

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

Financial Statements

December 31, 2019



**City of Le Sueur
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**City of Le Sueur
Elected Officials and Administration
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Greg Hagg	Mayor	December 31, 2020
John Favolise	Council	December 31, 2020
Shawn Kirby	Council	December 31, 2022
Marvin Sullivan	Council	December 31, 2022
Mark Huntington	Council	December 31, 2020
Newell Krogmann	Council	December 31, 2022
<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, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2019, 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 84

As discussed in Note 15 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. 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 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 April 28, 2020, 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 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.



Minneapolis, Minnesota
April 28, 2020

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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, 2019.

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 \$34,262,331 (net position). Of this amount, \$5,290,587 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,341,562 mainly due to the dissolution of MRVPUC and transfer of operations to the City of Le Sueur in 2019.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,173,792 a decrease of \$789,481 in comparison with the prior year. The major reason for this decrease was due to over spending in both the general and community center funds along with not meeting revenue budgets in either fund. Approximately 49.2% of this total amount, \$5,492,987, 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 \$922,828 or 30.0% 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 \$2,118,512 or 9.6% during the current fiscal year. This is due to normal debt payments following the debt schedules.

OVERVIEW OF THE FINANCIAL STATEMENTS

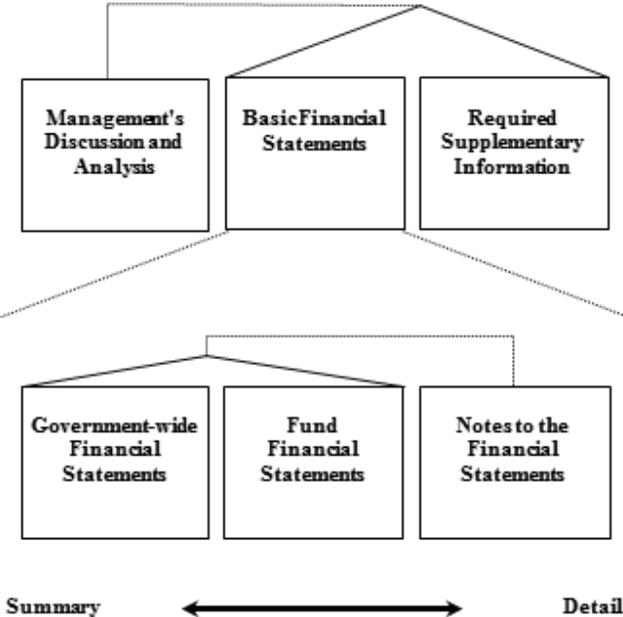
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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



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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements.

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

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

The City maintains 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, and refuse operations.

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found starting on page 43 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 97 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,262,331 at the close of the most recent fiscal year.

The largest portion of the City's net position (81.4%) 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 12,427,319	\$ 13,440,622	\$ 2,950,674	\$ 2,504,076	\$ 15,377,993	\$ 15,944,698
Capital assets	13,677,231	13,551,963	32,675,793	29,796,534	46,353,024	43,348,497
Net pension asset - fire relief	144,402	207,982	-	-	144,402	207,982
Total assets	26,248,952	27,200,567	35,626,467	32,300,610	61,875,419	59,501,177
Deferred outflows of resources related to fire relief pensions	128,282	67,997	-	-	128,282	67,997
Deferred outflows of resources related to city pensions	645,442	879,990	105,663	169,740	751,105	1,049,730
Deferred outflows of resources related to OPEB	14,707	12,491	9,413	8,327	24,120	20,818
Total deferred outflows of resources	788,431	960,478	115,076	178,067	903,507	1,138,545
Long-term liabilities outstanding	10,912,156	11,105,821	9,220,260	8,675,362	20,132,416	19,781,183
Other liabilities	2,222,799	1,748,536	2,465,840	2,148,144	4,688,639	3,896,680
Total OPEB liability	112,917	115,675	72,267	77,115	185,184	192,790
Net pension liability	1,318,257	1,264,635	1,015,434	969,559	2,333,691	2,234,194
Total liabilities	14,566,129	14,234,667	12,773,801	11,870,180	27,339,930	26,104,847
Deferred inflows of resources related to fire relief pensions	21,545	59,003	-	-	21,545	59,003
Deferred inflows of resources related to city pensions	969,210	1,289,597	181,733	265,506	1,150,943	1,555,103
Deferred inflows of resources related to OPEB	2,547	-	1,630	-	4,177	-
Total deferred inflows of resources	993,302	1,348,600	183,363	265,506	25,722	59,003
Net position						
Net investment in capital assets	5,839,790	5,775,422	22,056,750	19,927,233	27,896,540	25,702,655
Restricted	1,075,204	1,207,929	-	-	1,075,204	1,207,929
Unrestricted	4,562,958	5,594,427	727,629	415,758	5,290,587	6,010,185
Total net position	\$ 11,477,952	\$ 12,577,778	\$ 22,784,379	\$ 20,342,991	\$ 34,262,331	\$ 32,920,769

An additional portion of the City's net position (3.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (15.5%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Governmental Activities

Governmental activities decreased the City's net position by \$1,099,826. Key elements of this increase are as follows:

- An increase in Capital Outlay spending within the governmental funds when compared to previous years'.
- Revenue and expenditures budget numbers were not met in either capacity for the General and Community Center funds causing a significant decrease in net position.
- Regular bonds activity, capital asset activity and special assessment activity can be attributed for the remainder of the change from the prior year which is to be expected.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Le Sueur's Changes in Net Position

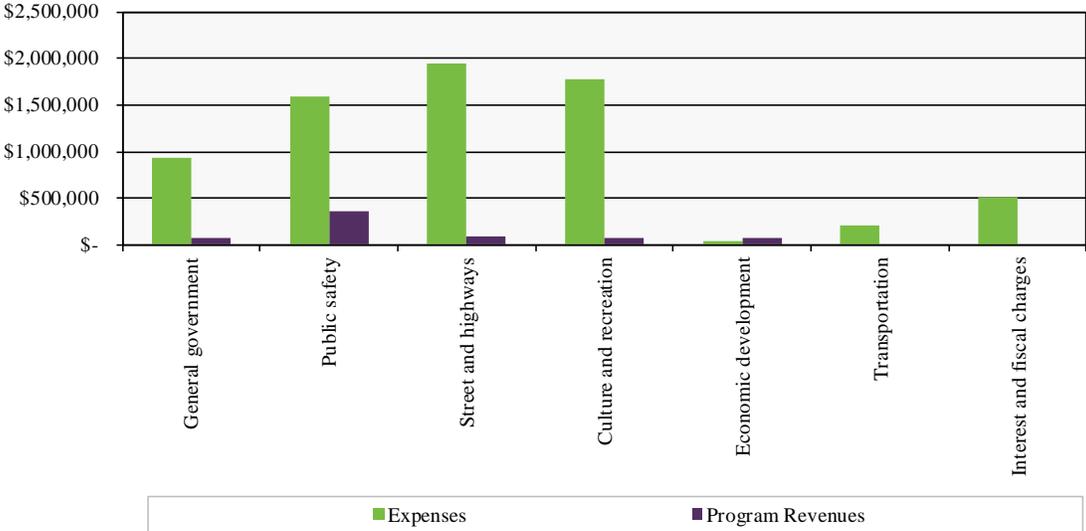
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 1,116,128	\$ 1,655,810	\$ 14,231,425	\$ 13,209,664	\$ 15,347,553	\$ 14,865,474
Operating grants and contributions	203,358	261,036	-	-	203,358	261,036
Capital grants and contributions	54,153	117,365	75,000	254	129,153	117,619
General revenues						
Property taxes/tax increments	2,638,541	2,462,553	-	-	2,638,541	2,462,553
Other taxes	2,077	2,307	-	-	2,077	2,307
Grants and contributions not restricted to specific programs	1,014,448	1,002,030	-	-	1,014,448	1,002,030
Unrestricted investment earnings	56,449	41,186	8,695	(527)	65,144	40,659
Gain on sale of asset	50,632	1,089	-	-	50,632	1,089
Other	73,651	176,445	-	-	73,651	176,445
Total revenues	5,209,437	5,719,821	14,315,120	13,209,391	19,524,557	18,929,212
Expenses						
General government	941,861	978,636	-	-	941,861	978,636
Public safety	1,600,176	1,323,031	-	-	1,600,176	1,323,031
Streets and highways	1,940,208	1,145,747	-	-	1,940,208	1,145,747
Culture and recreation	1,783,547	1,894,800	-	-	1,783,547	1,894,800
Economic development	37,850	257,689	-	-	37,850	257,689
Transportation	206,533	248,687	-	-	206,533	248,687
Interest and fiscal charges	517,088	503,915	-	-	517,088	503,915
Water utility	-	-	1,119,970	894,384	1,119,970	894,384
Sewer utility	-	-	2,774,401	2,550,616	2,774,401	2,550,616
Refuse and recycling	-	-	273,917	275,596	273,917	275,596
Storm utility	-	-	17,734	-	17,734	-
Electric utility	-	-	8,781,268	9,025,627	8,781,268	9,025,627
Total expenses	7,027,263	6,352,505	12,967,290	12,746,223	19,994,553	19,098,728
Change in net position before transfers	(1,817,826)	(632,684)	1,347,830	463,168	(469,996)	(169,516)
Transfers	718,000	725,536	(718,000)	(725,536)	-	-
Special item	-	-	1,811,558	-	1,811,558	-
Change in net position	(1,099,826)	92,852	2,441,388	(262,368)	1,341,562	(169,516)
Net position - January 1	12,577,778	12,504,914	20,342,991	21,182,185	32,920,769	33,687,099
Prior period adjustment as previously stated	-	-	-	(563,502)	-	(563,502)
Change in accounting principle	-	(19,988)	-	(13,324)	-	(33,312)
Net position - beginning, as restated	12,577,778	12,484,926	20,342,991	20,605,359	32,920,769	33,090,285
Net position - December 31	\$ 11,477,952	\$ 12,577,778	\$ 22,784,379	\$ 20,342,991	\$ 34,262,331	\$ 32,920,769

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

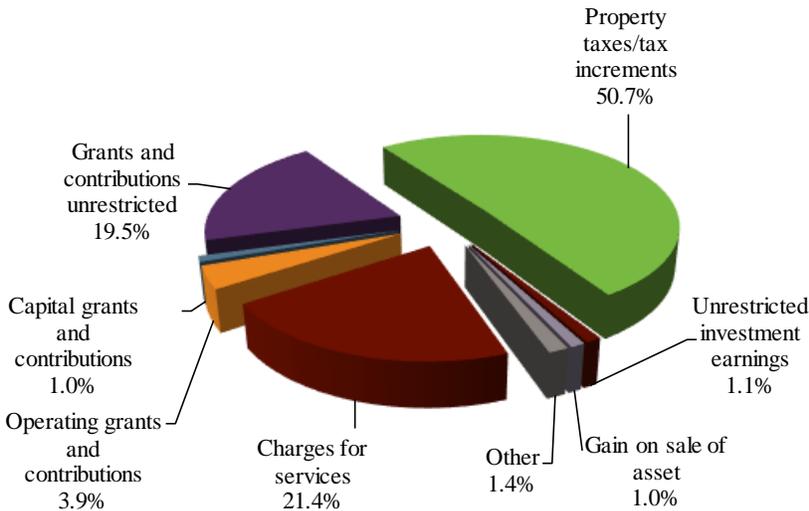
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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

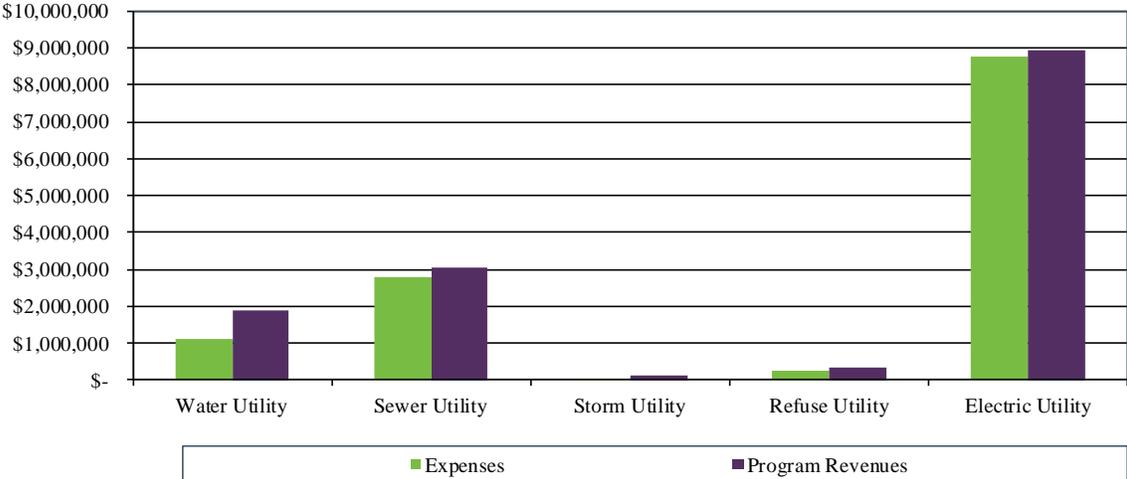
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

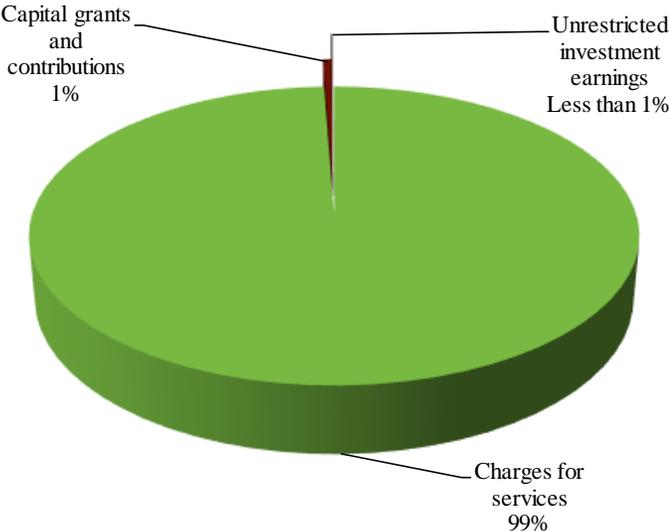
Business-type activities increased the City's net position by \$2,441,388. Key elements of this increase are as follows:

- Transfer of operations of the MRVPUC operations to the City of Le Sueur combining this with the City's sewer utility operations. This was an increase of \$1,811,558 in 2018.
- Increased revenues within each utility fund from 2018 to 2019 based on increased rates in 2019.

