

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

**Financial Statements**

**December 31, 2017**



**City of Le Sueur  
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**City of Le Sueur  
Elected Officials and Administration  
December 31, 2017**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Greg Hagg	Mayor	December 31, 2020
John Favolise	Council	December 31, 2020
Dave Johnson	Council	December 31, 2018
Benjamin Rohloff	Council	December 31, 2020
Kevin Wilke	Council	December 31, 2018
Mark Huntington	Council	December 31, 2020
Newell Krogmann	Council	December 31, 2018
<u>Administration</u>		
Jasper Kruggel	Administrator	
Stacy Lawrence	Human Resources and Communications Director/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, 2017, 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 did not audit the Financial Statements of Minnesota River Valley Public Utilities Commission a joint venture of the City which is disclosed in the notes to financial statements and in which the City reports an equity interest of \$998,608. The financial statements of the commission were audited by other auditors whose reports thereon have been furnished to us and our opinion insofar as it relates to the amounts presented for the commission is based on the report of the other auditors. 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.



### **Auditor's Responsibility (Continued)**

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, based on our audit and the report of the other auditors, 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, 2017, 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 Matters (Continued)**

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018, on our consideration of the City of Le Sueur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Le Sueur's internal control over financial reporting and compliance.

*BerganKDV Ltd.*

Minneapolis, Minnesota

June 6, 2018

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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, 2017.

### **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 \$33,687,099 (net position). Of this amount, \$6,448,143 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,193,683 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 \$12,383,744 an increase of \$624,546 in comparison with the prior year. The major reason for this increase was due to the Pavement Management Plan bond issue and increase in property taxes. Approximately 37.2 percent of this total amount, \$4,607,571, 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 \$1,237,453 or 45.0 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 \$253,123 or 1.0 percent during the current fiscal year. This is mainly due to the issuing of new bonds in 2017 which is offsetting almost all of the payments made on the previously outstanding bonds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

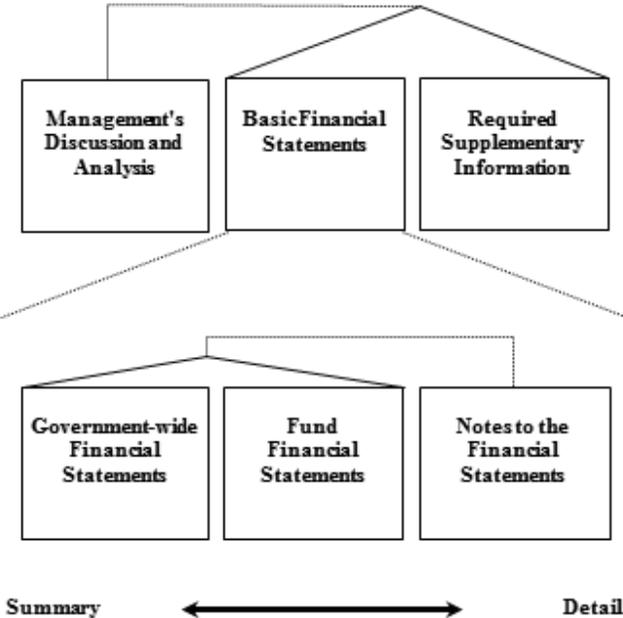
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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



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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### **Government-Wide Financial Statements.**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highway, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer, 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 31 individual governmental funds, 14 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, ad 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 43 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 97 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 \$33,687,099 at the close of the most recent fiscal year.

The largest portion of the City's net position (75.7 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 13,964,898	\$ 13,501,497	\$ 3,100,778	\$ 2,942,904	\$ 17,065,676	\$ 16,444,401
Capital assets	14,222,238	14,071,157	30,760,512	31,096,465	44,982,750	45,167,622
Net pension asset - fire relief	194,408	167,250	-	-	194,408	167,250
<b>Total assets</b>	<b>28,381,544</b>	<b>27,739,904</b>	<b>33,861,290</b>	<b>34,039,369</b>	<b>62,242,834</b>	<b>61,779,273</b>
Deferred outflows of resources related to fire relief pensions	88,039	106,275	-	-	88,039	106,275
Deferred outflows of resources related to city pensions	1,221,369	2,006,611	261,644	550,086	1,483,013	2,556,697
<b>Total deferred outflows of resources</b>	<b>1,309,408</b>	<b>2,112,886</b>	<b>261,644</b>	<b>550,086</b>	<b>1,571,052</b>	<b>2,662,972</b>
Long-term liabilities outstanding	12,386,676	11,619,444	9,979,883	10,886,437	22,366,559	22,505,881
Other liabilities	1,761,155	1,892,809	1,667,378	2,270,453	3,428,533	4,163,262
Net pension liability	1,579,544	3,282,489	1,036,829	1,317,284	2,616,373	4,599,773
<b>Total liabilities</b>	<b>15,727,375</b>	<b>16,794,742</b>	<b>12,684,090</b>	<b>14,474,174</b>	<b>28,411,465</b>	<b>31,268,916</b>
Deferred inflows of resources related to fire relief pensions	13,842	14,680	-	-	13,842	14,680
Deferred inflows of resources related to city pensions	1,444,821	449,179	256,659	216,054	1,701,480	665,233
<b>Total deferred inflows of resources</b>	<b>1,458,663</b>	<b>463,859</b>	<b>256,659</b>	<b>216,054</b>	<b>1,715,322</b>	<b>679,913</b>
<b>Net position</b>						
Net investment in capital assets	5,545,112	6,112,059	19,948,710	19,060,118	25,493,822	25,172,177
Restricted	1,745,134	1,701,387	-	-	1,745,134	1,701,387
Unrestricted	5,214,668	4,780,743	1,233,475	839,109	6,448,143	5,619,852
<b>Total net position</b>	<b>\$ 12,504,914</b>	<b>\$ 12,594,189</b>	<b>\$ 21,182,185</b>	<b>\$ 19,899,227</b>	<b>\$ 33,687,099</b>	<b>\$ 32,493,416</b>

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* (19.1 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 \$89,275. Key elements of this decrease are as follows:

- An increase in taxes of \$147,581 over prior year due to a change in the allocation of employee time when compared to the prior year.
- Expenditures in excess of charges for services in culture and recreation, transportation, and housing and economic development activities.
- Capital Outlay of \$1,850,019 for the 2<sup>nd</sup> Street Reconstruction Project occurred during 2017 which is offsetting any increase in intergovernmental revenue and building activity that occurred within the City.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

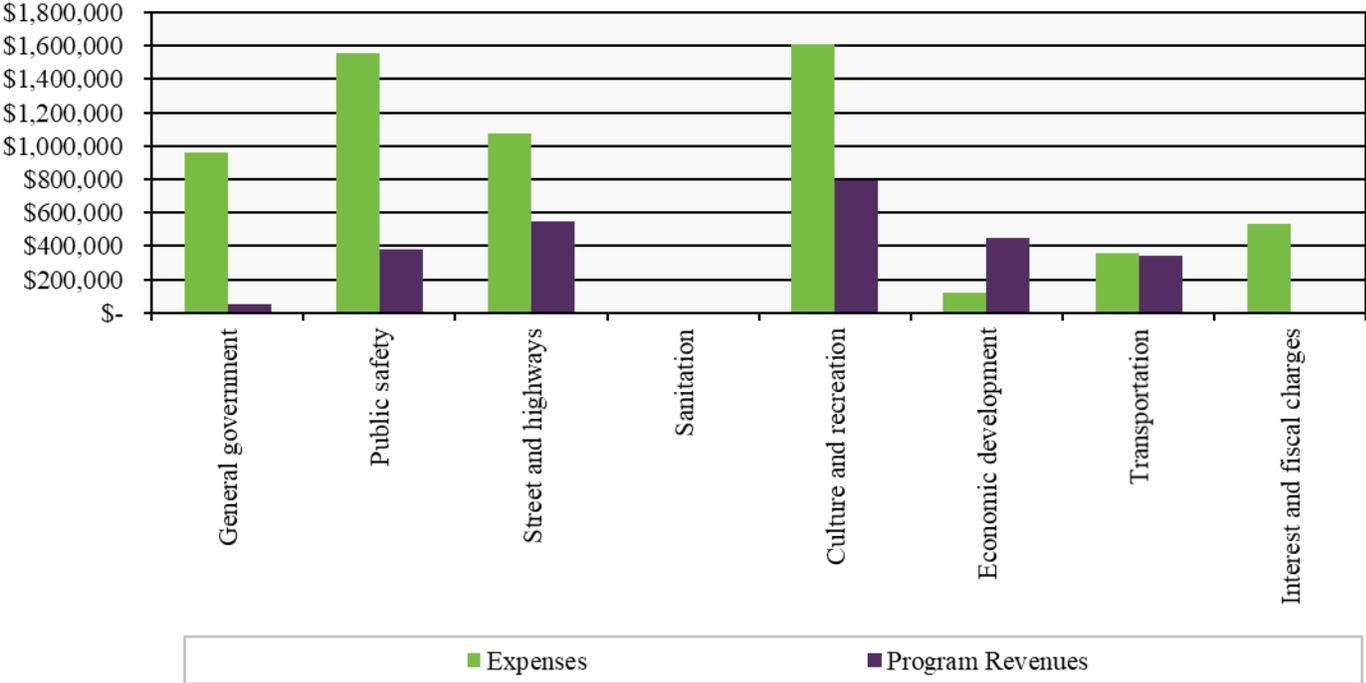
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,603,558	\$ 1,815,744	\$ 13,390,416	\$ 12,674,463	\$ 14,993,974	\$ 14,490,207
Operating grants and contributions	227,160	483,697	-	679,440	227,160	1,163,137
Capital grants and contributions	736,800	565,012	8,752	13,683	745,552	578,695
<b>General revenues</b>						
Property taxes/tax increments	2,358,176	2,271,940	-	-	2,358,176	2,271,940
Franchise fees	-	-	-	-	-	-
Other taxes	2,036	2,016	-	-	2,036	2,016
Grants and contributions not restricted to specific programs	948,440	1,211,668	-	-	948,440	1,211,668
Unrestricted investment earnings	11,674	10,290	1,101	473	12,775	10,763
Other	71,663	107,690	-	-	71,663	107,690
<b>Total revenues</b>	<b>5,959,507</b>	<b>6,468,057</b>	<b>13,400,269</b>	<b>13,368,059</b>	<b>19,359,776</b>	<b>19,836,116</b>
<b>Expenses</b>						
General government	957,479	657,315	-	-	957,479	657,315
Public safety	1,557,247	1,996,959	-	-	1,557,247	1,996,959
Streets and highways	1,074,107	1,321,071	-	-	1,074,107	1,321,071
Sanitation	-	4,013	-	-	-	4,013
Culture and recreation	1,608,892	1,440,468	-	-	1,608,892	1,440,468
Economic development	118,617	157,013	-	-	118,617	157,013
Transportation	356,892	451,372	-	-	356,892	451,372
Interest and fiscal charges	533,414	538,894	-	-	533,414	538,894
Water utility	-	-	889,363	1,084,518	889,363	1,084,518
Sewer utility	-	-	2,593,900	2,126,771	2,593,900	2,126,771
Refuse and recycling	-	-	271,670	251,368	271,670	251,368
Storm sewer utility	-	-	-	2,487	-	2,487
Electric utility	-	-	8,204,512	8,950,577	8,204,512	8,950,577
<b>Total expenses</b>	<b>6,206,648</b>	<b>6,567,105</b>	<b>11,959,445</b>	<b>12,415,721</b>	<b>18,166,093</b>	<b>18,982,826</b>
<b>Change in net position before transfers</b>	<b>(247,141)</b>	<b>(99,048)</b>	<b>1,440,824</b>	<b>952,338</b>	<b>1,193,683</b>	<b>853,290</b>
Transfers	157,866	392,290	(157,866)	(392,290)	-	-
<b>Change in net position</b>	<b>(89,275)</b>	<b>293,242</b>	<b>1,282,958</b>	<b>560,048</b>	<b>1,193,683</b>	<b>853,290</b>
Net position - January 1	12,594,189	12,300,947	19,899,227	19,339,179	32,493,416	31,640,126
<b>Net position - December 31</b>	<b>\$ 12,504,914</b>	<b>\$ 12,594,189</b>	<b>\$ 21,182,185</b>	<b>\$ 19,899,227</b>	<b>\$ 33,687,099</b>	<b>\$ 32,493,416</b>

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

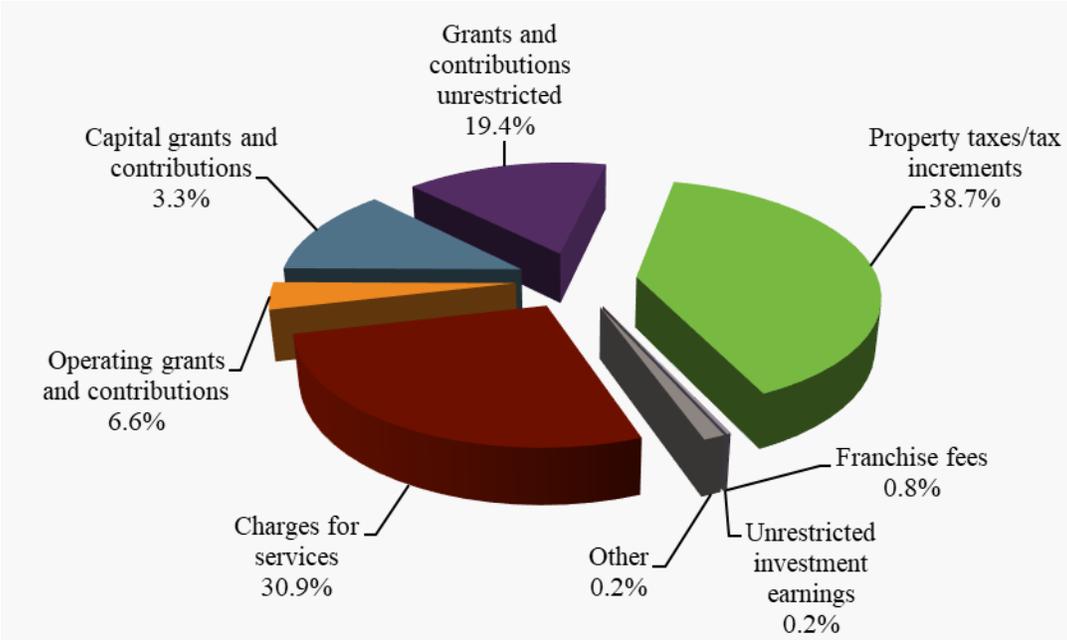
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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**

