

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

**Financial Statements**

**December 31, 2018**

**City of Le Sueur  
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**City of Le Sueur  
Elected Officials and Administration  
December 31, 2018**

<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
Marvin Sullivan	Council	December 31, 2018
Mark Huntington	Council	December 31, 2020
Newell Krogmann	Council	December 31, 2018
Kevin Wilke	Council	Served through April 30, 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, 2018, 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 \$443,098. 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.

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.

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Community Center Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Implementation of GASB 75**

As discussed in Note 16 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019, 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 solely 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 the effectiveness of the City internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Le Sueur's internal control over financial reporting and compliance.

*Bergan KDV Ltd.*

Minneapolis, Minnesota  
June 4, 2019

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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, 2018.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$32,920,769 (net position). Of this amount, \$6,010,185 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$169,516 mainly due to a decrease in utility fund revenue specifically in the Electric Utility Fund.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,963,273 a decrease of \$420,471 in comparison with the prior year. The major reason for this decrease was due to the closing of multiple funds within the year to consolidate funds along with the Revolving Loan Fund and the Community Center Fund performing below budget. Approximately 43.8% of this total amount, \$5,243,842, 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 \$1,291,252 or 41.8% of total General fund expenditures, excluding transfers. These funds are not legally restricted, committed by Council, or assigned for future purposes.
- The City's decreased the existing debt principal by \$2,529,876 or 10.3% during the current fiscal year. This is due to normal debt payments following the debt schedules.

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

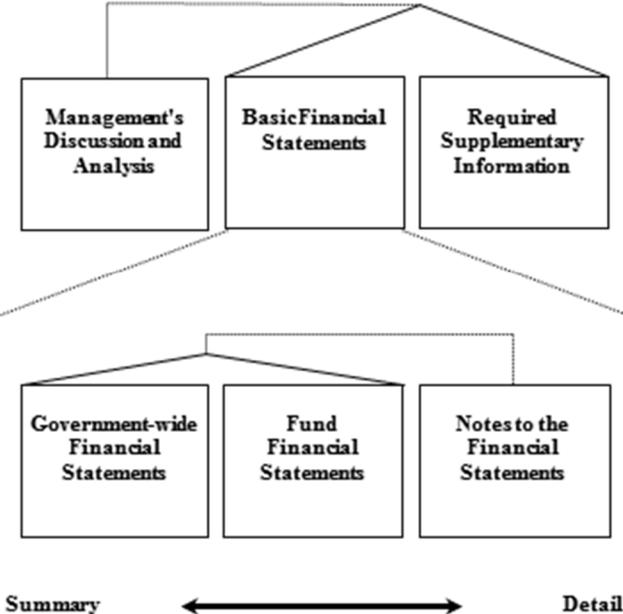
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also 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 27 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 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 96 of this report.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$32,920,769 at the close of the most recent fiscal year.

The largest portion of the City's net position (78.1%) 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,440,622	\$ 13,964,898	\$ 2,504,076	\$ 3,100,778	\$ 15,944,698	\$ 17,065,676
Capital assets	13,551,963	14,222,238	29,796,534	30,760,512	43,348,497	44,982,750
Net pension asset - fire relief	207,982	194,408	-	-	207,982	194,408
<b>Total assets</b>	<b>27,200,567</b>	<b>28,381,544</b>	<b>32,300,610</b>	<b>33,861,290</b>	<b>59,501,177</b>	<b>62,242,834</b>
Deferred outflows of resources related to fire relief pensions	67,997	88,039	-	-	67,997	88,039
Deferred outflows of resources related to city pensions	879,990	1,221,369	169,740	261,644	1,049,730	1,483,013
Deferred outflows of resources related to OPEB	12,491	-	8,327	-	20,818	-
<b>Total deferred outflows of resources</b>	<b>960,478</b>	<b>1,309,408</b>	<b>178,067</b>	<b>261,644</b>	<b>1,138,545</b>	<b>1,571,052</b>
Long-term liabilities outstanding	11,105,821	12,386,676	8,675,362	9,979,883	19,781,183	22,366,559
Other liabilities	1,748,536	1,761,155	2,148,144	1,667,378	3,896,680	3,428,533
Total OPEB liability	115,675	-	77,115	-	192,790	-
Net pension liability	1,264,635	1,579,544	969,559	1,036,829	2,234,194	2,616,373
<b>Total liabilities</b>	<b>14,234,667</b>	<b>15,727,375</b>	<b>11,870,180</b>	<b>12,684,090</b>	<b>26,104,847</b>	<b>28,411,465</b>
Deferred inflows of resources related to fire relief pensions	59,003	13,842	-	-	59,003	13,842
Deferred inflows of resources related to city pensions	1,289,597	1,444,821	265,506	256,659	1,555,103	1,701,480
<b>Total deferred inflows of resources</b>	<b>1,348,600</b>	<b>1,458,663</b>	<b>265,506</b>	<b>256,659</b>	<b>1,614,106</b>	<b>1,715,322</b>
<b>Net position</b>						
Net investment in capital assets	5,775,422	5,545,112	19,927,233	19,948,710	25,702,655	25,493,822
Restricted	1,207,929	1,745,134	-	-	1,207,929	1,745,134
Unrestricted	5,594,427	5,214,668	415,758	1,233,475	6,010,185	6,448,143
<b>Total net position</b>	<b>\$ 12,577,778</b>	<b>\$ 12,504,914</b>	<b>\$ 20,342,991</b>	<b>\$ 21,182,185</b>	<b>\$ 32,920,769</b>	<b>\$ 33,687,099</b>

An additional portion of the City's net position (3.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (18.2%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

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

**Governmental Activities**

Governmental activities increased the City's net position by \$92,852. Key elements of this increase are as follows:

- An increase in taxes of \$104,377 over prior year due to an increase in dollars related to Capital Improvement/Equipment Planning.
- Revenues in excess of charges for services in housing and economic development activities.
- Majority of activity was within budget with the exception of Intergovernmental Revenue which was due to an additional grant received in 2018.

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

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

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

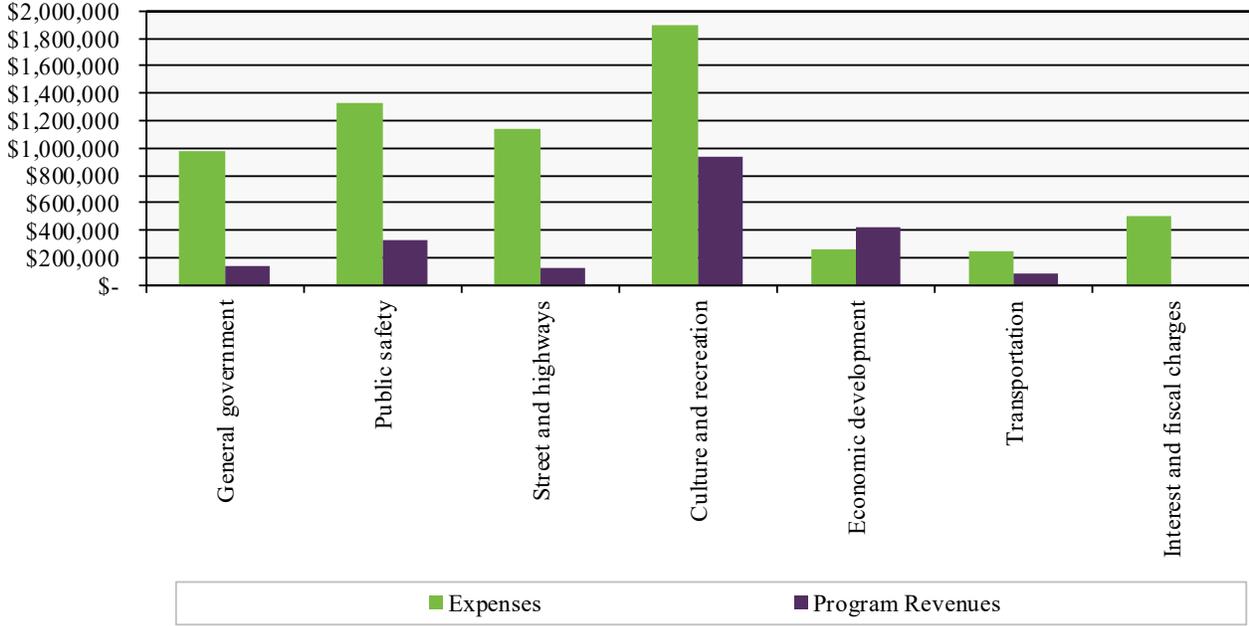
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,655,810	\$ 1,603,558	\$ 13,209,664	\$ 13,390,416	\$ 14,865,474	\$ 14,993,974
Operating grants and contributions	261,036	227,160	-	-	261,036	227,160
Capital grants and contributions	117,365	736,800	254	8,752	117,619	745,552
General revenues						
Property taxes/tax increments	2,462,553	2,358,176	-	-	2,462,553	2,358,176
Other taxes	2,307	2,036	-	-	2,307	2,036
Grants and contributions not restricted to specific programs	1,002,030	948,440	-	-	1,002,030	948,440
Unrestricted investment earnings	41,186	11,674	(527)	1,101	40,659	12,775
Gain on sale of asset	1,089	-	-	-	1,089	-
Other	176,445	71,663	-	-	176,445	71,663
<b>Total revenues</b>	<b>5,719,821</b>	<b>5,959,507</b>	<b>13,209,391</b>	<b>13,400,269</b>	<b>18,929,212</b>	<b>19,359,776</b>
<b>Expenses</b>						
General government	978,636	957,479	-	-	978,636	957,479
Public safety	1,323,031	1,557,247	-	-	1,323,031	1,557,247
Streets and highways	1,145,747	1,074,107	-	-	1,145,747	1,074,107
Culture and recreation	1,894,800	1,608,892	-	-	1,894,800	1,608,892
Economic development	257,689	118,617	-	-	257,689	118,617
Transportation	248,687	356,892	-	-	248,687	356,892
Interest and fiscal charges	503,915	533,414	-	-	503,915	533,414
Water utility	-	-	894,384	889,363	894,384	889,363
Sewer utility	-	-	2,550,616	2,593,900	2,550,616	2,593,900
Refuse and recycling	-	-	275,596	271,670	275,596	271,670
Storm utility	-	-	-	-	-	-
Electric utility	-	-	9,025,627	8,204,512	9,025,627	8,204,512
<b>Total expenses</b>	<b>6,352,505</b>	<b>6,206,648</b>	<b>12,746,223</b>	<b>11,959,445</b>	<b>19,098,728</b>	<b>18,166,093</b>
Change in net position before transfers	(632,684)	(247,141)	463,168	1,440,824	(169,516)	1,193,683
Transfers	725,536	157,866	(725,536)	(157,866)	-	-
<b>Change in net position</b>	<b>92,852</b>	<b>(89,275)</b>	<b>(262,368)</b>	<b>1,282,958</b>	<b>(169,516)</b>	<b>1,193,683</b>
Net position - January 1	12,504,914	12,594,189	21,182,185	19,899,227	33,687,099	32,493,416
Prior period adjustment as previously stated	-	-	(563,502)	-	(563,502)	-
Change in accounting principle	(19,988)	-	(13,324)	-	(33,312)	-
<b>Net position - beginning, as restated</b>	<b>12,484,926</b>	<b>12,594,189</b>	<b>20,605,359</b>	<b>19,899,227</b>	<b>33,090,285</b>	<b>32,493,416</b>
<b>Net position - December 31</b>	<b>\$ 12,577,778</b>	<b>\$ 12,504,914</b>	<b>\$ 20,342,991</b>	<b>\$ 21,182,185</b>	<b>\$ 32,920,769</b>	<b>\$ 33,687,099</b>

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

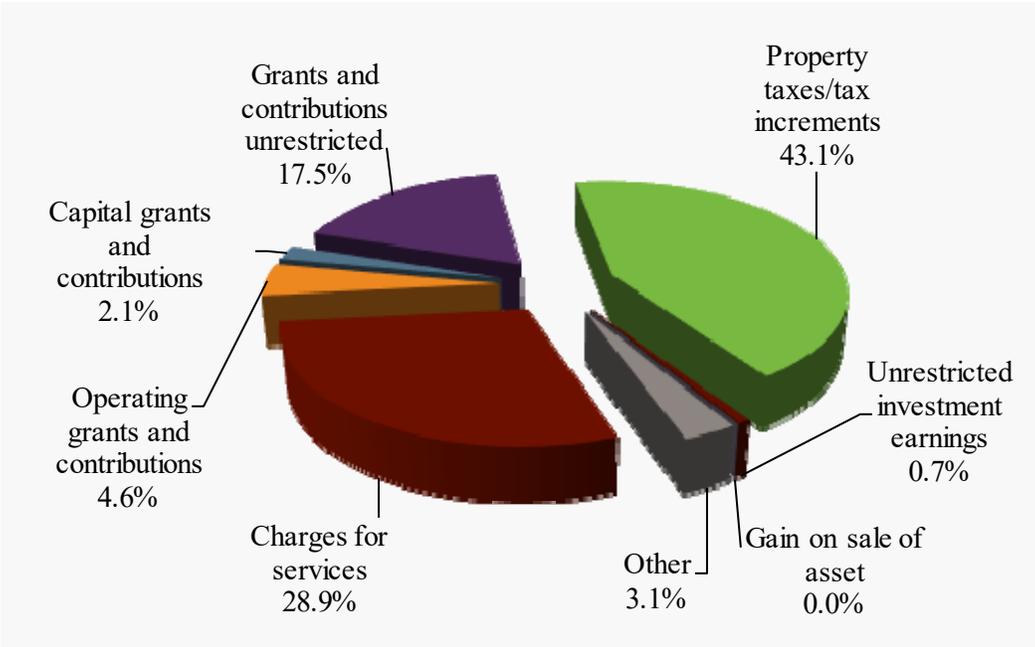
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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**

