537,958
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts Payable	\$ 627,747	\$ 847	\$ 628,594
Due to Other Funds	65,092	17,391	82,483
Accrued Interest	58,603	6,053	64,656
Accrued Payroll	7,049	-	7,049
Due to Other Governments	6,071	-	6,071
Accrued Compensated Absences	39,204	-	39,204
Customer Deposits	85,030	10,930	95,960
Unamortized Bond Premium	3,319	3,047	6,366
Current Amount of Long-Term Debt	908,450	34,955	943,405
Total Current Liabilities	1,800,565	73,223	1,873,788
LONG-TERM LIABILITIES			
Bonds and Notes Payable	11,849,910	761,339	12,611,249
TOTAL LIABILITIES	13,650,475	834,562	14,485,037
NET POSITION			
Net Investment in Capital Assets	4,074,321	80,203	4,154,524
Restricted for Debt Service	705,087	-	705,087
Unrestricted	3,076,684	116,626	3,193,310
Total Net Position	7,856,092	196,829	8,052,921
TOTAL LIABILITIES AND EQUITY	\$ 21,506,567	\$ 1,031,391	\$ 22,537,958

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, 2014

	Public Utilities Commission	Nonmajor Enterprise Funds	<u>Total</u>
OPERATING REVENUES			
Sales to Consumers	\$ 3,910,217	\$ -	\$ 3,910,217
Rental Income	<u>1,200</u>	<u>115,440</u>	<u>116,640</u>
Total Operating Revenues	<u>3,911,417</u>	<u>115,440</u>	<u>4,026,857</u>
OPERATING EXPENSES			
Depreciation	572,152	49,440	621,592
Insurance	-	12,487	12,487
Miscellaneous	-	7,105	7,105
Professional Services	-	9,933	9,933
Repairs, Maintenance and Supplies	-	31,851	31,851
Utilities	-	748	748
Pumping, Treatment, Production	1,521,172	-	1,521,172
Distribution and Collection	529,198	-	529,198
Administration and General	<u>383,222</u>	<u>-</u>	<u>383,222</u>
Total Operating Expenses	<u>3,005,744</u>	<u>111,564</u>	<u>3,117,308</u>
NET OPERATING INCOME	<u>905,673</u>	<u>3,876</u>	<u>909,549</u>
NON OPERATING INCOME AND EXPENSE			
Interest Income	6,355	15	6,370
Taxes and Special Assessments	72,921	-	72,921
Refunds and Reimbursements	44,205	-	44,205
Grant Income	2,156	-	2,156
CAP X Credit	10,945	-	10,945
Interest Expense	<u>(198,676)</u>	<u>(24,136)</u>	<u>(222,812)</u>
Net Non Operating Income and Expense	<u>(62,094)</u>	<u>(24,121)</u>	<u>(86,215)</u>
INCOME (LOSS) BEFORE TRANSFERS	843,579	(20,245)	823,334
Transfer Out	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	723,579	(20,245)	703,334
NET POSITION - January 1	<u>7,132,513</u>	<u>217,074</u>	<u>7,349,587</u>
NET POSITION - December 31	<u>\$ 7,856,092</u>	<u>\$ 196,829</u>	<u>\$ 8,052,921</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, 2014

	Public Utilities <u>Commission</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 3,882,309	\$ 115,475	\$3,997,784
Payments to Vendors	(1,940,736)	(60,693)	2,001,429)
Payments to Employees	(378,453)	-	(378,453)
Other Receipts and Payments	<u>57,306</u>	<u>-</u>	<u>57,306</u>
Net Cash Provided By Operating Activities	<u>1,620,426</u>	<u>54,782</u>	<u>1,675,208</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer to Other Funds	(120,000)	-	(120,000)
Due to (from) Other Funds	<u>(1,329)</u>	<u>-</u>	<u>(1,329)</u>
Net Cash Used By Noncapital Financing Activities	<u>(121,329)</u>	<u>-</u>	<u>(121,329)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(1,296,657)	-	1,296,657)
Proceeds from Bond Issuance	1,190,096	-	1,190,096
Principal Paid on Capital Debt	(897,364)	(34,736)	(932,100)
Interest Paid on Capital Debt	<u>(183,117)</u>	<u>(23,750)</u>	<u>(206,867)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(1,187,042)</u>	<u>(58,486)</u>	<u>1,245,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Earnings	<u>6,344</u>	<u>14</u>	<u>6,358</u>
Net Cash Provided By Investing Activities	<u>6,344</u>	<u>14</u>	<u>6,358</u>
NET INCREASE (DECREASE) IN CASH	318,399	(3,690)	314,709
CASH AND CASH EQUIVALENTS - January 1	<u>3,291,319</u>	<u>141,193</u>	<u>3,432,512</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 3,609,718</u>	<u>\$ 137,503</u>	<u>\$ 3,747,221</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating Income	\$ 905,673	\$ 3,876	\$ 909,549
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities			
Depreciation	572,152	49,440	621,592
Changes in Assets and Liabilities			
Receivables	(33,848)	-	(33,848)
Inventory	(21,895)	-	(21,895)
Prepaid Expenses	8,749	2,555	11,304
Accounts Payable	107,931	(1,124)	106,807
Accrued Wages	1,161	-	1,161
Accrued Compensated Absence	26,740	-	26,740
Due to Other Governments	(1,514)	-	(1,514)
Other Postemployment Benefits	(6,769)	-	(6,769)
Deposits Payable	4,740	-	4,740
Other Receipts and Payments	<u>57,306</u>	<u>35</u>	<u>57,341</u>
Net Cash Provided By Operating Activities	<u>\$ 1,620,426</u>	<u>\$ 54,782</u>	<u>\$ 1,675,208</u>

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, 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 with 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 Revenues, Expenses and Changes in Fund Net Position 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.

Deferred 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 deferred 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.
- Mt Power Construction - This fund is used to account for the resources related to and payments for the Mt. Power Construction Project.

The City reports the following major proprietary funds:

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

D. Use of Estimates

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

E. Restricted Assets

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

F. Encumbrances

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

G. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Deposits and Investments (Cont.)

2. Share of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. General obligations of the State of Minnesota or any of its municipalities.
4. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
6. Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000 a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
7. Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Property Taxes

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

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

I. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2014. 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 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, 2014 was \$112,446.

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. 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.

R. 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

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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. 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”.

T. 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 Mt 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.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2014.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund:</u>			
General Government	\$ 252,980	\$ 267,638	\$ (14,658)
Public Safety	\$ 330,873	\$ 348,404	\$ (17,531)
Public Works	\$ 263,648	\$ 290,180	\$ (26,532)
Culture and Recreation	\$ 103,521	\$ 132,039	\$ (28,518)
Economic Development	\$ -	\$ 1,250	\$ (1,250)
Miscellaneous	\$ 67,329	\$ 83,598	\$ (16,269)
<u>Special Revenue Funds:</u>			
Fire	\$ 101,759	\$ 173,807	\$ (72,048)
Lake Commission	\$ 13,000	\$ 17,991	\$ (4,991)

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2014:

2014 Small Cities Development	(22,280)
SW Housing Grant	(10,741)
Lake Commission	(76,568)
2008 Public Project Revenue Bond	(8,965)
Pop'd Kerns Construction	(116,008)
MSG Construction	(11,575)

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 \$6,911,146 and the bank balance was \$7,095,346 including certificates of deposits of \$17,129. Of the bank balance, \$250,189 was covered by federal depository insurance. Of the remaining balance, \$6,845,157 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, 2014, the City had the following pooled and non pooled investments that are insured or registered, or securities held by the City or its agent in the City's name.

<u>Type of Investment</u>	<u>Fair Value and Carrying Amount</u>	<u>Cost</u>	<u>Credit Quality Rating (1)</u>	<u>Segmented Time Distribution (2)</u>
Pooled Investments:				
Broker Money Market	\$ 29,650	\$ 29,650	N/A	Less than 6 months
Mutual Fund - AIM Treasury	<u>50,971</u>	<u>50,971</u>	N/A	Less than 6 months
Total Pooled Investments	<u>80,621</u>	<u>80,621</u>		
Non Pooled Investments:				
Broker Money Market	16,235	16,235	N/A	Less than 6 months
U.S. Government Bonds	987,797	1,000,000	AA+	More than 6 months
Broker Certificates of Deposit	75,920	75,000	N/A	More than 6 months
Municipal Bonds	106,312	100,000	AA3	More than 6 months
Municipal Bonds	<u>163,083</u>	<u>150,000</u>	AA-	More than 6 months
Total Non Pooled Investments	<u>1,349,347</u>	<u>1,341,235</u>		
Total Investments	<u>\$ 1,429,968</u>	<u>\$ 1,421,856</u>		

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

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

C. Cash on Hand

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

D. Cash and Investments Summary

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

Total Deposits	\$ 6,911,146
Total Investments	1,429,968
Total Cash on Hand	<u>155</u>
	<u>\$ 8,341,269</u>
Statement of Net Position:	
Cash and Investments	\$ 7,777,806
Escrowed Investments	<u>563,463</u>
	<u>\$ 8,341,269</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><u>1,516,804</u></u>

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

Public Utilities Commission

Sewer:	
Capital Replacement	435,728
WIF Replacement	<u>169,385</u>
Total Sewer	<u>605,113</u>
Electric:	
Capital Replacement	<u>99,974</u>
Total Electric	<u>99,974</u>
Total Restricted Cash and Investments	<u><u>\$ 705,087</u></u>

4. NOTES RECEIVABLE

In the Protient DTED Loan Fund, the City issued a loan to Custom Motors, Inc. during 2006 that has a balance of \$32,371 at December 31, 2014.

The loans receivable in the Southwest Housing Loan special revenue fund of \$26,153 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, 2014 is \$82,667 and is secured by life insurance of an officer, and the preferred stock of the new corporation must be paid in full if the business is sold.

