

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

Financial Statements

December 31, 2020



**City of Le Sueur
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**City of Le Sueur
Elected Officials and Administration
December 31, 2020**

<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
Scott Schlueter	Council	December 31, 2020
<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, 2020, 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

The City of Le Sueur's 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Community Center Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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 July 29, 2021, 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.

Bergan KDV Ltd .

Minneapolis, Minnesota
July 29, 2021

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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, 2020.

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 \$35,405,266 (net position). Of this amount, \$3,357,138 (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 \$1,952,935 mainly due to operations in both governmental activities and business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,920,890, an increase of \$557,098 in comparison with the prior year. The major reason for this increase was due to an increase in proceeds from the issuance of long-term debt for capital projects that have not been spent as well as revenues exceeding expenditures. Approximately 33.6% of total fund balance, or \$3,668,538, is available for spending at the City's discretion, but has been assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,055,386 or 32.9% of total General fund expenditures, excluding transfers. These funds are not legally restricted, committed by Council, or assigned for future purposes.
- The City's outstanding debt increased by \$3,941,889 or 19.7% during the current fiscal year. This is due to \$7,479,160 in debt issued offset by debt payments of \$3,539,271.

OVERVIEW OF THE FINANCIAL STATEMENTS

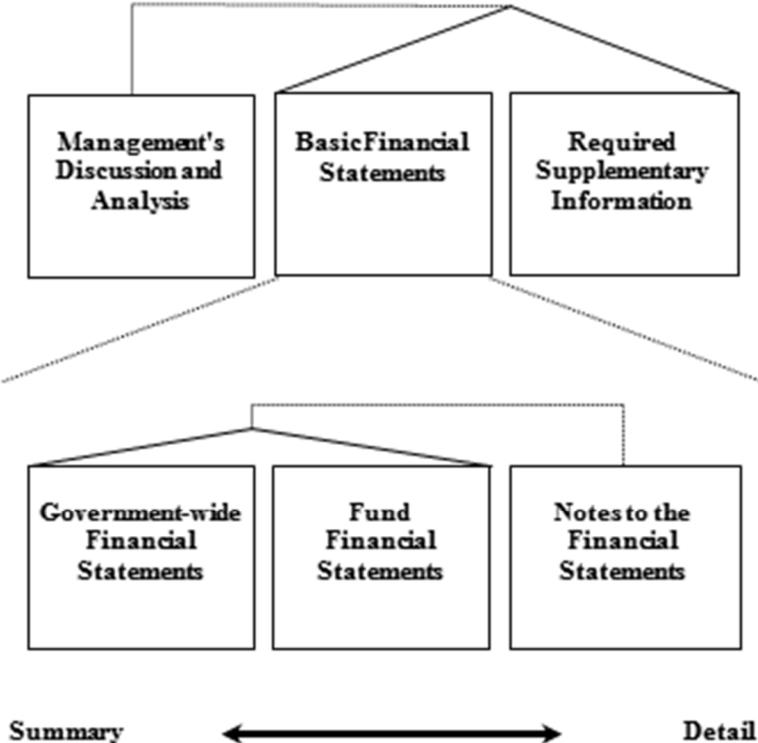
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report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

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

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

Notes to Financial Statements

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

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 102 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 \$34,405,266 at the close of the most recent fiscal year.

The largest portion of the City's net position (80.7%) 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 12,406,705	\$ 12,427,319	\$ 8,759,179	\$ 2,950,674	\$ 21,165,884	\$ 15,377,993
Capital assets	12,955,655	13,677,231	32,656,496	32,675,793	45,612,151	46,353,024
Net pension asset - fire relief	329,118	144,402	-	-	329,118	144,402
Total assets	25,691,478	26,248,952	41,415,675	35,626,467	67,107,153	61,875,419
Deferred outflows of resources related to fire relief pensions	71,863	128,282	-	-	71,863	128,282
Deferred outflows of resources related to city pensions	509,536	645,442	175,285	105,663	684,821	751,105
Deferred outflows of resources related to OPEB	8,785	14,707	5,622	9,413	14,407	24,120
Total deferred outflows of resources	590,184	788,431	180,907	115,076	771,091	903,507
Long-term liabilities outstanding	10,886,298	10,912,156	14,076,123	9,220,260	24,962,421	20,132,416
Other liabilities	1,696,296	2,222,799	2,201,268	2,465,840	3,897,564	4,688,639
Total OPEB liability	75,500	112,917	48,320	72,267	123,820	185,184
Net pension liability	1,617,732	1,318,257	1,152,668	1,015,434	2,770,400	2,333,691
Total liabilities	14,275,826	14,566,129	17,478,379	12,773,801	31,754,205	27,339,930
Deferred inflows of resources related to fire relief pensions	88,893	21,545	-	-	88,893	21,545
Deferred inflows of resources related to city pensions	531,405	969,210	44,656	181,733	576,061	1,150,943
Deferred inflows of resources related to OPEB	32,817	2,547	21,002	1,630	53,819	4,177
Total deferred inflows of resources	653,115	993,302	65,658	183,363	718,773	1,176,665
Net position						
Net investment in capital assets	6,131,624	5,839,790	22,440,530	22,056,750	28,572,154	27,896,540
Restricted	3,475,974	1,075,204	-	-	3,475,974	1,075,204
Unrestricted	1,745,123	4,562,958	1,612,015	727,629	3,357,138	5,290,587
Total net position	\$ 11,352,721	\$ 11,477,952	\$ 24,052,545	\$ 22,784,379	\$ 35,405,266	\$ 34,262,331

An additional portion of the City's net position (9.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (9.5%) 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 increased the City's net position by \$684,769. Key elements of this increase are as follows:

- Revenue exceeded expenditures in governmental funds due to outperforming the budget.
- 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

