

CITY OF BAYPORT, MINNESOTA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2014

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

**CITY OF BAYPORT, MINNESOTA
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**INTRODUCTORY
SECTION**

**CITY OF BAYPORT, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CITY COUNCIL

Term Expires

Susan St. Ores	Mayor	December 31, 2016
Connie Carlson	Council Member	December 31, 2016
Dan Goldston	Council Member	December 31, 2016
Michele Hanson	Council Member	December 31, 2018
Patrick McGann	Council Member	December 31, 2018

CITY OFFICIALS

Logan Martin	City Administrator
Wanda Madsen	Finance Officer
Sara Taylor	Assistant City Administrator

**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

April 15, 2015

Honorable Mayor and City Council
City of Bayport
Bayport, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bayport, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

St. Cloud

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P.O. Box 1496
St. Cloud, MN 56302
320.251.0286

Little Falls

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P.O. Box 365
Little Falls, MN 56345
320.632.6311

Albany

115 6th St.
P.O. Box 268
Albany, MN 56307
320.845.2940

Maple Lake

220 Hwy. 55 North, Ste. 4
P.O. Box 385
Maple Lake, MN 55358
320.963.5414

Monticello

114 W. 3rd St.
P.O. Box 755
Monticello, MN 55362
763.295.5070

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bayport, Minnesota, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The introductory section, combining and individual nonmajor fund financial statements, schedules of water and sewer fund activities, and schedule of capital outlay have not been subject 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 them.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated April 15, 2015, on our consideration of the City of Bayport's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Our discussion and analysis of the City of Bayport's financial performance provides an overview of the City's financial activities for the year ended December 31, 2014. Please read it in conjunction with the transmittal letter on page two and the City's financial statements, which begin on page twelve.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$1,460,051 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues increased \$110,574 (or 10.25 percent) while operating expenses increased \$71,410.
- Total cost of all of the City's programs increased \$102,270 (or 2.55 percent).
- The City received local government aid of \$483,262, and no market value credits were received.
- The City's General Fund generated more revenue than budgeted by \$28,151, excluding transfers. Expenditures were less than budgeted by \$30,264, excluding transfers to other funds that were budgeted for but did not occur.

USING THIS ANNUAL REPORT

This annual report consists of series of financial statements. The Statement of Net Position and the Statement of Activities (on pages twelve and thirteen) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page fourteen. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on the following page. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. You can think of the City's net position (the difference between assets and liabilities) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, special assessments, licenses, permits and fees, and state aids finance most of these activities.
- Business-type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

USING THIS ANNUAL REPORT (Continued)

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page seven. The fund financial statements begin on page fourteen and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds (governmental, proprietary, and fiduciary) use different accounting approaches.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- **Proprietary Funds** – When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary Fund** – This fund is used to account for resources held for the benefit of parties outside of the City. Accounting for fiduciary funds is much like that used for proprietary funds.

THE CITY AS A WHOLE

The City's combined net position increased \$1,460,051 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 12,046,119	\$ 11,219,183	\$ 3,040,273	\$ 2,978,734	\$ 15,086,392	\$ 14,197,917
Net Capital Assets	<u>14,771,605</u>	<u>14,266,231</u>	<u>6,894,274</u>	<u>7,015,463</u>	<u>21,665,879</u>	<u>21,281,694</u>
Total Assets	26,817,724	25,485,414	9,934,547	9,994,197	36,752,271	35,479,611
Long-Term Debt	290,000	440,000	-	-	290,000	440,000
Other Liabilities	<u>207,150</u>	<u>224,592</u>	<u>101,073</u>	<u>121,022</u>	<u>308,223</u>	<u>345,614</u>
Total Liabilities	497,150	664,592	101,073	121,022	598,223	785,614
Net Position:						
Net Investment in						
Capital Assets	14,481,605	13,826,231	6,894,274	7,015,463	21,375,879	20,841,694
Restricted	2,232,301	2,025,851	-	-	2,232,301	2,025,851
Unrestricted	<u>9,606,668</u>	<u>8,968,740</u>	<u>2,939,200</u>	<u>2,857,712</u>	<u>12,545,868</u>	<u>11,826,452</u>
Total Net Position	<u>\$ 26,320,574</u>	<u>\$ 24,820,822</u>	<u>\$ 9,833,474</u>	<u>\$ 9,873,175</u>	<u>\$ 36,154,048</u>	<u>\$ 34,693,997</u>

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

THE CITY AS A WHOLE (Continued)

Net position of the City's governmental activities increased by 6.04 percent (\$1,499,752). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased by \$637,928 compared to the prior year.

The net position of the City's business-type activities decreased by \$39,701. Operations were comparable to the prior year.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
REVENUE						
Charges for Services	\$ 694,509	\$ 773,443	\$ 1,048,199	\$ 1,180,692	\$ 1,742,708	\$ 1,954,135
Grants and Contributions	1,465,493	390,708	-	83,412	1,465,493	474,120
Taxes	1,098,432	1,101,024	-	-	1,098,432	1,101,024
Intergovernmental	500,794	345,508	-	-	500,794	345,508
Unrestricted Investment						
Income (Loss)	524,765	(683,799)	140,965	(185,514)	665,730	(869,313)
Other	83,646	83,968	-	-	83,646	83,968
Total Revenues	4,367,639	2,010,852	1,189,164	1,078,590	5,556,803	3,089,442
PROGRAM EXPENSES						
General Government	643,795	662,604	-	-	643,795	662,604
Public Safety	1,324,030	1,297,519	-	-	1,324,030	1,297,519
Public Works	440,375	423,627	-	-	440,375	423,627
Parks and Recreation	448,737	447,226	-	-	448,737	447,226
Economic Development	45,568	36,480	-	-	45,568	36,480
Debt Service	20,610	24,799	-	-	20,610	24,799
Water	-	-	517,566	533,532	517,566	533,532
Sewer	-	-	678,349	590,973	678,349	590,973
Total Expenses	2,923,115	2,892,255	1,195,915	1,124,505	4,119,030	4,016,760
Gain on Disposal of Assets	22,278	10,068	-	-	22,278	10,068
Transfers	32,950	87,950	(32,950)	(87,950)	-	-
Change in Net Position	\$ 1,499,752	\$ (783,385)	\$ (39,701)	\$ (133,865)	\$ 1,460,051	\$ (917,250)

The City's total revenues increased \$2,479,571 (80.00 percent) from the prior year, largely due to a significant increase in investment earnings and a grant received for the Fire Hall Capital project.

The total cost of all programs and services increased by \$102,270 or 2.55 percent. Our analysis on the following page separately considers the operations of governmental and business-type activities.

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities increased by 117.22 percent (\$2,368,997), while total expenses increased \$30,860. Revenues and expenses were generally consistent year to year, with the exception of the investment gains previously discussed.

