

**City of Le Sueur  
Le Sueur County, Minnesota**

**Financial Statements**

**December 31, 2015**



**City of Le Sueur  
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**City of Le Sueur  
Elected Officials and Administration  
December 31, 2015**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Robert Broeder	Mayor	December 31, 2016
Jeff Kerkow	Council	December 31, 2016
Dave Johnson	Council	December 31, 2018
Benjamin Rohloff	Council	December 31, 2016
Kevin Wilke	Council	December 31, 2018
John Schultz	Council	December 31, 2016
Darvin Wicks	Council	December 31, 2016
<u>Administration</u>		
Jenelle Teppen	Administrator	
Monica Muchow	Clerk	

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Le Sueur  
Le Sueur, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Sueur, Minnesota, as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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## **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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Sueur, Minnesota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Community Center Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Implementation of GASB 68 and GASB 71**

As discussed in Note 14 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed 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 GASB, 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 Matters (Continued)**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Le Sueur's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016, on our consideration of the City of Le Sueur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Le Sueur's internal control over financial reporting and compliance.

*BerganKDV Ltd.*

Minneapolis, Minnesota  
June 16, 2016

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## **City of Le Sueur Management's Discussion and Analysis**

As Management's Discussion and Analysis of the City of Le Sueur, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$32,155,883 (net position). Of this amount, \$6,701,589 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,523,633 mainly due to an increase in property taxes, charges for services and capital grants and contributions revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,936,772, a decrease of \$873,567 in comparison with the prior year. The major reason for this decrease was due to debt retirement. Approximately 38.6 percent of this total amount, \$4,608,127, is available for spending at the City's discretion, but has been committed and assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,132,489, or 48.6 percent of total General fund expenditures, excluding transfers. These funds are not legally restricted, committed by Council, or assigned for future purposes.
- The City's decreased the existing debt principal by \$3,016,636 or 9.9 percent during the current fiscal year. Net pension liability was also added to long-term debt in 2015 with the implementation of GASB 68, which increased long-term debt \$2,373,629. Pension liability related to public employee retirement and is not expected to impact future expenditures.

### **Overview of the Financial Statements**

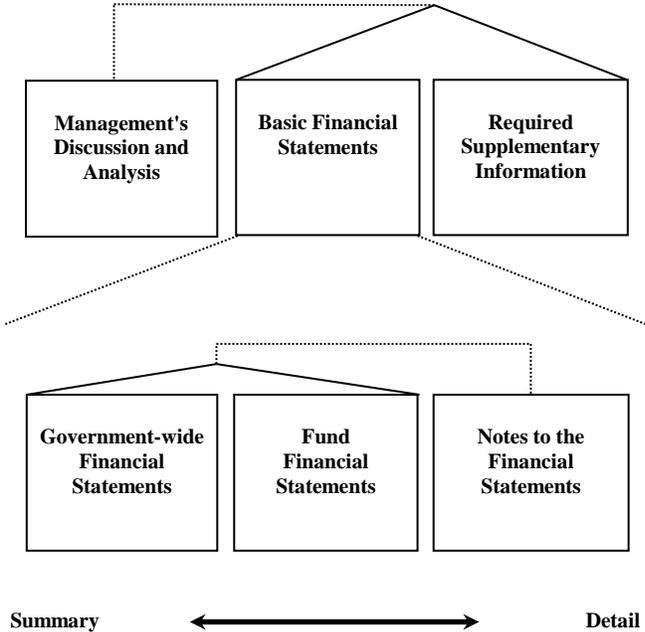
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**City of Le Sueur  
Management's Discussion and Analysis**

**Overview of the Financial Statements (Continued)**

**Figure 1  
Required Components of the  
City's Annual Financial Report**



**City of Le Sueur  
Management's Discussion and Analysis**

**Overview of the Financial Statements (Continued)**

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure 2  
Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## City of Le Sueur Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

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

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 22 of this report.

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

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

## City of Le Sueur Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

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

The City maintains 35 individual governmental funds, 20 of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Economic Development Revolving Loan fund, the Community Center fund, and the Debt service funds, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 24 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 34 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 42 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 98 of this report.

## City of Le Sueur Management's Discussion and Analysis

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$32,155,883 at the close of the most recent fiscal year.

The largest portion of the City's net position (73.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Le Sueur's Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 14,149,554	\$ 14,657,751	\$ 3,001,097	\$ 3,094,579	\$ 17,150,651	\$ 17,752,330
Capital assets	14,699,755	15,801,203	31,436,187	34,081,653	46,135,942	49,882,856
Net pension asset - fire relief	174,642	-	-	-	174,642	-
Total assets	29,023,951	30,458,954	34,437,284	37,176,232	63,461,235	67,635,186
Deferred outflows of resources related to fire relief pensions	25,000	-	-	-	25,000	-
Deferred outflows of resources related to city pensions	274,327	-	121,495	-	395,822	-
Total deferred outflows of resources	299,327	-	121,495	-	420,822	-
Long-term liabilities outstanding	14,433,306	15,910,919	13,370,901	14,960,053	27,804,207	30,870,972
Other liabilities	371,563	482,871	833,960	833,756	1,205,523	1,316,627
Net pension liability	1,475,204	-	898,425	-	2,373,629	-
Total liabilities	16,280,073	16,393,790	15,103,286	15,793,809	31,383,359	32,187,599
Deferred inflows of resources related to fire relief pensions	16,193	-	-	-	16,193	-
Deferred inflows of resources related to city pensions	210,308	-	116,314	-	326,622	-
Total deferred inflows of resources	226,501	-	116,314	-	342,815	-
Net position						
Net investment in capital assets	5,491,163	5,486,637	18,185,004	19,267,480	23,676,167	24,754,117
Restricted	1,778,127	3,822,305	-	-	1,778,127	3,822,305
Unrestricted	5,547,414	4,756,222	1,154,175	2,114,943	6,701,589	6,871,165
Total net position	\$ 12,816,704	\$ 14,065,164	\$ 19,339,179	\$ 21,382,423	\$ 32,155,883	\$ 35,447,587

An additional portion of the City's net position (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (20.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

**City of Le Sueur  
Management's Discussion and Analysis**

**Government-wide Financial Analysis (Continued)**

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities increased the City's net position by \$1,055,859. Key elements of this increase are as follows:

- An increase in property taxes over prior year of \$297,592 and capital grants and contributions of \$447,723 due to a small city assistance grant received in 2015.
- Charges for services in excess of expenditures in sanitation and housing and economic development activities.
- Stable governmental activity expenditures.

**City of Le Sueur  
Management's Discussion and Analysis**

**Government-wide Financial Analysis (Continued)**

**City of Le Sueur's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 1,835,504	\$ 1,530,594	\$ 12,210,884	\$ 11,770,873	\$ 14,046,388	\$ 13,301,467
Operating grants and contributions	402,029	347,807	209,476	407,821	611,505	755,628
Capital grants and contributions	641,583	193,860	62,264	38,649	703,847	232,509
General revenues						
Property taxes/tax increments	2,204,158	1,906,566	-	-	2,204,158	1,906,566
Franchise fees	-	37,098	-	-	-	37,098
Other taxes	2,270	2,028	-	-	2,270	2,028
Grants and contributions not restricted to specific programs	976,388	922,683	-	-	976,388	922,683
Unrestricted investment earnings	8,223	16,691	1,215	19,565	9,438	36,256
Other	35,160	9,228	-	-	35,160	9,228
<b>Total revenues</b>	<b>6,105,315</b>	<b>4,966,555</b>	<b>12,483,839</b>	<b>12,236,908</b>	<b>18,589,154</b>	<b>17,203,463</b>
Expenses						
General government	640,992	415,113	-	-	640,992	415,113
Public safety	1,401,601	1,407,081	-	-	1,401,601	1,407,081
Streets and highways	873,530	899,658	-	-	873,530	899,658
Sanitation	279	1,423	-	-	279	1,423
Culture and recreation	1,323,186	1,142,825	-	-	1,323,186	1,142,825
Economic development	134,353	37,000	-	-	134,353	37,000
Transportation	445,738	602,051	-	-	445,738	602,051
Interest and fiscal charges	586,377	794,644	-	-	586,377	794,644
Water utility	-	-	715,446	789,011	715,446	789,011
Sewer utility	-	-	1,743,806	1,659,677	1,743,806	1,659,677
Storm sewer utility	-	-	74,855	113	74,855	113
Electric utility	-	-	9,125,358	8,659,909	9,125,358	8,659,909
<b>Total expenses</b>	<b>5,406,056</b>	<b>5,299,795</b>	<b>11,659,465</b>	<b>11,108,710</b>	<b>17,065,521</b>	<b>16,408,505</b>
Change in net position before transfers	699,259	(333,240)	824,374	1,128,198	1,523,633	794,958
Transfers	356,600	350,000	(356,600)	(350,000)	-	-
<b>Change in net position</b>	<b>1,055,859</b>	<b>16,760</b>	<b>467,774</b>	<b>778,198</b>	<b>1,523,633</b>	<b>794,958</b>
Net position - January 1 as restated*	11,760,845	14,048,404	18,871,405	20,604,225	30,632,250	34,652,629
<b>Net position - December 31</b>	<b>\$ 12,816,704</b>	<b>\$ 14,065,164</b>	<b>\$ 19,339,179</b>	<b>\$ 21,382,423</b>	<b>\$ 32,155,883</b>	<b>\$ 35,447,587</b>

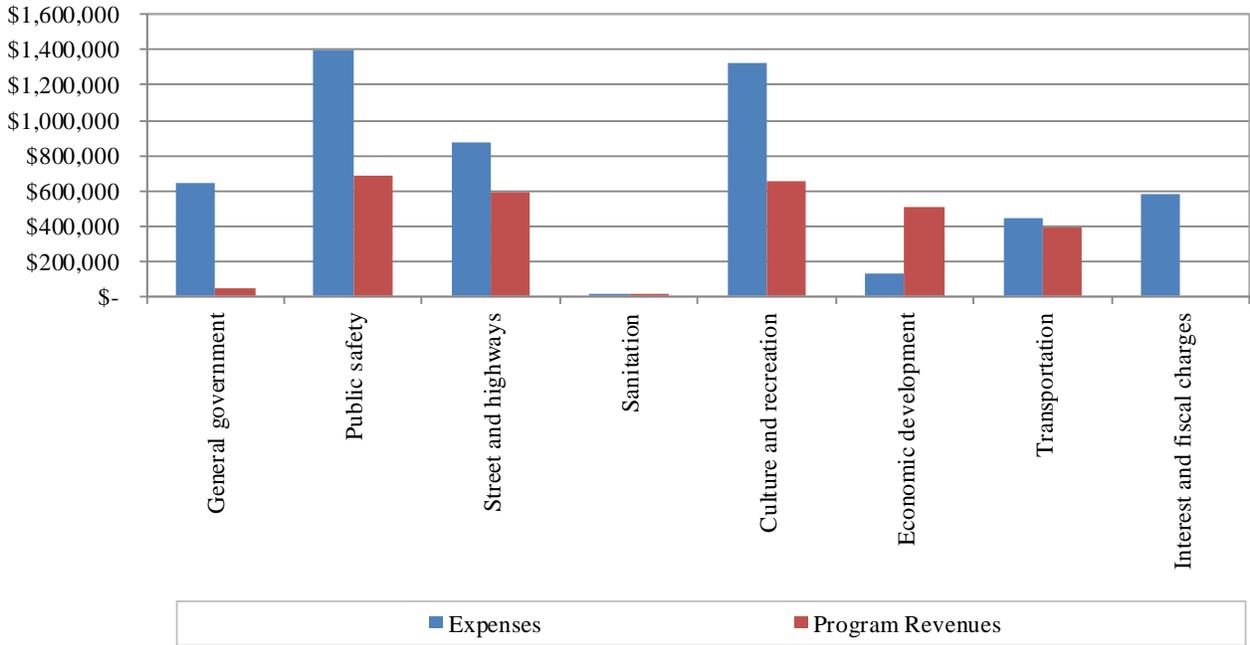
\*GASB 68 Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$2,121,273 restatement of beginning net position. Prior year amounts were also restated by \$2,694,064, causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See note 14 and 15, respectively, in notes of financial statements.

**City of Le Sueur  
Management's Discussion and Analysis**

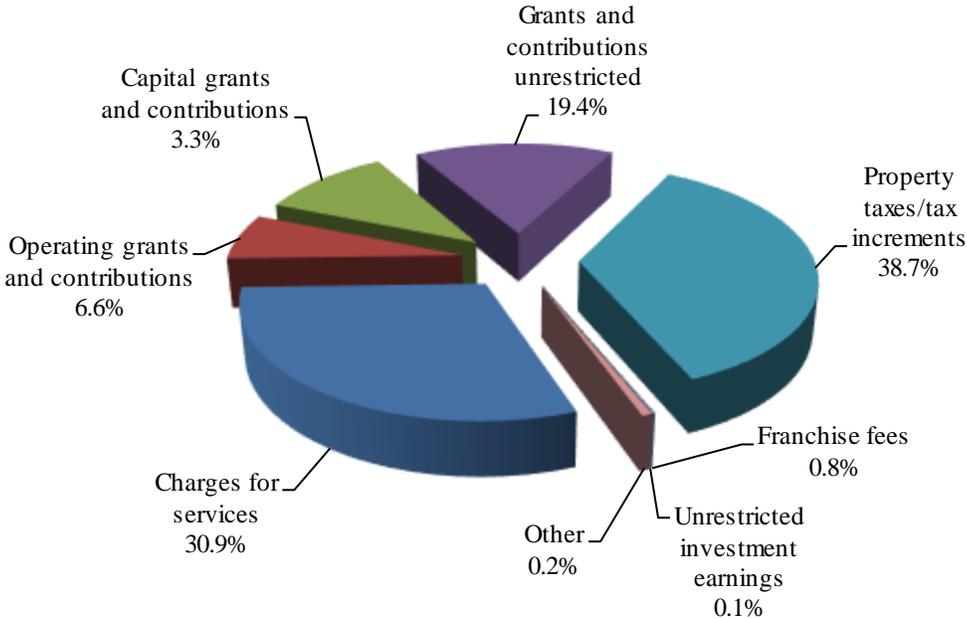
**Government-wide Financial Analysis (Continued)**

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



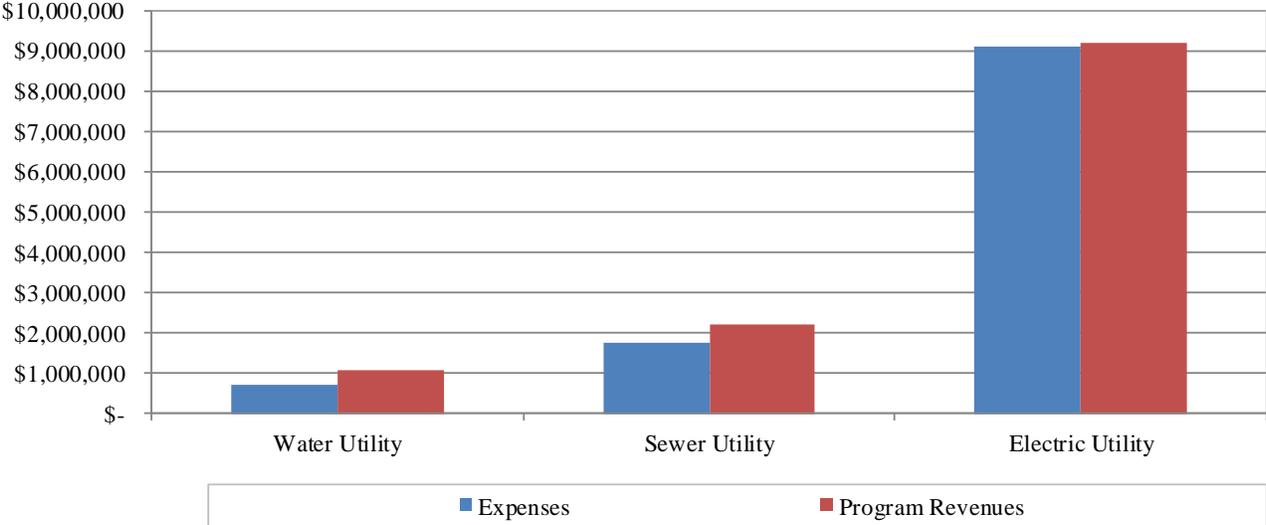
**City of Le Sueur  
Management's Discussion and Analysis**

**Government-wide Financial Analysis (Continued)**

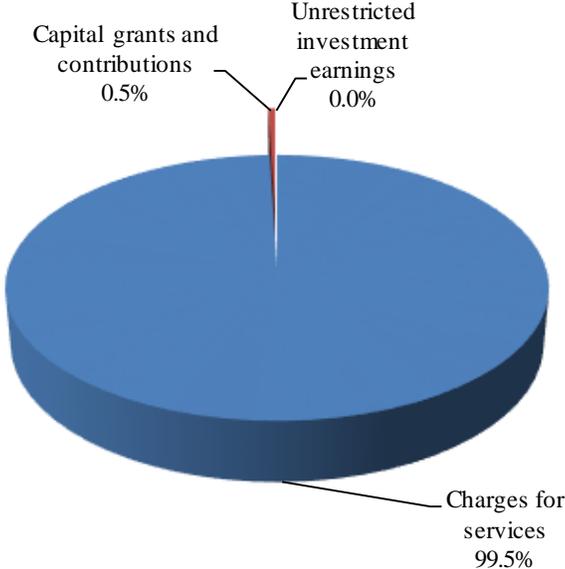
**Business-type activities.** Business-type activities increased the City's net position by \$467,774. Key elements of this increase are as follows:

- Sewer utility charges for services increased compared to the prior year due to an 11% rate increase during 2015.
- Slight increases in expenses in the water, sewer, and electric utilities.