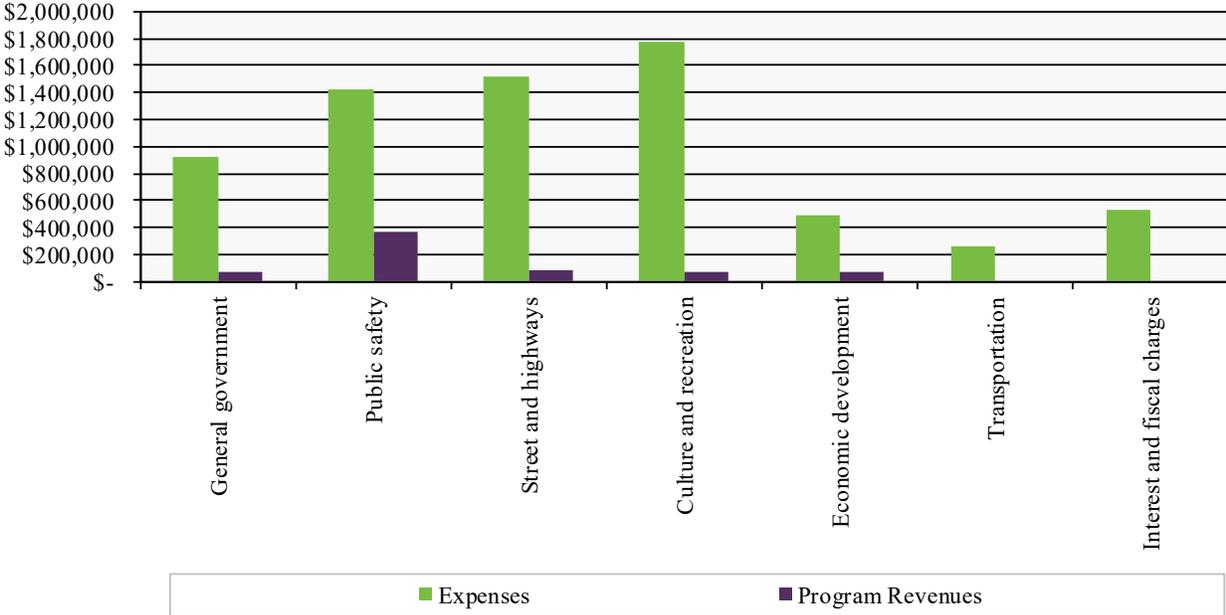
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 1,051,249	\$ 1,116,128	\$ 14,342,678	\$ 14,231,425	\$ 15,393,927	\$ 15,347,553
Operating grants and contributions	940,352	203,358	-	-	940,352	203,358
Capital grants and contributions	1,000,106	54,153	130,464	75,000	1,130,570	129,153
General revenues						
Property taxes/tax increments	2,658,974	2,638,541	-	-	2,658,974	2,638,541
Other taxes	1,568	2,077	-	-	1,568	2,077
Grants and contributions not restricted to specific programs	1,045,236	1,014,448	-	-	1,045,236	1,014,448
Unrestricted investment earnings	19,335	56,449	2,951	8,695	22,286	65,144
Gain on sale of asset	-	50,632	-	-	-	50,632
Other	177,585	73,651	-	-	177,585	73,651
Total revenues	<u>6,894,405</u>	<u>5,209,437</u>	<u>14,476,093</u>	<u>14,315,120</u>	<u>21,370,498</u>	<u>19,524,557</u>
Expenses						
General government	927,846	941,861	-	-	927,846	941,861
Public safety	1,426,269	1,600,176	-	-	1,426,269	1,600,176
Streets and highways	1,512,776	1,940,208	-	-	1,512,776	1,940,208
Culture and recreation	1,780,154	1,783,547	-	-	1,780,154	1,783,547
Housing and economic development	484,294	37,850	-	-	484,294	37,850
Transportation	259,121	206,533	-	-	259,121	206,533
Interest and fiscal charges	537,176	517,088	-	-	537,176	517,088
Water utility	-	-	1,523,243	1,119,970	1,523,243	1,119,970
Sewer utility	-	-	2,170,220	2,774,401	2,170,220	2,774,401
Refuse and recycling	-	-	292,012	273,917	292,012	273,917
Storm utility	-	-	10,762	17,734	10,762	17,734
Electric utility	-	-	8,493,690	8,781,268	8,493,690	8,781,268
Total expenses	<u>6,927,636</u>	<u>7,027,263</u>	<u>12,489,927</u>	<u>12,967,290</u>	<u>19,417,563</u>	<u>19,994,553</u>
Change in net position before transfers	(33,231)	(1,817,826)	1,986,166	1,347,830	1,952,935	(469,996)
Transfers	718,000	718,000	(718,000)	(718,000)	-	-
Special item	-	-	-	1,811,558	-	1,811,558
Change in net position	<u>684,769</u>	<u>(1,099,826)</u>	<u>1,268,166</u>	<u>2,441,388</u>	<u>1,952,935</u>	<u>1,341,562</u>
Net position - January 1	<u>11,477,952</u>	<u>12,577,778</u>	<u>22,784,379</u>	<u>20,342,991</u>	<u>34,262,331</u>	<u>32,920,769</u>
Prior period adjustment as previously stated	<u>(810,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(810,000)</u>	<u>-</u>
Change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - beginning, as restated	<u>10,667,952</u>	<u>12,577,778</u>	<u>22,784,379</u>	<u>20,342,991</u>	<u>33,452,331</u>	<u>32,920,769</u>
Net position - December 31	<u>\$ 11,352,721</u>	<u>\$ 11,477,952</u>	<u>\$ 24,052,545</u>	<u>\$ 22,784,379</u>	<u>\$ 35,405,266</u>	<u>\$ 34,262,331</u>

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

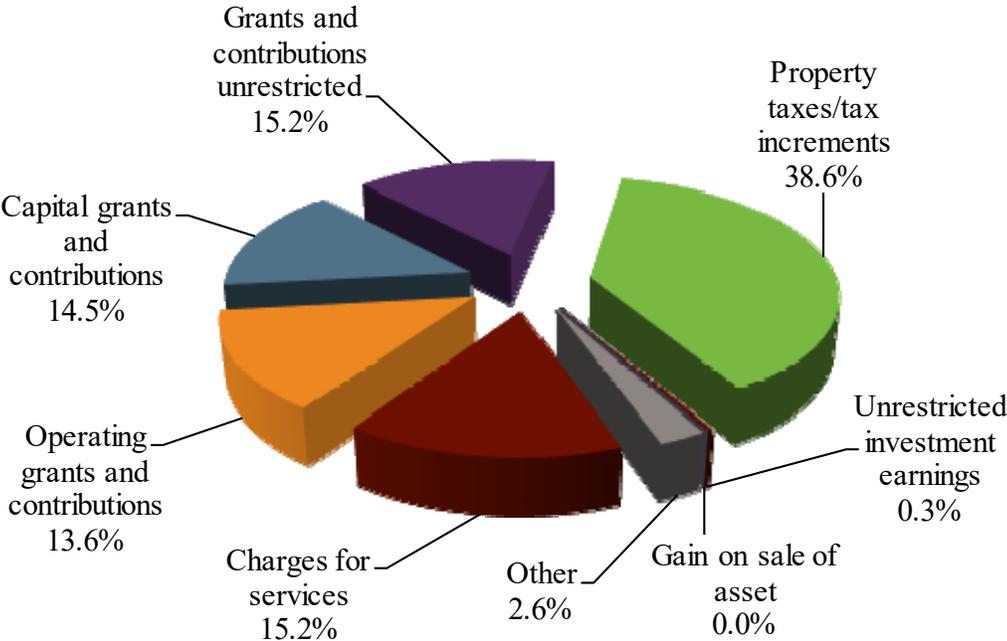
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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