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 \$11,173,792, a decrease of \$789,481 in comparison with the prior year. A balance of \$212,295 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 (\$21,256), restricted (\$5,447,254), committed (\$3,299,725), or assigned (\$2,193,262) 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 \$938,414. 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 30.0 percent of fund expenditures, while total fund balance represents 30.5% of that same amount.

The fund balance of the City's General fund decreased by \$372,207 during the current fiscal year. This was mostly due to not enough charges for services revenues collected during the year in addition to higher than budgeted expenditures specifically in the Public Safety and Streets and Parks departments.

The *Economic Development Revolving Loan fund* has a total fund balance of \$3,299,725 at year end. The net decrease in fund balance during the current year was \$4,728. This decrease was due to normal operations of the fund and having another loan paid off within the fund.

The *Community Center fund* has a total deficit fund balance of \$606,513 at year end. The net decrease in fund balance during the current year was \$335,767. The main cause of this decrease was mainly due to salaries being over budget due to time spent and bad information being used to budget with.

The *Debt Service fund and Medical Facility Bonds 2010 Fund* have a total combined fund balance of \$5,447,254, a decrease in fund balance during the current year of \$301,192. 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 \$727,629. The total improvement in net position for the funds was \$2,441,388. 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 2019. The budget called for a balanced revenue over expenditure year, including transfers. Revenues did not meet the budget by \$76,875 and expenditures exceeded budget by \$277,332, transfers were over budget by \$18,000, causing the \$372,207 decrease in fund balance in the General fund for 2019.

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, 2019, amounts to \$46,353,024 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 6.9% (a .9% increase for governmental activities and a 9.7% increase for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,414,773	\$ 1,414,773	\$ 616,121	\$ 415,653	\$ 2,030,894	\$ 1,830,426
Buildings	4,686,532	5,007,866	1,411,788	1,570,258	6,098,320	6,578,124
Infrastructure/systems	5,805,016	6,338,660	28,556,378	25,950,863	34,361,394	32,289,523
Machinery and equipment	708,853	315,804	1,554,248	1,396,142	2,263,101	1,711,946
Vehicles	1,001,342	474,860	537,258	463,618	1,538,600	938,478
Construction in progress	60,715	-	-	-	60,715	-
Total	\$ 13,677,231	\$ 13,551,963	\$ 32,675,793	\$ 29,796,534	\$ 46,353,024	\$ 43,348,497

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

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,879,212. Of this amount, \$1,275,000 is special assessment debt, \$15,084,212 is revenue debt, and \$3,520,000 is general obligation debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

City of Le Sueur's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 3,520,000	\$ 3,775,000	\$ -	\$ -	\$ 3,520,000	\$ 3,775,000
General obligation improvement bonds	1,275,000	1,325,000	-	-	1,275,000	1,325,000
General obligation revenue bonds	-	-	8,573,000	9,857,000	8,573,000	9,857,000
Revenue bonds	6,511,212	7,040,724	-	-	6,511,212	7,040,724
Total	<u>\$ 11,306,212</u>	<u>\$ 12,140,724</u>	<u>\$ 8,573,000</u>	<u>\$ 9,857,000</u>	<u>\$ 19,879,212</u>	<u>\$ 21,997,724</u>

The City's total debt decreased by \$2,118,512, or 9.6%, 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 \$10,490,784.

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 3% for the City of Le Sueur.
- Change in property valuations in 2020 based on overall need to increase property values from County perspective
- Inflationary trends in the region compare favorably to national indices.
- Change in allocation of the Community Development Director from the EDA, 2019 it was 25% City, 75% EDA, 2020 it is 50% City, 50% EDA
- 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 2020 fiscal year.

The property tax levy will increase from \$2,564,533 in 2019 to \$2,636,566 in 2020, or approximately 2.8%. 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, 2019**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments (including cash equivalents)	\$ 2,794,980	\$ 1,830,654	\$ 4,625,634	\$ 147,565
Cash with escrow agent	620,531	51,362	671,893	-
Receivables				
Accounts receivable	110,380	1,706,044	1,816,424	-
Taxes receivable	61,372	-	61,372	-
Special assessments receivable	721,827	331,653	1,053,480	-
Notes receivable	5,596,574	187,603	5,784,177	1,933,382
Due from other governments	102,024	27,000	129,024	-
Internal balances	1,574,834	(1,574,834)	-	-
Due from component unit/primary government	823,541	-	823,541	-
Inventory	17,246	372,976	390,222	-
Prepaid items	4,010	18,216	22,226	-
Land held for resale	-	-	-	1,559,472
Capital assets not being depreciated				
Land	1,414,773	616,121	2,030,894	-
Construction in progress	60,715	-	60,715	-
Capital assets net of accumulated depreciation				
Buildings	4,686,532	1,411,788	6,098,320	-
Infrastructure	5,805,016	28,556,378	34,361,394	-
Machinery and equipment	708,853	1,554,248	2,263,101	-
Vehicles	1,001,342	537,258	1,538,600	-
Net pension asset - fire relief	144,402	-	144,402	-
Total assets	26,248,952	35,626,467	61,875,419	3,640,419
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	128,282	-	128,282	-
Deferred outflows of resources related to city pensions	645,442	105,663	751,105	-
Deferred outflows of resources related to OPEB	14,707	9,413	24,120	-
Total deferred outflows of resources	788,431	115,076	903,507	-
Total assets and deferred outflows of resources	\$ 27,037,383	\$ 35,741,543	\$ 62,778,926	\$ 3,640,419
Liabilities				
Accounts and contracts payable	\$ 328,425	\$ 197,819	\$ 526,244	\$ 643
Interest payable	115,114	42,376	157,490	32,536
Salaries and benefits payable	102,956	70,827	173,783	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	39,461	545,517	584,978	35,541
Deposits payable	-	24,994	24,994	-
Unearned revenue	-	-	-	2,500
Bonds payable, net				
Payable within one year	1,329,471	1,233,000	2,562,471	80,948
Payable after one year	9,613,578	7,349,801	16,963,379	1,879,034
Notes payable				
Payable within one year	-	205,000	205,000	-
Payable after one year	-	1,524,000	1,524,000	-
Capital lease payable				
Payable within one year	195,903	43,891	239,794	-
Payable after one year	1,175,417	263,351	1,438,768	-
Compensated absences payable				
Payable within one year	111,469	99,416	210,885	-
Payable after one year	123,161	86,108	209,269	-
Total OPEB liability	112,917	72,267	185,184	-
Net pension liability	1,318,257	1,015,434	2,333,691	-
Total liabilities	14,566,129	12,773,801	27,339,930	2,854,743
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	21,545	-	21,545	-
Deferred inflows of resources related to city pensions	969,210	181,733	1,150,943	-
Deferred inflows of resources related to OPEB	2,547	1,630	4,177	-
Total deferred inflows of resources	993,302	183,363	1,176,665	-
Net Position				
Net investment in capital assets	5,839,790	22,056,750	27,896,540	-
Restricted for				
Debt service	1,075,204	-	1,075,204	-
Unrestricted	4,562,958	727,629	5,290,587	785,676
Total net position	11,477,952	22,784,379	34,262,331	785,676
Total liabilities, deferred inflows of resources, and net position	\$ 27,037,383	\$ 35,741,543	\$ 62,778,926	\$ 3,640,419

**City of Le Sueur
Statement of Activities
Year Ended December 31, 2019**

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	
Primary government								
Governmental activities								
General government	\$ 941,861	\$ 42,746	\$ 25,000	\$ 6,760	\$ (867,355)	\$ -	\$ (867,355)	\$ -
Public safety	1,600,176	257,261	108,785	-	(1,234,130)	-	(1,234,130)	-
Streets and parks	1,940,208	885	51,645	35,431	(1,852,247)	-	(1,852,247)	-
Culture and recreation	1,783,547	683,261	2,662	11,962	(1,085,662)	-	(1,085,662)	-
Housing and economic development	37,850	76,617	-	-	38,767	-	38,767	-
Transportation	206,533	55,358	15,266	-	(135,909)	-	(135,909)	-
Interest and fiscal charges	517,088	-	-	-	(517,088)	-	(517,088)	-
Total governmental activities	<u>7,027,263</u>	<u>1,116,128</u>	<u>203,358</u>	<u>54,153</u>	<u>(5,653,624)</u>	<u>-</u>	<u>(5,653,624)</u>	<u>-</u>
Business-type activities								
Water utility	1,119,970	1,840,324	-	37,500	-	757,854	757,854	-
Sewer utility	2,774,401	3,009,169	-	37,500	-	272,268	272,268	-
Refuse and recycling	273,917	326,023	-	-	-	52,106	52,106	-
Storm utility	17,734	117,040	-	-	-	99,306	99,306	-
Electric utility	8,781,268	8,938,869	-	-	-	157,601	157,601	-
Total business-type activities	<u>12,967,290</u>	<u>14,231,425</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>1,339,135</u>	<u>1,339,135</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 19,994,553</u>	<u>\$ 15,347,553</u>	<u>\$ 203,358</u>	<u>\$ 129,153</u>	<u>(5,653,624)</u>	<u>1,339,135</u>	<u>(4,314,489)</u>	<u>-</u>
Component units								
Economic Development Authority	<u>\$ 202,099</u>	<u>\$ 133,492</u>	<u>\$ 39,500</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,107)</u>
General revenues								
Property taxes					2,638,541	-	2,638,541	-
Tax increments					-	-	-	166,180
Intergovernmental					1,014,448	-	1,014,448	-
Payment in lieu of taxes					2,077	-	2,077	-
Other general revenues					73,651	-	73,651	810,000
Unrestricted investment earnings					56,449	8,695	65,144	457
Gain on sale of asset					50,632	-	50,632	-
Transfers					718,000	(718,000)	-	-
Special Item (Note 10)					-	1,811,558	1,811,558	-
Total general revenues and transfers					<u>4,553,798</u>	<u>1,102,253</u>	<u>5,656,051</u>	<u>976,637</u>
Change in net position					<u>(1,099,826)</u>	<u>2,441,388</u>	<u>1,341,562</u>	<u>947,530</u>
Net position - beginning, as restated					<u>12,577,778</u>	<u>20,342,991</u>	<u>32,920,769</u>	<u>(161,854)</u>
Net position - ending					<u>\$ 11,477,952</u>	<u>\$ 22,784,379</u>	<u>\$ 34,262,331</u>	<u>\$ 785,676</u>

City of Le Sueur
Balance Sheet - Governmental Funds
December 31, 2019

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)
Assets				
Cash investments	\$ 3,257	\$ 1,422,702	\$ 664,517	\$ 190,402
Cash with escrow agent	-	-	-	-
Delinquent taxes receivable	61,372	-	-	-
Accounts receivable	13,442	-	7,170	35,724
Notes and mortgages receivable	-	1,206,715	161,706	4,213,383
Special assessments receivable	12,009	-	704,824	-
Due from other governments	95,797	-	1,321	-
Advances to other funds	-	-	200,816	-
Advances to component unit	-	670,308	-	-
Due from other funds	969,387	-	-	-
Inventory	11,866	-	-	-
Prepaid items	3,720	-	-	-
	<u>1,170,850</u>	<u>3,299,725</u>	<u>1,740,354</u>	<u>4,439,509</u>
Total assets	<u>\$ 1,170,850</u>	<u>\$ 3,299,725</u>	<u>\$ 1,740,354</u>	<u>\$ 4,439,509</u>
Liabilities				
Accounts payable	\$ 73,048	\$ -	\$ 9,366	\$ -
Due to other governments	4,414	-	-	-
Due to other funds	-	-	18,933	-
Accrued wages payable	81,593	-	-	-
Total liabilities	<u>159,055</u>	<u>-</u>	<u>28,299</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	61,372	-	-	-
Unavailable revenue - special assessments	12,009	-	704,310	-
Total deferred inflows of resources	<u>73,381</u>	<u>-</u>	<u>704,310</u>	<u>-</u>
Fund Balances				
Nonspendable for				
Inventory	11,866	-	-	-
Prepaid items	3,720	-	-	-
Restricted for				
Debt service	-	-	1,007,745	4,439,509
Committed for				
Economic development loans	-	3,299,725	-	-
Assigned for				
Capital projects	-	-	-	-
Unassigned	922,828	-	-	-
Total fund balances	<u>938,414</u>	<u>3,299,725</u>	<u>1,007,745</u>	<u>4,439,509</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,170,850</u>	<u>\$ 3,299,725</u>	<u>\$ 1,740,354</u>	<u>\$ 4,439,509</u>