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



**Revenues by Source - Business-type Activities**



## City of Le Sueur Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,936,772, a decrease of \$873,567 in comparison with the prior year. A balance of \$113,811 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is nonspendable (\$423,168), restricted (\$6,905,477), committed (\$3,197,799), or assigned (\$1,296,517) for the purposes described in the fund balance section of each balance sheet.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,141,073. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48.6 percent of fund expenditures, while total fund balance represents 49.0 percent of that same amount.

The fund balance of the City's General fund increased by \$178,001 during the current fiscal year. This was mostly due higher than budgeted tax collections and charges for services revenue in addition to a transfer in of \$362,380.

The *Economic Development Revolving Loan fund* has a total fund balance of \$3,442,186 at year end. The net increase in fund balance during the current year was \$10,436. This increase was mainly the result of loan repayments.

The *Community Center fund* has a total deficit fund balance of \$208,588 at year end. The net decrease in fund balance during the current year was \$74,950. The main cause of this decrease was mainly due to school programs expenditures being over budget by over \$200,000. Offsetting this large increase in expenditures is from charges for services being over budget by over \$125,000.

The *Debt Service fund* has a total fund balance of \$6,776,487, a decrease in fund balance during the current year in the Debt Service fund of \$502,483. The fund balance is restricted for future debt service payments of \$6,384,040 and nonspendable for debt service payments made in advance of \$392,447. The major reason for this decrease was due to regular debt payments.

**City of Le Sueur  
Management's Discussion and Analysis**

**Financial Analysis of the City's Funds (Continued)**

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,154,175. The total growth in net position for the funds was \$467,774. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

No budget amendments were made in 2015. The budget called for an increase in fund balance of \$33,000. Revenues were over budget by \$251,238 and expenditures were over budget by \$95,367, causing the \$178,001 increase in fund balance in the General fund for 2015.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to 46,135,942 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 7.5 percent (a 7 percent decrease for governmental activities and a 7.8 percent decrease for business-type activities).

**City of Le Sueur's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,414,773	\$ 860,582	\$ 415,653	\$ 513,973	\$ 1,830,426	\$ 1,374,555
Buildings	3,814,822	4,152,977	1,896,477	2,177,562	5,711,299	6,330,539
Infrastructure/systems	5,457,729	6,734,601	26,988,555	29,159,037	32,446,284	35,893,638
Machinery and equipment	448,356	563,281	1,370,596	1,603,833	1,818,952	2,167,114
Vehicles	543,692	553,405	157,302	195,561	700,994	748,966
Construction in progress	3,020,383	2,936,357	607,604	431,687	3,627,987	3,368,044
Total	<u>\$ 14,699,755</u>	<u>\$ 15,801,203</u>	<u>\$ 31,436,187</u>	<u>\$ 34,081,653</u>	<u>\$ 46,135,942</u>	<u>\$ 49,882,856</u>

Additional information on the City's capital assets can be found in Note 7 starting on page 63 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$27,411,278. Of this amount, \$3,000,000 is special assessment debt, \$21,891,278 is revenue debt, and \$2,520,000 is general obligation debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

**City of Le Sueur  
Management's Discussion and Analysis**

**Capital Asset and Debt Administration (Continued)**

**City of Le Sueur's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 2,520,000	\$ 2,910,000	\$ -	\$ -	\$ 2,520,000	\$ 2,910,000
General obligation improvement bonds	3,000,000	3,610,000	-	-	3,000,000	3,610,000
General obligation revenue bonds	135,000	180,000	13,242,000	14,801,000	13,377,000	14,981,000
Revenue bonds	8,514,278	8,926,914	-	-	8,514,278	8,926,914
<b>Total</b>	<b>\$ 14,169,278</b>	<b>\$ 15,626,914</b>	<b>\$ 13,242,000</b>	<b>\$ 14,801,000</b>	<b>\$ 27,411,278</b>	<b>\$ 30,427,914</b>

The City's total debt decreased by \$3,016,636, 9.9 percent, during the current fiscal year.

The City's current bond rating from S&P is an "AA-" rating for general obligation and revenue debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt margin for the City is \$11,610,321.

Additional information on the City's long-term debt can be found in Note 8 starting on page 66 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Le Sueur County is currently 5.1 percent, which is a decrease from a rate of 5.3 percent a year ago. This is higher than the State's average unemployment rate of 3.8 percent and the national average rate of 4.7 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

The property tax levy will increase from \$2,102,590 in 2015 to \$2,185,536 in 2016, or approximately 3.9 percent. The City's share of property taxes is low when compared to similar sized cities throughout the State.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Le Sueur, 203 S. Second Street, Le Sueur, MN 56058.

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## **BASIC FINANCIAL STATEMENTS**

**City of Le Sueur  
Statement of Net Position  
December 31, 2015**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and investments (including cash equivalents)	\$ 3,413,247	\$ 484,267	\$ 3,897,514	\$ 190,443
Receivables				
Accounts receivable	82,174	1,825,059	1,907,233	-
Interest receivable	155,137	-	155,137	-
Taxes receivable	48,908	-	48,908	-
Special assessments receivable	1,713,556	56,628	1,770,184	-
Notes receivable	6,800,548	282,662	7,083,210	2,246,851
Due from other governments	262,300	99,884	362,184	-
Internal balances	790,377	(790,377)	-	-
Due from component unit/primary government	823,541	-	823,541	65,080
Inventory	26,481	391,273	417,754	-
Prepaid items	4,240	8,480	12,720	-
Investment in joint venture	29,045	643,221	672,266	-
Land held for resale	-	-	-	1,759,576
Capital assets not being depreciated				
Land	1,414,773	415,653	1,830,426	-
Construction in progress	3,020,383	607,604	3,627,987	-
Capital assets net of accumulated depreciation				
Buildings	3,814,822	1,896,477	5,711,299	-
Infrastructure	5,457,729	26,988,555	32,446,284	-
Machinery and equipment	448,356	1,370,596	1,818,952	-
Vehicles	543,692	157,302	700,994	-
Net pension asset - fire relief	174,642	-	174,642	-
<b>Total assets</b>	<b>29,023,951</b>	<b>34,437,284</b>	<b>63,461,235</b>	<b>4,261,950</b>
<b>Deferred Outflows Of Resources</b>				
Deferred outflows of resources related to fire relief pensions	25,000	-	25,000	-
Deferred outflows of resources related to city pensions	274,327	121,495	395,822	-
<b>Total deferred outflows of resources</b>	<b>299,327</b>	<b>121,495</b>	<b>420,822</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 29,323,278</b>	<b>\$ 34,558,779</b>	<b>\$ 63,882,057</b>	<b>\$ 4,261,950</b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 152,282	\$ 602,038	\$ 754,320	92,624
Interest payable	105,427	45,200	150,627	207,974
Salaries and benefits payable	56,570	59,345	115,915	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	24,603	87,477	112,080	-
Deposits payable	20,000	39,900	59,900	-
Unearned revenue	12,681	-	12,681	-
Bonds payable, net				
Payable within one year	1,417,555	1,213,000	2,630,555	124,525
Payable after one year	12,812,960	12,038,183	24,851,143	2,177,030
Note payable				
Payable within one year	-	-	-	207,656
Payable after one year	-	-	-	716,388
Compensated absences payable				
Payable within one year	86,403	48,025	134,428	-
Payable after one year	29,388	15,505	44,893	-
Other post employment benefits (OPEB) obligation	87,000	56,188	143,188	-
Net Pension Liability	1,475,204	898,425	2,373,629	-
<b>Total liabilities</b>	<b>16,280,073</b>	<b>15,103,286</b>	<b>31,383,359</b>	<b>4,349,738</b>
<b>Deferred Inflows Of Resources</b>				
Deferred inflows of resources related to fire relief pensions	16,193	-	16,193	-
Deferred inflows of resources related to city pensions	210,308	116,314	326,622	-
<b>Total deferred inflows of resources</b>	<b>226,501</b>	<b>116,314</b>	<b>342,815</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	5,491,163	18,185,004	23,676,167	-
Restricted for				
Debt service	1,256,690	-	1,256,690	-
Economic development loans	456,866	-	456,866	-
Transit operations and maintenance	64,571	-	64,571	-
Unrestricted	5,547,414	1,154,175	6,701,589	(87,788)
<b>Total net position</b>	<b>12,816,704</b>	<b>19,339,179</b>	<b>32,155,883</b>	<b>(87,788)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 29,323,278</b>	<b>\$ 34,558,779</b>	<b>\$ 63,882,057</b>	<b>\$ 4,261,950</b>

**City of Le Sueur  
Statement of Activities  
Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
Governmental activities								
General government	\$ 640,992	\$ 45,536	\$ -	\$ -	\$ (595,456)	\$ -	\$ (595,456)	\$ -
Public safety	1,401,601	559,499	113,828	8,525	(719,749)	-	(719,749)	-
Streets and highways	873,530	375	81,890	511,550	(279,715)	-	(279,715)	-
Sanitation	279	3,867	-	-	3,588	-	3,588	-
Culture and recreation	1,323,186	641,302	3,765	12,000	(666,119)	-	(666,119)	-
Housing and economic development	134,353	505,972	-	-	371,619	-	371,619	-
Transportation	445,738	78,953	202,546	109,508	(54,731)	-	(54,731)	-
Interest and fiscal charges	586,377	-	-	-	(586,377)	-	(586,377)	-
Total governmental activities	<u>5,406,056</u>	<u>1,835,504</u>	<u>402,029</u>	<u>641,583</u>	<u>(2,526,940)</u>	<u>-</u>	<u>(2,526,940)</u>	<u>-</u>
Business-type activities								
Water utility	715,446	1,043,475	-	32,968	-	360,997	360,997	-
Sewer utility	1,743,806	1,978,177	209,476	29,296	-	473,143	473,143	-
Storm sewer	74,855	-	-	-	-	(74,855)	(74,855)	-
Electric and refuse utility	9,125,358	9,189,232	-	-	-	63,874	63,874	-
Total business-type activities	<u>11,659,465</u>	<u>12,210,884</u>	<u>209,476</u>	<u>62,264</u>	<u>-</u>	<u>823,159</u>	<u>823,159</u>	<u>-</u>
<b>Total governmental and   Business-type activities</b>	<u>\$ 17,065,521</u>	<u>\$ 14,046,388</u>	<u>\$ 611,505</u>	<u>\$ 703,847</u>	<u>(2,526,940)</u>	<u>823,159</u>	<u>(1,703,781)</u>	<u>-</u>
<b>Component units</b>								
Economic development authority	<u>\$ 305,307</u>	<u>274,352</u>	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,045</u>
General revenues								
Property taxes					2,204,158	-	2,204,158	-
Tax increments					-	-	-	87,830
Intergovernmental					976,388	-	976,388	-
Payment in lieu of taxes					2,270	-	2,270	-
Other general revenues					35,160	-	35,160	7,500
Unrestricted investment earnings					8,223	1,215	9,438	166
Transfers					356,600	(356,600)	-	-
Total general revenues and transfers					<u>3,582,799</u>	<u>(355,385)</u>	<u>3,227,414</u>	<u>95,496</u>
Change in net position					1,055,859	467,774	1,523,633	101,541
Net position - beginning					14,065,164	21,382,423	35,447,587	(189,329)
Prior period adjustments as previously stated (see Note 15)					(1,055,304)	(1,638,760)	(2,694,064)	-
Change in accounting principle (see Note 14)					(1,249,015)	(872,258)	(2,121,273)	-
Net position - beginning, as restated					<u>11,760,845</u>	<u>18,871,405</u>	<u>30,632,250</u>	<u>(189,329)</u>
Net position - ending					<u>\$ 12,816,704</u>	<u>\$ 19,339,179</u>	<u>\$ 32,155,883</u>	<u>\$ (87,788)</u>

**City of Le Sueur**  
**Balance Sheet - Governmental Funds**  
**December 31, 2015**

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)
<b>Assets</b>			
Cash investments	\$ 74,230	\$ 1,275,293	\$ 830,312
Interest receivable	-	155,137	-
Delinquent taxes receivable	48,908	-	-
Accounts receivable	40,384	-	-
Notes and mortgages receivable	-	1,496,585	5,278,871
Special assessments receivable	-	-	1,699,709
Due from other governments	62,132	-	17,689
Advances to other funds	-	-	791,053
Advances to component unit	-	670,308	-
Due from other funds	1,084,140	-	-
Inventory	4,344	-	-
Prepaid items	4,240	-	-
	<b>\$ 1,318,378</b>	<b>\$ 3,597,323</b>	<b>\$ 8,617,634</b>
<b>Liabilities</b>			
Accounts payable	\$ 52,235	\$ -	\$ 65,080
Due to other governments	2,533	-	-
Advances from other funds	-	-	-
Due to other funds	-	-	76,358
Accrued wages payable	40,948	-	-
Deposits payable	20,000	-	-
Unearned revenue	12,681	-	-
	<b>128,397</b>	<b>-</b>	<b>141,438</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	48,908	-	-
Unavailable revenue - special assessments	-	-	1,699,709
Unavailable revenue - interest	-	155,137	-
	<b>48,908</b>	<b>155,137</b>	<b>1,699,709</b>
<b>Fund Balances (deficits)</b>			
Nonspendable for			
Inventory	4,344	-	-
Prepaid items	4,240	-	-
Advances to other funds	-	-	392,447
Restricted for			
Economic development loans	-	456,866	-
Debt service	-	-	6,384,040
Transit operations and maintenance	-	-	-
Committed for			
Economic development loans	-	2,985,320	-
Fire department operations and maintenance	-	-	-
Ambulance operations and maintenance	-	-	-
Assigned for			
Capital projects	-	-	-
Unassigned	1,132,489	-	-
	<b>1,141,073</b>	<b>3,442,186</b>	<b>6,776,487</b>
	<b>\$ 1,318,378</b>	<b>\$ 3,597,323</b>	<b>\$ 8,617,634</b>
Total liabilities, deferred inflows of resources, and fund balances			
	<b>\$ 1,318,378</b>	<b>\$ 3,597,323</b>	<b>\$ 8,617,634</b>

Community Center (615)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,233,412	\$ 3,413,247
-	-	155,137
-	-	48,908
10,538	31,252	82,174
-	25,092	6,800,548
-	13,847	1,713,556
29,300	153,179	262,300
-	30,324	821,377
-	153,233	823,541
-	-	1,084,140
2,768	19,369	26,481
-	-	4,240
<u>\$ 42,606</u>	<u>\$ 1,659,708</u>	<u>\$ 15,235,649</u>
\$ 15,299	\$ 19,668	\$ 152,282
20,817	1,253	24,603
31,000	-	31,000
175,025	832,757	1,084,140
9,053	6,569	56,570
-	-	20,000
-	-	12,681
<u>251,194</u>	<u>860,247</u>	<u>1,381,276</u>
-	-	48,908
-	13,847	1,713,556
-	-	155,137
<u>-</u>	<u>13,847</u>	<u>1,917,601</u>
2,768	19,369	26,481
-	-	4,240
-	-	392,447
-	-	456,866
-	-	6,384,040
-	64,571	64,571
-	-	2,985,320
-	62,502	62,502
-	149,977	149,977
-	1,296,517	1,296,517
(211,356)	(807,322)	113,811
<u>(208,588)</u>	<u>785,614</u>	<u>11,936,772</u>
<u>\$ 42,606</u>	<u>\$ 1,659,708</u>	<u>\$ 15,235,649</u>

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**City of Le Sueur**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2015**

Total fund balances - governmental funds \$ 11,936,772

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	24,773,038
Less Accumulated Depreciation	(10,073,283)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	(14,169,278)
Unamortized bond premium	(61,237)
Compensated absences payable	(115,791)
Unfunded other post employment benefits obligation	(87,000)
Net pension liability - city pension	(1,475,204)

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Taxes	48,908
Special assessments	11,408

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

Deferred special assessments	1,702,148
Interest receivable	155,137

Governmental funds do not report a liability for accrued interest due and payable.

(105,427)

Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to fire relief pensions	(16,193)
Deferred inflows of resources related to city pensions	(210,308)
Deferred outflows of resources related to fire relief pensions	25,000
Deferred outflows of resources related to city pensions	274,327

Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.