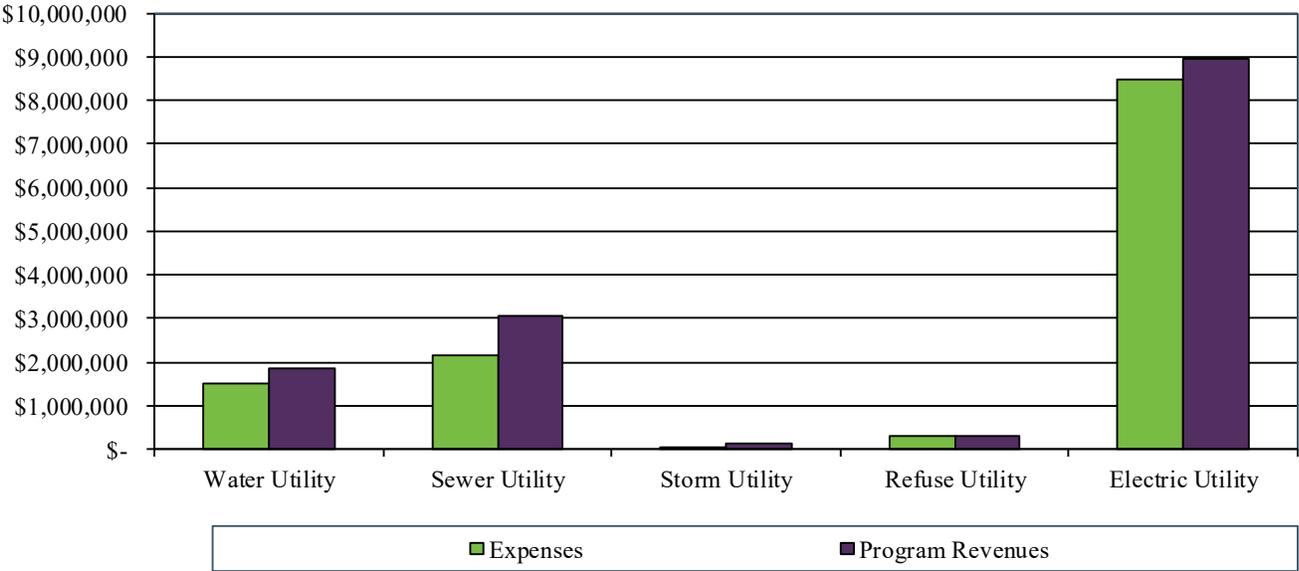
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

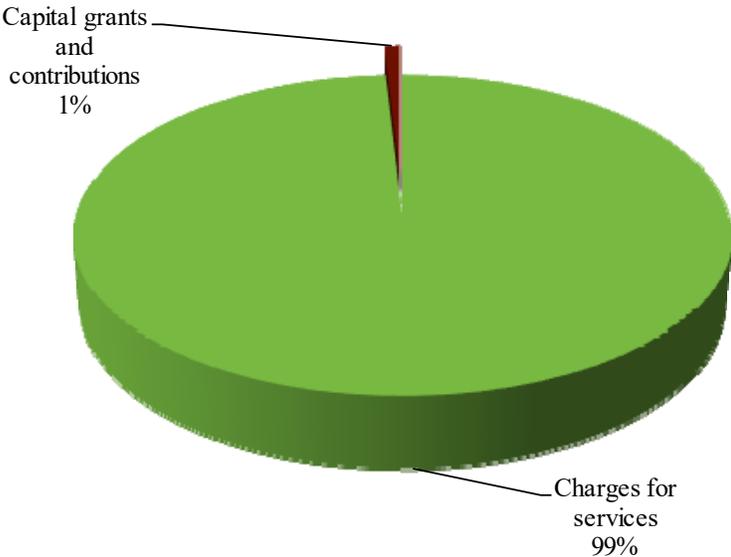
Business-type activities increased the City's net position by \$1,268,166. Key elements of this increase are as follows:

- Increased revenues within each utility fund from 2019 to 2020 based on increased rates in 2020.

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 \$10,920,890, a decrease of \$252,902 in comparison with the prior year. This includes a prior period adjustment of \$810,000 to recognize the write off of notes receivable balance. A balance of \$483,223 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 (\$31,095), restricted (\$6,738,034), or assigned (\$3,668,538) for the purposes described in the fund balance section of each balance sheet.

The *General Fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,078,355. 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. At 12/31/2020, both unassigned fund balance and total fund balance represent more than 30% of fund expenditures.

The fund balance of the City's General fund increased by \$139,941 during the current fiscal year. This was mostly due to unexpected grant funding that was received through the Coronavirus Aid, Relief, and Economic Security Act.

The *Economic Development Revolving Loan Fund* has a total fund balance of \$2,062,244 at year end. The net decrease in fund balance during the current year was \$1,237,481. This decrease was due to normal operations of the fund and a prior period adjustment for the write-off of notes receivable balances within the fund.

The *Community Center Fund* has a total deficit fund balance of \$625,959 at year end. The net decrease in fund balance during the current year was \$19,446. The main cause of this decrease was mainly due less revenue activity in the fund as a result of the COVID-19 pandemic.

The *Debt Service fund and Medical Facility Bonds 2010 Fund* have a total combined fund balance of \$5,572,412, an increase in fund balance during the current year of \$125,158. The fund balance is restricted for future debt service payments. The major reason for this increase was due to transfers in from other funds offset by principal payments on long-term debt.

Proprietary Funds

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,612,015. The total improvement in net position for the funds was \$1,268,166. 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 2020. The budget called for a balanced revenue over expenditure year, including transfers. Revenues exceeded the budget by \$817,213 due to unanticipated grant activity, expenditures were over budget by \$515,605 due to unexpected grant activity, and net transfers out were over budget by \$161,667 causing a \$139,941 increase in fund balance in the General fund for 2020.