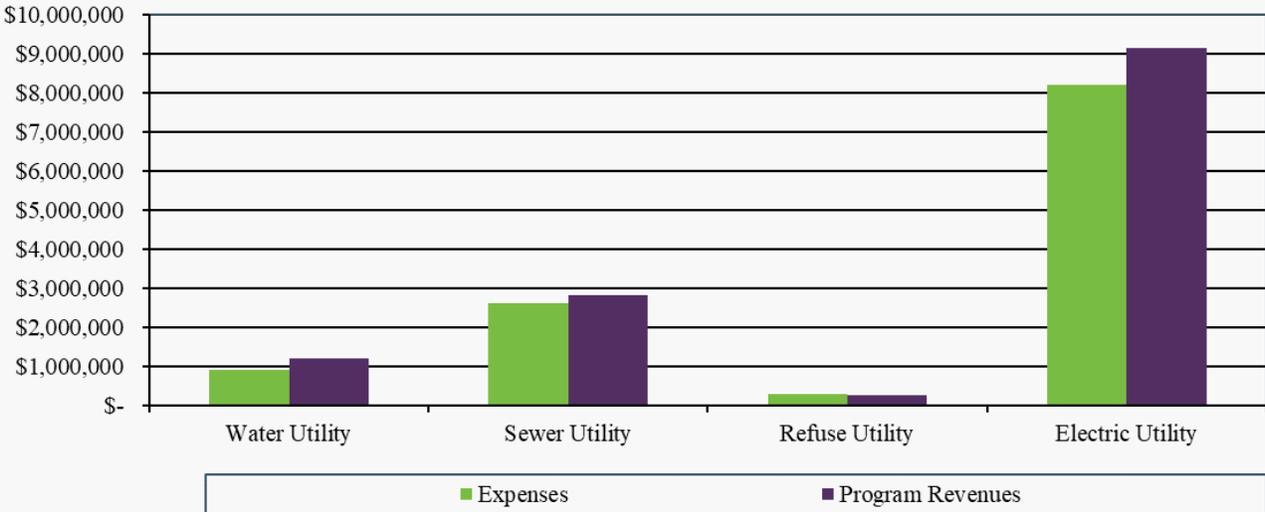
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities**

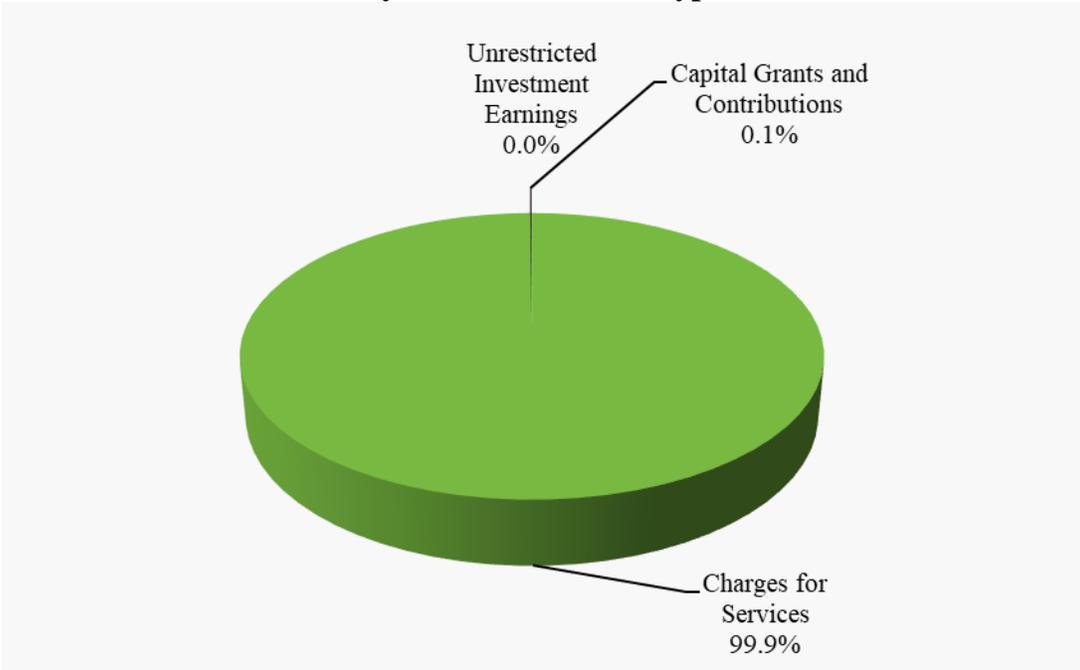
Business-type activities increased the City's net position by \$1,282,958. Key elements of this increase are as follows:

- Sewer utility charges for services increased compared to the prior year due to a 22% rate increase during 2017.
- Slight decreases 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 \$12,383,744, an increase of \$624,546 in comparison with the prior year. A balance of \$1,264,786 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 (\$24,319), restricted (\$6,487,068), committed (\$3,019,300), or assigned (\$1,588,271) 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 \$1,257,141. 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 45.0 percent of fund expenditures, while total fund balance represents 45.7 percent of that same amount.

The fund balance of the City's General fund increased by \$87,513 during the current fiscal year. This was mostly due higher than budgeted charges for services revenue in addition to lower than budgeted expenditures specifically in the General Government department.

The *Economic Development Revolving Loan fund* has a total fund balance of \$3,437,703 at year end. The net decrease in fund balance during the current year was \$7,262. This decrease was due to expenditures being larger than interest and loan earnings during the year.

The *Community Center fund* has a total deficit fund balance of \$188,712 at year end. The net increase in fund balance during the current year was \$14,784. The main cause of this increase was mainly due to school programs expenditures being over budget by over \$93,000. Offsetting this large increase in expenditures is from charges for services being over budget by over \$68,000.

The *Debt Service fund and Medical Facility Bonds 2010 Fund* have a total combined fund balance of \$6,030,202, a decrease in fund balance during the current year of \$113,828. The fund balance is restricted for future debt service payments. 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 \$1,233,475. The total growth in net position for the funds was \$1,282,958. 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 2017. The budget called for a balanced revenue over expenditure year, including transfers. Revenues exceeded budget by \$230,932 and expenditures exceeded budget by \$136,369, transfers were under budget by \$7,050, causing the \$87,513 increase in fund balance in the General fund for 2017.

**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, 2017, amounts to 44,982,750 (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 1 percent (a 1.1 percent increase for governmental activities and a 1.1 percent decrease for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,414,773	\$ 1,414,773	\$ 415,653	\$ 415,653	\$ 1,830,426	\$ 1,830,426
Buildings	5,329,200	5,650,534	1,728,727	1,887,197	7,057,927	7,537,731
Infrastructure/systems	5,555,169	6,098,947	26,153,560	26,743,542	31,708,729	32,842,489
Machinery and equipment	241,211	363,743	1,334,272	1,452,486	1,575,483	1,816,229
Vehicles	385,350	543,160	466,094	333,547	851,444	876,707
Construction in progress	1,296,535	-	662,206	264,040	1,958,741	264,040
<b>Total</b>	<b>\$ 14,222,238</b>	<b>\$ 14,071,157</b>	<b>\$ 30,760,512</b>	<b>\$ 31,096,465</b>	<b>\$ 44,982,750</b>	<b>\$ 45,167,622</b>

Additional information on the City's capital assets can be found in Note 7 starting on page 60 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$24,527,600. Of this amount, \$1,815,000 is special assessment debt, \$18,712,600 is revenue debt, and \$4,000,000 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 4,000,000	\$ 2,245,000	\$ -	\$ -	\$ 4,000,000	\$ 2,245,000
General obligation improvement bonds	1,815,000	2,380,000	-	-	1,815,000	2,380,000
General obligation revenue bonds	35,000	85,000	11,127,000	12,029,000	11,162,000	12,114,000
Revenue bonds	7,550,600	8,041,723	-	-	7,550,600	8,041,723
<b>Total</b>	<u>\$ 13,400,600</u>	<u>\$ 12,751,723</u>	<u>\$ 11,127,000</u>	<u>\$ 12,029,000</u>	<u>\$ 24,527,600</u>	<u>\$ 24,780,723</u>

The City's total debt decreased by \$253,123, or 1.0 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 \$8,892,468.

Additional information on the City's long-term debt can be found in Note 8 starting on page 62 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The health and dental insurance rate increased, but not as substantial as in previous years', by approximately 2% for the City of Le Sueur.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.
- Hiring of a Full-Time Building Official increased the budget significantly increased the budget for 2018 due to have a consultant previously.
- Budgeting for condemnation of properties, Capital Equipment funding, and setting a contingency that was not present previously were also large impacts to the budget.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

The property tax levy will increase from \$2,304,495 in 2017 to \$2,412,757 in 2018, or approximately 4.7 percent. The City's share of property taxes is low when compared to similar sized cities throughout the State.

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

**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.

## **BASIC FINANCIAL STATEMENTS**

**City of Le Sueur  
Statement of Net Position  
December 31, 2017**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and investments (including cash equivalents)	\$ 4,054,439	\$ 809,179	\$ 4,863,618	\$ 193,401
Receivables				
Accounts receivable	20,953	1,847,106	1,868,059	2,696
Interest receivable	191,283	-	191,283	-
Taxes receivable	43,073	-	43,073	-
Special assessments receivable	1,111,749	171,124	1,282,873	-
Notes receivable	6,261,846	237,949	6,499,795	2,111,492
Due from other governments	127,716	-	127,716	-
Internal balances	1,305,979	(1,305,979)	-	-
Due from component unit/primary government	823,541	-	823,541	-
Inventory	18,738	332,261	350,999	-
Prepaid items	5,581	10,530	16,111	-
Investment in joint venture	-	998,608	998,608	-
Land held for resale	-	-	-	1,759,576
Capital assets not being depreciated				
Land	1,414,773	415,653	1,830,426	-
Construction in progress	1,296,535	662,206	1,958,741	-
Capital assets net of accumulated depreciation				
Buildings	5,329,200	1,728,727	7,057,927	-
Infrastructure	5,555,169	26,153,560	31,708,729	-
Machinery and equipment	241,211	1,334,272	1,575,483	-
Vehicles	385,350	466,094	851,444	-
Net pension asset - fire relief	194,408	-	194,408	-
<b>Total assets</b>	<b>28,381,544</b>	<b>33,861,290</b>	<b>62,242,834</b>	<b>4,067,165</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to fire relief pensions	88,039	-	88,039	-
Deferred outflows of resources related to city pensions	1,221,369	261,644	1,483,013	-
<b>Total deferred outflows of resources</b>	<b>1,309,408</b>	<b>261,644</b>	<b>1,571,052</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 29,690,952</b>	<b>\$ 34,122,934</b>	<b>\$ 63,813,886</b>	<b>\$ 4,067,165</b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 138,002	\$ 68,965	\$ 206,967	46,178
Interest payable	83,102	37,508	120,610	226,350
Salaries and benefits payable	75,221	48,287	123,508	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	21,826	142,048	163,874	25,943
Deposits payable	-	22,200	22,200	-
Unearned revenue	-	-	-	2,500
Bonds payable, net				
Payable within one year	1,259,876	1,270,000	2,529,876	72,272
Payable after one year	12,251,305	9,871,802	22,123,107	2,036,469
Note payable				
Payable within one year	-	-	-	226,880
Payable after one year	-	-	-	583,120
Compensated absences payable				
Payable within one year	183,128	78,370	261,498	-
Payable after one year	50,016	52,575	102,591	-
Other post employment benefits (OPEB) obligation	85,355	55,506	140,861	-
Net pension liability	1,579,544	1,036,829	2,616,373	-
<b>Total liabilities</b>	<b>15,727,375</b>	<b>12,684,090</b>	<b>28,411,465</b>	<b>4,043,253</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to fire relief pensions	13,842	-	13,842	-
Deferred inflows of resources related to city pensions	1,444,821	256,659	1,701,480	-
<b>Total deferred inflows of resources</b>	<b>1,458,663</b>	<b>256,659</b>	<b>1,715,322</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	5,545,112	19,948,710	25,493,822	-
Restricted for				
Debt service	1,288,268	-	1,288,268	-
Economic development loans	456,866	-	456,866	-
Unrestricted	5,214,668	1,233,475	6,448,143	23,912
<b>Total net position</b>	<b>12,504,914</b>	<b>21,182,185</b>	<b>33,687,099</b>	<b>23,912</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 29,690,952</b>	<b>\$ 34,122,934</b>	<b>\$ 63,813,886</b>	<b>\$ 4,067,165</b>