Community Center (615)	2019 Lease Escrow (875)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 514,102	\$ 2,794,980
-	391,286	229,245	620,531
-	-	-	61,372
34,122	-	19,922	110,380
-	-	14,770	5,596,574
-	-	4,994	721,827
-	-	4,906	102,024
-	-	-	200,816
-	-	153,233	823,541
-	-	1,105,910	2,075,297
402	-	4,978	17,246
-	-	290	4,010
<u>\$ 34,524</u>	<u>\$ 391,286</u>	<u>\$ 2,052,350</u>	<u>\$ 13,128,598</u>
\$ 12,980	\$ 171,294	\$ 61,737	\$ 328,425
30,637	-	4,410	39,461
576,421	-	105,925	701,279
20,999	-	364	102,956
<u>641,037</u>	<u>171,294</u>	<u>172,436</u>	<u>1,172,121</u>
-	-	-	61,372
-	-	4,994	721,313
-	-	4,994	782,685
402	-	4,978	17,246
-	-	290	4,010
-	-	-	5,447,254
-	-	-	3,299,725
-	219,992	1,973,270	2,193,262
(606,915)	-	(103,618)	212,295
<u>(606,513)</u>	<u>219,992</u>	<u>1,874,920</u>	<u>11,173,792</u>
<u>\$ 34,524</u>	<u>\$ 391,286</u>	<u>\$ 2,052,350</u>	<u>\$ 13,128,598</u>

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City of Le Sueur
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2019

Total fund balances - governmental funds \$ 11,173,792

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	26,842,250
Less accumulated depreciation	(13,165,019)

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	(10,856,212)
Unamortized bond premium	(86,837)
Capital leases payable	(1,371,320)
Compensated absences payable	(234,630)
Total OPEB liability	(112,917)
Net pension liability - city pension	(1,318,257)

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	61,372
Special assessments	24,202

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

Deferred special assessments	697,111
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Governmental funds do not report a liability for accrued interest due and payable.

(115,114)

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	(21,545)
Deferred inflows of resources related to city pensions	(969,210)
Deferred inflows of resources related to OPEB	(2,547)
Deferred outflows of resources related to fire relief pensions	128,282
Deferred outflows of resources related to city pensions	645,442
Deferred outflows of resources related to OPEB	14,707

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

144,402

Total net position - governmental activities

\$ 11,477,952

City of Le Sueur
Statement of Revenues, Expenditure, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2019

	General (101, 229, 240, 250)	Economic Development Revolving Loan (228, 231)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)
Revenues				
Taxes	\$ 760,599	\$ -	\$ 598,642	\$ -
Franchise fees	15,005	-	-	-
Special assessments	-	-	228,610	-
Licenses and permits	103,838	-	-	-
Intergovernmental	1,133,801	-	-	-
Charges for services	21,669	-	-	-
Fines and forfeits	29,761	-	-	-
Investment earnings	30,444	21,070	352	975
Miscellaneous	76,381	12,052	10,100	261,849
Total revenues	<u>2,171,498</u>	<u>33,122</u>	<u>837,704</u>	<u>262,824</u>
Expenditures				
Current				
General government	832,315	-	-	-
Public safety	1,185,187	-	-	-
Streets and parks	993,636	-	-	-
Culture and recreation	31,001	-	-	-
Economic development	-	37,850	-	-
Transportation	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and parks	35,566	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Debt service				
Principal	-	-	1,078,555	205,957
Interest and other	-	-	268,353	223,118
Total expenditures	<u>3,077,705</u>	<u>37,850</u>	<u>1,346,908</u>	<u>429,075</u>
Excess of revenues under expenditures	(906,207)	(4,728)	(509,204)	(166,251)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Proceeds from capital leases	-	-	-	-
Transfers in	534,000	-	374,263	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>534,000</u>	<u>-</u>	<u>374,263</u>	<u>-</u>
Net change in fund balances	(372,207)	(4,728)	(134,941)	(166,251)
Fund Balances				
Beginning of year	<u>1,310,621</u>	<u>3,304,453</u>	<u>1,142,686</u>	<u>4,605,760</u>
End of year	<u>\$ 938,414</u>	<u>\$ 3,299,725</u>	<u>\$ 1,007,745</u>	<u>\$ 4,439,509</u>

Community Center (615)	2019 Lease Escrow (875)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 445,283	\$ -	\$ 815,653	\$ 2,620,177
-	-	-	15,005
-	-	2,622	231,232
-	-	-	103,838
-	-	67,686	1,201,487
634,297	-	196,784	852,750
-	-	-	29,761
-	2,058	-	54,899
46,006	-	22,778	429,166
<u>1,125,586</u>	<u>2,058</u>	<u>1,105,523</u>	<u>5,538,315</u>
-	-	-	832,315
-	-	186,261	1,371,448
-	-	-	993,636
1,274,292	-	73,162	1,378,455
-	-	-	37,850
-	-	82,223	82,223
-	-	124,024	124,024
-	-	157,242	157,242
-	1,153,386	405,168	1,594,120
2,798	-	112,454	115,252
-	-	5,200	5,200
-	-	-	1,284,512
-	-	-	491,471
<u>1,277,090</u>	<u>1,153,386</u>	<u>1,145,734</u>	<u>8,467,748</u>
(151,504)	(1,151,328)	(40,211)	(2,929,433)
-	-	50,632	50,632
-	1,371,320	-	1,371,320
-	-	-	908,263
<u>(184,263)</u>	<u>-</u>	<u>(6,000)</u>	<u>(190,263)</u>
<u>(184,263)</u>	<u>1,371,320</u>	<u>44,632</u>	<u>2,139,952</u>
(335,767)	219,992	4,421	(789,481)
<u>(270,746)</u>	<u>-</u>	<u>1,870,499</u>	<u>11,963,273</u>
<u>\$ (606,513)</u>	<u>\$ 219,992</u>	<u>\$ 1,874,920</u>	<u>\$ 11,173,792</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, 2019

Net change in fund balances - governmental funds	\$ (789,481)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	1,192,065
Depreciation expense	(1,066,797)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(3,713)
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.	
	2,427
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	66,380
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.	
Principal payments	1,284,512
Capital lease payable	(1,371,320)
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.	
	(37,489)
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	18,364
Delinquent special assessments	7,026
Deferred special assessments	(203,313)
Interest receivable	(210,359)
	(203,313)
Change in net position - governmental activities	\$ (1,099,826)

City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes	\$ 737,150	\$ 760,599	\$ 23,449
Franchise fees	37,500	15,005	(22,495)
Licenses and permits	119,900	103,838	(16,062)
Intergovernmental	1,072,470	1,133,801	61,331
Charges for services	159,853	21,669	(138,184)
Fines and forfeits	24,000	29,761	5,761
Investment earnings	5,500	30,444	24,944
Miscellaneous			
Contributions and donations	-	200	200
Refunds and reimbursements	81,000	65,666	(15,334)
Other	11,000	10,515	(485)
Total revenues	2,248,373	2,171,498	(76,875)
Expenditures			
Current			
General government	780,673	832,315	51,642
Public safety	1,060,160	1,185,187	125,027
Streets and parks	799,170	993,636	194,466
Culture and recreation	30,500	31,001	501
Housing and economic development	107,370	-	(107,370)
Capital outlay			
Streets and parks	22,500	35,566	13,066
Total expenditures	2,800,373	3,077,705	277,332
Excess of revenues under expenditures	(552,000)	(906,207)	(354,207)
Other Financing Sources			
Transfers in	552,000	534,000	(18,000)
Net change in fund balance	\$ -	(372,207)	\$ (372,207)
Fund Balance			
Beginning of year		1,310,621	
End of year		\$ 938,414	

City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Center Fund
Year Ended December 31, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes	\$ 445,283	\$ 445,283	\$ -
Charges for services	765,000	634,297	(130,703)
Miscellaneous			
Contributions and donations	-	2,622	2,622
Other	50,000	43,384	(6,616)
Total revenues	1,260,283	1,125,586	(134,697)
Expenditures			
Current			
Culture and recreation	1,076,020	1,274,292	198,272
Capital outlay			
Culture and recreation	-	2,798	2,798
Total expenditures	1,076,020	1,277,090	201,070
Excess of revenues over (under) expenditures	184,263	(151,504)	(335,767)
Other Financing Uses			
Transfers out	(184,263)	(184,263)	-
Net change in fund balance	\$ -	(335,767)	\$ (335,767)
Fund Balance			
Beginning of year		(270,746)	
End of year		\$ (606,513)	

City of Le Sueur
Statement of Net Position - Proprietary Funds
December 31, 2019

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)	Storm Utility (605)
Assets				
Current assets				
Cash and cash equivalents	\$ 1,511,899	\$ 22,657	\$ 68,684	\$ 172,376
Cash with escrow agent	24,828	2,767	23,767	-
Accounts receivable	261,869	335,738	1,043,151	15,941
Notes and mortgages receivable - current	-	-	27,514	-
Due from other governments	13,500	13,500	-	-
Special assessments receivable	1,634	3,642	61,160	-
Due from other funds	122,028	-	-	-
Advances to other funds - current	-	-	50,000	-
Prepaid items	3,100	10,156	4,960	-
Inventory	16,027	3,026	353,923	-
Total current assets	<u>1,954,885</u>	<u>391,486</u>	<u>1,633,159</u>	<u>188,317</u>
Noncurrent assets				
Notes and mortgages receivable - noncurrent	-	-	160,089	-
Special assessments receivable - noncurrent	3,336	4,422	256,740	-
Advances to other funds - noncurrent	335,980	-	300,000	-
Capital assets				
Land	-	517,744	98,377	-
Buildings	2,878,778	2,546,789	406,001	-
Infrastructure	4,606,656	30,937,497	8,941,317	-
Machinery and equipment	1,663,183	438,632	3,587,376	-
Vehicles	281,317	62,122	1,074,793	-
Total capital assets	<u>9,429,934</u>	<u>34,502,784</u>	<u>14,107,864</u>	<u>-</u>
Less accumulated depreciation	<u>(4,967,636)</u>	<u>(11,505,429)</u>	<u>(8,891,724)</u>	<u>-</u>
Net capital assets	<u>4,462,298</u>	<u>22,997,355</u>	<u>5,216,140</u>	<u>-</u>
Total noncurrent assets	<u>4,801,614</u>	<u>23,001,777</u>	<u>5,932,969</u>	<u>-</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pension activity	19,407	34,080	52,176	-
Deferred outflows of resources related to OPEB	1,765	2,353	5,295	-
Total deferred outflows of resources	<u>21,172</u>	<u>36,433</u>	<u>57,471</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 6,777,671</u>	<u>\$ 23,429,696</u>	<u>\$ 7,623,599</u>	<u>\$ 188,317</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 81,185	\$ 53,646	\$ 41,687	\$ -
Advances from other funds - current	58,190	127,218	-	-
Due to other funds	-	996,399	499,647	-
Due to other governments	9,190	677	535,650	-
Accrued interest payable	4,234	33,941	4,201	-
Accrued wages payable	13,721	21,287	35,819	-
Deposits payable	-	-	24,994	-
Compensated absences payable - current	20,891	19,627	58,898	-
Notes payable - current	-	205,000	-	-
Capital lease payable - current	21,217	2,364	20,310	-
Bonds payable - current	20,000	1,108,000	105,000	-
Total current liabilities	<u>228,628</u>	<u>2,568,159</u>	<u>1,326,206</u>	<u>-</u>
Noncurrent liabilities				
Advances from other funds	23,190	678,198	-	-
Compensated absences payable - noncurrent	11,563	11,490	63,055	-
Total OPEB liability	<u>13,550</u>	<u>18,067</u>	<u>40,650</u>	<u>-</u>
Notes payable - noncurrent	-	1,524,000	-	-
Capital lease payable - noncurrent	127,303	14,186	121,862	-
Bonds payable - noncurrent	277,964	6,961,837	110,000	-
Net pension liability	186,508	327,510	501,416	-
Total noncurrent liabilities	<u>640,078</u>	<u>9,535,288</u>	<u>836,983</u>	<u>-</u>
Total liabilities	<u>868,706</u>	<u>12,103,447</u>	<u>2,163,189</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pension activity	33,379	58,615	89,739	-
Deferred inflows of resources related to OPEB	306	407	917	-
Total deferred inflows of resources	<u>33,685</u>	<u>59,022</u>	<u>90,656</u>	<u>-</u>
Net Position				
Net investment in capital assets	4,015,814	13,181,968	4,858,968	-
Unrestricted	1,859,466	(1,914,741)	510,786	188,317
Total net position	<u>5,875,280</u>	<u>11,267,227</u>	<u>5,369,754</u>	<u>188,317</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,777,365</u>	<u>\$ 23,429,289</u>	<u>\$ 7,622,682</u>	<u>\$ 188,317</u>

