

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

CITY OF MOUNTAIN LAKE, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF MOUNTAIN LAKE
MOUNTAIN LAKE, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

		<u>TERM EXPIRES</u>
MAYOR	Mike Nelson	12/31/2016
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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension reporting schedules on pages 5 through 14 and 51 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017 on our consideration of City of Mountain Lake, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mountain Lake, Minnesota's internal control over financial reporting and compliance.

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

June 5, 2017

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

FINANCIAL HIGHLIGHTS

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

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

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

The Statement of Net Position (on page 15) provides information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 16) provides information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

USING THIS ANNUAL REPORT (Cont.)

Government-wide Financial Statements (Cont.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer and electric operations and housing and redevelopment.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 17) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 19) provide a reconciliation (on pages 18 and 20) to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements (Cont.)

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

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

THE CITY AS A WHOLE

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

Net Position

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

A large portion of the City's net position (44.8 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (40.2 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

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

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

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

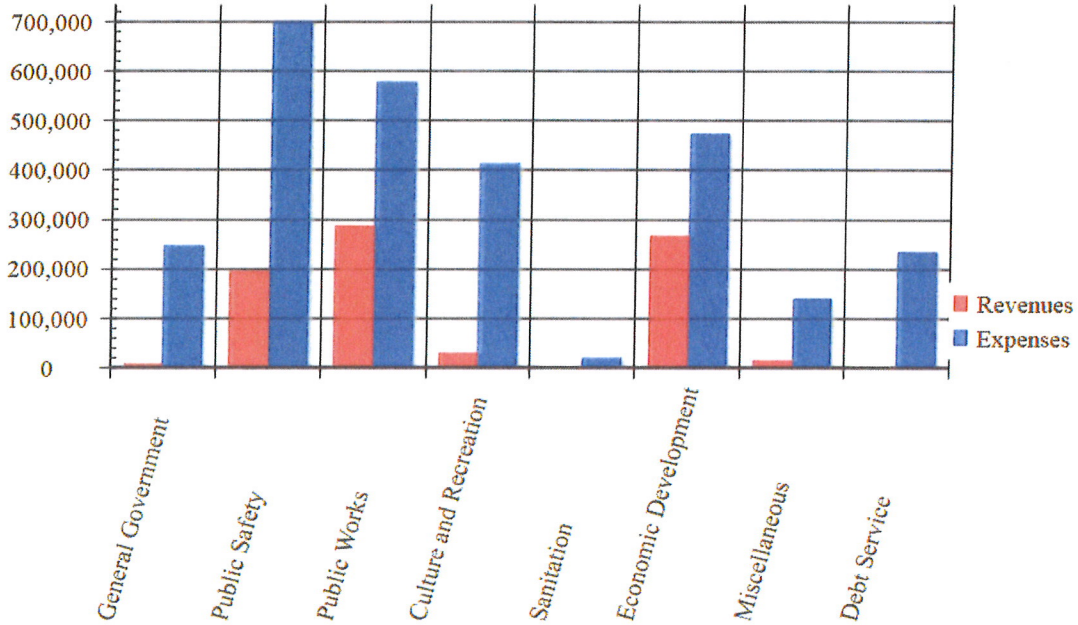
CITY OF MOUNTAIN LAKE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2016

THE CITY AS A WHOLE (Cont.)