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, 2020, amounts to \$45,612,151 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 2% (a 5% decrease for governmental activities and a 0.1% decrease for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,541,013	\$ 1,414,773	\$ 616,121	\$ 616,121	\$ 2,157,134	\$ 2,030,894
Buildings	4,365,198	4,686,532	1,253,318	1,411,788	5,618,516	6,098,320
Infrastructure/systems	5,351,083	5,805,016	27,565,720	28,556,378	32,916,803	34,361,394
Machinery and equipment	701,609	708,853	1,463,674	1,554,248	2,165,283	2,263,101
Vehicles	989,882	1,001,342	897,634	537,258	1,887,516	1,538,600
Construction in progress	6,870	60,715	860,029	-	866,899	60,715
Total	\$ 12,955,655	\$ 13,677,231	\$ 32,656,496	\$ 32,675,793	\$ 45,612,151	\$ 46,353,024

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 \$27,228,663. Of this amount, \$310,000 is special assessment debt, \$19,061,815 is revenue or general obligation revenue debt, \$1,524,000 is notes from direct borrowings, \$1,902,921 is capital lease and \$4,429,927 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	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 4,429,927	\$ 3,520,000	\$ -	\$ -	\$ 4,429,927	\$ 3,520,000
General Obligation Improvement Bonds	310,000	1,275,000	-	-	310,000	1,275,000
General Obligation Revenue Bonds	-	-	13,105,073	8,573,000	13,105,073	8,573,000
Revenue Bonds	5,956,742	6,511,212	-	-	5,956,742	6,511,212
Notes from direct borrowings	-	-	1,524,000	1,729,000	1,524,000	1,729,000
Capital lease	1,199,921	1,371,320	703,000	307,242	1,902,921	1,678,562
Total	\$ 11,896,590	\$ 12,677,532	\$ 15,332,073	\$ 10,609,242	\$ 27,228,663	\$ 23,286,774

The City's total debt increased by \$3,941,889 or 16.9%, 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 3 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 \$7,815,428.

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. In 2020 it was 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 2021 fiscal year.

The property tax levy will increase from \$2,636,566 in 2020 to \$2,646,153 in 2021, or approximately 0.36%. The City is actively managing expenses across all funds, and adjusting future capital plans accordingly in response to the ongoing COVID-19 pandemic.

**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, 2020**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments (including cash equivalents)	\$ 5,688,810	\$ 6,707,011	\$ 12,395,821	\$ 113,552
Cash with escrow agent	229,245	51,362	280,607	-
Receivables				
Accounts receivable	97,746	1,290,538	1,388,284	-
Taxes receivable	58,567	-	58,567	-
Special assessments receivable	1,260,597	279,137	1,539,734	-
Notes receivable	4,126,958	160,089	4,287,047	1,850,882
Due from other governments	24,738	21,000	45,738	-
Internal balances	65,408	(65,408)	-	-
Due from component unit/primary government	823,541	-	823,541	-
Inventory	26,035	297,008	323,043	-
Prepaid items	5,060	18,442	23,502	-
Land held for resale	-	-	-	1,559,472
Capital assets not being depreciated				
Land	1,541,013	616,121	2,157,134	-
Construction in progress	6,870	860,029	866,899	-
Capital assets net of accumulated depreciation				
Buildings	4,365,198	1,253,318	5,618,516	-
Infrastructure	5,351,083	27,565,720	32,916,803	-
Machinery and equipment	701,609	1,463,674	2,165,283	-
Vehicles	989,882	897,634	1,887,516	-
Net pension asset - fire relief	329,118	-	329,118	-
Total assets	25,691,478	41,415,675	67,107,153	3,523,906
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	71,863	-	71,863	-
Deferred outflows of resources related to city pensions	509,536	175,285	684,821	-
Deferred outflows of resources related to OPEB	8,785	5,622	14,407	-
Total deferred outflows of resources	590,184	180,907	771,091	-
Total assets and deferred outflows of resources	\$ 26,281,662	\$ 41,596,582	\$ 67,878,244	\$ 3,523,906
Liabilities				
Accounts and contracts payable	\$ 84,094	\$ 113,495	\$ 197,589	\$ 9,075
Interest payable	117,629	56,669	174,298	31,159
Salaries and benefits payable	64,637	6,660	71,297	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	19,967	471,287	491,254	8,136
Deposits payable	-	31,567	31,567	-
Unearned revenue	-	-	-	2,500
Bonds payable, net				
Payable within one year	1,105,523	1,137,000	2,242,523	85,670
Payable after one year	9,725,262	11,975,374	21,700,636	1,793,364
Notes from direct borrowings				
Payable within one year	-	208,000	208,000	-
Payable after one year	-	1,316,000	1,316,000	-
Capital lease payable				
Payable within one year	180,654	97,823	278,477	-
Payable after one year	1,019,267	605,177	1,624,444	-
Compensated absences payable				
Payable within one year	123,792	78,767	202,559	-
Payable after one year	141,769	179,572	321,341	-
Total OPEB liability	75,500	48,320	123,820	-
Net pension liability	1,617,732	1,152,668	2,770,400	-
Total liabilities	14,275,826	17,478,379	31,754,205	2,753,445
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	88,893	-	88,893	-
Deferred inflows of resources related to city pensions	531,405	44,656	576,061	-
Deferred inflows of resources related to OPEB	32,817	21,002	53,819	-
Total deferred inflows of resources	653,115	65,658	718,773	-
Net Position				
Net investment in capital assets	6,131,624	22,440,530	28,572,154	-
Restricted for				
Debt service	1,413,730	-	1,413,730	-
Economic development loans	2,062,244	-	2,062,244	-
Unrestricted	1,745,123	1,612,015	3,357,138	770,461
Total net position	11,352,721	24,052,545	35,405,266	770,461
Total liabilities, deferred inflows of resources, and net position	\$ 26,281,662	\$ 41,596,582	\$ 67,878,244	\$ 3,523,906

See notes to financial statements.