Refuse and Recycling (607)	Total
\$ 55,038	\$ 1,830,654
-	51,362
49,345	1,706,044
-	27,514
-	27,000
719	67,155
-	122,028
-	50,000
-	18,216
-	372,976
<u>105,102</u>	<u>4,272,949</u>
-	160,089
-	264,498
-	635,980
-	616,121
-	5,831,568
-	44,485,470
-	5,689,191
-	1,418,232
-	58,040,582
-	(25,364,789)
-	32,675,793
-	33,736,360
-	105,663
-	9,413
-	115,076
<u>\$ 105,102</u>	<u>\$ 38,124,385</u>
\$ 21,301	\$ 197,819
-	185,408
-	1,496,046
-	545,517
-	42,376
-	70,827
-	24,994
-	99,416
-	205,000
-	43,891
-	1,233,000
<u>21,301</u>	<u>4,144,294</u>
-	701,388
-	86,108
-	72,267
-	1,524,000
-	263,351
-	7,349,801
-	1,015,434
-	11,012,349
<u>21,301</u>	<u>15,156,643</u>
-	181,733
-	1,630
-	183,363
-	22,056,750
83,801	727,629
<u>83,801</u>	<u>22,784,379</u>
<u>\$ 105,102</u>	<u>\$ 38,122,755</u>

City of Le Sueur
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2019

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)	Storm Utility (605)
Operating revenues				
Charges for services	\$ 1,834,324	\$ 2,595,289	\$ 8,502,319	\$ 116,750
Permits, hookup fees and penalties	-	-	-	290
Other revenue	-	-	10,000	-
Total operating revenues	<u>1,834,324</u>	<u>2,595,289</u>	<u>8,512,319</u>	<u>117,040</u>
Operating expenses				
Source of power	10,016	-	-	-
Power and pumping	136,992	-	-	-
Purification	7,755	-	-	-
Distribution	69,027	-	-	-
Administrative and general	500,114	1,167,051	903,842	-
Sewer lift stations	-	220,714	-	-
Sewer treatment plants	-	51,035	-	-
Metering	17,986	695	-	-
Sewer cleaning and flood repair	-	32,262	-	-
Public Utilities Commission	-	317,105	-	-
Purchased power	-	-	6,471,393	-
Transmission and distribution	-	-	564,394	-
Customer collection and meter	-	-	22,566	-
Depreciation	270,059	697,346	438,747	-
Equipment	93,219	161,901	362,489	17,734
Total operating expenses	<u>1,105,168</u>	<u>2,648,109</u>	<u>8,763,431</u>	<u>17,734</u>
Operating income (loss)	729,156	(52,820)	(251,112)	99,306
Nonoperating revenues (expenses)				
Investment earnings	5,557	-	3,138	-
Rental income	6,000	5,163	-	-
Refunds and reimbursements	-	314,837	-	-
Other income	-	93,880	426,550	-
Interest and related expenses	(15,466)	(128,129)	(17,837)	-
Amortization of bond premium (discount)	664	1,837	-	-
Total nonoperating revenues (expenses)	<u>(3,245)</u>	<u>287,588</u>	<u>411,851</u>	<u>-</u>
Income (loss) before capital contributions and transfers	725,911	234,768	160,739	99,306
Capital contributions and transfers				
Connection fees	37,500	37,500	-	-
Transfers out	(87,450)	(112,550)	(500,000)	(6,000)
Special item (Note 10)	-	1,811,558	-	-
Change in net position	675,961	1,971,276	(339,261)	93,306
Beginning of year	<u>5,199,319</u>	<u>9,295,951</u>	<u>5,709,015</u>	<u>95,011</u>
End of year	<u>\$ 5,875,280</u>	<u>\$ 11,267,227</u>	<u>\$ 5,369,754</u>	<u>\$ 188,317</u>

Refuse and Recycling (607)	Total
\$ 326,023	\$ 13,374,705
-	290
-	10,000
<u>326,023</u>	<u>13,384,995</u>
-	10,016
-	136,992
-	7,755
-	69,027
273,917	2,844,924
-	220,714
-	51,035
-	18,681
-	32,262
-	317,105
-	6,471,393
-	564,394
-	22,566
-	1,406,152
-	635,343
<u>273,917</u>	<u>12,808,359</u>
52,106	576,636
-	8,695
-	11,163
-	314,837
-	520,430
-	(161,432)
-	2,501
<u>-</u>	<u>696,194</u>
52,106	1,272,830
-	75,000
<u>(12,000)</u>	<u>(718,000)</u>
-	1,811,558
40,106	2,441,388
<u>43,695</u>	<u>20,342,991</u>
<u>\$ 83,801</u>	<u>\$ 22,784,379</u>

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 1,752,626	\$ 2,706,897
Payments to suppliers	(395,322)	(889,400)
Payments to employees	(341,415)	(826,297)
Other receipts	6,000	99,043
Net cash flows - operating activities	1,021,889	1,090,243
Cash Flows - Noncapital		
Financing Activities		
Change in due from other funds	(122,028)	-
Change in due to other funds	-	(156,283)
Refunds and reimbursements	-	314,837
Transfer out	(87,450)	(112,550)
Net cash flows - noncapital financing activities	(209,478)	46,004
Cash Flows - Capital and Related		
Financing Activities		
Principal paid on debt	52,856	659,714
Interest paid on debt	(11,376)	(124,592)
Payments received on assessments receivable	485	697
Connection fees received	37,500	37,500
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(58,190)	(127,217)
Acquisition of capital assets	(291,749)	(1,556,925)
Net cash flows - capital and related financing activities	(270,474)	(1,110,823)
Cash Flows - Investing Activities		
Interest and dividends received	5,557	-
Net change in cash and cash equivalents	547,494	25,424
Cash and Cash Equivalents		
January 1	989,233	-
December 31	\$ 1,536,727	\$ 25,424

Business-Type Activities -
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 8,568,528	\$ 123,007	\$ 330,323	\$ 13,481,381
(7,524,413)	(17,734)	(273,378)	(9,100,247)
(812,755)	-	-	(1,980,467)
426,550	-	-	531,593
<u>657,910</u>	<u>105,273</u>	<u>56,945</u>	<u>2,932,260</u>
181,840	-	-	59,812
-	-	-	(156,283)
-	-	-	314,837
<u>(500,000)</u>	<u>(6,000)</u>	<u>(12,000)</u>	<u>(718,000)</u>
<u>(318,160)</u>	<u>(6,000)</u>	<u>(12,000)</u>	<u>(499,634)</u>
37,172	-	-	749,742
(14,730)	-	-	(150,698)
(166,719)	-	23	(165,514)
-	-	-	75,000
25,921	-	-	25,921
50,000	-	-	(135,407)
(182,081)	-	-	(2,030,755)
<u>(250,437)</u>	<u>-</u>	<u>23</u>	<u>(1,631,711)</u>
<u>3,138</u>	<u>-</u>	<u>-</u>	<u>8,695</u>
92,451	99,273	44,968	809,610
-	73,103	10,070	1,072,406
<u>\$ 92,451</u>	<u>\$ 172,376</u>	<u>\$ 55,038</u>	<u>\$ 1,882,016</u>

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities		
Operating income (loss)	\$ 729,156	\$ (52,820)
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	6,000	99,043
Operating activities		
Depreciation expense	270,059	697,346
Pension related activity	5,726	17,408
Accounts receivable	(68,198)	125,108
Due from other governments	(13,500)	(13,500)
Prepaid items	415	(6,641)
Inventory and land held for resale	7,076	200,076
Accounts and contracts payable	76,996	44,163
Salaries and benefits payable	4,535	107
Due to other governments	(1,910)	(29,577)
Deposits payable	-	-
OPEB related activity	(807)	(1,076)
Compensated absences payable	6,341	10,606
Total adjustments	292,733	1,143,063
Net cash flows - operating activities	\$ 1,021,889	\$ 1,090,243
Noncash capital and related Financing activities		
Capital assets acquired through transfer of operations	\$ -	\$ 2,254,656

Business-Type Activities
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ (251,112)	\$ 99,306	\$ 52,106	\$ 576,636
426,550	-	-	531,593
438,747	-	-	1,406,152
3,045	-	-	26,179
56,209	5,967	4,300	123,386
-	-	-	(27,000)
410	-	-	(5,816)
(6,337)	-	-	200,815
(9,114)	-	539	112,584
5,044	-	-	9,686
(8,328)	-	-	(39,815)
1,294	-	-	1,294
(2,421)	-	-	(4,304)
3,923	-	-	20,870
<u>909,022</u>	<u>5,967</u>	<u>4,839</u>	<u>2,355,624</u>
<u>\$ 657,910</u>	<u>\$ 105,273</u>	<u>\$ 56,945</u>	<u>\$ 2,932,260</u>

\$ - \$ - \$ - \$ 2,254,656

**City of Le Sueur
Statement of Fiduciary Net Position
December 31, 2019**

	<u>Minnesota Valley Transit Custodial Fund</u>
Assets	
Cash	\$ 71
Accounts receivable	<u>110</u>
Total assets	<u><u>\$ 181</u></u>
Net Position	
Held in trust	<u><u>\$ 181</u></u>

**Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2019**

	<u>Minnesota Valley Transit Custodial Fund</u>
Deductions	
Transit Expenses	<u>\$ 14,592</u>
Net Position	
Beginning of year	<u>14,773</u>
End of year	<u><u>\$ 181</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.

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.

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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)

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.

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.

2019 Lease Escrow Fund – This fund accounts for all resources accumulated from lease proceeds and payments made for capital purchases.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Proprietary Funds:

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

Sewer Utility Fund – This fund is used to account for the costs associated with the City's sewer 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.

Fiduciary Fund:

The Minnesota River Valley Transit Custodial Fund – This fund accounts for resources held by the City in a strictly custodial capacity.

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.

The Custodial Fund is presented in the fiduciary fund financial statements. Since, by definition these assets are being held for the benefit of a third part (other local governments, private parties, ect.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

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

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.

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 2019. 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.

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)**

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.

8. Land Held for Resale

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

9. Capital Assets

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

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Capital Assets (Continued)

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (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

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

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

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 OPEB and pensions for various estimate differences that will be amortized and recognized over future years.

11. Long-Term Obligations

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

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

12. Compensated Absences

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Pensions

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

14. Postemployment Benefits Other than Pensions

Under *Minnesota Statute* 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The total OPEB liability was determined in accordance with GASB Statement 75.

15. Fund Equity

a. Classification

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

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.

City of Le Sueur
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. Fund Equity (Continued)

a. Classification (Continued)

- Assigned Fund Balance – Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General Fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General Fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director or City Administrator.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

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

b. Minimum Fund Balance

The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unrestricted fund balance of 40% of budgeted operating expenditures for cash-flow timing needs.

16. Net Position

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

17. Use of Estimates

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

18. Budgetary Information

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

- General Fund
- Special Revenue Funds
 - Fire Service
 - Airport
 - Community Center

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

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council. No budget amendments were made during the year.

**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			
Mayor and city council	\$ 30,060	\$ 32,758	\$ 2,698
City administrator	216,810	264,460	47,650
Accounting	62,200	102,502	40,302
Planning and zoning	42,470	83,454	40,984
General government buildings	25,900	30,723	4,823
Insurance	73,500	77,747	4,247
Police training	905,400	1,038,712	133,312
Street and parks	799,170	993,636	194,466
Vehicle maintenance	22,500	35,566	13,066
Library maintenance	30,500	31,001	501
Special revenue - Community Center			
Swimming pool	59,640	83,911	24,271
School programs	311,500	375,975	64,475
Personal services	441,330	494,635	53,305
Repairs and maintenance	15,000	21,198	6,198
Administration and general	248,550	298,573	50,023
Capital outlay	-	2,798	2,798

B. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2019:

Fund	Amount
Special revenue	
Community Center	\$ 606,513
Fire Service	59,241
Airport	37,213
Capital projects	
Sidewalk Reconstruction	1,896

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

B. Deficit Fund Equity (Continued)

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, 2019, the City's bank balance of \$1,480,634 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, 2019, was \$1,316,670 for deposits. The City also had deposits with escrow agent of \$671,893 at December 31, 2019.

B. Investments

As of December 31, 2019, the City had the following investments:

Types of Investments	Credit Quality/ Ratings	Fair Value and Carrying Amount		Fair Value and Carrying Amount
		Current	1-5 years	
Minnesota Municipal Money Market				
4M Fund	N/A	\$ 1,401,165	\$ 163,899	\$ 1,565,064
4M Plus Fund	N/A	1,891,086		1,891,086
Total investments				<u>\$ 3,456,150</u>

Concentration of Credit Risk: The City's investment policy states the City will diversify its investment portfolios to reduce the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer, or a specific class of maturities.

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.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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.

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 \$450.

Deposit and investments summary

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

	Primary Government	Component Unit - EDA	Fiduciary Funds	Total
Carrying amount of deposits	\$ 1,169,034	\$ 147,565	\$ 71	\$ 1,316,670
Cash with escrow agent	671,893	-	-	\$ 671,893
Investments	3,456,150	-	-	3,456,150
Cash on hand	450	-	-	450
	<u>\$ 5,297,527</u>	<u>\$ 147,565</u>	<u>\$ 71</u>	<u>\$ 5,445,163</u>
Total cash and investments				

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, 2019, is \$5,784,177, including \$4,375,089 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.

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

NOTE 4 – NOTES AND MORTGAGES RECEIVABLE (CONTINUED)

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$1,933,382, for which they issued debt in the amount of \$2,466,000.

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

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

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Utility	\$ 969,387
Nonmajor Governmental	Sewer Utility	27,012
	Nonmajor Governmental	2,830
	Community Center	576,421
	Electric Utility	499,647
Water Utility	Nonmajor Governmental	103,095
	Debt Service	18,933
		<u> </u>
Total		<u><u>\$ 2,197,325</u></u>

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Debt Service	Water Utility	\$ 81,380
	Sewer Utility	119,436
Water Utility	Sewer Utility	335,980
Electric Utility	Sewer Utility	350,000
		<u> </u>
Total		<u><u>\$ 886,796</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.

