

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

Financial Statements

December 31, 2016



**City of Le Sueur
Table of Contents**

	Page
Elected Officials and Administration	1
Independent Auditor's Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Center Fund	33
Statement of Net Position – Proprietary Funds	34
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	36
Statement of Cash Flows – Proprietary Funds	38
Notes to Financial Statements	42
Required Supplementary Information	
Schedule of Funding Progress – Retiree Health Plan	88
Schedule of City's Proportionate Share of Net Pension Liability – General Employees Retirement Fund	89
Schedule of City's Proportionate Share of Net Pension Liability – Public Employees Police and Fire Retirement Fund	89
Schedule of City Contributions – General Employees Retirement Fund	90
Schedule of City Contributions – Public Employees Police and Fire Retirement Fund	90
Schedule of Changes in Net Pension Liability – Fire Relief Association – General Employees Retirement Fund	91
Notes to Required Supplementary Information	92

**City of Le Sueur
Table of Contents**

	Page
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	95
Combining Balance Sheet – Nonmajor Special Revenue Funds	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	98
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Fire Service Fund	100
Ambulance Service Fund	102
Para-Transit Fund	103
Airport Fund	105
Combining Balance Sheet – Nonmajor Capital Projects Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	108
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	110
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Center Fund	115
Combining Balance Sheet – Debt Service Funds	116
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Funds	120
Balance Sheet – Component Unit – Le Sueur Economic Development Authority	124
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Component Unit – Le Sueur Economic Development Authority	125
 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 127
 Report on Legal Compliance	 129
 Schedule of Findings and Responses on Legal Compliance and Internal Control	 130

**City of Le Sueur
Elected Officials and Administration
December 31, 2016**

<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
Mark Huntington	Council	December 31, 2016
Darvin Wicks	Council	December 31, 2016
<u>Administration</u>		
Jenelle Teppen	Administrator	
Stacy Lawrence	Communications Director and City 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, 2016, 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.



Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2016, 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.

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 the Governmental Accounting Standards Board (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 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.



Other Matters (Continued)

Other Information (Continued)

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 6, 2017, 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.

Bergan KDV Ltd.

Minneapolis, Minnesota

June 6, 2017

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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, 2016.

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 \$32,493,416 (net position). Of this amount, \$5,619,852 (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 \$853,290 mainly due to an increase in property taxes, charges for services, capital grants and contributions, and utility fund revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,759,198 a decrease of \$177,574 in comparison with the prior year. The major reason for this decrease was a prior period adjustment for recognition of revenue in the prior year but was not earned until 2016. Approximately 43.3 percent of this total amount, \$5,088,972, 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 \$1,157,401, or 45.9 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 \$2,630,555 or 9.6 percent during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

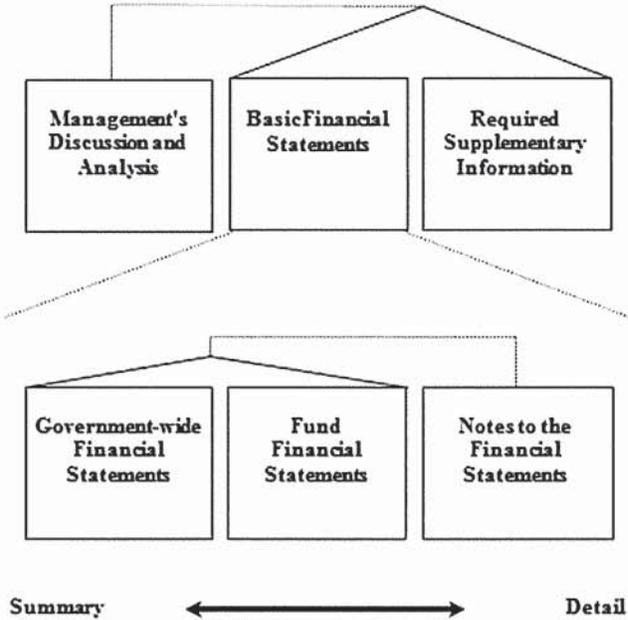
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report 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**

	Fund Financial Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
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, electric, and refuse 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 33 individual governmental funds, 18 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, storm utility, and refuse 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 \$32,493,416 at the close of the most recent fiscal year.

The largest portion of the City's net position (77.5 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 13,501,497	\$ 14,149,554	\$ 2,942,904	\$ 3,001,097	\$ 16,444,401	\$ 17,150,651
Capital assets	14,071,157	14,699,755	31,096,465	31,436,187	45,167,622	46,135,942
Net pension asset - fire relief	167,250	174,642	-	-	167,250	174,642
Total assets	27,739,904	29,023,951	34,039,369	34,437,284	61,779,273	63,461,235
Deferred outflows of resources related to fire relief pensions	106,275	25,000	-	-	106,275	25,000
Deferred outflows of resources related to city pensions	2,006,611	274,327	550,086	121,495	2,556,697	395,822
Total deferred outflows of resources	2,112,886	299,327	550,086	121,495	2,662,972	420,822
Long-term liabilities outstanding	11,619,444	14,433,306	10,886,437	13,370,901	22,505,881	27,804,207
Other liabilities	1,892,809	371,563	2,270,453	833,960	4,163,262	1,205,523
Net pension liability	3,282,489	1,475,204	1,317,284	898,425	4,599,773	2,373,629
Total liabilities	16,794,742	16,280,073	14,474,174	15,103,286	31,268,916	31,383,359
Deferred inflows of resources related to fire relief pensions	14,680	16,193	-	-	14,680	16,193
Deferred inflows of resources related to city pensions	449,179	210,308	216,054	116,314	665,233	326,622
Total deferred inflows of resources	463,859	226,501	216,054	116,314	679,913	342,815
Net position						
Net investment in capital assets	6,112,059	5,491,163	19,060,118	18,185,004	25,172,177	23,676,167
Restricted	1,701,387	1,778,127	-	-	1,701,387	1,778,127
Unrestricted	4,780,743	5,547,414	839,109	1,154,175	5,619,852	6,701,589
Total net position	\$ 12,594,189	\$ 12,816,704	\$ 19,899,227	\$ 19,339,179	\$ 32,493,416	\$ 32,155,883

An additional portion of the City's net position (5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (17.3 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 decreased the City's net position by \$222,515. Key elements of this decrease are as follows:

- An increase in intergovernmental revenue over prior year of \$235,280 due to a reimbursement for Airport Land Acquisition that was funded by a Federal Grant.
- Charges for services in excess of expenditures in transportation and housing and economic development activities.
- Increase in expenditures of \$1,161,049 from prior year due to road maintenance projects on 4th Street, 2nd Street, and the City Hall Parking Lot. Also contributing to the increase, the City made a significant payment to Ridgeview for the transfer of ambulance services and made a significant adjustment to the City's net pension liability and related deferred outflows and inflows of resources due to changes in actuarial estimates and assumptions.
- Prior period adjustment of \$515,757 related to a coding of special assessment dollars and fire revenue dollars that were double booked in the prior year.

**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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 1,815,744	\$ 1,835,504	\$ 12,674,463	\$ 12,210,884	\$ 14,490,207	\$ 14,046,388
Operating grants and contributions	483,697	402,029	679,440	209,476	1,163,137	611,505
Capital grants and contributions	565,012	641,583	13,683	62,264	578,695	703,847
General revenues						
Property taxes/tax increments	2,271,940	2,204,158	-	-	2,271,940	2,204,158
Franchise fees	-	-	-	-	-	-
Other taxes	2,016	2,270	-	-	2,016	2,270
Grants and contributions not restricted to specific programs	1,211,668	976,388	-	-	1,211,668	976,388
Unrestricted investment earnings	10,290	8,223	473	1,215	10,763	9,438
Other	107,690	35,160	-	-	107,690	35,160
Total revenues	6,468,057	6,105,315	13,368,059	12,483,839	19,836,116	18,589,154
Expenses						
General government	657,315	640,992	-	-	657,315	640,992
Public safety	1,996,959	1,401,601	-	-	1,996,959	1,401,601
Streets and highways	1,321,071	873,530	-	-	1,321,071	873,530
Sanitation	4,013	279	-	-	4,013	279
Culture and recreation	1,440,468	1,323,186	-	-	1,440,468	1,323,186
Economic development	157,013	134,353	-	-	157,013	134,353
Transportation	451,372	445,738	-	-	451,372	445,738
Interest and fiscal charges	538,894	586,377	-	-	538,894	586,377
Water utility	-	-	1,084,518	715,446	1,084,518	715,446
Sewer utility	-	-	2,126,771	1,743,806	2,126,771	1,743,806
Refuse and Recycling	-	-	251,368	-	251,368	-
Storm sewer utility	-	-	2,487	74,855	2,487	74,855
Electric utility	-	-	8,950,577	9,125,358	8,950,577	9,125,358
Total expenses	6,567,105	5,406,056	12,415,721	11,659,465	18,982,826	17,065,521
Change in net position before transfers	(99,048)	699,259	952,338	824,374	853,290	1,523,633
Transfers	392,290	356,600	(392,290)	(356,600)	-	-
Change in net position	293,242	1,055,859	560,048	467,774	853,290	1,523,633
Net position - January 1 as restated*	12,300,947	11,760,845	19,339,179	18,871,405	31,640,126	30,632,250
Net position - December 31	\$ 12,594,189	\$ 12,816,704	\$ 19,899,227	\$ 19,339,179	\$ 32,493,416	\$ 32,155,883

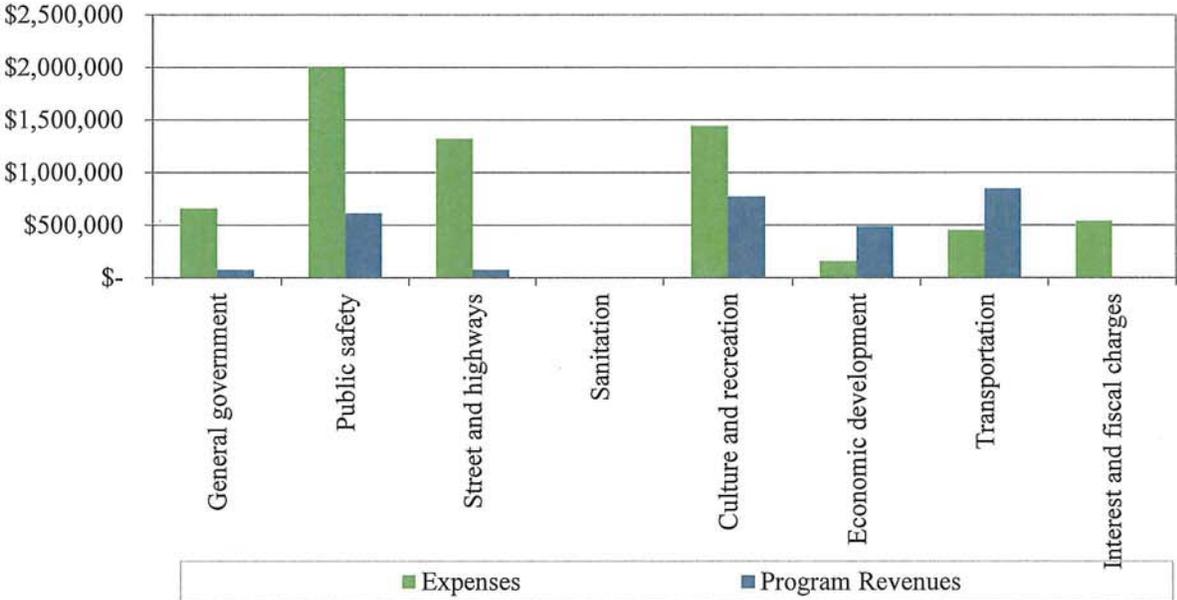
*GASB 68 Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$2,121,273 restatement of beginning net position. Also, see Note 14 in notes of financial statements for prior period adjustments made to beginning net position for the year ended December 31, 2016.

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

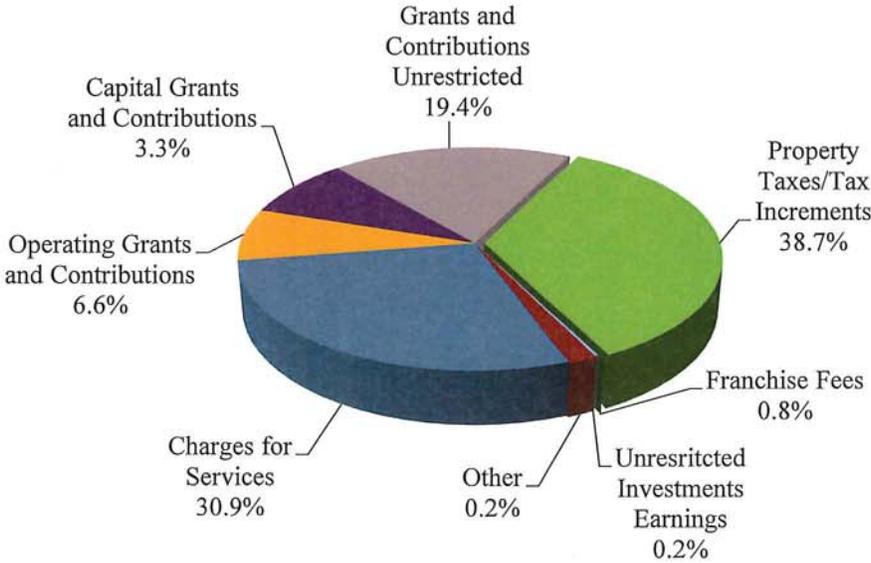
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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**