174,642

Investments in joint ventures are not financial resources and therefore are not reported in the funds

29,045

Total net position - governmental activities

\$ 12,816,704

**City of Le Sueur**  
**Statement of Revenues, Expenditure, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2015**

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)
<b>Revenues</b>			
Taxes	\$ 714,393	\$ -	\$ 607,147
Franchise fees	17,885	-	-
Special assessments	-	-	175,531
Licenses and permits	133,871	-	-
Intergovernmental	1,082,328	-	-
Charges for services	136,907	-	-
Fines and forfeits	25,854	-	-
Investment earnings	3,057	4,364	802
Miscellaneous	37,057	43,072	318,126
Total revenues	<u>2,151,352</u>	<u>47,436</u>	<u>1,101,606</u>
<b>Expenditures</b>			
Current			
General government	545,159	-	-
Public safety	936,996	-	-
Streets and highways	568,790	-	-
Sanitation	279	-	-
Culture and recreation	180,441	-	-
Housing and economic development	97,980	37,000	-
Transportation	-	-	-
Capital outlay			
Public safety	-	-	-
Streets and highways	-	-	-
Culture and recreation	-	-	-
Transportation	-	-	-
Debt service			
Principal	-	-	1,457,636
Interest and other	-	-	635,807
Total expenditures	<u>2,329,645</u>	<u>37,000</u>	<u>2,093,443</u>
Excess of revenues over (under) expenditures	(178,293)	10,436	(991,837)
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital asset	-	-	-
Transfers in	382,380	-	489,354
Transfers out	(26,086)	-	-
Total other financing sources (uses)	<u>356,294</u>	<u>-</u>	<u>489,354</u>
Net change in fund balances	178,001	10,436	(502,483)
<b>Fund Balances</b>			
Beginning of year, as previously stated	963,072	3,560,562	7,278,970
Prior period adjustment	-	(128,812)	-
Beginning of year, as restated	<u>963,072</u>	<u>3,431,750</u>	<u>7,278,970</u>
End of year	<u>\$ 1,141,073</u>	<u>\$ 3,442,186</u>	<u>\$ 6,776,487</u>

Community Center (615)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 430,878	\$ 471,480	\$ 2,223,898
-	-	17,885
-	2,975	178,506
-	-	133,871
-	339,333	1,421,661
600,719	489,852	1,227,478
-	-	25,854
-	-	8,223
39,698	76,114	514,067
<u>1,071,295</u>	<u>1,379,754</u>	<u>5,751,443</u>
-	-	545,159
-	268,521	1,205,517
-	-	568,790
-	-	279
917,583	-	1,098,024
-	-	134,980
-	239,699	239,699
-	18,167	18,167
-	67,065	67,065
4,999	228,213	233,212
-	649,702	649,702
-	-	1,457,636
-	-	635,807
<u>922,582</u>	<u>1,471,367</u>	<u>6,854,037</u>
148,713	(91,613)	(1,102,594)
-	1,239	1,239
-	5,000	876,734
<u>(223,663)</u>	<u>(270,385)</u>	<u>(520,134)</u>
<u>(223,663)</u>	<u>(264,146)</u>	<u>357,839</u>
(74,950)	(355,759)	(744,755)
(133,638)	1,141,373	12,810,339
-	-	(128,812)
<u>(133,638)</u>	<u>1,141,373</u>	<u>12,681,527</u>
<u>\$ (208,588)</u>	<u>\$ 785,614</u>	<u>\$ 11,936,772</u>

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**City of Le Sueur**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to**  
**the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2015**

Net change in fund balances - governmental funds \$ (744,755)

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

Capital outlays are reported in governmental funds as expenditures. However, in statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	921,075
Depreciation expense	(931,998)
Loss on disposal	(35,221)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities. (5,047)

Unfunded OPEB obligations are recognized as expenditures in the governmental funds but recognized as the expense incurred in the Statement of Activities. 16,682

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(22,403)
State PEPFF contribution	43,682

Payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the statement of activities. 1,457,636

Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 8,342

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 41,088

Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent property taxes	(19,740)
Delinquent special assessments	(34,126)
Deferred special assessments	337,731
Interest receivable	26,325

The City has an equity interest in joint ventures. The net allocated gain or (loss) and contributions from this investment is not a current financial resource and therefore is not reported in the governmental funds. (3,412)

Change in net position - governmental activities \$ 1,055,859

**City of Le Sueur**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 689,804	\$ 689,804	\$ 714,393	\$ 24,589
Franchise fees	38,000	38,000	17,885	(20,115)
Licenses and permits	110,400	110,400	133,871	23,471
Intergovernmental	1,008,510	1,008,510	1,082,328	73,818
Charges for services	21,000	21,000	136,907	115,907
Fines and forfeits	20,100	20,100	25,854	5,754
Investment earnings	2,500	2,500	3,057	557
Miscellaneous				
Contributions and donations	-	-	2,800	2,800
Refunds and reimbursements	6,000	6,000	26,101	20,101
Other	3,800	3,800	8,156	4,356
Total revenues	1,900,114	1,900,114	2,151,352	251,238
<b>Expenditures</b>				
Current				
General government	524,430	524,430	545,159	20,729
Public safety	983,929	983,929	936,996	(46,933)
Streets and highways	575,219	575,219	568,790	(6,429)
Sanitation	1,000	1,000	279	(721)
Culture and recreation	149,700	149,700	180,441	30,741
Housing and economic development	-	-	97,980	97,980
Total expenditures	2,234,278	2,234,278	2,329,645	95,367
Excess of revenues over (under) expenditures	(334,164)	(334,164)	(178,293)	155,871
<b>Other Financing Sources (Uses)</b>				
Transfers in	393,250	393,250	382,380	(10,870)
Transfers out	(26,086)	(26,086)	(26,086)	-
Total other financing sources (uses)	367,164	367,164	356,294	(10,870)
Net change in fund balance	\$ 33,000	\$ 33,000	178,001	\$ 145,001
<b>Fund Balance</b>				
Beginning of year			963,072	
End of year			\$ 1,141,073	

**City of Le Sueur**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Community Center Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 430,878	\$ 430,878	\$ 430,878	\$ -
Charges for services	474,350	474,350	600,719	126,369
Miscellaneous				
Other	44,900	44,900	39,698	(5,202)
Total revenues	<u>950,128</u>	<u>950,128</u>	<u>1,071,295</u>	<u>121,167</u>
<b>Expenditures</b>				
Current				
Culture and recreation	734,405	734,405	917,583	183,178
Capital outlay				
Culture and recreation	3,000	3,000	4,999	1,999
Total expenditures	<u>737,405</u>	<u>737,405</u>	<u>922,582</u>	<u>185,177</u>
Excess of revenues over (under) expenditures	212,723	212,723	148,713	(64,010)
<b>Other Financing Uses</b>				
Transfers out	<u>(212,723)</u>	<u>(212,723)</u>	<u>(223,663)</u>	<u>(10,940)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(74,950)</u>	<u>\$ (74,950)</u>
<b>Fund Balance</b>				
Beginning of year			<u>(133,638)</u>	
End of year			<u>\$ (208,588)</u>	

**City of Le Sueur**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2015**

	Water Utility (601)	Sewer Utility (602, 606)	Sewer Pre- Treatment (603)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 174,164	\$ -	\$ 32,970
Accounts receivable	165,317	306,613	-
Notes and mortgages receivable - current	-	-	-
Due from other governments	-	99,884	-
Special assessments receivable - current	1,501	1,968	-
Due from other funds	323,889	-	-
Prepaid items	1,802	1,802	-
Inventory	84,641	2,401	-
Total current assets	751,314	412,668	32,970
Noncurrent assets			
Notes and mortgages receivable - noncurrent	-	-	-
Special assessments receivable - noncurrent	23,974	29,185	-
Advances to other funds - noncurrent	335,980	-	-
Investment in joint venture	-	643,221	-
Capital assets			
Land	-	317,276	-
Buildings	2,878,778	291,370	2,192,197
Infrastructure	3,484,866	27,023,409	-
Machinery and equipment	1,305,573	431,207	-
Vehicles	54,767	94,890	-
Construction in progress	336,895	130,460	-
Total capital assets	8,060,879	28,288,612	2,192,197
Less accumulated depreciation	(4,052,700)	(7,304,299)	(1,684,247)
Net capital assets	4,008,179	20,984,313	507,950
Total noncurrent assets	4,368,133	21,656,719	507,950
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pension activity	20,307	27,749	-
Total assets and deferred outflows of resources	\$ 5,139,754	\$ 22,097,136	\$ 540,920
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 40,079	\$ 5,523	\$ -
Advances from other funds - current	67,668	92,043	-
Due to other funds	-	311,717	-
Due to other governments	8,907	65,011	-
Accrued interest payable	549	42,673	-
Accrued wages payable	10,951	16,496	-
Compensated absences payable - current	8,881	5,025	-
Deposits payable	-	-	-
Bonds payable - current	70,000	1,053,000	-
Total current liabilities	207,035	1,591,488	-
Noncurrent liabilities			
Advances from other funds	278,850	1,218,796	-
Compensated absences payable - noncurrent	2,207	1,655	-
Other postemployment benefits payable	7,925	24,609	-
Bonds payable - noncurrent	220,000	11,303,183	-
Net pension liability	150,165	205,199	-
Total noncurrent liabilities	659,147	12,753,442	-
Total liabilities	866,182	14,344,930	-
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pension activity	19,441	26,566	-
<b>Net Position</b>			
Net investment in capital assets	3,718,179	8,628,130	507,950
Unrestricted	535,952	(902,490)	32,970
Total net position	4,254,131	7,725,640	540,920
Total liabilities, deferred inflows of resources, and net position	\$ 5,139,754	\$ 22,097,136	\$ 540,920

Electric and Refuse Utility (604)	Storm Utility (605)	Total
\$ 277,133	\$ -	\$ 484,267
1,353,129	-	1,825,059
21,696	-	21,696
-	-	99,884
-	-	3,469
-	-	323,889
4,876	-	8,480
304,231	-	391,273
<u>1,961,065</u>	<u>-</u>	<u>3,158,017</u>
260,966	-	260,966
-	-	53,159
531,000	-	866,980
-	-	643,221
98,377	-	415,653
322,048	-	5,684,393
8,802,179	-	39,310,454
3,286,419	-	5,023,199
715,338	-	864,995
140,249	-	607,604
<u>13,364,610</u>	<u>-</u>	<u>51,906,298</u>
<u>(7,428,865)</u>	<u>-</u>	<u>(20,470,111)</u>
<u>5,935,745</u>	<u>-</u>	<u>31,436,187</u>
<u>6,727,711</u>	<u>-</u>	<u>33,260,513</u>
73,439	-	121,495
<u>\$ 8,762,215</u>	<u>\$ -</u>	<u>\$ 36,540,025</u>
\$ 556,436	\$ -	\$ 602,038
-	-	159,711
-	12,172	323,889
13,559	-	87,477
1,978	-	45,200
31,898	-	59,345
34,119	-	48,025
39,900	-	39,900
90,000	-	1,213,000
<u>767,890</u>	<u>12,172</u>	<u>2,578,585</u>
-	-	1,497,646
11,643	-	15,505
23,654	-	56,188
515,000	-	12,038,183
543,061	-	898,425
<u>1,093,358</u>	<u>-</u>	<u>14,505,947</u>
<u>1,861,248</u>	<u>12,172</u>	<u>17,084,532</u>
70,307	-	116,314
5,330,745	-	18,185,004
1,499,915	(12,172)	1,154,175
<u>6,830,660</u>	<u>(12,172)</u>	<u>19,339,179</u>
<u>\$ 8,762,215</u>	<u>\$ -</u>	<u>\$ 36,540,025</u>

**City of Le Sueur**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2015**

	<u>Water Utility</u> (601)	<u>Sewer Utility</u> (602, 606)	<u>Sewer Pre- Treatment (603)</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 1,031,913	\$ 1,746,439	\$ -
<b>Operating Expenses</b>			
Source of power	63,913	-	-
Power and pumping	111,822	-	-
Purification	7,009	-	-
Distribution	31,585	-	-
Administrative and general	274,488	200,638	-
Sanitary sewer cleaning	-	8,110	-
Sewer lift stations	-	9,627	-
Sewer treatment plants	-	579,915	-
Metering	15,817	14,483	-
Sewer flood repair	-	168,433	-
PUC	-	43,198	-
Purchased power	-	-	-
Transmission and distribution	-	-	-
Customer collection and meter	-	-	-
Depreciation	197,735	563,219	74,855
Repairs and Maintenance	19	-	-
Total operating expenses	<u>702,388</u>	<u>1,587,623</u>	<u>74,855</u>
Operating income (loss)	329,525	158,816	(74,855)
<b>Nonoperating Revenues (Expenses)</b>			
Income from investment in joint venture	-	209,476	-
Investment earnings	16	-	-
Rental income	6,000	695	-
Refunds and reimbursements	-	184,828	-
Other income	5,562	46,215	-
Interest and related expenses	(14,961)	(158,020)	-
Amortization of bond premium (discount)	2,153	1,837	-
Issuance costs	(250)	-	-
Total nonoperating revenues (expenses)	<u>(1,480)</u>	<u>285,031</u>	<u>-</u>
Income (loss) before capital contributions and transfers	328,045	443,847	(74,855)
<b>Capital Contributions and Transfers</b>			
Special assessments	4,461	405	-
Connection fees	28,507	28,891	-
Transfers in	-	300,000	-
Transfers out	<u>(301,200)</u>	<u>(1,150)</u>	<u>-</u>
Change in net position	59,813	771,993	(74,855)
<b>Net Position</b>			
Beginning of year, as previously stated	4,897,219	7,493,586	615,775
Prior period adjustment (see Note 15)	(557,110)	(340,716)	-
Change in accounting principle (see Note 14)	<u>(145,791)</u>	<u>(199,223)</u>	<u>-</u>
Beginning of year, as restated	<u>4,194,318</u>	<u>6,953,647</u>	<u>615,775</u>
End of year	<u>\$ 4,254,131</u>	<u>\$ 7,725,640</u>	<u>\$ 540,920</u>

See notes to financial statements.

Electric and Refuse Utility (604)	Storm Utility (605)	Total
\$ 9,054,612	\$ -	\$ 11,832,964
-	-	63,913
-	-	111,822
-	-	7,009
-	-	31,585
1,031,712	-	1,506,838
-	-	8,110
-	-	9,627
-	-	579,915
-	-	30,300
-	-	168,433
-	-	43,198
6,736,950	-	6,736,950
564,833	-	564,833
308,728	-	308,728
455,918	-	1,291,727
-	-	19
9,098,141	-	11,463,007
(43,529)	-	369,957
-	-	209,476
1,199	-	1,215
-	-	6,695
-	-	184,828
134,620	-	186,397
(27,217)	-	(200,198)
-	-	3,990
-	-	(250)
108,602	-	392,153
65,073	-	762,110
-	-	4,866
-	-	57,398
-	-	300,000
(354,250)	-	(656,600)
(289,177)	-	467,774
8,388,015	(12,172)	21,382,423
(740,934)	-	(1,638,760)
(527,244)	-	(872,258)
7,119,837	(12,172)	18,871,405
\$ 6,830,660	\$ (12,172)	\$ 19,339,179

**City of Le Sueur**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2015**

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
<b>Cash Flows - Operating Activities</b>		
Receipts from customers and users	\$ 1,036,870	\$ 1,720,020
Payments to suppliers	(284,436)	(725,800)
Payments to employees	(185,862)	(312,718)
Other receipts	11,562	46,910
Net cash flows - operating activities	578,134	728,412
<b>Cash Flows - Noncapital Financing Activities</b>		
Change in due from other funds	(323,889)	367,122
Refunds and reimbursements	-	184,828
Transfer in	-	300,000
Transfer out	(301,200)	(1,150)
Net cash flows - noncapital Financing activities	(625,089)	850,800
<b>Cash Flows - Capital and Related Financing Activities</b>		
Principal paid on debt	(432,153)	(1,040,837)
Interest paid on debt	(13,774)	(159,515)
Payments received on assessments receivable	(3,793)	(7,469)
Connection fees received	28,507	28,891
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(59,537)	385,738
Acquisition of capital assets	(144,909)	(33,600)
Net cash flows - capital and related financing activities	(625,659)	(826,792)
<b>Cash Flows - Investing Activities</b>		
Interest and dividends received	16	-
Net change in cash and cash equivalents	(672,598)	752,420
<b>Cash and Cash Equivalents</b>		
January 1	846,762	(752,420)
December 31	\$ 174,164	\$ -

Business-Type Activities -  
Enterprise Funds

Sewer Pre-Treatment (603)	Electric and Refuse Utility (604)	Storm Utility (605)	Total
\$ -	\$ 9,115,015	\$ -	\$ 11,871,905
-	(7,946,442)	-	(8,956,678)
-	(751,152)	-	(1,249,732)
-	137,492	-	195,964
-	554,913	-	1,861,459
-	-	12,172	55,405
-	-	-	184,828
-	-	-	300,000
-	(354,250)	-	(656,600)
-	(354,250)	12,172	(116,367)
-	(90,000)	-	(1,562,990)
-	(27,461)	-	(200,750)
-	-	-	(11,262)
-	-	-	57,398
-	20,452	-	20,452
-	(469,000)	-	(142,799)
-	(188,756)	-	(367,265)
-	(754,765)	-	(2,207,216)
-	1,199	-	1,215
-	(552,903)	12,172	(460,909)
32,970	830,036	(12,172)	945,176
\$ 32,970	\$ 277,133	\$ -	\$ 484,267

**City of Le Sueur**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2015**

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities</b>		
Operating income (loss)	\$ 329,525	\$ 158,816
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	11,562	46,910
Operating activities		
Depreciation expense	197,735	563,219
Pension related activity	3,508	4,793
Accounts receivable	4,957	(19,126)
Due from other governments	-	(7,293)
Prepaid items	930	930
Inventory	3,096	234
Accounts and contracts payable	21,984	(35,542)
Salaries and benefits payable	213	13,347
Due to other governments	8,907	9,974
Deposits payable	-	-
Unavailable revenue	-	-
OPEB obligation	(266)	(3,156)
Compensated absences payable	(4,017)	(4,694)
Total adjustments	248,609	569,596
Net cash flows - operating activities	\$ 578,134	\$ 728,412

Business-Type Activities -  
Enterprise Funds

Sewer Pre- Treatment (603)	Electric and Refuse Utility (604)	Storm Utility (605)	Total
\$ (74,855)	\$ (43,529)	\$ -	\$ 369,957
-	137,492	-	195,964
74,855	455,918	-	1,291,727
-	12,685	-	20,986
-	60,403	-	46,234
-	-	-	(7,293)
-	791	-	2,651
-	(2,080)	-	1,250
-	(35,241)	-	(48,799)
-	(93)	-	13,467
-	(15,454)	-	3,427
-	(1,950)	-	(1,950)
-	-	-	-
-	(6,074)	-	(9,496)
-	(7,955)	-	(16,666)
<u>74,855</u>	<u>598,442</u>	<u>-</u>	<u>1,491,502</u>
<u>\$ -</u>	<u>\$ 554,913</u>	<u>\$ -</u>	<u>\$ 1,861,459</u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Le Sueur (the City) operates under its own Home Rule Charter. The City is governed by an elected Mayor and a six-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The City has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 year end.