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

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

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

NOTE 6 – INTERFUND TRANSFERS

Transfers during the year ended December 31, 2019, were as follows:

Fund	Transfer In			Total
	General	Debt Service	Nonmajor Governmental	
Transfers out				
Community Center	\$ 10,000	\$ 174,263	\$ -	\$ 184,263
Nonmajor governmental	6,000	-	-	6,000
Water Utility	-	87,450	-	87,450
Sewer Utility	-	112,550	-	112,550
Electric Utility	500,000	-	-	500,000
Storm Utility	6,000	-	-	6,000
Refuse and Recycling	12,000	-	-	12,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total transfers out	<u>\$ 534,000</u>	<u>\$ 374,263</u>	<u>\$ -</u>	<u>\$ 908,263</u>

During the year ended December 31, 2019, 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, 2019, 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	-	60,715	-	60,715
Total capital assets not being depreciated	<u>1,414,773</u>	<u>60,715</u>	<u>-</u>	<u>1,475,488</u>
Capital assets being depreciated				
Buildings	8,381,952	-	-	8,381,952
Infrastructure	12,888,400	22,486	-	12,910,886
Machinery and equipment	1,865,484	507,223	32,286	2,340,421
Vehicles	1,190,518	601,641	58,656	1,733,503
Total capital assets being depreciated	<u>24,326,354</u>	<u>1,131,350</u>	<u>90,942</u>	<u>25,366,762</u>
Less accumulated depreciation for				
Buildings	(3,374,086)	(321,334)	-	(3,695,420)
Infrastructure	(6,549,740)	(556,130)	-	(7,105,870)
Machinery and equipment	(1,549,680)	(114,174)	(32,286)	(1,631,568)
Vehicles	(715,658)	(75,159)	(58,656)	(732,161)
Total accumulated depreciation	<u>(12,189,164)</u>	<u>(1,066,797)</u>	<u>(90,942)</u>	<u>(13,165,019)</u>
Total capital assets being depreciated, net	<u>12,137,190</u>	<u>64,553</u>	<u>-</u>	<u>12,201,743</u>
Governmental activities capital assets, net	<u>\$ 13,551,963</u>	<u>\$ 125,268</u>	<u>\$ -</u>	<u>\$ 13,677,231</u>

City of Le Sueur
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2019, was as follows (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 415,653	\$ 200,468	\$ -	\$ 616,121
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>415,653</u>	<u>200,468</u>	<u>-</u>	<u>616,121</u>
Capital assets being depreciated				
Buildings	5,831,568	-	-	5,831,568
Infrastructure	40,881,783	3,603,687	-	44,485,470
Machinery and equipment	5,364,262	324,929	-	5,689,191
Vehicles	1,328,450	156,327	66,545	1,418,232
Total capital assets being depreciated	<u>53,406,063</u>	<u>4,084,943</u>	<u>66,545</u>	<u>57,424,461</u>
Less accumulated depreciation for				
Buildings	(4,261,310)	(158,470)	-	(4,419,780)
Infrastructure	(14,930,920)	(998,174)	-	(15,929,094)
Machinery and equipment	(3,968,120)	(166,823)	-	(4,134,943)
Vehicles	(864,832)	(82,685)	(66,545)	(880,972)
Total accumulated depreciation	<u>(24,025,182)</u>	<u>(1,406,152)</u>	<u>(66,545)</u>	<u>(25,364,789)</u>
Total capital assets being depreciated, net	<u>29,380,881</u>	<u>2,678,791</u>	<u>-</u>	<u>32,059,672</u>
Business-type activities capital assets, net	<u>\$ 29,796,534</u>	<u>\$ 2,879,259</u>	<u>\$ -</u>	<u>\$ 32,675,793</u>

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

Governmental activities	
General government	\$ 70,196
Public safety	118,813
Streets and parks	427,606
Culture and recreation	280,230
Transportation	<u>169,952</u>
Total depreciation expense - governmental activities	<u>\$ 1,066,797</u>

City of Le Sueur
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Business-type activities	
Water Utility	\$ 270,059
Sewer Utility	697,346
Electric Utility	<u>438,747</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,406,152</u></u>

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental activities					
G.O. Refunding					
Bonds of 2014A-library	\$ 460,000	2.00	12/01/14	12/01/22	\$ 185,000
G.O. Refunding					
Bonds of 2014A-fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	735,000
G.O. Police Capital Improvement					
Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	190,000
G.O. Street Reconstruction					
Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	460,000
G.O. Street Reconstruction					
Bond of 2017A	1,970,000	1.35-3.00	08/10/17	12/01/32	<u>1,950,000</u>
Total general obligation bonds					<u><u>\$ 3,520,000</u></u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
	2020	\$ 260,000	\$ 95,638
2021	385,000	89,562	474,562
2022	395,000	80,858	475,858
2023	340,000	71,420	411,420
2024	300,000	61,920	361,920
2025-2029	1,300,000	185,845	1,485,845
2030-2032	<u>540,000</u>	<u>32,700</u>	<u>572,700</u>
Total	<u><u>\$ 3,520,000</u></u>	<u><u>\$ 617,943</u></u>	<u><u>\$ 4,137,943</u></u>

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

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

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105% 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	\$ 410,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	<u>415,000</u>
Total general obligation improvement bonds					<u><u>\$ 825,000</u></u>

he 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
2020	\$ 515,000	\$ 21,120	\$ 536,120
2021	240,000	8,085	248,085
2022	35,000	2,205	37,205
2023	<u>35,000</u>	<u>1,103</u>	<u>36,103</u>
Total	<u><u>\$ 825,000</u></u>	<u><u>\$ 32,513</u></u>	<u><u>\$ 857,513</u></u>

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

C. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental activities					
Johnson Controls lease Revenue Bond of 2006	\$ 2,700,000	4.25 %	03/30/06	03/31/21	\$ 369,276
Health care facility Revenue Bond of 2010	5,500,000	2.90	09/17/10	09/17/35	4,256,936
Gross revenue recreational Facility Bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	<u>1,885,000</u>
Total revenue bonds					<u><u>\$ 6,511,212</u></u>

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

Year Ending December 31,	Revenue Bonds Governmental Activities		
	Principal	Interest	Total
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	327,729	278,131	605,860
2025-2029	1,910,663	1,109,679	3,020,342
2030-2034	2,498,791	523,931	3,022,722
2035	<u>204,347</u>	<u>17,992</u>	<u>222,339</u>
Total	<u><u>\$ 6,511,212</u></u>	<u><u>\$ 3,162,979</u></u>	<u><u>\$ 9,674,191</u></u>

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type activities					
G.O. Revenue Bonds of 2007 (PFA)	\$ 16,353,395	1.00 %	09/26/07	08/20/27	\$ 7,398,000
Electric Utility Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	215,000
G.O. Refunding Bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	135,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	535,000
Utility Revenue Bond of 2017A	310,000	1.35 - 3.00	08/10/17	12/01/32	290,000
					<u>\$ 8,573,000</u>
Total business-type activities					<u>\$ 8,573,000</u>

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

Year Ending December 31,	G.O. Revenue Bonds Business-Type Activities		
	Principal	Interest	Total
2020	\$ 1,233,000	\$ 104,628	\$ 1,337,628
2021	1,117,000	89,897	1,206,897
2022	1,016,000	77,758	1,093,758
2023	1,030,000	64,975	1,094,975
2024	1,044,000	51,860	1,095,860
2025-2029	3,058,000	83,000	3,141,000
2030-2031	75,000	4,500	79,500
	<u>\$ 8,573,000</u>	<u>\$ 476,618</u>	<u>\$ 9,049,618</u>
Total	<u>\$ 8,573,000</u>	<u>\$ 476,618</u>	<u>\$ 9,049,618</u>

E. Notes Payable

As part of the transfer of operations of Minnesota River Valley Public Utilities (MRVPUC) to the City of Le Sueur described in Note 10, the City has entered into an agreement with the City of Henderson to make the City of Henderson's 2007 Public Facilities Authority (PFA) debt payments until the maturity of the loan. As a result, the City has a note payable to the City of Henderson as of December 31, 2019 as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type activities					
Notes Payable	\$ 1,729,000	1.00	12/01/19	08/20/27	\$ 1,729,000

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

F. Notes Payable (Continued)

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

<u>Year Ending December 31,</u>	Notes Payable Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 205,000	\$ 25,758	\$ 230,758
2021	208,000	22,708	230,708
2022	211,000	19,608	230,608
2023	214,000	16,464	230,464
2024	218,000	13,276	231,276
2025-2027	<u>673,000</u>	<u>20,160</u>	<u>693,160</u>
Total	<u>\$ 1,729,000</u>	<u>\$ 117,974</u>	<u>\$ 1,846,974</u>

G. Capital Lease Obligations

The City has entered into a lease purchase agreement with Kinetic Leasing Inc, for the acquisition of equipment. The capital lease obligation totaled \$1,678,389. The capital lease annual principal and interest payments are listed in the table below. The assets purchased with capital lease are classified as equipment totaled \$1,568,472. The remaining capital assets expected to be purchased in subsequent year total \$109,917. The associated accumulated depreciation for these assets is \$0 for net value of \$1,568,472.

Minimum future lease payments under the capital leases as of December 31, 2019, in the aggregate were as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ 229,245
2021	280,607
2022	280,607
2023	280,607
2024	280,607
2025-2026	<u>612,576</u>
Net minimum lease payments	1,964,249
Less amount representing interest	<u>(285,860)</u>
Present value of net minimum lease payments	<u>\$ 1,678,389</u>

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

G. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 3,775,000	\$ -	\$ (255,000)	\$ 3,520,000	\$ 260,000
General obligation improvement bonds	1,325,000	-	(50,000)	1,275,000	515,000
Revenue bonds	7,040,724	-	(529,512)	6,511,212	554,471
Bond premium	98,709	-	(11,872)	86,837	-
Total bonds payable	<u>12,239,433</u>	<u>-</u>	<u>(846,384)</u>	<u>11,393,049</u>	<u>1,329,471</u>
Capital Lease Payable	<u>-</u>	<u>1,371,320</u>	<u>-</u>	<u>1,371,320</u>	<u>195,903</u>
Compensated absences payable	<u>230,917</u>	<u>196,111</u>	<u>(192,398)</u>	<u>234,630</u>	<u>111,469</u>
Governmental activity long-term liabilities	<u>\$ 12,470,350</u>	<u>\$ 1,567,431</u>	<u>\$ (1,038,782)</u>	<u>\$ 12,998,999</u>	<u>\$ 1,636,843</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 9,857,000	\$ -	\$ (1,284,000)	\$ 8,573,000	\$ 1,233,000
Bond premium	12,301	-	(2,500)	9,801	-
Total bonds payable	<u>9,869,301</u>	<u>-</u>	<u>(1,286,500)</u>	<u>8,582,801</u>	<u>1,233,000</u>
Notes Payable	<u>-</u>	<u>1,729,000</u>	<u>-</u>	<u>1,729,000</u>	<u>205,000</u>
Capital Lease Payable	<u>-</u>	<u>307,242</u>	<u>-</u>	<u>307,242</u>	<u>43,891</u>
Compensated absences payable	<u>164,654</u>	<u>144,376</u>	<u>(123,506)</u>	<u>185,524</u>	<u>99,416</u>
Business-type activity long-term liabilities	<u>\$ 10,033,955</u>	<u>\$ 2,180,618</u>	<u>\$ (1,410,006)</u>	<u>\$ 10,804,567</u>	<u>\$ 1,581,307</u>

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

H. 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>\$ 1,959,982</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
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	101,551	90,949	192,500
2025-2029	603,823	358,677	962,500
2030-2031	901,369	123,966	1,025,335
Total	<u>\$ 1,959,982</u>	<u>\$ 990,353</u>	<u>\$ 2,950,335</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
Revenue bonds payable	\$ 2,036,469	\$ -	\$ (76,487)	\$ 1,959,982	\$ 80,948

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2019, was \$296,630. 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.

City of Le Sueur
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

General Employees Retirement Plan

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.

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

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 5 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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary 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)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 2019 and 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, 2019, were \$158,638. The City's contributions were equal to the required contributions as set by state statute.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$100,748. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,791,323 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 2019. 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 \$55,664. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0324%, which was an increase of 0.0011% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 1,791,323
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>55,664</u>
Total	<u><u>\$ 1,846,987</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$180,420 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$4,169 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, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 48,544	\$ -
Changes in actuarial assumptions	-	136,156
Difference between projected and actual investment earnings	-	172,259
Changes in proportion	58,536	12,179
Contributions paid to PERA subsequent to the measurement date	79,319	-
Total	\$ 186,399	\$ 320,594

79,319 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (80,556)
2021	(116,514)
2022	(19,331)
2023	2,887
2021	-
Thereafter	-
Total	\$ (213,514)

**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, 2019, the City reported a liability of \$542,368 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0516%, which was an increase of 0.0045% from its proportionate share measured as of June 30, 2018. The City also recognized \$6,966 for the year ended December 31, 2019, 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 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$84,063 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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 following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,002	\$ 83,010
Changes in actuarial assumptions	450,560	574,046
Difference between projected and actual investment earnings	-	101,207
Changes in proportion	41,770	72,086
Contributions paid to PERA subsequent to the measurement date	50,374	-
Total	\$ 564,706	\$ 830,349

**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)

\$50,374 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (35,191)
2021	(76,982)
2022	(217,034)
2023	5,661
2024	7,529
Total	\$ (316,017)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual 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, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 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 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	0.00
	<u>100 %</u>	
Total	<u>100 %</u>	

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 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 these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following 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	\$ 2,944,839	\$ 1,791,323	\$ 838,867
	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	\$ 1,193,776	\$ 542,368	\$ (6,955)

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 – PENSION PLANS (CONTINUED)

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

A. Plan Description

The Le Sueur Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered 22 active firefighters and 5 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%.