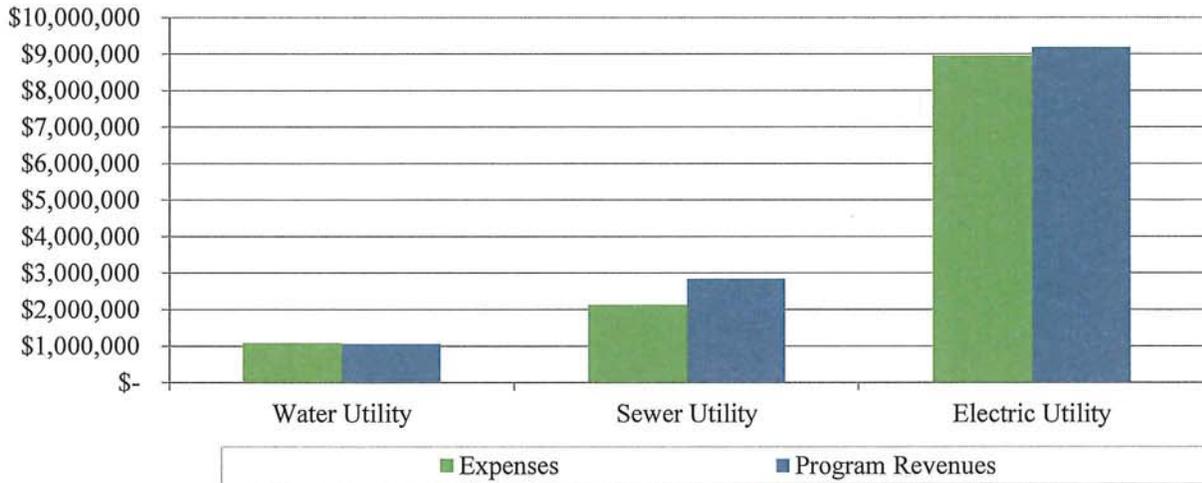
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

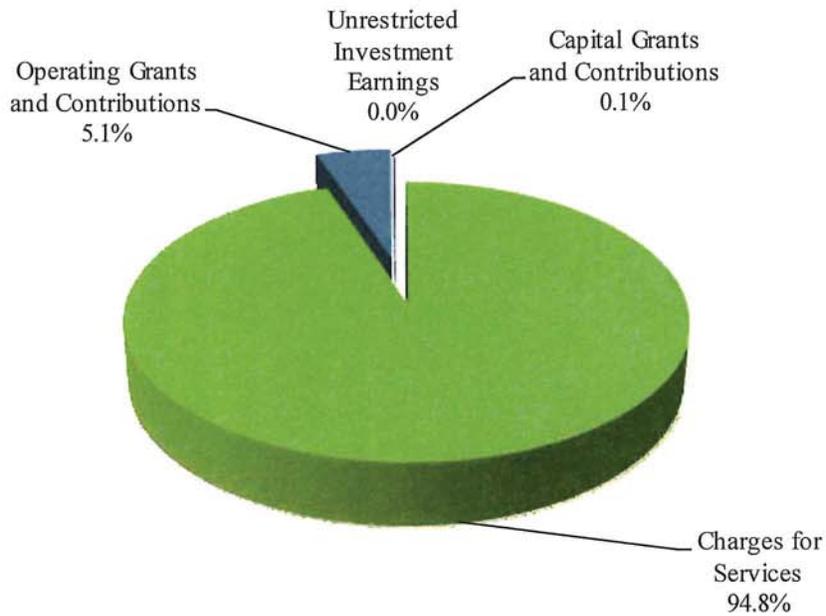
Business-type activities increased the City's net position by \$560,048. Key elements of this increase are as follows:

- Sewer utility charges for services increased compared to the prior year due to a 14% rate increase during 2016.
- 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 \$11,759,198, a decrease of \$177,574 in comparison with the prior year. A balance of \$656,157 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 (\$24,857), restricted (\$6,645,369), committed (\$3,025,375), or assigned (\$1,407,440) 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 \$1,169,628. 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 45.9 percent of fund expenditures, while total fund balance represents 46.3 percent of that same amount.

The fund balance of the City's General fund increased by \$28,555 during the current fiscal year. This was mostly due higher than budgeted charges for services revenue in addition to a transfer in of \$391,102.

The *Economic Development Revolving Loan fund* has a total fund balance of \$3,444,965 at year end. The net increase in fund balance during the current year was \$2,779. This increase was mainly the result of loan repayments.

The *Community Center fund* has a total deficit fund balance of \$203,496 at year end. The net increase in fund balance during the current year was \$5,092. The main cause of this increase 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 \$250,000.

The *Debt Service fund* has a total fund balance of \$6,144,030, a decrease in fund balance during the current year in the Debt Service fund of \$632,457. The fund balance is restricted for future debt service payments of \$5,816,992 and nonspendable for debt service payments made in advance of \$327,038. The major reason for this decrease was due to regular debt payments.

Proprietary Funds

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Unrestricted net position of the enterprise funds at the end of the year amounted to \$839,109. The total growth in net position for the funds was \$560,048. 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 2016. The budget called for a balanced revenue over expenditure year, including transfers. Revenues were over budget by \$196,380 and expenditures were over budget by \$138,791, transfers were over budget by \$29,034, causing the \$28,555 increase in fund balance in the General fund for 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to 45,167,622 (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 2.1 percent (a 4.3 percent decrease for governmental activities and a 1.1 percent decrease for business-type activities).

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,414,773	\$ 1,414,773	\$ 415,653	\$ 415,653	\$ 1,830,426	\$ 1,830,426
Buildings	5,650,534	3,814,822	1,887,197	1,896,477	7,537,731	5,711,299
Infrastructure/systems	6,098,947	5,457,729	26,743,542	26,988,555	32,842,489	32,446,284
Machinery and equipment	363,743	448,356	1,452,486	1,370,596	1,816,229	1,818,952
Vehicles	543,160	543,692	333,547	157,302	876,707	700,994
Construction in progress	-	3,020,383	264,040	607,604	264,040	3,627,987
Total	<u>\$ 14,071,157</u>	<u>\$ 14,699,755</u>	<u>\$ 31,096,465</u>	<u>\$ 31,436,187</u>	<u>\$ 45,167,622</u>	<u>\$ 46,135,942</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 \$24,780,723. Of this amount, \$2,380,000 is special assessment debt, \$20,155,723 is revenue debt, and \$2,245,000 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 2,245,000	\$ 2,520,000	\$ -	\$ -	\$ 2,245,000	\$ 2,520,000
General obligation improvement bonds	2,380,000	3,000,000	-	-	2,380,000	3,000,000
General obligation revenue bonds	85,000	135,000	12,029,000	13,242,000	12,114,000	13,377,000
Revenue bonds	8,041,723	8,514,278	-	-	8,041,723	8,514,278
Total	\$ 12,751,723	\$ 14,169,278	\$ 12,029,000	\$ 13,242,000	\$ 24,780,723	\$ 27,411,278

The City's total debt decreased by \$2,630,555, 9.6 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 \$11,885,321.

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 health and dental insurance rate increased substantially for 2017 with the implementation of the Affordable Care Act in 2014 which is finally seeing increases hit local businesses including the City of Le Sueur. The City of Le Sueur is expected to see upwards of a 15% increase on premiums for 2017. The small group market overall within the State of Minnesota could see anywhere from a 10-15% increase due to this health care reform requirements.
- 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 2017 fiscal year.

The property tax levy will increase from \$2,185,336 in 2016 to \$2,304,495 in 2017, or approximately 5.5 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, 2016**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments (including cash equivalents)	\$ 3,109,720	\$ 428,148	\$ 3,537,868	\$ 233,343
Receivables				
Accounts receivable	285,072	1,720,331	2,005,403	10
Interest receivable	171,055	-	171,055	-
Taxes receivable	76,663	-	76,663	-
Special assessments receivable	1,082,224	131,271	1,213,495	-
Notes receivable	6,538,272	260,966	6,799,238	2,181,089
Due from other governments	109,562	45	109,607	-
Internal balances	1,280,531	(1,280,531)	-	-
Due from component unit/primary government	823,541	-	823,541	-
Inventory	20,417	350,023	370,440	-
Prepaid items	4,440	9,990	14,430	500
Investment in joint venture	-	1,322,661	1,322,661	-
Land held for resale	-	-	-	1,759,576
Capital assets not being depreciated				
Land	1,414,773	415,653	1,830,426	-
Construction in progress	-	264,040	264,040	-
Capital assets net of accumulated depreciation				
Buildings	5,650,534	1,887,197	7,537,731	-
Infrastructure	6,098,947	26,743,542	32,842,489	-
Machinery and equipment	363,744	1,452,486	1,816,230	-
Vehicles	543,159	333,547	876,706	-
Net pension asset - fire relief	167,250	-	167,250	-
Total assets	27,739,904	34,039,369	61,779,273	4,174,518
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	106,275	-	106,275	-
Deferred outflows of resources related to city pensions	2,006,611	550,086	2,556,697	-
Total deferred outflows of resources	2,112,886	550,086	2,662,972	-
Total assets and deferred outflows of resources	\$ 29,852,790	\$ 34,589,455	\$ 64,442,245	\$ 4,174,518
Liabilities				
Accounts and contracts payable	\$ 262,407	\$ 596,428	\$ 858,835	270
Interest payable	98,742	41,395	140,137	223,615
Salaries and benefits payable	90,072	49,935	140,007	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	27,871	260,070	287,941	124,335
Deposits payable	-	22,100	22,100	-
Unearned revenue	75	-	75	-
Bonds payable, net				
Payable within one year	1,321,123	1,232,000	2,553,123	68,289
Payable after one year	11,483,215	10,804,347	22,287,562	2,108,741
Note payable				
Payable within one year	-	-	-	221,277
Payable after one year	-	-	-	672,767
Compensated absences payable				
Payable within one year	92,519	68,525	161,044	-
Payable after one year	50,254	26,274	76,528	-
Other post employment benefits (OPEB) obligation	85,975	55,816	141,791	-
Net pension liability	3,282,489	1,317,284	4,599,773	-
Total liabilities	16,794,742	14,474,174	31,268,916	4,242,835
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	14,680	-	14,680	-
Deferred inflows of resources related to city pensions	449,179	216,054	665,233	-
Total deferred inflows of resources	463,859	216,054	679,913	-
Net Position				
Net investment in capital assets	6,112,059	19,060,118	25,172,177	-
Restricted for				
Debt service	1,200,048	-	1,200,048	-
Economic development loans	456,866	-	456,866	-
Transit operations and maintenance	44,473	-	44,473	-
Unrestricted	4,780,743	839,109	5,619,852	(68,317)
Total net position	12,594,189	19,899,227	32,493,416	(68,317)
Total liabilities, deferred inflows of resources, and net position	\$ 29,852,790	\$ 34,589,455	\$ 64,442,245	\$ 4,174,518

**City of Le Sueur
Statement of Activities
Year Ended December 31, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government								
Governmental activities								
General government	\$ 657,315	\$ 75,698	\$ -	\$ -	\$ (581,617)	\$ -	\$ (581,617)	\$ -
Public safety	1,996,959	402,838	202,479	6,115	(1,385,527)	-	(1,385,527)	-
Streets and highways	1,321,071	1,885	28,261	43,827	(1,247,098)	-	(1,247,098)	-
Sanitation	4,013	-	-	-	(4,013)	-	(4,013)	-
Culture and recreation	1,440,468	766,736	4,340	-	(669,392)	-	(669,392)	-
Housing and economic development	157,013	485,879	-	-	328,866	-	328,866	-
Transportation	451,372	82,708	248,617	515,070	395,023	-	395,023	-
Interest and fiscal charges	538,894	-	-	-	(538,894)	-	(538,894)	-
Total governmental activities	6,567,105	1,815,744	483,697	565,012	(3,702,652)	-	(3,702,652)	-
Business-type activities								
Water utility	1,084,518	1,054,016	-	3,090	-	(27,412)	(27,412)	-
Sewer utility	2,126,771	2,159,253	679,440	10,593	-	722,515	722,515	-
Refuse and Recycling	251,368	277,231	-	-	-	25,863	25,863	-
Storm utility	2,487	-	-	-	-	(2,487)	(2,487)	-
Electric utility	8,950,577	9,183,963	-	-	-	233,386	233,386	-
Total business-type activities	12,415,721	12,674,463	679,440	13,683	-	951,865	951,865	-
Total governmental and business-type activities	\$ 18,982,826	\$ 14,490,207	\$ 1,163,137	\$ 578,695	(3,702,652)	951,865	(2,750,787)	-
Component units								
Economic Development Authority	\$ 268,508	\$ 147,507	\$ 37,000	\$ -	-	-	-	(84,001)
General revenues								
Property taxes					2,271,940	-	2,271,940	-
Tax increments					-	-	-	87,830
Intergovernmental					1,211,668	-	1,211,668	-
Payment in lieu of taxes					2,016	-	2,016	-
Other general revenues					107,690	-	107,690	16,280
Unrestricted investment earnings					10,290	473	10,763	(638)
Transfers					392,290	(392,290)	-	-
Total general revenues and transfers					3,995,894	(391,817)	3,604,077	103,472
Change in net position					293,242	560,048	853,290	19,471
Net position - beginning					12,816,704	19,339,179	32,155,883	(87,788)
Prior period adjustment as previously stated (see Note 14)					(515,757)	-	(515,757)	-
Net position - beginning, as restated					12,300,947	19,339,179	31,640,126	(87,788)
Net position - ending					\$ 12,594,189	\$ 19,899,227	\$ 32,493,416	\$ (68,317)

City of Le Sueur
Balance Sheet - Governmental Funds
December 31, 2016

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)
Assets			
Cash investments	\$ -	\$ 1,328,712	\$ 397,554
Interest receivable	-	171,055	-
Delinquent taxes receivable	76,663	-	-
Accounts receivable	20,302	-	-
Notes and mortgages receivable	-	1,445,945	380,373
Special assessments receivable	5,007	-	1,065,424
Due from other governments	71,438	-	778
Advances to other funds	-	-	631,341
Advances to component unit	-	670,308	-
Due from other funds	1,151,750	-	-
Inventory	7,787	-	-
Prepaid items	4,440	-	-
	<u>\$ 1,337,387</u>	<u>\$ 3,616,020</u>	<u>\$ 2,475,470</u>
Liabilities			
Accounts payable	\$ 22,211	\$ -	\$ 495
Due to other governments	3,740	-	-
Due to other funds	-	-	179,480
Accrued wages payable	60,063	-	-
Unearned revenue	75	-	-
	<u>86,089</u>	<u>-</u>	<u>179,975</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	76,663	-	-
Unavailable revenue - special assessments	5,007	-	1,065,424
Unavailable revenue - grant receivable	-	-	-
Unavailable revenue - interest	-	171,055	-
	<u>81,670</u>	<u>171,055</u>	<u>1,065,424</u>
Fund Balances			
Nonspendable for			
Inventory	7,787	-	-
Prepaid items	4,440	-	-
Restricted for			
Economic development loans	-	456,866	-
Debt service	-	-	1,230,071
Transit operations and maintenance	-	-	-
Committed for			
Economic development loans	-	2,988,099	-
Ambulance operations and maintenance	-	-	-
Assigned for			
Capital projects	-	-	-
Unassigned	1,157,401	-	-
	<u>1,169,628</u>	<u>3,444,965</u>	<u>1,230,071</u>
	<u>\$ 1,337,387</u>	<u>\$ 3,616,020</u>	<u>\$ 2,475,470</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 1,337,387</u>	<u>\$ 3,616,020</u>	<u>\$ 2,475,470</u>