*Discretely presented component unit.* The Le Sueur Economic Development Authority (the EDA) was created pursuant to Minnesota statutes, 469.090 through 469.108, to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The five-member board consists of two Council members and three other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council thus is presented as discretely presented component unit.

Complete financial statements for the individual component unit may be obtained at the entity's administrative offices, Le Sueur Economic Development Authority, 203 South Second Street, Le Sueur, MN 56058.

*Joint venture and joint powers agreement.* In April of 2005 the City of Le Sueur and the City of Henderson entered into a joint powers agreement for the planning, construction, operation, and maintenance of facilities for collection and treatment of any wastewater generated within the boundaries of the Cities of Le Sueur and Henderson. The public agency created under this joint powers agreement to manage this activity is known as the Minnesota River Valley Public Utilities Commission (MRVPUC). Under this agreement the City of Henderson transports its wastewater through a force main to a new mechanical treatment facility located in the City of Le Sueur. Wastewater from the facility is discharged into the Minnesota River. Both cities are billed an appropriate amount based upon the amount of wastewater loading generated by each city to cover the costs of its operation based on a budget prepared by the MRVPUC.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

Property ownership of the facilities is based on location and proportion of contributions of the respective jurisdictions. The City of Le Sueur was the fiscal agent until June 30, 2012, and certain related activities are accounted for in the General Fund.

The City and the City of Henderson formed a joint venture, the Le Sueur-Henderson Cable Communications Commission (the Commission). The purpose of the Commission is to monitor the operation and activities of cable communications, and in particular, the Cable Communications (System) of Le Sueur and Henderson (the participants); to provide coordination of administration and enforcement of the franchises of the participants for their respective System; and to conduct such other activities as may be necessary to provide equitable and reasonable rates and service levels for the citizens of the participants. Certain related activities are accounted for in the General Fund.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants, and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, pension (or other benefit) trust and agency.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

Agency Funds are presented in the fiduciary fund financial statement. Since, by definition, fiduciary fund assets are held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used for activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

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

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

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

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

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Description of Funds:**

Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

**Major Governmental Funds:**

General Fund – This Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Economic Development Revolving Loan Fund – This fund accounts for grants received by the City which are loaned to local businesses for economic development. The fund's grant revenues are committed for economic development.

Debt Service Fund – This Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Community Center Fund – This Fund is used to account for the operation of the community center, outdoor swimming pool, and recreation activities offered by the City. The fund's charges for services are committed for recreation, operations, maintenance, and improvements.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Description of Funds: (Continued)**

Proprietary Funds:

Water Utility Fund – This Fund is used to account for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

Sewer Utility Fund – This Fund is used to account for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

Sewer Pre-Treatment Fund – This Fund is used to account for the costs associated with the City's sewer pre-treatment system and ensures that user charges are sufficient to pay for those costs.

Electric and Refuse Utility Fund – This Fund is used to account for the costs associated with the City's electric system and refuse activity, and ensures that user charges are sufficient to pay for those costs.

Storm Utility Fund – This Fund is used to account for the costs associated with the City's storm sewer system and ensures that user charges are sufficient to pay for those costs.

Fiduciary Funds:

Agency Fund – This Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency funds account for Cable TV, HRA, LSH Healthy Communities, and certain Minnesota River Valley PUC activities.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Description of Funds: (Continued)**

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of 13 months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a nation bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity  
(Continued)**

**1. Deposits and Investments (Continued)**

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M Fund can be obtained by contracting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity  
(Continued)**

**1. Deposits and Investments (Continued)**

*Investment policy*

The funds of the City shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. In accordance with the City's investment policy, the primary criteria for the investment of funds of the City, in priority of order are as follows.

1. Safety – Regardless of any other considerations, the protection of the taxpayer's money must be assured. Speculation with the principal amount is never justified.
2. Timing of Maturities – When funds are needed, they must be available.
3. Liquidity – A proper investment must be sufficiently liquid so that the City is able to obtain cash if an emergency arises.
4. Yield – If the Safety, Timing of Maturities, and Liquidity factors have received proper consideration, the investment or deposit providing the maximum earnings may be made since the object of investing idle funds is to put the taxpayer's money to a use that will yield the greatest return consistent with safety and the City's later need for the money.

**2. Receivables**

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

**3. Property Taxes**

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

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

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity (Continued)**

**4. Special Assessments**

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

**5. Due to/from Other Funds**

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

**6. Inventory**

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**7. Prepaid Items**

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

**8. Land Held for Resale**

Land was acquired by the EDA for subsequent resale for redevelopment purposes. Land held for resale is an asset recorded at the lower of cost or realizable value in the fund that acquired it.

**9. Capital Assets**

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

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity  
(Continued)**

**9. Capital Assets (Continued)**

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and land improvements	\$ 25,000
Other improvements	50,000
Buildings	50,000
Building improvements	50,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-20
Buildings and improvements	10-40
System improvements/infrastructure	15-50
Machinery and equipment	5-15
Vehicles	5-15
Other assets	5-15

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity (Continued)**

**10. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and interest. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions.

**11. Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity  
(Continued)**

**12. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General Fund is typically used to liquidate governmental compensated absences payable.

**13. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**14. Postemployment Benefits Other than Pensions**

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined using the alternative valuation method, in accordance with GASB Statement 45.

**15. Fund Equity**

**a. Classification**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form, such as prepaid items.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity (Continued)**

**15. Fund Equity (Continued)**

**a. Classification (Continued)**

- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General Fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General Fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**b. Minimum Fund Balance**

The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unrestricted fund balance of 20 percent of budgeted operating expenditures for cash-flow timing needs.

**16. Net Position**

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Net Position or Equity (Continued)**

**16. Net Position (Continued)**

- b. Restricted net position – Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.
- c. Unrestricted net position – All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

**17. 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 the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the following funds:

- General fund
- Special revenue funds
  - Fire Service
  - Ambulance Service
  - Para-Transit
  - Airport
  - Community Center

In August of each year, all departments of the City submit requests for appropriations to the Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December. The City does not use encumbrance accounting.

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 Administrator. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council. No budget amendments were made during the year.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of Expenditures over Appropriations**

The actual expenditures exceeded budgeted expenditures in the following funds:

Fund/Department	Budget	Actual	Excess of Expenditures Over Appropriations
General			
General government	\$ 509,180	\$ 529,170	\$ 19,990
Culture and recreation	149,700	180,441	30,741
Housing and economic development	-	97,980	97,980
Special revenue			
Community Center	737,405	922,582	185,177
Para-transit	194,318	194,633	315

**C. Deficit Fund Equity**

The following Funds had deficit fund balances at December 31, 2015:

Fund	Amount
Special revenue	
Community center	\$ 208,588
Airport	67,467
Debt service	
2005 G.O. crossover refunding bonds	33,905
LS powerhouse abatement	4,413
Capital projects	
Capital improvements	726,823
Enterprise	
Storm utility	12,172

The above deficits will be eliminated through transfers from other funds, future tax and assessment collections, loan repayments, grants, and charges for services.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

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.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully 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. The selection should be approved by the City.

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

*Credit Risk.* 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. Minnesota statutes and the City's investment policy limit the City's investments.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

*Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the 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's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

*Concentration of Credit Risk.* The risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.

*Interest Rate Risk.* The risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

At year end, the City's carrying amount of deposits was \$3,335,081 (including EDA deposits of \$190,443), the bank balance was \$3,572,779. Of the bank balance, \$473,888 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

**B. Investments**

As of December 31, 2015, the City had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Minnesota Municipal Money Market			
4M Fund	N/A	less than six months	\$ 92,724
4M Plus Fund	N/A	less than six months	<u>659,572</u>
Total investments			<u><u>\$ 752,296</u></u>

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.  
(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Cash and Investments**

*Cash on hand*

Cash in the possession of the City, consisting of petty cash and change funds, totals \$580.

*Cash and investments summary*

A reconciliation of cash and investments as shown on the statement of net position for the City, including component unit, follows:

	Primary Government	Component Unit - EDA	Total
Carrying amount of deposits	\$ 3,144,638	\$ 190,443	\$ 3,335,081
Investments	752,296	-	752,296
Cash on hand	580	-	580
 Total	 \$ 3,897,514	 \$ 190,443	 \$ 4,087,957
 Cash and temporary investments	 \$ 3,897,514	 \$ 190,443	 \$ 4,087,957

**NOTE 4 – NOTES AND MORTGAGES RECEIVABLE**

The City has loaned funds to various local businesses. These notes will be paid back with monthly payments at 3.25 to 6.75 percent per annum. The balance on these notes at December 31, 2015, is \$7,083,210, including \$5,278,871 due from ISJ/Mayo Health Systems, Inc. Medical Clinic, for which the City issued debt for \$5,500,000. These loans are secured by property and equipment.

The EDA has mortgage receivables on lot sales. These mortgages will be repaid as the lots are sold. The balance on these mortgages at December 31, 2015, is \$26,500.

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,220,351, for which they issued debt for in the amount of \$2,466,000.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivables and payables balances at year-end were as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Community center	\$ 175,025
	Debt service	76,358
	Nonmajor governmental	832,757
Water utility	Sewer utility	311,717
	Storm utility	<u>12,172</u>
Total		<u><u>\$ 1,408,029</u></u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt service	Water utility	\$ 333,099
	Sewer utility	457,954
Nonmajor governmental	Water utility	13,419
	Sewer utility	16,905
Water utility	Sewer utility	335,980
Electric utility	Sewer utility	500,000
Electric utility	Community center	<u>31,000</u>
Total		<u><u>\$ 1,688,357</u></u>

The due to/due from other funds balances represent borrowing to resolve deficit cash balances. The advances were primarily capital related and amortization schedules have been established for pay back of the loans.

Advances from/to primary government/component unit are as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government	Component unit	
Revolving loan	Economic Development Authority	\$ 670,308
Nonmajor governmental	Economic Development Authority	<u>153,233</u>
Total		<u><u>\$ 823,541</u></u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

The EDA owes the City \$823,541 relating to the Le Sueur Hilltop Transportation Project Abatement. The EDA paid off debt early with a loan from the City. This will be paid off as the land from this project is sold.

**NOTE 6 – INTERFUND TRANSFERS**

Transfers during the year ended December 31, 2015, were as follows:

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Sewer Utility	
Transfers out					
General	\$ -	\$ 26,086	\$ -	\$ -	\$ 26,086
Community Center	10,940	212,723	-	-	223,663
Nonmajor governmental	14,840	250,545	5,000	-	270,385
Water Utility	1,200	-	-	300,000	301,200
Sewer Utility	1,150	-	-	-	1,150
Electric Utility	354,250	-	-	-	354,250
Total transfers out	<u>\$ 382,380</u>	<u>\$ 489,354</u>	<u>\$ 5,000</u>	<u>\$ 300,000</u>	<u>\$ 1,176,734</u>

In the year ended December 31, 2015, the City made the following transfers:

A transfer of \$10,940 was made from the Community Center fund to the General Fund to subsidize the General fund for administration costs and the safety and wellness program.

A transfer of \$14,840 was made from Nonmajor Governmental funds to the General Fund to subsidize the General fund for administration costs and the safety and wellness program.

A transfer of \$1,200 was made from the Water Utility fund to the General Fund to subsidize the General fund for the safety and wellness program.

A transfer of \$1,150 was made from the Sewer Utility fund to the General Fund to subsidize the General fund for the safety and wellness program.

A transfer of \$350,000 was made from the Electric Utility Fund to the General Fund representing a franchise fee of approximately 5 percent of gross revenue of said utility fund. A transfer of \$4,250 was also made from the Electric Utility fund to the General Fund to subsidize the General fund for the safety and wellness program.

A transfer of \$26,086 was made out of the General Fund to the Debt Service Fund for debt service payments.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 6 – INTERFUND TRANSFERS (CONTINUED)**

A transfer of \$212,723 was made out of the Community Center Fund to the Debt Service Funds for debt service payments.

A transfer of \$250,545 was made from Nonmajor Governmental funds to the Debt Service Fund for debt service payments.

A transfer of \$5,000 was made from Nonmajor Governmental funds to other Nonmajor Governmental funds to help fund the purchase of a new ambulance.

A transfer of \$300,000 was made from the Water Utility fund to the Sewer Utility fund to cover a negative cash balance.

Transfers were used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service fund to establish mandatory reserve accounts, and 3) move unrestricted General fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance Restated	Increases	Decreases	Ending Balance
<b>Governmental activities</b>						
Capital assets not being depreciated						
Land	\$ 860,582	\$ (113,430)	\$ 747,152	\$ 702,842	\$ 35,221	\$ 1,414,773
Construction in progress	2,936,357	(62,449)	2,873,908	849,317	702,842	3,020,383
Total capital assets not being depreciated	3,796,939	(175,879)	3,621,060	1,552,159	738,063	4,435,156
Capital assets being depreciated						
Buildings	6,472,972	(164,866)	6,308,106	-	-	6,308,106
Infrastructure	12,302,112	(1,784,687)	10,517,425	-	65,742	10,451,683
Machinery and equipment	2,169,327	-	2,169,327	5,526	181,188	1,993,665
Vehicles	1,696,834	-	1,696,834	66,232	178,638	1,584,428
Total capital assets being depreciated	22,641,245	(1,949,553)	20,691,692	71,758	425,568	20,337,882
Less accumulated depreciation for						
Buildings	(2,319,995)	64,940	(2,255,055)	(238,229)	-	(2,493,284)
Infrastructure	(5,567,511)	1,005,188	(4,562,323)	(497,371)	(65,740)	(4,993,954)
Machinery and equipment	(1,606,046)	-	(1,606,046)	(120,452)	(181,189)	(1,545,309)
Vehicles	(1,143,429)	-	(1,143,429)	(75,946)	(178,639)	(1,040,736)
Total accumulated depreciation	(10,636,981)	1,070,128	(9,566,853)	(931,998)	(425,568)	(10,073,283)
Total capital assets being depreciated, net	12,004,264	(879,425)	11,124,839	(860,240)	-	10,264,599
Governmental activities capital assets, net	<u>\$ 15,801,203</u>	<u>\$ (1,055,304)</u>	<u>\$ 14,745,899</u>	<u>\$ 691,919</u>	<u>\$ 738,063</u>	<u>\$ 14,699,755</u>

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended December 31, 2015, was as follows (Continued):