As the Balzer funds have been repaid, loans to various other local businesses have been made out of this fund. The balance of these loans as of year-end was \$497,374. 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 \$830,000. 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, 2014, follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 119,319	\$ -
Nonmajor Governmental Funds	270,092	324,319
Public Utilities Fund	-	65,092
Nonmajor Enterprise Funds	<u>17,391</u>	<u>17,391</u>
	<u>\$ 406,802</u>	<u>\$ 406,802</u>

The Public Utilities Fund owes Debt Service Funds \$65,092 for the utility portions of street projects capitalized by the Utility Funds. The Mason Manor fund owes the 9-Plex fund \$17,391 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 \$175,000 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	\$ 39,491	\$ -
Nonmajor Governmental		
Special Assessments Receivable	7,187	2,240,012
Loans Receivable	<u>888,524</u>	<u>-</u>
Total	<u>\$ 935,202</u>	<u>\$ 2,240,012</u>

7. TRANSFERS

Transfers to and from other funds at December 31, 2014, follows:

	Transfers to <u>Other Funds</u>	Transfers from <u>Other Funds</u>
General Fund	\$ 169,248	\$ 120,000
Nonmajor Governmental Funds	123,745	292,993
Public Utilities Fund	<u>120,000</u>	<u>-</u>
	<u>\$ 412,993</u>	<u>\$ 412,993</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. TRANSFERS (Cont.)

- 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 \$169,248 to the Nonmajor Governmental Funds for operating purposes.
- The Nonmajor Governmental Funds transferred \$123,745 to other Nonmajor Governmental Funds for contributions towards project costs.

8. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2014 was as follows:

	<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	\$ 206,470	\$ 78,000	\$ -	\$ 284,470
Construction in Progress	<u>1,638,574</u>	<u>2,186,094</u>	<u>-</u>	<u>3,824,668</u>
Subtotal	<u>1,845,044</u>	<u>2,264,094</u>	<u>-</u>	<u>4,109,138</u>
Other Capital Assets:				
Buildings	4,157,825	-	-	4,157,825
Infrastructure and Improvements	4,755,471	-	-	4,755,471
Machinery and Equipment	383,572	37,498	-	421,070
Transportation and Other Equipment	<u>1,594,796</u>	<u>32,109</u>	<u>-</u>	<u>1,626,905</u>
Subtotal	<u>10,891,664</u>	<u>69,607</u>	<u>-</u>	<u>10,961,271</u>
Less: Accumulated Depreciation				
Buildings	1,747,380	73,793	-	1,821,173
Infrastructure and Improvements	1,724,806	157,151	-	1,881,957
Machinery and Equipment	186,737	39,412	-	226,149
Transportation and Other Equipment	<u>1,311,469</u>	<u>111,052</u>	<u>-</u>	<u>1,422,521</u>
Subtotal	<u>4,970,392</u>	<u>381,408</u>	<u>-</u>	<u>5,351,800</u>
Net Other Capital Assets	<u>5,921,272</u>	<u>(311,801)</u>	<u>-</u>	<u>5,609,471</u>
Net Capital Assets	<u>\$ 7,766,316</u>	<u>\$ 1,952,293</u>	<u>\$ -</u>	<u>\$ 9,718,609</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, 2014.

	<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>8,165,096</u>	<u>1,239,518</u>	<u>-</u>	<u>9,404,614</u>
Subtotal	<u>8,229,617</u>	<u>1,239,518</u>	<u>-</u>	<u>9,469,135</u>
Other Capital Assets:				
Buildings	5,188,061	-	-	5,188,061
Infrastructure and Improvements	12,873,036	28,314	-	12,901,350
Machinery and Equipment	705,787	-	-	705,787
Transportation and Other Equipment	<u>309,229</u>	<u>28,824</u>	<u>-</u>	<u>338,053</u>
Subtotal	<u>19,076,113</u>	<u>57,138</u>	<u>-</u>	<u>19,133,251</u>
Less: Accumulated Depreciation				
Buildings	2,174,241	175,184	-	2,349,425
Infrastructure and Improvements	7,466,868	391,002	-	7,857,870
Machinery and Equipment	462,502	35,123	-	497,625
Transportation and Other Equipment	<u>168,005</u>	<u>20,283</u>	<u>-</u>	<u>188,288</u>
Subtotal	<u>10,271,616</u>	<u>621,592</u>	<u>-</u>	<u>10,893,208</u>
Net Other Capital Assets	<u>8,804,497</u>	<u>(564,454)</u>	<u>-</u>	<u>19,438,879</u>
Net Capital Assets	<u>\$ 17,034,114</u>	<u>\$ 675,064</u>	<u>\$ -</u>	<u>\$ 20,184,132</u>

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

Governmental Activities:

General Government	\$ 22,448
Public Safety	61,598
Public Works	218,136
Culture and Recreation	52,941
Economic Development	<u>26,285</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 381,408</u>

Business-Type Activities:

Public Utilities Commission	\$ 572,152
Nonmajor Enterprise Funds	<u>49,440</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 621,592</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE

A. Classifications

	<u>General Fund</u>	<u>Mt. Power Construction</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Restricted for:				
Debt Service	\$ -	\$ -	\$ 851,910	\$ 851,910
Economic Development	-	-	1,151,458	1,151,458
Library	-	-	794	794
Capital Improvements	-	70,093	444,811	514,904
Total Restricted	<u>-</u>	<u>70,093</u>	<u>2,448,973</u>	<u>2,519,066</u>
Assigned to:				
Capital Outlay and Improvements	-	-	299,208	299,208
Ambulance	-	-	231,671	231,671
Fire	-	-	206,066	206,066
Library	-	-	135,101	135,101
Economic Development	-	-	134,475	134,475
Total Assigned	<u>-</u>	<u>-</u>	<u>1,006,521</u>	<u>1,006,521</u>
Unassigned	<u>1,907,050</u>	<u>-</u>	<u>(246,137)</u>	<u>1,660,913</u>
Total	<u>\$ 1,907,050</u>	<u>\$ 70,093</u>	<u>\$ 3,209,357</u>	<u>\$ 5,186,500</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, 2014, the unassigned fund balance of the General Fund was 185.3% 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, 2014.

	<u>Balance January 1</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance December 31</u>	<u>Current Amount</u>
G.O. Tax Increment Bonds	\$ 2,140,000	\$2,040,000	\$ -	\$ 4,180,000	\$ 20,000
G.O. Improvement Bonds	3,543,300	-	139,300	3,404,000	234,900
G.O. Revenue Bonds	10,143,129	1,190,622	679,140	10,654,611	689,700
Revenue Bonds	3,448,529	-	313,487	3,135,042	318,705
Notes Payable	<u>67,142</u>	<u>32,000</u>	<u>4,526</u>	<u>94,616</u>	<u>9,796</u>
Totals	<u>\$19,342,100</u>	<u>\$3,262,622</u>	<u>\$1,136,453</u>	<u>\$21,468,269</u>	<u>\$ 1,273,101</u>

Bonds outstanding at December 31, 2014 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. \$ 830,000

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

\$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.	1,310,000
\$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.	2,040,000
\$760,000 GO Improvement Bond of 2009A, due in annual installments through February 1, 2021, plus interest from 3.5-5.1% due in semi-annual installments.	178,450
\$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.	2,180,000
\$455,000 GO Improvement Bond of 2007C, due in annual installments through February 1, 2020, plus interest from 4.0-4.4% due in semi-annual installments.	290,000
\$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.	755,550
\$555,000 Public Project Refunding Revenue Bonds of 2008A, due in annual installments through December 1, 2018, plus interest from 3.15-4.4% due in semi-annual installments.	235,000
\$32,000 USDA Fire Truck Note, due in annual installments of \$7,189 through December 5, 2019 including interest at 4.0%.	32,000
\$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%.	<u>62,616</u>
Total Governmental Activities	<u>7,913,616</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.	1,456,000
\$570,000 GO Sewer Revenue Bond of 2001, due in annual installments through January 1, 2030, plus interest at 4.5% due in semi-annual installments.	406,000
\$381,900 GO Water/Sewer Revenue Bonds of 2009A, due in annual installments through February 1, 2021, plus interest at 4.15-5.1% due in semi-annual installments.	236,550

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

\$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.	339,450
\$7,754,480 2012 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	6,210,273
\$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.	1,975,000
\$38,440 2013 PFA Loan, due in annual installments through August 20, 2032, plus interest at 1.0% due in semi-annual installments.	31,338
\$620,000 Housing Development Refunding Bonds of 2012A, due in annual installments through February 1, 2031, including interest from 0.5-3.3% due in semi-annual installments.	560,000
\$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.	236,292
\$550,000 Electric Revenue Bonds of 2009B, due in annual installments through December 1, 2024, plus interest from 2.0-5.15% due in semi-annual installments.	410,000
\$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%.	1,158,750
\$645,000 Electric Revenue Refunding Bonds of 2012C, due in annual installments through December 1, 2023, plus interest from 1.0-2.65% due in semi-annual installments.	<u>535,000</u>
Total Business-Type Activities	<u>13,554,653</u>
Total Long-Term Debt	<u>\$21,468,269</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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

	GO Tax Increment Bonds			G.O. Improvement Bonds		
	Governmental Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 20,000	\$ 177,102	\$ 197,102	\$ 234,900	\$ 81,863	\$ 316,763
2016	220,000	157,218	377,218	253,350	76,896	330,246
2017	225,000	153,429	378,429	253,350	71,553	324,903
2018	230,000	148,552	378,552	263,950	65,833	329,783
2019	230,000	142,512	372,512	268,950	59,422	328,372
2020-2024	1,285,000	586,602	1,871,602	929,500	210,247	1,139,747
2025-2029	1,555,000	288,067	1,843,067	560,000	138,485	698,485
2030-2034	190,000	75,338	265,338	640,000	58,280	698,280
2035-2039	225,000	27,642	252,642	-	-	-
2040-2044	-	-	-	-	-	-
Total	<u>\$4,180,000</u>	<u>\$1,756,462</u>	<u>\$5,936,462</u>	<u>\$3,404,000</u>	<u>\$ 762,579</u>	<u>\$ 4,166,579</u>

	Revenue Bonds			GO Revenue Bond		
	Governmental Funds			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 65,000	\$ 10,138	\$ 75,138	\$ 690,100	\$ 143,231	\$ 833,331
2016	70,000	7,375	77,375	697,650	159,395	857,045
2017	75,000	4,400	79,400	704,650	150,088	854,738
2018	25,000	1,100	26,100	715,050	140,418	855,468
2019	-	-	-	722,050	130,339	852,389
2020-2024	-	-	-	3,411,500	491,950	3,903,450
2025-2029	-	-	-	2,707,000	280,637	2,987,637
2030-2034	-	-	-	1,898,000	80,575	1,978,575
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
Total	<u>\$ 235,000</u>	<u>\$ 23,013</u>	<u>\$ 258,013</u>	<u>\$11,546,000</u>	<u>\$ 1,576,633</u>	<u>\$13,122,633</u>

	Revenue Bonds			Mortgage Note		
	Business-Type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 253,705	\$ 53,227	\$ 306,932	\$ 9,796	\$ 3,472	\$ 13,268
2016	253,932	50,588	304,520	10,169	3,099	13,268
2017	259,170	47,886	307,056	10,555	2,713	13,268
2018	264,419	44,802	309,221	10,957	2,311	13,268
2019	269,680	41,351	311,031	11,369	1,899	13,268
2020-2024	1,213,994	140,666	1,354,660	24,759	5,636	30,395
2025-2029	202,553	53,755	256,308	17,011	1,203	18,214
2030-2034	103,268	25,814	129,082	-	1,203	1,203
2035-2039	66,681	10,752	77,433	-	-	-
2040-2044	12,640	262	12,902	-	-	-
Total	<u>\$2,900,042</u>	<u>\$ 469,103</u>	<u>\$3,369,145</u>	<u>\$ 94,616</u>	<u>\$ 21,536</u>	<u>\$ 116,152</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of Mountain Lake, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), the Local Government Correction Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, MN, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement 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 10 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 10 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 PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous 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.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

C. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by the state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20% of their annual covered salary in 2014. In 2014, the City of Mountain Lake, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 15.30% for PEPFF members. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50% for members and 7.50% for employers) and the Police and Fire Fund (10.80% for members and 16.20% for employers).