Table 3 presents the cost of each of the City's programs (general government, public safety, public works, parks and recreation and debt service) as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities, net of capital outlay which is excluded from Table 3, were generally comparable to the prior year as operations remained fairly consistent with the prior year with the exception of public safety where the aforementioned grant is included.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General Government	\$ 643,795	\$ 662,604	\$ (480,471)	\$ (376,105)
Public Safety	1,324,030	1,297,519	436,738	(798,977)
Public Works	440,375	423,627	(358,270)	(322,565)
Parks and Recreation	448,737	447,226	(294,932)	(169,178)
Economic Development	45,568	36,480	(45,568)	(36,480)
Debt Service	20,610	24,799	(20,610)	(24,799)
Totals	<u>\$ 2,923,115</u>	<u>\$ 2,892,255</u>	<u>\$ (763,113)</u>	<u>\$ (1,728,104)</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased by 10.25 percent (\$110,574) due to an increase in investment earning and a partial offset of a decrease in grants and contributions. Expenses increased by \$71,410, primarily due to increased expenses for sewer operations.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page fourteen) reported a combined fund balance of \$11,197,469. This is an increase of \$206,601 from the prior year. Operations were comparable to the prior year, with the exception of current year increase in investment earnings and activities related to the Fire Hall project. The following is a summary of the City's major governmental funds:

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

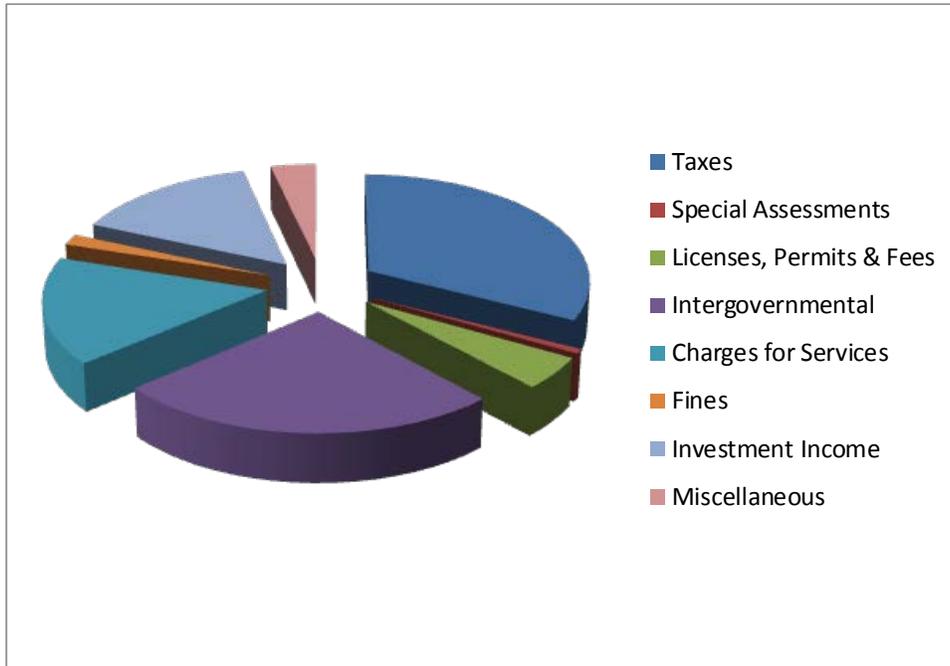
THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2014	2013	
General	\$ 7,922,891	7,996,676	\$ (73,785)

The fund balance of the General Fund decreased by \$73,785 compared to 2013. Overall, operations were generally consistent year-to-year.

General Fund Revenue

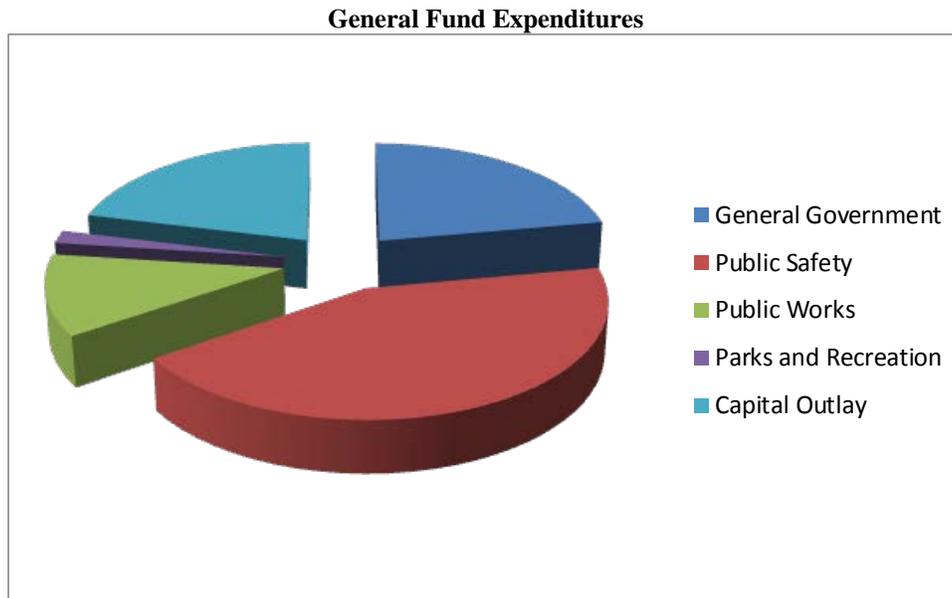


The City receives the majority of its funding in the General Fund in the form grants and funding received from taxes (33 percent), other governmental agencies (26 percent), sales and charges for services (16 percent) and investment income (15 percent). Overall, the City's General Fund revenues were comparable to the prior year with an increase in investment income.

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)



A significant portion of the City's General Fund expenditures are used for public safety (43 percent). Remaining expenditures are used primarily on General Government (22 percent) and capital outlay (21 percent). Expenditures have decreased from the prior year, primarily due to a large investment loss in the prior year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2014	2013	
Fire Hall Capital Project	\$ 229,390	\$ -	\$ 229,390

The Fire Hall Capital Project fund increased \$229,390 during the current year. This fund was created during the current year for the purpose of constructing a new fire hall.

The City's General Fund generated more revenue than budgeted of \$28,151 excluding transfers in from other funds. Expenditures were less than budgeted by \$30,264, excluding transfers to other funds that were budgeted but did not occur. Excess of revenues over budgeted amounts is primarily due to greater investment earnings that anticipated.

Proprietary Funds

As the City completed the year, its business-type activities (as presented in the statement of net position on page eighteen) reported a combined net position of \$9,833,474. This is a decrease of \$39,701 from the prior year. Operations were comparable to the prior year. The following is a summary of the City's major proprietary funds:

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

THE CITY'S FUNDS (Continued)

Proprietary Funds (Continued)

Major Funds	Net Position December 31,		Increase
	2014	2013	(Decrease)
Water	\$ 6,624,437	\$ 6,637,989	\$ (13,552)

The Water Fund net position decreased \$13,552 during the year during to charges for services revenue decreasing.

Major Funds	Net Position December 31,		Increase
	2014	2013	(Decrease)
Sewer	\$ 3,209,037	\$ 3,235,186	\$ (26,149)

The Sewer Fund net position decreased \$26,149 during the year. Overall, the fund experienced a decrease in net position compared to the prior year due to an increase in metropolitan council environmental services charges and personnel services expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had \$29,847,279 invested in a broad range of capital assets, including machinery and equipment, buildings, improvements, infrastructure, and water and sewer infrastructure. This amount represents a net increase of \$887,130 or 3.06 percent, over last year.

**Table 6
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,394,442	\$ 6,194,442	\$ -	\$ -	\$ 6,394,442	\$ 6,194,442
Buildings & Structures	4,585,050	4,577,240	51,548	51,548	4,636,598	4,628,788
Improvements	898,591	852,694	-	-	898,591	852,694
Machinery & Equipment	5,042,938	4,665,958	252,544	240,745	5,295,482	4,906,703
Infrastructure	3,213,120	3,213,120	8,761,668	8,761,668	11,974,788	11,974,788
Library Books	273,041	273,041	-	-	273,041	273,041
Construction in Progress	320,204	129,693	54,133	-	374,337	129,693
Totals	\$ 20,727,386	\$ 19,906,188	\$ 9,119,893	\$ 9,053,961	\$ 29,847,279	\$ 28,960,149

The City's fiscal year 2015 capital budget is similar to the current year, except for anticipated expenditures for the fire hall capital project. More detailed information about the City's capital assets is presented in Note 1 to the financial statements.