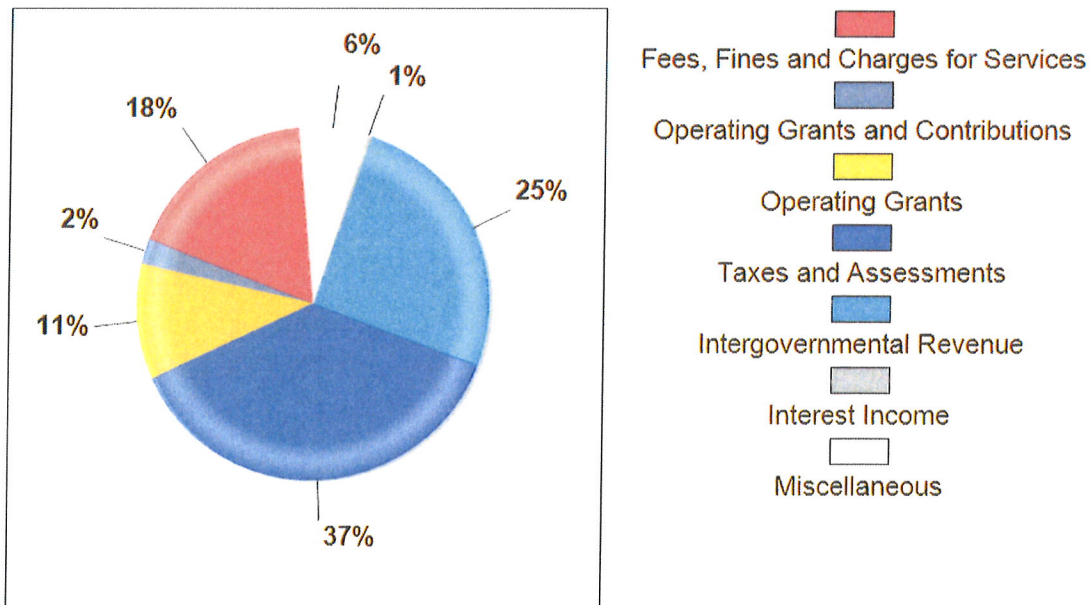
Governmental Activities

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

**Program Revenues and Expenses -
 Governmental Activities**



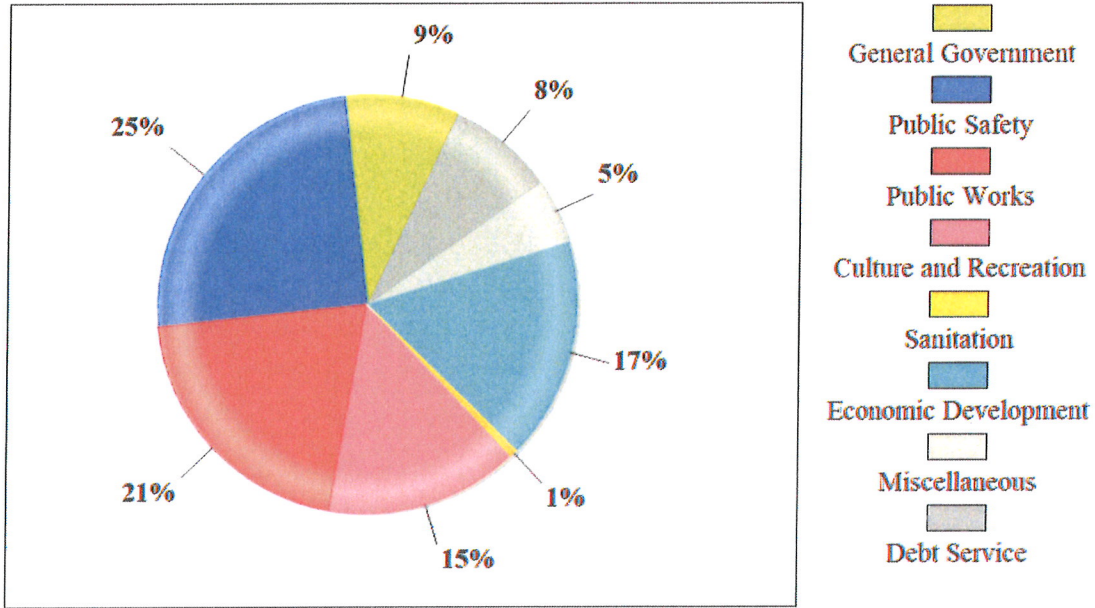
Sources of Funds in Governmental Activities