**City of Le Sueur  
Statement of Activities  
Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
		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	\$ 957,479	\$ 51,034	\$ -	\$ -	\$ (906,445)	\$ -	\$ (906,445)	\$ -
Public safety	1,557,247	270,676	101,390	11,662	(1,173,519)	-	(1,173,519)	-
Streets and highways	1,074,107	(170)	54,346	497,130	(522,801)	-	(522,801)	-
Culture and recreation	1,608,892	787,466	4,360	-	(817,066)	-	(817,066)	-
Housing and economic development	118,617	450,331	-	-	331,714	-	331,714	-
Transportation	356,892	44,221	67,064	228,008	(17,599)	-	(17,599)	-
Interest and fiscal charges	533,414	-	-	-	(533,414)	-	(533,414)	-
Total governmental activities	<u>6,206,648</u>	<u>1,603,558</u>	<u>227,160</u>	<u>736,800</u>	<u>(3,639,130)</u>	<u>-</u>	<u>(3,639,130)</u>	<u>-</u>
Business-type activities								
Water utility	889,363	1,184,518	-	5,752	-	300,907	300,907	-
Sewer utility	2,593,900	2,808,815	-	3,000	-	217,915	217,915	-
Refuse and Recycling	271,670	263,999	-	-	-	(7,671)	(7,671)	-
Electric utility	8,204,512	9,133,084	-	-	-	928,572	928,572	-
Total business-type activities	<u>11,959,445</u>	<u>13,390,416</u>	<u>-</u>	<u>8,752</u>	<u>-</u>	<u>1,439,723</u>	<u>1,439,723</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 18,166,093</u>	<u>\$ 14,993,974</u>	<u>\$ 227,160</u>	<u>\$ 745,552</u>	<u>(3,639,130)</u>	<u>1,439,723</u>	<u>(2,199,407)</u>	<u>-</u>
Component units								
Economic Development Authority	<u>\$ 331,861</u>	<u>\$ 140,995</u>	<u>\$ 37,000</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,866)</u>
General revenues								
Property taxes					2,358,176	-	2,358,176	-
Tax increments					-	-	-	147,824
Intergovernmental					948,440	-	948,440	-
Payment in lieu of taxes					2,036	-	2,036	-
Other general revenues					71,663	-	71,663	97,977
Unrestricted investment earnings					11,674	1,101	12,775	294
Transfers					157,866	(157,866)	-	-
Total general revenues and transfers					<u>3,549,855</u>	<u>(156,765)</u>	<u>3,393,090</u>	<u>246,095</u>
Change in net position					(89,275)	1,282,958	1,193,683	92,229
Net position - beginning					12,594,189	19,899,227	32,493,416	(68,317)
Net position - ending					<u>\$ 12,504,914</u>	<u>\$ 21,182,185</u>	<u>\$ 33,687,099</u>	<u>\$ 23,912</u>

**City of Le Sueur**  
**Balance Sheet - Governmental Funds**  
**December 31, 2017**

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)
<b>Assets</b>			
Cash investments	\$ 151,015	\$ 1,375,218	\$ 487,484
Interest receivable	-	191,283	-
Delinquent taxes receivable	43,073	-	-
Accounts receivable	11,174	-	-
Notes and mortgages receivable	-	1,392,177	310,496
Special assessments receivable	5,130	-	1,096,983
Due from other governments	65,583	-	-
Advances to other funds	-	-	471,631
Advances to component unit	-	670,308	-
Due from other funds	1,111,866	-	42,190
Inventory	14,689	-	-
Prepaid items	4,999	-	-
	<u>\$ 1,407,529</u>	<u>\$ 3,628,986</u>	<u>\$ 2,408,784</u>
<b>Liabilities</b>			
Accounts payable	\$ 33,525	\$ -	\$ 2,100
Due to other governments	3,130	-	-
Due to other funds	-	-	42,190
Accrued wages payable	65,530	-	-
	<u>102,185</u>	<u>-</u>	<u>44,290</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	43,073	-	-
Unavailable revenue - special assessments	5,130	-	1,096,983
Unavailable revenue - interest	-	191,283	-
	<u>48,203</u>	<u>191,283</u>	<u>1,096,983</u>
<b>Fund Balances</b>			
Nonspendable for			
Inventory	14,689	-	-
Prepaid items	4,999	-	-
Restricted for			
Economic development loans	-	456,866	-
Debt service	-	-	1,267,511
Committed for			
Economic development loans	-	2,980,837	-
Ambulance operations and maintenance	-	-	-
Assigned for			
Capital projects	-	-	-
Unassigned	1,237,453	-	-
	<u>1,257,141</u>	<u>3,437,703</u>	<u>1,267,511</u>
	<u>\$ 1,407,529</u>	<u>\$ 3,628,986</u>	<u>\$ 2,408,784</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 1,407,529</u>	<u>\$ 3,628,986</u>	<u>\$ 2,408,784</u>

See notes to financial statements.

Medical Facility Bonds 2010 (321)	Community Center (615)	Pavement Management Plan (416)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 223,604	\$ -	\$ 497,559	\$ 1,319,559	\$ 4,054,439
-	-	-	-	191,283
-	-	-	-	43,073
-	756	-	9,023	20,953
4,539,087	-	-	20,086	6,261,846
-	-	-	9,636	1,111,749
-	-	-	62,133	127,716
-	-	-	-	471,631
-	-	-	153,233	823,541
-	-	-	133,856	1,287,912
-	316	-	3,733	18,738
-	-	-	582	5,581
<u>\$ 4,762,691</u>	<u>\$ 1,072</u>	<u>\$ 497,559</u>	<u>\$ 1,711,841</u>	<u>\$ 14,418,462</u>
\$ -	\$ 3,484	\$ 97,200	\$ 1,693	\$ 138,002
-	18,696	-	-	21,826
-	157,913	-	253,461	453,564
-	9,691	-	-	75,221
<u>-</u>	<u>189,784</u>	<u>97,200</u>	<u>255,154</u>	<u>688,613</u>
-	-	-	-	43,073
-	-	-	9,636	1,111,749
-	-	-	-	191,283
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,636</u>	<u>1,346,105</u>
-	316	-	3,733	18,738
-	-	-	582	5,581
-	-	-	-	456,866
4,762,691	-	-	-	6,030,202
-	-	-	-	2,980,837
-	-	-	38,463	38,463
-	-	-	1,588,271	1,588,271
-	(189,028)	400,359	(183,998)	1,264,786
<u>4,762,691</u>	<u>(188,712)</u>	<u>400,359</u>	<u>1,447,051</u>	<u>12,383,744</u>
<u>\$ 4,762,691</u>	<u>\$ 1,072</u>	<u>\$ 497,559</u>	<u>\$ 1,711,841</u>	<u>\$ 14,418,462</u>

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**City of Le Sueur**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2017**

Total fund balances - governmental funds \$ 12,383,744

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	25,578,147
Less accumulated depreciation	(11,355,909)

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	(13,400,600)
Unamortized bond premium	(110,581)
Compensated absences payable	(233,144)
Unfunded other post employment benefits obligation	(85,355)
Net pension liability - city pension	(1,579,544)

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	43,073
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	1,094,030
Interest receivable	191,283

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

(83,102)

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	(13,842)
Deferred inflows of resources related to city pensions	(1,444,821)
Deferred outflows of resources related to fire relief pensions	88,039
Deferred outflows of resources related to city pensions	1,221,369

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

194,408

Total net position - governmental activities \$ 12,504,914

**City of Le Sueur**  
**Statement of Revenues, Expenditure, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2017**

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)
<b>Revenues</b>				
Taxes	\$ 899,693	\$ -	\$ 589,733	\$ -
Franchise fees	33,143	-	-	-
Special assessments	-	-	464,339	-
Licenses and permits	82,160	-	-	-
Intergovernmental	1,068,860	-	-	-
Charges for services	134,803	-	295	-
Fines and forfeits	24,046	-	-	-
Investment earnings	4,767	4,746	985	-
Miscellaneous	58,420	24,992	16,167	280,517
Total revenues	<u>2,305,892</u>	<u>29,738</u>	<u>1,071,519</u>	<u>280,517</u>
<b>Expenditures</b>				
Current				
General government	713,971	-	-	-
Public safety	1,019,812	-	-	-
Streets and highways	643,202	-	-	-
Culture and recreation	272,064	-	-	-
Housing and economic development	84,246	37,000	-	-
Transportation	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Streets and highways	18,124	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Debt service				
Principal	-	-	1,134,715	186,408
Interest and other	-	-	311,027	245,377
Total expenditures	<u>2,751,419</u>	<u>37,000</u>	<u>1,445,742</u>	<u>431,785</u>
Excess of revenues over (under) expenditures	(445,527)	(7,262)	(374,223)	(151,268)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	-	-	-	-
Bonds issued	-	-	-	-
Premiums on bonds issued	-	-	-	-
Transfers in	537,000	-	411,663	-
Transfers out	(3,960)	-	-	-
Total other financing sources (uses)	<u>533,040</u>	<u>-</u>	<u>411,663</u>	<u>-</u>
Net change in fund balances	87,513	(7,262)	37,440	(151,268)
<b>Fund Balances</b>				
Beginning of year	<u>1,169,628</u>	<u>3,444,965</u>	<u>1,230,071</u>	<u>4,913,959</u>
End of year	<u>\$ 1,257,141</u>	<u>\$ 3,437,703</u>	<u>\$ 1,267,511</u>	<u>\$ 4,762,691</u>

See notes to financial statements.

Community Center (615)	Pavement Management Plan (416)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 498,538	\$ 150,000	\$ 253,802	\$ 2,391,766
-	-	-	33,143
-	-	2,622	466,961
-	-	-	82,160
-	-	360,262	1,429,122
714,586	-	218,779	1,068,463
-	-	-	24,046
-	399	-	10,897
71,703	-	16,919	468,718
<u>1,284,827</u>	<u>150,399</u>	<u>852,384</u>	<u>5,975,276</u>
-	-	-	713,971
-	-	217,250	1,237,062
-	-	-	643,202
1,013,250	-	-	1,285,314
-	-	-	121,246
-	-	133,755	133,755
-	-	39,159	39,159
-	1,860,093	1,000	1,879,217
10,190	-	-	10,190
-	-	150,653	150,653
-	-	-	1,321,123
-	-	-	556,404
<u>1,023,440</u>	<u>1,860,093</u>	<u>541,817</u>	<u>8,091,296</u>
261,387	(1,709,694)	310,567	(2,116,020)
-	-	650	650
-	1,970,000	-	1,970,000
-	65,316	-	65,316
-	-	20,000	968,663
(246,603)	-	(13,500)	(264,063)
<u>(246,603)</u>	<u>2,035,316</u>	<u>7,150</u>	<u>2,740,566</u>
14,784	325,622	317,717	624,546
<u>(203,496)</u>	<u>74,737</u>	<u>1,129,334</u>	<u>11,759,198</u>
<u>\$ (188,712)</u>	<u>\$ 400,359</u>	<u>\$ 1,447,051</u>	<u>\$ 12,383,744</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, 2017**

Net change in fund balances - governmental funds \$ 624,546

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	1,850,019
Depreciation expense	(987,229)
Loss on disposal	(164,975)
Assets contributed to enterprise fund	(546,734)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (90,371)

Unfunded OPEB obligations are recognized as expenditures in the governmental funds but recognized as the expense incurred in the Statement of Activities. 620

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	(68,179)
-----------------	----------

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. 1,321,123

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. (57,966)

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. 15,640

Proceeds from long-term debt are recognized as an other financing source in the governmental Funds but have no impact on net position in the statement of activities. (1,970,000)

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	(33,590)
Delinquent special assessments	(6,064)
Deferred special assessments	35,589
Interest receivable	20,228
Grants	(31,932)

Change in net position - governmental activities \$ (89,275)

**City of Le Sueur**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Taxes	\$ 843,207		\$ 899,693	\$ 56,486
Franchise fees	10,500		33,143	22,643
Licenses and permits	61,100		82,160	21,060
Intergovernmental	1,033,903		1,068,860	34,957
Charges for services	26,750		134,803	108,053
Fines and forfeits	24,000		24,046	46
Investment earnings	3,500		4,767	1,267
Miscellaneous				
Refunds and reimbursements	66,000		64,681	(1,319)
Other	6,000		(6,261)	(12,261)
Total revenues	2,074,960		2,305,892	230,932
<b>Expenditures</b>				
<b>Current</b>				
General government	629,740		713,971	84,231
Public safety	1,027,060		1,019,812	(7,248)
Streets and highways	639,500		643,202	3,702
Culture and recreation	298,750		272,064	(26,686)
Housing and economic development	-		84,246	84,246
<b>Capital outlay</b>				
Streets and highways	20,000		18,124	(1,876)
Total expenditures	2,615,050		2,751,419	136,369
Excess of revenues over (under) expenditures	(540,090)		(445,527)	94,563
<b>Other Financing Sources (Uses)</b>				
Transfers in	544,050		537,000	(7,050)
Transfers out	(3,960)		(3,960)	-
Total other financing sources (uses)	540,090		533,040	(7,050)
Net change in fund balance	\$ -		87,513	\$ 87,513
<b>Fund Balance</b>				
Beginning of year			1,169,628	
End of year			\$ 1,257,141	

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, 2017**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Revenues</b>			
Taxes	\$ 498,538	\$ 498,538	\$ -
Charges for services	646,400	714,586	68,186
Miscellaneous			
Other	31,200	71,703	40,503
Total revenues	1,176,138	1,284,827	108,689
 <b>Expenditures</b>			
Current			
Culture and recreation	919,535	1,013,250	93,715
Capital outlay			
Culture and recreation	10,000	10,190	190
Total expenditures	929,535	1,023,440	93,905
Excess of revenues over expenditures	246,603	261,387	14,784
 <b>Other Financing Uses</b>			
Transfers out	(246,603)	(246,603)	-
Net change in fund balance	\$ -	14,784	\$ 14,784
 <b>Fund Balance</b>			
Beginning of year		(203,496)	
End of year		\$ (188,712)	