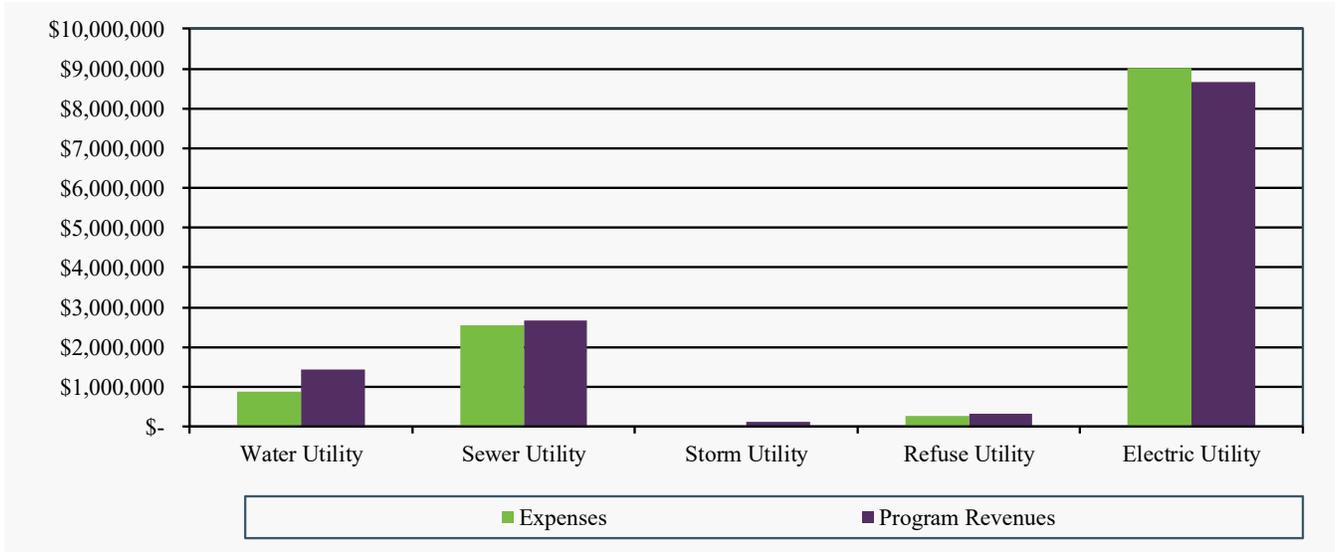
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities**

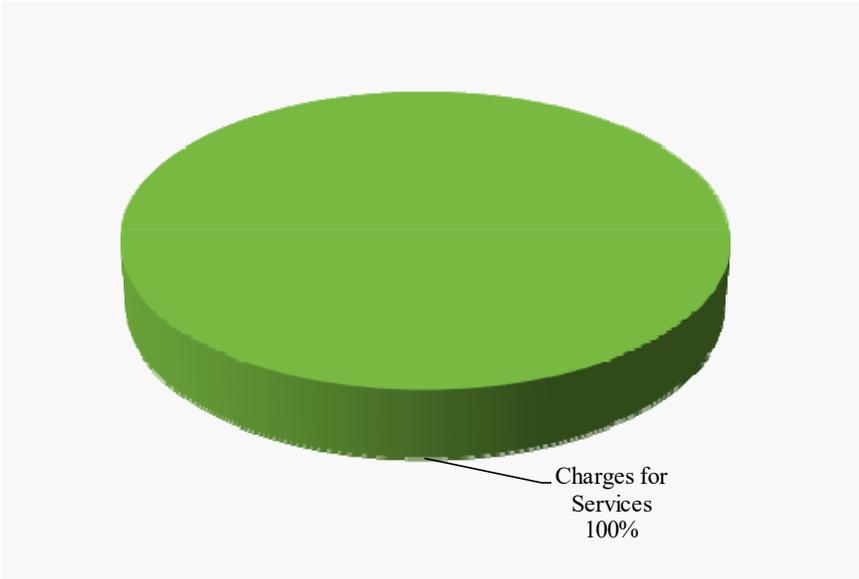
Business-type activities decreased the City's net position by \$262,368. Key elements of this decrease are as follows:

- Decrease in Electric Utility revenues due to a change in the cut-off time for readings along with an increase in Time of Use Adjustments compared to prior years.

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



**Revenues by Source - Business-Type Activities**



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

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,963,273, a decrease of \$420,471 in comparison with the prior year. A balance of \$946,644 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 (\$24,341), restricted (\$5,748,446), committed (\$3,304,453), or assigned (\$1,939,389) 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 \$1,310,621. 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 41.8% of fund expenditures, while total fund balance represents 42.5% of that same amount.

The fund balance of the City's General fund increased by \$53,480 during the current fiscal year. This was mostly due higher than budgeted intergovernmental revenue in addition to lower than budgeted expenditures specifically in the Public Safety department.

The *Economic Development Revolving Loan Fund* has a total fund balance of \$3,304,453 at year end. The net decrease in fund balance during the current year was \$133,250. This decrease was due to a payment to the State of Minnesota to remove the restrictions related to these loan dollars.

The *Community Center Fund* has a total deficit fund balance of \$270,746 at year end. The net decrease in fund balance during the current year was \$82,034. The main cause of this decrease was mainly due to a resignation during the year along with a change in employee time compared to budget. Offsetting most of this large increase in expenditures is from charges for services being over budget by over \$220,000.

The *Debt Service Fund and Medical Facility Bonds 2010 Fund* have a total combined fund balance of \$5,748,446, a decrease in fund balance during the current year of \$281,756. 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 \$415,758. The total loss in net position for the funds was \$262,368. 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 2018. The budget called for a balanced revenue over expenditure year, including transfers. Revenues exceeded budget by \$180,798 and expenditures exceeded budget by \$140,393, transfers were over budget by \$13,075, causing the \$53,480 increase in fund balance in the General fund for 2018.

**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, 2018, amounts to \$43,348,497 (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 3.6% (a 4.7% decrease for governmental activities and a 3.1% decrease for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,414,773	\$ 1,414,773	\$ 415,653	\$ 415,653	\$ 1,830,426	\$ 1,830,426
Buildings	5,007,866	5,329,200	1,570,258	1,728,727	6,578,124	7,057,927
Infrastructure/systems	6,338,660	5,555,169	25,950,863	26,153,560	32,289,523	31,708,729
Machinery and equipment	315,804	241,211	1,396,142	1,334,272	1,711,946	1,575,483
Vehicles	474,860	385,350	463,618	466,094	938,478	851,444
Construction in progress	-	1,296,535	-	662,206	-	1,958,741
<b>Total</b>	<b>\$ 13,551,963</b>	<b>\$ 14,222,238</b>	<b>\$ 29,796,534</b>	<b>\$ 30,760,512</b>	<b>\$ 43,348,497</b>	<b>\$ 44,982,750</b>

Additional information on the City's capital assets can be found in Note 7 starting on page 59 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$21,997,724. Of this amount, \$1,325,000 is special assessment debt, \$16,897,724 is revenue debt, and \$3,775,000 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 3,775,000	\$ 4,000,000	\$ -	\$ -	\$ 3,775,000	\$ 4,000,000
General obligation improvement bonds	1,325,000	1,815,000	-	-	1,325,000	1,815,000
General obligation revenue bonds	-	35,000	9,857,000	11,127,000	9,857,000	11,162,000
Revenue bonds	7,040,724	7,550,600	-	-	7,040,724	7,550,600
<b>Total</b>	<b><u>\$ 12,140,724</u></b>	<b><u>\$ 13,400,600</u></b>	<b><u>\$ 9,857,000</u></b>	<b><u>\$ 11,127,000</u></b>	<b><u>\$ 21,997,724</u></b>	<b><u>\$ 24,527,600</u></b>

The City's total debt decreased by \$2,529,876, or 10.3%, 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 \$9,106,504.

Additional information on the City's long-term debt can be found in Note 8 starting on page 61 of this report.

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

- The health and dental insurance rate increased by approximately 1% 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 Finance Director compared to a consulting Finance Director in past years, budget effect is minimal.
- Continuation of budgeting for condemnation of properties, Capital Equipment funding, and setting a contingency to plan for future needs of the City.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

The property tax levy will increase from \$2,412,757 in 2018 to \$2,564,533 in 2019, or approximately 6.3%. The City is actively planning for items needed to operate instead of issuing debt for when items are needed. This will help keep the tax rate from fluctuating year over year.

**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, 2018**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and investments (including cash equivalents)	\$ 3,558,044	\$ 1,072,406	\$ 4,630,450	\$ 216,889
Receivables				
Accounts receivable	62,972	1,829,430	1,892,402	-
Interest receivable	210,359	-	210,359	-
Taxes receivable	43,008	-	43,008	-
Special assessments receivable	920,693	166,139	1,086,832	-
Notes receivable	5,863,259	213,524	6,076,783	2,011,335
Due from other governments	127,693	-	127,693	-
Internal balances	1,806,712	(1,806,712)	-	-
Due from component unit/primary government	823,541	-	823,541	-
Inventory	19,855	374,123	393,978	-
Prepaid items	4,486	12,400	16,886	-
Investment in joint venture	-	443,098	443,098	-
Land held for resale	-	199,668	199,668	1,559,472
Capital assets not being depreciated				
Land	1,414,773	415,653	1,830,426	-
Capital assets net of accumulated depreciation				
Buildings	5,007,866	1,570,258	6,578,124	-
Infrastructure	6,338,660	25,950,863	32,289,523	-
Machinery and equipment	315,804	1,396,142	1,711,946	-
Vehicles	474,860	463,618	938,478	-
Net pension asset - fire relief	207,982	-	207,982	-
<b>Total assets</b>	<b>27,200,567</b>	<b>32,300,610</b>	<b>59,501,177</b>	<b>3,787,696</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to fire relief pensions	67,997	-	67,997	-
Deferred outflows of resources related to city pensions	879,990	169,740	1,049,730	-
Deferred outflows of resources related to OPEB	12,491	8,327	20,818	-
Total deferred outflows of resources	960,478	178,067	1,138,545	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 28,161,045</b>	<b>\$ 32,478,677</b>	<b>\$ 60,639,722</b>	<b>\$ 3,787,696</b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 155,059	\$ 85,235	\$ 240,294	\$ 824
Interest payable	77,625	34,143	111,768	267,949
Salaries and benefits payable	94,870	61,141	156,011	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	56,453	585,332	641,785	8,267
Deposits payable	-	23,700	23,700	-
Unearned revenue	-	-	-	2,500
Bonds payable, net				
Payable within one year	1,284,512	1,284,000	2,568,512	76,487
Payable after one year	10,954,921	8,585,301	19,540,222	1,959,982
Note payable				
Payable within one year	-	-	-	226,880
Payable after one year	-	-	-	583,120
Compensated absences payable				
Payable within one year	80,017	74,593	154,610	-
Payable after one year	150,900	90,061	240,961	-
Total OPEB liability	115,675	77,115	192,790	-
Net pension liability	1,264,635	969,559	2,234,194	-
Total liabilities	14,234,667	11,870,180	26,104,847	3,949,550
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to fire relief pensions	59,003	-	59,003	-
Deferred inflows of resources related to city pensions	1,289,597	265,506	1,555,103	-
Total deferred inflows of resources	1,348,600	265,506	1,614,106	-
<b>Net Position</b>				
Net investment in capital assets	5,775,422	19,927,233	25,702,655	-
Restricted for				
Debt service	1,207,929	-	1,207,929	-
Unrestricted	5,594,427	415,758	6,010,185	(161,854)
Total net position	12,577,778	20,342,991	32,920,769	(161,854)
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 28,161,045</b>	<b>\$ 32,478,677</b>	<b>\$ 60,639,722</b>	<b>\$ 3,787,696</b>

**City of Le Sueur  
Statement of Activities  
Year Ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 978,636	\$ 65,591	\$ 74,426	\$ -	\$ (838,619)	\$ -	\$ (838,619)	\$ -
Public safety	1,323,031	228,493	101,920	-	(992,618)	-	(992,618)	-
Streets and highways	1,145,747	4,524	58,518	66,809	(1,015,896)	-	(1,015,896)	-
Culture and recreation	1,894,800	889,997	3,825	37,800	(963,178)	-	(963,178)	-
Housing and economic development	257,689	421,921	-	-	164,232	-	164,232	-
Transportation	248,687	45,284	22,347	12,756	(168,300)	-	(168,300)	-
Interest and fiscal charges	503,915	-	-	-	(503,915)	-	(503,915)	-
Total governmental activities	<u>6,352,505</u>	<u>1,655,810</u>	<u>261,036</u>	<u>117,365</u>	<u>(4,318,294)</u>	<u>-</u>	<u>(4,318,294)</u>	<u>-</u>
<b>Business-type activities</b>								
Water utility	894,384	1,425,560	-	254	-	531,430	531,430	-
Sewer utility	2,550,616	2,672,452	-	-	-	121,836	121,836	-
Storm utility	-	115,670	-	-	-	115,670	115,670	-
Refuse and recycling	275,596	321,599	-	-	-	46,003	46,003	-
Electric utility	9,025,627	8,674,383	-	-	-	(351,244)	(351,244)	-
Total business-type activities	<u>12,746,223</u>	<u>13,209,664</u>	<u>-</u>	<u>254</u>	<u>-</u>	<u>463,695</u>	<u>463,695</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 19,098,728</u>	<u>\$ 14,865,474</u>	<u>\$ 261,036</u>	<u>\$ 117,619</u>	<u>(4,318,294)</u>	<u>463,695</u>	<u>(3,854,599)</u>	<u>-</u>
<b>Component units</b>								
Economic Development Authority	<u>\$ 549,090</u>	<u>\$ 136,935</u>	<u>\$ 37,000</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(375,155)</u>
<b>General revenues</b>								
Property taxes					2,462,553	-	2,462,553	-
Tax increments					-	-	-	191,695
Intergovernmental					1,002,030	-	1,002,030	-
Payment in lieu of taxes					2,307	-	2,307	-
Other general revenues					176,445	-	176,445	(2,696)
Unrestricted investment earnings					41,186	(527)	40,659	390
Gain on sale of asset					1,089	-	1,089	-
Transfers					725,536	(725,536)	-	-
Total general revenues and transfers					<u>4,411,146</u>	<u>(726,063)</u>	<u>3,685,083</u>	<u>189,389</u>
Change in net position					92,852	(262,368)	(169,516)	(185,766)
Net position - beginning					12,504,914	21,182,185	33,687,099	23,912
Prior period adjustment as previously stated (see Note 15)					-	(563,502)	(563,502)	-
Change in accounting principle (see Note 16)					(19,988)	(13,324)	(33,312)	-
Net position - beginning, as restated					<u>12,484,926</u>	<u>20,605,359</u>	<u>33,090,285</u>	<u>23,912</u>
Net position - ending					<u>\$ 12,577,778</u>	<u>\$ 20,342,991</u>	<u>\$ 32,920,769</u>	<u>\$ (161,854)</u>