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$43,504, \$56,564 and \$56,547, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2014, 2013, 2012 were \$27,350, \$25,236, and \$24,066, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

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

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

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

13. OTHER POST EMPLOYMENT BENEFITS

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

14. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2014.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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

B. Claims and Judgments

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

C. Commitments

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

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

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

16. SUBSEQUENT EVENTS

Management evaluated all activity of City of Mountain Lake through June 1, 2015 (the issue date of the Financial Statements) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MOUNTAIN LAKE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts for the year ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2014 Actual</u>	<u>Variance with Final Budget</u>	<u>2013 Actual</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ 242,084	\$ 242,084	\$ 244,534	\$ 2,450	\$ 279,048
Special Assessments	-	-	11,267	11,267	10,712
LICENSES AND PERMITS:					
Business	575	575	575	-	575
Nonbusiness	8,700	8,700	16,401	7,701	11,020
Total Licenses and Permits	9,275	9,275	16,976	7,701	11,595
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	785,563	785,563	785,566	3	723,858
Market Value Credit	-	-	571	571	533
PERA Rate Increase Aid	1,228	1,228	1,228	-	-
State Police Aid	25,000	25,000	25,236	236	24,066
Other State Grants	5,000	5,000	9,176	4,176	8,822
County Grants	-	-	-	-	608
Total Intergovernmental Revenue	816,791	816,791	821,777	4,986	757,887
CHARGES FOR SERVICES:					
General Government	400	400	455	55	2,800
Public Works	7,500	7,500	11,173	3,673	8,438
Culture and Recreation	11,500	11,500	8,956	(2,544)	15,922
Miscellaneous	21,000	21,000	21,200	200	17,200
Total Charges for Services	40,400	40,400	41,784	1,384	44,360
FINES AND FORFEITS	6,100	6,100	4,722	(1,378)	5,654
INTEREST INCOME	6,500	6,500	1,830	(4,670)	(10,117)
MISCELLANEOUS:					
Miscellaneous Income	9,450	9,450	15,648	6,198	6,802
Total Miscellaneous	9,450	9,450	15,648	6,198	6,802
TOTAL REVENUES	<u>1,130,600</u>	<u>1,130,600</u>	<u>1,158,538</u>	<u>27,938</u>	<u>1,105,941</u>
OTHER FINANCING SOURCES					
Transfer In	120,000	120,000	120,000	-	120,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>1,250,600</u>	<u>1,250,600</u>	<u>1,278,538</u>	<u>27,938</u>	<u>1,225,941</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	12,680	12,680	12,775	(95)	18,030
Supplies	-	-	-	-	65
Other Current Expenditures	3,100	3,100	1,502	1,598	19,129
Total Mayor and Council	15,780	15,780	14,277	1,503	37,224
Election:					
Personnel Services	2,500	2,500	2,887	(387)	-
Other Current Expenditures	500	500	255	245	(89)
Total Election	3,000	3,000	3,142	(142)	(89)

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, 2014

With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance	<u>2013</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.):					
GENERAL GOVERNMENT (Cont.):					
Administrative and Finance:					
Personnel Services	\$ 154,913	\$ 154,913	\$ 126,936	\$ 27,977	\$ 115,020
Supplies	5,000	5,000	7,329	(2,329)	6,510
Other Current Expenditures	23,606	23,606	39,120	(15,514)	34,290
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>6,363</u>	<u>(5,363)</u>	<u>1,007</u>
Total Administrative and Finance	<u>184,519</u>	<u>184,519</u>	<u>179,748</u>	<u>4,771</u>	<u>156,827</u>
Community Center:					
Supplies	1,000	1,000	907	93	607
Other Current Expenditures	<u>10,625</u>	<u>10,625</u>	<u>17,983</u>	<u>(7,358)</u>	<u>20,852</u>
Total Community Center	<u>11,625</u>	<u>11,625</u>	<u>18,890</u>	<u>(7,265)</u>	<u>21,459</u>
Planning and Zoning:					
Personnel Services	850	850	150	700	-
Other Current Expenditures	<u>16,206</u>	<u>16,206</u>	<u>26,110</u>	<u>(9,904)</u>	<u>-</u>
Total Planning and Zoning	<u>17,056</u>	<u>17,056</u>	<u>26,260</u>	<u>(9,204)</u>	<u>-</u>
Independent Auditing:					
Current Expenditures	<u>13,000</u>	<u>13,000</u>	<u>16,580</u>	<u>(3,580)</u>	<u>-</u>
Legal:					
Other Current Expenditures	<u>8,000</u>	<u>8,000</u>	<u>8,741</u>	<u>(741)</u>	<u>-</u>
Total Legal	<u>8,000</u>	<u>8,000</u>	<u>8,741</u>	<u>(741)</u>	<u>-</u>
Total General Government	<u>252,980</u>	<u>252,980</u>	<u>267,638</u>	<u>(14,658)</u>	<u>215,421</u>
PUBLIC SAFETY:					
Police Protection:					
Personnel Services	282,172	282,172	292,528	(10,356)	258,705
Supplies	15,900	15,900	14,673	1,227	14,943
Other Current Expenditures	32,801	32,801	25,118	7,683	31,766
Capital Outlay	<u>-</u>	<u>-</u>	<u>15,985</u>	<u>(15,985)</u>	<u>1,007</u>
Total Police Protection	<u>330,873</u>	<u>330,873</u>	<u>348,304</u>	<u>(17,431)</u>	<u>306,421</u>
Civil Defense:					
Other Current Expenditures	<u>-</u>	<u>-</u>	<u>100</u>	<u>(100)</u>	<u>1,136</u>
Total Civil Defense	<u>-</u>	<u>-</u>	<u>100</u>	<u>(100)</u>	<u>1,136</u>
Total Public Safety	<u>330,873</u>	<u>330,873</u>	<u>348,404</u>	<u>(17,531)</u>	<u>307,557</u>
PUBLIC WORKS:					
Streets and Alleys:					
Personnel Services	123,823	123,823	129,146	(5,323)	119,587
Supplies	34,500	34,500	42,988	(8,488)	27,964
Other Current Expenditures	61,825	61,825	75,908	(14,083)	34,339
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,023</u>
Total Streets and Alleys	<u>220,148</u>	<u>220,148</u>	<u>248,042</u>	<u>(27,894)</u>	<u>186,913</u>
Street Lighting:					
Other Current Expenditures	<u>38,000</u>	<u>38,000</u>	<u>35,812</u>	<u>2,188</u>	<u>38,287</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, 2014
 With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance	<u>2013</u>
	Original Budget	Final Budget	Actual	with Final Budget	Actual
EXPENDITURES (Cont.):					
PUBLIC WORKS (Cont.):					
Total Street Lighting	\$ 38,000	\$ 38,000	\$ 35,812	\$ 2,188	\$ 38,287
Storm Sewer:					
Supplies	1,500	1,500	3,289	(1,789)	749
Other Current Expenditures	4,000	4,000	3,037	963	3,037
Total Storm Sewer	5,500	5,500	6,326	(826)	3,786
Total Public Works	263,648	263,648	290,180	(26,532)	228,986
CULTURE AND RECREATION:					
Parks and Recreation:					
Personnel Services	39,086	39,086	39,663	(577)	37,169
Supplies	4,000	4,000	4,401	(401)	4,454
Other Current Expenditures	48,435	48,435	63,710	(15,275)	36,096
Capital Outlay	2,000	2,000	15,150	(13,150)	8,872
Total Parks and Recreation	93,521	93,521	122,924	(29,403)	86,591
Swimming Beaches:					
Other Current Expenditures	-	-	164	(164)	52
Total Swimming Beaches	-	-	164	(164)	52
Campgrounds:					
Personnel Services	2,691	2,691	3,199	(508)	2,192
Supplies	-	-	22	(22)	16
Other Current Expenditures	4,610	4,610	5,730	(1,120)	5,865
Capital Outlay	2,699	2,699	-	2,699	-
Total Campgrounds	10,000	10,000	8,951	1,049	8,073
Total Culture and Recreation	103,521	103,521	132,039	(28,518)	94,716
SANITATION:					
Waste Collection and Disposal:					
Other Current Expenditures	10,500	10,500	10,338	162	10,000
Total Waste Collection and Disposal	10,500	10,500	10,338	162	10,000
Other Services Enterprises:					
Total Sanitation	10,500	10,500	10,338	162	10,000
ECONOMIC DEVELOPMENT:					
Other Current Expenditures	-	-	1,250	(1,250)	-