Debt

At year-end, the City had \$290,000 in debt versus \$440,000 last year, a decrease of 34.09 percent, as shown in Table 7.

**CITY OF BAYPORT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt (Continued)

**Table 7
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
GO Bonds	\$ 290,000	\$ 440,000	\$ -	\$ -	\$ 290,000	\$ 440,000

The City did not issue any debt in 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the year 2015 budget, such as tax rates and fees that will be charged for the business-type activities. The Council elected to neither increase nor decrease the 2015 tax levy from the 2014 amount. The Council expects operations in 2015 to remain fairly consistent with those of 2014. Overall budget amounts for 2015 are consistent with 2014's budget and operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wanda Madsen, Finance Director at City of Bayport, 294 North 3rd Street, Bayport, MN 55003.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**CITY OF BAYPORT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 11,204,312	\$ 2,849,320	\$ 14,053,632
Property Taxes Receivable	32,388	-	32,388
Assessments Receivable	27,835	5,670	33,505
Accounts Receivable	761,337	181,784	943,121
Prepays	20,247	3,499	23,746
Noncurrent Assets:			
Capital Assets not Being Depreciated	6,714,646	54,133	6,768,779
Capital Assets Being Depreciated (Net)	8,056,959	6,840,141	14,897,100
TOTAL ASSETS	26,817,724	9,934,547	36,752,271
LIABILITIES			
Accounts Payable	76,906	59,056	135,962
Accrued Salaries	200	-	200
Due to Other Governments	-	1,887	1,887
Unearned Revenue	49,437	-	49,437
Accrued Interest	1,772	-	1,772
Compensated Absences	47,038	17,530	64,568
Noncurrent Liabilities:			
Bonds Due Within One Year	150,000	-	150,000
Bonds Due After One Year	140,000	-	140,000
Accrued Severance	31,797	22,600	54,397
TOTAL LIABILITIES	497,150	101,073	598,223
NET POSITION			
Net Investment in Capital Assets	14,481,605	6,894,274	21,375,879
Restricted	2,232,301	-	2,232,301
Unrestricted	9,606,668	2,939,200	12,545,868
TOTAL NET POSITION	\$ 26,320,574	\$ 9,833,474	\$ 36,154,048

**CITY OF BAYPORT, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 643,795	\$ 158,951	\$ 4,373	\$ -	\$ (480,471)	\$ -	\$ (480,471)
Public Safety	1,324,030	426,577	134,191	1,200,000	436,738	-	436,738
Public Works	440,375	70,826	-	11,279	(358,270)	-	(358,270)
Parks and Recreation	448,737	38,155	115,650	-	(294,932)	-	(294,932)
Economic Development	45,568	-	-	-	(45,568)	-	(45,568)
Debt Service	20,610	-	-	-	(20,610)	-	(20,610)
Total Governmental Activities	2,923,115	694,509	254,214	1,211,279	(763,113)	-	(763,113)
Business-Type Activities:							
Water	517,566	429,121	-	-	-	(88,445)	(88,445)
Sewer	678,349	619,078	-	-	-	(59,271)	(59,271)
Total Business-Type Activities	1,195,915	1,048,199	-	-	-	(147,716)	(147,716)
TOTALS	\$ 4,119,030	\$ 1,742,708	\$ 254,214	\$ 1,211,279	(763,113)	(147,716)	(910,829)
General Revenues (Expenses):							
Taxes					1,098,432	-	1,098,432
Intergovernmental					500,794	-	500,794
Net Investments Income					524,765	140,965	665,730
Miscellaneous					83,646	-	83,646
Gain on Sale of Assets					22,278	-	22,278
Transfers					32,950	(32,950)	-
Total General Revenues (Expenses) and Transfers					2,262,865	108,015	2,370,880
CHANGE IN NET POSITION					1,499,752	(39,701)	1,460,051
NET POSITION-BEGINNING OF YEAR					24,820,822	9,873,175	34,693,997
NET POSITION-END OF YEAR					\$ 26,320,574	\$ 9,833,474	\$ 36,154,048

**CITY OF BAYPORT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Fire Hall Capital Project Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 7,835,500	\$ 349,234	\$ 3,019,578	\$ 11,204,312
Property Taxes Receivable	32,388	-	-	32,388
Assessments Receivable	23,214	-	4,621	27,835
Accounts Receivable	41,629	666,000	53,708	761,337
Advances to Other Funds	100,000	-	-	100,000
Prepays	18,223	-	2,024	20,247
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 8,050,954</u>	<u>\$ 1,015,234</u>	<u>\$ 3,079,931</u>	<u>\$ 12,146,119</u>
 LIABILITIES				
Accounts Payable	\$ 26,940	\$ 19,844	\$ 30,122	\$ 76,906
Accrued Salaries	200	-	-	200
Unearned Revenue	49,437	-	-	49,437
Advances from Other Funds	-	100,000	-	100,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	76,577	119,844	30,122	226,543
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Grants	-	666,000	-	666,000
Property Taxes	28,272	-	-	28,272
Special Assessments	23,214	-	4,621	27,835
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	51,486	666,000	4,621	722,107
 FUND BALANCES				
Nonspendable	18,223	-	2,024	20,247
Restricted	-	229,390	2,004,683	2,234,073
Committed	30,242	-	263,655	293,897
Assigned	-	-	914,305	914,305
Unassigned	7,874,426	-	(139,479)	7,734,947
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	7,922,891	229,390	3,045,188	11,197,469
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	<u>\$ 8,050,954</u>	<u>\$ 1,015,234</u>	<u>\$ 3,079,931</u>	<u>\$ 12,146,119</u>

**CITY OF BAYPORT, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Total Fund Balance for Governmental Funds \$ 11,197,469

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets (net of accumulated depreciation of \$5,955,781) used in governmental activities are not financial resources and, therefore are not reported in the funds. 14,771,605

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Grants	666,000
Taxes Receivable	28,272
Special Assessments Receivable	27,835

Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds Balance Sheet. (1,772)

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds Balance Sheet.

Compensated Absences	(47,038)
Accrued Severance	(31,797)
Bonds Due Within One Year	(150,000)
Bonds Due In More Than One Year	<u>(140,000)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 26,320,574

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

	General Fund	Fire Hall Capital Project Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 809,481	\$ -	\$ 234,351	\$ 1,043,832
Special Assessments	17,325	-	2,310	19,635
Tax Increment	-	-	49,945	49,945
Licenses, Permits, and Fees	121,558	-	-	121,558
Intergovernmental	638,493	-	-	638,493
Charges for Services	401,497	-	80,860	482,357
Fines	40,355	-	46,075	86,430
Private Grants	-	334,000	111,350	445,350
Net Investments Income	369,555	(169)	155,379	524,765
Miscellaneous	89,880	-	3,095	92,975
TOTAL REVENUES	2,488,144	333,831	683,365	3,505,340
EXPENDITURES				
Current:				
General Government	578,616	-	-	578,616
Public Safety	1,131,364	1,044	14,287	1,146,695
Public Works	301,487	-	2,440	303,927
Parks and Recreation	47,861	-	275,638	323,499
Economic Development	-	-	45,568	45,568
Debt Service:				
Principal	-	-	150,000	150,000
Interest and Other Charges	-	-	20,408	20,408
Capital Outlay	552,051	103,397	124,028	779,476
TOTAL EXPENDITURES	2,611,379	104,441	632,369	3,348,189
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(123,235)	229,390	50,996	157,151
OTHER FINANCING SOURCES (USES)				
Proceeds on Sale of Assets	16,500	-	-	16,500
Operating Transfers In	32,950	-	679,025	711,975
Operating Transfers Out	-	-	(679,025)	(679,025)
TOTAL OTHER FINANCING SOURCES (USES)	49,450	-	-	49,450
NET CHANGE IN FUND BALANCES	(73,785)	229,390	50,996	206,601
FUND BALANCES - BEGINNING	7,996,676	-	2,994,192	10,990,868
FUND BALANCES - ENDING	\$ 7,922,891	\$ 229,390	\$ 3,045,188	\$ 11,197,469

See accompanying notes.