**City of Le Sueur
Statement of Activities
Year Ended December 31, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 927,846	\$ 141,514	\$ 803,554	\$ 4,065	\$ 21,287	\$ -	\$ 21,287	\$ -
Public safety	1,426,269	212,010	110,828	-	(1,103,431)	-	(1,103,431)	-
Streets and parks	1,512,776	1,321	-	988,541	(522,914)	-	(522,914)	-
Culture and recreation	1,780,154	356,130	-	7,500	(1,416,524)	-	(1,416,524)	-
Housing and economic development	484,294	297,006	-	-	(187,288)	-	(187,288)	-
Transportation	259,121	43,268	25,970	-	(189,883)	-	(189,883)	-
Interest and fiscal charges	537,176	-	-	-	(537,176)	-	(537,176)	-
Total governmental activities	<u>6,927,636</u>	<u>1,051,249</u>	<u>940,352</u>	<u>1,000,106</u>	<u>(3,935,929)</u>	<u>-</u>	<u>(3,935,929)</u>	<u>-</u>
Business-type activities								
Water utility	1,523,243	1,908,369	-	54,793	-	439,919	439,919	-
Sewer utility	2,170,220	2,875,460	-	75,671	-	780,911	780,911	-
Refuse and recycling	292,012	300,814	-	-	-	8,802	8,802	-
Storm utility	10,762	149,669	-	-	-	138,907	138,907	-
Electric utility	8,493,690	9,108,366	-	-	-	614,676	614,676	-
Total business-type activities	<u>12,489,927</u>	<u>14,342,678</u>	<u>-</u>	<u>130,464</u>	<u>-</u>	<u>1,983,215</u>	<u>1,983,215</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 19,417,563</u>	<u>\$ 15,393,927</u>	<u>\$ 940,352</u>	<u>\$ 1,130,570</u>	<u>(3,935,929)</u>	<u>1,983,215</u>	<u>(1,952,714)</u>	<u>-</u>
Component units								
Economic Development Authority	<u>\$ 327,764</u>	<u>\$ 128,945</u>	<u>\$ 39,500</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,319)</u>
General revenues								
Property taxes					2,658,974	-	2,658,974	-
Tax increments					-	-	-	141,738
Intergovernmental					1,045,236	-	1,045,236	-
Payment in lieu of taxes					1,568	-	1,568	-
Other general revenues					177,585	-	177,585	2,000
Unrestricted investment earnings					19,335	2,951	22,286	366
Transfers					718,000	(718,000)	-	-
Total general revenues and transfers					<u>4,620,698</u>	<u>(715,049)</u>	<u>3,905,649</u>	<u>144,104</u>
Change in net position					684,769	1,268,166	1,952,935	(15,215)
Net position - beginning					11,477,952	22,784,379	34,262,331	785,676
Prior period adjustment as previously stated (see Note 15)					(810,000)	-	(810,000)	-
Net position - beginning, as restated					<u>10,667,952</u>	<u>22,784,379</u>	<u>33,452,331</u>	<u>785,676</u>
Net position - ending					<u>\$ 11,352,721</u>	<u>\$ 24,052,545</u>	<u>\$ 35,405,266</u>	<u>\$ 770,461</u>

See notes to financial statements.

City of Le Sueur
Balance Sheet - Governmental Funds
December 31, 2020

	General (101, 229, 240, 250)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)	Community Center (615)
Assets				
Cash investments	\$ 513,502	\$ 893,596	\$ 230,204	\$ -
Cash with escrow agent	-	229,245	-	-
Delinquent taxes receivable	58,567	-	-	-
Accounts receivable	4,908	7,170	35,724	-
Notes and mortgages receivable	-	81,324	4,033,644	-
Special assessments receivable	4,290	1,253,810	-	-
Due from other governments	24,738	-	-	-
Advances to other funds	-	65,408	-	-
Advances to component unit	-	-	-	-
Due from other funds	611,767	-	-	-
Inventory	17,909	-	-	916
Prepaid items	5,060	-	-	-
Total assets	\$ 1,240,741	\$ 2,530,553	\$ 4,299,572	\$ 916
Liabilities				
Accounts payable	\$ 34,363	\$ -	\$ -	\$ 7,723
Due to other governments	11,886	-	-	6,488
Due to other funds	-	5,950	-	605,817
Accrued wages payable	53,280	-	-	6,847
Total liabilities	99,529	5,950	-	626,875
Deferred Inflows of Resources				
Unavailable revenue - taxes	58,567	-	-	-
Unavailable revenue - special assessments	4,290	1,251,763	-	-
Total deferred inflows of resources	62,857	1,251,763	-	-
Fund Balances				
Nonspendable for				
Inventory	17,909	-	-	916
Prepaid items	5,060	-	-	-
Restricted for				
Debt service	-	1,272,840	4,299,572	-
Capital projects	-	-	-	-
Assigned for				
Economic development loans	-	-	-	-
Capital projects	-	-	-	-
Unassigned	1,055,386	-	-	(626,875)
Total fund balances	1,078,355	1,272,840	4,299,572	(625,959)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,240,741	\$ 2,530,553	\$ 4,299,572	\$ 916

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,051,508	\$ 5,688,810
-	229,245
-	58,567
49,944	97,746
11,990	4,126,958
2,497	1,260,597
-	24,738
-	65,408
823,541	823,541
-	611,767
7,210	26,035
-	5,060
<u>\$ 4,946,690</u>	<u>\$ 13,018,472</u>
\$ 42,008	\$ 84,094
1,593	19,967
-	611,767
4,510	64,637
<u>48,111</u>	<u>780,465</u>
-	58,567
2,497	1,258,550
<u>2,497</u>	<u>1,317,117</u>
7,210	26,035
-	5,060
-	5,572,412
1,165,622	1,165,622
2,062,244	2,062,244
1,606,294	1,606,294
54,712	483,223
<u>4,896,082</u>	<u>10,920,890</u>
<u>\$ 4,946,690</u>	<u>\$ 13,018,472</u>

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City of Le Sueur
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2020

Total fund balances - governmental funds \$ 10,920,890

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	27,163,878
Less accumulated depreciation	(14,208,223)

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	(10,696,669)
Unamortized bond premium	(134,116)
Capital leases payable	(1,199,921)
Compensated absences payable	(265,561)
Total OPEB liability	(75,500)
Net pension liability - city pension	(1,617,732)

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	58,567
Special assessments	12,787

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

Deferred special assessments	1,245,763
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Governmental funds do not report a liability for accrued interest due and payable. (117,629)

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	(88,893)
Deferred inflows of resources related to city pensions	(531,405)
Deferred inflows of resources related to OPEB	(32,817)
Deferred outflows of resources related to fire relief pensions	71,863
Deferred outflows of resources related to city pensions	509,536
Deferred outflows of resources related to OPEB	8,785