**City of Le Sueur**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2017**

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 642,062	\$ -	\$ 158,891
Accounts receivable	184,867	327,496	1,314,713
Notes and mortgages receivable - current	-	-	24,425
Special assessments receivable			
Current	1,683	2,208	-
Delinquent	2,737	7,109	9,135
Due from other funds	-	-	50,000
Prepaid items	2,730	2,730	5,070
Inventory	31,958	5,057	295,246
Total current assets	866,037	344,600	1,857,480
<b>Noncurrent assets</b>			
Notes and mortgages receivable - noncurrent	-	-	213,524
Special assessments receivable - noncurrent	12,616	16,606	117,465
Advances to other funds - noncurrent	335,980	-	400,000
Investment in joint venture	-	998,608	-
Capital assets			
Land	-	317,276	98,377
Buildings	2,878,778	2,546,789	406,001
Infrastructure	4,278,156	27,090,648	8,910,618
Machinery and equipment	1,471,427	431,206	3,376,214
Vehicles	137,603	94,890	1,025,593
Construction in progress	314,176	232,558	115,472
Total capital assets	9,080,140	30,713,367	13,932,275
Less accumulated depreciation	(4,465,474)	(10,231,613)	(8,268,183)
Net capital assets	4,614,666	20,481,754	5,664,092
Total noncurrent assets	4,963,262	21,496,968	6,395,081
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pension activity	54,902	70,871	135,871
Total assets and deferred outflows of resources	\$ 5,884,201	\$ 21,912,439	\$ 8,388,432
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 23,252	\$ 21,190	\$ 4,394
Advances from other funds - current	58,190	127,218	-
Due to other funds	-	819,689	-
Due to other governments	100,000	42,048	-
Accrued interest payable	309	35,780	1,419
Accrued wages payable	8,729	14,656	24,902
Compensated absences payable - current	17,414	14,821	46,135
Deposits payable	-	-	22,200
Bonds payable - current	95,000	1,075,000	100,000
Total current liabilities	302,894	2,150,402	199,050
<b>Noncurrent liabilities</b>			
Advances from other funds	139,570	932,633	-
Compensated absences payable - noncurrent	8,477	6,158	37,940
Other postemployment benefits payable	7,895	24,361	23,250
Bonds payable - noncurrent	394,292	9,157,510	320,000
Net pension liability	217,562	280,845	538,422
Total noncurrent liabilities	767,796	10,401,507	919,612
Total liabilities	1,070,690	12,551,909	1,118,662
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pension activity	53,856	69,521	133,282
<b>Net Position</b>			
Net investment in capital assets	4,455,374	10,249,244	5,244,092
Unrestricted	304,281	(958,235)	1,892,396
Total net position	4,759,655	9,291,009	7,136,488
Total liabilities, deferred inflows of resources, and net position	\$ 5,884,201	\$ 21,912,439	\$ 8,388,432

See notes to financial statements.

Storm Utility (605)	Refuse and Recycling (607)	Total
\$ -	\$ 8,226	\$ 809,179
-	20,030	1,847,106
-	-	24,425
-	-	3,891
-	1,565	20,546
-	-	50,000
-	-	10,530
-	-	332,261
<u>-</u>	<u>29,821</u>	<u>3,097,938</u>
-	-	213,524
-	-	146,687
-	-	735,980
-	-	998,608
-	-	415,653
-	-	5,831,568
-	-	40,279,422
-	-	5,278,847
-	-	1,258,086
-	-	662,206
-	-	53,725,782
-	-	(22,965,270)
<u>-</u>	<u>-</u>	<u>30,760,512</u>
<u>-</u>	<u>-</u>	<u>32,855,311</u>
-	-	261,644
<u>\$ -</u>	<u>\$ 29,821</u>	<u>\$ 36,214,893</u>
\$ -	\$ 20,129	\$ 68,965
-	-	185,408
14,659	-	834,348
-	-	142,048
-	-	37,508
-	-	48,287
-	-	78,370
-	-	22,200
-	-	1,270,000
<u>14,659</u>	<u>20,129</u>	<u>2,687,134</u>
-	-	1,072,203
-	-	52,575
-	-	55,506
-	-	9,871,802
-	-	1,036,829
<u>-</u>	<u>-</u>	<u>12,088,915</u>
<u>14,659</u>	<u>20,129</u>	<u>14,776,049</u>
-	-	256,659
-	-	19,948,710
(14,659)	9,692	1,233,475
<u>(14,659)</u>	<u>9,692</u>	<u>21,182,185</u>
<u>\$ -</u>	<u>\$ 29,821</u>	<u>\$ 36,214,893</u>

**City of Le Sueur**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2017**

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)
<b>Operating Revenues</b>			
Charges for Services	\$ 1,166,465	\$ 2,487,226	\$ 8,732,046
<b>Operating Expenses</b>			
Source of power	8,175	-	-
Power and pumping	114,543	-	-
Purification	7,823	-	-
Distribution	16,507	-	-
Administrative and general	353,375	338,591	889,641
Sanitary sewer cleaning	-	17,482	-
Sanitary sewer maintenance	-	7,085	-
Sewer lift stations	-	43,828	-
Sewer treatment plants	-	821,081	-
Metering	11,408	18,054	-
Sewer flood repair	-	239,461	-
PUC	-	40,552	-
Purchased power	-	-	6,416,815
Transmission and distribution	-	-	425,344
Customer collection and meter	-	-	37,928
Depreciation	240,075	609,237	411,379
Repairs and Maintenance	122,967	-	-
Total operating expenses	<u>874,873</u>	<u>2,135,371</u>	<u>8,181,107</u>
Operating income (loss)	291,592	351,855	550,939
<b>Nonoperating Revenues (Expenses)</b>			
Income from investment in joint venture	-	(324,053)	-
Investment earnings	378	-	723
Rental income	6,000	5,445	-
Refunds and reimbursements	-	189,243	-
Other income	12,053	126,901	401,038
Interest and related expenses	(7,255)	(136,313)	(23,405)
Amortization of bond premium (discount)	-	1,837	-
Issuance costs	(7,235)	-	-
Total nonoperating revenues (expenses)	<u>3,941</u>	<u>(136,940)</u>	<u>378,356</u>
Income (loss) before capital contributions and transfers	295,533	214,915	929,295
<b>Capital Contributions and Transfers</b>			
Special assessments	2,532	-	-
Connection fees	3,220	3,000	-
Capital contributions	314,176	232,558	-
Transfers in	-	-	750
Transfers out	(81,650)	(113,450)	(504,250)
Change in net position	533,811	337,023	425,795
<b>Net Position</b>			
Beginning of year	<u>4,225,844</u>	<u>8,953,986</u>	<u>6,710,693</u>
End of year	<u>\$ 4,759,655</u>	<u>\$ 9,291,009</u>	<u>\$ 7,136,488</u>

See notes to financial statements.

<u>Storm Utility (605)</u>	<u>Refuse and Recycling (607)</u>	<u>Total</u>
\$ -	\$ 263,999	\$ 12,649,736
-	-	8,175
-	-	114,543
-	-	7,823
-	-	16,507
-	271,670	1,853,277
-	-	17,482
-	-	7,085
-	-	43,828
-	-	821,081
-	-	29,462
-	-	239,461
-	-	40,552
-	-	6,416,815
-	-	425,344
-	-	37,928
-	-	1,260,691
-	-	122,967
-	<u>271,670</u>	<u>11,463,021</u>
-	(7,671)	1,186,715
-	-	(324,053)
-	-	1,101
-	-	11,445
-	-	189,243
-	-	539,992
-	-	(166,973)
-	-	1,837
-	-	(7,235)
-	-	<u>245,357</u>
-	(7,671)	1,432,072
-	-	2,532
-	-	6,220
-	-	546,734
-	-	750
-	(6,000)	(705,350)
-	(13,671)	1,282,958
(14,659)	<u>23,363</u>	<u>19,899,227</u>
\$ (14,659)	\$ 9,692	\$ 21,182,185

**City of Le Sueur**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2017**

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
<b>Cash Flows - Operating Activities</b>		
Receipts from customers and users	\$ 1,131,854	\$ 2,464,445
Payments to suppliers	(415,093)	(1,082,878)
Payments to employees	(202,183)	(463,755)
Other receipts	18,053	132,346
Net cash flows - operating activities	532,631	1,050,158
<b>Cash Flows - Noncapital</b>		
<b>Financing Activities</b>		
Change in due from other funds	-	-
Change in due to other funds	-	200,690
Refunds and reimbursements	-	189,243
Transfer in	-	-
Transfer out	(81,650)	(113,450)
Net cash flows - noncapital financing activities	(81,650)	276,483
<b>Cash Flows - Capital and Related</b>		
<b>Financing Activities</b>		
Principal paid on debt	(60,708)	(1,068,837)
Interest paid on debt	(14,613)	(137,943)
Bond proceeds	330,000	-
Payments received on assessments receivable	14,238	27,837
Connection fees received	3,220	3,000
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(74,544)	(150,698)
Acquisition of capital assets	(149,940)	-
Net cash flows - capital and related financing activities	47,653	(1,326,641)
<b>Cash Flows - Investing Activities</b>		
Interest and dividends received	378	-
Net change in cash and cash equivalents	499,012	-
<b>Cash and Cash Equivalents</b>		
January 1	143,050	-
December 31	\$ 642,062	\$ -

See notes to financial statements.

Business-Type Activities -  
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 8,664,451	\$ -	\$ 262,256	\$ 12,523,006
(7,618,611)	-	(271,500)	(9,388,082)
(693,693)	-	-	(1,359,631)
401,038	-	-	551,437
<u>753,185</u>	<u>-</u>	<u>(9,244)</u>	<u>2,326,730</u>
(50,000)	-	-	(50,000)
-	-	-	200,690
-	-	-	189,243
750	-	-	750
<u>(504,250)</u>	<u>-</u>	<u>(6,000)</u>	<u>(705,350)</u>
<u>(553,500)</u>	<u>-</u>	<u>(6,000)</u>	<u>(364,667)</u>
(95,000)	-	-	(1,224,545)
(23,702)	-	-	(176,258)
-	-	-	330,000
(84,963)	-	5,567	(37,321)
-	-	-	6,220
23,017	-	-	23,017
100,000	-	-	(125,242)
<u>(228,064)</u>	<u>-</u>	<u>-</u>	<u>(378,004)</u>
<u>(308,712)</u>	<u>-</u>	<u>5,567</u>	<u>(1,582,133)</u>
<u>723</u>	<u>-</u>	<u>-</u>	<u>1,101</u>
(108,304)	-	(9,677)	381,031
<u>267,195</u>	<u>-</u>	<u>17,903</u>	<u>428,148</u>
<u>\$ 158,891</u>	<u>\$ -</u>	<u>\$ 8,226</u>	<u>\$ 809,179</u>

**City of Le Sueur**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2017**

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities</b>		
Operating income (loss)	\$ 291,592	\$ 351,855
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	18,053	132,346
Operating activities		
Depreciation expense	240,075	609,237
Pension related activity	15,937	45,316
Accounts receivable	(34,611)	(22,826)
Due from other governments	-	45
Prepaid items	(140)	(140)
Inventory	13,838	(2,287)
Accounts and contracts payable	(2,948)	15,870
Salaries and benefits payable	(4,802)	5,382
Due to other governments	(12,714)	(91,592)
Deposits payable	-	-
OPEB obligation	(11)	(133)
Compensated absences payable	8,362	7,085
Total adjustments	241,039	698,303
Net cash flows - operating activities	\$ 532,631	\$ 1,050,158
<b>Noncash capital and related Financing activities</b>		
Capital assets contributed by other Funds and developers	\$ 314,176	\$ 232,558

Business-Type Activities -  
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 550,939	\$ -	\$ (7,671)	\$ 1,186,715
401,038	-	-	551,437
411,379	-	-	1,260,691
(12,661)	-	-	48,592
(67,595)	-	(1,743)	(126,775)
-	-	-	45
(260)	-	-	(540)
6,211	-	-	17,762
(540,555)	-	170	(527,463)
(2,228)	-	-	(1,648)
(13,716)	-	-	(118,022)
100	-	-	100
(166)	-	-	(310)
20,699	-	-	36,146
<u>202,246</u>	<u>-</u>	<u>(1,573)</u>	<u>1,140,015</u>
<u>\$ 753,185</u>	<u>\$ -</u>	<u>\$ (9,244)</u>	<u>\$ 2,326,730</u>

\$ -      \$ -      \$ -      \$ 546,734

**City of Le Sueur**  
**Statement of Fiduciary Net Position**  
**December 31, 2017**

	<u>Agency Fund</u>
<b>Assets</b>	
Accounts Receivable	\$ 17,426
Due from other governments	<u>252,718</u>
Total Assets	<u><u>\$ 270,144</u></u>
<b>Liabilities</b>	
Cash overdraft	\$ 28,468
Accounts Payable	6,620
Due to other governments	<u>235,056</u>
Total Liabilities	<u><u>\$ 270,144</u></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 Saint Peter formed a joint venture, Minnesota River Valley Transit, effective January 1, 2017. The purpose of Minnesota River Valley Transit is to provide a coordinated service delivery and funding source for public transportation throughout the City of Le Sueur and the City of Saint Peter. Minnesota River Valley Transit issues separate financial statements that can be obtained at the City of Le Sueur City Hall.

**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.

Pavement Management Plan – This fund is used to account for resources accumulated and payments made for capital projects in accordance with the City's pavement management plan.

**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 and sewer pre-treatment systems 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 Utility Fund – This fund is used to account for the costs associated with the City's electric system 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.

Refuse Utility Fund – This fund is used to account for the costs associated with the City's refuse activity 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 2017. 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:

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

**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 three sources: property taxes, special assessments, and interest. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement(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.

**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)**

- 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 or City Administrator.
- 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 40% 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."

**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)**

**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.

**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
  - 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	\$ 629,740	\$ 713,971	\$ 84,231
Streets and Highways	659,500	661,326	1,826
Housing and Economic Development	-	84,246	84,246
Special revenue			
Community Center	929,535	1,023,440	185,177

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

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

**B. Deficit Fund Equity**

The following funds had deficit fund balances at December 31, 2017:

Fund	Amount
Special revenue	
Community Center	\$ 188,712
Fire Service	24,695
Airport	21,132
Capital projects	
Capital Improvements	133,856
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 City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2017, the City's bank balance of \$4,303,143 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, 2017, was \$3,739,957 for deposits.