	Beginning Balance	Prior Period Adjustment	Beginning Balance Restated	Increases	Decreases	Ending Balance
<b>Business-type activities</b>						
Capital assets not being depreciated						
Land	\$ 513,973	\$ (98,320)	\$ 415,653	\$ -	\$ -	\$ 415,653
Construction in progress	431,687	-	431,687	175,917	-	607,604
Total capital assets not being depreciated	<u>945,660</u>	<u>(98,320)</u>	<u>847,340</u>	<u>175,917</u>	<u>-</u>	<u>1,023,257</u>
Capital assets being depreciated						
Buildings	6,235,257	(550,864)	5,684,393	-	-	5,684,393
Infrastructure	42,962,188	(3,750,870)	39,211,318	100,000	864	39,310,454
Machinery and equipment	5,567,263	(256,801)	5,310,462	57,746	345,009	5,023,199
Vehicles	1,145,054	(16,350)	1,128,704	-	263,709	864,995
Total capital assets being depreciated	<u>55,909,762</u>	<u>(4,574,885)</u>	<u>51,334,877</u>	<u>157,746</u>	<u>609,582</u>	<u>50,883,041</u>
Less accumulated depreciation for						
Buildings	(4,057,696)	426,236	(3,631,460)	(156,456)	-	(3,787,916)
Infrastructure	(13,803,152)	2,407,841	(11,395,311)	(927,452)	(864)	(12,321,899)
Machinery and equipment	(3,963,428)	141,275	(3,822,153)	(171,629)	(341,179)	(3,652,603)
Vehicles	(949,493)	14,431	(935,062)	(36,190)	(263,559)	(707,693)
Total accumulated depreciation	<u>(22,773,769)</u>	<u>2,989,783</u>	<u>(19,783,986)</u>	<u>(1,291,727)</u>	<u>(605,602)</u>	<u>(20,470,111)</u>
Total capital assets being depreciated, net	<u>33,135,993</u>	<u>(1,585,102)</u>	<u>31,550,891</u>	<u>(1,133,981)</u>	<u>3,980</u>	<u>30,412,930</u>
Business-type activities capital assets, net	<u>\$ 34,081,653</u>	<u>\$ (1,683,422)</u>	<u>\$ 32,398,231</u>	<u>\$ (958,064)</u>	<u>\$ 3,980</u>	<u>\$ 31,436,187</u>

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental activities</b>		
General government	\$	58,397
Public safety		185,457
Streets and highways		304,949
Culture and recreation		208,756
Transportation		<u>174,439</u>
Total depreciation expense - governmental activities	<u>\$</u>	<u>931,998</u>
<b>Business-type activities</b>		
Water utility	\$	197,735
Sewer utility		563,219
Sewer pre-treatment		74,855
Electric utility		<u>455,918</u>
Total depreciation expense - business-type activities	<u>\$</u>	<u>1,291,727</u>

Capital assets activity for the EDA component unit for the year ended December 31, 2015, was as follows

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 1,571,576</u>	<u>\$ -</u>	<u>\$ 1,571,576</u>	<u>\$ -</u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT**

**A. General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental activities</b>					
Certificates of participation advance refunding	\$ 605,000	1.25 - 4.40 %	07/01/03	12/01/16	\$ 55,000
G.O. refunding bonds of 2014A-Library	460,000	2.00	12/01/14	12/01/22	405,000
G.O. refunding bonds of 2014A-Fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	1,015,000
G.O. Police Capital Improvement Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	355,000
G.O. street reconstruction refundng bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	<u>690,000</u>
Total general obligation bonds					<u>\$ 2,520,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 275,000	\$ 65,880	\$ 340,880
2017	215,000	58,870	273,870
2018	225,000	54,380	279,380
2019	235,000	49,510	284,510
2020	240,000	44,105	284,105
2021-2025	995,000	131,153	1,126,153
2026-2028	<u>335,000</u>	<u>18,290</u>	<u>353,290</u>
Total	<u>\$ 2,520,000</u>	<u>\$ 422,188</u>	<u>\$ 2,942,188</u>

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**B. G.O. Special Assessment (Improvement) Bonds**

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental activities</b>					
G.O. improvement refunding bonds of 2009A	\$ 625,000	1.20 - 3.00	10/01/09	12/01/17	\$ 170,000
G.O. refunding bonds of 2011B	2,410,000	2.00 - 3.15	09/07/11	12/01/23	1,570,000
G.O. refunding bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	1,200,000
G.O. refunding bonds of 2014B	115,000	2.00	12/01/14	12/01/16	<u>60,000</u>
Total general obligation improvement bonds					<u><u>\$ 3,000,000</u></u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 620,000	\$ 68,435	\$ 688,435
2017	565,000	55,185	620,185
2018	490,000	43,035	533,035
2019	500,000	32,645	532,645
2020	515,000	21,120	536,120
2021-2023	<u>310,000</u>	<u>11,392</u>	<u>321,392</u>
Total	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 231,812</u></u>	<u><u>\$ 3,231,812</u></u>

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**C. Revenue Bonds**

The following bonds were issued to finance capital improvements in the governmental funds. They will be retired from a variety of resources including tax levies, loan repayments, and charges for services of the governmental funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental activities</b>					
Johnson Controls lease					
Revenue bond of 2006	\$ 2,700,000	4.25 %	03/30/06	03/31/21	\$ 1,247,355
Health care facility					
Revenue bond of 2010	5,500,000	2.90	09/17/10	09/17/35	5,021,923
Gross revenue recreational					
Facility bonds of 2014a	2,330,000	4.50	09/04/14	12/01/34	<u>2,245,000</u>
 Total revenue bonds					 <u><u>\$ 8,514,278</u></u>

The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	<b>Revenue Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2016	\$ 472,555	\$ 429,285	\$ 901,840
2017	450,771	410,336	861,107
2018	468,632	391,035	859,667
2019	487,400	370,467	857,867
2020	511,396	349,311	860,707
2021-2025	1,684,150	1,465,719	3,149,869
2026-2030	2,017,594	1,006,318	3,023,912
2031-2035	<u>2,421,780</u>	<u>384,705</u>	<u>2,806,485</u>
 Total	 <u><u>\$ 8,514,278</u></u>	 <u><u>\$ 4,807,176</u></u>	 <u><u>\$ 13,321,454</u></u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 8— LONG-TERM DEBT (CONTINUED)**

**D. G.O. Revenue Bonds**

The following bonds were issued to mainly finance capital improvements in the enterprise funds. They will be mainly retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Business-type activities</b>					
G.O. revenue bonds of 2007 (PFA)	\$ 16,353,395	1.00 %	09/26/07	08/20/27	\$ 10,882,000
Electric utility revenue bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	605,000
G.O. refunding bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	290,000
G.O. refunding bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	635,000
G.O. revenue bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	830,000
Total business-type activities					13,242,000
<b>Governmental activities</b>					
G.O. tax abatement bonds of 2008A	470,000	2.75 - 3.70	02/21/08	12/01/18	135,000
Total G.O. revenue bonds					<u>\$ 13,377,000</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	<b>G.O. Revenue Bonds Business-type Activities</b>			<b>G.O. Revenue Bonds Governmental Activities</b>		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,213,000	\$ 179,268	\$ 1,392,268	\$ 50,000	\$ 4,995	\$ 54,995
2017	1,232,000	162,238	1,394,238	50,000	3,145	53,145
2018	1,250,000	144,535	1,394,535	35,000	1,295	36,295
2019	1,264,000	125,597	1,389,597	-	-	-
2020	1,213,000	106,082	1,319,082	-	-	-
2021-2025	5,165,000	295,390	5,460,390	-	-	-
2026-2027	1,905,000	28,620	1,933,620	-	-	-
Total	<u>\$ 13,242,000</u>	<u>\$ 1,041,730</u>	<u>\$ 14,283,730</u>	<u>\$ 135,000</u>	<u>\$ 9,435</u>	<u>\$ 144,435</u>

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 8– LONG-TERM DEBT (CONTINUED)**

**E. G.O. Revenue Bonds**

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover all business-type principal and interest payments are as follows:

	601 Water Utility	602 Sewer Utility	604 Electric Utility
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues	\$ 1,031,913	\$ 1,746,439	\$ 9,054,612
Principal and interest	445,183	1,199,608	116,663
Percentage of revenues	43.1%	68.7%	1.3%

**F. Changes in Long-Term Liabilities**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
	<u>                    </u>				
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 2,910,000	\$ -	\$ (390,000)	\$ 2,520,000	\$ 275,000
General obligation improvement bonds	3,610,000	-	(610,000)	3,000,000	620,000
General obligation revenue bonds	180,000	-	(45,000)	135,000	50,000
Revenue bonds	8,926,914	-	(412,636)	8,514,278	472,555
Bond premium	69,579	-	(8,342)	61,237	-
Total bonds payable	<u>15,696,493</u>	<u>-</u>	<u>(1,465,978)</u>	<u>14,230,515</u>	<u>1,417,555</u>
Compensated absences payable	<u>110,744</u>	<u>111,773</u>	<u>(106,726)</u>	<u>115,791</u>	<u>86,403</u>
Governmental activity long-term liabilities	<u>\$ 15,807,237</u>	<u>\$ 111,773</u>	<u>\$ (1,572,704)</u>	<u>\$ 14,346,306</u>	<u>\$ 1,503,958</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 14,801,000	\$ -	\$ (1,559,000)	\$ 13,242,000	\$ 1,213,000
Bond premium	13,173	-	(3,990)	9,183	-
Total bonds payable	<u>14,814,173</u>	<u>-</u>	<u>(1,562,990)</u>	<u>13,251,183</u>	<u>1,213,000</u>
Compensated absences payable	<u>80,196</u>	<u>76,064</u>	<u>(92,730)</u>	<u>63,530</u>	<u>48,205</u>
Business-type activity long-term liabilities	<u>\$ 14,894,369</u>	<u>\$ 76,064</u>	<u>\$ (1,655,720)</u>	<u>\$ 13,314,713</u>	<u>\$ 1,261,205</u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**G. Component Unit Debt**

**1. Revenue Bonds**

The following bonds were issued to finance public projects in the EDA. They will be retired from ISJ/Mayo Health Systems, Inc. Medical Clinic loan repayments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public project Revenue bonds of 2010 (EDA)	\$ 2,466,000	5.72 %	09/17/10	09/17/32	<u>\$ 2,241,555</u>

The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
2016	\$ 64,525	\$ 127,975	\$ 192,500
2017	68,289	124,211	192,500
2018	72,272	120,228	192,500
2019	76,487	116,013	192,500
2020	80,948	111,552	192,500
2021-2025	481,316	481,184	962,500
2026-2030	639,042	323,458	962,500
2031-2032	<u>758,676</u>	<u>74,160</u>	<u>832,836</u>
Total	<u>\$ 2,241,555</u>	<u>\$ 1,478,781</u>	<u>\$ 3,720,336</u>

**2. Special Assessments Payable**

These special assessments are payable to the City for the Knollview East Subdivision.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Special assessment payable (EDA)	\$ 645,000	6.25 %	11/30/01	11/30/16	<u>\$ 60,000</u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – LONG-TERM DEBT (CONTINUED)**

**F. Component Unit Debt (Continued)**

**2. Special Assessments Payable (Continued)**

The annual debt service requirements to maturity for special assessments payable are as follows:

<u>Year Ending December 31,</u>	<u>Component Unit Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 60,000	\$ 3,210	\$ 63,210
Total	<u>\$ 60,000</u>	<u>\$ 3,210</u>	<u>\$ 63,210</u>

**3. Notes Payable**

These notes are payable to the City's Revolving Loan fund and LSDI, Inc. for land purchases in the Highway 169 Industrial Park.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Note payable	\$ 810,000	3.25 %	02/08/10	02/08/20	\$ 810,000
Note payable - LSDI, Inc.	114,044	3.00	12/29/09	Past due	<u>114,044</u>
Total notes payable					<u>\$ 924,044</u>

The annual debt service requirements to maturity for loans payable are as follows:

<u>Year Ending December 31,</u>	<u>Component Unit Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 178,737	\$ 25,969	\$ 204,706
2017	62,316	24,076	86,392
2018	64,269	22,123	86,392
2019	35,602	20,108	55,710
2020	583,120	18,952	602,072
Total	<u>\$ 924,044</u>	<u>\$ 111,228</u>	<u>\$ 1,035,272</u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**G. Component Unit Debt (Continued)**

**4. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component unit activities</b>					
Bonds payable					
Revenue bonds payable	\$ 2,302,523	\$ -	\$ (60,968)	\$ 2,241,555	\$ 64,525
Special assessments payable	115,000	-	(55,000)	60,000	60,000
Notes payable	924,044	-	-	924,044	207,656
Component unit long-term liabilities	<u>\$ 3,341,567</u>	<u>\$ -</u>	<u>\$ (115,968)</u>	<u>\$ 3,225,599</u>	<u>\$ 332,181</u>

**NOTE 9 – PENSION PLANS**

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Fund (GERF)**

All full-time and certain part-time employees of the City are covered by the GERF. 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**Public Employees Police and Fire Fund (PEPFF)**

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

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided**

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

**GERF Benefits**

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

**PEPFF Benefits**

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

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions**

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

**GERF Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$144,639. The City's contributions were equal to the required contributions as set by state statute.

**PEPFF Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$85,580. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**GERF Pension Costs**

At December 31, 2015, the City reported a liability of \$1,782,787 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0344%.

For the year ended December 31, 2015, the City recognized pension expense of \$190,666 for its proportionate share of GERF's pension expense.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

At December 31, 2015, the City reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 89,883
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	168,768	-
Changes in proportion	-	140,924
Contributions paid to PERA subsequent to the measurement date	<u>72,320</u>	<u>-</u>
	<u><u>\$ 241,088</u></u>	<u><u>\$ 230,807</u></u>

\$72,320 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2016	\$ (34,744)
2017	(34,744)
2018	(34,744)
2019	42,192

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$590,842 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.052%.

For the year ended December 31, 2015, the City recognized pension expense of \$103,616 for its proportionate share of the PEPFF's pension expense. The City also recognized \$4,680 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 95,815
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	102,944	-
Changes in proportion	9,000	
Contributions paid to PERA subsequent to the measurement Date	<u>42,790</u>	<u>-</u>
	<u>\$ 154,734</u>	<u>\$ 95,815</u>

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

\$42,790 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2016	\$ 8,373
2017	8,373
2018	8,373
2019	8,373
2020	(17,363)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.75 % Per year
Active member payroll growth	3.50 % Per year
Investment rate of return	7.90 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's proportionate share of the GERP net pension liability	\$ 2,803,174	\$ 1,782,787	\$ 940,103
City's proportionate share of the PEPFF net pension liability	1,151,557	590,842	127,593

**H. Pension Plan Fiduciary Net Position**

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

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association**

**A. Plan Description**

The Le Sueur Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2014, the plan covered 23 active firefighters and 4 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

**B. Benefits Provided**

The SVF provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in \$100 increments ranging from \$500 to \$7,500 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from five years at 40% through 20 years at 100%.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**C. Contributions**

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$39,002 in fire state aid to the plan on behalf of the Le Sueur Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the SVF plan for the year ended December 31, 2015, were \$7,588. In addition, the City made voluntary contributions of \$17,602 to the plan.

**D. Pension Costs**

At December 31, 2015, the City reported a net pension asset of \$174,642 for the SVF plan. The net pension asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department as of December 31, 2014. The table on the following page presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2013	685,151	805,622	(120,471)
Changes for the year			
Service cost	34,604	-	34,604
Interest on pension liability	43,185	-	43,185
Difference between expected and actual experience	(14,859)	-	(14,859)
Municipal contribution	-	25,190	(25,190)
State contributions	-	39,002	(39,002)
Projected investment return	-	53,719	(53,719)
Adjustment to initial asset transfer	-	-	-
Gain or loss	-	-	-
Benefit payments	-	-	-
Administrative expense	-	(810)	810
Net changes	62,930	117,101	(54,171)
Balances at December 31, 2014	748,081	922,723	(174,642)

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**D. Pension Costs (Continued)**

For the year ended December 31, 2015, the City recognized pension expense of \$1,024.

\$25,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	11,887
Asset (Gain)/Loss	-	4,306
City contributions subsequent to the measurement date	25,000	-
Total	25,000	16,193

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	(5,039)
2017	(5,039)
2018	(5,040)
2019	(1,075)
Total	(16,193)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2014, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at the later of age 50 or 20 years of service	
Inflation	3.0 %
Investment rate of return	6.0 %

There were no changes in actuarial assumptions in 2014.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following table presents the City's net pension asset for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Decrease (5.0%)	Discount Rate (6.0%)	Increase (7.0%)
Net pension asset	(148,253)	(174,642)	(199,840)

**H. Plan Investments**

**Investment Policy**

The Minnesota State Board of Investments (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 365A.

Within the requirement defined by state law, the SBI, with assistance of the SBI staff and the investment advisory Council, establishes investment policy for all funds under its control. These investment policies are tailored to particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**H. Plan Investments (Continued)**

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Retirement Plan (VOLP) that includes allocations to domestic equity, international equity bonds and cash equivalents. The long-term asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35%	5.50%
International stocks	15%	6.00%
Bonds	45%	1.45%
Cash	5%	0.50%
Total	100%	

The 6% long-term rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, not of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2015 for Statewide Volunteer Firefighter Retirement Plan.