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

329,118

Total net position - governmental activities \$ 11,352,721

City of Le Sueur
Statement of Revenues, Expenditure, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General (101, 229, 240, 250)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)	Community Center (615)
Revenues				
Taxes	\$ 768,118	\$ 615,400	\$ -	\$ 506,043
Franchise fees	15,780	-	-	-
Special assessments	-	448,272	-	-
Licenses and permits	123,712	-	-	-
Intergovernmental	1,897,444	-	-	-
Charges for services	22,476	7,170	35,724	318,692
Fines and forfeits	26,061	-	-	-
Investment earnings	7,689	71	4,079	-
Miscellaneous	108,103	5,661	248,945	31,702
Total revenues	<u>2,969,383</u>	<u>1,076,574</u>	<u>288,748</u>	<u>856,437</u>
Expenditures				
Current				
General government	729,405	-	-	-
Public safety	1,181,276	-	-	-
Streets and parks	782,076	-	-	-
Culture and recreation	19,770	-	-	879,561
Transportation	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and parks	6,954	-	-	-
Culture and recreation	-	-	-	320
Transportation	-	-	-	-
Debt service				
Principal	-	1,284,985	215,884	-
Interest and other	-	270,276	212,801	-
Total expenditures	<u>3,203,775</u>	<u>1,555,261</u>	<u>428,685</u>	<u>879,881</u>
Excess of revenues over (under) expenditures	(234,392)	(478,687)	(139,937)	(23,444)
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Premiums on bonds issued	-	-	-	-
Transfers in	558,332	841,283	-	191,301
Transfers out	(183,999)	(97,501)	-	(187,303)
Total other financing sources (uses)	<u>374,333</u>	<u>743,782</u>	<u>-</u>	<u>3,998</u>
Net change in fund balances	139,941	265,095	(139,937)	(19,446)
Fund Balances				
Beginning of year	938,414	1,007,745	4,439,509	(606,513)
Prior period adjustment (see Note 15)	-	-	-	-
Beginning of year, as restated	<u>938,414</u>	<u>1,007,745</u>	<u>4,439,509</u>	<u>(606,513)</u>
End of year	<u>\$ 1,078,355</u>	<u>\$ 1,272,840</u>	<u>\$ 4,299,572</u>	<u>\$ (625,959)</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 772,218	\$ 2,661,779
-	15,780
2,627	450,899
-	123,712
75,654	1,973,098
221,475	605,537
-	26,061
-	11,839
85,067	479,478
<u>1,157,041</u>	<u>6,348,183</u>
-	729,405
155,798	1,337,074
-	782,076
433,715	1,333,046
62,176	62,176
48,969	48,969
43,321	43,321
398,776	405,730
269,214	269,534
195,136	195,136
-	1,500,869
63,456	546,533
<u>1,670,561</u>	<u>7,738,163</u>
(513,520)	(1,389,980)
1,169,927	1,169,927
59,151	59,151
97,581	1,688,497
<u>(501,694)</u>	<u>(970,497)</u>
<u>824,965</u>	<u>1,947,078</u>
311,445	557,098
5,394,637	11,173,792
<u>(810,000)</u>	<u>(810,000)</u>
<u>4,584,637</u>	<u>10,363,792</u>
<u>\$ 4,896,082</u>	<u>\$ 10,920,890</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, 2020

Net change in fund balances - governmental funds	\$ 557,098
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	432,591
Depreciation expense	(1,110,141)
Loss on disposal	(44,026)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(30,931)
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.	
	1,225
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	63,373
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	1,500,869
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.	
	(47,279)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(2,515)
Proceeds from long-term debt are recognized as an other financing source in the governmental Funds but have no impact on net position in the statement of activities.	
	(1,169,927)
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	(2,805)
Delinquent special assessments	(11,415)
Deferred special assessments	548,652
	548,652
Change in net position - governmental activities	\$ 684,769

**City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2020**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	Over (Under)
Revenues			
Taxes	\$ 770,923	\$ 768,118	\$ (2,805)
Franchise fees	20,000	15,780	(4,220)
Licenses and permits	104,600	123,712	19,112
Intergovernmental	1,114,897	1,897,444	782,547
Charges for services	23,750	22,476	(1,274)
Fines and forfeits	24,000	26,061	2,061
Investment earnings	5,500	7,689	2,189
Miscellaneous			
Contributions and donations	-	700	700
Refunds and reimbursements	75,000	107,198	32,198
Other	13,500	205	(13,295)
Total revenues	2,152,170	2,969,383	817,213
Expenditures			
Current			
General government	727,250	729,405	2,155
Public safety	1,120,000	1,181,276	61,276
Streets and parks	764,720	782,076	17,356
Culture and recreation	30,500	19,770	(10,730)
Housing and economic development	25,000	484,294	459,294
Capital outlay			
Streets and parks	20,700	6,954	(13,746)
Total expenditures	2,688,170	3,203,775	515,605
Excess of revenues over (under) expenditures	(536,000)	(234,392)	301,608
Other Financing Sources			
Transfers in	536,000	558,332	22,332
Transfers out	-	(183,999)	(183,999)
Total other financing sources (uses)	536,000	374,333	(161,667)
Net change in fund balance	\$ -	139,941	\$ 139,941
Fund Balance			
Beginning of year		938,414	
End of year		\$ 1,078,355	

City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Center Fund
Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		Actual Amounts	Over (Under)
Revenues				
Taxes	\$ 506,043		\$ 506,043	\$ -
Charges for services	825,750		318,692	(507,058)
Miscellaneous				
Contributions and donations	-		5,133	5,133
Other	55,000		26,569	(28,431)
Total revenues	1,386,793		856,437	(530,356)
 Expenditures				
Current				
Culture and recreation	1,199,490		879,561	(319,929)
Capital outlay				
Culture and recreation	-		320	320
Total expenditures	1,199,490		879,881	(319,609)
 Excess of revenues over (under) expenditures	187,303		(23,444)	(210,747)
 Other Financing Sources (Uses)				
Transfers in	-		191,301	191,301
Transfers out	(187,303)		(187,303)	-
 Net change in fund balance	\$ -		(19,446)	\$ (19,446)
 Fund Balance				
Beginning of year			(606,513)	
End of year			\$ (625,959)	