Medical Facility Bonds 2010 (321)	Community Center (615)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 224,632	\$ -	\$ 1,158,822	\$ 3,109,720
-	-	-	171,055
-	-	-	76,663
-	2,500	262,270	285,072
4,689,327	-	22,627	6,538,272
-	-	11,793	1,082,224
-	-	37,346	109,562
-	-	15,532	646,873
-	-	153,233	823,541
-	-	125,955	1,277,705
-	2,187	10,443	20,417
-	-	-	4,440
<u>\$ 4,913,959</u>	<u>\$ 4,687</u>	<u>\$ 1,798,021</u>	<u>\$ 14,145,544</u>
\$ -	\$ 4,011	\$ 235,690	\$ 262,407
-	22,946	1,185	27,871
-	169,473	295,094	644,047
-	11,753	18,256	90,072
-	-	-	75
-	<u>208,183</u>	<u>550,225</u>	<u>1,024,472</u>
-	-	-	76,663
-	-	11,793	1,082,224
-	-	31,932	31,932
-	-	-	171,055
-	-	<u>43,725</u>	<u>1,361,874</u>
-	2,187	10,443	20,417
-	-	-	4,440
-	-	-	456,866
4,913,959	-	-	6,144,030
-	-	44,473	44,473
-	-	-	2,988,099
-	-	37,276	37,276
-	-	1,407,440	1,407,440
-	(205,683)	(295,561)	656,157
<u>4,913,959</u>	<u>(203,496)</u>	<u>1,204,071</u>	<u>11,759,198</u>
<u>\$ 4,913,959</u>	<u>\$ 4,687</u>	<u>\$ 1,798,021</u>	<u>\$ 14,145,544</u>

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City of Le Sueur
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2016

Total fund balances - governmental funds \$ 11,759,198

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	24,905,083
Less accumulated depreciation	(10,833,926)

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	(12,751,723)
Unamortized bond premium	(52,615)
Compensated absences payable	(142,773)
Unfunded other post employment benefits obligation	(85,975)
Net pension liability - city pension	(3,282,489)

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	76,663
Special assessments	17,719

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

Deferred special assessments	1,064,505
Interest receivable	171,055
Grant receivable	31,932

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

(98,742)

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	(14,680)
Deferred inflows of resources related to city pensions	(449,179)
Deferred outflows of resources related to fire relief pensions	106,275
Deferred outflows of resources related to city pensions	2,006,611

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

167,250

Total net position - governmental activities \$ 12,594,189

City of Le Sueur
Statement of Revenues, Expenditure, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2016

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)
Revenues				
Taxes	\$ 760,178	\$ -	\$ 589,400	\$ -
Franchise fees	35,182	-	-	-
Special assessments	-	-	243,917	-
Licenses and permits	59,737	-	-	-
Intergovernmental	1,040,110	-	-	-
Charges for services	148,033	-	-	-
Fines and forfeits	23,578	-	-	-
Investment earnings	3,996	4,583	977	582
Miscellaneous	116,536	35,196	19,015	289,181
Total revenues	<u>2,187,350</u>	<u>39,779</u>	<u>853,309</u>	<u>289,763</u>
Expenditures				
Current				
General government	587,652	-	-	-
Public safety	933,682	-	-	-
Streets and highways	580,898	-	-	-
Sanitation	4,013	-	-	-
Culture and recreation	269,915	-	-	-
Housing and economic development	120,013	37,000	-	-
Transportation	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Streets and highways	27,638	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Debt service				
Principal	-	-	1,240,872	176,683
Interest and other	-	-	299,100	255,101
Total expenditures	<u>2,523,811</u>	<u>37,000</u>	<u>1,539,972</u>	<u>431,784</u>
Excess of revenues over (under) expenditures	(336,461)	2,779	(686,663)	(142,021)
Other Financing Sources (Uses)				
Transfers in	391,102	-	272,776	-
Transfers out	(26,086)	-	(76,549)	-
Total other financing sources (uses)	<u>365,016</u>	<u>-</u>	<u>196,227</u>	<u>-</u>
Net change in fund balances	28,555	2,779	(490,436)	(142,021)
Fund Balances				
Beginning of year, as previously stated	1,141,073	3,442,186	1,720,507	5,055,980
Prior period adjustment (see Note 14)	-	-	-	-
Beginning of year, as restated	<u>1,141,073</u>	<u>3,442,186</u>	<u>1,720,507</u>	<u>5,055,980</u>
End of year	<u>\$ 1,169,628</u>	<u>\$ 3,444,965</u>	<u>\$ 1,230,071</u>	<u>\$ 4,913,959</u>

See notes to financial statements.

Community Center (615)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 401,058	\$ 493,549	\$ 2,244,185
-	-	35,182
-	3,548	247,465
-	-	59,737
-	812,372	1,852,482
715,987	410,574	1,274,594
-	-	23,578
-	-	10,138
51,379	345,558	856,865
<u>1,168,424</u>	<u>2,065,601</u>	<u>6,604,226</u>
-	-	587,652
-	495,068	1,428,750
-	-	580,898
-	-	4,013
917,970	-	1,187,885
-	-	157,013
-	274,552	274,552
-	265,535	265,535
-	465,543	493,181
21,697	-	21,697
-	104,959	104,959
-	-	1,417,555
-	-	554,201
<u>939,667</u>	<u>1,605,657</u>	<u>7,077,891</u>
228,757	459,944	(473,665)
-	233,640	897,518
<u>(223,665)</u>	<u>(178,928)</u>	<u>(505,228)</u>
<u>(223,665)</u>	<u>54,712</u>	<u>392,290</u>
5,092	514,656	(81,375)
(208,588)	785,614	11,936,772
-	(96,199)	(96,199)
<u>(208,588)</u>	<u>689,415</u>	<u>11,840,573</u>
<u>\$ (203,496)</u>	<u>\$ 1,204,071</u>	<u>\$ 11,759,198</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, 2016

Net change in fund balances - governmental funds	\$ (81,375)
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	267,442
Depreciation expense	(896,040)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(26,982)
Unfunded OPEB obligations are recognized as expenditures in the governmental funds but recognized as the expense incurred in the Statement of Activities.	
	1,025
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	(238,476)
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.	
	1,417,555
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.	
	8,622
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.	
	6,685
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	27,755
Delinquent special assessments	6,311
Deferred special assessments	(186,153)
Interest receivable	15,918
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.	
	(29,045)
Change in net position - governmental activities	\$ 293,242

City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Over (Under)
	Original and Final		Actual Amounts		Over (Under)
Revenues					
Taxes	\$ 769,778		\$ 760,178		\$ (9,600)
Franchise fees	-		35,182		35,182
Licenses and permits	95,700		59,737		(35,963)
Intergovernmental	1,028,376		1,040,110		11,734
Charges for services	23,550		148,033		124,483
Fines and forfeits	24,100		23,578		(522)
Investment earnings	2,500		3,996		1,496
Miscellaneous					
Refunds and reimbursements	43,966		88,819		44,853
Other	3,000		27,717		24,717
Total revenues	1,990,970		2,187,350		196,380
Expenditures					
Current					
General government	531,970		587,652		55,682
Public safety	961,850		933,682		(28,168)
Streets and highways	614,600		580,898		(33,702)
Sanitation	-		4,013		4,013
Culture and recreation	256,600		269,915		13,315
Housing and economic development	-		120,013		120,013
Capital outlay					
Streets and highways	20,000		27,638		7,638
Total expenditures	2,385,020		2,523,811		138,791
Excess of revenues over (under) expenditures	(394,050)		(336,461)		57,589
Other Financing Sources (Uses)					
Transfers in	394,050		391,102		(2,948)
Transfers out	-		(26,086)		(26,086)
Total other financing sources (uses)	394,050		365,016		(29,034)
Net change in fund balance	\$ -		28,555		\$ 28,555
Fund Balance					
Beginning of year			1,141,073		
End of year			\$ 1,169,628		

See notes to financial statements.

City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Center Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Revenues				
Taxes	\$ 406,258		\$ 401,058	\$ (5,200)
Charges for services	461,200		715,987	254,787
Miscellaneous				
Other	29,000		51,379	22,379
Total revenues	896,458		1,168,424	271,966
 Expenditures				
Current				
Culture and recreation	700,685		917,970	217,285
Capital outlay				
Culture and recreation	8,000		21,697	13,697
Total expenditures	708,685		939,667	230,982
Excess of revenues over expenditures	187,773		228,757	40,984
 Other Financing Uses				
Transfers out	(187,773)		(223,665)	(35,892)
Net change in fund balance	\$ -		5,092	\$ 5,092
 Fund Balance				
Beginning of year			(208,588)	
End of year			\$ (203,496)	

City of Le Sueur
Statement of Net Position - Proprietary Funds
December 31, 2016

	Water Utility (601)	Sewer Utility (602, 606)	Sewer Pre- Treatment (603)	Electric Utility (604)
Assets				
Current assets				
Cash and cash equivalents	\$ 143,050	\$ -	\$ -	\$ 267,195
Accounts receivable	150,256	304,670	-	1,247,118
Notes and mortgages receivable - current	-	-	-	23,018
Due from other governments	-	45	-	-
Special assessments receivable:				
Current	1,549	2,017	-	-
Delinquent	3,275	3,275	-	-
Prepaid items	2,590	2,590	-	4,810
Inventory	45,796	2,770	-	301,457
Total current assets	<u>346,516</u>	<u>315,367</u>	<u>-</u>	<u>1,843,598</u>
Noncurrent assets				
Notes and mortgages receivable - noncurrent	-	-	-	237,948
Special assessments receivable - noncurrent	23,918	48,468	-	41,637
Advances to other funds - noncurrent	335,980	-	-	500,000
Investment in joint venture	-	1,322,661	-	-
Capital assets				
Land	-	317,276	-	98,377
Buildings	2,878,778	354,592	2,192,197	406,001
Infrastructure	4,178,156	27,090,648	-	8,705,686
Machinery and equipment	1,435,342	431,206	-	3,376,214
Vehicles	123,748	94,890	-	853,893
Construction in progress	-	-	-	264,040
Total capital assets	8,616,024	28,288,612	2,192,197	13,704,211
Less accumulated depreciation	(4,225,399)	(7,863,273)	(1,759,103)	(7,856,804)
Net capital assets	<u>4,390,625</u>	<u>20,425,339</u>	<u>433,094</u>	<u>5,847,407</u>
Total noncurrent assets	<u>4,750,523</u>	<u>21,796,468</u>	<u>433,094</u>	<u>6,626,992</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pension activity	112,215	131,013	-	306,858
Total assets and deferred outflows of resources	<u>\$ 5,209,254</u>	<u>\$ 22,242,848</u>	<u>\$ 433,094</u>	<u>\$ 8,777,448</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 26,200	\$ 5,320	\$ -	\$ 544,949
Advances from other funds - current	74,544	100,698	-	-
Due to other funds	-	618,999	-	-
Due to other governments	112,714	133,640	-	13,716
Accrued interest payable	432	39,247	-	1,716
Accrued wages payable	13,531	9,274	-	27,130
Compensated absences payable - current	15,975	12,340	-	40,210
Deposits payable	-	-	-	22,100
Bonds payable - current	70,000	1,067,000	-	95,000
Total current liabilities	<u>313,396</u>	<u>1,986,518</u>	<u>-</u>	<u>744,821</u>
Noncurrent liabilities				
Advances from other funds	197,760	1,109,851	-	-
Compensated absences payable - noncurrent	1,554	1,554	-	23,166
Other postemployment benefits payable	7,906	24,494	-	23,416
Bonds payable - noncurrent	150,000	10,234,347	-	420,000
Net pension liability	268,720	313,735	-	734,829
Total noncurrent liabilities	<u>625,940</u>	<u>11,683,981</u>	<u>-</u>	<u>1,201,411</u>
Total liabilities	<u>939,336</u>	<u>13,670,499</u>	<u>-</u>	<u>1,946,232</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pension activity	44,074	51,457	-	120,523
Net Position				
Net investment in capital assets	4,170,625	9,123,992	433,094	5,332,407
Unrestricted	55,219	(603,100)	-	1,378,286
Total net position	<u>4,225,844</u>	<u>8,520,892</u>	<u>433,094</u>	<u>6,710,693</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,209,254</u>	<u>\$ 22,242,848</u>	<u>\$ 433,094</u>	<u>\$ 8,777,448</u>

See notes to financial statements.