**B. Investments**

As of December 31, 2017, the City had the following investments:

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution (1)	Fair Value and Carrying Amount
Pooled investments			
Minnesota Municipal Money Market			
4M Fund	N/A	less than six months	\$ 605,200
4M Plus Fund	N/A	less than six months	683,014
Total investments			<u>\$ 1,288,214</u>

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

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

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

**B. Investments (Continued)**

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, 2017, 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.

**C. Cash and Investments**

***Cash on hand***

Cash in the possession of the City, consisting of petty cash and change funds, totals \$380.

***Deposit and investments summary***

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

	Primary Government	Component Unit - EDA	Fiduciary Funds	Total
Carrying amount of deposits	\$ 3,575,024	\$ 193,401	\$ (28,468)	\$ 3,739,957
Investments	1,288,214	-	-	1,288,214
Cash on hand	380	-	-	380
<b>Total</b>	<b>\$ 4,863,618</b>	<b>\$ 193,401</b>	<b>\$ (28,468)</b>	<b>\$ 5,028,551</b>
Cash and temporary investments	<u>\$ 4,863,618</u>	<u>\$ 193,401</u>	<u>\$ (28,468)</u>	<u>\$ 5,028,551</u>

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

**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, 2017, is \$6,499,795, including \$4,849,583 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, 2017, is \$26,500.

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,084,992, for which they issued debt for in the amount of \$2,466,000.

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

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

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Community Center	\$ 157,913
	Debt Service	42,190
	Nonmajor Governmental	119,605
	Sewer Utility	819,689
	Storm Utility	14,659
Nonmajor Governmental	Nonmajor Governmental	133,856
Total		\$ 1,287,912

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Debt Service	Water Utility	\$ 197,760
	Sewer Utility	273,871
Water Utility	Sewer Utility	335,980
Electric Utility	Sewer Utility	450,000
Total		\$ 1,257,611

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

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

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:

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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, 2017, were as follows:

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Electric Utility	
Transfers out					
General	\$ -	\$ 3,960	\$ -	\$ -	\$ 3,960
Community Center	10,900	215,703	20,000	-	246,603
Nonmajor governmental	13,500	-	-	-	13,500
Water Utility	1,200	80,450	-	-	81,650
Sewer Utility	1,150	111,550	-	750	113,450
Electric Utility	504,250	-	-	-	504,250
Refuse and Recycling	6,000	-	-	-	6,000
Total transfers out	<u>\$ 537,000</u>	<u>\$ 411,663</u>	<u>\$ 20,000</u>	<u>\$ 750</u>	<u>\$ 969,413</u>

In the year ended December 31, 2017, the City made the following transfers:

A transfer of \$10,900 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 \$13,500 was made from Nonmajor Governmental funds to the General Fund to subsidize the General fund for administration costs and the safety and wellness program.

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

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

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

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 \$500,000 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 \$4,250 was also made from the Electric Utility fund to the General Fund to subsidize the General Fund for the safety and wellness program.

A transfer of \$6,000 was made from the Refuse and Recycling Fund to the General Fund to subsidize the General Fund for administration costs.

A transfer of \$3,960 was made out of the General Fund to the Debt Service Fund for debt service payments.

A transfer of \$215,703 was made out of the Community Center Fund to the Debt Service Funds for debt service payments.

A transfer of \$20,000 was made out of the Community Center Fund to the Nonmajor Governmental Funds for future capital purchases.

A transfer of \$80,450 was made from the Water Utility Fund to the Debt Service Funds for debt service payments.

A transfer of \$111,550 was made from the Sewer Utility Fund to the Debt Service Funds for debt service payments.

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

A transfer of \$314,176 was made from the Pavement Management fund to the Water Utility Fund to subsidize capital costs.

A transfer of \$232,558 was made from the Pavement Management fund to the Sewer Utility Fund to subsidize capital costs.

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

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,414,773	\$ -	\$ -	\$ 1,414,773
Construction in progress	-	1,296,535	-	1,296,535
<b>Total capital assets not being depreciated</b>	<b>1,414,773</b>	<b>1,296,535</b>	<b>-</b>	<b>2,711,308</b>
Capital assets being depreciated				
Buildings	8,381,952	-	-	8,381,952
Infrastructure	11,582,467	-	-	11,582,467
Machinery and equipment	1,947,720	6,750	113,266	1,841,204
Vehicles	1,578,171	-	516,955	1,061,216
<b>Total capital assets being depreciated</b>	<b>23,490,310</b>	<b>6,750</b>	<b>630,221</b>	<b>22,866,839</b>
Less accumulated depreciation for				
Buildings	(2,731,418)	(321,334)	-	(3,052,752)
Infrastructure	(5,483,520)	(543,778)	-	(6,027,298)
Machinery and equipment	(1,583,976)	(83,881)	(67,864)	(1,599,993)
Vehicles	(1,035,012)	(38,236)	(397,382)	(675,866)
<b>Total accumulated depreciation</b>	<b>(10,833,926)</b>	<b>(987,229)</b>	<b>(465,246)</b>	<b>(11,355,909)</b>
<b>Total capital assets being depreciated, net</b>	<b>12,656,384</b>	<b>(980,479)</b>	<b>164,975</b>	<b>11,510,930</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 14,071,157</b>	<b>\$ 316,056</b>	<b>\$ 164,975</b>	<b>\$ 14,222,238</b>

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

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

Capital asset activity for the year ended December 31, 2017, was as follows (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 415,653	\$ -	\$ -	\$ 415,653
Construction in progress	264,040	566,206	168,040	662,206
Total capital assets not being depreciated	679,693	566,206	168,040	1,077,859
Capital assets being depreciated				
Buildings	5,831,568	-	-	5,831,568
Infrastructure	39,974,490	304,932	-	40,279,422
Machinery and equipment	5,242,762	36,085	-	5,278,847
Vehicles	1,072,531	185,555	-	1,258,086
Total capital assets being depreciated	52,121,351	526,572	-	52,647,923
Less accumulated depreciation for				
Buildings	(3,944,371)	(158,470)	-	(4,102,841)
Infrastructure	(13,230,948)	(894,914)	-	(14,125,862)
Machinery and equipment	(3,790,276)	(154,299)	-	(3,944,575)
Vehicles	(738,984)	(53,008)	-	(791,992)
Total accumulated depreciation	(21,704,579)	(1,260,691)	-	(22,965,270)
Total capital assets being depreciated, net	30,416,772	(734,119)	-	29,682,653
Business-type activities capital assets, net	<u>\$ 31,096,465</u>	<u>\$ (167,913)</u>	<u>\$ 168,040</u>	<u>\$ 30,760,512</u>

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

<b>Governmental activities</b>	
General government	\$ 59,377
Public safety	128,415
Streets and highways	338,051
Culture and recreation	282,802
Transportation	178,584
Total depreciation expense - governmental activities	<u>\$ 987,229</u>
<b>Business-type activities</b>	
Water Utility	\$ 240,075
Sewer Utility	609,237
Electric Utility	411,379
Total depreciation expense - business-type activities	<u>\$ 1,260,691</u>

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

**NOTE 8 – LONG-TERM DEBT**

**A. General Obligation Bonds**

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental activities</b>					
G.O. Refunding					
Bonds of 2014A-library	\$ 460,000	2.00	12/01/14	12/01/22	\$ 300,000
G.O. Refunding					
Bonds of 2014A-fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	875,000
G.O. Police Capital Improvement					
Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	275,000
G.O. Street Reconstruction					
Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	580,000
G.O. Street Reconstruction					
Bond of 2017A	1,970,000	1.35-3.00	08/10/17	12/01/32	1,970,000
Total general obligation bonds					<u><u>\$ 4,000,000</u></u>

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

<u>Year Ending December 31,</u>	<b>General Obligation Bonds</b>		
	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 225,000	\$ 122,155	\$ 347,155
2019	255,000	101,312	356,312
2020	260,000	95,638	355,638
2021	385,000	89,562	474,562
2022	395,000	80,858	475,858
2023-2027	1,515,000	268,935	1,783,935
2028-2032	965,000	82,950	1,047,950
Total	<u><u>\$ 4,000,000</u></u>	<u><u>\$ 841,410</u></u>	<u><u>\$ 4,841,410</u></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.

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

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental activities</b>					
G.O. Refunding Bonds of 2011B	\$ 2,410,000	2.00 - 3.15	09/07/11	12/01/23	\$ 1,010,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	<u>805,000</u>
Total general obligation improvement bonds					<u><u>\$ 1,815,000</u></u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	35,000	2,205	37,205
2023	<u>35,000</u>	<u>1,103</u>	<u>36,103</u>
Total	<u><u>\$ 1,815,000</u></u>	<u><u>\$ 108,193</u></u>	<u><u>\$ 1,923,193</u></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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Governmental activities</b>					
Johnson Controls lease Revenue bond of 2006	\$ 2,700,000	4.25 %	03/30/06	03/31/21	\$ 826,768
Health care facility Revenue bond of 2010	5,500,000	2.90	09/17/10	09/17/35	4,658,832
Gross revenue recreational Facility bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	<u>2,065,000</u>
Total revenue bonds					<u><u>\$ 7,550,600</u></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>
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	294,627	308,510	603,137
2023-2027	1,719,331	1,297,738	3,017,069
2028-2032	2,245,130	779,692	3,024,822
2033-2035	1,288,207	145,752	1,433,959
 Total	 <u>\$ 7,550,600</u>	 <u>\$ 3,841,125</u>	 <u>\$ 11,391,725</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>
<b>Business-type activities</b>					
G.O. Revenue Bonds of 2007 (PFA)	\$ 16,353,395	1.00 %	09/26/07	08/20/27	\$ 9,157,000
Electric Utility Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	420,000
G.O. Refunding Bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	150,000
G.O. Refunding Bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	385,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	685,000
Utility Revenue Bond of 2017A	310,000	1.35 - 3.00	08/10/17	12/01/32	330,000
 Total business-type activities					 11,127,000
<b>Governmental activities</b>					
G.O. Tax Abatement Bonds of 2008A	470,000	2.75 - 3.70	02/21/08	12/01/18	35,000
 Total G.O. Revenue Bonds					 <u>\$ 11,162,000</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
2018	\$ 1,270,000	\$ 137,990	\$ 1,407,990	\$ 35,000	\$ 1,295	\$ 36,295
2019	1,284,000	120,213	1,404,213	-	-	-
2020	1,233,000	104,627	1,337,627	-	-	-
2021	1,117,000	89,898	1,206,898	-	-	-
2022	1,016,000	77,757	1,093,757	-	-	-
2023-2027	5,082,000	193,085	5,275,085	-	-	-
2028-2032	125,000	11,250	136,250	-	-	-
Total	<u>\$ 11,127,000</u>	<u>\$ 734,820</u>	<u>\$ 11,861,820</u>	<u>\$ 35,000</u>	<u>\$ 1,295</u>	<u>\$ 36,295</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 2,245,000	\$ 1,970,000	\$ (215,000)	\$ 4,000,000	\$ 225,000
General obligation improvement bonds	2,380,000	-	(565,000)	1,815,000	490,000
General obligation revenue bonds	85,000	-	(50,000)	35,000	35,000
Revenue bonds	8,041,723	-	(491,123)	7,550,600	509,876
Bond premium	52,615	65,316	(7,350)	110,581	-
Total bonds payable	<u>12,804,338</u>	<u>2,035,316</u>	<u>(1,328,473)</u>	<u>13,511,181</u>	<u>1,259,876</u>
Compensated absences payable	<u>142,773</u>	<u>334,485</u>	<u>(244,114)</u>	<u>233,144</u>	<u>183,128</u>
Governmental activity long-term liabilities	<u>\$ 12,947,111</u>	<u>\$ 2,369,801</u>	<u>\$ (1,572,587)</u>	<u>\$ 13,744,325</u>	<u>\$ 1,443,004</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 12,029,000	\$ 330,000	\$ (1,232,000)	\$ 11,127,000	\$ 1,270,000
Bond premium	7,347	9,292	(1,837)	14,802	-
Total bonds payable	<u>12,036,347</u>	<u>339,292</u>	<u>(1,233,837)</u>	<u>11,141,802</u>	<u>1,270,000</u>
Compensated absences payable	<u>94,799</u>	<u>137,034</u>	<u>(100,888)</u>	<u>130,945</u>	<u>78,370</u>
Business-type activity long-term liabilities	<u>\$ 12,131,146</u>	<u>\$ 476,326</u>	<u>\$ (1,334,725)</u>	<u>\$ 11,272,747</u>	<u>\$ 1,348,370</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>\$ 2,108,741</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
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	90,666	101,834	192,500
2023-2027	539,101	423,399	962,500
2028-2032	1,163,597	246,739	1,410,336
Total	<u>\$ 2,108,741</u>	<u>\$ 1,226,595</u>	<u>\$ 3,335,336</u>

**2. Notes Payable**

These notes are payable to the City's Revolving Loan fund 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	<u>\$ 810,000</u>
Total notes payable					<u>\$ 810,000</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
2018	\$ 226,880	\$ 20,108	\$ 246,988
2019	583,120	18,951	602,071
Total	<u>\$ 810,000</u>	<u>\$ 39,059</u>	<u>\$ 849,059</u>

Annual principal and interest payments have not been made on notes payable presented above. Each year payments are not made, they remain payable and will be paid once proceeds from the sale of land become available and are therefore presented as amounts due within one year.

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

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component unit activities</b>					
Bonds payable					
Revenue bonds payable	\$ 2,177,030	\$ -	\$ (68,289)	\$ 2,108,741	\$ 72,272
Notes payable	894,044	-	(84,044)	810,000	226,880
Component unit long-term liabilities	<u>\$ 3,071,074</u>	<u>\$ -</u>	<u>\$ (152,333)</u>	<u>\$ 2,918,741</u>	<u>\$ 299,152</u>

**NOTE 9 – PENSION PLANS**

The City participates in various pension plans, total pension expense for the year ended December 31, 2017 was \$372,402. 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

**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 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 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 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.