City of Le Sueur
Statement of Net Position - Proprietary Funds
December 31, 2020

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)	Storm Utility (605)
Assets				
Current assets				
Cash and cash equivalents	\$ 4,240,700	\$ -	\$ 926,673	\$ 1,478,914
Cash with escrow agent	24,829	2,767	23,766	-
Accounts receivable	179,961	268,387	783,952	16,299
Notes and mortgages receivable - current	-	-	29,208	-
Due from other governments	10,500	10,500	-	-
Special assessments receivable	1,615	3,582	116,717	-
Due from other funds	1,045,944	-	-	-
Advances to other funds - current	-	-	50,000	-
Prepaid items	3,163	10,219	5,060	-
Inventory	15,948	3,005	278,055	-
Total current assets	<u>5,522,660</u>	<u>298,460</u>	<u>2,213,431</u>	<u>1,495,213</u>
Noncurrent assets				
Notes and mortgages receivable - noncurrent	-	-	130,881	-
Special assessments receivable - noncurrent	(422)	(628)	157,598	-
Advances to other funds - noncurrent	335,980	-	250,000	-
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	1,716,710	309,191	3,603,196	-
Vehicles	262,976	526,331	1,074,793	-
Construction in progress	108,364	-	751,665	-
Total capital assets	<u>9,573,484</u>	<u>34,837,552</u>	<u>14,875,349</u>	<u>-</u>
Less accumulated depreciation	<u>(5,246,021)</u>	<u>(12,068,858)</u>	<u>(9,315,010)</u>	<u>-</u>
Net capital assets	<u>4,327,463</u>	<u>22,768,694</u>	<u>5,560,339</u>	<u>-</u>
Total noncurrent assets	<u>4,663,021</u>	<u>22,768,066</u>	<u>6,098,818</u>	<u>-</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pension activity	32,305	56,320	86,660	-
Deferred outflows of resources related to OPEB	1,054	1,406	3,162	-
Total deferred outflows of resources	<u>33,359</u>	<u>57,726</u>	<u>89,822</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 10,219,040</u>	<u>\$ 23,124,252</u>	<u>\$ 8,402,071</u>	<u>\$ 1,495,213</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 14,039	\$ 18,095	\$ 58,626	\$ -
Advances from other funds - current	58,190	127,218	-	-
Due to other funds	-	1,045,944	-	-
Due to other governments	7,068	17,268	446,951	-
Accrued interest payable	5,863	44,793	6,013	-
Accrued wages payable	(2,007)	(2,585)	11,252	-
Deposits payable	-	-	31,567	-
Compensated absences payable - current	14,302	13,727	50,738	-
Notes from direct borrowing - current	-	208,000	-	-
Capital lease payable - current	19,566	59,528	18,729	-
Bonds payable - current	20,000	987,000	130,000	-
Total current liabilities	<u>137,021</u>	<u>2,518,988</u>	<u>753,876</u>	<u>-</u>
Noncurrent liabilities				
Advances from other funds	(35,000)	550,980	-	-
Compensated absences payable - noncurrent	40,294	38,540	100,738	-
Total OPEB liability	9,060	12,080	27,180	-
Notes from direct borrowing - noncurrent	-	1,316,000	-	-
Capital lease payable - noncurrent	110,391	389,113	105,673	-
Bonds payable - noncurrent	3,503,474	5,973,000	1,325,000	1,173,900
Net pension liability	212,437	370,359	569,872	-
Total noncurrent liabilities	<u>3,840,656</u>	<u>8,650,072</u>	<u>2,128,463</u>	<u>1,173,900</u>
Total liabilities	<u>3,977,677</u>	<u>11,169,060</u>	<u>2,882,339</u>	<u>1,173,900</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pension activity	8,230	14,348	22,078	-
Deferred inflows of resources related to OPEB	3,938	5,250	11,814	-
Total deferred inflows of resources	<u>12,168</u>	<u>19,598</u>	<u>33,892</u>	<u>-</u>
Net Position				
Net investment in capital assets	3,920,205	13,836,053	4,684,272	-
Unrestricted	2,308,990	(1,900,459)	801,568	321,313
Total net position	<u>6,229,195</u>	<u>11,935,594</u>	<u>5,485,840</u>	<u>321,313</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,219,040</u>	<u>\$ 23,124,252</u>	<u>\$ 8,402,071</u>	<u>\$ 1,495,213</u>

See notes to financial statements.

Refuse and Recycling (607)	Total
\$ 60,724	\$ 6,707,011
-	51,362
41,939	1,290,538
-	29,208
-	21,000
704	122,618
-	1,045,944
-	50,000
-	18,442
-	297,008
<u>103,367</u>	<u>9,633,131</u>
-	130,881
(29)	156,519
-	585,980
-	616,121
-	5,831,568
-	44,485,470
-	5,629,097
-	1,864,100
-	860,029
-	59,286,385
-	(26,629,889)
-	32,656,496
(29)	33,529,876
-	175,285
-	5,622
-	180,907
<u>\$ 103,338</u>	<u>\$ 43,343,914</u>
\$ 22,735	\$ 113,495
-	185,408
-	1,045,944
-	471,287
-	56,669
-	6,660
-	31,567
-	78,767
-	208,000
-	97,823
-	1,137,000
<u>22,735</u>	<u>3,432,620</u>
-	515,980
-	179,572
-	48,320
-	1,316,000
-	605,177
-	11,975,374
-	1,152,668
-	15,793,091
<u>22,735</u>	<u>19,225,711</u>
-	44,656
-	21,002
-	65,658
-	22,440,530
80,603	1,612,015
<u>80,603</u>	<u>24,052,545</u>
<u>\$ 103,338</u>	<u>\$ 43,343,914</u>

City of Le Sueur
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2020

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)	Storm Utility (605)
Operating revenues				
Charges for services	\$ 1,888,874	\$ 2,726,240	\$ 8,692,997	\$ 144,590
Permits, hookup fees and penalties	-	-	-	79
Total operating revenues	<u>1,888,874</u>	<u>2,726,240</u>	<u>8,692,997</u>	<u>144,669</u>
Operating expenses				
Source of power	19,653	-	-	-
Power and pumping	134,607	1,271	-	-
Purification	7,123	93	-	-
Distribution	17,064	-	-	-
Administrative and general	779,453	829,443	987,347	-
Sewer lift stations	-	290,717	-	-
Sewer treatment plants	-	34,503	-	-
Metering	20,144	1,754	-	-
Sewer cleaning and flood repair	-	24	-	-
Purchased power	-	-	6,199,238	-
Transmission and distribution	-	-	534,102	-
Customer collection and meter	-	-	25,578	-
Depreciation	296,726	719,750	423,286	-
Equipment	203,575	159,341	267,237	-
Total operating expenses	<u>1,478,345</u>	<u>2,036,896</u>	<u>8,436,788</u>	<u>-</u>
Operating income (loss)	410,529	689,344	256,209	144,669
Nonoperating revenues (expenses)				
Investment earnings	1,446	6	1,410	89
Rental income	6,000	4,750	-	-
Refunds and reimbursements	-	64,520	-	5,000
Other income	13,495	79,950	415,369	-
Interest and related expenses	(45,562)	(135,161)	(56,902)	(10,762)
Amortization of bond premium (discount)	664	1,837	-	-
Total nonoperating revenues (expenses)	<u>(23,957)</u>	<u>15,902</u>	<u>359,877</u>	<u>(5,673)</u>
Income (loss) before capital contributions and transfers	386,572	705,246	616,086	138,996
Capital contributions and transfers				
Connection fees	54,793	75,671	-	-
Transfers out	<u>(87,450)</u>	<u>(112,550)</u>	<u>(500,000)</u>	<u>(6,000)</u>
Change in net position	353,915	668,367	116,086	132,996
Beginning of year	<u>5,875,280</u>	<u>11,267,227</u>	<u>5,369,754</u>	<u>188,317</u>
End of year	<u>\$ 6,229,195</u>	<u>\$ 11,935,594</u>	<u>\$ 5,485,840</u>	<u>\$ 321,313</u>

See notes to financial statements.