**City of Le Sueur**  
**Balance Sheet - Governmental Funds**  
**December 31, 2018**

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)
<b>Assets</b>			
Cash investments	\$ -	\$ 1,406,221	\$ 570,628
Interest receivable	-	210,359	-
Delinquent taxes receivable	43,008	-	-
Accounts receivable	3,025	-	-
Notes and mortgages receivable	-	1,227,924	237,649
Special assessments receivable	5,166	-	908,155
Due from other governments	76,227	-	-
Advances to other funds	-	-	336,223
Advances to component unit	-	670,308	-
Due from other funds	1,363,135	-	-
Inventory	15,297	-	-
Prepaid items	4,072	-	-
	<u>\$ 1,509,930</u>	<u>\$ 3,514,812</u>	<u>\$ 2,052,655</u>
<b>Liabilities</b>			
Accounts payable	\$ 62,100	\$ -	\$ -
Due to other governments	10,843	-	-
Due to other funds	-	-	4,594
Accrued wages payable	78,505	-	-
Total liabilities	<u>151,448</u>	<u>-</u>	<u>4,594</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	43,008	-	-
Unavailable revenue - special assessments	4,853	-	905,375
Unavailable revenue - interest	-	210,359	-
Total deferred inflows of resources	<u>47,861</u>	<u>210,359</u>	<u>905,375</u>
<b>Fund Balances</b>			
Nonspendable for			
Inventory	15,297	-	-
Prepaid items	4,072	-	-
Restricted for			
Debt service	-	-	1,142,686
Committed for			
Economic development loans	-	3,304,453	-
Assigned for			
Capital projects	-	-	-
Unassigned	1,291,252	-	-
Total fund balances	<u>1,310,621</u>	<u>3,304,453</u>	<u>1,142,686</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,509,930</u>	<u>\$ 3,514,812</u>	<u>\$ 2,052,655</u>

Medical Facility Bonds 2010 (321)	Community Center (615)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 225,542	\$ -	\$ 1,355,653	\$ 3,558,044
-	-	-	210,359
-	-	-	43,008
-	9,572	50,375	62,972
4,380,218	-	17,468	5,863,259
-	-	7,372	920,693
-	46,118	5,348	127,693
-	-	-	336,223
-	-	153,233	823,541
-	-	483,076	1,846,211
-	505	4,053	19,855
-	-	414	4,486
<u>\$ 4,605,760</u>	<u>\$ 56,195</u>	<u>\$ 2,076,992</u>	<u>\$ 13,816,344</u>
\$ -	\$ 8,590	\$ 84,369	\$ 155,059
-	45,071	539	56,453
-	257,251	113,877	375,722
-	16,029	336	94,870
<u>-</u>	<u>326,941</u>	<u>199,121</u>	<u>682,104</u>
-	-	-	43,008
-	-	7,372	917,600
-	-	-	210,359
<u>-</u>	<u>-</u>	<u>7,372</u>	<u>1,170,967</u>
-	505	4,053	19,855
-	-	414	4,486
4,605,760	-	-	5,748,446
-	-	-	3,304,453
-	-	1,939,389	1,939,389
-	(271,251)	(73,357)	946,644
<u>4,605,760</u>	<u>(270,746)</u>	<u>1,870,499</u>	<u>11,963,273</u>
<u>\$ 4,605,760</u>	<u>\$ 56,195</u>	<u>\$ 2,076,992</u>	<u>\$ 13,816,344</u>

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**City of Le Sueur**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2018**

Total fund balances - governmental funds \$ 11,963,273

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	25,741,127
Less accumulated depreciation	(12,189,164)

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

Long-term liabilities at year-end consist of:

Bonds payable	(12,140,724)
Unamortized bond premium	(98,709)
Compensated absences payable	(230,917)
Total OPEB liability	(115,675)
Net pension liability - city pension	(1,264,635)

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	43,008
Special assessments	17,176

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

Deferred special assessments	900,424
Interest receivable	210,359

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

(77,625)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.

Deferred inflows of resources related to fire relief pensions	(59,003)
Deferred inflows of resources related to city pensions	(1,289,597)
Deferred outflows of resources related to fire relief pensions	67,997
Deferred outflows of resources related to city pensions	879,990
Deferred outflows of resources related to OPEB	12,491

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

207,982

Total net position - governmental activities

\$ 12,577,778

See notes to financial statements.

**City of Le Sueur**  
**Statement of Revenues, Expenditure, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2018**

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)
<b>Revenues</b>				
Taxes	\$ 918,092	\$ -	\$ 633,612	\$ -
Franchise fees	33,823	-	-	-
Special assessments	-	-	257,770	-
Licenses and permits	82,481	-	-	-
Intergovernmental	1,184,790	-	-	-
Charges for services	132,065	-	-	-
Fines and forfeits	22,582	-	-	-
Investment earnings	33,556	7,630	-	-
Miscellaneous	167,802	17,266	13,196	271,753
Total revenues	<u>2,575,191</u>	<u>24,896</u>	<u>904,578</u>	<u>271,753</u>
<b>Expenditures</b>				
Current				
General government	905,692	-	-	-
Public safety	1,075,665	-	-	-
Streets and highways	656,671	-	-	-
Culture and recreation	299,156	-	-	-
Economic development	99,543	158,146	-	-
Transportation	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	50,059	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Debt service				
Principal	-	-	1,063,937	195,939
Interest and other	-	-	288,519	232,745
Total expenditures	<u>3,086,786</u>	<u>158,146</u>	<u>1,352,456</u>	<u>428,684</u>
Excess of revenues over (under) expenditures	(511,595)	(133,250)	(447,878)	(156,931)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	565,670	-	377,408	-
Transfers out	(595)	-	(54,355)	-
Total other financing sources (uses)	<u>565,075</u>	<u>-</u>	<u>323,053</u>	<u>-</u>
Net change in fund balances	53,480	(133,250)	(124,825)	(156,931)
<b>Fund Balances</b>				
Beginning of year	<u>1,257,141</u>	<u>3,437,703</u>	<u>1,267,511</u>	<u>4,762,691</u>
End of year	<u>\$ 1,310,621</u>	<u>\$ 3,304,453</u>	<u>\$ 1,142,686</u>	<u>\$ 4,605,760</u>

See notes to financial statements.

<u>Community Center (615)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 439,003	\$ 471,911	\$ 2,462,618
-	-	33,823
-	2,621	260,391
-	-	82,481
-	76,889	1,261,679
851,443	177,801	1,161,309
-	-	22,582
-	-	41,186
40,535	47,131	557,683
<u>1,330,981</u>	<u>776,353</u>	<u>5,883,752</u>
-	-	905,692
-	171,615	1,247,280
-	-	656,671
1,205,945	-	1,505,101
-	-	257,689
-	71,389	71,389
-	50,819	50,819
-	35,576	35,576
-	148,930	198,989
1,763	318,003	319,766
-	736	736
-	-	1,259,876
-	-	521,264
<u>1,207,708</u>	<u>797,068</u>	<u>7,030,848</u>
123,273	(20,715)	(1,147,096)
-	1,089	1,089
-	1,409,805	2,352,883
<u>(205,307)</u>	<u>(1,367,090)</u>	<u>(1,627,347)</u>
<u>(205,307)</u>	<u>43,804</u>	<u>726,625</u>
(82,034)	23,089	(420,471)
<u>(188,712)</u>	<u>1,847,410</u>	<u>12,383,744</u>
<u>\$ (270,746)</u>	<u>\$ 1,870,499</u>	<u>\$ 11,963,273</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, 2018**

Net change in fund balances - governmental funds \$ (420,471)

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	289,162
Depreciation expense	(959,437)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 2,227

Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 2,159

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 77,125

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. 1,259,876

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. 11,872

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. 5,477

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	(65)
Delinquent special assessments	5,521
Deferred special assessments	(199,670)
Interest receivable	19,076

Change in net position - governmental activities \$ 92,852

**City of Le Sueur**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		Amounts	Over (Under)
<b>Revenues</b>				
Taxes	\$ 899,854		\$ 918,092	\$ 18,238
Franchise fees	37,500		33,823	(3,677)
Licenses and permits	102,200		82,481	(19,719)
Intergovernmental	1,097,486		1,184,790	87,304
Charges for services	156,853		132,065	(24,788)
Fines and forfeits	24,000		22,582	(1,418)
Investment earnings	4,500		33,556	29,056
Miscellaneous				
Refunds and reimbursements	66,000		48,506	(17,494)
Other	6,000		119,296	113,296
Total revenues	2,394,393		2,575,191	180,798
<b>Expenditures</b>				
Current				
General government	885,843		905,692	19,849
Public safety	1,083,910		1,075,665	(8,245)
Streets and highways	557,670		656,671	99,001
Culture and recreation	291,600		299,156	7,556
Housing and economic development	107,370		99,543	(7,827)
Capital outlay				
Streets and highways	20,000		50,059	30,059
Total expenditures	2,946,393		3,086,786	140,393
Excess of revenues over (under) expenditures	(552,000)		(511,595)	40,405
<b>Other Financing Sources (Uses)</b>				
Transfers in	552,000		565,670	13,670
Transfers out	-		(595)	(595)
Total other financing sources (uses)	552,000		565,075	13,075
Net change in fund balance	\$ -		53,480	\$ 53,480
<b>Fund Balance</b>				
Beginning of year			1,257,141	
End of year			\$ 1,310,621	

**City of Le Sueur**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Community Center Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Taxes	\$ 439,003		\$ 439,003	\$ -
Charges for services	631,200		851,443	220,243
Miscellaneous				
Other	30,000		40,535	10,535
Total revenues	1,100,203		1,330,981	230,778
 <b>Expenditures</b>				
Current				
Culture and recreation	895,040		1,205,945	310,905
Capital outlay				
Culture and recreation	-		1,763	1,763
Total expenditures	895,040		1,207,708	312,668
 Excess of revenues over (under) expenditures	 205,163		 123,273	 (81,890)
 <b>Other Financing Uses</b>				
Transfers out	(205,163)		(205,307)	(144)
 Net change in fund balance	\$ -		(82,034)	\$ (82,034)
 <b>Fund Balance</b>				
Beginning of year			(188,712)	
End of year			\$ (270,746)	

**City of Le Sueur**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2018**

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 989,233	\$ -	\$ -
Accounts receivable	193,671	460,846	1,099,360
Notes and mortgages receivable - current	-	-	25,921
Special assessments receivable	1,664	3,736	30,735
Due from other funds	-	-	50,000
Prepaid items	3,515	3,515	5,370
Land held for resale	-	199,668	-
Inventory	23,103	3,434	347,586
Total current assets	1,211,186	671,199	1,558,972
<b>Noncurrent assets</b>			
Notes and mortgages receivable - noncurrent	-	-	187,603
Special assessments receivable - noncurrent	3,791	5,025	120,446
Advances to other funds - noncurrent	335,980	-	350,000
Investment in joint venture	-	443,098	-
<b>Capital assets</b>			
Land	-	317,276	98,377
Buildings	2,878,778	2,546,789	406,001
Infrastructure	4,606,656	27,333,810	8,941,317
Machinery and equipment	1,471,427	431,206	3,461,629
Vehicles	198,671	94,890	1,034,889
Total capital assets	9,155,532	30,723,971	13,942,213
Less accumulated depreciation	(4,714,924)	(10,840,851)	(8,469,407)
Net capital assets	4,440,608	19,883,120	5,472,806
Total noncurrent assets	4,780,379	20,331,243	6,130,855
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pension activity	31,031	53,318	85,391
Deferred outflows of resources related to OPEB	1,561	2,082	4,684
Total deferred outflows of resources	32,592	55,400	90,075
Total assets and deferred outflows of resources	\$ 6,024,157	\$ 21,057,842	\$ 7,779,902
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 4,189	\$ 9,483	\$ 50,801
Advances from other funds - current	58,190	127,218	-
Due to other funds	-	1,152,682	317,807
Due to other governments	11,100	30,254	543,978
Accrued interest payable	808	32,241	1,094
Accrued wages payable	9,186	21,180	30,775
Compensated absences payable - current	16,460	10,858	47,275
Deposits payable	-	-	23,700
Bonds payable - current	95,000	1,084,000	105,000
Total current liabilities	194,933	2,467,916	1,120,430
<b>Noncurrent liabilities</b>			
Advances from other funds	81,380	805,415	-
Compensated absences payable - noncurrent	9,653	9,653	70,755
Total OPEB liability	14,459	19,279	43,377
Bonds payable - noncurrent	298,628	8,071,673	215,000
Net pension liability	177,247	304,555	487,757
Total noncurrent liabilities	581,367	9,210,575	816,889
Total liabilities	776,300	11,678,491	1,937,319
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pension activity	48,538	83,400	133,568
<b>Net Position</b>			
Net investment in capital assets	4,046,980	10,727,447	5,152,806
Unrestricted	1,152,339	(1,431,496)	556,209
Total net position	5,199,319	9,295,951	5,709,015
Total liabilities, deferred inflows of resources, and net position	\$ 6,024,157	\$ 21,057,842	\$ 7,779,902

See notes to financial statements.

Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 73,103	\$ 10,070	\$ 1,072,406
21,908	53,645	1,829,430
-	-	25,921
-	742	36,877
-	-	50,000
-	-	12,400
-	-	199,668
-	-	374,123
<u>95,011</u>	<u>64,457</u>	<u>3,600,825</u>
-	-	187,603
-	-	129,262
-	-	685,980
-	-	443,098
-	-	415,653
-	-	5,831,568
-	-	40,881,783
-	-	5,364,262
-	-	1,328,450
-	-	53,821,716
-	-	(24,025,182)
-	-	29,796,534
-	-	31,242,477
-	-	169,740
-	-	8,327
-	-	178,067
<u>\$ 95,011</u>	<u>\$ 64,457</u>	<u>\$ 35,021,369</u>
\$ -	\$ 20,762	\$ 85,235
-	-	185,408
-	-	1,470,489
-	-	585,332
-	-	34,143
-	-	61,141
-	-	74,593
-	-	23,700
-	-	1,284,000
-	20,762	3,804,041
-	-	886,795
-	-	90,061
-	-	77,115
-	-	8,585,301
-	-	969,559
-	-	10,608,831
-	20,762	14,412,872
-	-	265,506
-	-	19,927,233
95,011	43,695	415,758
95,011	43,695	20,342,991
<u>\$ 95,011</u>	<u>\$ 64,457</u>	<u>\$ 35,021,369</u>

**City of Le Sueur**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2018**

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)
Operating revenues			
Charges for services	\$ 1,414,342	\$ 2,192,765	\$ 8,267,164
Operating expenses			
Source of power	23,317	-	-
Power and pumping	131,676	-	-
Purification	9,047	-	-
Distribution	8,114	-	-
Administrative and general	414,721	324,657	909,763
Sewer lift stations	-	2,715	-
Sewer treatment plants	-	530,369	-
Metering	6,115	3,840	-
Sewer cleaning and flood repair	-	27,314	-
Puc	-	303,705	-
Purchased power	-	-	7,019,560
Transmission and distribution	-	-	546,165
Customer collection and meter	-	-	21,352
Depreciation	249,450	609,238	430,147
Equipment	35,923	72,899	80,327
Total operating expenses	<u>878,363</u>	<u>1,874,737</u>	<u>9,007,314</u>
Operating income (loss)	535,979	318,028	(740,150)
Nonoperating revenues (expenses)			
Income from investment in joint venture	-	(555,510)	-
Investment earnings	(527)	-	-
Rental income	6,000	5,445	-
Refunds and reimbursements	-	179,038	-
Other income	5,218	295,204	407,219
Interest and related expenses	(16,685)	(122,206)	(18,313)
Amortization of bond premium (discount)	664	1,837	-
Total nonoperating revenues (expenses)	<u>(5,330)</u>	<u>(196,192)</u>	<u>388,906</u>
Income (loss) before capital contributions and transfers	530,649	121,836	(351,244)
Capital contributions and transfers			
Connection fees	254	-	-
Transfers out	(88,741)	(113,563)	(505,232)
Change in net position	<u>442,162</u>	<u>8,273</u>	<u>(856,476)</u>
Net position			
Beginning of year, previously stated	4,759,655	9,291,009	7,136,488
Prior period adjustment (see Note 15)	-	-	(563,502)
Change in accounting principle (see Note 16)	<u>(2,498)</u>	<u>(3,331)</u>	<u>(7,495)</u>
Beginning of year, restated	<u>4,757,157</u>	<u>9,287,678</u>	<u>6,565,491</u>
End of year	<u>\$ 5,199,319</u>	<u>\$ 9,295,951</u>	<u>\$ 5,709,015</u>

See notes to financial statements.

<u>Storm Utility (605)</u>	<u>Refuse and Recycling (607)</u>	<u>Total</u>
\$ 115,670	\$ 321,599	\$ 12,311,540
-	-	23,317
-	-	131,676
-	-	9,047
-	-	8,114
-	275,596	1,924,737
-	-	2,715
-	-	530,369
-	-	9,955
-	-	27,314
-	-	303,705
-	-	7,019,560
-	-	546,165
-	-	21,352
-	-	1,288,835
-	-	189,149
<u>-</u>	<u>275,596</u>	<u>12,036,010</u>
115,670	46,003	275,530
-	-	(555,510)
-	-	(527)
-	-	11,445
-	-	179,038
-	-	707,641
-	-	(157,204)
-	-	2,501
<u>-</u>	<u>-</u>	<u>187,384</u>
115,670	46,003	462,914
-	-	254
<u>(6,000)</u>	<u>(12,000)</u>	<u>(725,536)</u>
109,670	34,003	(262,368)
(14,659)	9,692	21,182,185
-	-	(563,502)
<u>-</u>	<u>-</u>	<u>(13,324)</u>
<u>(14,659)</u>	<u>9,692</u>	<u>20,605,359</u>
<u>\$ 95,011</u>	<u>\$ 43,695</u>	<u>\$ 20,342,991</u>

**City of Le Sueur**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2018**

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
<b>Cash Flows - Operating Activities</b>		
Receipts from customers and users	\$ 1,405,538	\$ 2,059,415
Payments to suppliers	(440,572)	(1,033,430)
Payments to employees	(306,812)	(403,697)
Other receipts	11,218	300,649
Net cash flows - operating activities	669,372	922,937
<b>Cash Flows - Noncapital Financing Activities</b>		
Change in due from other funds	-	-
Change in due to other funds	-	332,993
Refunds and reimbursements	-	179,038
Transfer out	(88,741)	(113,563)
Net cash flows - noncapital financing activities	(88,741)	398,468
<b>Cash Flows - Capital and Related Financing Activities</b>		
Principal paid on debt	(95,664)	(1,076,837)
Interest paid on debt	(15,522)	(123,908)
Bond proceeds	-	-
Proceeds from disposal of capital assets	-	-
Payments received on assessments receivable	11,581	17,162
Connection fees received	254	-
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(58,190)	(127,218)
Acquisition of capital assets	(75,392)	(10,604)
Net cash flows - capital and related financing activities	(232,933)	(1,321,405)
<b>Cash Flows - Investing Activities</b>		
Interest and dividends received	(527)	-
Net change in cash and cash equivalents	347,171	-
<b>Cash and Cash Equivalents</b>		
January 1	642,062	-
December 31	\$ 989,233	\$ -

Business-Type Activities -  
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 8,482,517	\$ 93,762	\$ 287,984	\$ 12,329,216
(7,796,171)	-	(274,963)	(9,545,136)
(757,376)	-	-	(1,467,885)
407,219	-	-	719,086
<u>336,189</u>	<u>93,762</u>	<u>13,021</u>	<u>2,035,281</u>
317,807	-	-	317,807
-	(14,659)	-	318,334
-	-	-	179,038
<u>(505,232)</u>	<u>(6,000)</u>	<u>(12,000)</u>	<u>(725,536)</u>
<u>(187,425)</u>	<u>(20,659)</u>	<u>(12,000)</u>	<u>89,643</u>
(100,000)	-	-	(1,272,501)
(18,638)	-	-	(158,068)
-	-	-	-
1,495	-	-	1,495
(24,581)	-	823	4,985
-	-	-	254
24,425	-	-	24,425
50,000	-	-	(135,408)
<u>(240,356)</u>	<u>-</u>	<u>-</u>	<u>(326,352)</u>
<u>(307,655)</u>	<u>-</u>	<u>823</u>	<u>(1,861,170)</u>
-	-	-	(527)
(158,891)	73,103	1,844	263,227
<u>158,891</u>	<u>-</u>	<u>8,226</u>	<u>809,179</u>
<u>\$ -</u>	<u>\$ 73,103</u>	<u>\$ 10,070</u>	<u>\$ 1,072,406</u>

**City of Le Sueur**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2018**

	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)	\$ 535,979	\$ 318,028
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	11,218	300,649
Depreciation expense	249,450	609,238
Pension related activity	(21,762)	55,142
Accounts receivable	(8,804)	(133,350)
Prepaid items	(785)	(785)
Inventory and land held for resale	8,855	(198,045)
Accounts and contracts payable	(19,063)	(11,707)
Salaries and benefits payable	457	6,524
Due to other governments	(88,900)	(11,794)
Deposits payable	-	-
OPEB obligation	2,505	(10,495)
Compensated absences payable	222	(468)
Total adjustments	133,393	604,909
Net cash flows - operating activities	\$ 669,372	\$ 922,937

Business-Type Activities -  
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ (740,150)	\$ 115,670	\$ 46,003	\$ 275,530
407,219	-	-	719,086
430,147	-	-	1,288,835
101	-	-	33,481
215,353	(21,908)	(33,615)	17,676
(300)	-	-	(1,870)
(52,340)	-	-	(241,530)
(517,095)	-	633	(547,232)
5,873	-	-	12,854
543,978	-	-	443,284
1,500	-	-	1,500
7,948	-	-	(42)
33,955	-	-	33,709
<u>1,076,339</u>	<u>(21,908)</u>	<u>(32,982)</u>	<u>1,759,751</u>
<u>\$ 336,189</u>	<u>\$ 93,762</u>	<u>\$ 13,021</u>	<u>\$ 2,035,281</u>

**City of Le Sueur**  
**Statement of Fiduciary Net Position**  
**December 31, 2018**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash overdraft	\$ 10,789
Accounts receivable	23,518
Due from other governments	<u>238,742</u>
Total assets	<u><u>\$ 273,049</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 9,425
Due to other governments	<u>263,624</u>
Total liabilities	<u><u>\$ 273,049</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 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.

**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.

**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)**

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.

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.

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

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

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

**Description of Funds:**

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.

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

**Proprietary Funds:**

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

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

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.

**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)**

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.

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.

**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)**

**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 2018. 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 May and October 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".

**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.

**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)**

**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.

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

**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)**

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

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

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

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

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.

**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)**

**11. Long-Term Obligations (Continued)**

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.

**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 total OPEB liability was determined in accordance with GASB Statement 75.

**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**

**a. Classification**

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

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- **Assigned Fund Balance** – Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General Fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General Fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director 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.

**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)**

**16. Net Position**

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

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

**17. Use of Estimates**

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

**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.

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

**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			
Accounting	\$ 137,850	\$ 141,273	\$ 3,423
Planning and zoning	39,320	44,801	5,481
General government zoning	25,900	28,396	2,496
Miscellaneous	276,740	323,858	47,118
Health and welfare	18,600	22,962	4,362
Police training	886,530	917,887	31,357
Special revenue - Community Center			
School programs	200,000	410,565	210,565
Personal services	320,810	381,203	60,393
Repairs and maintenance	62,500	82,653	20,153
Administration and general	222,400	261,483	39,083

**B. Deficit Fund Equity**

The following funds had deficit fund balances at December 31, 2018:

Fund	Amount
Special revenue	
Community Center	\$ 270,746
Fire Service	38,958
Airport	25,414
Capital projects	
Sidewalk Reconstruction	4,518

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, 2018, the City's bank balance of \$3,438,167 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, 2018, was \$3,504,305 for deposits.

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

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

**B. Investments**

As of December 31, 2018, the City had the following investments:

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution (1)	Fair Value and Carrying Amount
Non-pooled investments			
Brokered CD's	N/A	less than 1 year	<u>\$ 245,637</u>
Pooled investments			
Minnesota Municipal Money Market			
4M Fund	N/A	less than six months	5
4M Plus Fund	N/A	less than six months	<u>1,107,801</u>
Total investments			<u><u>\$ 1,353,443</u></u>

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

**Concentration of Credit Risk:** The City's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. As of December 31, 2018, the City had one investment which exceeded 5% of total investments. The Capital One brokered CD held by US Bank for \$245,637 represented 18.2% of the City's total investment portfolio.

**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. Some City Securities held by the City's broker-dealer are not registered to the City, but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City's portfolio.

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

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

**B. Investments (Continued)**

The City has the following recurring fair value measurements as of December 31, 2018:

- \$245,637 of \$1,516,366 are valued using a matrix pricing model (Level 2 inputs)

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:

	<u>Primary Government</u>	<u>Component Unit - EDA</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Carrying amount of deposits	\$ 3,276,627	\$ 216,889	\$ 10,789	\$ 3,504,305
Investments	1,353,443	-	-	1,353,443
Cash on hand	<u>380</u>	<u>-</u>	<u>-</u>	<u>380</u>
Total cash and investments	<u>\$ 4,630,450</u>	<u>\$ 216,889</u>	<u>\$ 10,789</u>	<u>\$ 4,858,128</u>

**NOTE 4 – NOTES AND MORTGAGES RECEIVABLE**

The City has loaned funds to various local businesses. These notes will be paid back with monthly payments at 3.25% to 6.75% per annum. The balance on these notes at December 31, 2018, is \$6,076,783, including \$4,617,867 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 a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,011,335, for which they issued debt in the amount of \$2,466,000.

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

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

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

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Center	\$ 96,500
	Debt Service	4,594
	Nonmajor Governmental	109,359
	Sewer Utility	1,152,682
Nonmajor Governmental	Community Center	160,751
	Electric Utility	317,807
	Nonmajor Governmental	<u>4,518</u>
Total		<u><u>\$ 1,846,211</u></u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Water Utility	\$ 140,000
	Sewer Utility	196,223
Water Utility	Sewer Utility	335,980
Electric Utility	Sewer Utility	<u>400,000</u>
Total		<u><u>\$ 1,072,203</u></u>

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

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

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

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.