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, 2014
 With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance	<u>2013</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>
EXPENDITURES (Cont.):					
MISCELLANEOUS:					
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Personnel Services	41,973	41,973	43,185	(1,212)	38,952
Other Current Expenditures	2,060	2,060	1,891	169	1,242
Supplies	13,500	13,500	24,532	(11,032)	21,552
Current Expenditures	<u>9,796</u>	<u>9,796</u>	<u>13,990</u>	<u>(4,194)</u>	<u>-</u>
Total Miscellaneous	<u>67,329</u>	<u>67,329</u>	<u>83,598</u>	<u>(16,269)</u>	<u>61,746</u>
TOTAL EXPENDITURES	<u>1,028,851</u>	<u>1,028,851</u>	<u>1,133,447</u>	<u>(104,596)</u>	<u>918,426</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>221,749</u>	<u>221,749</u>	<u>145,091</u>	<u>(76,658)</u>	<u>307,515</u>
OTHER FINANCING USES:					
Transfer Out	<u>169,248</u>	<u>169,248</u>	<u>169,248</u>	<u>-</u>	<u>172,792</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	52,501	52,501	(24,157)	(76,658)	134,723
FUND BALANCES - January 1	<u>1,931,207</u>	<u>1,931,207</u>	<u>1,931,207</u>	<u>-</u>	<u>1,796,484</u>
FUND BALANCES - December 31	<u>\$ 1,983,708</u>	<u>\$ 1,983,708</u>	<u>\$ 1,907,050</u>	<u>\$ (76,658)</u>	<u>\$ 1,931,207</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, 2014
 With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance with Final Budget	<u>2013</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 113,185	\$ 113,185	\$ 113,185	\$ -	\$ 98,220
Intergovernmental Revenue					
Local Government Aid	17,265	17,265	17,265	-	30,998
Other State Grants	20,000	20,000	25,322	5,322	25,006
Fines and Forfeits	-	-	113	113	156
Interest Income	-	-	168	168	172
Miscellaneous					
Miscellaneous Income	<u>-</u>	<u>-</u>	<u>778</u>	<u>778</u>	<u>1,607</u>
TOTAL REVENUES	<u>150,450</u>	<u>150,450</u>	<u>156,831</u>	<u>6,381</u>	<u>156,159</u>
EXPENDITURES					
Personnel Services	103,607	103,607	100,740	2,867	96,312
Supplies	17,400	17,400	16,614	786	15,715
Other Current Expenditures	23,364	23,364	20,243	3,121	29,022
Debt Service					
Principal Payments	3,629	3,629	3,756	(127)	3,629
Interest Payments	<u>2,450</u>	<u>2,450</u>	<u>2,323</u>	<u>127</u>	<u>2,450</u>
TOTAL EXPENDITURES	<u>150,450</u>	<u>150,450</u>	<u>143,676</u>	<u>6,774</u>	<u>147,128</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>13,155</u>	<u>13,155</u>	<u>9,031</u>
FUND BALANCES - January 1	<u>122,740</u>	<u>122,740</u>	<u>122,740</u>	<u>-</u>	<u>113,709</u>
FUND BALANCES - December 31	<u>\$ 122,740</u>	<u>\$ 122,740</u>	<u>\$ 135,895</u>	<u>\$ 13,155</u>	<u>\$ 122,740</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, 2014
With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance with Final Budget	<u>2013</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:					
General Property Taxes	\$ 29,364	\$ 29,364	\$ 29,364	\$ -	\$ 37,952
Intergovernmental Revenue					
Other Federal Grants	-	-	-	-	5,000
Local Government Aid	34,530	34,530	34,530	-	32,319
State Fire Aid	30,065	30,065	43,941	13,876	23,529
Other State Grants	-	-	4,745	4,745	470
Charges for Services	7,500	7,500	23,752	16,252	37,615
Interest Income	300	300	271	(29)	209
Miscellaneous	-	-	<u>37,650</u>	<u>37,650</u>	<u>32,006</u>
TOTAL REVENUES	<u>101,759</u>	<u>101,759</u>	<u>174,253</u>	<u>72,494</u>	<u>169,100</u>
OTHER FINANCING SOURCES:					
Issuance of Debt	-	-	<u>32,000</u>	<u>32,000</u>	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>101,759</u>	<u>101,759</u>	<u>206,253</u>	<u>104,494</u>	<u>169,100</u>
EXPENDITURES:					
Personnel Services	46,244	46,244	58,071	(11,827)	44,770
Supplies	3,000	3,000	13,003	(10,003)	2,179
Other Current Expenditures	34,534	34,534	67,809	(33,275)	30,604
Debt Service					
Principal Payments	-	-	770	(770)	10,048
Interest Payments	-	-	2,046	(2,046)	433
Capital Outlay	<u>17,981</u>	<u>17,981</u>	<u>32,108</u>	<u>(14,127)</u>	<u>15,871</u>
TOTAL EXPENDITURES	<u>101,759</u>	<u>101,759</u>	<u>173,807</u>	<u>(72,048)</u>	<u>103,905</u>
EXCESS REVENUES OVER EXPENDITURES	-	-	<u>32,446</u>	<u>32,446</u>	<u>65,195</u>
FUND BALANCE - January 1	<u>173,622</u>	<u>173,622</u>	<u>173,622</u>	-	<u>108,427</u>
FUND BALANCE - December 31	<u>\$ 173,622</u>	<u>\$ 173,622</u>	<u>\$ 206,068</u>	<u>\$ 32,446</u>	<u>\$ 173,622</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, 2014
 With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance with Final Budget	<u>2013</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 28,294	\$ 28,294	\$ 28,294	\$ -	\$ 12,724
Intergovernmental Revenue					
Local Government Aid	25,897	25,897	25,897	-	20,275
Other State Grants	-	-	2,475	2,475	2,200
Other Public Safety	73,420	73,420	96,371	22,951	95,859
Interest Income	500	500	378	(122)	375
Miscellaneous					
Miscellaneous Income	-	-	230	230	182
TOTAL REVENUES	<u>128,111</u>	<u>128,111</u>	<u>153,645</u>	<u>25,534</u>	<u>131,615</u>
EXPENDITURES					
Personnel Services	90,355	90,355	86,746	3,609	90,414
Other	7,500	7,500	10,098	(2,598)	6,833
Current Expenditures	26,256	26,256	26,476	(220)	18,571
Capital Outlay	4,000	4,000	-	4,000	-
TOTAL EXPENDITURES	<u>128,111</u>	<u>128,111</u>	<u>123,320</u>	<u>4,791</u>	<u>115,818</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES					
	<u>-</u>	<u>-</u>	<u>30,325</u>	<u>30,325</u>	<u>15,797</u>
FUND BALANCE - January 1	<u>201,346</u>	<u>201,346</u>	<u>201,346</u>	<u>-</u>	<u>185,549</u>
FUND BALANCE - December 31	<u>\$ 201,346</u>	<u>\$ 201,346</u>	<u>\$ 231,671</u>	<u>\$ 30,325</u>	<u>\$ 201,346</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, 2014
 With Comparative Amounts for the year ended December 31, 2013

	<u>2014</u>			Variance with Final Budget	<u>2013</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES					
General Property Taxes	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	\$ -
Intergovernmental Revenue					
Other State Grants	10,000	10,000	-	(10,000)	10,000
Interest Income	-	-	-	-	9
Miscellaneous					
Miscellaneous Income	<u>1,500</u>	<u>1,500</u>	<u>3,877</u>	<u>2,377</u>	<u>2,663</u>
TOTAL REVENUES	<u>13,000</u>	<u>13,000</u>	<u>5,377</u>	<u>(7,623)</u>	<u>12,672</u>
EXPENDITURES					
Personnel Services	2,905	2,905	1,916	989	2,907
Supplies	3,000	3,000	1,334	1,666	39,310
Other Current Expenditures	7,095	7,095	14,741	(7,646)	24,261
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,929</u>
TOTAL EXPENDITURES	<u>13,000</u>	<u>13,000</u>	<u>17,991</u>	<u>(4,991)</u>	<u>70,407</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(12,614)</u>	<u>(12,614)</u>	<u>(57,735)</u>
FUND BALANCES - January 1	<u>(63,954)</u>	<u>(63,954)</u>	<u>(63,954)</u>	<u>-</u>	<u>(6,219)</u>
FUND BALANCES. - December 31	<u>\$ (63,954)</u>	<u>\$ (63,954)</u>	<u>\$ (76,568)</u>	<u>\$ (12,614)</u>	<u>\$ (63,954)</u>