Storm Utility (605)	Refuse and Recycling (607)	Total
\$ -	\$ 17,903	\$ 428,148
-	18,287	1,720,331
-	-	23,018
-	-	45
-	-	3,566
-	-	6,550
-	-	9,990
-	-	350,023
-	<u>36,190</u>	<u>2,541,671</u>
-	-	237,948
-	7,132	121,155
-	-	835,980
-	-	1,322,661
-	-	415,653
-	-	5,831,568
-	-	39,974,490
-	-	5,242,762
-	-	1,072,531
-	-	264,040
-	-	52,801,044
-	-	(21,704,579)
-	-	31,096,465
-	<u>7,132</u>	<u>33,614,209</u>
-	-	550,086
<u>\$ -</u>	<u>\$ 43,322</u>	<u>\$ 36,705,966</u>
\$ -	\$ 19,959	\$ 596,428
-	-	175,242
14,659	-	633,658
-	-	260,070
-	-	41,395
-	-	49,935
-	-	68,525
-	-	22,100
-	-	1,232,000
<u>14,659</u>	<u>19,959</u>	<u>3,079,353</u>
-	-	1,307,611
-	-	26,274
-	-	55,816
-	-	10,804,347
-	-	1,317,284
-	-	13,511,332
<u>14,659</u>	<u>19,959</u>	<u>16,590,685</u>
-	-	216,054
-	-	19,060,118
(14,659)	23,363	839,109
<u>(14,659)</u>	<u>23,363</u>	<u>19,899,227</u>
<u>\$ -</u>	<u>\$ 43,322</u>	<u>\$ 36,705,966</u>

City of Le Sueur
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2016

	Water Utility (601)	Sewer Utility (602, 606)	Sewer Pre- Treatment (603)	Electric Utility (604)
Operating Revenues				
Charges for Services	\$ 1,047,422	\$ 1,982,703	\$ -	\$ 8,746,812
Operating Expenses				
Source of power	220,215	-	-	-
Power and pumping	130,227	-	-	-
Purification	12,275	-	-	-
Distribution	24,066	-	-	-
Administrative and general	469,607	321,874	-	1,065,525
Sanitary sewer cleaning	-	49,471	-	-
Sanitary sewer maintenance	-	1,555	-	-
Sewer lift stations	-	19,904	-	-
Sewer treatment plants	-	809,247	-	-
Metering	18,747	17,404	-	-
Sewer flood repair	-	85,503	-	-
PUC	-	42,753	-	-
Purchased power	-	-	-	6,965,704
Transmission and distribution	-	-	-	425,531
Customer collection and meter	-	-	-	33,436
Depreciation	201,530	558,974	74,856	433,047
Repairs and Maintenance	15	-	-	-
Total operating expenses	<u>1,076,682</u>	<u>1,906,685</u>	<u>74,856</u>	<u>8,923,243</u>
Operating income (loss)	(29,260)	76,018	(74,856)	(176,431)
Nonoperating Revenues (Expenses)				
Income from investment in joint venture	-	679,440	-	-
Investment earnings	418	(219)	-	274
Rental income	5,500	17,495	-	-
Refunds and reimbursements	-	122,515	-	-
Other income	1,094	36,540	-	437,151
Interest and related expenses	(7,836)	(147,067)	-	(27,334)
Amortization of bond premium (discount)	-	1,837	-	-
Total nonoperating revenues (expenses)	<u>(824)</u>	<u>710,541</u>	<u>-</u>	<u>410,091</u>
Income (loss) before capital contributions and transfers	(30,084)	786,559	(74,856)	233,660
Capital Contributions and Transfers				
Special assessments	3,090	-	-	-
Connection fees	-	10,593	-	-
Transfers in	-	-	-	750
Transfers out	<u>(1,293)</u>	<u>(1,900)</u>	<u>(32,970)</u>	<u>(354,377)</u>
Change in net position	(28,287)	795,252	(107,826)	(119,967)
Net Position				
Beginning of year	<u>4,254,131</u>	<u>7,725,640</u>	<u>540,920</u>	<u>6,830,660</u>
End of year	<u>\$ 4,225,844</u>	<u>\$ 8,520,892</u>	<u>\$ 433,094</u>	<u>\$ 6,710,693</u>

See notes to financial statements.

Storm Utility (605)	Refuse and Recycling (607)	Total
\$ -	\$ 277,231	\$ 12,054,168
-	-	220,215
-	-	130,227
-	-	12,275
-	-	24,066
2,487	251,368	2,110,861
-	-	49,471
-	-	1,555
-	-	19,904
-	-	809,247
-	-	36,151
-	-	85,503
-	-	42,753
-	-	6,965,704
-	-	425,531
-	-	33,436
-	-	1,268,407
-	-	15
<u>2,487</u>	<u>251,368</u>	<u>12,235,321</u>
(2,487)	25,863	(181,153)
-	-	679,440
-	-	473
-	-	22,995
-	-	122,515
-	-	474,785
-	-	(182,237)
-	-	1,837
<u>-</u>	<u>-</u>	<u>1,119,808</u>
(2,487)	25,863	938,655
-	-	3,090
-	-	10,593
-	-	750
<u>-</u>	<u>(2,500)</u>	<u>(393,040)</u>
(2,487)	23,363	560,048
<u>(12,172)</u>	<u>-</u>	<u>19,339,179</u>
<u>\$ (14,659)</u>	<u>\$ 23,363</u>	<u>\$ 19,899,227</u>

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 1,062,483	\$ 2,084,485
Payments to suppliers	(411,902)	(931,602)
Payments to employees	(274,983)	(318,800)
Other receipts	6,594	54,035
Net cash flows - operating activities	382,192	888,118
Cash Flows - Noncapital Financing Activities		
Change in due from other funds	323,889	-
Change in due to other funds	-	307,282
Refunds and reimbursements	-	122,515
Transfer in	-	-
Transfer out	(1,293)	(1,900)
Net cash flows - noncapital financing activities	322,596	427,897
Cash Flows - Capital and Related Financing Activities		
Principal paid on debt	(70,000)	(1,054,836)
Interest paid on debt	(7,953)	(148,656)
Payments received on assessments receivable	(177)	(22,607)
Connection fees received	-	10,593
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(74,214)	(100,290)
Acquisition of capital assets	(583,976)	-
Net cash flows - capital and related financing activities	(736,320)	(1,315,796)
Cash Flows - Investing Activities		
Interest and dividends received	418	(219)
Net change in cash and cash equivalents	(31,114)	-
Cash and Cash Equivalents		
January 1	174,164	-
December 31	\$ 143,050	\$ -

See notes to financial statements.

Business-Type Activities -
Enterprise Funds

Sewer Pre-Treatment (603)	Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ -	\$ 8,852,823	\$ -	\$ 258,944	\$ 12,258,735
-	(7,705,705)	(2,487)	(231,409)	(9,283,105)
-	(789,608)	-	-	(1,383,391)
-	437,151	-	-	497,780
-	794,661	(2,487)	27,535	2,090,019
-	-	-	-	323,889
-	-	2,487	-	309,769
-	-	-	-	122,515
-	750	-	-	750
(32,970)	(354,377)	-	(2,500)	(393,040)
(32,970)	(353,627)	2,487	(2,500)	363,883
-	(90,000)	-	-	(1,214,836)
-	(27,596)	-	-	(184,205)
-	(41,637)	-	(7,132)	(71,553)
-	-	-	-	10,593
-	21,696	-	-	21,696
-	31,000	-	-	(143,504)
-	(344,709)	-	-	(928,685)
-	(451,246)	-	(7,132)	(2,510,494)
-	274	-	-	473
(32,970)	(9,938)	-	17,903	(56,119)
32,970	277,133	-	-	484,267
\$ -	\$ 267,195	\$ -	\$ 17,903	\$ 428,148

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities		
Operating income (loss)	\$ (29,260)	\$ 76,018
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	6,594	54,035
Operating activities		
Depreciation expense	201,530	558,974
Pension related activity	51,280	30,163
Accounts receivable	15,061	1,943
Due from other governments	-	99,839
Prepaid items	(788)	(788)
Inventory	38,845	(369)
Accounts and contracts payable	(13,879)	(203)
Salaries and benefits payable	2,580	(7,222)
Due to other governments	103,807	68,629
Deposits payable	-	-
OPEB obligation	(19)	(115)
Compensated absences payable	6,441	7,214
Total adjustments	411,452	812,100
Net cash flows - operating activities	\$ 382,192	\$ 888,118

Business-Type Activities -
Enterprise Funds

Sewer Pre- Treatment (603)	Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ (74,856)	\$ (176,431)	\$ (2,487)	\$ 25,863	\$ (181,153)
-	437,151	-	-	497,780
74,856	433,047	-	-	1,268,407
-	8,565	-	-	90,008
-	106,011	-	(18,287)	104,728
-	-	-	-	99,839
-	66	-	-	(1,510)
-	2,774	-	-	41,250
-	(11,487)	-	19,959	(5,610)
-	(4,768)	-	-	(9,410)
-	157	-	-	172,593
-	(17,800)	-	-	(17,800)
-	(238)	-	-	(372)
-	17,614	-	-	31,269
<u>74,856</u>	<u>971,092</u>	<u>-</u>	<u>1,672</u>	<u>2,271,172</u>
<u>\$ -</u>	<u>\$ 794,661</u>	<u>\$ (2,487)</u>	<u>\$ 27,535</u>	<u>\$ 2,090,019</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 Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. 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.

Separate financial statements are included in this report for the EDA to emphasize that it is legally separate from the City. The EDA is presented as governmental fund type.

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 Sewer Utility 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. The Commission was dissolved during the year ended December 31, 2016.

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. 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 and proprietary 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

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.

**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)

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.

Medical Facility Bonds 2010 Fund – This fund is used to account for the resources accumulated and payments made for principal and interest on the Medical Facility Revenue Bond of 2010.

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.

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.

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)

Proprietary Funds (Continued):

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.

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.

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, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

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 2016. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

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.

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".

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Inventory

Inventory is valued at cost using 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. Prepaid items are recorded as an expenditure at the time of consumption.

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.

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 are recorded at acquisition value 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Capital Assets (Continued)

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:

Assets	Years
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

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(s) of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Deferred Outflows/Inflows of Resources (Continued)

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 four sources: property taxes, special assessments, grants, 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(s) of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

11. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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.

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 and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General Fund is typically used to liquidate governmental compensated absences payable.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.
- **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.

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. Fund Equity (Continued)

a. Classification (Continued)

- 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% 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.
- 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

18. 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

The actual expenditures exceeded budgeted expenditures in the General Fund and Community Center Fund as follows:

Fund/Department	Budget	Actual	Excess of Expenditures Over Appropriations
General			
General government	\$ 531,970	\$ 587,652	\$ 55,682
Culture and recreation	256,600	269,915	13,315
Sanitation	-	4,013	4,013
Housing and economic development	-	120,013	120,013
Special revenue			
Community Center	708,685	939,667	185,177

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

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

B. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2016:

Fund	Amount
Special revenue	
Community Center	\$ 203,496
Fire Service	15,750
Airport	42,201
Capital projects	
Capital Improvements	234,215
Enterprise	
Storm Utility	14,659

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

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2016, the City's bank balance of \$3,732,716 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2016, was \$3,017,621 for deposits.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

As of December 31, 2016, 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	\$ 92,628
4M Plus Fund	N/A	less than six months	<u>660,962</u>
Total investments			<u>\$ 753,590</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.

Concentration of Credit Risk: The City's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. As of December 31, 2016, the City's investments follow the guidelines stated in its investment policy.

Credit Risk: The City's investment policy limits investments to those specified in statute.

Interest rate risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's objective relating to interest rate risk is to mitigate declines in market value of investments due to changes in interest rates. The policy states the "prudent investor" standard of judgment should be used by those making investment decisions. The policy calls for diversity in type and maturity in order to achieve market rate of return and prevent loss.

Custodial credit risk – investments: For an investment, this is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy states all investments must be fully insured and registered in the name of the City.

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 \$363.

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:

	<u>Primary Government</u>	<u>Component Unit - EDA</u>	<u>Total</u>
Carrying amount of deposits	\$ 2,783,915	\$ 233,343	\$ 3,017,258
Investments	753,590	-	753,590
Cash on hand	<u>363</u>	<u>-</u>	<u>363</u>
Total	<u>\$ 3,537,868</u>	<u>\$ 233,343</u>	<u>\$ 3,771,211</u>
Cash and temporary investments	<u>\$ 3,537,868</u>	<u>\$ 233,343</u>	<u>\$ 3,771,211</u>

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, 2016, is \$6,799,238, including \$5,069,700 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, 2016, is \$26,500.

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,154,589, 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	\$ 169,473
	Debt Service	179,480
	Nonmajor Governmental	169,139
	Sewer Utility	618,999
	Storm Utility	14,659
Nonmajor Governmental	Nonmajor Governmental	<u>125,955</u>
Total		<u>\$ 1,277,705</u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Water Utility	\$ 265,431
	Sewer Utility	365,910
Nonmajor Governmental	Water Utility	6,873
	Sewer Utility	8,659
Water Utility	Sewer Utility	335,980
Electric Utility	Sewer Utility	<u>500,000</u>
Total		<u>\$ 1,482,853</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>\$ 823,541</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, 2016, were as follows:

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Electric Utility	
Transfers out					
General	\$ -	\$ 26,086	\$ -	\$ -	\$ 26,086
Community Center	10,942	212,723	-	-	223,665
Debt Service	-	-	76,549	-	76,549
Nonmajor governmental	20,840	33,967	124,121	-	178,928
Water Utility	1,293	-	-	-	1,293
Sewer Utility	1,150	-	-	750	1,900
Sewer Pre-Treatment	-	-	32,970	-	32,970
Electric Utility	354,377	-	-	-	354,377
Refuse and Recycling	2,500	-	-	-	2,500
Total transfers out	<u>\$ 391,102</u>	<u>\$ 272,776</u>	<u>\$ 233,640</u>	<u>\$ 750</u>	<u>\$ 898,268</u>

In the year ended December 31, 2016, the City made the following transfers:

A transfer of \$10,942 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 \$20,840 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 \$1,293 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 five percent of gross revenue of said utility fund. A transfer of \$4,377 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 \$2,500 was made from the Refuse and Recycling Fund to the General Fund to subsidize the General Fund for administration costs.

City of Le Sueur
Notes to Financial Statements

NOTE 6 – INTERFUND TRANSFERS (CONTINUED)

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

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 \$33,967 was made from Nonmajor Governmental Funds to the Debt Service Fund for debt service payments.

A transfer of \$76,549 was made from the Debt Service Fund to Nonmajor Governmental Funds to distribute excess funds according to the City's fund policy.

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 \$119,121 was made from Nonmajor Governmental Funds to other Nonmajor Governmental funds to distribute excess funds according to the City's fund policy.

A transfer of \$32,970 was made from the Sewer Pre-Treatment Fund to Nonmajor Governmental funds to distribute excess funds according to the City's fund policy.

A transfer of \$750 was made from the Sewer Utility fund to the Electric Utility Fund for operating purposes.