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 \$41,310 in fire state aid to the fund for the year ended December 31, 2018. 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, 2018, were \$0. In addition, the City made voluntary contributions of \$25,000 to the plan.

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

At December 31, 2019, the City reported a net pension asset of \$144,402 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2018. 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)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at December 31, 2018	\$ 1,126,439	\$ 1,334,422	\$ (207,983)
Changes for the year			
Service cost	39,417	-	39,417
Interest on pension liability	64,251	-	64,251
Difference between expected and actual experience	(22,151)	-	(22,151)
Municipal contribution	-	25,000	(25,000)
State contributions	-	40,819	(40,819)
Projected investment return	-	80,065	(80,065)
Changes in benefit level	-	-	-
Gain or loss	-	(127,064)	127,064
Benefit payments	(190,000)	(190,000)	-
Administrative expense	-	(884)	884
	<u>(108,483)</u>	<u>(172,064)</u>	<u>63,581</u>
Balances at December 31, 2019	<u>\$ 1,017,956</u>	<u>\$ 1,162,358</u>	<u>\$ (144,402)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$32,147.

**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)

At December 31, 2019, 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	\$ 1,633	\$ 21,545
Difference between projected and actual investment earnings	60,339	-
City contributions subsequent to the measurement date	66,310	-
Total	\$ 128,282	\$ 21,545

\$66,310 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, 2020. 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:

2020	\$ 11,710
2021	2,276
2022	5,460
2023	20,981
Total	\$ 40,427

E. Actuarial Assumptions

The total pension liability at December 31, 2018, 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 2018.

**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	\$ (114,184)	\$ (144,402)	\$ (173,859)

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 Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	<u>2.0</u>	0.00
Total	<u><u>100.0 %</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 2018 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, 2019, 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.

City of Le Sueur
Notes to Financial Statements

NOTE 10 – TRANSFER OF OPERATIONS

Under an intergovernmental agreement between the City of Le Sueur and the City of Henderson, the City of Le Sueur agreed to assume ownership of the Wastewater Treatment Facility and collection system including infrastructure downstream from and including the Henderson Station Road Lift Station located at 30250 Henderson Station Road, and provide service to Henderson pursuant to a separate Sewer Wastewater Service Contract. The City of Le Sueur will be obligated to make certain payments on behalf of Henderson to the Minnesota Public Facilities Authority (PFA), and the City of Henderson will be obligated to make certain payments to the City of Le Sueur. On January 1, 2019, the Minnesota River Valley Public Utilities (MRVPUC) transferred the assets and liabilities comprising its sewer system operations to the City of Le Sueur. As a result of the transfer, the City of Le Sueur recognized the following assets, liabilities, and net position. Of the \$813,207 in net position listed below, the City of Le Sueur had previously recognized an investment in joint venture of \$443,098. As part of the agreement the City of Le Sueur received \$3,170,449 in infrastructure assets and is obligated for \$1,729,000 in notes payable to the City of Henderson. These transactions resulted in a special item for the business-type activities on the government wide financial statements and for the Sewer Fund in the enterprise fund financial statements of \$1,811,558.

	<u>Carrying Values</u>
Transferred assets	
Cash	\$ 1,094,852
Accounts receivable	56,351
Prepays	5,067
Total assets	\$ 1,156,270
Transferred liabilities	
Accounts payable	\$ 329,601
Retainage	13,462
Total liabilities	\$ 343,063
Transferred net position	
Unrestricted	\$ 813,207

NOTE 11 – CONTINGENCIES

A. Legal Claims

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

B. Grants

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

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

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. There are 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 2019, the City contributed \$24,120 to the plan.

D. Members

As of December 31, 2019, the following were covered by the benefit terms:

Retirees receiving payments	3
Spouses receiving payments	2
Active employees	24
	<hr/>
Total	29
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**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, 2019, 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

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, 2019, valuation was 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.

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

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of \$185,184 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

	<u>Total OPEB Liability</u>
Balances at January 1, 2019	\$ 192,790
Changes for the year	
Service cost	11,582
Interest	6,404
Differences between expected and actual economic experience	-
Assumption changes	(4,774)
Net investment income	-
Benefit payments	(20,818)
Administrative expense	-
Other charges	-
Net changes	<u>(7,606)</u>
Balances at December 31, 2019	<u><u>\$ 185,184</u></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 3.8% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (2.8%)	Current (3.8%)	1% increase (4.8%)
\$ 196,960	\$ 185,184	\$ 174,251

**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 (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
\$ 168,091	\$ 185,184	\$ 205,453

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$17,389. At December 31, 2019, 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	-	4,177
Contributions subsequent to the measurement date	24,120	-
Total	\$ 24,120	\$ -

\$24,120 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, 2020.

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, 2019, the City generated \$145,272 in tax increment revenue and made \$233,850 in payments to developers.

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

- 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, 2019, the City generated \$20,596 of tax increment revenue and made payments on the pay-as-you-go note of \$19,566. 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 an eighteen-year period. During the year ended December 31, 2019, 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 \$1,652,057.

NOTE 15– CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the Minnesota River Valley Transit fiduciary fund was reclassified from an agency fund to a custodial fund.

City of Le Sueur
Notes to Financial Statements

NOTE 16– NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

NOTE 17– SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total OPEB Liability		
Service cost	\$ 11,582	\$ 12,193
Interest	6,404	6,424
Differenced between expected and actual experience	-	-
Changes of assumptions	(4,774)	-
Changes of benefit terms	-	-
Benefit payments	(20,818)	(16,468)
Other changes	-	-
Net change in total OPEB liability	<u>(7,606)</u>	<u>2,149</u>
Beginning of year	<u>192,790</u>	<u>190,641</u>
End of year	<u>\$ 185,184</u>	<u>\$ 192,790</u>
Covered-employee payroll	\$ 1,627,080	\$ 1,579,689
Total OPEB liability as a percentage of covered-employee payroll	11.38%	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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- Employee	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0324%	\$ 1,791,323	\$ 55,664	\$ 1,846,987	\$ 2,292,947	78.12%	80.23%
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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0516%	\$ 542,368	\$ 557,377	97.31%	89.26%
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
2019	\$ 158,638	\$ 158,638	\$ -	\$ 2,115,173	7.5%
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
2019	\$ 100,748	\$ 100,748	\$ -	\$ 621,901	16.2%
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

	2018	2017	2016	2015	2014
Total pension liability (TPL)					
Service cost	\$ 39,417	\$ 40,458	\$ 36,734	\$ 35,664	\$ 34,604
Interest on the pension liability	64,251	56,673	51,513	46,929	43,185
Actuarial experience (gains)/losses	(22,151)	2,723	(5,964)	(7,206)	(14,859)
Changes in benefit level	-	122,478	-	-	-
Benefit payments	(190,000)	-	-	-	-
Net change in TPL	<u>(108,483)</u>	<u>222,332</u>	<u>82,283</u>	<u>75,384</u>	<u>62,930</u>
TPL - beginning	<u>1,126,439</u>	<u>904,107</u>	<u>821,824</u>	<u>746,440</u>	<u>685,151</u>
TPL - ending	<u>\$ 1,017,956</u>	<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	\$ 32,973	\$ 32,650	\$ 32,998	\$ 33,106	\$ 31,404
Fire supplemental aid	7,846	7,900	8,005	8,100	7,598
Supplemental benefit reimbursement	-	-	-	-	-
Voluntary municipal contribution	25,000	50,000	-	25,000	17,602
Required municipal contribution	-	-	-	-	7,588
Adjustment to initial asset transfer	-	-	-	-	-
Net investment income	(46,999)	146,233	69,324	985	53,719
PERA administrative fee	(810)	(810)	(810)	(810)	(810)
Auditor/accounting fee	-	-	-	-	-
SBI investment fee	(74)	(68)	(76)	(31)	-
Benefit payments	(190,000)	-	-	-	-
Net change in PFNP	<u>(172,064)</u>	<u>235,905</u>	<u>109,441</u>	<u>66,351</u>	<u>117,101</u>
PFNP - beginning	<u>1,334,422</u>	<u>1,098,516</u>	<u>989,074</u>	<u>922,723</u>	<u>805,622</u>
PFNP - ending	<u>\$ 1,162,358</u>	<u>\$ 1,334,421</u>	<u>\$ 1,098,515</u>	<u>\$ 989,074</u>	<u>\$ 922,723</u>
Net pension asset - ending	<u>\$ (144,402)</u>	<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	114.2%	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

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

City of Le Sueur
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

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 was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

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.

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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

City of Le Sueur
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

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.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

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 single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

SUPPLEMENTARY INFORMATION

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue	Capital Projects	Total Nonmajor Governmental
Assets			
Cash and investments	\$ -	\$ 514,102	\$ 514,102
Cash with escrow agent	-	229,245	229,245
Accounts receivable	18,024	1,898	19,922
Notes and mortgages receivable	-	14,770	14,770
Special assessments receivable	-	4,994	4,994
Due from other governments	4,906	-	4,906
Advances to component unit	-	153,233	153,233
Due from other funds	-	1,105,910	1,105,910
Inventory	4,978	-	4,978
Prepaid items	290	-	290
	<u>\$ 28,198</u>	<u>\$ 2,024,152</u>	<u>\$ 2,052,350</u>
Liabilities			
Accounts payable	\$ 19,516	\$ 42,221	\$ 61,737
Due to other governments	743	3,667	4,410
Accrued wages payable	364	-	364
Due to other funds	104,029	1,896	105,925
Total liabilities	<u>124,652</u>	<u>47,784</u>	<u>172,436</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>4,994</u>	<u>4,994</u>
Fund Balances			
Nonspendable for			
Prepaid items	290	-	290
Inventory	4,978	-	4,978
Assigned for			
Capital projects	-	1,973,270	1,973,270
Unassigned	(101,722)	(1,896)	(103,618)
Total fund balances	<u>(96,454)</u>	<u>1,971,374</u>	<u>1,874,920</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,198</u>	<u>\$ 2,024,152</u>	<u>\$ 2,052,350</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 815,653	\$ 815,653
Special assessments	-	2,622	2,622
Intergovernmental	67,686	-	67,686
Charges for services	185,224	11,560	196,784
Miscellaneous	5,823	16,955	22,778
Total revenues	<u>258,733</u>	<u>846,790</u>	<u>1,105,523</u>
Expenditures			
Current			
Public safety	186,261	-	186,261
Transportation	82,223	-	82,223
Parks and recreation	-	73,162	73,162
Capital outlay			
General government	-	124,024	124,024
Public safety	16,131	141,111	157,242
Streets and parks	-	405,168	405,168
Parks and recreation	-	112,454	112,454
Transportation	200	5,000	5,200
Total expenditures	<u>284,815</u>	<u>860,919</u>	<u>1,145,734</u>
Excess of revenues under expenditures	(26,082)	(14,129)	(40,211)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	50,632	50,632
Proceeds from Capital Leases	-	-	-
Transfers out	(6,000)	-	(6,000)
Total other financing sources (uses)	<u>(6,000)</u>	<u>50,632</u>	<u>44,632</u>
Net change in fund balances	(32,082)	36,503	4,421
Fund Balances			
Beginning of year	<u>(64,372)</u>	<u>1,934,871</u>	<u>1,870,499</u>
End of year	<u>\$ (96,454)</u>	<u>\$ 1,971,374</u>	<u>\$ 1,874,920</u>

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2019**

	Special Revenue		
	Fire Service (225)	Airport (235)	Total
Assets			
Accounts receivable	\$ 18,024	\$ -	\$ 18,024
Due from other governments	-	4,906	4,906
Inventory	-	4,978	4,978
Prepaid Items	290	-	290
Total assets	<u>\$ 18,314</u>	<u>\$ 9,884</u>	<u>\$ 28,198</u>
Liabilities			
Accounts payable	\$ 8,224	\$ 11,292	\$ 19,516
Due to other governments	365	378	743
Accrued wages payable	-	364	364
Due to other funds	68,966	35,063	104,029
Total liabilities	<u>77,555</u>	<u>47,097</u>	<u>124,652</u>
Fund Balances			
Nonspendable for			
Prepaid items	290	-	290
Inventory	-	4,978	4,978
Unassigned	(59,531)	(42,191)	(101,722)
Total fund balances	<u>(59,241)</u>	<u>(37,213)</u>	<u>(96,454)</u>
Total liabilities and fund balances	<u>\$ 18,314</u>	<u>\$ 9,884</u>	<u>\$ 28,198</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2019

	Special Revenue		Total
	Fire Service (225)	Airport (235)	
Revenues			
Intergovernmental	\$ 52,420	\$ 15,266	\$ 67,686
Charges for services	129,866	55,358	185,224
Miscellaneous	5,823	-	5,823
Total revenues	<u>188,109</u>	<u>70,624</u>	<u>258,733</u>
Expenditures			
Current			
Public safety	186,261	-	186,261
Transportation	-	82,223	82,223
Capital outlay			
Public safety	16,131	-	16,131
Transportation	-	200	200
Total expenditures	<u>202,392</u>	<u>82,423</u>	<u>284,815</u>
Excess of revenues over (under) expenditures	<u>(14,283)</u>	<u>(11,799)</u>	<u>(26,082)</u>
Other Financing Sources (Uses)			
Transfers out	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balances	(20,283)	(11,799)	(32,082)
Fund Balances			
Beginning of year	<u>(38,958)</u>	<u>(25,414)</u>	<u>(64,372)</u>
End of year	<u>\$ (59,241)</u>	<u>\$ (37,213)</u>	<u>\$ (96,454)</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2019