SECTION III

SUPPLEMENTAL SECTION

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS:				
Cash and Investments	\$ 1,036,114	\$ 722,718	\$ 804,987	\$ 2,563,819
Escrowed Investment	17,129	76,896	-	94,025
Accounts Receivable	16,664	-	-	16,664
Special Assessments Receivable	-	2,247,313	-	2,247,313
Interest Receivable	-	205	-	205
Notes Receivable	638,565	830,000	-	1,468,565
Due from Other Funds	205,000	65,092	-	270,092
Land Held for Resale	36,373	-	-	36,373
Grant Receivable	<u>155,194</u>	<u>-</u>	<u>-</u>	<u>155,194</u>
TOTAL ASSETS	<u>\$ 2,105,039</u>	<u>\$ 3,942,224</u>	<u>\$ 804,987</u>	<u>\$ 6,852,250</u>
LIABILITIES:				
Accounts Payable	\$ 163,822	\$ 6,079	\$ 1,976	\$ 171,877
Accrued Interest	-	7,036	-	7,036
Accrued Payroll	3,938	-	-	3,938
Due to Other Funds	<u>128,779</u>	<u>8,965</u>	<u>186,575</u>	<u>324,319</u>
Total Liabilities	<u>296,539</u>	<u>22,080</u>	<u>188,551</u>	<u>507,170</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	<u>58,524</u>	<u>3,077,199</u>	<u>-</u>	<u>3,135,723</u>
Total Deferred Inflows of Resources	<u>58,524</u>	<u>3,077,199</u>	<u>-</u>	<u>3,135,723</u>
FUND BALANCES:				
Restricted	1,152,252	851,910	444,811	2,448,973
Assigned	707,313	-	299,208	1,006,521
Unassigned (Deficit)	<u>(109,589)</u>	<u>(8,965)</u>	<u>(127,583)</u>	<u>(246,137)</u>
Total Fund Balances	<u>1,749,976</u>	<u>842,945</u>	<u>616,436</u>	<u>3,209,357</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,105,039</u>	<u>\$ 3,942,224</u>	<u>\$ 804,987</u>	<u>\$ 6,852,250</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Taxes	\$ 198,666	\$ 386,761	\$ 1,768	\$ 587,195
Intergovernmental Revenue	439,143	-	-	439,143
Charges for Services	120,123	-	-	120,123
Fines and Forfeits	113	-	-	113
Interest Income	1,621	65	2,100	3,786
Miscellaneous	138,470	161,444	3,609	303,523
Total Revenues	<u>898,136</u>	<u>548,270</u>	<u>7,477</u>	<u>1,453,883</u>
EXPENDITURES				
Public Safety	262,203	-	-	262,203
Culture and Recreation	137,597	-	-	137,597
Sanitation	17,991	-	-	17,991
Economic Development	212,637	45,434	-	258,071
Debt Service				
Principal Payments	4,526	199,300	-	203,826
Interest Payments	4,369	177,379	-	181,748
Miscellaneous	-	495	-	495
Capital Outlay	<u>517,359</u>	<u>-</u>	<u>80,040</u>	<u>597,399</u>
Total Expenditures	<u>1,156,682</u>	<u>422,608</u>	<u>80,040</u>	<u>1,659,330</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(258,546)	125,662	(72,563)	(205,447)
OTHER FINANCING SOURCES (USES)				
Transfer In	194,469	98,524	-	292,993
Issuance of Debt	32,000	187,692	-	219,692
Transfer Out	<u>(100,000)</u>	<u>-</u>	<u>(23,745)</u>	<u>(123,745)</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(132,077)	411,878	(96,308)	183,493
FUND BALANCES - January 1	<u>1,882,053</u>	<u>431,067</u>	<u>712,744</u>	<u>3,025,864</u>
FUND BALANCES - December 31	<u>\$ 1,749,976</u>	<u>\$ 842,945</u>	<u>\$ 616,436</u>	<u>\$ 3,209,357</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
ASSETS					
Cash and Investments	\$ -	\$ 23,550	\$ 142,969	\$ 175,290	\$ 167,608
Escrowed Investment	-	-	-	17,129	-
Accounts Receivable	-	109	-	13,967	-
Notes Receivable	-	-	-	-	580,041
Due from Other Funds	-	30,000	-	-	-
Land Held for Resale	-	24,352	-	-	12,021
Grant Receivable	155,194	-	-	-	-
TOTAL ASSETS	<u>\$ 155,194</u>	<u>\$ 78,011</u>	<u>\$ 142,969</u>	<u>\$ 206,386</u>	<u>\$ 759,670</u>
LIABILITIES					
Accounts Payable	\$ 155,194	\$ 963	\$ 5,054	\$ 320	\$ -
Accrued Payroll	-	1,918	2,020	-	-
Due to Other Funds	22,280	-	-	-	-
Total Liabilities	<u>177,474</u>	<u>2,881</u>	<u>7,074</u>	<u>320</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					
Restricted	-	-	794	-	700,325
Assigned	-	75,130	135,101	206,066	59,345
Unassigned (Deficit)	(22,280)	-	-	-	-
Total Fund Balances (Deficit)	<u>(22,280)</u>	<u>75,130</u>	<u>135,895</u>	<u>206,066</u>	<u>759,670</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 155,194</u>	<u>\$ 78,011</u>	<u>\$ 142,969</u>	<u>\$ 206,386</u>	<u>\$ 759,670</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
\$ 229,609	\$ 20,449	\$ 36,192	\$ 220,427	\$ 5,311	\$ 14,709	\$ 1	\$ 1,036,114
-	-	-	-	-	-	-	17,129
2,588	-	-	-	-	-	-	16,664
-	26,153	32,371	-	-	-	-	638,565
-	-	175,000	-	-	-	-	205,000
-	-	-	-	-	-	-	36,373
-	-	-	-	-	-	-	155,194
<u>\$ 232,197</u>	<u>\$ 46,602</u>	<u>\$ 243,563</u>	<u>\$ 220,427</u>	<u>\$ 5,311</u>	<u>\$ 14,709</u>	<u>\$ 1</u>	<u>\$ 2,105,039</u>
\$ 525	\$ 1,190	\$ 506	\$ -	\$ -	\$ -	\$ 70	\$ 163,822
-	-	-	-	-	-	-	3,938
-	30,000	-	-	-	-	76,499	128,779
<u>525</u>	<u>31,190</u>	<u>506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,569</u>	<u>296,539</u>
-	26,153	32,371	-	-	-	-	58,524
-	26,153	32,371	-	-	-	-	58,524
-	-	210,686	220,427	5,311	14,709	-	1,152,252
231,671	-	-	-	-	-	-	707,313
-	(10,741)	-	-	-	-	(76,568)	(109,589)
<u>231,671</u>	<u>(10,741)</u>	<u>210,686</u>	<u>220,427</u>	<u>5,311</u>	<u>14,709</u>	<u>(76,568)</u>	<u>1,749,976</u>
<u>\$ 232,196</u>	<u>\$ 46,602</u>	<u>\$ 243,563</u>	<u>\$ 220,427</u>	<u>\$ 5,311</u>	<u>\$ 14,709</u>	<u>\$ 1</u>	<u>\$ 2,105,039</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
REVENUES					
Taxes	\$ -	\$ 7,852	\$ 113,185	\$ 29,364	\$ -
Intergovernmental Revenue	284,968	-	42,587	83,216	-
Charges for Services	-	-	-	23,752	-
Fines and Forfeits	-	-	113	-	-
Interest Income	3	68	168	269	79
Miscellaneous	-	18,483	778	37,650	52,279
Total Revenues	<u>284,971</u>	<u>26,403</u>	<u>156,831</u>	<u>174,251</u>	<u>52,358</u>
EXPENDITURES					
Public Safety	-	-	-	138,883	-
Culture and Recreation	-	-	137,597	-	-
Sanitation	-	-	-	-	-
Economic Development	-	150,056	-	-	24,777
Principal Payments	-	-	3,756	770	-
Interest Payments	-	-	2,323	2,046	-
Capital Outlay	407,251	-	-	32,108	-
Total Expenditures	<u>407,251</u>	<u>150,056</u>	<u>143,676</u>	<u>173,807</u>	<u>24,777</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES					
	<u>(122,280)</u>	<u>(123,653)</u>	<u>13,155</u>	<u>444</u>	<u>27,581</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	100,000	94,469	-	-	-
Issuance of Debt	-	-	-	32,000	-
Transfer Out	-	-	-	-	-
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	<u>(22,280)</u>	<u>(29,184)</u>	<u>13,155</u>	<u>32,444</u>	<u>27,581</u>
FUND BALANCES (DEFICIT) - January 1					
	<u>-</u>	<u>104,314</u>	<u>122,740</u>	<u>173,622</u>	<u>732,089</u>
FUND BALANCES (DEFICIT) - December 31					
	<u>\$ (22,280)</u>	<u>\$ 75,130</u>	<u>\$ 135,895</u>	<u>\$ 206,066</u>	<u>\$ 759,670</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
\$ 28,294	\$ -	\$ -	\$ -	\$ 6,691	\$ 11,780	\$ 1,500	\$ 198,666
28,372	-	-	-	-	-	-	439,143
96,371	-	-	-	-	-	-	120,123
-	-	-	-	-	-	-	113
378	3	147	505	1	2	(2)	1,621
<u>230</u>	<u>10,988</u>	<u>14,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,879</u>	<u>138,470</u>
<u>153,645</u>	<u>10,991</u>	<u>14,330</u>	<u>505</u>	<u>6,692</u>	<u>11,782</u>	<u>5,377</u>	<u>898,136</u>
123,320	-	-	-	-	-	-	262,203
-	-	-	-	-	-	-	137,597
-	-	-	-	-	-	17,991	17,991
-	17,491	3,689	-	6,022	10,602	-	212,637
-	-	-	-	-	-	-	4,526
-	-	-	-	-	-	-	4,369
-	-	78,000	-	-	-	-	517,359
<u>123,320</u>	<u>17,491</u>	<u>81,689</u>	<u>-</u>	<u>6,022</u>	<u>10,602</u>	<u>17,991</u>	<u>1,156,682</u>
<u>30,325</u>	<u>(6,500)</u>	<u>(67,359)</u>	<u>505</u>	<u>670</u>	<u>1,180</u>	<u>(12,614)</u>	<u>(258,546)</u>
-	-	-	-	-	-	-	194,469
-	-	-	-	-	-	-	32,000
-	-	-	(100,000)	-	-	-	(100,000)
30,325	(6,500)	(67,359)	(99,495)	670	1,180	(12,614)	(132,077)
<u>201,346</u>	<u>(4,241)</u>	<u>278,045</u>	<u>319,922</u>	<u>4,641</u>	<u>13,529</u>	<u>(63,954)</u>	<u>1,882,053</u>
<u>\$ 231,671</u>	<u>\$ (10,741)</u>	<u>\$ 210,686</u>	<u>\$ 220,427</u>	<u>\$ 5,311</u>	<u>\$ 14,709</u>	<u>\$ (76,568)</u>	<u>\$ 1,749,976</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2014

	303 - G.O. Tax 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	\$ 132,837	\$ 15,988	\$ 115,854	\$ 120,814	\$ -	\$ 90,902	\$ 209,470	\$ 36,853	\$ 722,718
Escrowed Investment	-	-	-	-	-	76,896	-	-	76,896
Special Assessments Receivable	-	224,721	88,784	1,925,892	-	7,916	-	-	2,247,313
Interest Receivable	-	-	-	-	-	205	-	-	205
Notes Receivable	-	-	-	-	-	-	-	830,000	830,000
Due from Other Funds	-	48,282	9,877	-	-	6,933	-	-	65,092
TOTAL ASSETS	\$ 132,837	\$ 288,991	\$ 214,515	\$ 2,046,706	\$ -	\$ 182,852	\$ 209,470	\$ 866,853	\$ 3,942,224
LIABILITIES									
Accounts Payable	\$ 5,000	\$ 1,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,079
Accrued Interest	4,258	-	-	-	-	-	2,778	-	7,036
Due to Other Funds	-	-	-	-	8,965	-	-	-	8,965
Total Liabilities	9,258	1,079	-	-	8,965	-	2,778	-	22,080
DEFERRED INFLOWS OF RESOURCES:									
Unavailable Revenue	-	224,721	88,670	1,925,892	-	7,916	-	830,000	3,077,199
Total Deferred Inflows of Resources	-	224,721	88,670	1,925,892	-	7,916	-	830,000	3,077,199
FUND BALANCES									
Restricted	123,579	63,191	125,845	120,814	-	174,936	206,692	36,853	851,910
Unassigned (Deficit)	-	-	-	-	(8,965)	-	-	-	(8,965)
Total Fund Balances (Deficit)	123,579	63,191	125,845	120,814	(8,965)	174,936	206,692	36,853	842,945
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 132,837	\$ 288,991	\$ 214,515	\$ 2,046,706	\$ -	\$ 182,852	\$ 209,470	\$ 866,853	\$ 3,942,224