**CITY OF BAYPORT, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds \$ 206,601

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital Outlay Capitalized	\$ 779,476	
Donated Capital Assets	200,000	
Gain on the Sale of Assets	5,778	
Depreciation Expense	<u>(479,880)</u>	505,374

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

Change in Long-term Receivables		662,299
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Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position:

Bond Payments		150,000
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Net change in accrued interest on bonds is not reported as expenses in the funds:

		(202)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in Accrued Compensated Absences		(7,055)
Change in Accrued Severance		<u>(17,265)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,499,752

**CITY OF BAYPORT, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets			
Cash, Cash Equivalents, and Investments	\$ 1,863,927	\$ 985,393	\$ 2,849,320
Accounts Receivable	87,026	94,758	181,784
Assessments Receivable	5,670	-	5,670
Prepays	2,114	1,385	3,499
Total Current Assets	1,958,737	1,081,536	3,040,273
Noncurrent Assets			
Capital Assets not Depreciated	54,133	-	54,133
Capital Assets Being Depreciated (Net)	4,690,101	2,150,040	6,840,141
Total Noncurrent Assets	4,744,234	2,150,040	6,894,274
TOTAL ASSETS	6,702,971	3,231,576	9,934,547
LIABILITIES			
Current Liabilities			
Accounts Payable	56,582	2,474	59,056
Due to Other Governments	1,887	-	1,887
Compensated Absences	8,765	8,765	17,530
Total Current Liabilities	67,234	11,239	78,473
Noncurrent Liabilities			
Accrued Severance	11,300	11,300	22,600
TOTAL LIABILITIES	78,534	22,539	101,073
NET POSITION			
Investment in Capital Assets	4,744,234	2,150,040	6,894,274
Unrestricted	1,880,203	1,058,997	2,939,200
TOTAL NET POSITION	\$ 6,624,437	\$ 3,209,037	\$ 9,833,474

CITY OF BAYPORT, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 389,771	\$ 613,478	\$ 1,003,249
OPERATING EXPENSES			
Personnel Services	174,572	171,757	346,329
Materials, Supplies, Services and Charges	220,771	44,581	265,352
Metropolitan Council Environmental Services Charges	-	397,113	397,113
Depreciation	122,223	64,898	187,121
TOTAL OPERATING EXPENSES	<u>517,566</u>	<u>678,349</u>	<u>1,195,915</u>
NET OPERATING LOSS	(127,795)	(64,871)	(192,666)
NONOPERATING INCOME			
Connection Fees	39,350	5,600	44,950
Net Investments Income	81,368	59,597	140,965
TOTAL NONOPERATING INCOME	<u>120,718</u>	<u>65,197</u>	<u>185,915</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	(7,077)	326	(6,751)
TRANSFERS			
Operating Transfers Out	(6,475)	(26,475)	(32,950)
CHANGE IN NET POSITION	(13,552)	(26,149)	(39,701)
NET POSITION-BEGINNING OF YEAR	<u>6,637,989</u>	<u>3,235,186</u>	<u>9,873,175</u>
NET POSITION-END OF YEAR	<u>\$ 6,624,437</u>	<u>\$ 3,209,037</u>	<u>\$ 9,833,474</u>

**CITY OF BAYPORT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 437,415	\$ 616,532	\$ 1,053,947
Cash Paid to Suppliers	(237,594)	(439,987)	(677,581)
Cash Paid to Employees	(173,701)	(170,885)	(344,586)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,120	5,660	31,780
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	142	-	142
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental Cash Receipts	-	73,570	73,570
Net Operating Subsidies and Transfers to Other Funds	(6,475)	(26,475)	(32,950)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(6,475)	47,095	40,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(65,932)	-	(65,932)
Net Increase (Decrease) in Cash and Cash Equivalents	(46,145)	52,755	6,610
Cash and Cash Equivalents-Beginning of Year	365,862	(200,392)	165,470
Cash and Cash Equivalents-End of Year	319,717	(147,637)	172,080
Investments	1,544,210	1,133,030	2,677,240
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,863,927</u>	<u>\$ 985,393</u>	<u>\$ 2,849,320</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net Operating Loss	\$ (127,795)	\$ (64,871)	\$ (192,666)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities			
Depreciation Expense	122,223	64,898	187,121
Nonoperating Revenue from Customers	39,350	5,600	44,950
Change in Assets and Liabilities:			
Receivables	15,026	(2,546)	12,480
Prepays	(79)	(76)	(155)
Accounts Payable	(16,744)	1,783	(14,961)
Due to Other Governments	(6,732)	-	(6,732)
Compensated Absences	124	125	249
Accrued Severance	747	747	1,494
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 26,120</u>	<u>\$ 5,660</u>	<u>\$ 31,780</u>

**CITY OF BAYPORT, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ (1,177)
Due from Developer	<u>1,177</u>
TOTAL ASSETS	<u><u>\$ -</u></u>

CITY OF BAYPORT, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bayport (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: sanitation, recreation, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Bayport, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria describe above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City's does not have any blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

The Special Revenue Funds account for funds received by the City with a specific purpose.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's judgment.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital projects (other than funds financed by proprietary funds).

Permanent Fund

The Permanent Fund accounts for resources that are legally restricted by the City to the extent that only earnings, and not principal, may be used to support the government's programs without citizen approval.

Proprietary Fund

Enterprise Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains Water and Sewer Enterprise Funds.

Fiduciary Fund

Agency Fund

An Agency Fund is used to account for cash and other assets held by the City as the agent for outside organizations.

**CITY OF BAYPORT, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

Major Funds

The funds are further classified as major as follows:

Fund	Brief Description
Major:	
General	Accounts for the current day-to-day operations of the City.
Capital Project Fund:	Accounts for resources received and activities related to the
Fire Hall	construction of a new fire hall.
Proprietary Funds:	
Water and Sewer	Accounts for the activities of the City for providing water and sewer utility services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the “economic resources” measurement focus as defined in the second bullet point below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary and fiduciary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the “accrual basis” of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting (Continued)

In the fund financial statements, governmental funds are presented on the “modified accrual” basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings, and money market accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand, savings, and money market accounts with an original maturity of three months or less.