City of Le Sueur
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,414,773	\$ -	\$ -	\$ 1,414,773
Construction in progress	3,020,383	127,247	3,147,630	-
Total capital assets not being depreciated	<u>4,435,156</u>	<u>127,247</u>	<u>3,147,630</u>	<u>1,414,773</u>
Capital assets being depreciated				
Buildings	6,308,106	2,073,846	-	8,381,952
Infrastructure	10,451,683	1,130,784	-	11,582,467
Machinery and equipment	1,993,665	8,195	54,140	1,947,720
Vehicles	1,584,428	75,000	81,257	1,578,171
Total capital assets being depreciated	<u>20,337,882</u>	<u>3,287,825</u>	<u>135,397</u>	<u>23,490,310</u>
Less accumulated depreciation for				
Buildings	(2,493,284)	(238,134)	-	(2,731,418)
Infrastructure	(4,993,954)	(489,566)	-	(5,483,520)
Machinery and equipment	(1,545,309)	(92,807)	(54,140)	(1,583,976)
Vehicles	(1,040,736)	(75,533)	(81,257)	(1,035,012)
Total accumulated depreciation	<u>(10,073,283)</u>	<u>(896,040)</u>	<u>(135,397)</u>	<u>(10,833,926)</u>
Total capital assets being depreciated, net	<u>10,264,599</u>	<u>2,391,785</u>	<u>-</u>	<u>12,656,384</u>
Governmental activities capital assets, net	<u>\$ 14,699,755</u>	<u>\$ 2,519,032</u>	<u>\$ 3,147,630</u>	<u>\$ 14,071,157</u>

City of Le Sueur
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2016, was as follows (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 415,653	\$ -	\$ -	\$ 415,653
Construction in progress	607,604	448,188	791,752	264,040
Total capital assets not being depreciated	<u>1,023,257</u>	<u>448,188</u>	<u>791,752</u>	<u>679,693</u>
Capital assets being depreciated				
Buildings	5,684,393	147,175	-	5,831,568
Infrastructure	39,310,454	664,036	-	39,974,490
Machinery and equipment	5,023,199	253,502	33,939	5,242,762
Vehicles	864,995	207,536	-	1,072,531
Total capital assets being depreciated	<u>50,883,041</u>	<u>1,272,249</u>	<u>33,939</u>	<u>52,121,351</u>
Less accumulated depreciation for				
Buildings	(3,787,916)	(156,455)	-	(3,944,371)
Infrastructure	(12,321,899)	(909,049)	-	(13,230,948)
Machinery and equipment	(3,652,603)	(171,612)	(33,939)	(3,790,276)
Vehicles	(707,693)	(31,291)	-	(738,984)
Total accumulated depreciation	<u>(20,470,111)</u>	<u>(1,268,407)</u>	<u>(33,939)</u>	<u>(21,704,579)</u>
Total capital assets being depreciated, net	<u>30,412,930</u>	<u>3,842</u>	<u>-</u>	<u>30,416,772</u>
Business-type activities capital assets, net	<u>\$ 31,436,187</u>	<u>\$ 452,030</u>	<u>\$ 791,752</u>	<u>\$ 31,096,465</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:

Governmental activities		
General government	\$	58,397
Public safety		158,711
Streets and highways		301,670
Culture and recreation		199,081
Transportation		<u>178,181</u>
Total depreciation expense - governmental activities		<u>\$ 896,040</u>
Business-type activities		
Water Utility	\$	201,530
Sewer Utility		558,974
Sewer Pre-treatment		74,856
Electric Utility		<u>433,047</u>
Total depreciation expense - business-type activities		<u>\$ 1,268,407</u>

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
Governmental activities					
G.O. Refunding					
Bonds of 2014A-library	\$ 460,000	2.00	12/01/14	12/01/22	\$ 350,000
G.O. Refunding					
Bonds of 2014A-fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	945,000
G.O. Police Capital Improvement					
Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	315,000
G.O. Street Reconstruction					
Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	<u>635,000</u>
Total general obligation bonds					<u>\$ 2,245,000</u>

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

A. General Obligation Bonds (Continued)

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

<u>Year Ending December 31,</u>	General Obligation Bonds Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	245,000	38,300	283,300
2022-2026	905,000	103,042	1,008,042
2027-2031	180,000	8,100	188,100
 Total	 <u>\$ 2,245,000</u>	 <u>\$ 356,307</u>	 <u>\$ 2,601,307</u>

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% of the amount required for debt service. The excess of 5% is to cover any delinquencies in tax or assessment payments.

<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>
Governmental activities					
G.O. Improvement Refunding					
Bonds of 2009A	\$ 625,000	1.20 - 3.00	10/01/09	12/01/17	\$ 85,000
G.O. Refunding Bonds of 2011B	2,410,000	2.00 - 3.15	09/07/11	12/01/23	1,290,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	1,005,000
 Total general obligation improvement bonds					 <u>\$ 2,380,000</u>

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

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

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	240,000	8,085	248,085
2022-2026	<u>70,000</u>	<u>3,308</u>	<u>73,308</u>
Total	<u>\$ 2,380,000</u>	<u>\$ 163,378</u>	<u>\$ 2,543,378</u>

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.

<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>
Governmental activities					
Johnson Controls lease Revenue bond of 2006	\$ 2,700,000	4.25 %	03/30/06	03/31/21	\$ 1,041,483
Health care facility Revenue bond of 2010	5,500,000	2.90	09/17/10	09/17/35	4,845,240
Gross revenue recreational Facility bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	<u>2,155,000</u>
Total revenue bonds					<u>\$ 8,041,723</u>

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

C. Revenue Bonds (Continued)

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 491,123	\$ 369,985	\$ 861,108
2018	509,876	349,791	859,667
2019	529,512	328,355	857,867
2020	554,470	306,237	860,707
2021	409,447	325,050	734,497
2022-2026	1,634,588	1,383,174	3,017,762
2027-2031	2,129,077	896,225	3,025,302
2032-2035	1,783,630	252,293	2,035,923
Total	<u>\$ 8,041,723</u>	<u>\$ 4,211,110</u>	<u>\$ 12,252,833</u>

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.

<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>
Business-type activities					
G.O. Revenue Bonds of 2007 (PFA)	\$ 16,353,395	1.00 %	09/26/07	08/20/27	\$ 10,024,000
Electric Utility Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	515,000
G.O. Refunding Bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	220,000
G.O. Refunding Bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	510,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	760,000
Total business-type activities					12,029,000
Governmental activities					
G.O. Tax Abatement Bonds of 2008A	470,000	2.75 - 3.70	02/21/08	12/01/18	85,000
Total G.O. Revenue Bonds					<u>\$ 12,114,000</u>

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. G.O. Revenue Bonds (Continued)

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities			G.O. Revenue Bonds Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	36,295
2020	1,213,000	106,082	1,319,082	-	-	-
2021	1,097,000	87,318	1,184,318	-	-	-
2022-2026	5,016,000	227,123	5,243,123	-	-	-
2027-2031	957,000	9,570	966,570	-	-	-
Total	<u>\$ 12,029,000</u>	<u>\$ 862,463</u>	<u>\$ 12,891,463</u>	<u>\$ 85,000</u>	<u>\$ 4,440</u>	<u>\$ 125,735</u>

E. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 2,520,000	\$ -	\$ (275,000)	\$ 2,245,000	\$ 215,000
General obligation improvement bonds	3,000,000	-	(620,000)	2,380,000	565,000
General obligation revenue bonds	135,000	-	(50,000)	85,000	50,000
Revenue bonds	8,514,278	-	(472,555)	8,041,723	491,123
Bond premium	61,237	-	(8,622)	52,615	-
Total bonds payable	<u>14,230,515</u>	<u>-</u>	<u>(1,426,177)</u>	<u>12,804,338</u>	<u>1,321,123</u>
Compensated absences payable					
	<u>115,791</u>	<u>177,558</u>	<u>(150,576)</u>	<u>142,773</u>	<u>92,519</u>
Governmental activity long-term liabilities	<u>\$ 14,346,306</u>	<u>\$ 177,558</u>	<u>\$ (1,576,753)</u>	<u>\$ 12,947,111</u>	<u>\$ 1,413,642</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 13,242,000	\$ -	\$ (1,213,000)	\$ 12,029,000	\$ 1,232,000
Bond premium	9,183	-	(1,836)	7,347	-
Total bonds payable	<u>13,251,183</u>	<u>-</u>	<u>(1,214,836)</u>	<u>12,036,347</u>	<u>1,232,000</u>
Compensated absences payable					
	<u>63,530</u>	<u>140,421</u>	<u>(109,152)</u>	<u>94,799</u>	<u>68,525</u>
Business-type activity long-term liabilities	<u>\$ 13,314,713</u>	<u>\$ 140,421</u>	<u>\$ (1,323,988)</u>	<u>\$ 12,131,146</u>	<u>\$ 1,300,525</u>

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

F. 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>\$ 2,177,030</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
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	85,670	106,830	192,500
2022-2026	509,390	453,110	962,500
2027-2031	676,315	286,185	962,500
2032-2036	607,659	32,676	640,335
Total	<u>\$ 2,177,030</u>	<u>\$ 1,350,805</u>	<u>\$ 3,527,835</u>

2. 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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
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>84,044</u>
Total notes payable					<u>\$ 894,044</u>

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

F. Component Unit Debt (Continued)

2. Notes Payable (Continued)

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
2017	\$ 211,052	\$ 24,076	\$ 235,128
2018	64,269	22,122	86,391
2019	35,602	20,108	55,710
2020	583,121	18,951	602,072
Total	<u>\$ 894,044</u>	<u>\$ 85,257</u>	<u>\$ 979,301</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
Revenue bonds payable	\$ 2,241,555	\$ -	\$ (64,525)	\$ 2,177,030	\$ 68,289
Special assessments payable	60,000	-	(60,000)	-	-
Notes payable	924,044	-	(30,000)	894,044	221,277
Component unit long-term liabilities	<u>\$ 3,225,599</u>	<u>\$ -</u>	<u>\$ (154,525)</u>	<u>\$ 3,071,074</u>	<u>\$ 289,566</u>

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2016 was \$608,946. The components of pension expense are noted in the following plan summaries.

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 ad 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

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

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

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

B. Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% 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.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% 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.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan 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 Police and Fire Plan 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 Police and Fire Plan who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016, were \$142,273. The City's contributions were equal to the required contributions as set by state statute.

City of Le Sueur
Notes to Financial Statements

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.2% of pay for PEPFF members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$82,433. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$2,557,644 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$33,392. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was 0.0315%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$288,810 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$9,957 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 212,823
Changes in actuarial assumptions	500,790	-
Difference between projected and actual investment earnings	496,122	-
Changes in proportion	-	206,669
Contributions paid to PERA subsequent to the measurement date	<u>71,137</u>	<u>-</u>
	<u><u>\$ 1,068,049</u></u>	<u><u>\$ 419,492</u></u>

\$71,137 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, 2017. Other amounts reported as deferred outflows and deferred 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>
2017	\$ 136,033
2018	136,033
2019	212,969
2020	<u>92,385</u>
Total	<u><u>\$ 577,420</u></u>

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$2,042,129 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2016, the City’s proportion was 0.051 %, which was a decrease of 0.0010% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$354,322 for its proportionate share of the Police and Fire Fund pension expense. The City also recognized \$10,465 for the year ended December 31, 2016, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the sources below and on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 236,271
Changes in actuarial assumptions	1,126,401	-
Difference between projected and actual investment earnings	313,831	-
Changes in proportion	7,199	9,470
Contributions paid to PERA subsequent to the measurement date	41,217	-
	\$ 1,488,648	\$ 245,741

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

\$41,217 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 258,990
2018	258,990
2019	258,993
2020	233,252
2021	191,465
Total	\$ 1,201,690

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 Per year
Investment rate of return	7.50

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% for all future years for the General Employees Plan and Police and Fire Plan.

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

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric 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
	<hr/>	
Total	<u>100 %</u>	

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

F. Discount Rate

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

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 3,632,612	\$ 2,557,644	\$ 1,672,162
	1% Decrease in Discount Rate <u>(4.6%)</u>	Discount Rate <u>(5.6%)</u>	1% Increase in Discount Rate <u>(6.6%)</u>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 2,860,545	\$ 2,042,129	\$ 1,373,421

City of Le Sueur
Notes to Financial Statements

NOTE 9 –PENSION PLANS (CONTINUED)

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, 2015, 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%.

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 \$41,206 in fire state aid to the plan on behalf of the Le Sueur Fire Department for the year ended December 31, 2015, 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, was \$0. In addition, the City made voluntary contributions of \$25,000 to the plan.

D. Pension Costs

At December 31, 2016, the City reported a net pension asset of \$167,250 for the SVF plan. The net pension asset was measured as of December 31, 2015. 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, 2015. The table on the following page presents the changes in net pension liability during the year.

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

NOTE 9 – PENSION PLANS (CONTINUED)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2014	\$ 746,440	\$ 922,723	\$ (176,283)
Changes for the year			
Service cost	35,664	-	35,664
Interest on pension liability	46,926	-	46,926
Difference between expected and actual experience	(7,206)	-	(7,206)
Municipal contribution	-	25,000	(25,000)
State contributions	-	41,207	(41,207)
Projected investment return	-	55,363	(55,363)
Adjustment to initial asset transfer	-	-	-
Gain or loss	-	(54,378)	54,378
Benefit payments	-	-	-
Administrative expense	-	(841)	841
Net changes	<u>75,384</u>	<u>66,351</u>	<u>9,033</u>
Balances at December 31, 2015	<u>\$ 821,824</u>	<u>\$ 989,074</u>	<u>\$ (167,250)</u>

For the year ended December 31, 2016, the City recognized pension expense of \$(34,189).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 14,680
Difference between projected and actual investment earnings	40,272	-
City contributions subsequent to the measurement date	<u>66,003</u>	<u>-</u>
Total	<u>\$ 106,275</u>	<u>\$ 14,680</u>

\$66,003 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**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)

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

2017	\$ 5,387
2018	5,387
2019	5,386
2020	<u>9,432</u>
Total	<u><u>\$ 25,592</u></u>

E. Actuarial Assumptions

The total pension liability at December 31, 2015, 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 2015.

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.

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

NOTE 9 – PENSION PLANS (CONTINUED)

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

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	\$ (140,262)	\$ (167,250)	\$ (193,165)

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.

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 %	

**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)

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.

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; 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.