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

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

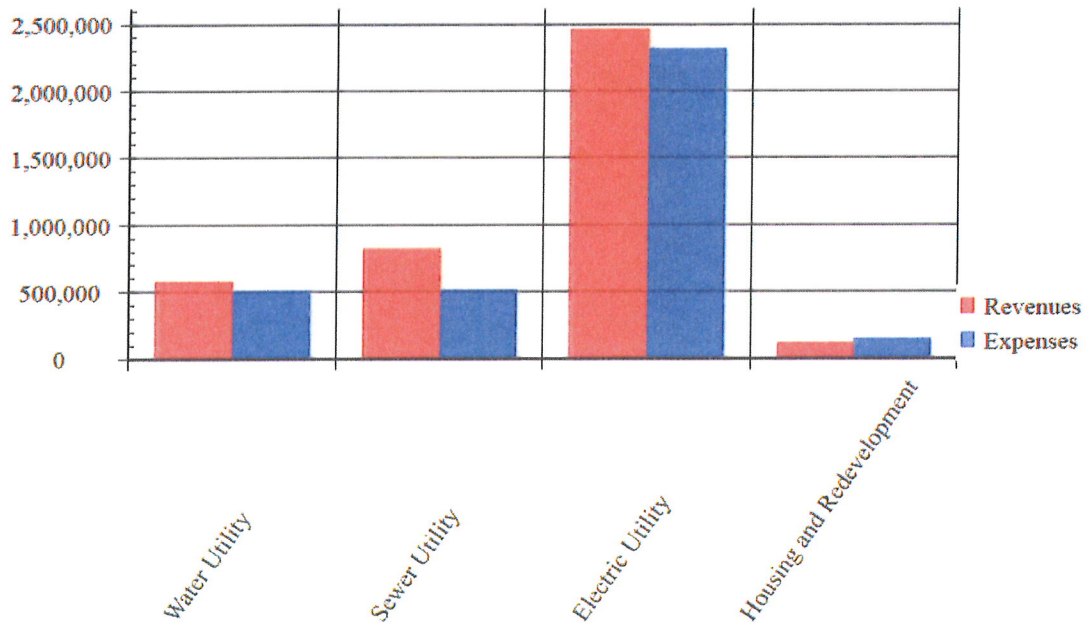
Uses of Funds in Governmental Activities



Business-Type Activities

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

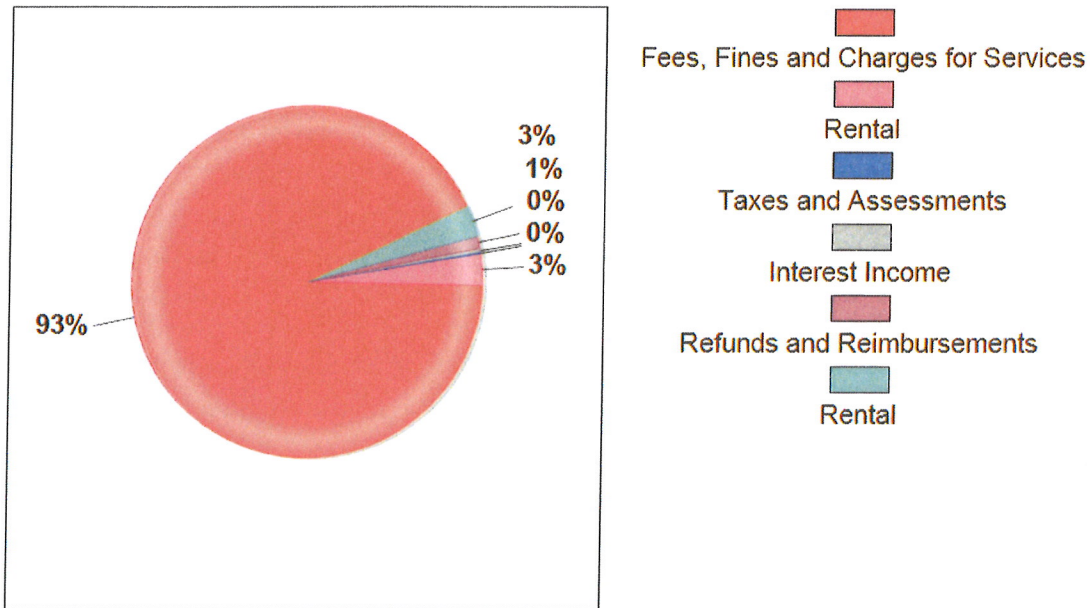
**Program Revenues and Expenses -
 Business-Type Activities**



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

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

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

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

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

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

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

Debt

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3,547

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are delayed and amortized in the Statement of Activities.

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

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

(7,606)

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

(119,431)

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

(733,023)

Change in Net Position of Governmental Activities \$ (781,293)

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

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

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

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

D. Use of Estimates

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

E. Restricted Assets

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

F. Encumbrances

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

G. Deposits and Investments

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Deposits and Investments (Cont.)