Investments

Investments are stated at their fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 3.A. for additional information related to Cash, Cash Equivalents, and Investments.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other fund.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 3.D. for details of interfund transactions, including receivables and payables at year-end.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Continued)

Prepays

Prepays represent expenses paid during the current year to be recognized in future periods.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and are not deemed necessary at year end. Major receivable balances for the governmental activities include police fines, fire services, franchise fees, taxes, special assessments and charges for water and sewer improvements. Business-type activities report utility charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, franchise fees, fines and charges for service since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and must have an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

Buildings and Structures	10-50 years
Machinery and Equipment	3-20 years
Distribution and Collection Systems	30-50 years
Library Books	5 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Continued)

Accounts Payable

Payables in the governmental and enterprise funds are composed almost entirely of payables to vendors.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Deferred Inflow of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This element represents an acquisition of fund balance that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes, special assessments, and long-term grants receivable as deferred inflows of resources and accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available. Because this type of unavailable revenue is only reported under the modified accrual basis of accounting, deferred inflows of resources are only reported in the governmental funds balance sheet.

Compensated Absences / Severance

Vacation Pay – The City compensates all employees upon termination for unused vacation. Employees may not carry forward to the subsequent calendar year any more vacation than they earn in one calendar year. Such pay is not accrued as an expense in the governmental fund financial statements since it does not require current available resources. Such pay has been accrued in the government-wide and proprietary fund financial statements as compensated absences.

Sick Pay – The City compensates employees with 10 consecutive years of uninterrupted service upon termination for unused sick leave. Such employees are compensated for 50 percent of up to 800 hours of accrued sick leave. Such pay is not accrued as an expense in the governmental fund financial statements since it does not require current available resources. Such pay has been accrued in the government-wide and proprietary fund financial statements as accrued severance.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Continued)

Equity Classifications (Continued)

Government-wide Statements (Continued)

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2014 consist of prepaid expenditures.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned general fund balance equal to approximately 40% of annual budgeted operating expenses.

See Note 3.E. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described above.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of October. County of Washington is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Property Tax (Continued)

December 31 is the last day the City can certify a tax levy to the County Auditor for collection the following year. The County Auditor makes up the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City. The County Auditor remits a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year. The County Treasurer collects all taxes and assessments, except as noted above. The County Treasurer mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow for taxes not received within 60 days after year end in the fund financial statements.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 3.D.

1.G. RECLASSIFICATIONS

Certain amounts from 2013 have been reclassified to conform to the 2014 presentation for the Management's Discussion and Analysis.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

By its nature as a local government unit, the City and its component unit is subject to various federal, state, and local laws and contractual regulations. The City complies with all state and local laws and regulations requiring the use of separate funds.

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standard letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

2.B. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and certain nonmajor special revenue funds. 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 15th, the proposed budget is presented to the Council for review. The Council adopts a preliminary maximum budget. Truth-in-taxation notices are mailed out to residents by Washington County. The Council holds public hearings and adopts a budget and tax levy in 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 Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. See original and final General Fund budget presented as Required Supplementary Information.

2.C. DEFICIT FUND EQUITY

A fund balance deficit of \$139,479 exists in the Park Improvement Fund. It is expected that park dedication fees will provide a positive fund balance in the future.

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standard letters of credit issued by the Federal Home Loan Bank).

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

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

At December 31, 2014, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the government’s agent in the government’s name.

As of December 31, 2014, the City had the following deposits:

Cash in Checking	\$ 1,362,453
Certificates of Deposit	<u>1,266,345</u>
 Total Deposits	 <u><u>\$ 2,628,798</u></u>

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments (Continued)

Investment balances at December 31, 2014 are as follows:

<u>Deposit/Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Percent of Total</u>
Money Market Funds	0.00-0.03	N/A	\$ 238,168	N/A	2.08
Brokered Certificates of Deposit	2.00-3.15	<1 year	696,567	N/A	6.10
	1.05-2.10	1-5 years	1,674,250	N/A	14.66
	2.00	6-10 years	657,986	N/A	5.76
US Government Bonds and Securities	2.00-2.53	6-10 years	4,905,934	AAA AA+	42.95
Municipal Bonds	3.75	<1 year	66,530	AA-	0.58
	1.637-4.75	1-5 years	1,776,088	AA- to AAA	15.54
	2.659-3.5	6-10 years	789,125	AA- to AAA	6.91
	2.875-5.05	11-15 years	<u>619,009</u>	AA	<u>5.42</u>
Totals			<u>\$ 11,423,657</u>		<u>100.00</u>

Investment activity for the current year contains the following:

	<u>2014</u>
Beginning Fair Market Value	\$ 10,722,655
Interest and Dividends	1,436,943
Unrealized Gain(Loss)	(774,923)
Net Transfers	<u>38,982</u>
Ending Fair Market Value	<u>\$ 11,423,657</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk as indicated in the table above. Minnesota Statutes limit the City's investments.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments (Continued)

- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments. At December 31, 2014, none of the underlying securities held by the City are subject to custodial credit risk because they are insured by the Securities Investor Protection Corporation (SIPC).
- Concentration risk is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment and is disclosed above by presenting maturity information. The City has no formal policy to address interest rate risk.

Deposits and Investments Summary

The following is a summary of total deposits and investments:

Deposits	\$ 2,628,798
Investments (see Investments section)	<u>11,423,657</u>
 Total Cash, Cash Equivalents, and Investments	 <u><u>\$ 14,052,455</u></u>

Cash, cash equivalents, and investments are included on the basic financial statements as follows:

Cash, Cash Equivalents, and Investments - Statement of Net Position	\$ 14,053,632
Cash, Cash Equivalents, and Investments - Statement of Fiduciary Net Position	<u>(1,177)</u>
 Total Cash, Cash Equivalents, and Investments	 <u><u>\$ 14,052,455</u></u>

CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is as follows:

	<u>Balance at</u> <u>January 01, 2014</u>	<u>Transfers</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>December 31, 2014</u>
Governmental Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 6,194,442	\$ -	\$ 200,000	\$ -	\$ 6,394,442
Construction In Progress	<u>129,693</u>	<u>(129,693)</u>	<u>320,204</u>	<u>-</u>	<u>320,204</u>
Total Capital Assets not Being					
Depreciated	6,324,135	(129,693)	520,204	-	6,714,646
Capital Assets Being					
Depreciated					
Buildings	4,577,240	-	7,810	-	4,585,050
Improvements	852,694	-	45,897	-	898,591
Machinery and Equipment	4,665,959	129,693	417,192	(169,906)	5,042,938
Infrastructure	3,213,120	-	-	-	3,213,120
Library	<u>273,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,041</u>
Total Capital Assets Being					
Depreciated	13,582,054	129,693	470,899	(169,906)	14,012,740
Less: Accumulated Depreciation					
Buildings	2,047,056	-	94,735	-	2,141,791
Improvements	63,894	-	29,990	-	93,884
Machinery and Equipment	2,670,736	-	239,684	(164,056)	2,746,364
Infrastructure	589,472	-	111,229	-	700,701
Library	<u>268,799</u>	<u>-</u>	<u>4,242</u>	<u>-</u>	<u>273,041</u>
Total Accumulated					
Depreciation	<u>5,639,957</u>	<u>-</u>	<u>479,880</u>	<u>(164,056)</u>	<u>5,955,781</u>
Total Capital Assets Being					
Depreciated, Net	<u>7,942,097</u>	<u>129,693</u>	<u>(8,981)</u>	<u>(5,850)</u>	<u>8,056,959</u>
Capital Assets, Net	<u>\$ 14,266,232</u>	<u>\$ -</u>	<u>\$ 511,223</u>	<u>\$ (5,850)</u>	<u>\$ 14,771,605</u>

CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS (Continued)