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Intergovernmental			
State fire aid	\$ -	\$ 41,310	\$ 41,310
Miscellaneous	-	11,110	11,110
Total intergovernmental	<u>-</u>	<u>52,420</u>	<u>52,420</u>
Charges for services			
Public safety	<u>125,000</u>	<u>129,866</u>	<u>4,866</u>
Miscellaneous			
Contributions and donations	-	4,620	4,620
Refunds and reimbursements	-	1,203	1,203
Total miscellaneous	<u>-</u>	<u>5,823</u>	<u>5,823</u>
Total revenues	<u>125,000</u>	<u>188,109</u>	<u>63,109</u>
Expenditures			
Current			
Public safety			
Administration			
Personal services	34,600	82,163	47,563
Supplies	1,150	1,540	390
Other services and charges	10,500	10,252	(248)
Total administration	<u>46,250</u>	<u>93,955</u>	<u>47,705</u>
Fire fighting			
Personal services	41,400	42,290	890
Supplies	3,500	3,685	185
Total fire fighting	<u>44,900</u>	<u>45,975</u>	<u>1,075</u>
Prevention			
Other services and charges	5,500	13,582	8,082
Training			
Supplies	2,500	11,470	8,970
Other services and charges	3,000	3,362	362
Total training	<u>5,500</u>	<u>14,832</u>	<u>9,332</u>
Communications			
Other services and charges	1,250	1,662	412
Repair services			
Supplies	1,000	6,317	5,317
Other services and charges	1,100	339	(761)
Total repair services	<u>2,100</u>	<u>6,656</u>	<u>4,556</u>
Stations and buildings			
Other services and charges	<u>11,500</u>	<u>9,599</u>	<u>(1,901)</u>
Total public safety - current	<u>117,000</u>	<u>186,261</u>	<u>69,261</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Capital outlay			
Public safety			
Fire fighting	\$ 3,000	\$ 16,131	\$ 13,131
Total expenditures	120,000	202,392	82,392
Excess of revenues over (under) expenditures	5,000	(14,283)	(19,283)
Other Financing Uses			
Transfers out	(6,000)	(6,000)	-
Net change in fund balance	\$ (1,000)	(20,283)	\$ (19,283)
Fund Balance			
Beginning of year		(38,958)	
End of year		\$ (59,241)	

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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, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Intergovernmental			
State			
Airport operating grant	\$ 15,000	\$ 15,266	\$ 266
Charges for services			
Rent	13,300	10,737	(2,563)
Miscellaneous	30,000	44,621	14,621
Total charges for services	43,300	55,358	12,058
Total revenues	58,300	70,624	12,324
Expenditures			
Current			
Fields, runway, and ramps			
Personal services	14,370	11,333	(3,037)
Other services and charges	7,000	3,924	(3,076)
Total fields, runways, and ramps	21,370	15,257	(6,113)
Terminal buildings and public areas			
Supplies	29,500	33,670	4,170
Other services and charges	13,165	33,296	20,131
Total terminal buildings and public areas	42,665	66,966	24,301
Capital outlay			
Fields, runway, and ramps			
Miscellaneous	600	200	(400)
Total expenditures	64,635	82,423	17,788
Excess of revenues over (under) expenditures	\$ (6,335)	\$ (11,799)	\$ (5,464)
Fund Balance			
Beginning of year		(25,414)	
End of year		\$ (37,213)	

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Capital Projects Funds
December 31, 2019**

	Capital Projects		
	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Assets			
Cash and investments	\$ -	\$ -	\$ 374,220
Cash with Fiscal Agent	-	229,245	-
Accounts receivable	-	1,898	-
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Deferred	2,497	-	-
Due from other funds	-	1,080,772	25,138
Advances to component unit	-	-	153,233
	<u>-</u>	<u>-</u>	<u>153,233</u>
Total assets	<u>\$ 2,497</u>	<u>\$ 1,311,915</u>	<u>\$ 552,591</u>
Liabilities			
Accounts payable	\$ -	\$ 42,221	\$ -
Due to other funds	1,896	-	-
Due to Other Governments	-	3,667	-
Total liabilities	<u>1,896</u>	<u>45,888</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>2,497</u>	<u>-</u>	<u>-</u>
Fund Balances			
Assigned for capital projects	-	1,266,027	552,591
Unassigned	(1,896)	-	-
Total fund balances	<u>(1,896)</u>	<u>1,266,027</u>	<u>552,591</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,497</u>	<u>\$ 1,311,915</u>	<u>\$ 552,591</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Pavement Management Plan (416)	Total
\$ 102,678	\$ 33,456	\$ 3,748	\$ 514,102
-	-	-	229,245
-	-	-	1,898
14,770	-	-	14,770
2,497	-	-	4,994
-	-	-	1,105,910
-	-	-	153,233
<u>\$ 119,945</u>	<u>\$ 33,456</u>	<u>\$ 3,748</u>	<u>\$ 2,024,152</u>
\$ -	\$ -	\$ -	\$ 42,221
-	-	-	1,896
-	-	-	3,667
-	-	-	47,784
<u>2,497</u>	<u>-</u>	<u>-</u>	<u>4,994</u>
117,448	33,456	3,748	1,973,270
-	-	-	(1,896)
<u>117,448</u>	<u>33,456</u>	<u>3,748</u>	<u>1,971,374</u>
<u>\$ 119,945</u>	<u>\$ 33,456</u>	<u>\$ 3,748</u>	<u>\$ 2,024,152</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Projects Funds
Year Ended December 31, 2019

	Capital Projects		
	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Revenues			
Property taxes	\$ -	\$ 743,000	\$ 72,653
Special assessments	2,622	-	-
Charges for services	-	11,560	-
Investment earnings	-	1,514	-
Loan repayments	-	-	-
Contributions and donations	-	11,962	-
Refunds and reimbursements	-	2,538	419
Total revenues	<u>2,622</u>	<u>770,574</u>	<u>73,072</u>
Expenditures			
Current			
Park and Recreation	-	-	-
Capital outlay			
General government	-	124,024	-
Public safety	-	141,111	-
Streets and parks	-	382,284	-
Culture and recreation	-	112,454	-
Transportation	-	5,000	-
Total expenditures	<u>-</u>	<u>764,873</u>	<u>-</u>
Excess of revenues over (under) expenditures	2,622	5,701	73,072
Other Financing Sources			
Proceeds from sale of capital asset	-	50,632	-
Proceeds from capital leases	-	-	-
Total other financing sources	<u>-</u>	<u>50,632</u>	<u>-</u>
Net change in fund balances	2,622	56,333	73,072
Fund Balances			
Beginning of year	<u>(4,518)</u>	<u>1,209,694</u>	<u>479,519</u>
End of year	<u>\$ (1,896)</u>	<u>\$ 1,266,027</u>	<u>\$ 552,591</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	Pavement Management Plan (416)	Total
\$ -	\$ -	\$ -	\$ 815,653
-	-	-	2,622
-	-	-	11,560
-	36	-	1,550
486	-	-	486
-	-	-	11,962
-	-	-	2,957
<u>486</u>	<u>36</u>	<u>-</u>	<u>846,790</u>
-	73,162	-	73,162
-	-	-	124,024
-	-	-	141,111
-	-	22,884	405,168
-	-	-	112,454
-	-	-	5,000
<u>-</u>	<u>73,162</u>	<u>22,884</u>	<u>860,919</u>
486	(73,126)	(22,884)	(14,129)
-	-	-	50,632
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>50,632</u>
486	(73,126)	(22,884)	36,503
<u>116,962</u>	<u>106,582</u>	<u>26,632</u>	<u>1,934,871</u>
<u>\$ 117,448</u>	<u>\$ 33,456</u>	<u>\$ 3,748</u>	<u>\$ 1,971,374</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 737,150	\$ 760,599	\$ 23,449
Franchise fees	37,500	15,005	(22,495)
Licenses and permits			
Business	8,600	10,830	2,230
Nonbusiness	111,300	93,008	(18,292)
Total licenses and permits	<u>119,900</u>	<u>103,838</u>	<u>(16,062)</u>
Intergovernmental			
State			
Local government aid	977,470	977,470	-
Property tax credits and aids	-	841	841
Police aid	59,000	62,590	3,590
Other state aids	8,000	41,255	33,255
County			
Highway aid	28,000	51,645	23,645
Total intergovernmental	<u>1,072,470</u>	<u>1,133,801</u>	<u>61,331</u>
Charges for services			
General government	41,483	12,555	(28,928)
Public safety	6,500	6,027	(473)
Streets and highways	1,500	885	(615)
Culture and recreation	3,000	2,202	(798)
Housing and economic development	107,370	-	(107,370)
Total charges for services	<u>159,853</u>	<u>21,669</u>	<u>(138,184)</u>
Fines and forfeits	24,000	29,761	5,761
Interest earnings	5,500	30,444	24,944
Miscellaneous			
Refunds and reimbursements	81,000	65,666	(15,334)
Other	11,000	10,515	(485)
Total miscellaneous	<u>92,000</u>	<u>76,381</u>	<u>(15,619)</u>
Total revenues	<u>\$ 2,248,373</u>	<u>\$ 2,171,498</u>	<u>\$ (76,875)</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
General government			
Mayor and City Council			
Personal services	\$ 23,060	\$ 29,264	\$ 6,204
Supplies	5,000	1,857	(3,143)
Other services and charges	2,000	1,637	(363)
Total Mayor and City Council	<u>30,060</u>	<u>32,758</u>	<u>2,698</u>
City administrator			
Personal services	151,310	139,434	(11,876)
Other services and charges	65,500	125,026	59,526
Total City Administrator	<u>216,810</u>	<u>264,460</u>	<u>47,650</u>
Accounting			
Personal services	38,700	43,143	4,443
Supplies	500	-	(500)
Other services and charges	23,000	59,359	36,359
Total accounting	<u>62,200</u>	<u>102,502</u>	<u>40,302</u>
City attorney			
Other services and charges	17,500	10,062	(7,438)
Planning and zoning			
Personal services	31,770	27,091	(4,679)
Other services and charges	10,700	56,363	45,663
Total planing and zoning	<u>42,470</u>	<u>83,454</u>	<u>40,984</u>
General government buildings			
Supplies	400	78	(322)
Other services and charges	25,500	30,645	5,145
Total general government buildings	<u>25,900</u>	<u>30,723</u>	<u>4,823</u>
Insurance			
Workers' compensation	46,000	43,700	(2,300)
Property and liability	27,500	34,047	6,547
Total insurance	<u>73,500</u>	<u>77,747</u>	<u>4,247</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
General governmental (continued)			
LSH Healthy Communities			
Personal services	\$ 23,733	\$ -	\$ (23,733)
Miscellaneous			
Other charges	51,500	127,322	75,822
Safety and wellness program	12,000	978	(11,022)
Projects	225,000	102,309	(122,691)
Total miscellaneous	<u>288,500</u>	<u>230,609</u>	<u>(57,891)</u>
Total general government	<u>780,673</u>	<u>832,315</u>	<u>51,642</u>
Public safety			
Police training			
Personal services	786,100	882,248	96,148
Supplies	12,600	17,829	5,229
Other services and charges	106,700	138,635	31,935
Total crime control and investigations	<u>905,400</u>	<u>1,038,712</u>	<u>133,312</u>
Communication services			
Other services and charges	<u>2,300</u>	<u>1,710</u>	<u>(590)</u>
Automotive services			
Supplies	12,500	12,277	(223)
Other services and charges	6,000	5,917	(83)
Total automotive services	<u>18,500</u>	<u>18,194</u>	<u>(306)</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public safety (Continued)			
Building inspection			
Personal services	\$ 112,760	\$ 110,454	\$ (2,306)
Supplies	1,500	317	(1,183)
Other services and charges	4,700	1,686	(3,014)
Total building inspection	<u>118,960</u>	<u>112,457</u>	<u>(6,503)</u>
Animal control			
Other services and charges	15,000	14,114	(886)
Total public safety	<u>1,060,160</u>	<u>1,185,187</u>	<u>125,027</u>
Streets and parks			
Streets and parks			
Personal services	569,070	611,752	42,682
Supplies	120,850	169,495	48,645
Other services and charges	109,250	212,389	103,139
Total streets and alleys	<u>799,170</u>	<u>993,636</u>	<u>194,466</u>
Vehicle maintenance			
Capital outlay	<u>22,500</u>	<u>35,566</u>	<u>13,066</u>
Total streets and parks	<u>821,670</u>	<u>1,029,202</u>	<u>207,532</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Culture and recreation			
Library maintenance			
Other services and charges	\$ 30,500	\$ 31,001	501
Housing and economic development			
Personal services	107,370	-	(107,370)
Total expenditures	2,800,373	3,077,705	277,332
Excess of revenues over (under) expenditures	(552,000)	(906,207)	(354,207)
Other Financing Sources (Uses)			
Transfers in	552,000	534,000	(18,000)
Net change in fund balance	\$ -	(372,207)	\$ (372,207)
Fund Balance			
Beginning of year		1,310,621	
End of year		\$ 938,414	