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 was known as the Le Sueur-Henderson Cable Communications Commissions (CATV). CATV was dissolved during 2016.

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

NOTE 10 – JOINT POWERS AGREEMENTS (CONTINUED)

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, 2016, MRVPUC reported a net position balance of December 31, 2016, \$1,457,317. The City of Le Sueur's share of this balance was \$1,322,661.

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.

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.

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

NOTE 12 – RISK MANAGEMENT (CONTINUED)

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 2016, the City contributed \$15,566 to the plan. As of December 31, 2016, there were approximately 19 retirees and seven spouses receiving health benefits from the City's health plan.

C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit 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 30 years.

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	4,296
Amortization of net OPEB obligation with Interest	-
Adjustment to ARC	(144,635)
Annual OPEB cost (expense)	<u>14,169</u>
Contributions made	<u>(15,566)</u>
Increase in net OPEB obligation	(1,397)
Net OPEB obligation - beginning of year	<u>143,188</u>
Net OPEB obligation - end of year	<u><u>\$ 141,791</u></u>

City of Le Sueur
Notes to Financial Statements

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit Obligation (Continued)

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
2016	\$ 14,169	109.9 %	\$141,791
2015	(13,988)	(105.4)	143,188
2014	39,361	14.7	171,916

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.

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.

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):

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.

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, 2016, was 29 years.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2016, prior period adjustments were required to adjust beginning net position for governmental activities and governmental funds to correct prior year errors.

City of Le Sueur
Notes to Financial Statements

NOTE 14 – PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The City corrected an error of recording new assessments in the prior year for balances that were already recorded resulting in double booking which affected the beginning net position for governmental activities in the amount of \$451,490. The City corrected an error of recording a receivable in the prior year for revenues that had already been received which affected the beginning fund balance in the Fire Service Fund and governmental activities in the amount of \$64,267. The City also corrected an error in the recognition of revenue which affected beginning fund balance in the Para-Transit Fund in the amount of \$31,932.

NOTE 15 – TAX INCREMENT FINANCING

The City has entered into five Tax Increment Financing agreements, two of which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from Minnesota Statute 469. The City entered into these agreements for the purpose of housing and economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2016, the City generated \$62,101 in tax increment revenue under the two agreements listed below and made \$58,996 in payments to developers.

The two agreements which meet the criteria for disclosure each exceeded 10% of the total tax increment generated throughout the year.

- TIF District No. 13 was established in 2001 for the development of a 24-unit affordable housing project. Under the agreement, up to \$339,168 of development costs will be reimbursed through tax increment over a seventeen-year period. During the year ended December 31, 2016, the City generated \$39,090 of tax increment revenue and made payments on the pay-as-you-go note of \$37,135. The note's balance at year end was \$334,215.
- TIF District No. 14 was established in 2001 for the development of a 40-unit apartment project. Under the agreement, up to \$655,716 of development costs will be reimbursed through tax increment over a twenty-year period. During the year ended December 31, 2016, the City generated \$23,012 of tax increment revenue and made payments on the pay-as-you-go note of \$21,861. The note's balance at year end was \$131,166.

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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Le Sueur
Retiree Health Plan – Schedule of Funding Progress
December 31, 2016

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
General Employees Retirement Fund
Last Ten Years**

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</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>
2016	0.0315%	\$ 2,557,644	\$ 33,392	\$ 2,591,036	\$ 1,953,720	130.91%	68.91%
2015	0.0344%	1,782,787	-	-	1,985,947	89.77%	78.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire 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>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>
2016	0.0510%	\$ 2,042,129	\$ 486,648	419.63%	63.88%
2015	0.0520%	590,842	465,630	126.89%	86.61%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Le Sueur
Schedule of City Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 142,273	\$ 142,273	\$ -	\$ 1,896,973	7.5%
2015	144,639	144,639	-	1,928,520	7.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City Contributions
Public Employees Police and Fire Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 82,433	\$ 82,433	\$ -	\$ 508,846	16.2%
2015	85,580	85,580	-	528,272	16.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

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

	2015	2014
Total pension liability (TPL)		
Service cost	\$ 35,664	\$ 34,604
Interest on the pension liability	46,929	43,185
Actuarial experience (gains)/losses	(7,206)	(14,859)
Benefit payments	-	-
Net change in TPL	75,384	62,930
TPL - beginning 12/31/14	746,440	685,151
TPL - ending 12/31/15	\$ 821,824	\$ 748,081
Plan fiduciary net position (PFNP)		
First state aid	\$ 33,106	\$ 31,404
Fire supplemental aid	8,100	7,598
Supplemental benefit reimbursement	-	-
Voluntary municipal contribution	25,000	17,602
Required municipal contribution	-	7,588
Adjustment to initial asset transfer	-	-
Net investment income	985	53,719
PERA administrative fee	(810)	(810)
Auditor/accounting fee	-	-
SBI Investment Fee	(31)	-
Benefit payments	-	-
Net change in PFNP	66,351	117,101
PFNP - beginning 12/31/14	922,723	805,622
PFNP - ending 12/31/15	\$ 989,074	\$ 922,723
Net pension asset - ending 12/31/15	\$ (167,250)	\$ (174,642)
Plan fiduciary net position as a percentage of the total pension liability	120.4%	123.3%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of Le Sueur
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

POLICE AND FIRE FUND

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

SUPPLEMENTARY INFORMATION

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2016**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 101,167	\$ 1,057,655	\$ 1,158,822
Accounts receivable	12,270	250,000	262,270
Notes and mortgages receivable	-	22,627	22,627
Special assessments receivable	-	11,793	11,793
Due from other governments	37,346	-	37,346
Advances to other funds	-	15,532	15,532
Advances to component unit	-	153,233	153,233
Due from other funds	-	125,955	125,955
Inventory	10,443	-	10,443
	\$ 161,226	\$ 1,636,795	\$ 1,798,021
Liabilities			
Accounts payable	\$ 18,128	\$ 217,562	\$ 235,690
Due to other governments	1,185	-	1,185
Accrued wages payable	18,256	-	18,256
Due to other funds	60,879	234,215	295,094
Total liabilities	98,448	451,777	550,225
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	11,793	11,793
Unavailable revenue - grant receivable	31,932	-	31,932
Total deferred inflows of resources	31,932	11,793	43,725
Fund Balances			
Nonspendable for			
Inventory	10,443	-	10,443
Restricted for			
Transit operations and maintenance	44,473	-	44,473
Committed for			
Ambulance operations and maintenance	37,276	-	37,276
Assigned for			
Capital projects	-	1,407,440	1,407,440
Unassigned	(61,346)	(234,215)	(295,561)
Total fund balances	30,846	1,173,225	1,204,071
	\$ 161,226	\$ 1,636,795	\$ 1,798,021
Total liabilities, deferred inflows of resources, and fund balances	\$ 161,226	\$ 1,636,795	\$ 1,798,021

City of Le Sueur
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2016

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 493,549	\$ 493,549
Special assessments	-	3,548	3,548
Intergovernmental	297,302	515,070	812,372
Charges for services	406,174	4,400	410,574
Miscellaneous	112,864	232,694	345,558
Total revenues	<u>816,340</u>	<u>1,249,261</u>	<u>2,065,601</u>
Expenditures			
Current			
Public safety	495,068	-	495,068
Transportation	274,552	-	274,552
Capital outlay			
Public safety	75,788	189,747	265,535
Streets and highways	-	465,543	465,543
Transportation	-	104,959	104,959
Total expenditures	<u>845,408</u>	<u>760,249</u>	<u>1,605,657</u>
Excess of revenues over (under) expenditures	(29,068)	489,012	459,944
Other Financing Sources (Uses)			
Transfers in	-	233,640	233,640
Transfers out	(59,807)	(119,121)	(178,928)
Total other financing sources (uses)	<u>(59,807)</u>	<u>114,519</u>	<u>54,712</u>
Net change in fund balances	(88,875)	603,531	514,656
Fund Balances			
Beginning of year, as previously stated	<u>215,920</u>	<u>569,694</u>	<u>785,614</u>
Prior period adjustment (see Note 14)	<u>(96,199)</u>	<u>-</u>	<u>(96,199)</u>
Beginning of year, as restated	<u>119,721</u>	<u>569,694</u>	<u>689,415</u>
End of year	<u>\$ 30,846</u>	<u>\$ 1,173,225</u>	<u>\$ 1,204,071</u>

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2016**

	Special Revenue	
	Fire Service (225)	Ambulance Service (226)
Assets		
Cash and investments	\$ -	\$ 51,670
Accounts receivable	9,375	1,934
Due from other governments	-	-
Inventory	-	7,048
	-	7,048
Total assets	\$ 9,375	\$ 60,652
Liabilities		
Accounts payable	\$ 2,865	\$ 7,533
Due to other governments	584	138
Accrued wages payable	-	8,657
Due to other funds	21,676	-
Total liabilities	25,125	16,328
Deferred Inflows of Resources		
Unavailable revenue - grant receivable	-	-
Fund Balances		
Nonspendable for		
Inventory	-	7,048
Restricted for		
Transit operations and maintenance	-	-
Committed for		
Ambulance operations and maintenance	-	37,276
Unassigned	(15,750)	-
Total fund balances	(15,750)	44,324
Total liabilities and fund balances	\$ 9,375	\$ 60,652

Special Revenue

<u>Para-Transit (227)</u>	<u>Airport (235)</u>	<u>Total</u>
\$ 49,497	\$ -	\$ 101,167
736	225	12,270
37,346	-	37,346
-	3,395	10,443
<u>\$ 87,579</u>	<u>\$ 3,620</u>	<u>\$ 161,226</u>
\$ 1,429	\$ 6,301	\$ 18,128
146	317	1,185
9,599	-	18,256
-	39,203	60,879
<u>11,174</u>	<u>45,821</u>	<u>98,448</u>
31,932	-	31,932
-	3,395	10,443
44,473	-	44,473
-	-	37,276
-	(45,596)	(61,346)
<u>44,473</u>	<u>(42,201)</u>	<u>30,846</u>
<u>\$ 87,579</u>	<u>\$ 3,620</u>	<u>\$ 161,226</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2016

	Special Revenue	
	Fire Service (225)	Ambulance Service (226)
Revenues		
Intergovernmental	\$ 47,585	\$ 1,100
Charges for services	121,753	204,849
Miscellaneous	75,893	30,758
Total revenues	245,231	236,707
 Expenditures		
Current		
Public safety	175,928	319,140
Transportation	-	-
Capital outlay		
Public safety	75,788	-
Total expenditures	251,716	319,140
 Excess of revenues over (under) expenditures	(6,485)	(82,433)
 Other Financing Uses		
Transfers out	(7,500)	(29,557)
 Net change in fund balances	(13,985)	(111,990)
 Fund Balances		
Beginning of year, as previously stated	62,502	156,314
Prior period adjustment (see Note 14)	(64,267)	-
Beginning of year, as restated	(1,765)	156,314
 End of year	\$ (15,750)	\$ 44,324

Special Revenue

<u>Para-Transit (227)</u>	<u>Airport (235)</u>	<u>Total</u>
\$ 192,000	\$ 56,617	\$ 297,302
42,544	37,028	406,174
3,136	3,077	112,864
<u>237,680</u>	<u>96,722</u>	<u>816,340</u>
-	-	495,068
203,096	71,456	274,552
-	-	75,788
<u>203,096</u>	<u>71,456</u>	<u>845,408</u>
<u>34,584</u>	<u>25,266</u>	<u>(29,068)</u>
(22,750)	-	(59,807)
11,834	25,266	(88,875)
64,571	(67,467)	215,920
(31,932)	-	(96,199)
<u>32,639</u>	<u>(67,467)</u>	<u>119,721</u>
<u>\$ 44,473</u>	<u>\$ (42,201)</u>	<u>\$ 30,846</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Intergovernmental			
State fire aid	\$ -	\$ 41,207	\$ 41,207
Miscellaneous	-	6,378	6,378
Total intergovernmental	<u>-</u>	<u>47,585</u>	<u>47,585</u>
Charges for services			
Public safety	<u>167,000</u>	<u>121,753</u>	<u>(45,247)</u>
Miscellaneous			
Contributions and donations	-	75,000	75,000
Refunds and reimbursements	-	893	893
Total miscellaneous	<u>-</u>	<u>75,893</u>	<u>75,893</u>
Total revenues	<u>167,000</u>	<u>245,231</u>	<u>78,231</u>
Expenditures			
Current			
Public safety			
Administration			
Personal services	33,500	35,346	1,846
Supplies	1,250	288	(962)
Other services and charges	9,850	14,400	4,550
Total administration	<u>44,600</u>	<u>50,034</u>	<u>5,434</u>
Fire fighting			
Personal services	35,000	32,312	(2,688)
Supplies	5,000	2,567	(2,433)
Total fire fighting	<u>40,000</u>	<u>34,879</u>	<u>(5,121)</u>
Prevention			
Other services and charges	4,000	50,851	46,851
Training			
Supplies	3,000	8,977	5,977
Other services and charges	3,000	4,668	1,668
Total training	<u>6,000</u>	<u>13,645</u>	<u>7,645</u>
Communications			
Other services and charges	1,500	1,387	(113)
Repair services			
Supplies	6,000	13,391	7,391
Other services and charges	750	482	(268)
Total repair services	<u>6,750</u>	<u>13,873</u>	<u>7,123</u>
Stations and buildings			
Other services and charges	<u>13,500</u>	<u>11,259</u>	<u>(2,241)</u>
Total public safety - current	<u>116,350</u>	<u>175,928</u>	<u>59,578</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2016

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Capital outlay			
Public safety			
Fire fighting	\$ 3,000	\$ 75,788	\$ 72,788
Total expenditures	119,350	251,716	132,366
Excess of revenues over (under) expenditures	47,650	(6,485)	(54,135)
Other Financing Uses			
Transfers out	(7,500)	(7,500)	-
Net change in fund balance	\$ 40,150	(13,985)	\$ (54,135)
Fund Balance			
Beginning of year, as previously stated		62,502	
Prior period adjustment (see Note 14)		(64,267)	
Beginning of year, as restated		(1,765)	
End of year		\$ (15,750)	

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Ambulance Service Fund
Year Ended December 31, 2016