**I. Pension Plan Fiduciary Net Position**

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

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 10 – JOINT POWERS AGREEMENTS**

In April of 1993, the City of Le Sueur and the City of Henderson entered into a joint powers agreement for operating and monitoring the activities of cable commissions for the purpose of establishing a cable communications system in the two Cities. The public agency created under this joint powers agreement to manage this activity is known as the Le Sueur-Henderson Cable Communications Commissions (CATV). CATV consists of seven directors, five of whom are appointed by Le Sueur and two of whom are appointed by Henderson. Property ownership of the facilities is based on the makeup of the directors of the Commission.

The City's equity interest and its share of the net income (loss) of the Commission are added to the value of the investment in joint ventures in the government-wide financial statements under governmental activities. As of December 31, 2015 the amount reported as the equity interest in the joint venture was \$29,045. The Commission's financial information for the period ending December 31, 2015 is available at the Commission office located at 821 East Ferry Street, Le Sueur, MN 56058.

In April of 2005, The City of Le Sueur and the City of Henderson entered into a joint powers agreement for the planning, construction operation and maintenance of facilities for collection and treatment of any wastewater generated within the boundaries of the cities of Le Sueur and Henderson. The public agency created under this joint powers agreement to manage this activity is known as the Minnesota River Valley Public Utilities Commission (MRVPUC). Under this agreement the City of Henderson transports its wastewater through a force main to a new mechanical treatment facility located in the City of Le Sueur. Wastewater from the facility is discharged into the Minnesota River. Both cities are billed an appropriate amount based on upon the amount of wastewater loading generated by each city to cover the cost of its operation based on a budget prepared by MRVPUC. Property ownership of the facilities is based on the location and proportion of contribution of the respective jurisdictions.

As of December 31, 2015 MRVPUC reported a net position balance of December 31, 2015, \$675,723. The City of Le Sueur's share of this balance was \$643,221.

**NOTE 11 – CONTINGENCIES**

**A. Legal Claims**

The City has usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

**B. Grants**

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

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 12 – 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan until Medicare age, which covers both active and retired members. There are twenty active participants and four retired participants. Benefit provisions are established through negotiations between the City and the unions representing the City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

**B. Funding Policy**

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives. Retired employees receive no retiree benefits except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For 2015, the City contributed \$14,740 to the plan. As of December 31, 2015, there were approximately 19 retirees and seven spouses receiving health benefits from the City's health plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**City of Le Sueur  
Notes to Financial Statements**

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

ARC	\$ 154,508
Interest on net OPEB obligation	5,157
Amortization of net OPEB obligation with Interest	-
Adjustment to ARC	(173,653)
Annual OPEB cost (expense)	<u>(13,988)</u>
Contributions made	<u>(14,740)</u>
Increase in net OPEB obligation	(28,728)
Net OPEB obligation - beginning of year	<u>171,916</u>
 Net OPEB obligation - end of year	 <u><u>\$ 143,188</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three years was as follows:

Three Year Trend Information			
Year	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
2015	\$ (13,988)	-105.4 %	\$143,188
2014	39,361	14.7	171,916
2013	39,567	13.6	138,348

**D. Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$146,540 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$146,540. The covered payroll (annual payroll of active employees covered by the plan) was \$1,155,049, and the ratio of the UAAL to the covered payroll was 12.7%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN**

**D. Funded Status and Funding Progress (Continued)**

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Methods and Assumptions**

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average age of retirement and expectations of management, the retirement age for active plan members was determined on an individual level. In addition, spouses of retired employees were assumed to discontinue coverage on the plan when the retired employee reaches Medicare age. During 2015, a significant change in assumption was made to increase the expected retirement age from 62 to 65 and the effects of the change were recognized for the current period and not amortized.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2008 United States Life Tables for Males and for Females were used.

*Turnover* - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on actual rate changes for 2015 along with projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate increase of 5.6 percent initially in 2016, followed by a 5.8 percent increase in 2017, to an ultimate average rate increase of 5.6 percent after six years, was used.

*Health insurance premiums* - 2014 and 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 1.97 percent was based on average changes over the past ten years in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

**City of Le Sueur**  
**Notes to Financial Statements**

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Methods and Assumptions (Continued)**

The following simplifying assumptions were made (Continued):

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$1,249,015 to add the beginning net pension liability for governmental activities, and an adjustment to the beginning net position on the statement of activities and statement of revenues, expenses and changes in fund net position – proprietary funds of \$872,258 to add the beginning net pension liability for business-type activities.

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

For the year ended December 31, 2015, prior period adjustments were required to adjust beginning net position for governmental activities and business-type activities to reflect a change in accounting convention and to correct prior year errors. The change in accounting convention was the result of increasing the capitalization threshold for capital assets. This affected the beginning net position for governmental activities in the net amount of \$1,055,304 and the business-type activities and related Water Utility Fund, Sewer Utility Fund, and Electric and Refuse Utility Fund in the net amount of \$1,683,422. The City corrected an error in the allocation of equity interest from the Minnesota River Valley Public Utilities Commission which affected the beginning net position for the Sewer Utility Fund and business-type activities in the amount of \$44,665. The City also corrected an error in the recognition of interest revenue which affected beginning fund balance in the Economic Development Revolving Loan Fund in the amount of \$128,812.

**NOTE 16 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB has issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Le Sueur  
 Retiree Health Plan – Schedule of Funding Progress  
 December 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/09	\$ -	\$ 394,163	\$ 394,163	0%	\$ 2,035,004	19%
01/01/12	-	387,972	387,972	0%	1,111,104	35%
01/01/15	-	146,540	146,540	0%	1,155,049	13%

**City of Le Sueur**  
**Schedule of City's Proportionate Share**  
**of Net Pension Liability - GERS Retirement Fund**  
**Last Ten Years\***

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0344%	\$ 1,782,787	\$ 1,985,947	89.77%	78.19%

**Schedule of City's Proportionate Share**  
**of Net Pension Liability - PEPFF Retirement Fund**  
**Last Ten Years\***

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0523%	\$ 590,842	\$ 465,630	126.89%	86.61%

\* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

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**City of Le Sueur  
Schedule of City Contributions -  
GERF Retirement Fund  
Last Ten Years\***

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 144,639	\$ 144,639	\$ -	\$ 1,928,520	7.50%

**Schedule of City Contributions  
PEPPF Retirement Fund  
Last Ten Years\***

<u>Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 85,580	\$ 85,580	\$ -	\$ 528,272	16.20%

\* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Le Sueur**  
**Schedule of Changes in Net Pension Liability - Fire Relief Association -**  
**GERF Retirement Fund**  
**Last Ten Years\***

	2014
Total pension liability (TPL)	
Service cost	\$ 34,604
Interest on the pension liability	43,185
Actuarial experience (gains)/losses	(14,859)
Benefit payments	-
Net change in TPL	62,930
 TPL - beginning 12/31/13	 685,151
 TPL - ending 12/31/14	 \$ 748,081
 Plan fiduciary net position (PFNP)	
First state aid	\$ 31,404
Fire supplemental aid	7,598
Supplemental benefit reimbursement	-
Voluntary municipal contribution	17,602
Required municipal contribution	7,588
Adjustment to initial asset transfer	-
Net investment income	53,719
PERA administrative fee	(810)
Auditor/accounting fee	-
Benefit payments	-
Net change in PFNP	117,101
 PFNP - beginning 12/31/13	 805,622
 PFNP - ending 12/31/14	 \$ 922,723
 Net pension asset - ending 12/31/14	 \$ (174,642)
  Plan fiduciary net position as a percentage of the total pension liability	  123.3%

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**SUPPLEMENTARY INFORMATION**

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2015**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 152,655	\$ 1,080,757	\$ 1,233,412
Accounts receivable	25,956	5,296	31,252
Notes and mortgages receivable	-	25,092	25,092
Special assessments receivable	-	13,847	13,847
Due from other governments	148,699	4,480	153,179
Advances to other funds	-	30,324	30,324
Advances to component unit	-	153,233	153,233
Inventory	19,369	-	19,369
	<u>346,679</u>	<u>1,313,029</u>	<u>1,659,708</u>
Total assets	<u>\$ 346,679</u>	<u>\$ 1,313,029</u>	<u>\$ 1,659,708</u>
<b>Liabilities</b>			
Accounts payable	\$ 7,673	\$ 11,995	\$ 19,668
Due to other governments	1,253	-	1,253
Accrued wages payable	6,569	-	6,569
Due to Other Funds	115,264	717,493	832,757
Total liabilities	<u>130,759</u>	<u>729,488</u>	<u>860,247</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	13,847	13,847
<b>Fund Balances</b>			
Nonspendable for			
Inventory	19,369	-	19,369
Restricted for			
Transit operations and maintenance	64,571	-	64,571
Committed for			
Fire department operations and maintenance	62,502	-	62,502
Ambulance operations and maintenance	149,977	-	149,977
Assigned for			
Capital projects	-	1,296,517	1,296,517
Unassigned	(80,499)	(726,823)	(807,322)
Total fund balances	<u>215,920</u>	<u>569,694</u>	<u>785,614</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 346,679</u>	<u>\$ 1,313,029</u>	<u>\$ 1,659,708</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2015**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Taxes	\$ 112,053	\$ 359,427	\$ 471,480
Special assessments	-	2,975	2,975
Intergovernmental	202,546	136,787	339,333
Charges for services	485,452	4,400	489,852
Miscellaneous	21,650	54,464	76,114
Total revenues	821,701	558,053	1,379,754
<b>Expenditures</b>			
<b>Current</b>			
Public safety	268,521	-	268,521
Transportation	239,699	-	239,699
<b>Capital outlay</b>			
Public safety	985	17,182	18,167
Streets and highways	-	67,065	67,065
Culture and recreation	-	228,213	228,213
Transportation	-	649,702	649,702
Total expenditures	509,205	962,162	1,471,367
Excess of revenues over (under) expenditures	312,496	(404,109)	(91,613)
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital asset	-	1,239	1,239
Transfers in	-	5,000	5,000
Transfers out	(218,882)	(51,503)	(270,385)
Total other financing sources (uses)	(218,882)	(45,264)	(264,146)
Net change in fund balances	93,614	(449,373)	(355,759)
<b>Fund Balances</b>			
Beginning of year	122,306	1,019,067	1,141,373
End of year	\$ 215,920	\$ 569,694	\$ 785,614

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Special Revenue Funds  
December 31, 2015**

	Special Revenue	
	Fire Service (225)	Ambulance Service (226)
<b>Assets</b>		
Cash and investments	\$ -	\$ 152,655
Accounts receivable	17,255	867
Due from other governments	71,312	-
Inventory	-	6,337
	<u>-</u>	<u>6,337</u>
Total assets	<u>\$ 88,567</u>	<u>\$ 159,859</u>
<b>Liabilities</b>		
Accounts payable	\$ 2,440	\$ 3,294
Due to other governments	679	101
Accrued wages payable	9	150
Due to other funds	22,937	-
	<u>26,065</u>	<u>-</u>
Total liabilities	<u>26,065</u>	<u>3,545</u>
<b>Fund Balances</b>		
Nonspendable for		
Inventory	-	6,337
Restricted for		
Transit operations and maintenance	-	-
Committed for		
Fire Department operations and maintenance	62,502	-
Ambulance operations and maintenance	-	149,977
Unassigned	-	-
	<u>-</u>	<u>-</u>
Total fund balances	<u>62,502</u>	<u>156,314</u>
	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 88,567</u>	<u>\$ 159,859</u>

Special Revenue

<u>Para-Transit (227)</u>	<u>Airport (235)</u>	<u>Total</u>
\$ -	\$ -	\$ 152,655
5,215	2,619	25,956
77,387	-	148,699
-	13,032	19,369
<u>\$ 82,602</u>	<u>\$ 15,651</u>	<u>\$ 346,679</u>
\$ 1,939	\$ -	\$ 7,673
130	343	1,253
5,754	656	6,569
10,208	82,119	115,264
<u>18,031</u>	<u>83,118</u>	<u>130,759</u>
-	13,032	19,369
64,571	-	64,571
-	-	62,502
-	-	149,977
-	(80,499)	(80,499)
<u>64,571</u>	<u>(67,467)</u>	<u>215,920</u>
<u>\$ 82,602</u>	<u>\$ 15,651</u>	<u>\$ 346,679</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2015**

	Special Revenue	
	Fire Service (225)	Ambulance Service (226)
<b>Revenues</b>		
Property taxes	\$ 112,053	\$ -
Intergovernmental	-	-
Charges for services	231,288	177,381
Miscellaneous	2,581	14,821
Total revenues	345,922	192,202
 <b>Expenditures</b>		
Current		
Public safety	124,070	144,451
Transportation	-	-
Capital outlay		
Public safety	985	-
Total expenditures	125,055	144,451
 Excess of revenues over expenditures	220,867	47,751
 <b>Other Financing Uses</b>		
Transfers out	(164,848)	(26,557)
 Net change in fund balances	56,019	21,194
 <b>Fund Balances</b>		
Beginning of year	6,483	135,120
End of year	\$ 62,502	\$ 156,314

Special Revenue

<u>Para-Transit (227)</u>	<u>Airport (235)</u>	<u>Total</u>
\$ -	\$ -	\$ 112,053
184,000	18,546	202,546
49,612	27,171	485,452
2,170	2,078	21,650
<u>235,782</u>	<u>47,795</u>	<u>821,701</u>
-	-	268,521
194,633	45,066	239,699
-	-	985
<u>194,633</u>	<u>45,066</u>	<u>509,205</u>
<u>41,149</u>	<u>2,729</u>	<u>312,496</u>
<u>(27,477)</u>	<u>-</u>	<u>(218,882)</u>
13,672	2,729	93,614
<u>50,899</u>	<u>(70,196)</u>	<u>122,306</u>
<u>\$ 64,571</u>	<u>\$ (67,467)</u>	<u>\$ 215,920</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Fire Service Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 119,482	\$ 119,482	\$ 112,053	\$ (7,429)
Charges for services				
Public safety	164,366	164,366	231,288	66,922
Miscellaneous				
Refunds and reimbursements	-	-	2,581	2,581
Total revenues	<u>283,848</u>	<u>283,848</u>	<u>345,922</u>	<u>62,074</u>
<b>Expenditures</b>				
Current				
Public safety				
Administration				
Personal services	43,900	43,900	37,780	(6,120)
Supplies	1,750	1,750	1,742	(8)
Other services and charges	11,350	11,350	9,272	(2,078)
Total administration	<u>57,000</u>	<u>57,000</u>	<u>48,794</u>	<u>(8,206)</u>
Fire fighting				
Personal services	32,000	32,000	32,332	332
Supplies	5,500	5,500	3,237	(2,263)
Total fire fighting	<u>37,500</u>	<u>37,500</u>	<u>35,569</u>	<u>(1,931)</u>
Prevention				
Other services and charges	4,000	4,000	9,093	5,093
Training				
Supplies	3,000	3,000	2,300	(700)
Other services and charges	3,000	3,000	2,694	(306)
Total training	<u>6,000</u>	<u>6,000</u>	<u>4,994</u>	<u>(1,006)</u>
Communications				
Other services and charges	1,500	1,500	962	(538)
Repair services				
Supplies	6,000	6,000	13,748	7,748
Other services and charges	1,000	1,000	479	(521)
Total repair services	<u>7,000</u>	<u>7,000</u>	<u>14,227</u>	<u>7,227</u>
Stations and buildings				
Other services and charges	12,500	12,500	10,431	(2,069)
Total public safety - current	<u>125,500</u>	<u>125,500</u>	<u>124,070</u>	<u>(1,430)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Fire Service Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (continued)</b>				
Capital outlay				
Public safety				
Fire fighting	\$ 3,000	\$ 3,000	\$ 985	\$ (2,015)
Total expenditures	<u>128,500</u>	<u>128,500</u>	<u>125,055</u>	<u>(3,445)</u>
Excess of revenues over expenditures	155,348	155,348	220,867	65,519
<b>Other Financing Uses</b>				
Transfers out	<u>(160,348)</u>	<u>(160,348)</u>	<u>(164,848)</u>	<u>(4,500)</u>
Net change in fund balance	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	56,019	<u>\$ 61,019</u>
<b>Fund Balance</b>				
Beginning of year			<u>6,483</u>	
End of year			<u>\$ 62,502</u>	

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Ambulance Service Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services				
Public safety	\$ 186,810	\$ 186,810	\$ 177,381	\$ (9,429)
Miscellaneous				
Contributions and donations	8,000	8,000	11,542	3,542
Refunds and reimbursements	-	-	3,279	3,279
Total revenues	<u>194,810</u>	<u>194,810</u>	<u>192,202</u>	<u>(2,608)</u>
<b>Expenditures</b>				
Public safety				
Ambulance services				
Personal services	93,303	93,303	87,443	(5,860)
Supplies	40,000	40,000	28,686	(11,314)
Other services and charges	38,540	38,540	28,322	(10,218)
Total expenditures	<u>171,843</u>	<u>171,843</u>	<u>144,451</u>	<u>(27,392)</u>
Excess of revenues over expenditures	22,967	22,967	47,751	24,784
<b>Other Financing Uses</b>				
Transfers out	<u>(22,967)</u>	<u>(22,967)</u>	<u>(26,557)</u>	<u>(3,590)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	21,194	<u>\$ 21,194</u>
<b>Fund Balance</b>				
Beginning of year			<u>135,120</u>	
End of year			<u>\$ 156,314</u>	