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

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

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

**B. Benefits Provided (Continued)**

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

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2017. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$144,637. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.2% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$80,958. 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)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,972,636 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 2017. 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 \$24,786. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0309%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$199,416 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$716 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.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 65,012	\$ 131,895
Changes in actuarial assumptions	333,860	197,757
Difference between projected and actual investment earnings	26,605	-
Changes in proportion	-	158,658
Contributions paid to PERA subsequent to the measurement date	<u>72,319</u>	<u>-</u>
	<u>\$ 497,796</u>	<u>\$ 488,310</u>

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

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

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

\$72,319 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, 2018. 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>
2018	\$ (4,129)
2019	72,807
2020	(47,777)
2021	<u>(83,734)</u>
Total	<u>\$ (62,833)</u>

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$643,747 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.048 %, which was a decrease of 0.003% from its proportion measured as of June 30, 2016. The City also recognized \$4,320 for the year ended December 31, 2017 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$157,746 for its proportionate share of the Police and Fire Fund pension expense.

**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)

At December 31, 2017, 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.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 14,917	\$ 185,184
Changes in actuarial assumptions	901,120	920,080
Difference between projected and actual investment earnings	23,301	-
Changes in proportion	5,400	107,906
Contributions paid to PERA subsequent to the measurement date	<u>40,479</u>	<u>-</u>
	<u>\$ 985,217</u>	<u>\$ 1,213,170</u>

\$40,479 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 6,482
2019	6,483
2020	(19,254)
2021	(61,045)
2022	<u>(201,098)</u>
Total	<u>\$ (268,432)</u>

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

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

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

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017, 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees plan through 2044 and the Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, 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 most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

**General Employees Fund**

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.5% per year thereafter.

**Police and Fire Fund**

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

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

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

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

**E. Actuarial Assumptions (Continued)**

- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

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	39 %	5.10 %
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00
	<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 2017 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 and the Police and Fire 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.

**G. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 3,059,704	\$ 1,972,636	\$ 1,082,672
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,216,161	\$ 643,747	\$ 171,170

**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, 2016, 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.

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

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

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

**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 \$41,003 in fire state aid to the plan on behalf of the Le Sueur Fire Department for the year ended December 31, 2016, 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, 2016, was \$0. In addition, the City made voluntary contributions of \$25,000 to the plan.

**D. Pension Costs**

At December 31, 2017, the City reported a net pension asset of \$194,408 for the SVF plan. The net pension asset was measured as of December 31, 2016. 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, 2016. The table on the following page presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2015	\$ 821,824	\$ 989,074	\$ (167,250)
Changes for the year			
Service cost	36,734	-	36,734
Interest on pension liability	51,513	-	51,513
Difference between expected and actual experience	(5,964)	-	(5,964)
Municipal contribution	-	-	-
State contributions	-	41,003	(41,003)
Projected investment return	-	59,344	(59,344)
Adjustment to initial asset transfer	-	-	-
Gain or loss	-	9,980	(9,980)
Benefit payments	-	-	-
Administrative expense	-	(886)	886
Net changes	82,283	109,441	(27,158)
Balances at December 31, 2016	\$ 904,107	\$ 1,098,515	\$ (194,408)

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

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

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

**D. Pension Costs (Continued)**

For the year ended December 31, 2017, the City recognized pension expense of \$15,240.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 13,842
Difference between projected and actual investment earnings	22,488	-
City contributions subsequent to the measurement date	65,551	-
Total	\$ 88,039	\$ 13,842

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

2018	\$ 2,198
2019	2,197
2020	6,247
2021	(1,996)
Total	\$ 8,646

**E. Actuarial Assumptions**

The total pension liability at December 31, 2016, 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 2016.

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

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

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

**F. Discount Rate**

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

**G. Pension Liability Sensitivity**

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

	Decrease (5.0%)	Discount Rate (6.0%)	Increase (7.0%)
Net pension asset	\$ (167,324)	\$ (194,408)	\$ (220,501)

**H. Plan Investments**

Investment Policy

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

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

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

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

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

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

**H. Plan Investments (Continued)**

Asset Allocation

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

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

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 2016 for Statewide Volunteer Firefighter Retirement Plan.

**I. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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

**NOTE 10 – JOINT POWERS AGREEMENTS**

In April of 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, 2017, MRVPUC reported a net position balance of December 31, 2017, \$1,428,402. The City of Le Sueur's share of this balance was \$998,608.

The City and the City of Saint Peter formed a joint venture, Minnesota River Valley Transit, effective January 1, 2017. The purpose of Minnesota River Valley Transit is to provide a coordinated service delivery and funding source for public transportation throughout the City of Le Sueur and the City of Saint Peter.

**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 2017, the City contributed \$16,468 to the plan. As of December 31, 2017, 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	4,254
Amortization of net OPEB obligation with Interest	-
Adjustment to ARC	<u>(143,224)</u>
Annual OPEB cost (expense)	15,538
Contributions made	<u>(16,468)</u>
Increase in net OPEB obligation	(930)
Net OPEB obligation - beginning of year	<u>141,791</u>
Net OPEB obligation - end of year	<u><u>\$ 140,861</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
2017	\$ 15,538	106%	\$ 140,861
2016	14,169	109.9%	141,791
2015	(13,988)	(105.4)	143,188

**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, 2017, was 28 years.

**NOTE 14 – 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.

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

**NOTE 14 – TAX INCREMENT FINANCING (CONTINUED)**

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, 2017, the City generated \$62,102 in tax increment revenue under the two agreements listed below and made \$58,997 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, 2017, the City generated \$39,090 of tax increment revenue and made payments on the pay-as-you-go note of \$37,136. The note's balance at year end was \$336,169.
- 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, 2017, 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 \$132,317.

**NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB has issued GASB statement 75 relating to 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. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Le Sueur**  
**Retiree Health Plan – Schedule of Funding Progress**  
**December 31, 2017**

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**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0309%	\$ 1,972,636	\$ 24,786	\$ 1,997,422	\$ 1,989,173	99.17%	75.90%
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**

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0480%	\$ 643,737	\$ 495,333	129.96%	85.43%
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
2017	\$ 149,188	\$ 149,188	\$ -	\$ 1,989,173	7.5%
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
2017	\$ 80,244	\$ 80,244	\$ -	\$ 495,333	16.2%
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**

	2016	2015	2014
Total pension liability (TPL)			
Service cost	\$ 36,734	\$ 35,664	\$ 34,604
Interest on the pension liability	51,513	46,929	43,185
Actuarial experience (gains)/losses	(5,964)	(7,206)	(14,859)
Benefit payments	-	-	-
Net change in TPL	<u>82,283</u>	<u>75,384</u>	<u>62,930</u>
TPL - beginning 12/31/15	<u>821,824</u>	<u>746,440</u>	<u>685,151</u>
TPL - ending 12/31/16	<u>\$ 904,107</u>	<u>\$ 821,824</u>	<u>\$ 748,081</u>
Plan fiduciary net position (PFNP)			
First state aid	\$ 32,998	\$ 33,106	\$ 31,404
Fire supplemental aid	8,005	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	69,324	985	53,719
PERA administrative fee	(810)	(810)	(810)
Auditor/accounting fee	-	-	-
SBI investment fee	(76)	(31)	-
Benefit payments	-	-	-
Net change in PFNP	<u>109,441</u>	<u>66,351</u>	<u>117,101</u>
PFNP - beginning 12/31/15	<u>989,074</u>	<u>922,723</u>	<u>805,622</u>
PFNP - ending 12/31/16	<u>\$ 1,098,515</u>	<u>\$ 989,074</u>	<u>\$ 922,723</u>
Net pension asset - ending 12/31/16	<u>\$ (194,408)</u>	<u>\$ (167,250)</u>	<u>\$ (174,642)</u>
Plan fiduciary net position as a percentage of the total pension	121.5%	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**

**2017 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**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.

**City of Le Sueur**  
**Notes to Required Supplementary Information**

**POLICE AND FIRE FUND**

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

**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.

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**SUPPLEMENTARY INFORMATION**

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2017**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 38,463	\$ 1,281,096	\$ 1,319,559
Accounts receivable	9,023	-	9,023
Notes and mortgages receivable	-	20,086	20,086
Special assessments receivable	-	9,636	9,636
Due from other governments	62,133	-	62,133
Advances to component unit	-	153,233	153,233
Due from other funds	-	133,856	133,856
Inventory	3,733	-	3,733
Prepaid Items	582	-	582
	<u>\$ 113,934</u>	<u>\$ 1,597,907</u>	<u>\$ 1,711,841</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,693	\$ -	\$ 1,693
Due to other funds	119,605	133,856	253,461
Total liabilities	<u>121,298</u>	<u>133,856</u>	<u>255,154</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	9,636	9,636
<b>Fund Balances</b>			
Nonspendable for			
Prepaid items	582	-	582
Inventory	3,733	-	3,733
Committed for			
Ambulance operations and maintenance	38,463	-	38,463
Assigned for			
Capital projects	-	1,588,271	1,588,271
Unassigned	(50,142)	(133,856)	(183,998)
Total fund balances	<u>(7,364)</u>	<u>1,454,415</u>	<u>1,447,051</u>
	<u>\$ 113,934</u>	<u>\$ 1,597,907</u>	<u>\$ 1,711,841</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 113,934</u>	<u>\$ 1,597,907</u>	<u>\$ 1,711,841</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2017**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Taxes	\$ -	\$ 253,802	\$ 253,802
Special assessments	-	2,622	2,622
Intergovernmental	115,090	245,172	360,262
Charges for services	213,979	4,800	218,779
Miscellaneous	2,266	14,653	16,919
Total revenues	<u>331,335</u>	<u>521,049</u>	<u>852,384</u>
<b>Expenditures</b>			
Current			
Public safety	217,250	-	217,250
Transportation	133,755	-	133,755
Capital outlay			
Public safety	4,000	35,159	39,159
Streets and highways	-	1,000	1,000
Transportation	1,040	149,613	150,653
Total expenditures	<u>356,045</u>	<u>185,772</u>	<u>541,817</u>
Excess of revenues over (under) expenditures	(24,710)	335,277	310,567
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital asset	-	650	650
Transfers in	-	20,000	20,000
Transfers out	(13,500)	-	(13,500)
Total other financing sources (uses)	<u>(13,500)</u>	<u>20,650</u>	<u>7,150</u>
Net change in fund balances	(38,210)	355,927	317,717
<b>Fund Balances</b>			
Beginning of year	<u>30,846</u>	<u>1,098,488</u>	<u>1,129,334</u>
End of year	<u>\$ (7,364)</u>	<u>\$ 1,454,415</u>	<u>\$ 1,447,051</u>

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**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Special Revenue Funds  
December 31, 2017**

	Special Revenue			
	Fire Service (225)	Ambulance Service (226)	Airport (235)	Total
<b>Assets</b>				
Cash and investments	\$ -	\$ 38,463	\$ -	\$ 38,463
Accounts receivable	8,935	-	88	9,023
Due from other governments	11,900	-	50,233	62,133
Inventory	-	-	3,733	3,733
Prepaid Items	432	-	150	582
	<u>\$ 21,267</u>	<u>\$ 38,463</u>	<u>\$ 54,204</u>	<u>\$ 113,934</u>
<b>Liabilities</b>				
Accounts payable	\$ 967	\$ -	\$ 726	\$ 1,693
Due to other funds	44,995	-	74,610	119,605
Total liabilities	<u>45,962</u>	<u>-</u>	<u>75,336</u>	<u>121,298</u>
<b>Fund Balances</b>				
Nonspendable for				
Prepaid items	432	-	150	582
Inventory	-	-	3,733	3,733
Committed for				
Ambulance operations and maintenance	-	38,463	-	38,463
Unassigned	(25,127)	-	(25,015)	(50,142)
Total fund balances	<u>(24,695)</u>	<u>38,463</u>	<u>(21,132)</u>	<u>(7,364)</u>
Total liabilities and fund balances	<u>\$ 21,267</u>	<u>\$ 38,463</u>	<u>\$ 54,204</u>	<u>\$ 113,934</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2017**

	Special Revenue	
	Fire Service (225)	Ambulance Service (226)
<b>Revenues</b>		
Intergovernmental	\$ 44,451	\$ 3,575
Charges for services	132,332	37,426
Miscellaneous	1,711	449
Total revenues	178,494	41,450
<b>Expenditures</b>		
Current		
Public safety	175,939	41,311
Transportation	-	-
Capital outlay		
Public safety	4,000	-
Transportation	-	-
Total expenditures	179,939	41,311
Excess of revenues over (under) expenditures	(1,445)	139
<b>Other Financing Uses</b>		
Transfers out	(7,500)	(6,000)
Net change in fund balances	(8,945)	(5,861)
<b>Fund Balances</b>		
Beginning of year	(15,750)	44,324
End of year	\$ (24,695)	\$ 38,463