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Intergovernmental			
State			
Miscellaneous	\$ -	\$ 1,100	\$ 1,100
Charges for services			
Public safety	190,546	204,849	14,303
Miscellaneous			
Contributions and donations	8,000	28,390	20,390
Refunds and reimbursements	1,000	2,368	1,368
Total miscellaneous	9,000	30,758	21,758
Total revenues	199,546	236,707	37,161
Expenditures			
Public safety			
Ambulance services			
Personal services	89,500	94,501	5,001
Supplies	40,500	53,850	13,350
Other services and charges	37,070	170,789	133,719
Total expenditures	167,070	319,140	152,070
Excess of revenues over (under) expenditures	32,476	(82,433)	(114,909)
Other Financing Uses			
Transfers out	(11,590)	(29,557)	(17,967)
Net change in fund balance	\$ 20,886	(111,990)	\$ (132,876)
Fund Balance			
Beginning of year		156,314	
End of year		\$ 44,324	

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Para-Transit Fund
Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u> </u>	Variance with Final Budget - Over (Under) <u> </u>
Revenues			
Intergovernmental			
Federal transit aid	\$ 33,709	\$ -	\$ (33,709)
State transit aid	134,836	192,000	57,164
Total intergovernmental	<u>168,545</u>	<u>192,000</u>	<u>23,455</u>
Charges for services			
Other	44,200	42,544	(1,656)
Miscellaneous			
Contributions and donations	750	-	(750)
Refunds and reimbursements	5,200	3,136	(2,064)
Total miscellaneous	<u>5,950</u>	<u>3,136</u>	<u>(2,814)</u>
Total revenues	<u>218,695</u>	<u>237,680</u>	<u>18,985</u>
Expenditures			
Current			
Transportation			
Personal services	118,300	154,770	36,470
Supplies	31,800	18,982	(12,818)
Total transportation	<u>150,100</u>	<u>173,752</u>	<u>23,652</u>
Traffic and advertising			
Other services	1,500	725	(775)
Insurance and safety			
Personal services	4,475	1,740	(2,735)
Other services and charges	6,800	7,992	1,192
Total insurance and safety	<u>11,275</u>	<u>9,732</u>	<u>(1,543)</u>
Administration and general			
Supplies	8,300	1,070	(7,230)
Other services and charges	16,125	17,817	1,692
Total administration and general	<u>24,425</u>	<u>18,887</u>	<u>(5,538)</u>
Total expenditures	<u>187,300</u>	<u>203,096</u>	<u>15,796</u>
Excess of revenues over expenditures	31,395	34,584	3,189
Other Financing Sources (Uses)			
Transfers out	(22,750)	(22,750)	-
Net change in fund balance	<u>\$ 8,645</u>	11,834	<u>\$ 3,189</u>
Fund Balance			
Beginning of year, as previously stated		64,571	
Prior period adjustment (see Note 14)		(31,932)	
Beginning of year, as restated		<u>32,639</u>	
End of year		<u>\$ 44,473</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Revenues				
Intergovernmental				
State				
Airport operating grant	\$ 15,000		\$ 56,617	\$ 41,617
Charges for services				
Rent	6,300		7,570	1,270
Miscellaneous	20,000		29,458	9,458
Total charges for services	26,300		37,028	10,728
Miscellaneous				
Refunds and reimbursements	-		3,077	3,077
Total revenues	41,300		96,722	55,422
Expenditures				
Current				
Fields, runway, and ramps				
Other services and charges	5,500		5,710	210
Terminal buildings and public areas				
Supplies	28,700		39,659	10,959
Other services and charges	12,265		26,087	13,822
Total terminal buildings and public areas	40,965		65,746	24,781
Total expenditures	46,465		71,456	24,991
Excess of revenues over (under) expenditures	\$ (5,165)		\$ 25,266	\$ 30,431
Fund Balance				
Beginning of year			(67,467)	
End of year			\$ (42,201)	

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Capital Projects Funds
December 31, 2016**

	Capital Projects			
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Assets				
Cash and investments	\$ 111,635	\$ 280,886	\$ -	\$ 190,218
Accounts receivable	250,000	-	-	-
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Deferred	-	9,296	-	-
Advances to other funds	-	-	-	-
Due from other funds	-	125,955	-	-
Advances to component unit	-	-	-	153,233
Total assets	\$ 361,635	\$ 416,137	\$ -	\$ 343,451
Liabilities				
Accounts payable	\$ -	\$ 780	\$ -	\$ -
Due to other funds	-	-	234,215	-
Total liabilities	-	780	234,215	-
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	9,296	-	-
Fund Balances				
Assigned for capital projects	361,635	406,061	-	343,451
Unassigned	-	-	(234,215)	-
Total fund balances	361,635	406,061	(234,215)	343,451
Total liabilities, deferred inflows of resources, and fund balances	\$ 361,635	\$ 416,137	\$ -	\$ 343,451

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Pavement Management Plan (416)	Total
\$ 93,124	\$ 90,273	\$ 291,519	\$ 1,057,655
-	-	-	250,000
22,627	-	-	22,627
2,497	-	-	11,793
-	15,532	-	15,532
-	-	-	125,955
-	-	-	153,233
<u>\$ 118,248</u>	<u>\$ 105,805</u>	<u>\$ 291,519</u>	<u>\$ 1,636,795</u>
\$ -	\$ -	\$ 216,782	\$ 217,562
-	-	-	234,215
-	-	216,782	451,777
<u>2,497</u>	<u>-</u>	<u>-</u>	<u>11,793</u>
115,751	105,805	74,737	1,407,440
-	-	-	(234,215)
<u>115,751</u>	<u>105,805</u>	<u>74,737</u>	<u>1,173,225</u>
<u>\$ 118,248</u>	<u>\$ 105,805</u>	<u>\$ 291,519</u>	<u>\$ 1,636,795</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Projects Funds
Year Ended December 31, 2016

	Capital Projects			
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Revenues				
Property taxes	\$ -	\$ 185,500	\$ -	\$ 66,049
Special assessments	-	3,548	-	-
Intergovernmental	-	-	515,070	-
State				
Charges for services	-	-	4,400	-
Miscellaneous				
Investment earnings	-	-	-	-
Loan repayments	-	-	-	-
Contributions and donations	231,822	-	-	-
Total revenues	<u>231,822</u>	<u>189,048</u>	<u>519,470</u>	<u>66,049</u>
Expenditures				
Capital outlay				
Public safety	189,747	-	-	-
Streets and highways	-	40,717	-	139,839
Transportation	-	-	104,959	-
Total expenditures	<u>189,747</u>	<u>40,717</u>	<u>104,959</u>	<u>139,839</u>
Excess of revenues over (under) expenditures	42,075	148,331	414,511	(73,790)
Other Financing Sources (Uses)				
Transfers in	37,971	-	78,097	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>37,971</u>	<u>-</u>	<u>78,097</u>	<u>-</u>
Net change in fund balances	80,046	148,331	492,608	(73,790)
Fund Balances				
Beginning of year	<u>281,589</u>	<u>257,730</u>	<u>(726,823)</u>	<u>417,241</u>
End of year	<u>\$ 361,635</u>	<u>\$ 406,061</u>	<u>\$ (234,215)</u>	<u>\$ 343,451</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	2008 N. 2nd Street Reconstruction (479)	Community Center Roof Project 2011 (435)	Pavement Management Plan (416)	Total
\$ -	\$ -	\$ -	\$ -	\$ 242,000	\$ 493,549
-	-	-	-	-	3,548
-	-	-	-	-	515,070
-	-	-	-	-	4,400
-	-	-	-	152	152
720	-	-	-	-	720
-	-	-	-	-	231,822
<u>720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,152</u>	<u>1,249,261</u>
-	-	-	-	-	189,747
-	-	-	-	284,987	465,543
-	-	-	-	-	104,959
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,987</u>	<u>760,249</u>
720	-	-	-	(42,835)	489,012
-	-	-	-	117,572	233,640
-	-	(117,572)	(1,549)	-	(119,121)
<u>-</u>	<u>-</u>	<u>(117,572)</u>	<u>(1,549)</u>	<u>117,572</u>	<u>114,519</u>
720	-	(117,572)	(1,549)	74,737	603,531
<u>115,031</u>	<u>105,805</u>	<u>117,572</u>	<u>1,549</u>	<u>-</u>	<u>569,694</u>
<u>\$ 115,751</u>	<u>\$ 105,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,737</u>	<u>\$ 1,173,225</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 769,778	\$ 760,178	\$ (9,600)
Franchise fees	-	35,182	35,182
Licenses and permits			
Business	7,700	8,757	1,057
Nonbusiness	88,000	50,980	(37,020)
Total licenses and permits	<u>95,700</u>	<u>59,737</u>	<u>(35,963)</u>
Intergovernmental			
State			
Local government aid	942,376	942,376	-
Property tax credits and aids	-	1,324	1,324
Police aid	53,000	57,882	4,882
Other state aids	8,000	10,267	2,267
County			
Highway aid	25,000	28,261	3,261
Total intergovernmental	<u>1,028,376</u>	<u>1,040,110</u>	<u>11,734</u>
Charges for services			
General government	5,250	33,581	28,331
Public safety	2,300	8,602	6,302
Streets and highways	2,500	1,885	(615)
Culture and recreation	500	1,010	510
Housing and economic development	-	102,955	102,955
Miscellaneous	13,000	-	(13,000)
Total charges for services	<u>23,550</u>	<u>148,033</u>	<u>124,483</u>
Fines and forfeits	24,100	23,578	(522)
Interest earnings	2,500	3,996	1,496
Miscellaneous			
Refunds and reimbursements	43,966	88,819	44,853
Other	3,000	27,717	24,717
Total miscellaneous	<u>46,966</u>	<u>116,536</u>	<u>69,570</u>
Total revenues	<u>1,990,970</u>	<u>2,187,350</u>	<u>196,380</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
General government			
Mayor and City Council			
Personal services	\$ 23,000	\$ 23,083	\$ 83
Supplies	5,000	5,044	44
Other services and charges	4,000	1,858	(2,142)
Total Mayor and City Council	<u>32,000</u>	<u>29,985</u>	<u>(2,015)</u>
City Administrator			
Personal services	112,650	85,519	(27,131)
Other services and charges	9,730	6,618	(3,112)
Total City Administrator	<u>122,380</u>	<u>92,137</u>	<u>(30,243)</u>
Elections			
Supplies	250	347	97
City Clerk			
Personal services	37,100	64,511	27,411
Supplies	9,150	3,518	(5,632)
Other services and charges	51,000	48,726	(2,274)
Total City Clerk	<u>97,250</u>	<u>116,755</u>	<u>19,505</u>
Accounting			
Personal services	9,400	10,585	1,185
Supplies	300	-	(300)
Other services and charges	63,000	61,963	(1,037)
Total accounting	<u>72,700</u>	<u>72,548</u>	<u>(152)</u>
City attorney			
Other services and charges	13,000	23,224	10,224
Planning and zoning			
Personal services	800	-	(800)
Other services and charges	7,200	1,791	(5,409)
Total planing and zoning	<u>8,000</u>	<u>1,791</u>	<u>(6,209)</u>
General government buildings			
Supplies	400	-	(400)
Other services and charges	25,500	26,142	642
Total general government buildings	<u>25,900</u>	<u>26,142</u>	<u>242</u>
Insurance			
Workers' compensation	41,200	40,020	(1,180)
Property and liability	25,000	26,532	1,532
Total insurance	<u>66,200</u>	<u>66,552</u>	<u>352</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original and Final</u>	<u>Amounts</u>	<u>Over (Under)</u>
Expenditures (Continued)			
General governmental (continued)			
Cable TV			
Personal services	\$ -	\$ 16,359	\$ 16,359
LSH Healthy Communities			
Personal services	-	22,963	22,963
Miscellaneous			
Other charges	15,500	39,390	23,890
Safety and wellness program	5,740	262	(5,478)
Projects	53,000	53,368	368
Total miscellaneous	<u>74,240</u>	<u>93,020</u>	<u>18,780</u>
Health and welfare			
Supplies	600	-	(600)
Other current expenditures	13,250	22,137	8,887
Total mis	<u>13,850</u>	<u>22,137</u>	<u>8,287</u>
Total general government	<u>531,970</u>	<u>587,652</u>	<u>55,682</u>
Public safety			
Crime control and investigations			
Personal services	710,700	753,154	42,454
Supplies	8,500	8,617	117
Other services and charges	100,200	41,328	(58,872)
Total crime control and investigations	<u>819,400</u>	<u>803,099</u>	<u>(16,301)</u>
Police training			
Supplies	4,000	3,035	(965)
Other services and charges	1,200	1,773	573
Total police training	<u>5,200</u>	<u>4,808</u>	<u>(392)</u>
Communication services			
Supplies	4,000	3,035	(965)
Other services and charges	2,300	2,280	(20)
Automotive services			
Supplies	27,000	18,936	(8,064)
Other services and charges	31,500	26,361	(5,139)
Total automotive services	<u>58,500</u>	<u>45,297</u>	<u>(13,203)</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u> </u>	Variance with Final Budget - Over (Under) <u> </u>
Expenditures (Continued)			
Public safety (Continued)			
Building inspection			
Supplies	\$ 50	\$ 102	\$ 52
Other services and charges	50,000	48,514	(1,486)
Total building inspection	<u>50,050</u>	<u>48,616</u>	<u>(1,434)</u>
Civil defense			
Personal services	2,600	8,752	6,152
Supplies	1,250	189	(1,061)
Other services and charges	4,400	3,667	(733)
Total civil defense	<u>8,250</u>	<u>12,608</u>	<u>4,358</u>
Animal disposal			
Other services and charges	14,400	13,828	(572)
Other protection			
Other services and charges	<u>3,750</u>	<u>3,146</u>	<u>(604)</u>
Total public safety	<u>961,850</u>	<u>933,682</u>	<u>(28,168)</u>
Streets and highways			
Streets and alleys			
Personal services	393,600	385,535	(8,065)
Supplies	104,400	96,962	(7,438)
Other services and charges	94,100	90,769	(3,331)
Total streets and alleys	<u>592,100</u>	<u>573,266</u>	<u>(18,834)</u>
Ice and snow removal			
Personal services	2,500	149	(2,351)
Supplies	20,000	7,483	(12,517)
Total snow and ice removal	<u>22,500</u>	<u>7,632</u>	<u>(14,868)</u>
Vehicle maintenance			
Supplies	-	-	-
Capital outlay	20,000	27,638	7,638
Total vehicle maintenance	<u>20,000</u>	<u>27,638</u>	<u>7,638</u>
Total streets and highways	<u>634,600</u>	<u>608,536</u>	<u>(26,064)</u>
Sanitation			
Other services and charges	-	4,013	4,013