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Para-Transit Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Federal transit aid	\$ 33,709	\$ 33,709	\$ 95,000	\$ 61,291
State transit aid	134,836	134,836	89,000	(45,836)
Charges for services				
Other	46,500	46,500	49,612	3,112
Miscellaneous				
Refunds and reimbursements	-	-	2,170	2,170
Total revenues	<u>215,045</u>	<u>215,045</u>	<u>235,782</u>	<u>20,737</u>
<b>Expenditures</b>				
Current				
Transportation				
Personal services	128,393	128,393	149,152	20,759
Supplies	30,750	30,750	21,697	(9,053)
Total transportation	<u>159,143</u>	<u>159,143</u>	<u>170,849</u>	<u>11,706</u>
Traffic and advertising				
Other services	1,100	1,100	1,193	93
Insurance and safety				
Personal services	4,475	4,475	3,044	(1,431)
Other services and charges	6,600	6,600	5,621	(979)
Total insurance and safety	<u>11,075</u>	<u>11,075</u>	<u>8,665</u>	<u>(2,410)</u>
Administration and general				
Supplies	2,800	2,800	1,442	(1,358)
Other services and charges	20,200	20,200	12,484	(7,716)
Total administration and general	<u>23,000</u>	<u>23,000</u>	<u>13,926</u>	<u>(9,074)</u>
Total expenditures	<u>194,318</u>	<u>194,318</u>	<u>194,633</u>	<u>315</u>
Excess of revenues over expenditures	20,727	20,727	41,149	20,422
<b>Other Financing Sources (uses)</b>				
Transfers out	<u>(20,727)</u>	<u>(20,727)</u>	<u>(27,477)</u>	<u>(6,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	13,672	<u>\$ 13,672</u>
<b>Fund Balance</b>				
Beginning of year			<u>50,899</u>	
End of year			<u>\$ 64,571</u>	

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**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Airport Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
State				
Airport operating grant	\$ 14,237	\$ 14,237	\$ 18,546	\$ 4,309
Charges for services				
Rent	5,600	5,600	6,741	1,141
Miscellaneous	33,000	33,000	20,430	(12,570)
Total charges for services	<u>38,600</u>	<u>38,600</u>	<u>27,171</u>	<u>(11,429)</u>
Miscellaneous				
Refunds and reimbursements	-	-	2,078	2,078
Total revenues	<u>52,837</u>	<u>52,837</u>	<u>47,795</u>	<u>(5,042)</u>
<b>Expenditures</b>				
Current				
Fields, runway, and ramps				
Personal services	3,335	3,335	4,802	1,467
Other services and charges	5,500	5,500	6,255	755
Total fields, runways, and ramps	<u>8,835</u>	<u>8,835</u>	<u>11,057</u>	<u>2,222</u>
Terminal buildings and public areas				
Supplies	30,737	30,737	20,331	(10,406)
Other services and charges	13,265	13,265	13,678	413
Total terminal buildings and public areas	<u>44,002</u>	<u>44,002</u>	<u>34,009</u>	<u>(9,993)</u>
Total expenditures	<u>52,837</u>	<u>52,837</u>	<u>45,066</u>	<u>(7,771)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,729</u>	<u>\$ 2,729</u>
<b>Fund Balance</b>				
Beginning of year			<u>(70,196)</u>	
End of year			<u>\$ (67,467)</u>	

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Capital Projects Funds  
December 31, 2015**

	Capital Projects		
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)
<b>Assets</b>			
Cash and investments	\$ 281,589	\$ 253,579	\$ -
Accounts receivable	-	4,896	400
Notes and mortgages receivable	-	-	-
Special assessments receivable deferred	-	11,350	-
Due from other governments	-	-	1,520
Advances to other funds	-	-	-
Advances to component unit	-	-	-
	<b>\$ 281,589</b>	<b>\$ 269,825</b>	<b>\$ 1,920</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 745	\$ 11,250
Due to other funds	-	-	717,493
Total liabilities	-	745	728,743
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	11,350	-
<b>Fund Balances</b>			
Assigned for capital projects	281,589	257,730	-
Unassigned	-	-	(726,823)
Total fund balances	281,589	257,730	(726,823)
Total liabilities, deferred inflows of resources, and fund balances	\$ 281,589	\$ 269,825	\$ 1,920

Capital Projects

North Highway 169 Frontage Road Improvements (477)	Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	2008 N. 2nd Street Reconstruction (479)	Community Center Roof Project 2011 (435)	Total
\$ 261,048	\$ 89,939	\$ 75,481	\$ 117,572	\$ 1,549	\$ 1,080,757
-	-	-	-	-	5,296
-	25,092	-	-	-	25,092
-	2,497	-	-	-	13,847
2,960	-	-	-	-	4,480
-	-	30,324	-	-	30,324
153,233	-	-	-	-	153,233
<u>\$ 417,241</u>	<u>\$ 117,528</u>	<u>\$ 105,805</u>	<u>\$ 117,572</u>	<u>\$ 1,549</u>	<u>\$ 1,313,029</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,995
-	-	-	-	-	717,493
-	-	-	-	-	729,488
-	2,497	-	-	-	13,847
417,241	115,031	105,805	117,572	1,549	1,296,517
-	-	-	-	-	(726,823)
<u>417,241</u>	<u>115,031</u>	<u>105,805</u>	<u>117,572</u>	<u>1,549</u>	<u>569,694</u>
<u>\$ 417,241</u>	<u>\$ 117,528</u>	<u>\$ 105,805</u>	<u>\$ 117,572</u>	<u>\$ 1,549</u>	<u>\$ 1,313,029</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Capital Projects Funds**  
**Year Ended December 31, 2015**

	Capital Projects			
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
<b>Revenues</b>				
Property taxes	\$ -	\$ 160,000	\$ -	\$ 199,427
Special assessments	-	2,975	-	-
Intergovernmental	80,265	-	56,522	-
Charges for services	-	-	4,400	-
Miscellaneous				
Loan repayments	-	-	-	-
Contributions and donations	49,173	-	4,500	-
Total revenues	129,438	162,975	65,422	199,427
<b>Expenditures</b>				
Capital outlay				
Public safety	17,182	-	-	-
Streets and highways	-	65,245	-	1,805
Culture and recreation	-	-	-	-
Transportation	65,871	-	583,831	-
Total expenditures	83,053	65,245	583,831	1,805
Excess of revenues over (under) expenditures	46,385	97,730	(518,409)	197,622
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	1,239	-	-	-
Transfers in	5,000	-	-	-
Transfers out	-	-	-	(51,503)
Total other financing sources (uses)	6,239	-	-	(51,503)
Net change in fund balances	52,624	97,730	(518,409)	146,119
<b>Fund Balances</b>				
Beginning of year	228,965	160,000	(208,414)	271,122
End of year	\$ 281,589	\$ 257,730	\$ (726,823)	\$ 417,241

Capital Projects

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Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	2008 N. 2nd Street Reconstruction (479)	Community Center Roof Project 2011 (435)	Total
\$ -	\$ -	\$ -	\$ -	\$ 359,427
-	-	-	-	2,975
-	-	-	-	136,787
-	-	-	-	4,400
791	-	-	-	791
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,673</u>
<u>791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,053</u>
-	-	-	-	17,182
-	-	15	-	67,065
-	-	-	228,213	228,213
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,702</u>
<u>-</u>	<u>-</u>	<u>15</u>	<u>228,213</u>	<u>962,162</u>
791	-	(15)	(228,213)	(404,109)
-	-	-	-	1,239
-	-	-	-	5,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,503)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,264)</u>
791	-	(15)	(228,213)	(449,373)
<u>114,240</u>	<u>105,805</u>	<u>117,587</u>	<u>229,762</u>	<u>1,019,067</u>
<u>\$ 115,031</u>	<u>\$ 105,805</u>	<u>\$ 117,572</u>	<u>\$ 1,549</u>	<u>\$ 569,694</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 689,804	\$ 689,804	\$ 714,393	\$ 24,589
Franchise fees	38,000	38,000	17,885	(20,115)
Licenses and permits				
Business	7,700	7,700	7,875	175
Nonbusiness	102,700	102,700	125,996	23,296
Total licenses and permits	<u>110,400</u>	<u>110,400</u>	<u>133,871</u>	<u>23,471</u>
Intergovernmental				
State				
Local government aid	935,432	935,432	935,432	-
Property tax credits and aids	-	-	1,099	1,099
Police aid	45,000	45,000	55,829	10,829
Other state aids	8,078	8,078	58,595	50,517
County				
Highway aid	20,000	20,000	31,373	11,373
Total intergovernmental	<u>1,008,510</u>	<u>1,008,510</u>	<u>1,082,328</u>	<u>73,818</u>
Charges for services				
General government	4,000	4,000	28,322	24,322
Public safety	1,000	1,000	5,846	4,846
Streets and highways	2,500	2,500	375	(2,125)
Culture and recreation	500	500	3,300	2,800
Housing and economic development	-	-	95,197	95,197
Miscellaneous	13,000	13,000	3,867	(9,133)
Total charges for services	<u>21,000</u>	<u>21,000</u>	<u>136,907</u>	<u>115,907</u>
Fines and forfeits	20,100	20,100	25,854	5,754
Interest earnings	2,500	2,500	3,057	557
Miscellaneous				
Contributions and donations	-	-	2,800	2,800
Reimbursements from other funds	-	-	-	-
Refunds and reimbursements	6,000	6,000	26,101	20,101
Other	3,800	3,800	8,156	4,356
Total miscellaneous	<u>9,800</u>	<u>9,800</u>	<u>37,057</u>	<u>27,257</u>
Total revenues	<u>1,900,114</u>	<u>1,900,114</u>	<u>2,151,352</u>	<u>271,353</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2015**  
**(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures</b>				
General government				
Mayor and city council				
Personal services	24,770	24,770	24,673	(97)
Supplies	3,000	3,000	4,578	1,578
Other services and charges	5,000	5,000	2,863	(2,137)
Total mayor and city council	<u>32,770</u>	<u>32,770</u>	<u>32,114</u>	<u>(656)</u>
City administrator				
Personal services	79,425	79,425	81,521	2,096
Other services and charges	7,000	7,000	7,161	161
Total city administrator	<u>86,425</u>	<u>86,425</u>	<u>88,682</u>	<u>2,257</u>
Elections				
Supplies	-	-	62	62
City clerk				
Personal services	42,861	42,861	61,507	18,646
Supplies	8,650	8,650	5,859	(2,791)
Other services and charges	30,100	30,100	54,212	24,112
Total city clerk	<u>81,611</u>	<u>81,611</u>	<u>121,578</u>	<u>39,967</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2015**  
**(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (continued)</b>				
General governmental (continued)				
Accounting				
Personal services	\$ 45,020	\$ 45,020	\$ 34,583	\$ (10,437)
Supplies	300	300	-	(300)
Other services and charges	16,600	16,600	17,190	590
Total accounting	<u>61,920</u>	<u>61,920</u>	<u>51,773</u>	<u>(10,147)</u>
City attorney				
Other services and charges	35,000	35,000	39,928	4,928
Planning and zoning				
Personal services	800	800	-	(800)
Other services and charges	6,200	6,200	6,537	337
Total planing and zoning	<u>7,000</u>	<u>7,000</u>	<u>6,537</u>	<u>(463)</u>
General government buildings				
Supplies	400	400	102	(298)
Other services and charges	26,500	26,500	27,683	1,183
Total general government buildings	<u>26,900</u>	<u>26,900</u>	<u>27,785</u>	<u>885</u>
Insurance				
Workers' compensation	41,200	41,200	41,131	(69)
Property and liability	25,000	25,000	25,471	471
Total insurance	<u>66,200</u>	<u>66,200</u>	<u>66,602</u>	<u>402</u>
Cable TV				
Personal services	-	-	16,026	16,026
LSH Healthy Communities				
Personal services	-	-	26,153	26,153
Miscellaneous				
Other charges	75,900	75,900	21,718	(54,182)
Safety and wellness program	6,140	6,140	-	(6,140)
Projects	29,314	29,314	30,212	898
Total miscellaneous	<u>111,354</u>	<u>111,354</u>	<u>51,930</u>	<u>(59,424)</u>
Health and Welfare:				
Supplies	1,600	1,600	378	(1,222)
Other current expenditures	13,650	13,650	15,611	1,961
Total mis	<u>15,250</u>	<u>15,250</u>	<u>15,989</u>	<u>739</u>
Total general government	<u>524,430</u>	<u>524,430</u>	<u>545,159</u>	<u>20,729</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2015**  
**(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (Continued)</b>				
Public safety				
Crime control and investigations				
Personal services	\$ 745,720	\$ 745,720	\$ 722,788	\$ (22,932)
Supplies	8,500	8,500	6,943	(1,557)
Other services and charges	80,739	80,739	76,401	(4,338)
Total crime control and investigations	<u>834,959</u>	<u>834,959</u>	<u>806,132</u>	<u>(28,827)</u>
Police training				
Supplies	4,000	4,000	592	(3,408)
Other services and charges	1,200	1,200	876	(324)
Total police training	<u>5,200</u>	<u>5,200</u>	<u>1,468</u>	<u>(3,732)</u>
Communication services				
Other services and charges	2,300	2,300	2,280	(20)
Automotive services				
Supplies	32,800	32,800	14,676	(18,124)
Other services and charges	29,500	29,500	20,849	(8,651)
Total automotive services	<u>62,300</u>	<u>62,300</u>	<u>35,525</u>	<u>(26,775)</u>
Building inspection				
Supplies	100	100	22	(78)
Other services and charges	50,000	50,000	60,608	10,608
Total building inspection	<u>50,100</u>	<u>50,100</u>	<u>60,630</u>	<u>10,530</u>
Civil defense				
Personal services	3,270	3,270	9,044	5,774
Supplies	1,250	1,250	54	(1,196)
Other services and charges	5,400	5,400	3,102	(2,298)
Total civil defense	<u>9,920</u>	<u>9,920</u>	<u>12,200</u>	<u>2,280</u>
Animal disposal				
Other services and charges	14,400	14,400	13,724	(676)
Other protection				
Other services and charges	4,750	4,750	5,037	287
Total public safety	<u>983,929</u>	<u>983,929</u>	<u>936,996</u>	<u>(46,933)</u>
Streets and highways				
Streets and alleys				
Personal services	377,802	377,802	370,423	(7,379)
Supplies	83,067	83,067	84,476	1,409
Other services and charges	96,850	96,850	101,576	4,726
Total streets and alleys	<u>557,719</u>	<u>557,719</u>	<u>556,475</u>	<u>(1,244)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2015**  
**(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (Continued)</b>				
Streets and highways (continued)				
Ice and snow removal				
Personal services	2,500	2,500	-	(2,500)
Supplies	15,000	15,000	12,315	(2,685)
Total snow and ice removal	<u>17,500</u>	<u>17,500</u>	<u>12,315</u>	<u>(5,185)</u>
Total streets and highways	<u>575,219</u>	<u>575,219</u>	<u>568,790</u>	<u>(6,429)</u>
Sanitation				
Other services and charges	1,000	1,000	279	(721)
Culture and recreation				
Supervision				
Personal services	\$ 64,320	\$ 64,320	\$ 96,080	\$ 31,760
Park areas				
Supplies	21,100	21,100	17,265	(3,835)
Other services and charges	20,390	20,390	26,623	6,233
Total park areas	<u>41,490</u>	<u>41,490</u>	<u>43,888</u>	<u>2,398</u>
Forestry and nursery				
Personal services	11,290	11,290	9,758	(1,532)
Supplies	3,500	3,500	2,845	(655)
Other services and charges	1,500	1,500	(14)	(1,514)
Total forestry and nursery	<u>16,290</u>	<u>16,290</u>	<u>12,589</u>	<u>(3,701)</u>
Library maintenance				
Other services and charges	27,600	27,600	27,884	284
Total culture and recreation	<u>149,700</u>	<u>149,700</u>	<u>180,441</u>	<u>30,741</u>
Housing and economic development				
Personal services	-	-	97,980	97,980
Total expenditures	<u>2,234,278</u>	<u>2,234,278</u>	<u>2,329,645</u>	<u>95,367</u>
Excess of revenues over (under) expenditures	(334,164)	(334,164)	(178,293)	175,986
<b>Other Financing Sources (Uses)</b>				
Transfers in	393,250	393,250	382,380	(10,870)
Transfers out	(26,086)	(26,086)	(26,086)	-
Total other financing sources (uses)	<u>367,164</u>	<u>367,164</u>	<u>356,294</u>	<u>(10,870)</u>
Net change in fund balance	<u>\$ 33,000</u>	<u>\$ 33,000</u>	178,001	<u>\$ 165,116</u>
<b>Fund Balance</b>				
Beginning of year			<u>963,072</u>	
End of year			<u>\$ 1,141,073</u>	

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Community Center Fund**  
**Year Ended December 31, 2015**