	<u>Balance at</u> <u>January 01, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>December 31, 2014</u>
Business-Type Activities:				
Capital Assets not Being Depreciated				
Construction In Progress	\$ -	\$ 54,133	\$ -	\$ 54,133
Capital Assets Being Depreciated				
Water Mains and Lines	5,909,253	-	-	5,909,253
Sewer Mains and Lines	2,852,415	-	-	2,852,415
Structures	51,548	-	-	51,548
Machinery and Equipment	<u>240,745</u>	<u>11,799</u>	-	<u>252,544</u>
Total Capital Assets Being Depreciated	9,053,961	11,799	-	9,065,760
Less: Accumulated Depreciation				
Water Mains and Lines	1,113,650	120,989	-	1,234,639
Sewer Mains and Lines	666,077	61,237	-	727,314
Structures	50,151	312	-	50,463
Machinery and Equipment	<u>208,620</u>	<u>4,583</u>	-	<u>213,203</u>
Total Accumulated Depreciation	<u>2,038,498</u>	<u>187,121</u>	-	<u>2,225,619</u>
Total Capital Assets Being Depreciated, Net	<u>7,015,463</u>	<u>(175,322)</u>	-	<u>6,840,141</u>
Capital Assets, Net	<u>\$ 7,015,463</u>	<u>\$ (121,189)</u>	<u>\$ -</u>	<u>\$ 6,894,274</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 53,345
Public Safety	163,347
Public Works	136,483
Culture and Recreation	<u>126,705</u>
Total Depreciation Expense	<u>\$ 479,880</u>

CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.C. LONG-TERM DEBT

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities (none). All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

As of December 31, 2014, the long-term debt of the financial reporting entity consists of the following:

2001 General Obligation Tax Increment Refunding Bonds. Original principal of \$1,535,000 due in annual installments of \$60,000 to \$150,000 through December 2016. Interest at 2.10% to 4.60%.	\$ 290,000
Less: Current Portion	<u>(150,000)</u>
Noncurrent Portion	<u>\$ 140,000</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2014:

Type of Debt	Balance January 01, 2014	Additions	Deductions	Balance December 31, 2014	Amounts Due Within One Year
Governmental Activities:					
G.O. TIF Refunding Bonds	\$ 440,000	\$ -	\$ (150,000)	\$ 290,000	\$ 150,000
Severance Pay	<u> 14,532</u>	<u> -</u>	<u> 17,265</u>	<u> 31,797</u>	<u> -</u>
Total	<u>\$ 454,532</u>	<u>\$ -</u>	<u>\$ (132,735)</u>	<u>\$ 321,797</u>	<u>\$ 150,000</u>
Business-Type Activities:					
Severance Pay	<u>\$ 21,106</u>	<u>\$ -</u>	<u>\$ 1,494</u>	<u>\$ 22,600</u>	<u>\$ -</u>

Interest and other fiscal charges total \$20,610 in the Statement of Activities (included in Debt Service line). Interest and other fiscal charges total \$20,408 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges).

Annual Debt Service Requirements

At December 31, 2014, the estimated annual debt service requirements to maturity, including principal and interest, and excluding severance are as follows:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 150,000	\$ 13,340	\$ 163,340
2016	<u> 140,000</u>	<u> 6,440</u>	<u> 146,440</u>
Totals	<u>\$ 290,000</u>	<u>\$ 19,780</u>	<u>\$ 309,780</u>

Governmental Activity debt is typically funded through Debt Service Funds.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2014:

Major Funds	Transfers Out	Transfers In		Total
		Major Fund General	Non-Major Fund Governmental	
Water	\$ 6,475	\$ 6,475	\$ -	\$ 6,475
Sewer	26,475	26,475	-	26,475
	32,950	32,950	-	32,950
Non-Major Funds				
Governmental	679,025	-	679,025	679,025
	\$ 711,975	\$ 32,950	\$ 679,025	\$ 711,975

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3.E. FUNDEQUITY

At December 31, 2014, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepaids	\$ 18,223
Committed for Equipment Replacement	30,242
Unassigned	7,874,426
Total General Fund Balance	\$ 7,922,891
Fire Hall Capital Project Fund	
Restricted for Fire Hall Capital Project	\$ 229,390

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. FUND EQUITY (Continued)

Other Governmental Funds	
Nonspendable - Prepays	\$ 2,024
Restricted for Debt Service	197,144
Restricted for Permanent Fund	646,171
Restricted for TIF District 1	291,171
Restricted for TIF District 2-1	26,982
Restricted for Developer Reimbursed Projects	77,507
Restricted for Water and Sewer Improvement	765,708
Committed for Library	245,796
Committed for Library Building Maintenance	17,859
Assigned for Library	79,370
Assigned for Water and Sewer Improvement	433,116
Assigned for Drug Forfeiture	41,316
Assigned for Tax Stabilization	359,667
Assigned for K-9 Unit	836
Unassigned	<u>(139,479)</u>
 Total Other Governmental Funds Balance	 <u>\$ 3,045,188</u>

NOTE 4 OTHER NOTES

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree-no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. PECF members are required to contribute 5.83% of their annual covered salary. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, 15.3% for PEPFF members, and 8.75% for PECF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 total \$45,425, \$41,701 and \$41,893 respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ended December 31, 2014, 2013, and 2012 total 66,020, \$58,840 and \$59,268 respectively. The City's contributions are equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the coordinated plan (6.5% for members, and 7.5 for employers) and the police and fire fund (10.8% for member and 16.2% for employers)

Defined Contribution Plan

The City of Bayport provides pension benefits for its elected local government officials through the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**CITY OF BAYPORT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2014	\$ 240	\$ 240	5.00%	5.00%	5.00%
2013	\$ 230	\$ 230	5.00%	5.00%	5.00%
2012	\$ 226	\$ 226	5.00%	5.00%	5.00%

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two 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. The City's management is not aware of any incurred but no reported claims.

4.C. COMMITMENTS

Fire Hall Project

During the current year, the City entered into various agreements for the construction of a new fire hall. The estimated project cost is \$5.5 million. The total commitments for the contracts the City entered into are estimated at \$97,355 to \$127,355.

Pay-as-You-Go-Debt

The City issues Pay-as-You-Go Revenue Notes to finance various tax increment projects. Such projects are financed with loans from participating banks. The notes through these participating banks are not general obligations of the City as they are payable only to the extent of future tax increments received. As such, these obligations do not appear on the City's financial statements. At December 31, 2014, outstanding Pay-As-You-Go debt approximates \$567,221. Current Pay-as-You-Go Revenue Notes are non-interest bearing. All payments are contingent upon collection of tax increment and are not due if such collections are not made by the City.

**CITY OF BAYPORT, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.D. CONDUIT DEBT OBLIGATIONS

In December 2003, the City issued a Qualified Tax Exempt Obligation to provide financial assistance to a private-sector entity for the acquisition and construction of rental housing deemed to be in the public interest. The note is secured by the property financed and is payable solely from payments received on the underlying mortgage loan. Upon repayment of the note, ownership of the acquired facility transfers to the private-sector entity served by the note issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2014, the conduit debt issued outstanding principal payable is \$7,163,978 for the Senior Housing Revenue Note, Series 2003.