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

**NOTE 6 – INTERFUND TRANSFERS**

Transfers during the year ended December 31, 2018, were as follows:

Fund	Transfer In			Total
	General	Debt Service	Nonmajor Governmental	
Transfers out				
General	\$ -	\$ -	\$ 595	\$ 595
Community Center	11,044	174,263	20,000	205,307
Debt Service	-	-	54,355	54,355
Nonmajor governmental	29,090	3,145	1,334,855	1,367,090
Water Utility	1,291	87,450	-	88,741
Sewer Utility	1,013	112,550	-	113,563
Electric Utility	505,232	-	-	505,232
Storm Utility	6,000	-	-	6,000
Refuse and Recycling	12,000	-	-	12,000
Total transfers out	<u>\$ 565,670</u>	<u>\$ 377,408</u>	<u>\$ 1,409,805</u>	<u>\$ 2,352,883</u>

During the year ended December 31, 2018, the City made the transfers above. Transfers were made to subsidize the General Fund for administration costs and for the safety and wellness program, to provide resources for debt service payments, to provide resources for future capital purchases, and to assist with fund operations. A transfer was made from the Electric Utility Fund to the General Fund representing a franchise fee of approximately 5% of gross revenue of said utility fund.

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

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,414,773	\$ -	\$ -	\$ 1,414,773
Construction in progress	1,296,535	18,404	1,314,939	-
Total capital assets not being depreciated	<u>2,711,308</u>	<u>18,404</u>	<u>1,314,939</u>	<u>1,414,773</u>
Capital assets being depreciated				
Buildings	8,381,952	-	-	8,381,952
Infrastructure	11,582,467	1,305,933	-	12,888,400
Machinery and equipment	1,841,204	150,462	126,182	1,865,484
Vehicles	1,061,216	129,302	-	1,190,518
Total capital assets being depreciated	<u>22,866,839</u>	<u>1,585,697</u>	<u>126,182</u>	<u>24,326,354</u>
Less accumulated depreciation for				
Buildings	(3,052,752)	(321,334)	-	(3,374,086)
Infrastructure	(6,027,298)	(522,442)	-	(6,549,740)
Machinery and equipment	(1,599,993)	(75,869)	(126,182)	(1,549,680)
Vehicles	(675,866)	(39,792)	-	(715,658)
Total accumulated depreciation	<u>(11,355,909)</u>	<u>(959,437)</u>	<u>(126,182)</u>	<u>(12,189,164)</u>
Total capital assets being depreciated, net	<u>11,510,930</u>	<u>626,260</u>	<u>-</u>	<u>12,137,190</u>
Governmental activities capital assets, net	<u>\$ 14,222,238</u>	<u>\$ 644,664</u>	<u>\$ 1,314,939</u>	<u>\$ 13,551,963</u>

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

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

Capital asset activity for the year ended December 31, 2018, was as follows (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 415,653	\$ -	\$ -	\$ 415,653
Construction in progress	662,206	37,487	699,693	-
Total capital assets not being depreciated	<u>1,077,859</u>	<u>37,487</u>	<u>699,693</u>	<u>415,653</u>
Capital assets being depreciated				
Buildings	5,831,568	-	-	5,831,568
Infrastructure	40,279,422	699,693	97,332	40,881,783
Machinery and equipment	5,278,847	218,501	133,086	5,364,262
Vehicles	1,258,086	70,364	-	1,328,450
Total capital assets being depreciated	<u>52,647,923</u>	<u>988,558</u>	<u>230,418</u>	<u>53,406,063</u>
Less accumulated depreciation for				
Buildings	(4,102,841)	(158,469)	-	(4,261,310)
Infrastructure	(14,125,862)	(900,895)	(95,837)	(14,930,920)
Machinery and equipment	(3,944,575)	(156,631)	(133,086)	(3,968,120)
Vehicles	(791,992)	(72,840)	-	(864,832)
Total accumulated depreciation	<u>(22,965,270)</u>	<u>(1,288,835)</u>	<u>(228,923)</u>	<u>(24,025,182)</u>
Total capital assets being depreciated, net	<u>29,682,653</u>	<u>(300,277)</u>	<u>1,495</u>	<u>29,380,881</u>
Business-type activities capital assets, net	<u>\$ 30,760,512</u>	<u>\$ (262,790)</u>	<u>\$ 701,188</u>	<u>\$ 29,796,534</u>

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

Governmental activities	
General government	\$ 61,648
Public safety	119,700
Streets and highways	338,051
Culture and recreation	263,476
Transportation	<u>176,562</u>
Total depreciation expense - governmental activities	<u>\$ 959,437</u>

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

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

Business-type activities	
Water Utility	\$ 249,450
Sewer Utility	609,238
Electric Utility	430,147
Total depreciation expense - business-type activities	\$ 1,288,835

**NOTE 8 – LONG-TERM DEBT**

**A. General Obligation Bonds**

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental activities					
G.O. Refunding					
Bonds of 2014A-library	\$ 460,000	2.00	12/01/14	12/01/22	\$ 245,000
G.O. Refunding					
Bonds of 2014A-fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	805,000
G.O. Police Capital Improvement					
Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	235,000
G.O. Street Reconstruction					
Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	520,000
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					\$ 3,775,000

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

<u>Year Ending December 31,</u>	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
	2019	\$ 255,000	\$ 101,312
2020	260,000	95,638	355,638
2021	385,000	89,562	474,562
2022	395,000	80,858	475,858
2023	340,000	71,420	411,420
2024-2028	1,430,000	226,465	1,656,465
2029-2033	710,000	54,000	764,000
Total	\$ 3,775,000	\$ 719,255	\$ 4,494,255

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

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

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental activities					
G.O. Refunding Bonds of 2011B	\$ 2,410,000	2.00 - 3.15	09/07/11	12/01/23	\$ 715,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	610,000
Total general obligation improvement bonds					<u>\$ 1,325,000</u>

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

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
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	35,000	1,103	36,103
Total	<u>\$ 1,325,000</u>	<u>\$ 65,158</u>	<u>\$ 1,390,158</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
Governmental activities					
Johnson Controls lease Revenue bond of 2006	\$ 2,700,000	4.25 %	03/30/06	03/31/21	\$ 602,832
Health care facility Revenue bond of 2010	5,500,000	2.90	09/17/10	09/17/35	4,462,892
Gross revenue recreational Facility bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	1,975,000
Total revenue bonds					<u>\$ 7,040,724</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>	Revenue Bonds Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	311,138	293,449	604,587
2024-2028	1,812,458	1,207,309	3,019,767
2029-2033	2,366,967	655,260	3,022,227
2034-2035	762,105	67,165	829,270
Total	<u>\$ 7,040,724</u>	<u>\$ 3,491,335</u>	<u>\$ 10,532,059</u>

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

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Business-type activities					
G.O. Revenue Bonds of 2007 (PFA)	\$ 16,353,395	1.00 %	09/26/07	08/20/27	\$ 8,282,000
Electric Utility Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	320,000
G.O. Refunding Bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	75,000
G.O. Refunding Bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	260,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	610,000
Utility Revenue Bond of 2017A	310,000	1.35 - 3.00	08/10/17	12/01/32	310,000
Total business-type activities					<u>\$ 9,857,000</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:

<u>Year Ending</u> <u>December 31,</u>	G.O. Revenue Bonds Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,284,000	\$ -	\$ 1,284,000
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	1,030,000	64,975	1,094,975
2024-2028	4,077,000	131,860	4,208,860
2029-2032	100,000	7,500	107,500
Total	<u>\$ 9,857,000</u>	<u>\$ 476,617</u>	<u>\$ 10,333,617</u>

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 4,000,000	\$ -	\$ (225,000)	\$ 3,775,000	\$ 255,000
General obligation improvement bonds	1,815,000	-	(490,000)	1,325,000	500,000
General obligation revenue bonds	35,000	-	(35,000)	-	-
Revenue bonds	7,550,600	-	(509,876)	7,040,724	529,512
Bond premium	110,581	-	(11,872)	98,709	-
Total bonds payable	<u>13,511,181</u>	<u>-</u>	<u>(1,271,748)</u>	<u>12,239,433</u>	<u>1,284,512</u>
Compensated absences payable	<u>233,144</u>	<u>188,825</u>	<u>(191,052)</u>	<u>230,917</u>	<u>80,017</u>
Governmental activity long-term liabilities	<u>\$ 13,744,325</u>	<u>\$ 188,825</u>	<u>\$ (1,462,800)</u>	<u>\$ 12,470,350</u>	<u>\$ 1,364,529</u>

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

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

**E. Changes in Long-Term Liabilities (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
General obligation					
revenue bonds	\$ 11,127,000	\$ -	\$ (1,270,000)	\$ 9,857,000	\$ 1,284,000
Bond premium	14,802	-	(2,501)	12,301	-
Total bonds payable	<u>11,141,802</u>	<u>-</u>	<u>(1,272,501)</u>	<u>9,869,301</u>	<u>1,284,000</u>
Compensated absences payable	<u>130,945</u>	<u>149,377</u>	<u>(115,668)</u>	<u>164,654</u>	<u>74,593</u>
Business-type activity long-term liabilities	<u>\$ 11,272,747</u>	<u>\$ 149,377</u>	<u>\$ (1,388,169)</u>	<u>\$ 10,033,955</u>	<u>\$ 1,358,593</u>

**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>\$ 2,036,469</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
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	95,955	96,545	192,500
2024-2028	570,545	391,955	962,500
2029-2032	<u>1,036,199</u>	<u>181,637</u>	<u>1,217,836</u>
Total	<u>\$ 2,036,470</u>	<u>\$ 1,106,366</u>	<u>\$ 3,142,836</u>

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

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

**F. Component Unit Debt**

**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	\$ 810,000
Total notes payable					<u>\$ 810,000</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
2019	\$ 226,880	\$ 236,925	\$ 463,805
2020	583,120	18,951	602,071
Total	<u>\$ 810,000</u>	<u>\$ 255,876</u>	<u>\$ 1,065,876</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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
Revenue bonds payable	\$ 2,108,741	\$ -	\$ (72,272)	\$ 2,036,469	\$ 76,487
Notes payable	810,000	-	-	810,000	226,880
Component unit long-term liabilities	<u>\$ 2,918,741</u>	<u>\$ -</u>	<u>\$ (72,272)</u>	<u>\$ 2,846,469</u>	<u>\$ 303,367</u>

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

**NOTE 9 – PENSION PLANS**

The City participates in various pension plans, total pension expense for the year ended December 31, 2018, was \$276,430. The components of pension expense are noted in the following plan summaries.

The General Fund, Water Utility Fund, Sewer Utility Fund, and Electric Utility Fund typically liquidate the liability related to the pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

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

General Employees Retirement 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. 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. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years 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)**

**B. Benefits Provided (Continued)**

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

**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 10 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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to 1%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

**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 2018. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2018. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$145,019. 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 2018. The City was required to contribute 16.2% of pay for members in calendar year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$91,685. 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, 2018, the City reported a liability of \$1,736,396 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 \$16 million to the fund in 2018. 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 \$57,086. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.0313%, which was an increase of 0.0004% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$ 1,736,396
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>57,086</u>
Total	<u>\$ 1,793,482</u>

For the year ended December 31, 2018, the City recognized pension expense of \$103,086. for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$13,312 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

At December 31, 2018, 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	\$ 45,398	\$ 50,967
Changes in actuarial assumptions	166,929	193,395
Difference between projected and actual investment earnings	-	169,205
Changes in proportion	19,152	61,931
Contributions paid to PERA subsequent to the measurement date	<u>72,510</u>	<u>-</u>
Total	<u>\$ 303,989</u>	<u>\$ 475,498</u>

\$72,510 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, 2019. 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>
2019	\$ 23,113
2020	(97,466)
2021	(133,425)
2022	<u>(36,241)</u>
Total	<u>\$ (244,019)</u>

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

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

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

**D. Pension Costs (Continued)**

**Police and Fire Fund Pension Costs**

At December 31, 2018, the City reported a liability of \$497,798 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.047%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017. The City also recognized \$4,239 for the year ended December 31, 2018, 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, 2018, the City recognized pension expense of \$55,896 for its proportionate share of the Police and Fire Fund pension expense.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the sources below and on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,459	\$ 134,097
Changes in actuarial assumptions	675,840	752,866
Difference between projected and actual investment earnings	-	96,571
Changes in proportion	3,600	96,071
Contributions paid to PERA subsequent to the measurement date	45,842	-
	\$ 745,741	\$ 1,079,605

**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)**

\$45,842 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, 2019. 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>
2019	\$ (18,796)
2020	(44,532)
2021	(86,323)
2022	(226,375)
2023	<u>(3,680)</u>
Total	<u>\$ (379,706)</u>

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018, 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 for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

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

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

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00
	<hr/>	
Total	<hr/> <hr/> 100 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.5%. 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.

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

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

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

**G. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 2,821,865	\$ 1,736,396	\$ 840,372
	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	\$ 1,072,161	\$ 497,798	\$ 22,825

**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, 2017, the plan covered 25 active firefighters and 4 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

**B. Benefits Provided**

The Volunteer Firefighter Plan provides 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 approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with 5 years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

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

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

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

**C. Contributions**

The Volunteer Firefighter Plan 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 \$40,550 in fire state aid to the fund for the year ended December 31, 2017. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2017, were \$0. In addition, the City made voluntary contributions of \$50,000 to the plan.

**D. Pension Costs**

At December 31, 2018, the City reported a net pension asset of \$207,982 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2017. 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. 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, 2017	\$ 904,107	\$ 1,098,515	\$ (194,408)
Changes for the year			
Service cost	40,458	-	40,458
Interest on pension liability	56,673	-	56,673
Difference between expected and actual experience	2,723	-	2,723
Municipal contribution	-	50,000	(50,000)
State contributions	-	40,550	(40,550)
Projected investment return	-	65,912	(65,912)
Changes in benefit level	122,478	-	122,478
Gain or loss	-	80,322	(80,322)
Benefit payments	-	-	-
Administrative expense	-	(878)	878
Net changes	<u>222,332</u>	<u>235,906</u>	<u>(13,574)</u>
Balances at December 31, 2018	<u>\$ 1,126,439</u>	<u>\$ 1,334,421</u>	<u>\$ (207,982)</u>

**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, 2018, the City recognized pension expense of \$117,448.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,178	\$ 9,429
Difference between projected and actual investment earnings	-	49,574
City contributions subsequent to the measurement date	65,819	-
Total	\$ 67,997	\$ 59,003

\$65,819 reported as deferred outflows of resources related to pensions resulting from City and State contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

	2019	\$ (13,322)
	2020	(9,273)
	2021	(18,707)
	2022	(15,523)
Total		\$ (56,825)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2017, 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 2017.