	2015		Actual Amounts	Variance with Final Budget - Over (Under)
	Budgeted Amounts			
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 430,878	\$ 430,878	\$ 430,878	\$ -
Charges for services				
Culture and recreation	474,350	474,350	600,719	126,369
Miscellaneous				
Other	44,900	44,900	39,698	(5,202)
Total revenues	<u>950,128</u>	<u>950,128</u>	<u>1,071,295</u>	<u>121,167</u>
<b>Expenditures</b>				
Culture and recreation				
Swimming pool				
Personal services	43,060	43,060	39,518	(3,542)
Supplies	7,400	7,400	7,075	(325)
Other services and charges	25,250	25,250	28,517	3,267
Total swimming pool	<u>75,710</u>	<u>75,710</u>	<u>75,110</u>	<u>(600)</u>
School programs				
Other services and charges	-	-	202,138	202,138
Personal services				
Personal services	367,165	367,165	342,220	(24,945)
Repairs and maintenance				
Supplies	22,900	22,900	21,607	(1,293)
Other services and charges	37,500	37,500	62,625	25,125
Total repairs and maintenance	<u>60,400</u>	<u>60,400</u>	<u>84,232</u>	<u>23,832</u>
Administration and general				
Supplies	53,250	53,250	54,294	1,044
Other services and charges	177,880	177,880	159,589	(18,291)
Total administration and general	<u>231,130</u>	<u>231,130</u>	<u>213,883</u>	<u>(17,247)</u>
Capital outlay				
Culture and recreation	3,000	3,000	4,999	1,999
Total expenditures	<u>737,405</u>	<u>737,405</u>	<u>922,582</u>	<u>185,177</u>
Excess of revenues over (under) expenditures	212,723	212,723	148,713	(64,010)
<b>Other Financing Uses</b>				
Transfers out	(212,723)	(212,723)	(223,663)	(10,940)
Total other financing uses	<u>(212,723)</u>	<u>(212,723)</u>	<u>(223,663)</u>	<u>(10,940)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(74,950)	<u>\$ (74,950)</u>
<b>Fund Balance</b>				
Beginning of year			(133,638)	
End of year			<u>\$ (208,588)</u>	

**City of Le Sueur  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2015**

	Debt Service			
	2014A Recreational Facilities Bonds (301)	1995 Lease Purchase (306)	1999 Recreational Revenue Bond (307)	2005 G.O. Crossover Refunding Bonds (502)
<b>Assets</b>				
Cash and investments	\$ 157,401	\$ 64,626	\$ 2,277	\$ -
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	115,000
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
	\$ 157,401	\$ 64,626	\$ 2,277	\$ 115,000
Total assets	\$ 157,401	\$ 64,626	\$ 2,277	\$ 115,000
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	33,905
Total liabilities	-	-	-	33,905
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	115,000
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted for debt service	157,401	64,626	2,277	(33,905)
Total fund balances	157,401	64,626	2,277	(33,905)
	\$ 157,401	\$ 64,626	\$ 2,277	\$ 115,000
Total liabilities, deferred inflows of resources, and fund balances	\$ 157,401	\$ 64,626	\$ 2,277	\$ 115,000

Debt Service

2002 G.O. Library Bonds (309)	2002 G.O. Fire Station Bonds (310)	2004 Equipment Lease Purchase (312)	2006C G.O. Johnson Controls (316)	2010 G.O. Certificates of Indebtedness (319)	2010 Police CIP Bonds (320)
\$ 20,722	\$ 65,331	\$ 51,540	\$ 10,671	\$ 22,732	\$ 6,771
-	-	-	447,401	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 20,722</u>	<u>\$ 65,331</u>	<u>\$ 51,540</u>	<u>\$ 458,072</u>	<u>\$ 22,732</u>	<u>\$ 6,771</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,722	65,331	51,540	458,072	22,732	6,771
<u>20,722</u>	<u>65,331</u>	<u>51,540</u>	<u>458,072</u>	<u>22,732</u>	<u>6,771</u>
<u>\$ 20,722</u>	<u>\$ 65,331</u>	<u>\$ 51,540</u>	<u>\$ 458,072</u>	<u>\$ 22,732</u>	<u>\$ 6,771</u>

**City of Le Sueur  
Combining Balance Sheet -  
Debt Service Funds**

	Debt Service			
	Medical Facility Bonds 2010 (321)	EDA Lease Revenue 2010 (322)	LS Powerhouse Abatement (323)	2002 G.O. Improvement Bonds (505)
<b>Assets</b>				
Cash and investments	\$ 224,510	\$ 48,810	\$ -	\$ 65,536
Notes and mortgages receivable	4,831,470	-	-	-
Special assessments receivable				
Delinquent	-	-	-	4,022
Deferred	-	-	-	28,397
Due from other governments	-	16,270	-	673
Advances to other funds	-	-	-	48,606
	\$ 5,055,980	\$ 65,080	\$ -	\$ 147,234
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 65,080	\$ -	\$ -
Due to other funds	-	-	4,413	-
Total liabilities	-	65,080	4,413	-
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	32,419
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted for debt service	5,055,980	-	(4,413)	114,815
Total fund balances	5,055,980	-	(4,413)	114,815
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,055,980	\$ 65,080	\$ -	\$ 147,234

Debt Service

2005 G.O. Improvement/ 2011B Refunding Bonds (507)	2006A G.O. Improvement/ 2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	Total
\$ 71,932	\$ -	\$ 17,453	\$ 830,312
-	-	-	5,278,871
4,660	2,726	-	11,408
843,109	701,795	-	1,688,301
-	746	-	17,689
350,000	392,447	-	791,053
<u>\$ 1,269,701</u>	<u>\$ 1,097,714</u>	<u>\$ 17,453</u>	<u>\$ 8,617,634</u>
\$ -	\$ -	\$ -	\$ 65,080
-	38,040	-	76,358
<u>-</u>	<u>38,040</u>	<u>-</u>	<u>141,438</u>
<u>847,769</u>	<u>704,521</u>	<u>-</u>	<u>1,699,709</u>
-	392,447	-	392,447
421,932	(37,294)	17,453	6,384,040
<u>421,932</u>	<u>355,153</u>	<u>17,453</u>	<u>6,776,487</u>
<u>\$ 1,269,701</u>	<u>\$ 1,097,714</u>	<u>\$ 17,453</u>	<u>\$ 8,617,634</u>

**City of Le Sueur**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**Year Ended December 31, 2015**

	Debt Service				
	2014A Recreational Facilities Bonds (301)	1995 Lease Purchase (306)	1999 Recreational Revenue Bond (307)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ 17,000	\$ 70,000
Special assessments	-	-	-	-	-
Miscellaneous					
Investment earnings	-	802	-	-	-
Other interest	-	-	-	-	-
Total revenues	-	802	-	17,000	70,000
<b>Expenditures</b>					
Debt Service					
Principal	85,000	50,000	-	55,000	55,000
Interest and other	108,922	4,545	-	2,300	9,300
Total expenditures	193,922	54,545	-	57,300	64,300
Excess of revenues over (under) expenditures	(193,922)	(53,743)	-	(40,300)	5,700
<b>Other Financing Sources</b>					
Transfers In	172,723	54,483	-	-	-
Net change in fund balances	(21,199)	740	-	(40,300)	5,700
<b>Fund Balances</b>					
Beginning of year	178,600	63,886	2,277	6,395	15,022
End of year	\$ 157,401	\$ 64,626	\$ 2,277	\$ (33,905)	\$ 20,722

Debt Service

2002 G.O. Fire Station Bonds (310)	2004 Equipment Lease Purchase (312)	2006C G.O. Johnson Controls (316)	2008 G.O. Tax Abatement Bonds (318)	2010 G.O. Certificates of Indebtedness (319)	2010 Police CIP Bonds (320)	Medical Facility Bonds 2010 (321)
\$ -	\$ -	\$ 122,000	\$ -	\$ 65,000	\$ 57,000	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	21,747	-	-	-	296,379
-	-	143,747	-	65,000	57,000	296,379
65,000	45,000	197,394	45,000	80,000	40,000	130,242
26,950	2,025	59,326	6,503	2,760	14,185	298,442
91,950	47,025	256,720	51,503	82,760	54,185	428,684
(91,950)	(47,025)	(112,973)	(51,503)	(17,760)	2,815	(132,305)
93,461	47,025	50,297	51,503	19,862	-	-
1,511	-	(62,676)	-	2,102	2,815	(132,305)
63,820	51,540	520,748	-	20,630	3,956	5,188,285
<u>\$ 65,331</u>	<u>\$ 51,540</u>	<u>\$ 458,072</u>	<u>\$ -</u>	<u>\$ 22,732</u>	<u>\$ 6,771</u>	<u>\$ 5,055,980</u>

**City of Le Sueur**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**Year Ended December 31, 2015**

	Debt Service			
	EDA Lease Revenue 2010 (322)	LS Powerhouse Abatement (323)	2002 G.O. Improvement Bonds (505)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)
<b>Revenues</b>				
Property taxes	\$ -	\$ 2,292	\$ 40,000	\$ 86,855
Special assessments	-	-	13,031	114,715
Miscellaneous				
Investment earnings	-	-	-	-
Other interest	-	-	-	-
Total revenues	-	2,292	53,031	201,570
<b>Expenditures</b>				
Debt Service				
Principal	-	-	80,000	285,000
Interest and other	-	-	7,100	43,785
Total expenditures	-	-	87,100	328,785
Excess of revenues over (under) expenditures	-	2,292	(34,069)	(127,215)
<b>Other Financing Sources</b>				
Transfers In	-	-	-	-
Net change in fund balances	-	2,292	(34,069)	(127,215)
<b>Fund Balances</b>				
Beginning of year	-	(6,705)	148,884	549,147
End of year	\$ -	\$ (4,413)	\$ 114,815	\$ 421,932

Debt Service

2006A G.O. Improvement/ 2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	Total
\$ 70,000	\$ 77,000	\$ 607,147
47,785	-	175,531
-	-	802
-	-	318,126
<u>117,785</u>	<u>77,000</u>	<u>1,101,606</u>
190,000	55,000	1,457,636
32,534	17,130	635,807
<u>222,534</u>	<u>72,130</u>	<u>2,093,443</u>
(104,749)	4,870	(991,837)
-	-	489,354
(104,749)	4,870	(502,483)
<u>459,902</u>	<u>12,583</u>	<u>7,278,970</u>
<u>\$ 355,153</u>	<u>\$ 17,453</u>	<u>\$ 6,776,487</u>

**City of Le Sueur**  
**Statement of Changes in Agency Fund**  
**Assets and Liabilities**  
**Year Ended December 31, 2015**

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
<b>CABLE TV (229)</b>				
<b>Assets</b>				
Cash And Investments	\$ (3,740)	\$ 3,740	\$ -	\$ -
Accounts Receivable	3,740	-	3,740	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 3,740</u>	<u>\$ 3,740</u>	<u>\$ -</u>
<b>HRA (240)</b>				
<b>Assets</b>				
Cash And Investments	\$ (6,080)	\$ 6,080	\$ -	\$ -
Accounts Receivable	8,630	-	8,630	-
<b>Total Assets</b>	<u>\$ 2,550</u>	<u>\$ 6,080</u>	<u>\$ 8,630</u>	<u>\$ -</u>
<b>Liabilities</b>				
Other Postemployment Benefits Liability	2,550	-	2,550	-
<b>Total Liabilities</b>	<u>\$ 2,550</u>	<u>\$ -</u>	<u>\$ 2,550</u>	<u>\$ -</u>
<b>LSH HEALTHY COMMUNITIES (250)</b>				
<b>Assets</b>				
Cash And Investments	\$ (5,313)	\$ 5,313	\$ -	\$ -
Accounts Receivable	5,313	-	5,313	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 5,313</u>	<u>\$ 5,313</u>	<u>\$ -</u>

**City of Le Sueur**  
**Statement of Changes in Agency Fund**  
**Assets and Liabilities**  
**Year Ended December 31, 2015**

	<u>Balance</u> January 1, 2015	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> December 31, 2015
<b>MINNESOTA RIVER VALLEY PUC (606)</b>				
<b>Assets</b>				
Cash and investments	\$ (101,532)	\$ 101,532	\$ -	\$ -
Accounts receivable	43,842	-	43,842	-
Due from other governments	<u>92,256</u>	<u>-</u>	<u>92,256</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 34,566</u>	<u>\$ 101,532</u>	<u>\$ 136,098</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	<u>\$ 34,566</u>	<u>\$ -</u>	<u>\$ 34,566</u>	<u>\$ -</u>
<b>TOTAL</b>				
<b>Assets</b>				
Cash and investments	\$ (116,665)	\$ 116,665	\$ -	\$ -
Accounts receivable	61,525	-	61,525	-
Due from other governments	<u>92,256</u>	<u>-</u>	<u>92,256</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 37,116</u>	<u>\$ 116,665</u>	<u>\$ 153,781</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ 34,566	\$ -	\$ 34,566	\$ -
Other postemployment benefits payable	<u>2,550</u>	<u>-</u>	<u>2,550</u>	<u>-</u>
<b>Total liabilities</b>	<u>\$ 37,116</u>	<u>\$ -</u>	<u>\$ 37,116</u>	<u>\$ -</u>

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**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Le Sueur  
Le Sueur, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Sueur, Minnesota, as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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### **Internal Control Over Financial Reporting (Continued)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2014-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2014-003 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **The City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



**Purpose of this Report**

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

*BerganKDV Ltd.*

Minneapolis, Minnesota

June 16, 2016

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**Report on Legal Compliance**  
**Independent Auditor's Report**

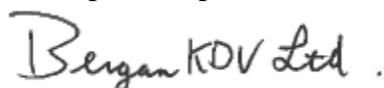
Honorable Mayor and Members  
of the City Council  
City of Le Sueur  
Le Sueur, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Le Sueur, Minnesota, as of and for the year ended December 31, 2015, and the related notes to financial statements, and have issued our report thereon date June 16, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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 of Le Sueur, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying Schedule of Finds and Responses on Legal Compliance. 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 solely for the information and use of the City Council, management and the State Auditor, and is not intended to be and should not be used by anyone other than those specified parties.



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June 16, 2016

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**City of Le Sueur  
Schedule of Findings and  
Responses on Legal Compliance and Internal Control  
December 31, 2015**

**CURRENT YEAR INTERNAL CONTROL FINDINGS**

**Material Weakness**

**Audit Finding 2014-002 – Prior Period and Material Audit Adjustments**

During the course of our engagement, we proposed prior period and material audit adjustments that would not have been identified as a result of the City's existing internal control system and, therefore, could have resulted in a material misstatement of the City's financial statements. The material misstatements detected as a result of audit procedures were corrected by management.

**City's Response**

The City will review all adjusting entries posted and make all such necessary adjustments in the future. The Finance Director will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent misstatements from occurring.

**Significant Deficiency**

**Audit Finding 2014-003 – Lack of Segregation of Accounting Duties**

During the year ended December 31, 2015, the City had a lack of segregation of accounting duties in the following areas due to a limited number of office employees:

- Cash Receipts – The Deputy Clerk setups up customers, maintains receipts journal and accounts receivable records, posts transactions to the general ledger, and receives and endorses checks.
- Utility Billing – The Deputy Clerk approves new accounts, sets up customers and rates in the billing system, generates statements, enters readings, and makes adjustments to accounts.
- Community Center – The Administrative Assistant can initiate transactions, has the ability to void transactions, reconciles sales, and prepares the deposit before it is brought to City Hall.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the City Council, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

**City's Response**

Management of the City takes its responsibility for internal controls very seriously and has weighed the costs and benefits of an additional office employee to eliminate this risk and has determined the benefit does not exceed the cost. The City's management team diligently follows the City's internal control policies to ensure the protection of public funds.

**City of Le Sueur  
Schedule of Findings and  
Responses on Internal Control and Legal Compliance  
December 31, 2015**

**CURRENT YEAR LEGAL COMPLIANCE FINDINGS**

**Authorize Credit Card Users**

*Minnesota Statutes 471.382* states that a city council or town board may authorize the use of a credit card by any city or town officer or employee otherwise authorized to make a purchase on behalf of the city or town

During our audit, we noted that the credit card holders had not been approved by the City Council. We recommend the City Council approve and authorize the employee's use of credit cards on behalf of the city.

**City's Response**

The City Council will approve and authorize the use of credit cards for all officers or employees that hold credit cards to make purchases on behalf of the City.

**Adopt an Electronic Time Recording System Policy**

*Minnesota Statutes 412.271, subd. 2(c)* states that a city may use electronic time recording systems if the governing body of the city adopts policies to ensure that the timekeeping and payroll methods used are accurate and reliable.

For the year ended December 31, 2015 the City Council had not established policies and procedures to ensure that the timekeeping and payroll methods used are accurate and reliable. We recommend that the City Council approve a policy for electronic time recording to ensure that the timekeeping and payroll methods used are accurate and reliable.

**City's Response**

The City Council will approve a policy for electronic time recording to ensure that the timekeeping and payroll methods used are accurate and reliable.