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Property Taxes

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

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

I. Accounts Receivable

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

J. Special Assessments

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

K. Inventories

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

L. Interfund Receivables and Payables

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

M. Prepaid Items

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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

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

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

O. Compensated Absences

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

P. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Long-term Obligations (Cont.)

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

Q. Pensions

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

R. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

S. Fund Balance

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. Fund Balance (Cont.)

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

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

T. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

U. Comparative Data/Reclassifications

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General Fund and the following special revenue funds: Library, Fire, Ambulance and Lake Commission. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

B. Expenditures Over Appropriations

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

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

C. Deficit Fund Equity

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

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

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

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

B. Investments

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

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

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

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

C. Cash on Hand

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

D. Cash and Investments Summary

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

E. Designated and Restricted Funds

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

Public Utilities Commission

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

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

Public Utilities Commission

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

4. NOTES RECEIVABLE

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

4. NOTES RECEIVABLE (Cont.)

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

5. DUE TO AND FROM OTHER FUNDS

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

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

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

6. UNAVAILABLE/UNEARNED REVENUE

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. TRANSFERS

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

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

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

8. CHANGES IN CAPITAL ASSETS

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN CAPITAL ASSETS (Cont.)

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE

A. Classifications

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

B. Minimum Unassigned Fund Balance Policy

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

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

10. CHANGES IN LONG-TERM DEBT

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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

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

Governmental Activities

\$830,000 GO Tax Increment Bond of 2012B, due in annual installments through February 1, 2039, plus interest from 3.0-4.75% due in semi-annual installments. \$ 785,000

\$1,310,000 GO Tax Increment Bond of 2013B, due in annual installments through February 1, 2029, plus interest from 2.0-5.25% due in semi-annual installments. 1,235,000

\$2,040,000 GO Tax Increment Bond of 2014A, due in annual installments through February 1, 2021, plus interest from 1.0-4.75% due in semi-annual installments. 1,920,000

\$366,000 GO Tax Abatement Bond of 2016A, due in annual installments through February 1, 2032, plus interest from 2.6-4.1% due in semi-annual installments. 366,000

\$2,180,000 GO Improvement Bond of 2013A, due in annual installments through December 13, 2034, plus interest from 1.0-3.0% due in semi-annual installments. 1,995,000

\$276,400 GO Improvement Refunding Bond of 2015A, due in annual installments through February 1, 2029, plus interest from 1.0-3.0% due in semi-annual installments. 226,400

\$845,000 GO Refunding Bond of 2011A, due in annual installments through February 1, 2022, plus interest at 2.0-3.0% due in semi-annual installments. 579,600

\$32,000 USDA Fire Truck Note, due in annual installments of \$7,189 through December 5, 2019 including interest at 4.0%. 19,946

\$70,000 USDA Library Roof Note due in annual installments of \$6,079 through September 21, 2027, including interest at 3.5%. 54,705

Total Governmental Activities 7,181,651

Business-Type Activities

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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

11. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

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

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

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

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

B. Benefits Provided

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

B. Benefits Provided (Cont.)

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

1. General Employees Plan Benefits

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

2. Police and Fire Plan Benefits

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

C. Contributions

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

1. General Employees Fund Contributions

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs

1. General Employees Fund Pension Costs

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

2. Police and Fire Fund Pension Costs

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

D. Pension Costs (Cont.)

E. Actuarial Assumptions

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

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

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

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

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increases rate was changed from 1 percent per year through 2035 and 2.5 percent per year thereafter to 1 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation

Police and Fire Fund

- The assumed post-retirement benefit increases rate was changed from 1 percent per year through 2037 and 2.5 percent per year thereafter to 1 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation..

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

E. Actuarial Assumptions (Cont.)

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

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

F. Discount Rate

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

G. Pension Liability Sensitivity

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

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

H. Pension Plan Fiduciary Net Position

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

12. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

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

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

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

13. OTHER POST EMPLOYMENT BENEFITS

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

14. RELATED PARTY TRANSACTIONS

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

CITY OF MOUNTAIN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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

B. Claims and Judgments

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

C. Commitments

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

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

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

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

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

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

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

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

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

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

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

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

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

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

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

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

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

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

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

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

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Amounts for the year ended December 31, 2015