4.E. CONCENTRATION

For the year ended December 31, 2014, significant sources of water and sewer revenues for the City are as follows:

	Customer			
	Local Business		State of Minnesota Correctional Facility	
	Percent of Revenues	Receivable Balance	Percent of Revenues	Receivable Balance
Water fund	14.19%	\$ 15,679	0.00%	\$ -
Sewer Fund	31.27%	\$ 49,425	37.33%	\$ -
Water and Sewer Improvement Fund	39.10%	\$ 11,737	0.00%	\$ -

4.F. TAX INCREMENT DISTRICTS

The City is the administering authority for the following tax increment financing districts:

Name of District:	Redevelopment District #1
Type of District:	Redevelopment
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	1990
Duration of District:	25 Years
Original Base Net Tax Capacity:	\$ 28,768
Current Net Tax Capacity:	\$ 125,961
Captured Net Tax Capacity:	
Retained by City	\$ 97,193
Shared with Other Taxing Districts	\$ -

**CITY OF BAYPORT, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.F. TAX INCREMENT DISTRICTS (Continued)

Name of District:	Redevelopment District #2-1
Type of District:	Redevelopment
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2003
Duration of District:	29 Years
Original Base Net Tax Capacity:	\$ 76,117
Current Net Tax Capacity:	<u>\$ 126,450</u>
Captured Net Tax Capacity:	
Retained by City	<u>\$ 50,333</u>
Shared with Other Taxing Districts	<u>\$ -</u>

4.G. NEW ACCOUNTING STANDARDS

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* will be implemented in the next fiscal year. The effect of the implementation will reflect the City’s share of the Public Employees Retirement Association and Fire Relief Association net pension liability on the Statement of Net Position. The effect on net position will likely be significant.

4.H. SUBSEQUENT EVENT

Subsequent to year end and prior to issuance of these financial statements, the City approved the issuance of \$2,700,000 General Obligation Capital Improvement Bonds to finance the construction of the fire hall. As of the date of these financial statements, this issuance has not yet been finalized.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules
General Fund

**CITY OF BAYPORT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
RESOURCES (INFLOWS):			
Taxes and Special Assessments	\$ 999,981	\$ 826,806	\$ (173,175)
Licenses, Permits, and Fees	122,300	121,558	(742)
Intergovernmental	605,622	638,493	32,871
Charges for Services	382,820	401,497	18,677
Fines	33,470	40,355	6,885
Investment Income (Loss)	255,500	369,555	114,055
Miscellaneous	76,800	89,880	13,080
Proceeds on Sale of Assets	-	16,500	16,500
Transfers In	278,950	32,950	(246,000)
AMOUNTS AVAILABLE	<u>2,755,443</u>	<u>2,537,594</u>	<u>(217,849)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Current:			
General Government:			
Administration	143,368	141,412	(1,956)
Mayor and Council	190,087	156,851	(33,236)
Boards and Commissions	229,805	228,652	(1,153)
Elections	4,800	3,611	(1,189)
General Government	141,501	48,090	(93,411)
Public Safety:			
Police	739,192	704,654	(34,538)
Fire	402,831	426,710	23,879
Public Works	402,228	301,487	(100,741)
Parks and Recreation	63,331	47,861	(15,470)
Capital Outlay	324,500	552,051	227,551
Transfers Out	113,800	-	(113,800)
TOTAL CHARGES	<u>2,755,443</u>	<u>2,611,379</u>	<u>(144,064)</u>
BUDGETARY CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (73,785)</u>	<u>\$ (73,785)</u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements – All Nonmajor Governmental Funds
- Combining Statements - Nonmajor Governmental Funds – Special Revenue Funds
- Combining Statements – Nonmajor Governmental Funds – Capital Project Funds
- Schedules of Revenues and Expenses – Proprietary Funds
- Schedule of Capital Outlay

**CITY OF BAYPORT, MINNESOTA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Debt Service Fund	Permanent Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Governmental Funds
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 197,144	\$ 646,171	\$ 1,758,128	\$ 418,135	\$ 3,019,578
Assessments Receivable	-	-	4,621	-	4,621
Accounts Receivable	-	-	53,708	-	53,708
Prepays	-	-	2,024	-	2,024
TOTAL ASSETS	<u>\$ 197,144</u>	<u>\$ 646,171</u>	<u>\$ 1,818,481</u>	<u>\$ 418,135</u>	<u>\$ 3,079,931</u>
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 7,647	\$ 22,475	\$ 30,122
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue: Special Assessments	-	-	4,621	-	4,621
FUND BALANCES					
Nonspendable	-	-	2,024	-	2,024
Restricted	197,144	646,171	765,708	395,660	2,004,683
Committed	-	-	263,655	-	263,655
Assigned	-	-	914,305	-	914,305
Unassigned	-	-	(139,479)	-	(139,479)
Total Fund Balances	<u>197,144</u>	<u>646,171</u>	<u>1,806,213</u>	<u>395,660</u>	<u>3,045,188</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 197,144</u>	<u>\$ 646,171</u>	<u>\$ 1,818,481</u>	<u>\$ 418,135</u>	<u>\$ 3,079,931</u>

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

	Debt Service Fund	Permanent Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 74,351	\$ -	\$ 160,000	\$ -	\$ 234,351
Special Assessments	-	-	2,310	-	2,310
Tax Increment	-	-	-	49,945	49,945
Charges for Services	-	-	80,860	-	80,860
Fines	-	-	46,075	-	46,075
Private Grants	-	-	111,350	-	111,350
Net Investment Income	20,805	31,103	86,307	17,164	155,379
Miscellaneous	-	-	3,095	-	3,095
TOTAL REVENUES	<u>95,156</u>	<u>31,103</u>	<u>489,997</u>	<u>67,109</u>	<u>683,365</u>
EXPENDITURES					
Current:					
Public Safety	-	-	14,287	-	14,287
Public Works	-	-	2,440	-	2,440
Parks and Recreation	-	-	275,638	-	275,638
Economic Development	-	-	-	45,568	45,568
Debt Service:					
Principal	150,000	-	-	-	150,000
Interest and Other Charges	20,408	-	-	-	20,408
Capital Outlay	-	-	124,028	-	124,028
TOTAL EXPENDITURES	<u>170,408</u>	<u>-</u>	<u>416,393</u>	<u>45,568</u>	<u>632,369</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(75,252)	31,103	73,604	21,541	50,996
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ -	\$ -	\$ 679,025	\$ -	\$ 679,025
Operating Transfers Out	-	-	(679,025)	-	(679,025)
NET CHANGE IN FUND BALANCES	(75,252)	31,103	73,604	21,541	50,996
FUND BALANCES - BEGINNING	<u>272,396</u>	<u>615,068</u>	<u>1,732,609</u>	<u>374,119</u>	<u>2,994,192</u>
FUND BALANCES - ENDING	<u>\$ 197,144</u>	<u>\$ 646,171</u>	<u>\$ 1,806,213</u>	<u>\$ 395,660</u>	<u>\$ 3,045,188</u>