**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 Volunteer Firefighter Fund 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 presents the City's net pension asset for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	Decrease (5.0%)	Discount Rate (6.0%)	Increase (7.0%)
Net pension asset	\$ (178,227)	\$ (207,983)	\$ (237,122)

**H. Plan Investments**

Investment Policy

The Minnesota State Board of Investment (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 353G.

Within the requirements 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 investments policies are tailored to the 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 Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target 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 %	5.10 %
International stocks	15	5.30
Bonds	45	0.75
Cash	<u>5</u>	0.00
Total	<u><u>100 %</u></u>	

The 6% long-term expected 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, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. 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 2017 for the Volunteer Firefighter Fund.

**I. Pension Plan Fiduciary Net Position**

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2018, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at [www.mnpera.org](http://www.mnpera.org).

**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, 2018, MRVPUC reported a net position balance of \$831,069. The City of Le Sueur's share of this balance was \$443,098.

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 24 active participants, three retired participants, and two spouse participants.

**B. Benefits Provided**

Benefit provisions are established through negotiations between the City and the unions representing the City employees and are renegotiated each bargaining period. Retired employees receive no retiree benefits except the allowance to continue health insurance that is mandated by Minnesota Law. The Retiree Health Plan does not issue a publicly available financial report.

**C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit Obligation**

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives. The City does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For 2018, the City contributed \$20,818 to the plan.

**D. Members**

As of December 31, 2018, the following were covered by the benefit terms:

Retirees receiving payments	3
Spouses receiving payments	2
Active employees	24
	<hr/>
Total	29
	<hr/> <hr/>

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

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

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

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Investment rate of return	N/A
Salary increases	3.00%, including inflation
Inflation	2.50%
Healthcare cost trend increases	6.50% as of January 1, 2018 grading to 5.00% over 6 years
Mortality assumption	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

The discount rate used to measure the total OPEB liability was 3.00% which is equal to the 20-Year Municipal Bond Yield.

**F. Total OPEB Liability**

The City's total OPEB liability of \$192,790 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

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

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

**F. Total OPEB Liability (Continued)**

	<u>Total OPEB Liability</u>
Balances at January 1, 2018	\$ 190,641
Changes for the year	
Service cost	12,193
Interest	6,424
Differences between expected and actual economic experience	-
Employer contributions	-
Net investment income	-
Benefit payments	(16,468)
Administrative expense	-
Other charges	-
Net changes	<u>2,149</u>
Balances at December 31, 2018	<u>\$ 192,790</u>

This is the first actuarial valuation of Other Post-Employment Benefits under GASB 75 completed for the City of Le Sueur.

The General Fund, Water Utility Fund, Sewer Utility Fund, and Electric Utility Fund typically liquidate the Liability related to OPEB.

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 3.3% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (2.3%)	Current (3.3%)	1% increase (4.3%)
\$ 204,432	\$ 192,790	\$ 181,915

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

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

**G. OPEB Liability Sensitivity (Continued)**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability		
1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
\$ 177,280	\$ 192,790	\$ 211,113

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the City recognized OPEB expense of \$18,617. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Differences between expected and actual economic experience	-	-
Changes of assumptions	-	-
Contributions subsequent to the measurement date	20,818	-
Total	\$ 20,818	\$ -

\$20,818 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

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

**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.

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, 2018, the City generated \$148,795 in tax increment revenue and made \$123,266 in payments to developers.

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

- 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, 2018, the City generated \$39,038 of tax increment revenue and made payments on the pay-as-you-go note of \$26,310. The note's balance at year end was \$134,956.
- 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, 2018, the City generated \$24,118 of tax increment revenue and made payments on the pay-as-you-go note of \$22,912. The note's balance at year end was \$377,216.
- TIF District No. 19 was established in 2015 for the development of the Oak Terrace Senior Housing Facility. Under the agreement, up to \$1,784,880 of development costs will be reimbursed through tax increment over a eighteen-year period. During the year ended December 31, 2018, the City generated \$59,910 of tax increment revenue and made payments on the pay-as-you-go note of \$56,914. The note's balance at year end was \$1,708,972.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

For the year ended December 31, 2018, a prior period adjustment was required to adjust beginning net position for the electric fund to correct a prior year error.

The City corrected an error of understating accounts payable balances in the prior year which affected the beginning net position in the Electric Fund and business-type activities in the amount of \$563,502.

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

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$33,312 to add the beginning total OPEB liability.

**NOTE 17– NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

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.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 90, Majority Equity Interests improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will be effective for the year ending December 31, 2019.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Le Sueur**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	<u>December 31, 2018</u>
Total OPEB Liability	
Service cost	\$ 12,193
Interest	6,424
Differenced between expected and actual experience	-
Changes of assumptions	-
Changes of benefit terms	-
Benefit payments	(16,468)
Other changes	-
Net change in total OPEB liability	2,149
Beginning of year	190,641
End of year	\$ 192,790
Covered-employee payroll	\$ 1,579,689
Total OPEB liability as a percentage of covered-employee payroll	12.20%

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's Proportionate Share  
of Net Pension Liability  
General Employees Retirement Fund  
Last Ten Years**

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2018	0.0313%	\$ 1,736,396	\$ 57,086	\$ 1,793,482	\$ 2,105,560	82.47%	79.53%
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**

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2018	0.0470%	\$ 497,798	\$ 496,278	100.31%	86.61%
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
2018	\$ 145,019	\$ 145,019	\$ -	\$ 1,933,587	7.5%
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
2018	\$ 91,685	\$ 91,685	\$ -	\$ 565,957	16.2%
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**

	2017	2016	2015	2014
Total pension liability (TPL)				
Service cost	\$ 40,458	\$ 36,734	\$ 35,664	\$ 34,604
Interest on the pension liability	56,673	51,513	46,929	43,185
Actuarial experience (gains)/losses	2,723	(5,964)	(7,206)	(14,859)
Changes in benefit level	122,478	-	-	-
Benefit payments	-	-	-	-
Net change in TPL	<u>222,332</u>	<u>82,283</u>	<u>75,384</u>	<u>62,930</u>
TPL - beginning	<u>904,107</u>	<u>821,824</u>	<u>746,440</u>	<u>685,151</u>
TPL - ending	<u>\$ 1,126,439</u>	<u>\$ 904,107</u>	<u>\$ 821,824</u>	<u>\$ 748,081</u>
Plan fiduciary net position (PFNP)				
First state aid	\$ 32,650	\$ 32,998	\$ 33,106	\$ 31,404
Fire supplemental aid	7,900	8,005	8,100	7,598
Supplemental benefit reimbursement	-	-	-	-
Voluntary municipal contribution	50,000	-	25,000	17,602
Required municipal contribution	-	-	-	7,588
Adjustment to initial asset transfer	-	-	-	-
Net investment income	146,233	69,324	985	53,719
PERA administrative fee	(810)	(810)	(810)	(810)
Auditor/accounting fee	-	-	-	-
SBI investment fee	(68)	(76)	(31)	-
Benefit payments	-	-	-	-
Net change in PFNP	<u>235,905</u>	<u>109,441</u>	<u>66,351</u>	<u>117,101</u>
PFNP - beginning	<u>1,098,516</u>	<u>989,074</u>	<u>922,723</u>	<u>805,622</u>
PFNP - ending	<u>\$ 1,334,421</u>	<u>\$ 1,098,515</u>	<u>\$ 989,074</u>	<u>\$ 922,723</u>
Net pension asset - ending	<u>\$ (207,982)</u>	<u>\$ (194,408)</u>	<u>\$ (167,250)</u>	<u>\$ (174,642)</u>
Plan fiduciary net position as a percentage of the total pension liability	118.5%	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**

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year

**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**

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

**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.

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

**POLICE AND FIRE FUND (CONTINUED)**

**2015 Changes**

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

**SUPPLEMENTARY INFORMATION**

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2018**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 595	\$ 1,355,058	\$ 1,355,653
Accounts receivable	37,795	12,580	50,375
Notes and mortgages receivable	-	17,468	17,468
Special assessments receivable	-	7,372	7,372
Due from other governments	5,348	-	5,348
Advances to component unit	-	153,233	153,233
Due from other funds	-	483,076	483,076
Inventory	4,053	-	4,053
Prepaid items	414	-	414
	<u>\$ 48,205</u>	<u>\$ 2,028,787</u>	<u>\$ 2,076,992</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,343	\$ 82,026	\$ 84,369
Due to other governments	539	-	539
Accrued wages payable	336	-	336
Due to other funds	109,359	4,518	113,877
Total liabilities	<u>112,577</u>	<u>86,544</u>	<u>199,121</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	<u>-</u>	<u>7,372</u>	<u>7,372</u>
<b>Fund Balances</b>			
Nonspendable for			
Prepaid items	414	-	414
Inventory	4,053	-	4,053
Assigned for			
Capital projects	-	1,939,389	1,939,389
Unassigned	(68,839)	(4,518)	(73,357)
Total fund balances	<u>(64,372)</u>	<u>1,934,871</u>	<u>1,870,499</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 48,205</u>	<u>\$ 2,028,787</u>	<u>\$ 2,076,992</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2018**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Taxes	\$ -	\$ 471,911	\$ 471,911
Special assessments	-	2,621	2,621
Intergovernmental	63,166	13,723	76,889
Charges for services	173,001	4,800	177,801
Miscellaneous	2,594	44,537	47,131
Total revenues	<u>238,761</u>	<u>537,592</u>	<u>776,353</u>
<b>Expenditures</b>			
Current			
Public safety	171,615	-	171,615
Transportation	71,389	-	71,389
Capital outlay			
General government	-	50,819	50,819
Public safety	5,682	29,894	35,576
Streets and highways	-	148,930	148,930
Parks and recreation	-	318,003	318,003
Transportation	736	-	736
Total expenditures	<u>249,422</u>	<u>547,646</u>	<u>797,068</u>
Excess of revenues under expenditures	(10,661)	(10,054)	(20,715)
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital asset	-	1,089	1,089
Transfers in	595	1,409,210	1,409,805
Transfers out	(46,942)	(1,320,148)	(1,367,090)
Total other financing sources (uses)	<u>(46,347)</u>	<u>90,151</u>	<u>43,804</u>
Net change in fund balances	(57,008)	80,097	23,089
<b>Fund Balances</b>			
Beginning of year	<u>(7,364)</u>	<u>1,854,774</u>	<u>1,847,410</u>
End of year	<u>\$ (64,372)</u>	<u>\$ 1,934,871</u>	<u>\$ 1,870,499</u>

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**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Special Revenue Funds  
December 31, 2018**

	Special Revenue			
	Fire Service (225)	Ambulance Service (226)	Airport (235)	Total
<b>Assets</b>				
Cash and investments	\$ -	\$ 595	\$ -	\$ 595
Accounts receivable	37,795	-	-	37,795
Due from other governments	-	-	5,348	5,348
Inventory	-	-	4,053	4,053
Prepaid Items	264	-	150	414
	<u>\$ 38,059</u>	<u>\$ 595</u>	<u>\$ 9,551</u>	<u>\$ 48,205</u>
<b>Liabilities</b>				
Accounts payable	\$ 921	\$ 595	\$ 827	\$ 2,343
Due to other governments	158	-	381	539
Accrued wages payable	-	-	336	336
Due to other funds	75,938	-	33,421	109,359
Total liabilities	<u>77,017</u>	<u>595</u>	<u>34,965</u>	<u>112,577</u>
<b>Fund Balances</b>				
Nonspendable for				
Prepaid items	264	-	150	414
Inventory	-	-	4,053	4,053
Unassigned	(39,222)	-	(29,617)	(68,839)
Total fund balances	<u>(38,958)</u>	<u>-</u>	<u>(25,414)</u>	<u>(64,372)</u>
Total liabilities and fund balances	<u>\$ 38,059</u>	<u>\$ 595</u>	<u>\$ 9,551</u>	<u>\$ 48,205</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2018**

	Special Revenue	
	Fire Service (225)	Ambulance Service (226)
<b>Revenues</b>		
Intergovernmental	\$ 40,819	\$ -
Charges for services	126,739	978
Miscellaneous	2,382	-
Total revenues	169,940	978
 <b>Expenditures</b>		
Current		
Public safety	171,021	594
Transportation	-	-
Capital outlay		
Public safety	5,682	-
Transportation	-	-
Total expenditures	176,703	594
Excess of revenues over (under) expenditures	(6,763)	384
 <b>Other Financing Sources (Uses)</b>		
Transfers in	-	595
Transfers out	(7,500)	(39,442)
Total other financing source (uses)	(7,500)	(38,847)
Net change in fund balances	(14,263)	(38,463)
 <b>Fund Balances</b>		
Beginning of year	(24,695)	38,463
End of year	\$ (38,958)	\$ -