Special Revenue

<u>Para-Transit (227)</u>	<u>Airport (235)</u>	<u>Total</u>
\$ -	\$ 67,064	\$ 115,090
-	44,221	213,979
-	106	2,266
<u>-</u>	<u>111,391</u>	<u>331,335</u>
-	-	217,250
44,473	89,282	133,755
-	-	4,000
-	1,040	1,040
<u>44,473</u>	<u>90,322</u>	<u>356,045</u>
<u>(44,473)</u>	<u>21,069</u>	<u>(24,710)</u>
<u>-</u>	<u>-</u>	<u>(13,500)</u>
(44,473)	21,069	(38,210)
<u>44,473</u>	<u>(42,201)</u>	<u>30,846</u>
<u>\$ -</u>	<u>\$ (21,132)</u>	<u>\$ (7,364)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Fire Service Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Intergovernmental			
State fire aid	\$ -	\$ 40,551	\$ 40,551
Miscellaneous	-	3,900	3,900
Total intergovernmental	<u>-</u>	<u>44,451</u>	<u>44,451</u>
Charges for services			
Public safety	<u>134,800</u>	<u>132,332</u>	<u>(2,468)</u>
Miscellaneous			
Contributions and donations	-	1,500	1,500
Refunds and reimbursements	-	211	211
Total miscellaneous	<u>-</u>	<u>1,711</u>	<u>1,711</u>
Total revenues	<u>134,800</u>	<u>178,494</u>	<u>43,694</u>
<b>Expenditures</b>			
Current			
Public safety			
Administration			
Personal services	33,600	76,836	43,236
Supplies	1,150	5,078	3,928
Other services and charges	9,400	8,076	(1,324)
Total administration	<u>44,150</u>	<u>89,990</u>	<u>45,840</u>
Fire fighting			
Personal services	41,400	36,315	(5,085)
Supplies	5,000	2,425	(2,575)
Total fire fighting	<u>46,400</u>	<u>38,740</u>	<u>(7,660)</u>
Prevention			
Other services and charges	6,500	3,988	(2,512)
Training			
Supplies	2,500	10,594	8,094
Other services and charges	3,000	2,669	(331)
Total training	<u>5,500</u>	<u>13,263</u>	<u>7,763</u>
Communications			
Other services and charges	1,250	1,100	(150)
Repair services			
Supplies	6,000	17,721	11,721
Other services and charges	750	3,179	2,429
Total repair services	<u>6,750</u>	<u>20,900</u>	<u>14,150</u>
Stations and buildings			
Other services and charges	<u>13,750</u>	<u>7,958</u>	<u>(5,792)</u>
Total public safety - current	<u>124,300</u>	<u>175,939</u>	<u>51,639</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Fire Service Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Expenditures (Continued)</b>			
Capital outlay			
Public safety			
Fire fighting	\$ 3,000	\$ 4,000	\$ 1,000
Total expenditures	127,300	179,939	52,639
Excess of revenues over (under) expenditures	7,500	(1,445)	(8,945)
<b>Other Financing Uses</b>			
Transfers out	(7,500)	(7,500)	-
Net change in fund balance	\$ -	(8,945)	\$ (8,945)
<b>Fund Balance</b>			
Beginning of year		(15,750)	
End of year		\$ (24,695)	

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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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Intergovernmental				
State				
Airport operating grant	\$ 15,000		\$ 67,064	\$ 52,064
Charges for services				
Rent	6,300		16,600	10,300
Miscellaneous	20,000		27,621	7,621
Total charges for services	26,300		44,221	17,921
Miscellaneous				
Refunds and reimbursements	-		106	106
Total revenues	41,300		111,391	70,091
<b>Expenditures</b>				
Current				
Fields, runway, and ramps				
Other services and charges	6,500		6,052	(448)
Terminal buildings and public areas				
Supplies	29,000		30,229	1,229
Other services and charges	13,365		45,658	32,293
Total terminal buildings and public areas	42,365		75,887	33,522
Capital outlay				
Fields, runway, and ramps				
Miscellaneous	600		1,040	440
Total expenditures	49,465		90,322	40,857
Excess of revenues over (under) expenditures	\$ (8,165)		\$ 21,069	\$ 29,234
<b>Fund Balance</b>				
Beginning of year			(42,201)	
End of year			\$ (21,132)	

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Capital Projects Funds  
December 31, 2017**

	Capital Projects			
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
<b>Assets</b>				
Cash and investments	\$ 358,788	\$ 461,897	\$ -	\$ 257,520
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Deferred	-	7,139	-	-
Due from other funds	-	133,856	-	-
Advances to component unit	-	-	-	153,233
Total assets	\$ 358,788	\$ 602,892	\$ -	\$ 410,753
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 133,856	\$ -
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	7,139	-	-
<b>Fund Balances</b>				
Assigned for capital projects	358,788	595,753	-	410,753
Unassigned	-	-	(133,856)	-
Total fund balances	358,788	595,753	(133,856)	410,753
Total liabilities, deferred inflows of resources, and fund balances	\$ 358,788	\$ 602,892	\$ -	\$ 410,753

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Total
\$ 96,309	\$ 106,582	\$ 1,281,096
20,086	-	20,086
2,497	-	9,636
-	-	133,856
-	-	153,233
<u>\$ 118,892</u>	<u>\$ 106,582</u>	<u>\$ 1,597,907</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,856</u>
<u>2,497</u>	<u>-</u>	<u>9,636</u>
116,395	106,582	1,588,271
-	-	(133,856)
<u>116,395</u>	<u>106,582</u>	<u>1,454,415</u>
<u>\$ 118,892</u>	<u>\$ 106,582</u>	<u>\$ 1,597,907</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Capital Projects Funds**  
**Year Ended December 31, 2017**

	Capital Projects			
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
<b>Revenues</b>				
Property taxes	\$ -	\$ 185,500	\$ -	\$ 68,302
Special assessments	-	2,622	-	-
Intergovernmental	-	-	245,172	-
Charges for services	-	-	4,800	-
Miscellaneous				
Investment earnings	-	-	-	-
Loan repayments	-	-	-	-
Contributions and donations	11,662	-	-	-
Refunds and Reimbursements	-	1,570	-	-
Total revenues	<u>11,662</u>	<u>189,692</u>	<u>249,972</u>	<u>68,302</u>
<b>Expenditures</b>				
Capital outlay				
Public safety	35,159	-	-	-
Streets and highways	-	-	-	1,000
Transportation	-	-	149,613	-
Total expenditures	<u>35,159</u>	<u>-</u>	<u>149,613</u>	<u>1,000</u>
Excess of revenues over (under) expenditures	(23,497)	189,692	100,359	67,302
<b>Other Financing Sources</b>				
Proceeds from sale of capital asset	650	-	-	-
Transfers in	20,000	-	-	-
Total other financing sources	<u>20,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,847)	189,692	100,359	67,302
<b>Fund Balances</b>				
Beginning of year	<u>361,635</u>	<u>406,061</u>	<u>(234,215)</u>	<u>343,451</u>
End of year	<u>\$ 358,788</u>	<u>\$ 595,753</u>	<u>\$ (133,856)</u>	<u>\$ 410,753</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Total
\$ -	\$ -	\$ 253,802
-	-	2,622
-	-	245,172
-	-	4,800
-	777	777
644	-	644
-	-	11,662
-	-	1,570
<u>644</u>	<u>777</u>	<u>521,049</u>
-	-	35,159
-	-	1,000
-	-	149,613
<u>-</u>	<u>-</u>	<u>185,772</u>
644	777	335,277
-	-	650
-	-	20,000
<u>-</u>	<u>-</u>	<u>20,650</u>
644	777	355,927
<u>115,751</u>	<u>105,805</u>	<u>1,098,488</u>
<u>\$ 116,395</u>	<u>\$ 106,582</u>	<u>\$ 1,454,415</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Property taxes	\$ 843,207	\$ 899,693	\$ 56,486
Franchise fees	10,500	33,143	22,643
Licenses and permits			
Business	8,000	11,101	3,101
Nonbusiness	53,100	71,059	17,959
Total licenses and permits	<u>61,100</u>	<u>82,160</u>	<u>21,060</u>
Intergovernmental			
State			
Local government aid	944,903	944,897	(6)
Property tax credits and aids	-	850	850
Police aid	53,000	58,781	5,781
Other state aids	8,000	41,122	33,122
County			
Highway aid	28,000	23,210	(4,790)
Total intergovernmental	<u>1,033,903</u>	<u>1,068,860</u>	<u>34,957</u>
Charges for services			
General government	17,750	39,359	21,609
Public safety	5,500	7,494	1,994
Streets and highways	2,500	(170)	(2,670)
Culture and recreation	1,000	2,822	1,822
Housing and economic development	-	85,298	85,298
Total charges for services	<u>26,750</u>	<u>134,803</u>	<u>108,053</u>
Fines and forfeits	24,000	24,046	46
Interest earnings	3,500	4,767	1,267
Miscellaneous			
Refunds and reimbursements	66,000	64,681	(1,319)
Other	6,000	(6,261)	(12,261)
Total miscellaneous	<u>72,000</u>	<u>58,420</u>	<u>(13,580)</u>
Total revenues	<u>2,074,960</u>	<u>2,305,892</u>	<u>230,932</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Expenditures</b>			
General government			
Mayor and City Council			
Personal services	\$ 23,000	\$ 26,856	\$ 3,856
Supplies	6,000	4,860	(1,140)
Other services and charges	4,000	1,908	(2,092)
Total Mayor and City Council	<u>33,000</u>	<u>33,624</u>	<u>624</u>
City Administrator			
Personal services	156,850	137,966	(18,884)
Other services and charges	73,150	66,831	(6,319)
Total City Administrator	<u>230,000</u>	<u>204,797</u>	<u>(25,203)</u>
Elections			
Supplies	-	(9)	(9)
Accounting			
Personal services	53,800	59,673	5,873
Supplies	300	-	(300)
Other services and charges	63,000	71,784	8,784
Total accounting	<u>117,100</u>	<u>131,457</u>	<u>14,357</u>
City attorney			
Other services and charges	15,000	24,414	9,414
Planning and zoning			
Personal services	26,800	41,826	15,026
Other services and charges	8,200	9,049	849
Total planing and zoning	<u>35,000</u>	<u>50,875</u>	<u>15,875</u>
General government buildings			
Supplies	400	215	(185)
Other services and charges	25,500	24,300	(1,200)
Total general government buildings	<u>25,900</u>	<u>24,515</u>	<u>(1,385)</u>
Insurance			
Workers' compensation	41,200	37,606	(3,594)
Property and liability	25,000	26,293	1,293
Total insurance	<u>66,200</u>	<u>63,899</u>	<u>(2,301)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u>                    </u>	Variance with Final Budget - Over (Under) <u>                    </u>
<b>Expenditures (Continued)</b>			
General governmental (continued)			
LSH Healthy Communities			
Personal services	\$ -	\$ 22,129	\$ 22,129
Miscellaneous			
Other charges	13,000	24,022	11,022
Safety and wellness program	5,740	-	(5,740)
Projects	75,000	115,530	40,530
Total miscellaneous	<u>93,740</u>	<u>139,552</u>	<u>45,812</u>
Health and welfare			
Supplies	600	122	(478)
Other current expenditures	13,200	18,596	5,396
Total mis	<u>13,800</u>	<u>18,718</u>	<u>4,918</u>
Total general government	<u>629,740</u>	<u>713,971</u>	<u>84,231</u>
Public safety			
Crime control and investigations			
Personal services	745,700	769,614	23,914
Supplies	8,500	8,334	(166)
Other services and charges	104,200	113,461	9,261
Total crime control and investigations	<u>858,400</u>	<u>891,409</u>	<u>33,009</u>
Police training			
Supplies	4,000	5,818	1,818
Other services and charges	1,200	763	(437)
Total police training	<u>5,200</u>	<u>6,581</u>	<u>1,381</u>
Communication services			
Other services and charges	2,300	2,470	170
Automotive services			
Supplies	44,660	29,435	(15,225)
Other services and charges	31,500	21,148	(10,352)
Total automotive services	<u>76,160</u>	<u>50,583</u>	<u>(25,577)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2017**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
<b>Expenditures (Continued)</b>			
Public safety (Continued)			
Building inspection			
Supplies	\$      50	\$      83	\$      33
Other services and charges	51,200	39,280	(11,920)
Total building inspection	<u>51,250</u>	<u>39,363</u>	<u>(11,887)</u>
Civil defense			
Personal services	9,600	8,952	(648)
Supplies	1,250	98	(1,152)
Other services and charges	4,400	3,478	(922)
Total civil defense	<u>15,250</u>	<u>12,528</u>	<u>(2,722)</u>
Animal disposal			
Other services and charges	14,400	14,066	(334)
Other protection			
Other services and charges	4,100	2,812	(1,288)
Total public safety	<u>1,027,060</u>	<u>1,019,812</u>	<u>(7,248)</u>
Streets and highways			
Streets and alleys			
Personal services	408,500	413,388	4,888
Supplies	119,400	75,498	(43,902)
Other services and charges	89,100	139,385	50,285
Total streets and alleys	<u>617,000</u>	<u>628,271</u>	<u>11,271</u>
Ice and snow removal			
Personal services	2,500	4,090	1,590
Supplies	20,000	10,841	(9,159)
Total snow and ice removal	<u>22,500</u>	<u>14,931</u>	<u>(7,569)</u>
Vehicle maintenance			
Capital outlay	20,000	18,124	(1,876)
Total vehicle maintenance	<u>20,000</u>	<u>18,124</u>	<u>(1,876)</u>
Total streets and highways	<u>659,500</u>	<u>661,326</u>	<u>1,826</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Expenditures (Continued)</b>			
Culture and recreation			
Supervision			
Personal services	\$ 168,250	\$ 159,790	\$ (8,460)
Park areas			
Supplies	39,800	27,650	(12,150)
Other services and charges	35,500	33,941	(1,559)
Total park areas	75,300	61,591	(13,709)
Forestry and nursery			
Personal services	18,000	18,528	528
Supplies	3,500	3,797	297
Other services and charges	500	(29)	(529)
Total forestry and nursery	22,000	22,296	296
Library maintenance			
Other services and charges	33,200	28,387	(4,813)
Total culture and recreation	298,750	272,064	(26,686)
Housing and economic development			
Personal services	-	84,246	84,246
Total expenditures	2,615,050	2,751,419	136,369
Excess of revenues over (under) expenditures	(540,090)	(445,527)	94,563
<b>Other Financing Sources (Uses)</b>			
Transfers in	544,050	537,000	(7,050)
Transfers out	(3,960)	(3,960)	-
Total other financing sources (uses)	540,090	533,040	(7,050)
Net change in fund balance	\$ -	87,513	\$ 87,513
<b>Fund Balance</b>			
Beginning of year		1,169,628	
End of year		\$ 1,257,141	