**CITY OF BAYPORT, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	Library Fund	Drug Forfeiture Fund	Tax Stabilization Fund	K-9 Unit Fund	Park Improvement Fund	Water and Sewer Improvement Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash, Cash Equivalents, and Investments	\$ 345,360	\$ 41,441	\$ 359,667	\$ 836	\$ (134,292)	\$ 1,145,116	\$ 1,758,128
Assessments Receivable	-	-	-	-	-	4,621	4,621
Accounts Receivable	-	-	-	-	-	53,708	53,708
Prepays	2,024	-	-	-	-	-	2,024
TOTAL ASSETS	<u>\$ 347,384</u>	<u>\$ 41,441</u>	<u>\$ 359,667</u>	<u>\$ 836</u>	<u>\$ (134,292)</u>	<u>\$ 1,203,445</u>	<u>\$ 1,818,481</u>
LIABILITIES							
Accounts Payable	\$ 2,335	\$ 125	\$ -	\$ -	\$ 5,187	\$ -	\$ 7,647
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue: Special Assessments	-	-	-	-	-	4,621	4,621
FUND BALANCES							
Nonspendable	2,024	-	-	-	-	-	2,024
Restricted	-	-	-	-	-	765,708	765,708
Committed	263,655	-	-	-	-	-	263,655
Assigned	79,370	41,316	359,667	836	-	433,116	914,305
Unassigned	-	-	-	-	(139,479)	-	(139,479)
Total Fund Balances	<u>345,049</u>	<u>41,316</u>	<u>359,667</u>	<u>836</u>	<u>(139,479)</u>	<u>1,198,824</u>	<u>1,806,213</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 347,384</u>	<u>\$ 41,441</u>	<u>\$ 359,667</u>	<u>\$ 836</u>	<u>\$ (134,292)</u>	<u>\$ 1,203,445</u>	<u>\$ 1,818,481</u>

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

	Library Fund	Drug Forfeiture Fund	Tax Stabilization Fund	K-9 Unit Fund	Park Improvement Fund	Water and Sewer Improvement Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Taxes	\$ 160,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,000
Special Assessments	-	-	-	-	-	2,310	2,310
Charges for Services	3,034	-	-	-	7,000	70,826	80,860
Fines	-	46,075	-	-	-	-	46,075
Private Grants	111,350	-	-	-	-	-	111,350
Net Investments Income	16,342	618	17,302	68	2,815	49,162	86,307
Miscellaneous	3,095	-	-	-	-	-	3,095
TOTAL REVENUES	<u>293,821</u>	<u>46,693</u>	<u>17,302</u>	<u>68</u>	<u>9,815</u>	<u>122,298</u>	<u>489,997</u>
EXPENDITURES							
Current:							
Public Safety	-	13,796	-	491	-	-	14,287
Public Works	-	-	-	-	-	2,440	2,440
Parks and Recreation	275,450	-	-	-	188	-	275,638
Capital Outlay	-	-	-	-	124,028	-	124,028
TOTAL EXPENDITURES	<u>275,450</u>	<u>13,796</u>	<u>-</u>	<u>491</u>	<u>124,216</u>	<u>2,440</u>	<u>416,393</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,371	32,897	17,302	(423)	(114,401)	119,858	73,604
OTHER FINANCING USES							
Operating Transfers In	-	-	-	-	679,025	-	679,025
Operating Transfers Out	-	-	(679,025)	-	-	-	(679,025)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(679,025)</u>	<u>-</u>	<u>679,025</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	18,371	32,897	(661,723)	(423)	564,624	119,858	73,604
FUND BALANCES - BEGINNING	<u>326,678</u>	<u>8,419</u>	<u>1,021,390</u>	<u>1,259</u>	<u>(704,103)</u>	<u>1,078,966</u>	<u>1,732,609</u>
FUND BALANCES - ENDING	<u>\$ 345,049</u>	<u>\$ 41,316</u>	<u>\$ 359,667</u>	<u>\$ 836</u>	<u>\$ (139,479)</u>	<u>\$ 1,198,824</u>	<u>\$ 1,806,213</u>

**CITY OF BAYPORT, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
 DECEMBER 31, 2014**

	TIF District 1 Fund	TIF District 2-1 Fund	Developer Reimbursed Projects Fund	Total Nonmajor Capital Project Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 291,171	\$ 49,457	\$ 77,507	\$ 418,135
LIABILITIES				
Accounts Payable	\$ -	\$ 22,475	\$ -	\$ 22,475
FUND BALANCES				
Restricted	291,171	26,982	77,507	395,660
TOTAL LIABILITIES AND FUND BALANCES	\$ 291,171	\$ 49,457	\$ 77,507	\$ 418,135

CITY OF BAYPORT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	TIF District 1 Fund	TIF District 2-1 Fund	Developer Reimbursed Project Fund	Total Nonmajor Capital Project Funds
REVENUES				
Tax Increment	\$ -	\$ 49,945	\$ -	\$ 49,945
Net Investments Income	14,075	686	2,403	17,164
TOTAL REVENUES	14,075	50,631	2,403	67,109
EXPENDITURES				
Current:				
Economic Development	-	45,568	-	45,568
NET CHANGE IN FUND BALANCES	14,075	5,063	2,403	21,541
FUND BALANCES - BEGINNING	277,096	21,919	75,104	374,119
FUND BALANCES - ENDING	\$ 291,171	\$ 26,982	\$ 77,507	\$ 395,660

**CITY OF BAYPORT, MINNESOTA
WATER FUND
SCHEDULE OF WATER FUND REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CHARGES	\$ 389,771	\$ 451,293
OPERATING EXPENSES		
Personnel Services	174,572	166,483
Supplies	39,090	38,081
Insurance	4,808	4,945
Utilities	57,981	64,212
Repairs and Maintenance	87,571	69,154
Other Service and Charges	31,321	70,647
Depreciation	<u>122,223</u>	<u>120,010</u>
TOTAL OPERATING EXPENSES	<u>517,566</u>	<u>533,532</u>
NET OPERATING LOSS	(127,795)	(82,239)
NONOPERATING INCOME (EXPENSE)		
Connection Fees	39,350	74,950
Intergovernmental	-	9,002
Investment Income (Loss)	<u>81,368</u>	<u>(107,003)</u>
TOTAL NONOPERATING INCOME (EXPENSE)	<u>120,718</u>	<u>(23,051)</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	(7,077)	(105,290)
TRANSFERS		
Operating Transfers Out	<u>(6,475)</u>	<u>(6,475)</u>
CHANGE IN NET POSITION	<u>\$ (13,552)</u>	<u>\$ (111,765)</u>

**CITY OF BAYPORT, MINNESOTA
SEWER FUND
SCHEDULE OF SEWER FUND REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CHARGES	\$ 613,478	\$ 631,239
OPERATING EXPENSES		
Personnel Services	171,757	157,992
Supplies	6,709	4,219
Insurance	1,789	1,927
Repairs and Maintenance	9,523	2,212
Other Service and Charges	26,560	31,695
MCES Charges	397,113	332,925
Depreciation	<u>64,898</u>	<u>60,003</u>
TOTAL OPERATING EXPENSES	<u>678,349</u>	<u>590,973</u>
NET OPERATING INCOME	(64,871)	40,266
NONOPERATING INCOME (EXPENSE)		
Connection Fees	5,600	24,050
Investment Income (Loss)	<u>59,597</u>	<u>(78,511)</u>
TOTAL NONOPERATING INCOME (EXPENSE)	<u>65,197</u>	<u>19,109</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	326	59,375
TRANSFERS		
Operating Transfers Out	<u>(26,475)</u>	<u>(81,475)</u>
CHANGE IN NET POSITION	<u>\$ (26,149)</u>	<u>\$ (22,100)</u>

**CITY OF BAYPORT, MINNESOTA
SCHEDULE OF CAPITAL OUTLAY
FOR THE YEAR ENDED DECEMBER 31, 2014**

CAPITAL OUTLAY	
General Government	\$ 19,050
Fire	512,927
Park Improvements	124,028
Fire Hall Capital Project	<u>103,397</u>
 TOTAL CAPITAL OUTLAY	 <u><u>\$ 779,476</u></u>

OTHER REPORT

**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

April 15, 2015

Honorable Mayor and City Council
City of Bayport
Bayport, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bayport, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

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

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

This report is intended for the information and use of the City Council and management of the City of Bayport, and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

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