Special Revenue

<u>Airport (235)</u>	<u>Total</u>
\$ 22,347	\$ 63,166
45,284	173,001
212	2,594
<u>67,843</u>	<u>238,761</u>
-	171,615
71,389	71,389
-	5,682
736	736
<u>72,125</u>	<u>249,422</u>
<u>(4,282)</u>	<u>(10,661)</u>
-	595
-	(46,942)
<u>-</u>	<u>(46,347)</u>
(4,282)	(57,008)
<u>(21,132)</u>	<u>(7,364)</u>
<u>\$ (25,414)</u>	<u>\$ (64,372)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Fire Service Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u>                    </u>	Variance with Final Budget - Over (Under) <u>                    </u>
<b>Revenues</b>			
Intergovernmental			
State fire aid	\$ -	\$ 40,819	\$ 40,819
Charges for services			
Public safety	<u>125,000</u>	<u>126,739</u>	<u>1,739</u>
Miscellaneous			
Contributions and donations	-	200	200
Refunds and reimbursements	-	2,182	2,182
Total miscellaneous	<u>-</u>	<u>2,382</u>	<u>2,382</u>
Total revenues	<u>125,000</u>	<u>169,940</u>	<u>44,940</u>
<b>Expenditures</b>			
Current			
Public safety			
Administration			
Personal services	34,600	77,161	42,561
Supplies	1,150	876	(274)
Other services and charges	9,000	7,304	(1,696)
Total administration	<u>44,750</u>	<u>85,341</u>	<u>40,591</u>
Fire fighting			
Personal services	41,400	39,415	(1,985)
Supplies	3,500	3,743	243
Total fire fighting	<u>44,900</u>	<u>43,158</u>	<u>(1,742)</u>
Prevention			
Other services and charges	5,500	2,402	(3,098)
Training			
Supplies	2,500	6,986	4,486
Other services and charges	3,000	1,996	(1,004)
Total training	<u>5,500</u>	<u>8,982</u>	<u>3,482</u>
Communications			
Other services and charges	1,250	4,262	3,012
Repair services			
Supplies	1,000	17,234	16,234
Other services and charges	1,100	1,404	304
Total repair services	<u>2,100</u>	<u>18,638</u>	<u>16,538</u>
Stations and buildings			
Other services and charges	<u>11,500</u>	<u>8,238</u>	<u>(3,262)</u>
Total public safety - current	<u>115,500</u>	<u>171,021</u>	<u>55,521</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Fire Service Fund**  
**Year Ended December 31, 2018**

	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	\$ 5,682	\$ 2,682
Total expenditures	118,500	176,703	58,203
Excess of revenues over (under) expenditures	6,500	(6,763)	(13,263)
<b>Other Financing Uses</b>			
Transfers out	(7,500)	(7,500)	-
Net change in fund balance	\$ (1,000)	(14,263)	\$ (13,263)
<b>Fund Balance</b>			
Beginning of year		(24,695)	
End of year		\$ (38,958)	

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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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Intergovernmental				
State				
Airport operating grant	\$ 15,000		\$ 22,347	\$ 7,347
Charges for services				
Rent	39,300		10,909	(28,391)
Miscellaneous	20,000		34,375	14,375
Total charges for services	59,300		45,284	(14,016)
Miscellaneous				
Refunds and reimbursements	-		212	212
Total revenues	74,300		67,843	(6,457)
<b>Expenditures</b>				
Current				
Fields, runway, and ramps				
Other services and charges	6,500		7,771	1,271
Terminal buildings and public areas				
Supplies	28,500		37,932	9,432
Other services and charges	12,965		11,585	(1,380)
Total terminal buildings and public areas	41,465		49,517	8,052
Capital outlay				
Fields, runway, and ramps				
Miscellaneous	600		736	136
Total expenditures	56,695		72,125	15,430
Excess of revenues over (under) expenditures	\$ 17,605		\$ (4,282)	\$ (21,887)
<b>Fund Balance</b>				
Beginning of year			(21,132)	
End of year			\$ (25,414)	

**City of Le Sueur  
Combining Balance Sheet -  
Nonmajor Capital Projects Funds  
December 31, 2018**

	Capital Projects			
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 722,267	\$ 326,286
Accounts receivable	-	-	12,580	-
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Deferred	-	4,875	-	-
Due from other funds	-	-	483,076	-
Advances to component unit	-	-	-	153,233
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 4,875</u>	<u>\$ 1,217,923</u>	<u>\$ 479,519</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 8,229	\$ -
Due to other funds	-	4,518	-	-
<b>Total liabilities</b>	<u>-</u>	<u>4,518</u>	<u>8,229</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	4,875	-	-
<b>Fund Balances</b>				
Assigned for capital projects	-	-	1,209,694	479,519
Unassigned	-	(4,518)	-	-
<b>Total fund balances</b>	<u>-</u>	<u>(4,518)</u>	<u>1,209,694</u>	<u>479,519</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ -</u>	<u>\$ 4,875</u>	<u>\$ 1,217,923</u>	<u>\$ 479,519</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Pavement Management Plan (416)	Total
\$ 99,494	\$ 106,582	\$ 100,429	\$ 1,355,058
-	-	-	12,580
17,468	-	-	17,468
2,497	-	-	7,372
-	-	-	483,076
-	-	-	153,233
<u>\$ 119,459</u>	<u>\$ 106,582</u>	<u>\$ 100,429</u>	<u>\$ 2,028,787</u>
\$ -	\$ -	\$ 73,797	\$ 82,026
-	-	-	4,518
-	-	73,797	86,544
2,497	-	-	7,372
116,962	106,582	26,632	1,939,389
-	-	-	(4,518)
<u>116,962</u>	<u>106,582</u>	<u>26,632</u>	<u>1,934,871</u>
<u>\$ 119,459</u>	<u>\$ 106,582</u>	<u>\$ 100,429</u>	<u>\$ 2,028,787</u>

**City of Le Sueur**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Capital Projects Funds**  
**Year Ended December 31, 2018**

	Capital Projects			North Highway 169 Frontage Road Improvements (477)
	Equipment Acquisition (410)	Sidewalk Reconstruction (415)	Capital Improvements (420)	
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 400,000	\$ 71,911
Special assessments	-	2,621	-	-
Intergovernmental	-	-	13,723	-
Charges for services	-	-	4,800	-
Miscellaneous				
Loan repayments	-	-	-	-
Contributions and donations	-	-	37,800	-
Refunds and reimbursements	-	-	6,170	-
Total revenues	<u>-</u>	<u>2,621</u>	<u>462,493</u>	<u>71,911</u>
<b>Expenditures</b>				
Capital outlay				
General government	-	-	50,819	-
Public safety	-	-	29,894	-
Streets and highways	-	-	130,526	-
Culture and recreation	-	-	318,003	-
Total expenditures	<u>-</u>	<u>-</u>	<u>529,242</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	2,621	(66,749)	71,911
<b>Other Financing Sources</b>				
Proceeds from sale of capital asset	-	-	1,089	-
Transfers in	-	-	1,409,210	-
Transfers out	(358,788)	(602,892)	-	(3,145)
Total other financing sources	<u>(358,788)</u>	<u>(602,892)</u>	<u>1,410,299</u>	<u>(3,145)</u>
Net change in fund balances	(358,788)	(600,271)	1,343,550	68,766
<b>Fund Balances</b>				
Beginning of year	<u>358,788</u>	<u>595,753</u>	<u>(133,856)</u>	<u>410,753</u>
End of year	<u>\$ -</u>	<u>\$ (4,518)</u>	<u>\$ 1,209,694</u>	<u>\$ 479,519</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Pavement Management Plan (416)	Total
\$ -	\$ -	\$ -	\$ 471,911
-	-	-	2,621
-	-	-	13,723
-	-	-	4,800
567	-	-	567
-	-	-	37,800
-	-	-	6,170
<u>567</u>	<u>-</u>	<u>-</u>	<u>537,592</u>
-	-	-	50,819
-	-	-	29,894
-	-	18,404	148,930
-	-	-	318,003
<u>-</u>	<u>-</u>	<u>18,404</u>	<u>547,646</u>
567	-	(18,404)	(10,054)
-	-	-	1,089
-	-	-	1,409,210
-	-	(355,323)	(1,320,148)
<u>-</u>	<u>-</u>	<u>(355,323)</u>	<u>90,151</u>
567	-	(373,727)	80,097
<u>116,395</u>	<u>106,582</u>	<u>400,359</u>	<u>1,854,774</u>
<u>\$ 116,962</u>	<u>\$ 106,582</u>	<u>\$ 26,632</u>	<u>\$ 1,934,871</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Revenues</b>			
Property taxes	\$ 899,854	\$ 918,092	\$ 18,238
Franchise fees	37,500	33,823	(3,677)
Licenses and permits			
Business	8,600	8,162	(438)
Nonbusiness	93,600	74,319	(19,281)
Total licenses and permits	<u>102,200</u>	<u>82,481</u>	<u>(19,719)</u>
Intergovernmental			
State			
Local government aid	975,350	975,349	(1)
Property tax credits and aids	-	819	819
Police aid	55,000	60,901	5,901
Other state aids	39,136	120,187	81,051
County			
Highway aid	28,000	27,534	(466)
Total intergovernmental	<u>1,097,486</u>	<u>1,184,790</u>	<u>87,304</u>
Charges for services			
General government	41,483	20,249	(21,234)
Public safety	5,500	6,525	1,025
Streets and highways	1,500	4,524	3,024
Culture and recreation	1,000	944	(56)
Housing and economic development	107,370	99,823	(7,547)
Total charges for services	<u>156,853</u>	<u>132,065</u>	<u>(24,788)</u>
Fines and forfeits	24,000	22,582	(1,418)
Interest earnings	4,500	33,556	29,056
Miscellaneous			
Refunds and reimbursements	66,000	48,506	(17,494)
Other	6,000	119,296	113,296
Total miscellaneous	<u>72,000</u>	<u>167,802</u>	<u>95,802</u>
Total revenues	<u>\$ 2,394,393</u>	<u>\$ 2,575,191</u>	<u>\$ 180,798</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Expenditures</b>			
General government			
Mayor and City Council			
Personal services	\$ 23,060	\$ 23,236	\$ 176
Supplies	6,000	2,148	(3,852)
Other services and charges	4,000	977	(3,023)
Total Mayor and City Council	<u>33,060</u>	<u>26,361</u>	<u>(6,699)</u>
City administrator			
Personal services	165,790	127,726	(38,064)
Other services and charges	67,350	99,737	32,387
Total City Administrator	<u>233,140</u>	<u>227,463</u>	<u>(5,677)</u>
Accounting			
Personal services	62,850	69,349	6,499
Supplies	500	-	(500)
Other services and charges	74,500	71,924	(2,576)
Total accounting	<u>137,850</u>	<u>141,273</u>	<u>3,423</u>
City attorney			
Other services and charges	15,000	11,271	(3,729)
Planning and zoning			
Personal services	29,420	28,709	(711)
Other services and charges	9,900	16,092	6,192
Total planing and zoning	<u>39,320</u>	<u>44,801</u>	<u>5,481</u>
General government buildings			
Supplies	400	88	(312)
Other services and charges	25,500	28,308	2,808
Total general government buildings	<u>25,900</u>	<u>28,396</u>	<u>2,496</u>
Insurance			
Workers' compensation	55,000	47,941	(7,059)
Property and liability	27,500	30,559	3,059
Total insurance	<u>82,500</u>	<u>78,500</u>	<u>(4,000)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Expenditures (Continued)</b>			
General governmental (continued)			
LSH Healthy Communities			
Personal services	\$ 23,733	\$ 807	\$ (22,926)
Miscellaneous			
Other charges	31,000	69,669	38,669
Safety and wellness program	5,740	1,583	(4,157)
Projects	240,000	252,606	12,606
Total miscellaneous	<u>276,740</u>	<u>323,858</u>	<u>47,118</u>
Health and welfare			
Supplies	500	127	(373)
Other current expenditures	18,100	22,835	4,735
Total health and welfare	<u>18,600</u>	<u>22,962</u>	<u>4,362</u>
Total general government	<u>885,843</u>	<u>905,692</u>	<u>19,849</u>
Public safety			
Police training			
Personal services	777,630	795,391	17,761
Supplies	12,500	17,062	4,562
Other services and charges	96,400	105,434	9,034
Total crime control and investigations	<u>886,530</u>	<u>917,887</u>	<u>31,357</u>
Communication services			
Other services and charges	<u>2,300</u>	<u>2,280</u>	<u>(20)</u>
Automotive services			
Supplies	22,000	13,699	(8,301)
Other services and charges	5,500	3,949	(1,551)
Total automotive services	<u>27,500</u>	<u>17,648</u>	<u>(9,852)</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Expenditures (Continued)</b>			
Public safety (Continued)			
Building inspection			
Personal services	\$ 129,040	\$ 72,863	\$ (56,177)
Supplies	5,000	8,222	3,222
Other services and charges	4,700	23,517	18,817
Total building inspection	<u>138,740</u>	<u>104,602</u>	<u>(34,138)</u>
Civil defense			
Personal services	9,840	9,652	(188)
Supplies	750	644	(106)
Other services and charges	4,400	6,020	1,620
Total civil defense	<u>14,990</u>	<u>16,316</u>	<u>1,326</u>
Animal control			
Other services and charges	10,000	13,984	3,984
Other protection			
Other services and charges	3,850	2,948	(902)
Total public safety	<u>1,083,910</u>	<u>1,075,665</u>	<u>(8,245)</u>
Streets and highways			
Streets and alleys			
Personal services	434,970	478,268	43,298
Supplies	70,100	112,787	42,687
Other services and charges	38,100	40,793	2,693
Total streets and alleys	<u>543,170</u>	<u>631,848</u>	<u>88,678</u>
Ice and snow removal			
Personal services	2,000	5,767	3,767
Supplies	12,500	19,056	6,556
Total snow and ice removal	<u>14,500</u>	<u>24,823</u>	<u>10,323</u>
Vehicle maintenance			
Capital outlay	20,000	50,059	30,059
Total vehicle maintenance	<u>20,000</u>	<u>50,059</u>	<u>30,059</u>
Total streets and highways	<u>577,670</u>	<u>706,730</u>	<u>129,060</u>

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Expenditures (Continued)</b>				
Culture and recreation				
Parks				
Personal services	\$ 189,360		\$ 170,576	\$ (18,784)
Supplies	17,700		45,569	27,869
Other current expenditures	30,000		40,685	10,685
Total parks administration	237,060		256,830	19,770
Forestry and nursery				
Personal services	20,040		12,649	(7,391)
Supplies	3,500		1,199	(2,301)
Other services and charges	250		450	200
Total forestry and nursery	23,790		14,298	(9,492)
Library maintenance				
Other services and charges	30,750		28,028	(2,722)
Total culture and recreation	291,600		299,156	7,556
Housing and economic development				
Personal services	107,370		99,543	(7,827)
Total expenditures	2,946,393		3,086,786	140,393
Excess of revenues over (under) expenditures	(552,000)		(511,595)	40,405
<b>Other Financing Sources (Uses)</b>				
Transfers in	552,000		565,670	13,670
Transfers out	-		(595)	(595)
Total other financing sources (uses)	552,000		565,075	13,075
Net change in fund balance	\$ -		53,480	\$ 53,480
<b>Fund Balance</b>				
Beginning of year			1,257,141	
End of year			\$ 1,310,621	