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Community Center Fund**  
**Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Taxes				
Property taxes	\$ 498,538		\$ 498,538	\$ -
Charges for services				
Culture and recreation	646,400		714,586	68,186
Miscellaneous				
Other	31,200		71,703	40,503
Total revenues	1,176,138		1,284,827	108,689
<b>Expenditures</b>				
Culture and recreation				
Swimming pool				
Personal services	48,500		43,019	(5,481)
Supplies	8,400		7,442	(958)
Other services and charges	27,750		19,474	(8,276)
Total swimming pool	84,650		69,935	(14,715)
School programs				
Other services and charges	200,000		294,567	94,567
Personal services				
Personal services	296,300		322,581	26,281
Repairs and maintenance				
Supplies	27,500		25,388	(2,112)
Other services and charges	71,500		61,608	(9,892)
Total repairs and maintenance	99,000		86,996	(12,004)
Administration and general				
Supplies	54,500		66,196	11,696
Other services and charges	185,085		172,975	(12,110)
Total administration and general	239,585		239,171	(414)
Capital outlay				
Culture and recreation	10,000		10,190	190
Total expenditures	929,535		1,023,440	93,905
Excess of revenues over expenditures	246,603		261,387	14,784
<b>Other Financing Uses</b>				
Transfers out	(246,603)		(246,603)	-
Net change in fund balance	\$ -		14,784	\$ 14,784
<b>Fund Balance</b>				
Beginning of year			(203,496)	
End of year			\$ (188,712)	

**City of Le Sueur  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2017**

	Debt Service			
	2014A Recreational Facilities Bonds (301)	1995 Lease Purchase (306)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
<b>Assets</b>				
Cash and investments	\$ 153,820	\$ 54,355	\$ 29,055	\$ 36,447
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
	<u>\$ 153,820</u>	<u>\$ 54,355</u>	<u>\$ 29,055</u>	<u>\$ 36,447</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,500	\$ -	\$ 200	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>1,500</u>	<u>-</u>	<u>200</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted for debt service	<u>152,320</u>	<u>54,355</u>	<u>28,855</u>	<u>36,447</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 153,820</u>	<u>\$ 54,355</u>	<u>\$ 29,055</u>	<u>\$ 36,447</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)
\$ 58,551	\$ 4,473	\$ -	\$ 4,666	\$ 470	\$ 28,732
-	310,496	-	-	-	-
-	-	-	-	-	1,456
-	-	-	-	-	4,168
-	-	-	-	-	42,190
-	-	-	-	-	-
<u>\$ 58,551</u>	<u>\$ 314,969</u>	<u>\$ -</u>	<u>\$ 4,666</u>	<u>\$ 470</u>	<u>\$ 76,546</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	11,240	-	-	-
-	-	11,240	-	-	-
-	-	-	-	-	5,624
-	-	-	-	-	5,624
58,551	314,969	(11,240)	4,666	470	70,922
<u>\$ 58,551</u>	<u>\$ 314,969</u>	<u>\$ -</u>	<u>\$ 4,666</u>	<u>\$ 470</u>	<u>\$ 76,546</u>

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**City of Le Sueur  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2017**

	Debt Service				Total
	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)	2017A G.O. Street Reconstruction Bond (314)	
<b>Assets</b>					
Cash and investments	\$ 40,712	\$ -	\$ 28,053	\$ 48,150	\$ 487,484
Notes and mortgages receivable	-	-	-	-	310,496
Special assessments receivable					
Delinquent	5,414	345	-	-	7,215
Deferred	618,542	138,625	-	328,433	1,089,768
Due from other funds	-	-	-	-	42,190
Advances to other funds	210,000	261,631	-	-	471,631
	<u>\$ 874,668</u>	<u>\$ 400,601</u>	<u>\$ 28,053</u>	<u>\$ 376,583</u>	<u>\$ 2,408,784</u>
<b>Liabilities</b>					
Accounts payable	\$ 200	\$ -	\$ 200	\$ -	\$ 2,100
Due to other funds	-	30,950	-	-	42,190
Total liabilities	<u>200</u>	<u>30,950</u>	<u>200</u>	<u>-</u>	<u>44,290</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	623,956	138,970	-	328,433	1,096,983
Total deferred inflows of resources	<u>623,956</u>	<u>138,970</u>	<u>-</u>	<u>328,433</u>	<u>1,096,983</u>
<b>Fund Balances</b>					
Restricted for debt service	250,512	230,681	27,853	48,150	1,267,511
	<u>\$ 874,668</u>	<u>\$ 400,601</u>	<u>\$ 28,053</u>	<u>\$ 376,583</u>	<u>\$ 2,408,784</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 874,668</u>	<u>\$ 400,601</u>	<u>\$ 28,053</u>	<u>\$ 376,583</u>	<u>\$ 2,408,784</u>

**City of Le Sueur**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**Year Ended December 31, 2017**

	Debt Service		
	2014A Recreational Facilities Bonds (301)	1995 Lease Purchase (306)	2005 G.O. Crossover Refunding Bonds (502)
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	124,335
Charges for services	-	-	-
Miscellaneous			
Investment earnings	712	273	-
Other interest	-	-	-
Total revenues	712	273	124,335
<b>Expenditures</b>			
Debt Service			
Principal	90,000	-	-
Interest and other	87,403	-	200
Total expenditures	177,403	-	200
Excess of revenues over (under) expenditures	(176,691)	273	124,135
<b>Other Financing Sources</b>			
Transfers in	175,703	-	-
Net change in fund balances	(988)	273	124,135
<b>Fund Balances</b>			
Beginning of year	153,308	54,082	(95,280)
End of year	\$ 152,320	\$ 54,355	\$ 28,855

Debt Service

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2002 G.O. Library Bonds (309)	2002 G.O. Fire Station Bonds (310)	2006C G.O. Johnson Controls (316)	2008 G.O. Tax Abatement Bonds (318)
\$ 68,000	\$ 92,500	\$ 122,000	\$ 50,000
-	-	-	-
-	295	-	-
-	-	-	-
-	-	16,167	-
<u>68,000</u>	<u>92,795</u>	<u>138,167</u>	<u>50,000</u>
50,000	70,000	214,715	50,000
7,000	24,000	42,007	3,145
<u>57,000</u>	<u>94,000</u>	<u>256,722</u>	<u>53,145</u>
11,000	(1,205)	(118,555)	(3,145)
-	-	43,960	-
11,000	(1,205)	(74,595)	(3,145)
<u>25,447</u>	<u>59,756</u>	<u>389,564</u>	<u>(8,095)</u>
<u>\$ 36,447</u>	<u>\$ 58,551</u>	<u>\$ 314,969</u>	<u>\$ (11,240)</u>

**City of Le Sueur**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**Year Ended December 31, 2017**

	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)
<b>Revenues</b>				
Property taxes	\$ 52,250	\$ 2,483	\$ 40,500	\$ 15,000
Special assessments	-	-	19,246	172,208
Charges for services	-	-	-	-
Miscellaneous				
Investment earnings	-	-	-	-
Other interest	-	-	-	-
Total revenues	52,250	2,483	59,746	187,208
<b>Expenditures</b>				
Debt Service				
Principal	40,000	-	85,000	280,000
Interest and other	12,430	-	2,550	35,584
Total expenditures	52,430	-	87,550	315,584
Excess of revenues over (under) expenditures	(180)	2,483	(27,804)	(128,376)
<b>Other Financing Sources</b>				
Transfers in	-	-	25,000	80,000
Net change in fund balances	(180)	2,483	(2,804)	(48,376)
<b>Fund Balances</b>				
Beginning of year	4,846	(2,013)	73,726	298,888
End of year	\$ 4,666	\$ 470	\$ 70,922	\$ 250,512

Debt Service

2006A G.O. Improvement/ 2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	2017A G.O. Street Reconstruction Bond (314)	Total
\$ 70,000	\$ 77,000	\$ -	\$ 589,733
43,585	-	104,965	464,339
-	-	-	295
-	-	-	985
-	-	-	16,167
<u>113,585</u>	<u>77,000</u>	<u>104,965</u>	<u>1,071,519</u>
200,000	55,000	-	1,134,715
<u>23,628</u>	<u>16,265</u>	<u>56,815</u>	<u>311,027</u>
<u>223,628</u>	<u>71,265</u>	<u>56,815</u>	<u>1,445,742</u>
(110,043)	5,735	48,150	(374,223)
<u>87,000</u>	<u>-</u>	<u>-</u>	<u>411,663</u>
(23,043)	5,735	48,150	37,440
<u>253,724</u>	<u>22,118</u>	<u>-</u>	<u>1,230,071</u>
<u>\$ 230,681</u>	<u>\$ 27,853</u>	<u>\$ 48,150</u>	<u>\$ 1,267,511</u>

**City of Le Sueur  
Balance Sheet - Component Unit -  
Le Sueur Economic Development Authority  
December 31, 2017**

**Assets**

Cash and investments	\$ 193,401
Accounts receivable	2,696
Notes receivable	2,111,492
Land held for resale	<u>1,759,576</u>
Total assets	<u><u>\$ 4,067,165</u></u>

**Liabilities**

Accounts payable	\$ 46,178
Due to component unit/primary government	823,541
Due to other governments	25,943
Unearned revenue	<u>2,500</u>
Total liabilities	<u><u>898,162</u></u>

**Fund Balance**

Unassigned	<u>3,169,003</u>
Total liabilities and fund balance	<u><u>\$ 4,067,165</u></u>

Reconciliation of the balance sheet to  
the statement of net position

Fund balance	\$ 3,169,003
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	(2,108,741)
Notes payable	(810,000)
Governmental fund statements do not report a liability for accrued interest until due and payable.	<u>(226,350)</u>
Net position	<u><u>\$ 23,912</u></u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Component Unit -**  
**Le Sueur Economic Development Authority**  
**Year Ended December 31, 2017**

**Revenues**

Tax increments	\$ 147,824
Payments from primary government	37,000
Land rental	15,352
Refunds and reimbursements	13,933
Investment income	294
Other	125,643
Total revenues	340,046

**Expenditures**

Current	
Economic development	\$ 204,915
Debt service	
Principal	68,289
Interest and fiscal charges	124,211
Total expenditures	397,415

Excess of revenues under expenditures	(57,369)
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**Fund Balance**

Beginning of year	3,226,372
End of year	\$ 3,169,003

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

Net change in fund balance	\$ (57,369)
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Principal payments on long-term debt are recognized as expenditures in the funds but have no effect on net position.	68,289
--	--------

Debt forgiveness increases net position but has no effect on fund balance.	84,044
--	--------

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.	(2,735)
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Change in net position	\$ 92,229
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**City of Le Sueur**  
**Statement of Changes in Agency Fund**  
**Assets and Liabilities**  
**Year Ended December 31, 2017**

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2017</u>
<b>Minnesota River Valley Transit (227)</b>				
<b>Assets</b>				
Accounts receivable	\$ -	\$ 141,244	\$ 123,818	\$ 17,426
Due from other governments	-	552,681	299,963	252,718
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ -</u>	<u>\$ 693,925</u>	<u>\$ 423,781</u>	<u>\$ 270,144</u>
<b>Liabilities</b>				
Cash overdraft	\$ -	\$ 140,688	\$ 112,220	\$ 28,468
Accounts payable	-	57,532	50,912	6,620
Due to other governments	-	761,673	526,617	235,056
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ -</u>	<u>\$ 959,893</u>	<u>\$ 689,749</u>	<u>\$ 270,144</u>



**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, 2017, 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, 2018.

**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 2017-001 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 2017-002 and 2017-003 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 blue ink that reads "BerganKDV Ltd." with a period at the end.

Minneapolis, Minnesota  
June 6, 2018



## 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, 2017, and the related notes to financial statements, and have issued our report thereon date June 6, 2018.

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 Findings and Responses on Legal Compliance and Internal Control. 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.

*BerganKDV Ltd.*

Minneapolis, Minnesota  
June 6, 2018

**City of Le Sueur  
Schedule of Findings and  
Responses on Legal Compliance and Internal Control  
December 31, 2017**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS**

**Material Weakness**

**Audit Finding 2017-001 –Material Audit Adjustments**

During the course of our engagement, we proposed 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 2017-002 – Lack of Segregation of Accounting Duties**

During the year ended December 31, 2017, 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 Legal Compliance and Internal Control  
December 31, 2017**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)**

**Significant Deficiencies (Continued)**

**Audit Finding 2017-003 – 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 86%. 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 YEAR LEGAL COMPLIANCE FINDINGS**

**Public Purpose Expenditures**

The opinion of the Attorney General states government entities are not to expend monies unless expressly granted the authority to do so. Items that do not serve a public purpose are covered under this opinion.

During our audit, we noted expenditures were made for meals where there was insufficient supporting documentation to determine public purpose.

**City's Response**

The City will improve documentation of meal expenditures to document all pertinent details to support public purpose.

**Tax Increment Financing Four-Year Knock-Down Rule**

*Minnesota Statutes* 469.176, subd. 6 requires that the TIF authority submit to the county auditor, by February 1 of the fifth year following the year in which the parcel was certified, evidence that the required activity has taken place on each parcel in the district

During our audit, we noted one tax increment financing district that was in the fifth year following the year in which the parcel was certified. The City did not submit to the county auditor, by February 1, evidence that the required activity has taken place on each parcel in the district.

**City's Response**

The City will review procedures surrounding tax increment financing reporting to ensure the City submits the necessary reporting timely to follow *Minnesota Statutes*.

**City of Le Sueur  
Schedule of Findings and  
Responses on Legal Compliance and Internal Control  
December 31, 2017**

**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.

**Corrective Action Taken**

The City adopted policies and procedures for electronic time recording.