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, 2014

	303 - G.O. Tax	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	\$ -	\$ 118,319	\$ 98,181	\$ 122,613	\$ -	\$ 36,336	\$ -	\$ 11,312	\$ 386,761
Interest Income	12	(1)	38	4	-	9	-	3	65
Miscellaneous	90,000	430	-	-	-	-	19,000	52,014	161,444
Total Revenues	<u>90,012</u>	<u>118,748</u>	<u>98,219</u>	<u>122,617</u>	<u>-</u>	<u>36,345</u>	<u>19,000</u>	<u>63,329</u>	<u>548,270</u>
EXPENDITURES									
Economic Development	3,602	36,176	-	-	-	-	-	5,656	45,434
Debt Service	-	35,000	82,800	-	60,000	21,500	-	-	199,300
Principal Payments	44,044	13,189	18,794	47,490	12,538	6,076	-	35,248	177,379
Interest Payments	-	-	495	-	-	-	-	-	495
Miscellaneous	47,646	84,365	102,089	47,490	72,538	27,576	-	40,904	422,608
Total Expenditures	<u>42,366</u>	<u>34,383</u>	<u>(3,870)</u>	<u>75,127</u>	<u>(72,538)</u>	<u>8,769</u>	<u>19,000</u>	<u>22,425</u>	<u>125,662</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES									
OTHER FINANCING SOURCES (USES)									
Transfer In	-	-	-	23,745	74,779	-	-	-	98,524
Issuance of Debt	-	-	-	-	-	-	187,692	-	187,692
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>42,366</u>	<u>34,383</u>	<u>(3,870)</u>	<u>98,872</u>	<u>2,241</u>	<u>8,769</u>	<u>206,692</u>	<u>22,425</u>	<u>411,878</u>
FUND BALANCES (Deficit) - January 1	<u>81,213</u>	<u>28,808</u>	<u>129,715</u>	<u>21,942</u>	<u>(11,206)</u>	<u>166,167</u>	<u>-</u>	<u>14,428</u>	<u>431,067</u>
FUND BALANCES (Deficit) - December 31	<u>\$ 123,579</u>	<u>\$ 63,191</u>	<u>\$ 125,845</u>	<u>\$ 120,814</u>	<u>\$ (8,965)</u>	<u>\$ 174,936</u>	<u>\$ 206,692</u>	<u>\$ 36,853</u>	<u>\$ 842,945</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2014

	501 - Capital Outlay Revolving Fund	403 - Pop'd Kerns Construction	412 - 2012 City Wide Project	415 - MSG Construction	Total
ASSETS:					
Cash and Investments	\$ 299,208	\$ 58,992	\$ 446,787	\$ -	\$ 804,987
TOTAL ASSETS	\$ 299,208	\$ 58,992	\$ 446,787	\$ -	\$ 804,987
LIABILITIES:					
Accounts Payable Due to Other Funds	\$ -	\$ -	\$ 1,976	\$ -	\$ 1,976
Total Liabilities	-	175,000	-	11,575	186,575
FUND BALANCES:					
Restricted	-	-	444,811	-	444,811
Assigned	299,208	-	-	-	299,208
Unassigned (Deficit)	-	(116,008)	-	(11,575)	(127,583)
Total Fund Balances (Deficit)	299,208	(116,008)	444,811	(11,575)	616,436
TOTAL LIABILITIES AND FUND BALANCE	\$ 299,208	\$ 58,992	\$ 446,787	\$ -	\$ 804,987

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, 2014

	501 - Capital Outlay	403 - Pop'd Kerns Construction	412 - 2012 City Wide Project	415 - MSG Construction	Total
REVENUES					
Taxes	\$ 1,768	\$ -	\$ -	\$ -	\$ 1,768
Interest Income	562	10	1,528	-	2,100
Miscellaneous	-	3,609	-	-	3,609
Total Revenues	<u>2,330</u>	<u>3,619</u>	<u>1,528</u>	<u>-</u>	<u>7,477</u>
EXPENDITURES					
Capital Outlay					
Total Expenditures	-	-	68,465	11,575	80,040
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>2,330</u>	<u>3,619</u>	<u>(66,937)</u>	<u>(11,575)</u>	<u>80,040</u>
OTHER FINANCING SOURCES (USES):					
Transfer Out	-	-	(23,745)	-	(23,745)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,330	3,619	(90,682)	(11,575)	(96,308)
FUND BALANCES (DEFICIT) - January 1	<u>296,878</u>	<u>(119,627)</u>	<u>535,493</u>	<u>-</u>	<u>712,744</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 299,208</u>	<u>\$ (116,008)</u>	<u>\$ 444,811</u>	<u>\$ (11,575)</u>	<u>\$ 616,436</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2014

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 32,989	\$ 86,855	\$ 17,660	\$ 137,504
Due from Other Funds	<u>-</u>	<u>17,391</u>	<u>-</u>	<u>17,391</u>
Total Current Assets	<u>32,989</u>	<u>104,246</u>	<u>17,660</u>	<u>154,895</u>
NONCURRENT ASSETS				
Capital Assets:				
Land	6,175	12,350	2,304	20,829
Buildings and Improvements	<u>366,153</u>	<u>695,366</u>	<u>309,759</u>	<u>1,371,278</u>
Total Capital Assets	372,328	707,716	312,063	1,392,107
Less: Accumulated Depreciation	<u>143,187</u>	<u>310,502</u>	<u>61,921</u>	<u>515,610</u>
Net Capital Assets	<u>229,141</u>	<u>397,214</u>	<u>250,142</u>	<u>876,497</u>
 Total Assets	 <u>\$ 262,130</u>	 <u>\$ 501,460</u>	 <u>\$ 267,802</u>	 <u>\$ 1,031,392</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 477	\$ 311	\$ 60	\$ 848
Due to Other Funds	-	-	17,391	17,391
Accrued Interest	1,398	3,940	715	6,053
Customer Deposits	2,470	5,005	3,455	10,930
Unamortized Bond Premium	1,206	1,841	-	3,047
Current Amount of Long-Term Debt	<u>10,000</u>	<u>20,000</u>	<u>4,955</u>	<u>34,955</u>
Total Current Liabilities	<u>15,551</u>	<u>31,097</u>	<u>26,576</u>	<u>73,224</u>
LONG-TERM LIABILITIES				
Bonds and Notes Payable	<u>155,000</u>	<u>375,000</u>	<u>231,339</u>	<u>761,339</u>
Total Liabilities	<u>170,551</u>	<u>406,097</u>	<u>257,915</u>	<u>834,563</u>
NET POSITION				
Net Investment in Capital Assets	64,141	2,214	13,848	80,203
Unrestricted	<u>27,438</u>	<u>93,149</u>	<u>(3,961)</u>	<u>116,626</u>
Total Net Position	<u>91,579</u>	<u>95,363</u>	<u>9,887</u>	<u>196,829</u>
 Total Liabilities and Net Position	 <u>\$ 262,130</u>	 <u>\$ 501,460</u>	 <u>\$ 267,802</u>	 <u>\$ 1,031,392</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
OPERATING REVENUES				
Rental Income	\$ 28,440	\$ 56,625	\$ 30,375	\$ 115,440
Total Operating Revenues	<u>28,440</u>	<u>56,625</u>	<u>30,375</u>	<u>115,440</u>
OPERATING EXPENSES				
Depreciation	9,360	27,720	12,360	49,440
Insurance	3,211	6,236	3,040	12,487
Miscellaneous	1,410	4,030	1,665	7,105
Professional Services	3,131	6,262	540	9,933
Repairs, Maintenance and Supplies	5,094	19,911	6,846	31,851
Utilities	27	564	157	748
Total Operating Expenses	<u>22,233</u>	<u>64,723</u>	<u>24,608</u>	<u>111,564</u>
Net Operating Income (Loss)	<u>6,207</u>	<u>(8,098)</u>	<u>5,767</u>	<u>3,876</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	5	8	2	15
Interest Expense	<u>(3,269)</u>	<u>(9,403)</u>	<u>(11,464)</u>	<u>(24,136)</u>
Total Non Operating Revenue (Expense)	<u>(3,264)</u>	<u>(9,395)</u>	<u>(11,462)</u>	<u>(24,121)</u>
CHANGE IN NET POSITION	2,943	(17,493)	(5,695)	(20,245)
NET POSITION - January 1	<u>88,636</u>	<u>112,856</u>	<u>15,582</u>	<u>217,074</u>
NET POSITION - December 31	<u>\$ 91,579</u>	<u>\$ 95,363</u>	<u>\$ 9,887</u>	<u>\$ 196,829</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	607 - EDA - 4 Plex Fund	608 - EDA - 8 Plex Fund	609 - EDA - Mason Manor	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 28,440	\$ 56,645	\$ 30,390	\$ 115,475
Payments to Vendors	<u>(12,122)</u>	<u>(36,627)</u>	<u>(11,944)</u>	<u>(60,693)</u>
Net Cash Provided By Operating Activities	<u>16,318</u>	<u>20,018</u>	<u>18,446</u>	<u>54,782</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)	(15,000)	(4,736)	(34,736)
Interest Paid on Capital Debt	<u>(3,423)</u>	<u>(9,578)</u>	<u>(10,749)</u>	<u>(23,750)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(18,423)</u>	<u>(24,578)</u>	<u>(15,485)</u>	<u>(58,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>5</u>	<u>8</u>	<u>2</u>	<u>15</u>
Net Cash Provided By Investing Activities	<u>5</u>	<u>8</u>	<u>2</u>	<u>15</u>
NET INCREASE (DECREASE) IN CASH	(2,100)	(1,752)	163	(3,689)
CASH AND INVESTMENTS - January 1	<u>35,089</u>	<u>88,607</u>	<u>17,497</u>	<u>141,193</u>
CASH AND INVESTMENTS - December 31	<u>\$ 32,989</u>	<u>\$ 86,855</u>	<u>\$ 17,660</u>	<u>\$ 137,504</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Income (Loss)	\$ 6,207	\$ (8,098)	\$ 5,767	\$ 3,876
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	9,360	27,720	12,360	49,440
Changes in Assets and Liabilities				
Prepaid Expenses	658	1,294	603	2,555
Accounts Payable	93	(918)	(299)	(1,124)
Other Receipts and Payments	<u>-</u>	<u>20</u>	<u>15</u>	<u>35</u>
Net Cash Provided By Operating Activities	<u>\$ 16,318</u>	<u>\$ 20,018</u>	<u>\$ 18,446</u>	<u>\$ 54,782</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 PUBLIC UTILITIES COMMISSION
 DECEMBER 31, 2014