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Community Center Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Over (Under)
	Original and Final				
Revenues					
Taxes					
Property taxes	\$ 445,283		\$ 445,283		\$ -
Charges for services					
Culture and recreation	765,000		634,297		(130,703)
Miscellaneous					
Contributions and donations	-		2,622		2,622
Other	50,000		43,384		(6,616)
Total miscellaneous	50,000		46,006		(3,994)
Total revenues	1,260,283		1,125,586		(134,697)
Expenditures					
Culture and recreation					
Swimming pool					
Personal services	23,440		43,909		20,469
Supplies	8,500		7,362		(1,138)
Other services and charges	27,700		32,640		4,940
Total swimming pool	59,640		83,911		24,271
School programs					
Other services and charges	311,500		375,975		64,475
Personal services					
Personal services	441,330		494,635		53,305
Repairs and maintenance					
Supplies	3,000		10,045		7,045
Other services and charges	12,000		11,153		(847)
Total repairs and maintenance	15,000		21,198		6,198
Administration and general					
Supplies	61,450		67,071		5,621
Other services and charges	187,100		231,502		44,402
Total administration and general	248,550		298,573		50,023
Capital outlay					
Culture and recreation	-		2,798		2,798
Total expenditures	1,076,020		1,277,090		201,070
Excess of revenues over (under) expenditures	184,263		(151,504)		(335,767)
Other Financing Uses					
Transfers out	(184,263)		(184,263)		-
Net change in fund balance	\$ -		(335,767)		\$ (335,767)
Fund Balance					
Beginning of year			(270,746)		
End of year			\$ (606,513)		

**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2019**

	Debt Service		
	2014A Recreational Facilities Bonds (301)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
Assets			
Cash and investments	\$ 153,716	\$ 28,264	\$ 32,053
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Current	-	-	-
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	-	-
Due from other governments	-	-	-
Advances to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 153,716</u>	<u>\$ 28,264</u>	<u>\$ 32,053</u>
Liabilities			
Accounts payable	\$ 3,300	\$ 200	\$ 930
Due to other funds	-	-	-
Total liabilities	<u>3,300</u>	<u>200</u>	<u>930</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	-	-
Fund Balances			
Restricted for debt service	<u>150,416</u>	<u>28,064</u>	<u>31,123</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 153,716</u>	<u>\$ 28,264</u>	<u>\$ 32,053</u>

Debt Service

2002 G.O. Fire Station Bonds (310)	2006C G.O. Johnson Controls (316)	2008 G.O. Tax Abatement Bonds (318)	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2002 G.O. Improvement Bonds (505)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)
\$ 50,751	\$ -	\$ -	\$ 8,234	\$ 4,403	\$ 69,437	\$ 148,905
-	161,706	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	448	15,192
-	7,170	-	-	-	2,962	322,214
-	-	-	-	1,321	-	-
-	-	-	-	-	-	70,000
<u>\$ 50,751</u>	<u>\$ 168,876</u>	<u>\$ -</u>	<u>\$ 8,234</u>	<u>\$ 5,724</u>	<u>\$ 72,847</u>	<u>\$ 556,311</u>
\$ 2,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,366
-	11,443	7,490	-	-	-	-
<u>2,170</u>	<u>11,443</u>	<u>7,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,366</u>
-	-	-	-	-	3,410	337,406
48,581	157,433	(7,490)	8,234	5,724	69,437	216,539
<u>\$ 50,751</u>	<u>\$ 168,876</u>	<u>\$ -</u>	<u>\$ 8,234</u>	<u>\$ 5,724</u>	<u>\$ 72,847</u>	<u>\$ 556,311</u>

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**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2019**

	Debt Service			Total
	2006A G.O. Improvement/ 2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	2017A G.O. Street Reconstruction Bond (314)	
Assets				
Cash and investments	\$ 60,362	\$ 30,413	\$ 77,979	\$ 664,517
Notes and mortgages receivable	-	-	-	161,706
Special assessments receivable				
Current	514	-	-	514
Delinquent	2,096	-	1,617	19,353
Deferred	82,643	-	277,138	684,957
Accounts Receivable	-	-	-	7,170
Due from other governments	-	-	-	1,321
Advances to other funds	130,816	-	-	200,816
	<u>\$ 276,431</u>	<u>\$ 30,413</u>	<u>\$ 356,734</u>	<u>\$ 1,740,354</u>
Liabilities				
Accounts payable	\$ -	\$ 200	\$ 200	\$ 9,366
Due to other funds	-	-	-	18,933
Total liabilities	<u>-</u>	<u>200</u>	<u>200</u>	<u>28,299</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	84,739	-	278,755	704,310
Fund Balances				
Restricted for debt service	<u>191,692</u>	<u>30,213</u>	<u>77,779</u>	<u>1,007,745</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 276,431</u>	<u>\$ 30,413</u>	<u>\$ 356,734</u>	<u>\$ 1,740,354</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2019

	Debt Service		
	2014A Recreational Facilities Bonds (301)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
Revenues			
Property taxes	\$ -	\$ -	\$ 68,000
Special assessments	-	-	-
Miscellaneous			
Investment earnings	186	-	-
Other interest	-	-	-
Total revenues	<u>186</u>	<u>-</u>	<u>68,000</u>
Expenditures			
Debt Service			
Principal	90,000	-	60,000
Interest and other	86,154	591	16,324
Total expenditures	<u>176,154</u>	<u>591</u>	<u>76,324</u>
Excess of revenues over (under) expenditures	(175,968)	(591)	(8,324)
Other Financing Sources (Uses)			
Transfers in	174,263	-	-
Total other financing sources (uses)	<u>174,263</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,705)	(591)	(8,324)
Fund Balances			
Beginning of year	<u>152,121</u>	<u>28,655</u>	<u>39,447</u>
End of year	<u>\$ 150,416</u>	<u>\$ 28,064</u>	<u>\$ 31,123</u>

Debt Service

2002 G.O. Fire Station Bonds (310)	2006C G.O. Johnson Controls (316)	2008 G.O. Tax Abatement Bonds (318)	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2002 G.O. Improvement Bonds (505)	2005 G.O. Improvement /2011B Refunding Bonds (507)
\$ 87,000	\$ 167,000	\$ -	\$ 57,000	\$ 2,642	\$ -	\$ 59,000
-	-	-	-	-	-	149,989
-	-	-	-	-	-	166
-	10,100	-	-	-	-	-
<u>87,000</u>	<u>177,100</u>	<u>-</u>	<u>57,000</u>	<u>2,642</u>	<u>-</u>	<u>209,155</u>
70,000	233,555	-	45,000	-	-	305,000
23,370	23,557	3,100	10,252	-	391	20,386
<u>93,370</u>	<u>257,112</u>	<u>3,100</u>	<u>55,252</u>	<u>-</u>	<u>391</u>	<u>325,386</u>
(6,370)	(80,012)	(3,100)	1,748	2,642	(391)	(116,231)
-	-	-	-	-	-	80,000
-	-	-	-	-	-	80,000
(6,370)	(80,012)	(3,100)	1,748	2,642	(391)	(36,231)
54,951	237,445	(4,390)	6,486	3,082	69,828	252,770
<u>\$ 48,581</u>	<u>\$ 157,433</u>	<u>\$ (7,490)</u>	<u>\$ 8,234</u>	<u>\$ 5,724</u>	<u>\$ 69,437</u>	<u>\$ 216,539</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, 2019

	Debt Service			Total
	2006A G.O. Improvement /2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	2017A G.O. Street Reconstruction Bond (314)	
Revenues				
Property taxes	\$ 66,000	\$ 77,000	\$ 15,000	\$ 598,642
Special assessments	34,083	-	44,538	228,610
Miscellaneous				
Investment earnings	-	-	-	352
Other interest	-	-	-	10,100
Total revenues	<u>100,083</u>	<u>77,000</u>	<u>59,538</u>	<u>837,704</u>
Expenditures				
Debt Service				
Principal	195,000	60,000	20,000	1,078,555
Interest and other	14,039	17,345	52,844	268,353
Total expenditures	<u>209,039</u>	<u>77,345</u>	<u>72,844</u>	<u>1,346,908</u>
Excess of revenues over (under) expenditures	(108,956)	(345)	(13,306)	(509,204)
Other Financing Sources (Uses)				
Transfers in	87,000	-	33,000	374,263
Total other financing sources (uses)	<u>87,000</u>	<u>-</u>	<u>33,000</u>	<u>374,263</u>
Net change in fund balances	(21,956)	(345)	19,694	(134,941)
Fund Balances				
Beginning of year	213,648	30,558	58,085	1,142,686
End of year	<u>\$ 191,692</u>	<u>\$ 30,213</u>	<u>\$ 77,779</u>	<u>\$ 1,007,745</u>

City of Le Sueur
Balance Sheet - Component Unit -
Le Sueur Economic Development Authority
December 31, 2019

Assets		
Cash and investments	\$	147,565
Notes receivable		1,933,382
Land held for resale		<u>1,559,472</u>
Total assets	\$	<u><u>3,640,419</u></u>
Liabilities		
Accounts payable	\$	643
Due to component unit/primary government		823,541
Due to other governments		35,541
Unearned revenue		<u>2,500</u>
Total liabilities		<u>862,225</u>
Fund Balance		
Unassigned		<u>2,778,194</u>
Total liabilities and fund balance	\$	<u><u>3,640,419</u></u>
 Reconciliation of the balance sheet to the statement of net position		
Fund balance	\$	2,778,194
 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		(1,959,982)
 Governmental fund statements do not report a liability for accrued interest until due and payable.		
		<u>(32,536)</u>
Net position	\$	<u><u>785,676</u></u>

City of Le Sueur
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit -
Le Sueur Economic Development Authority
Year Ended December 31, 2019

Revenues		
Tax increments	\$ 166,180	
Payments from primary government	37,000	
Land rental	16,205	
Investment income	457	
Other	119,787	
Total revenues	<u>339,629</u>	
Expenditures		
Current		
Economic development	\$ 321,499	
Debt service		
Principal	76,487	
Interest and fiscal charges	116,013	
Total expenditures	<u>513,999</u>	
Excess of revenues under expenditures	(174,370)	
Fund Balance		
Beginning of year	<u>2,952,564</u>	
End of year	<u><u>\$ 2,778,194</u></u>	
Reconciliation of the schedule of revenues, expenditures, and changes in fund balance to the Statement of Activities.		
Net change in fund balance	\$ (174,370)	
Principal payments on long-term debt are recognized as expenditures in the funds but have no effect on net position.	76,487	
Debt forgiveness increases net position but has no effect on fund balance.	810,000	
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.	<u>235,413</u>	
Change in net position	<u><u>\$ 947,530</u></u>	

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Sueur, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 28, 2020.

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.

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. 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.

Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

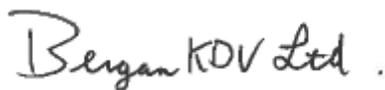
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's Responses to Findings

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

Purpose of this Report

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



Minneapolis, Minnesota
April 28, 2020

Minnesota Legal Compliance

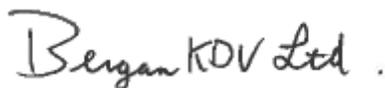
Independent Auditor's Report

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, 2019, and the related notes to financial statements, and have issued our report thereon date April 28, 2020.

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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "BergankDV Ltd." in a cursive, slightly stylized font.

Minneapolis, Minnesota
April 28, 2020

**City of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2019**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS

Significant Deficiencies:

Audit Finding 2019-001 – 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 77%. 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.

Audit Finding 2019-002 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2019, 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.
- 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 of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2019**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)

Significant Deficiencies (Continued):

Audit Finding 2019-002 – Lack of Segregation of Accounting Duties (Continued)

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 FINDINGS

Audit Finding 2019-003 – Prompt Payment to Vendors

Minnesota Statutes 471.425, Subdivision 2 states a municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. Standard payment period is defined as follows: for municipalities whose governing boards regularly meet at least once a month, the standard payment period is defined as 45 days after receipt of the goods or services or the invoice for the goods or services, whichever is later.

During our audit, we noted two invoices selected for testing that were paid past the 45-day deadline for standard payments.

City's Response:

The City will review the payment process to ensure compliance with *Minnesota Statutes* § 471.425.

Audit Finding 2019-004 - Develop Electronic or Wire Transfers Policies and Procedures

Minnesota Statutes § 471.381 states if a city uses electronic funds transfers (EFT) to pay claims or make investments, electronic identifiers must be used to authenticate or validate this action was approved by the governing board. The City Council must also establish policies and procedures to ensure the validity of approvals. The Statutes provide the following controls relating to EFT as follows:

The City Council shall annually delegate the authority to make EFT to a designated business administrator. The disbursing bank shall keep on file a certified copy of the delegation of authority. The initiator of the EFT shall be identified. The initiator shall document the request and obtain an approval from the designated business administrator before initiating the transfer. A written confirmation of the transaction shall be made no later than one business day after

**City of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2019**

CURRENT YEAR LEGAL COMPLIANCE FINDINGS (CONTINUED)

**Audit Finding 2019-004 - Develop Electronic or Wire Transfers Policies and Procedures
(Continued)**

The transaction and shall be used in lieu of a check, order check or warrant required to support the transaction. A list of all transactions made by EFT shall be submitted to the City Council at its next regular meeting after the transaction.

For the year ended December 31, 2019, the City and EDA Component Unit did not have established policies and procedures to ensure the validity of approvals or transactions.

City's Response:

The City will adopt an EFT policy in accordance with *Minnesota Statutes* § 471.381.

PRIOR YEAR LEGAL COMPLIANCE FINDINGS

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

Corrective Action Taken:

The City obtained adequate supporting documentation before all claims were paid.