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Expenditures (Continued)				
Culture and recreation				
Supervision				
Personal services	\$ 139,350		\$ 160,652	\$ 21,302
Park areas				
Supplies	32,800		28,839	(3,961)
Other services and charges	31,400		30,592	(808)
Total park areas	64,200		59,431	(4,769)
Forestry and nursery				
Personal services	17,800		18,603	803
Supplies	3,500		3,207	(293)
Other services and charges	750		(30)	(780)
Total forestry and nursery	22,050		21,780	(270)
Library maintenance				
Other services and charges	31,000		28,052	(2,948)
Total culture and recreation	256,600		269,915	13,315
Housing and economic development				
Personal services	-		120,013	120,013
Total expenditures	2,385,020		2,523,811	138,791
Excess of revenues over (under) expenditures	(394,050)		(336,461)	57,589
Other Financing Sources (Uses)				
Transfers in	394,050		391,102	(2,948)
Transfers out	-		(26,086)	(26,086)
Total other financing sources (uses)	394,050		365,016	(29,034)
Net change in fund balance	\$ -		28,555	\$ 28,555
Fund Balance				
Beginning of year			1,141,073	
End of year			\$ 1,169,628	

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Community Center Fund
Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u> </u>	Variance with Final Budget - Over (Under) <u> </u>
Revenues			
Taxes			
Property taxes	\$ 406,258	\$ 401,058	\$ (5,200)
Charges for services			
Culture and recreation	461,200	715,987	254,787
Miscellaneous			
Other	29,000	51,379	22,379
Total revenues	<u>896,458</u>	<u>1,168,424</u>	<u>271,966</u>
Expenditures			
Culture and recreation			
Swimming pool			
Personal services	48,500	47,039	(1,461)
Supplies	7,400	6,438	(962)
Other services and charges	27,350	26,963	(387)
Total swimming pool	<u>83,250</u>	<u>80,440</u>	<u>(2,810)</u>
School programs			
Other services and charges	-	207,633	207,633
Personal services			
Personal services	276,700	298,444	21,744
Repairs and maintenance			
Supplies	25,000	27,248	2,248
Other services and charges	72,500	78,006	5,506
Total repairs and maintenance	<u>97,500</u>	<u>105,254</u>	<u>7,754</u>
Administration and general			
Supplies	52,200	61,026	8,826
Other services and charges	191,035	165,173	(25,862)
Total administration and general	<u>243,235</u>	<u>226,199</u>	<u>(17,036)</u>
Capital outlay			
Culture and recreation	8,000	21,697	13,697
Total expenditures	<u>708,685</u>	<u>939,667</u>	<u>230,982</u>
Excess of revenues over expenditures	187,773	228,757	40,984
Other Financing Uses			
Transfers out	(187,773)	(223,665)	(35,892)
Net change in fund balance	<u>\$ -</u>	5,092	<u>\$ 5,092</u>
Fund Balance			
Beginning of year		(208,588)	
End of year		<u>\$ (203,496)</u>	

**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2016**

	Debt Service			
	2014A Recreational Facilities Bonds (301)	1995 Lease Purchase (306)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
Assets				
Cash and investments	\$ 153,308	\$ 54,082	\$ -	\$ 25,447
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	115,000	-
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
	<u>\$ 153,308</u>	<u>\$ 54,082</u>	<u>\$ 115,000</u>	<u>\$ 25,447</u>
Total assets	<u>\$ 153,308</u>	<u>\$ 54,082</u>	<u>\$ 115,000</u>	<u>\$ 25,447</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	95,280	-
Total liabilities	<u>-</u>	<u>-</u>	<u>95,280</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	115,000	-
	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>-</u>
Fund Balances				
Restricted for debt service	153,308	54,082	(95,280)	25,447
Total fund balances	<u>153,308</u>	<u>54,082</u>	<u>(95,280)</u>	<u>25,447</u>
	<u>\$ 153,308</u>	<u>\$ 54,082</u>	<u>\$ 115,000</u>	<u>\$ 25,447</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 153,308</u>	<u>\$ 54,082</u>	<u>\$ 115,000</u>	<u>\$ 25,447</u>

Debt Service

2002 G.O. Fire Station Bonds (310)	2006C G.O. Johnson Controls (316)	2008 G.O. Tax Abatement Bonds (318)	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2002 G.O. Improvement Bonds (505)
\$ 59,756	\$ 9,191	\$ -	\$ 4,846	\$ -	\$ 49,423
-	380,373	-	-	-	-
-	-	-	-	-	5,637
-	-	-	-	-	16,636
-	-	-	-	-	-
-	-	-	-	-	24,303
<u>\$ 59,756</u>	<u>\$ 389,564</u>	<u>\$ -</u>	<u>\$ 4,846</u>	<u>\$ -</u>	<u>\$ 95,999</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	8,095	-	2,013	-
-	-	8,095	-	2,013	-
-	-	-	-	-	22,273
59,756	389,564	(8,095)	4,846	(2,013)	73,726
<u>59,756</u>	<u>389,564</u>	<u>(8,095)</u>	<u>4,846</u>	<u>(2,013)</u>	<u>73,726</u>
<u>\$ 59,756</u>	<u>\$ 389,564</u>	<u>\$ -</u>	<u>\$ 4,846</u>	<u>\$ -</u>	<u>\$ 95,999</u>

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**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2016**

	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
Assets				
Cash and investments	\$ 19,383	\$ -	\$ 22,118	\$ 397,554
Notes and mortgages receivable	-	-	-	380,373
Special assessments receivable				
Delinquent	8,850	3,232	-	17,719
Deferred	747,344	168,725	-	1,047,705
Due from other governments	-	778	-	778
Advances to other funds	280,000	327,038	-	631,341
	<u>\$ 1,055,577</u>	<u>\$ 499,773</u>	<u>\$ 22,118</u>	<u>\$ 2,475,470</u>
Liabilities				
Accounts payable	\$ 495	\$ -	\$ -	\$ 495
Due to other funds	-	74,092	-	179,480
Total liabilities	<u>495</u>	<u>74,092</u>	<u>-</u>	<u>179,975</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	756,194	171,957	-	1,065,424
Fund Balances				
Restricted for debt service	298,888	253,724	22,118	1,230,071
Total fund balances	<u>298,888</u>	<u>253,724</u>	<u>22,118</u>	<u>1,230,071</u>
	<u>\$ 1,055,577</u>	<u>\$ 499,773</u>	<u>\$ 22,118</u>	<u>\$ 2,475,470</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,055,577</u>	<u>\$ 499,773</u>	<u>\$ 22,118</u>	<u>\$ 2,475,470</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2016

	Debt Service			
	2014A Recreational Facilities Bonds (301)	1995 Lease Purchase (306)	1999 Recreational Revenue Bond (307)	2005 G.O. Crossover Refunding Bonds (502)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Miscellaneous				
Investment earnings	756	220	-	-
Other interest	-	-	-	-
Total revenues	<u>756</u>	<u>220</u>	<u>-</u>	<u>-</u>
Expenditures				
Debt Service				
Principal	90,000	55,000	-	60,000
Interest and other	<u>87,572</u>	<u>5,520</u>	<u>-</u>	<u>1,375</u>
Total expenditures	<u>177,572</u>	<u>60,520</u>	<u>-</u>	<u>61,375</u>
Excess of revenues over (under) expenditures	(176,816)	(60,300)	-	(61,375)
Other Financing Sources (Uses)				
Transfers in	172,723	49,756	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(2,277)</u>	<u>-</u>
Total other financing sources (uses)	<u>172,723</u>	<u>49,756</u>	<u>(2,277)</u>	<u>-</u>
Net change in fund balances	(4,093)	(10,544)	(2,277)	(61,375)
Fund Balances				
Beginning of year	<u>157,401</u>	<u>64,626</u>	<u>2,277</u>	<u>(33,905)</u>
End of year	<u>\$ 153,308</u>	<u>\$ 54,082</u>	<u>\$ -</u>	<u>\$ (95,280)</u>

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)	2008 G.O. Tax Abatement Bonds (318)	2010 G.O. Certificates of Indebtedness (319)
\$ 68,000	\$ 90,000	\$ -	\$ 122,000	\$ 50,000	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	19,015	-	-
<u>68,000</u>	<u>90,000</u>	<u>-</u>	<u>141,015</u>	<u>50,000</u>	<u>-</u>
55,000	70,000	-	205,872	50,000	-
8,275	25,575	-	53,948	8,095	-
<u>63,275</u>	<u>95,575</u>	<u>-</u>	<u>259,820</u>	<u>58,095</u>	<u>-</u>
4,725	(5,575)	-	(118,805)	(8,095)	-
-	-	-	50,297	-	-
-	-	(51,540)	-	-	(22,732)
-	-	(51,540)	50,297	-	(22,732)
4,725	(5,575)	(51,540)	(68,508)	(8,095)	(22,732)
<u>20,722</u>	<u>65,331</u>	<u>51,540</u>	<u>458,072</u>	<u>-</u>	<u>22,732</u>
<u>\$ 25,447</u>	<u>\$ 59,756</u>	<u>\$ -</u>	<u>\$ 389,564</u>	<u>\$ (8,095)</u>	<u>\$ -</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2016

	Debt Service			
	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2002 G.O. Improvement Bonds (505)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)
Revenues				
Property taxes	\$ 54,500	\$ 2,400	\$ 40,500	\$ 15,000
Special assessments	-	-	11,611	180,141
Miscellaneous				
Investment earnings	-	-	-	-
Other interest	-	-	-	-
Total revenues	54,500	2,400	52,111	195,141
Expenditures				
Debt Service				
Principal	40,000	-	85,000	280,000
Interest and other	16,425	-	8,200	38,185
Total expenditures	56,425	-	93,200	318,185
Excess of revenues over (under) expenditures	(1,925)	2,400	(41,089)	(123,044)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,925)	2,400	(41,089)	(123,044)
Fund Balances				
Beginning of year	6,771	(4,413)	114,815	421,932
End of year	\$ 4,846	\$ (2,013)	\$ 73,726	\$ 298,888

Debt Service

2006A G.O. Improvement/ 2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	Total
\$ 70,000	\$ 77,000	\$ 589,400
52,165	-	243,917
1	-	977
-	-	19,015
<u>122,166</u>	<u>77,000</u>	<u>853,309</u>
195,000	55,000	1,240,872
28,595	17,335	299,100
<u>223,595</u>	<u>72,335</u>	<u>1,539,972</u>
(101,429)	4,665	(686,663)
-	-	272,776
-	-	(76,549)
<u>-</u>	<u>-</u>	<u>196,227</u>
(101,429)	4,665	(490,436)
355,153	17,453	1,720,507
<u>\$ 253,724</u>	<u>\$ 22,118</u>	<u>\$ 1,230,071</u>

City of Le Sueur
Balance Sheet - Component Unit -
Le Sueur Economic Development Authority
December 31, 2016

Assets

Cash and investments	\$ 233,343
Accounts receivable	10
Notes receivable	2,181,089
Land held for resale	1,759,576
Prepaid items	500

Total assets	\$ 4,174,518
--------------	--------------

Liabilities

Accounts payable	\$ 270
Due to component unit/primary government	823,541
Due to other governments	124,335
Total liabilities	948,146

Fund Balance

Unassigned	3,226,372
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Total liabilities and fund balance	\$ 4,174,518
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Reconciliation of the balance sheet to
the statement of net position

Fund balance	\$ 3,226,372
--------------	--------------

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	(2,177,030)
Notes payable	(894,044)

Governmental fund statements do not report a liability for accrued interest until due and payable.

(223,615)

Net position	\$ (68,317)
--------------	-------------

City of Le Sueur
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit -
Le Sueur Economic Development Authority
Year Ended December 31, 2016

Revenues

Tax increments	\$ 87,830
Payments from primary government	37,000
Land rental	18,029
Refunds and reimbursements	16,280
Investment income	(638)
Other	129,478
Total revenues	287,979

Expenditures

Current	
Economic development	\$ 114,682
Debt service	
Principal	154,525
Interest and fiscal charges	138,185
Total expenditures	407,392

Excess of revenues under expenditures	(119,413)
--	-----------

Fund Balance

Beginning of year	3,345,785
End of year	\$ 3,226,372

Reconciliation of the schedule of revenues, expenditures, and changes in fund balance to the Statement of Activities.

Net change in fund balance	\$ (119,413)
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Principal payments on long-term debt are recognized as expenditures in the funds but have no effect on net position.	154,525
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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.	(15,641)
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Change in net position	\$ 19,471
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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, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 6, 2017.

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.



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 and 2016-001 to be significant deficiencies.

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.

A handwritten signature in cursive script that reads 'BerganKDV Ltd.' followed by a period.

Minneapolis, Minnesota

June 6, 2017



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, 2016, and the related notes to financial statements, and have issued our report thereon date June 6, 2017.

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.

A handwritten signature in dark ink that reads "BerganKDV Ltd." followed by a period.

Minneapolis, Minnesota
June 6, 2017

**City of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2016**

CURRENT AND PRIOR 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 Deficiencies

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

During the year ended December 31, 2016, 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, 2016**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)

Significant Deficiencies (Continued)

Audit Finding 2016-001 – Consider Ratio of Gallons Billed to Gallons Pumped

During our audit of water charges, we noted the ratio of gallons billed to gallons pumped was 73%. The American Waterworks Association has developed a benchmark of gallons billed to gallons pumped to equal at least 90%.

City's Response

Management of the City has identified certain issues that are contributing to the water loss ratio and is taking steps to make improvements to improve the water loss ratio.

CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDING

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.

PRIOR YEAR LEGAL COMPLIANCE FINDING

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.

City's Response

The City adopted policies and procedures authorizing the use of credit cards.