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 331,525	\$ 871,940	\$ 2,406,253	\$ 3,609,718
Accounts Receivable	86,774	134,979	432,410	654,163
Special Assessments Receivable	-	110,910	-	110,910
Inventory	18,631	190	210,013	228,834
Total Current Assets	436,930	1,118,019	3,048,676	4,603,625
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	1,999,659	2,262,940	8,638,751	12,901,350
Machinery and Equipment	28,954	327,824	349,009	705,787
Transportation and Other Equipment	35,819	21,793	280,441	338,053
Construction in Progress	2,275,387	7,129,227	-	9,404,614
Total Capital Assets	7,706,552	10,029,237	9,474,490	27,210,279
Less: Accumulated Depreciation	2,758,860	1,583,563	6,035,175	10,377,598
Net Capital Assets	4,947,692	8,445,674	3,439,315	16,832,681
Bond Discount	-	-	70,261	70,261
Total Assets	\$ 5,384,622	\$ 9,563,693	\$ 6,558,252	\$21,506,567
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 101,400	\$ 272,036	\$ 254,311	\$ 627,747
Due to Other Funds	29,634	35,458	-	65,092
Accrued Interest	11,645	44,489	2,469	58,603
Accrued Payroll	1,524	1,524	4,001	7,049
Due to Other Governments	-	-	6,071	6,071
Accrued Compensated Absences	12,554	12,554	14,096	39,204
Customer Deposits	430	-	84,600	85,030
Unamortized Bond Premium	1,660	1,659	-	3,319
Current Amount of Long-Term Debt	263,375	426,325	218,750	908,450
Total Current Liabilities	422,222	794,045	584,298	1,800,565
LONG-TERM LIABILITIES				
Bonds and Notes Payable	3,401,888	6,563,022	1,885,000	11,849,910
Total Liabilities	3,824,110	7,357,067	2,469,298	13,650,475
NET POSITION				
Net Investment in Capital Assets	1,282,429	1,456,327	1,335,565	4,074,321
Restricted for Debt Service	-	605,113	99,974	705,087
Unrestricted	278,083	145,186	2,653,415	3,076,684
Total Net Position	1,560,512	2,206,626	4,088,954	7,856,092
Total Liabilities and Net Position	\$ 5,384,622	\$ 9,563,693	\$ 6,558,252	\$21,506,567

CITY OF MOUNTAIN LAKE, MINNESOTA
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND NET POSITION
 PUBLIC UTILITIES COMMISSION
 FOR THE YEAR ENDED DECEMBER 31, 2014

	601 - Water Fund	602 - Sewer Fund	604 - Electric Fund	Total
OPERATING REVENUES				
Sales to Consumers	\$ 555,912	\$ 930,612	\$ 2,423,693	\$ 3,910,217
Rental Income	1,200	-	-	1,200
Total Operating Revenues	<u>557,112</u>	<u>930,612</u>	<u>2,423,693</u>	<u>3,911,417</u>
OPERATING EXPENSES				
Pumping, Treatment, Production				
Utilities	6,273	459	52,731	59,463
Power for Pumping	6,995	26,559	-	33,554
Supplies and Chemicals	1,487	937	9,359	11,783
Travel and Meetings	60	1,345	3,948	5,353
Outside Services	-	-	6,733	6,733
Repairs and Maintenance	18,871	15,749	25,768	60,388
Miscellaneous	170	-	98	268
Purchased Power	-	-	1,343,630	1,343,630
Total Pumping, Treatment, Production	<u>33,856</u>	<u>45,049</u>	<u>1,442,267</u>	<u>1,521,172</u>
Distribution and Collection				
Salaries	71,466	71,266	150,267	292,999
Supplies and Chemicals	36,480	-	6,957	43,437
Outside Services	841	4,574	53,251	58,666
Repairs and Maintenance	12,698	66,758	38,454	117,910
Miscellaneous	1,000	352	14,834	16,186
Total Distribution and Collection	<u>122,485</u>	<u>142,950</u>	<u>263,763</u>	<u>529,198</u>
Administration and General				
Salaries	16,712	16,911	79,732	113,355
Supplies	1,048	-	-	1,048
Outside Services	2,183	2,183	92,980	97,346
Insurance	7,226	9,051	25,513	41,790
Repairs and Maintenance	6,836	4,075	17,555	28,466
Miscellaneous	5,748	2,394	86,753	94,895
Minor Equipment	988	3,359	1,975	6,322
Total Administration and General	<u>40,741</u>	<u>37,973</u>	<u>304,508</u>	<u>383,222</u>
Depreciation	185,173	101,971	285,008	572,152
Total Operating Expenses	<u>382,255</u>	<u>327,943</u>	<u>2,295,546</u>	<u>3,005,744</u>
Net Operating Income	<u>174,857</u>	<u>602,669</u>	<u>128,147</u>	<u>905,673</u>
NON OPERATING REVENUE (EXPENSE)				
Interest Income	1,489	2,225	2,641	6,355
Taxes and Special Assessments	-	72,921	-	72,921
Refunds and Reimbursements	2,552	9,247	32,406	44,205
Grant Income	2,156	-	-	2,156
CAP X Credit	-	-	10,945	10,945
Interest Expense	(74,144)	(85,120)	(39,412)	(198,676)
Total Non Operating Revenue (Expense)	<u>(67,947)</u>	<u>(727)</u>	<u>6,580</u>	<u>(62,094)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	106,910	601,942	134,727	843,579
Transfer to Other Funds	-	-	(120,000)	(120,000)
CHANGE IN NET POSITION	106,910	601,942	14,727	723,579
NET POSITION - January 1	1,453,602	1,604,684	4,074,227	7,132,513
NET POSITION - December 31	<u>\$ 1,560,512</u>	<u>\$ 2,206,626</u>	<u>\$ 4,088,954</u>	<u>\$ 7,856,092</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2014

	601 - Water <u>Fund</u>	602 - Sewer <u>Fund</u>	604 - Electric <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 559,487	\$ 902,937	\$ 2,419,885	\$ 3,882,309
Payments to Vendors	(113,098)	(153,834)	(1,673,804)	(1,940,736)
Payments to Employees	(78,947)	(78,946)	(220,560)	(378,453)
Other Receipts and Payments	<u>4,708</u>	<u>9,247</u>	<u>43,351</u>	<u>57,306</u>
Net Cash Provided By Operating Activities	<u>372,150</u>	<u>679,404</u>	<u>568,872</u>	<u>1,620,426</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Other Funds	-	-	(120,000)	(120,000)
Due to (from) Other Funds	<u>(664)</u>	<u>(665)</u>	<u>-</u>	<u>(1,329)</u>
Net Cash Used By Noncapital Financing Activities	<u>(664)</u>	<u>(665)</u>	<u>(120,000)</u>	<u>(121,329)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(104,137)	(1,178,108)	(14,412)	(1,296,657)
Proceeds from Bond Issuance	-	1,190,096	-	1,190,096
Principal Paid on Capital Debt	(260,514)	(418,100)	(218,750)	(897,364)
Interest Paid on Capital Debt	<u>(72,527)</u>	<u>(78,753)</u>	<u>(31,837)</u>	<u>(183,117)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(437,178)</u>	<u>(484,865)</u>	<u>(264,999)</u>	<u>(1,187,042)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>1,490</u>	<u>2,223</u>	<u>2,631</u>	<u>6,344</u>
Net Cash Provided By Investing Activities	<u>1,490</u>	<u>2,223</u>	<u>2,631</u>	<u>6,344</u>
NET INCREASE (DECREASE) IN CASH	(64,202)	196,097	186,504	318,399
CASH AND INVESTMENTS - January 1	<u>395,727</u>	<u>675,843</u>	<u>2,219,749</u>	<u>3,291,319</u>
CASH AND INVESTMENTS - December 31	<u>\$ 331,525</u>	<u>\$ 871,940</u>	<u>\$ 2,406,253</u>	<u>\$ 3,609,718</u>
Reconciliation of Operating Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 174,857	\$ 602,669	\$ 128,147	\$ 905,673
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation	185,173	101,971	285,008	572,152
Changes in Assets and Liabilities				
Receivables	2,375	(27,675)	(8,548)	(33,848)
Inventory	29	-	(21,924)	(21,895)
Prepaid Expenses	1,598	1,718	5,433	8,749
Accounts Payable	(4,093)	(16,029)	128,053	107,931
Accrued Wages	279	279	603	1,161
Accrued Compensated Absences	8,952	8,952	8,836	26,740
Due to Other Governments	-	-	(1,514)	(1,514)
Other Postemployment Benefits	(1,728)	(1,728)	(3,313)	(6,769)
Deposits Payable	-	-	4,740	4,740
Other Receipts and Payments	<u>4,708</u>	<u>9,247</u>	<u>43,351</u>	<u>57,306</u>
Net Cash Provided By Operating Activities	<u>\$ 372,150</u>	<u>\$ 679,404</u>	<u>\$ 568,872</u>	<u>\$ 1,620,426</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

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

	<u>Total</u> <u>2014</u>	<u>Total</u> <u>2013</u>	Percent Increase <u>(Decrease)</u>
REVENUES:			
Taxes and Assessments	\$ 842,996	\$ 685,425	22.99 %
Licenses and Permits	16,976	11,595	46.41 %
Intergovernmental	1,260,920	907,684	38.92 %
Charges for Services	161,907	175,034	(7.50)%
Fines	4,835	5,810	(16.78)%
Investment Earnings	5,678	460	1,134.35 %
Miscellaneous	319,171	171,468	86.14 %
Transfer In	412,993	1,042,564	(60.39)%
Issuance of Debt	2,072,000	3,490,000	(40.63)%
Sale of Capital Assets	-	3,324	(100.00)%
Total Revenues	<u>\$ 5,097,476</u>	<u>\$ 6,493,364</u>	(21.50)%
Per Capita	<u>2,393</u>	<u>3,798</u>	
EXPENDITURES:			
Current			
General Government	\$ 261,275	\$ 214,414	21.86 %
Public Safety	594,622	499,921	18.94 %
Public Works	290,180	236,096	22.91 %
Culture and Recreation	254,486	226,893	12.16 %
Sanitation	28,329	66,478	(57.39)%
Economic Development	259,321	183,954	40.97 %
Miscellaneous	83,598	61,746	35.39 %
Debt Service:			
Principal Payments	203,826	994,177	(79.50)%
Interest Payments	182,243	162,847	11.91 %
Cost of Issuance of Debt	75,075	108,968	(31.10)%
Capital Outlay	2,333,697	2,264,489	3.06 %
Transfer Out	<u>292,993</u>	<u>937,452</u>	(68.75)%
Total Expenditures	<u>\$ 4,859,645</u>	<u>\$ 5,957,435</u>	(18.43)%
Per Capita	<u>2,282</u>	<u>2,990</u>	
Governmental Long-term Indebtedness	<u>\$ 7,913,616</u>	<u>\$ 6,045,442</u>	30.90 %
Per Capita	<u>3,715</u>	<u>2,838</u>	
General Fund Unrestricted Fund Balance - December 31	<u>\$ 1,907,050</u>	<u>\$ 1,931,207</u>	(1.25)%
Per Capita	<u>895</u>	<u>907</u>	