**City of Le Sueur**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual -**  
**Community Center Fund**  
**Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Taxes				
Property taxes	\$ 439,003		\$ 439,003	\$ -
Charges for services				
Culture and recreation	631,200		851,443	220,243
Miscellaneous				
Other	30,000		40,535	10,535
Total revenues	1,100,203		1,330,981	230,778
<b>Expenditures</b>				
Culture and recreation				
Swimming pool				
Personal services	53,830		40,040	(13,790)
Supplies	8,500		9,148	648
Other services and charges	27,000		20,853	(6,147)
Total swimming pool	89,330		70,041	(19,289)
School programs				
Other services and charges	200,000		410,565	210,565
Personal services				
Personal services	320,810		381,203	60,393
Repairs and maintenance				
Supplies	27,500		28,368	868
Other services and charges	35,000		54,285	19,285
Total repairs and maintenance	62,500		82,653	20,153
Administration and general				
Supplies	50,300		72,975	22,675
Other services and charges	172,100		188,508	16,408
Total administration and general	222,400		261,483	39,083
Capital outlay				
Culture and recreation	-		1,763	1,763
Total expenditures	895,040		1,207,708	312,668
Excess of revenues over (under) expenditures	205,163		123,273	(81,890)
<b>Other Financing Uses</b>				
Transfers out	(205,163)		(205,307)	(144)
Net change in fund balance	\$ -		(82,034)	\$ (82,034)
<b>Fund Balance</b>				
Beginning of year			(188,712)	
End of year			\$ (270,746)	

**City of Le Sueur  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2018**

	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	\$ 152,121	\$ -	\$ 28,655	\$ 39,447
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Advances to other funds	-	-	-	-
	-	-	-	-
Total assets	\$ 152,121	\$ -	\$ 28,655	\$ 39,447
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	-
<b>Fund Balances</b>				
Restricted for debt service	152,121	-	28,655	39,447
Total liabilities, deferred inflows of resources, and fund balances	\$ 152,121	\$ -	\$ 28,655	\$ 39,447

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)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)
\$ 54,951	\$ -	\$ -	\$ 6,486	\$ 3,082	\$ 69,828	\$ 111,154
-	237,649	-	-	-	-	-
-	-	-	-	-	-	1,616
-	-	-	-	-	448	9,745
-	-	-	-	-	2,962	467,426
-	-	-	-	-	-	140,000
<u>\$ 54,951</u>	<u>\$ 237,649</u>	<u>\$ -</u>	<u>\$ 6,486</u>	<u>\$ 3,082</u>	<u>\$ 73,238</u>	<u>\$ 729,941</u>
\$ -	\$ 204	\$ 4,390	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	3,410	477,171
54,951	237,445	(4,390)	6,486	3,082	69,828	252,770
<u>\$ 54,951</u>	<u>\$ 237,649</u>	<u>\$ -</u>	<u>\$ 6,486</u>	<u>\$ 3,082</u>	<u>\$ 73,238</u>	<u>\$ 729,941</u>

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**City of Le Sueur  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2018**

	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
<b>Assets</b>				
Cash and investments	\$ 17,062	\$ 30,558	\$ 57,284	\$ 570,628
Notes and mortgages receivable	-	-	-	237,649
Special assessments receivable				
Current	363	-	801	2,780
Delinquent	1,651	-	948	12,792
Deferred	110,833	-	311,362	892,583
Advances to other funds	196,223	-	-	336,223
	<u>\$ 326,132</u>	<u>\$ 30,558</u>	<u>\$ 370,395</u>	<u>\$ 2,052,655</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ 4,594
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	112,484	-	312,310	905,375
<b>Fund Balances</b>				
Restricted for debt service	213,648	30,558	58,085	1,142,686
	<u>\$ 326,132</u>	<u>\$ 30,558</u>	<u>\$ 370,395</u>	<u>\$ 2,052,655</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 326,132</u>	<u>\$ 30,558</u>	<u>\$ 370,395</u>	<u>\$ 2,052,655</u>

**City of Le Sueur**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**Year Ended December 31, 2018**

	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>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 64,000
Special assessments	-	-	-	-
Miscellaneous				
Other interest	-	-	-	-
Total revenues	-	-	-	64,000
<b>Expenditures</b>				
Debt Service				
Principal	90,000	-	-	55,000
Interest and other	84,462	-	200	6,000
Total expenditures	174,462	-	200	61,000
Excess of revenues over (under) expenditures	(174,462)	-	(200)	3,000
<b>Other Financing Sources (Uses)</b>				
Transfers in	174,263	-	-	-
Transfers out	-	(54,355)	-	-
Total other financing sources (uses)	174,263	(54,355)	-	-
Net change in fund balances	(199)	(54,355)	(200)	3,000
<b>Fund Balances</b>				
Beginning of year	152,320	54,355	28,855	36,447
End of year	\$ 152,121	\$ -	\$ 28,655	\$ 39,447

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)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)
\$ 89,000	\$ 166,000	\$ 40,000	\$ 53,000	\$ 2,612	\$ -	\$ 54,000
-	-	-	-	-	1,207	189,991
-	13,196	-	-	-	-	-
<u>89,000</u>	<u>179,196</u>	<u>40,000</u>	<u>53,000</u>	<u>2,612</u>	<u>1,207</u>	<u>243,991</u>
70,000	223,937	35,000	40,000	-	-	295,000
22,600	32,783	1,295	11,180	-	2,301	26,733
<u>92,600</u>	<u>256,720</u>	<u>36,295</u>	<u>51,180</u>	<u>-</u>	<u>2,301</u>	<u>321,733</u>
(3,600)	(77,524)	3,705	1,820	2,612	(1,094)	(77,742)
-	-	3,145	-	-	-	80,000
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>3,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
(3,600)	(77,524)	6,850	1,820	2,612	(1,094)	2,258
58,551	314,969	(11,240)	4,666	470	70,922	250,512
<u>\$ 54,951</u>	<u>\$ 237,445</u>	<u>\$ (4,390)</u>	<u>\$ 6,486</u>	<u>\$ 3,082</u>	<u>\$ 69,828</u>	<u>\$ 252,770</u>

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**City of Le Sueur**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**Year Ended December 31, 2018**

	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
<b>Revenues</b>				
Property taxes	\$ 74,000	\$ 78,000	\$ 13,000	\$ 633,612
Special assessments	34,212	-	32,360	257,770
Miscellaneous				
Other interest	-	-	-	13,196
Total revenues	108,212	78,000	45,360	904,578
<b>Expenditures</b>				
Debt Service				
Principal	195,000	60,000	-	1,063,937
Interest and other	17,245	15,295	68,425	288,519
Total expenditures	212,245	75,295	68,425	1,352,456
Excess of revenues over (under) expenditures	(104,033)	2,705	(23,065)	(447,878)
<b>Other Financing Sources (Uses)</b>				
Transfers in	87,000	-	33,000	377,408
Transfers out	-	-	-	(54,355)
Total other financing sources (uses)	87,000	-	33,000	323,053
Net change in fund balances	(17,033)	2,705	9,935	(124,825)
<b>Fund Balances</b>				
Beginning of year	230,681	27,853	48,150	1,267,511
End of year	\$ 213,648	\$ 30,558	\$ 58,085	\$ 1,142,686

**City of Le Sueur  
Balance Sheet - Component Unit -  
Le Sueur Economic Development Authority  
December 31, 2018**

**Assets**

Cash and investments	\$ 216,889
Accounts receivable	-
Notes receivable	2,011,335
Land held for resale	1,559,472
	<u>3,787,696</u>
Total assets	<u>\$ 3,787,696</u>

**Liabilities**

Accounts payable	\$ 824
Due to component unit/primary government	823,541
Due to other governments	8,267
Unearned revenue	2,500
	<u>835,132</u>
Total liabilities	<u>835,132</u>

**Fund Balance**

Unassigned	<u>2,952,564</u>
Total liabilities and fund balance	<u>\$ 3,787,696</u>

Reconciliation of the balance sheet to  
the statement of net position

Fund balance	\$ 2,952,564
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	(2,036,469)
Notes payable	(810,000)
Governmental fund statements do not report a liability for accrued interest until due and payable.	<u>(267,949)</u>
Net position	<u>\$ (161,854)</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, 2018**

**Revenues**

Tax increments	\$ 191,695
Payments from primary government	37,000
Land rental	15,352
Investment income	390
Other	118,887
Total revenues	363,324

**Expenditures**

Current	
Economic development	\$ 387,263
Debt service	
Principal	72,272
Interest and fiscal charges	120,228
Total expenditures	579,763

Excess of revenues under expenditures	(216,439)
--	-----------

**Fund Balance**

Beginning of year	3,169,003
End of year	\$ 2,952,564

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

Net change in fund balance	\$ (216,439)
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Principal payments on long-term debt are recognized as expenditures in the funds but have no effect on net position.	72,272
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(41,599)
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Change in net position	\$ (185,766)
------------------------	--------------

**City of Le Sueur**  
**Statement of Changes in Agency Fund**  
**Assets and Liabilities**  
**Year Ended December 31, 2018**

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2018
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Minnesota River Valley Transit (227)</b>				
<b>Assets</b>				
Cash overdraft	\$ (28,468)	\$ 70,087	\$ 30,830	\$ 10,789
Accounts receivable	17,426	158,298	152,206	23,518
Due from other governments	<u>252,718</u>	<u>658,382</u>	<u>672,358</u>	<u>238,742</u>
 Total assets	 <u>\$ 241,676</u>	 <u>\$ 886,767</u>	 <u>\$ 855,394</u>	 <u>\$ 273,049</u>
<b>Liabilities</b>				
Accounts payable	\$ 6,620	\$ 9,425	\$ 6,620	\$ 9,425
Due to other governments	<u>235,056</u>	<u>858,934</u>	<u>830,366</u>	<u>263,624</u>
 Total liabilities	 <u>\$ 241,676</u>	 <u>\$ 868,359</u>	 <u>\$ 836,986</u>	 <u>\$ 273,049</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, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2019.

**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.

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 deficiencies described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2018-001 and 2018-002 to be material weaknesses.

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

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 deficiency described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2018-003 to be a significant deficiency.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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



Minneapolis, Minnesota  
June 4, 2019

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

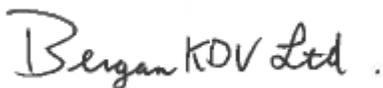
Honorable Mayor and Members  
of the City Council  
City of Le Sueur  
Le Sueur, Minnesota

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, 2018, and the related notes to financial statements, and have issued our report thereon date June 4, 2019.

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.



Minneapolis, Minnesota  
June 4, 2019

**City of Le Sueur  
Schedule of Findings and  
Responses on Legal Compliance and Internal Control  
December 31, 2018**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS**

**Material Weaknesses:**

**Audit Finding 2018-001 –Prior Period and Material Audit Adjustments**

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

**City's Response:**

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

**Audit Finding 2018-002 – Improve Utility Billing Process**

During our audit, we noted deficiencies in the utility billing process. These deficiencies resulted in revenues and related receivable balances to be inaccurately reported. We also noted the ratio of gallons billed to gallons pumped in the Water Fund was 78%. 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 issues related to the utility billing system and issues in the recording of activity related to utility billing. The City is planning on implementing a new utility billing system to address these issues. Management of the City has also identified certain issues that are contributing to the water loss ratio and is taking steps to make improvements to improve the water loss ratio which includes updates to the utility billing system.

**Significant Deficiency:**

**Audit Finding 2018-003 – Lack of Segregation of Accounting Duties**

During the year ended December 31, 2018, 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 Receptionist maintains receipts journal and accounts receivable records, posts transactions to the general ledger, and receives and endorses checks.
- Utility Billing – The Utility Billing Coordinator 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.

**City of Le Sueur  
Schedule of Findings and  
Responses on Legal Compliance and Internal Control  
December 31, 2018**

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

**Significant Deficiency (Continued):**

**Audit Finding 2018-003 – Lack of Segregation of Accounting Duties (Continued)**

- Financial Reporting – The Finance Director can initiate transactions, can record journal entries without review, reconciles accounts, and prepares internal financial reports.

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.

**CURRENT YEAR LEGAL COMPLIANCE FINDING**

**Audit Finding 2018-004 – Retain Adequate Backup Documentation for All Disbursements**

According to *Minnesota Statutes* 412.271 subd. 2, where a claim for money due on goods or services furnished can be itemized in the ordinary course of business, the person claiming payment or the claimant's agent, shall prepare the claim in written items.

During our audit, we noted 2 of 20 disbursements tested did not have sufficient supporting documentation in accordance with *Minnesota Statutes* 412.271 subd. 2.

We recommend the City obtain adequate supporting documentation before all claims are paid.

**City's Response:**

The City will obtain sufficient supporting documentation for all disbursements in accordance with *Minnesota Statutes* 412.271 subd. 2.

**City of Le Sueur  
Schedule of Findings and  
Responses on Legal Compliance and Internal Control  
December 31, 2018**

**PRIOR YEAR LEGAL COMPLIANCE FINDINGS**

**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 the prior year 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.

**Corrective Action Taken**

The City did not have any TIF district's where the four-year knock-down rule applied.

**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 the prior year audit, we noted expenditures were made for meals where there was insufficient supporting documentation to determine public purpose.

**Corrective Action Taken**

The City was able to provide supporting documentation for expenditures tested during the current year audit to support that expenditures were for a public purpose.