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

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

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

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

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

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

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

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

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

SECTION III

SUPPLEMENTAL SECTION

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

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

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

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

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

	202 - 2014 Small Cities Development	205 - Economic Development Authority	211 - Library	221 - Fire Department	230 - Revolving Loan Fund
ASSETS					
Cash and Investments	\$ -	\$ 50,326	\$ 159,800	\$ 307,072	\$ 172,749
Accounts Receivable	-	158	-	2,150	-
Notes Receivable	-	-	-	-	544,198
Due from Other Funds	-	30,000	-	-	-
Land Held for Resale	-	24,352	-	-	12,021
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 104,836</u>	<u>\$ 159,800</u>	<u>\$ 309,222</u>	<u>\$ 728,968</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 309	\$ 277	\$ 923	\$ -
Accrued Payroll	-	2,616	2,919	-	-
Due to Other Funds	8,730	-	-	-	-
Total Liabilities	<u>8,730</u>	<u>2,925</u>	<u>3,196</u>	<u>923</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	30,000	-	-	-
Restricted	-	-	794	-	700,325
Assigned	-	71,911	155,810	308,299	28,643
Unassigned (Deficit)	(8,730)	-	-	-	-
Total Fund Balances (Deficit)	<u>(8,730)</u>	<u>101,911</u>	<u>156,604</u>	<u>308,299</u>	<u>728,968</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 104,836</u>	<u>\$ 159,800</u>	<u>\$ 309,222</u>	<u>\$ 728,968</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
\$ 287,702	\$ 14,555	\$ 86,221	\$ 221,541	\$ 6,745	\$ 17,054	\$ 16,425	\$ 1,340,190
2,384	-	-	-	-	-	5	4,697
-	32,130	116,059	-	-	-	-	692,387
-	-	75,000	-	-	-	-	105,000
-	-	-	-	-	-	-	36,373
<u>\$ 290,086</u>	<u>\$ 46,685</u>	<u>\$ 277,280</u>	<u>\$ 221,541</u>	<u>\$ 6,745</u>	<u>\$ 17,054</u>	<u>\$ 16,430</u>	<u>\$ 2,178,647</u>
\$ 1,289	\$ -	\$ 638	\$ -	\$ -	\$ -	\$ 17	\$ 3,453
-	-	-	-	-	-	-	5,535
-	30,000	-	-	-	-	-	38,730
<u>1,289</u>	<u>30,000</u>	<u>638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>47,718</u>
-	32,129	116,058	-	-	-	-	148,187
-	32,129	116,058	-	-	-	-	148,187
-	-	75,000	-	-	-	-	105,000
-	-	85,584	221,541	6,745	17,054	-	1,032,043
288,797	-	-	-	-	-	16,413	869,873
-	(15,444)	-	-	-	-	-	(24,174)
<u>288,797</u>	<u>(15,444)</u>	<u>160,584</u>	<u>221,541</u>	<u>6,745</u>	<u>17,054</u>	<u>16,413</u>	<u>1,982,742</u>
<u>\$ 290,086</u>	<u>\$ 46,685</u>	<u>\$ 277,280</u>	<u>\$ 221,541</u>	<u>\$ 6,745</u>	<u>\$ 17,054</u>	<u>\$ 16,430</u>	<u>\$ 2,178,647</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF MOUNTAIN LAKE, MINNESOTA
SUMMARY FINANCIAL REPORT

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

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

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

SECTION IV

ADDITIONAL INFORMATION

DENNIS E. OBERLOH, LTD.

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P.O. BOX 186 • 530 WEST PARK ROAD
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Mountain Lake, Minnesota's basic financial statements, and have issued our report thereon dated June 5, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters


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

City of Mountain Lake, Minnesota's Response to Findings

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

Purpose of this Report

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


Dennis E. Oberloh, Ltd.

June 5, 2017

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

INTERNAL CONTROL FINDINGS

Audit Finding 2016-001

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

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

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

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

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

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

Audit Finding 2016-002

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

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

Cause: There are a limited number of office employees.

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

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

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

DENNIS E. OBERLOH, LTD.

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

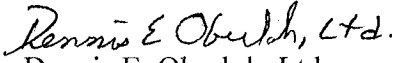
Honorable Mayor and Members of the Council
City of Mountain Lake
Mountain Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the basic financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Mountain Lake, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2017.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that City of Mountain Lake, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Mountain Lake, Minnesota's noncompliance with the above reference provisions.

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


Dennis E. Oberloh, Ltd.

June 5, 2017