CITY OF MOUNTAIN LAKE, MINNESOTA
PUBLIC UTILITIES COMMISSION
ENERGY AND REVENUE ACCOUNTING REPORT (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

SCHEDULE 1

<u>Source of Energy, Disposition of Energy and Percentage Relations</u>	<u>2014</u>		<u>2013</u>	
	<u>KWH</u>	<u>Percent</u>	<u>KWH</u>	<u>Percent</u>
Purchased Energy	22,321,218	86.7	22,855,015	87.2
Net Energy Generated by Station	82,936	0.4	69,800	0.3
Energy Generated from Wind Tower	3,572,910	14.0	3,521,876	13.4
Energy Consumed by Station	<u>(219,922)</u>	<u>(0.9)</u>	<u>(228,097)</u>	<u>(0.9)</u>
Total Net Energy Outgoing Feeders	25,757,142	100.2	26,218,594	100.0
Net Distributed Energy	<u>25,410,280</u>	<u>(98.7)</u>	<u>25,809,486</u>	<u>(98.4)</u>
Energy Lost in Distribution System	<u>346,862</u>	<u>1.5</u>	<u>409,108</u>	<u>1.6</u>

<u>Energy Consumed by Each Service and Number of Active Meters</u>	<u>KWH</u>	<u>Meters</u>	<u>KWH</u>	<u>Meters</u>
Residential Service-Water & Electric Heating	7,642,020	899	7,611,479	899
Commercial Service	4,204,715	159	4,247,099	159
Industrial Power	11,418,072	15	11,642,718	15
Rural Service	1,226,976	38	1,341,149	38
Street Lighting	557,670	1	540,748	1
Power for Pumping	105,208	5	107,522	5
Lift Station	28,034	6	31,447	6
Water Treatment Plant	206,570	1	263,480	1
Cold Storage	812	1	779	1
Signs	2,663	2	4,865	2
Sport Club	14,220	1	15,560	1
Municipal Garage	<u>3,320</u>	<u>1</u>	<u>2,640</u>	<u>1</u>
Total Distributed Energy	<u>25,410,280</u>	<u>1,129</u>	<u>25,809,486</u>	<u>1,129</u>

<u>Net Billings (Energy Only) and Average Unit Revenue per KWH</u>	<u>Unit Revenue per KWH in</u>		<u>Unit Revenue per KWH in</u>	
	<u>Revenue</u>	<u>Cents</u>	<u>Revenue</u>	<u>Cents</u>
Residential Service	\$ 776,341	10.16	\$ 772,877	10.15
Commercial Service	381,863	9.08	360,732	8.49
Industrial Power	795,025	6.96	952,658	8.18
Rural Service	135,378	11.03	159,013	11.86
Street Lighting	36,634	6.57	43,619	8.07
Power for Pumping	6,995	6.65	7,028	6.54
Lift Station	1,869	6.67	2,067	6.57
Water Treatment Plant	14,900	7.21	17,191	6.52
Cold Storage	54	6.62	51	6.55
Signs	177	6.65	318	6.54
Sport club	898	-	987	-
Municipal Garage	218	6.57	171	6.48
Security Lights	<u>1,384</u>	-	<u>1,383</u>	-
Totals	<u>\$ 2,151,736</u>	<u>8.47</u>	<u>\$ 2,318,095</u>	<u>8.98</u>

CITY OF MOUNTAIN LAKE, MINNESOTA
PUBLIC UTILITIES COMMISSION
SCHEDULE OF KILOWATT HOURS AND BILLINGS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE 2

	KWH <u>Billed</u>	Amount <u>Billed</u>	Revenue per KWH in <u>Cents</u>	Percent KWH <u>to Total</u>	Percent Revenue <u>to Total</u>
Residential Service	7,642,020	\$ 776,341	10.16	30.1	36.2
Commercial Service	4,204,715	381,863	9.08	16.5	17.7
Industrial Power	11,418,072	795,025	6.96	44.9	37.0
Rural Service	<u>1,226,976</u>	<u>135,378</u>	11.03	<u>4.8</u>	<u>6.3</u>
Total	<u>24,491,783</u>	<u>2,088,607</u>	8.53	<u>96.3</u>	<u>97.2</u>
Street Lighting	557,670	36,634	6.57	2.2	1.7
Power for Pumping	105,208	6,995	6.65	0.4	0.3
Lift Station	28,034	1,869	6.67	0.1	0.1
Water Plant	206,570	14,900	7.21	0.8	0.7
Cold Storage	812	54	6.65	-	-
Signs	2,663	177	6.65	-	-
Sport Club	14,220	898	6.32	0.1	-
Security Lights	-	1,384	-	-	-
Municipal Garage	<u>3,320</u>	<u>218</u>	6.57	<u>0.1</u>	<u>-</u>
Total Municipal	<u>918,497</u>	<u>63,129</u>	6.87	<u>3.7</u>	<u>2.8</u>
Total Billings	<u>25,410,280</u>	<u>\$ 2,151,736</u>	8.47	<u>100.0</u>	<u>100.0</u>

ALLOCATION OF ENERGY

Kilowatt Hours Purchased	22,321,218	
Net energy generated by station	82,936	
Energy generated by wind tower	3,572,910	
Station power and non billable usage	<u>(219,922)</u>	
Total Kilowatt Hours to Distribution		25,757,142
Kilowatt Hours Metered		
Consumers	24,491,783	
Municipal	<u>918,497</u>	<u>(25,410,280)</u>
Line Loss - 1.3%		<u><u>346,864</u></u>

CITY OF MOUNTAIN LAKE, MINNESOTA
PUBLIC UTILITIES COMMISSION
ELECTRIC UTILITY OPERATION STATISTICS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

SCHEDULE 3

	<u>2014</u>	<u>2013</u>
Total KWH Delivered to Customers	<u>25,410,280</u>	<u>25,809,486</u>
Generated and Purchased Cost to Consumer per KWH Distributed - cents	5.68	6.53
Distribution Cost to Consumer per KWH Distributed - cents	1.04	1.25
Administrative and General Cost to Consumer per KWH Distributed - cents	<u>1.20</u>	<u>1.12</u>
Total Delivered Cost to Consumer per KWH Distributed - cents	<u>7.92</u>	<u>8.90</u>
Total KWH Generated by Wind	3,572,910	3,521,876
Total KWH Purchased	22,321,218	22,855,015
Increase (Decrease) over Previous Year	(1.8)%	1.1 %
Total Cost of Purchased Power	1,343,630	1,382,398
Cost per KWH Purchased - cents	6.02	6.05

SECTION IV

ADDITIONAL INFORMATION

CITY OF MOUNTAIN LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
U.S. Environmental Protection Agency/Minnesota Public Facilities Authority			
Clean Water Revolving Fund Loan	66.458	MPFA-11-0106-R-FY13	\$ 1,190,096
Drinking Water Revolving Fund Loan	66.468	MPFA-12-0050-R-FY13	526
Drinking Water Revolving Fund Grant	66.468	MPFG-12-0050-R-FY13	2,156
Drinking Water Revolving Fund Grant	66.468	MPFG-14-0021-R-FY15	96,090
Department of Housing and Urban Development/Minnesota Department of Employment and Economic Development			
Community Development Block Grant	14.228	CDAP-13-0062-0-FY14	188,879
U.S. Department of Agriculture			
USDA Loan Program	10.XXX		<u>32,000</u>
			<u>\$ 1,509,747</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Mountain Lake and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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, 2014, 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 1, 2015.

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 questioned costs that we consider to be significant deficiencies. Items 2014-001 and 2014-002.

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 questioned costs. 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 1, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Mountain Lake, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Mountain Lake, Minnesota's major federal programs for the year ended December 31, 2014. City of Mountain Lake, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of City of Mountain Lake, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform our audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Mountain Lake, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Mountain Lake, Minnesota's compliance.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion City of Mountain Lake, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of City of Mountain Lake, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first page of this letter. In planning and performing our audit of compliance, we considered City of Mountain Lake, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Mountain Lake, Minnesota's internal control over compliance.

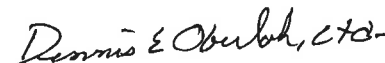
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001 ad 2014-002 to be significant deficiencies.

City of Mountain Lake, Minnesota's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mountain Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Curricular A-133. Accordingly, this report is not suitable for any other purpose.


Dennis E. Oberloh, Ltd.

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of City of Mountain Lake.
2. Two significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements of City of Mountain Lake, Minnesota, as required to be reported in accordance with *Government Auditing Standards*.
3. There were no matters of noncompliance which is material to the financial statements of the City of Mountain Lake, Minnesota required to be reported in accordance with *Government Auditing Standards*.
4. The auditor's report on compliance for the major federal award programs for City of Mountain Lake, Minnesota expresses an unqualified opinion.
5. Two significant deficiencies in internal control over major federal award programs were noted by the audit and are reported in Part C. of this schedule.
6. The program tested as a major program included: Clean Water Revolving Fund Loan MPFA-11-0106-R-FY13.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. City of Mountain Lake, Minnesota was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT
INTERNAL CONTROL OVER FINANCIAL REPORTING

INTERNAL CONTROL FINDINGS

Audit Finding 2014-001

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.

CITY OF MOUNTAIN LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

B. FINDINGS - FINANCIAL STATEMENT AUDIT
INTERNAL CONTROL OVER FINANCIAL REPORTING

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 2014-002

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.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
INTERNAL CONTROL OVER COMPLIANCE
Significant Deficiencies 2014-001 and 2014-002.

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

2013-001 Lack of Segregation of Duties - This finding is unresolved and appears as finding 2014-002.

2013-002 Auditor Prepared Financial Statements - This finding is unresolved and appears as finding 2014-001.

2013-003 Audit and Accounting Adjustments - This finding is unresolved and appears as finding 2014-001.

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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, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2015.

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 1, 2015