Refuse and Recycling (607)	<u>Total</u>
\$ 300,814	\$ 13,753,515
-	79
300,814	13,753,594
-	19,653
-	135,878
-	7,216
-	17,064
292,012	2,888,255
-	290,717
-	34,503
-	21,898
-	24
-	6,199,238
-	534,102
-	25,578
-	1,439,762
-	630,153
292,012	12,244,041
8,802	1,509,553
-	2,951
-	10,750
-	69,520
-	508,814
-	(248,387)
-	2,501
-	346,149
8,802	1,855,702
-	130,464
(12,000)	(718,000)
(3,198)	1,268,166
83,801	22,784,379
\$ 80,603	\$ 24,052,545

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 1,973,782	\$ 2,796,591
Payments to suppliers	(655,033)	(895,168)
Payments to employees	(601,689)	(467,557)
Other receipts	19,495	84,700
Net cash flows - operating activities	736,555	1,518,566
Cash Flows - Noncapital Financing Activities		
Change in due from other funds	(923,916)	-
Change in due to other funds	-	49,545
Refunds and reimbursements	-	64,520
Transfer out	(87,450)	(112,550)
Net cash flows - noncapital financing activities	(1,011,366)	1,515
Cash Flows - Capital and Related Financing Activities		
Principal paid on debt	(39,226)	(882,746)
Interest paid on debt	(43,269)	(122,472)
Bond proceeds	3,246,173	-
Payments received on assessments receivable	3,777	5,110
Connection fees received	54,793	75,671
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(58,190)	(127,218)
Acquisition of capital assets	(161,891)	(491,089)
Net cash flows - capital and related financing activities	3,002,167	(1,542,744)
Cash Flows - Investing Activities		
Interest and dividends received	1,446	6
Net change in cash and cash equivalents	2,728,802	(22,657)
Cash and Cash Equivalents		
January 1	1,536,727	25,424
December 31	\$ 4,265,529	\$ 2,767

Business-Type Activities -
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 8,952,196	\$ 144,311	\$ 308,220	\$ 14,175,100
(7,049,879)	-	(290,578)	(8,890,658)
(982,215)	-	-	(2,051,461)
415,369	-	-	519,564
<u>1,335,471</u>	<u>144,311</u>	<u>17,642</u>	<u>3,752,545</u>
(499,647)	-	-	(1,423,563)
-	-	-	49,545
-	5,000	-	69,520
<u>(500,000)</u>	<u>(6,000)</u>	<u>(12,000)</u>	<u>(718,000)</u>
<u>(999,647)</u>	<u>(1,000)</u>	<u>(12,000)</u>	<u>(2,022,498)</u>
(232,770)	-	-	(1,154,742)
(55,090)	(10,762)	-	(231,593)
1,455,000	1,173,900	-	5,875,073
43,585	-	44	52,516
-	-	-	130,464
27,514	-	-	27,514
50,000	-	-	(135,408)
<u>(767,485)</u>	<u>-</u>	<u>-</u>	<u>(1,420,465)</u>
<u>520,754</u>	<u>1,163,138</u>	<u>44</u>	<u>3,143,359</u>
<u>1,410</u>	<u>89</u>	<u>-</u>	<u>2,951</u>
857,988	1,306,538	5,686	4,876,357
<u>92,451</u>	<u>172,376</u>	<u>55,038</u>	<u>1,882,016</u>
<u>\$ 950,439</u>	<u>\$ 1,478,914</u>	<u>\$ 60,724</u>	<u>\$ 6,758,373</u>

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	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)	\$ 410,529	\$ 689,344
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	19,495	84,700
Operating activities		
Depreciation expense	296,726	719,750
Pension related activity	(12,118)	(23,658)
Accounts receivable	81,908	67,351
Due from other governments	3,000	3,000
Prepaid items	(63)	(63)
Inventory and land held for resale	79	21
Accounts and contracts payable	(67,146)	(35,551)
Salaries and benefits payable	(15,728)	(23,872)
Due to other governments	(2,122)	16,591
Deposits payable	-	-
OPEB related activity	(147)	(197)
Compensated absences payable	22,142	21,150
Total adjustments	326,026	829,222
Net cash flows - operating activities	\$ 736,555	\$ 1,518,566
Noncash capital and related Financing activities		
Capital assets acquired through transfer of operations	\$ -	\$ -

Business-Type Activities
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 256,209	\$ 144,669	\$ 8,802	\$ 1,509,553
415,369	-	-	519,564
423,286	-	-	1,439,762
(33,689)	-	-	(69,465)
259,199	(358)	7,406	415,506
-	-	-	6,000
(100)	-	-	(226)
75,868	-	-	75,968
16,939	-	1,434	(84,324)
(24,567)	-	-	(64,167)
(88,699)	-	-	(74,230)
6,573	-	-	6,573
(440)	-	-	(784)
29,523	-	-	72,815
<u>1,079,262</u>	<u>(358)</u>	<u>8,840</u>	<u>2,242,992</u>
<u>\$ 1,335,471</u>	<u>\$ 144,311</u>	<u>\$ 17,642</u>	<u>\$ 3,752,545</u>

\$ - \$ - \$ - \$ -

**City of Le Sueur
Statement of Fiduciary Net Position
December 31, 2020**

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

**Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020**

	<u>Minnesota Valley Transit Custodial Fund</u>
Deductions	
Transit Expenses	\$ 181
Net Position	
Beginning of year	181
End of year	\$ -

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.

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.

**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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The 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, etc.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

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 2020. 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.

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)**

3. Property Taxes (Continued)

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

4. Special Assessments

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

5. Due to/from Other Funds

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

6. Inventory

Inventory is valued at cost using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

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:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General			
City attorney	\$ 15,000	\$ 22,466	\$ 7,466
Planning and zoning	92,140	100,359	8,219
General government buildings	26,900	27,730	830
Insurance	85,000	109,722	24,722
Miscellaneous	168,540	606,701	438,161
Police training	951,150	1,026,664	75,514
Communication services	2,300	2,850	550
Automotive charges	16,500	17,434	934
Street and parks	764,720	782,076	17,356
Special revenue - Community Center			
Capital outlay	-	320	320

B. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2020:

<u>Fund</u>	<u>Amount</u>
Special revenue	
Community Center	\$ 625,959

The above deficit 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.

City of Le Sueur
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, the City's bank balance of \$12,746,688 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, 2020, was \$12,092,136 for deposits. The City also had deposits with escrow agent of \$280,607 at December 31, 2020.

B. Investments

As of December 31, 2020, 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 - Brokered CDs	N/A	\$ -	\$ 416,677	\$ 416,677
4M Plus Fund	N/A	110		110
				\$ 416,787
Total investments				\$ 416,787

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2020:

- Investments of \$ 416,677 are valued using a quoted market prices (Level 2 inputs)

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	Total
Carrying amount of deposits	\$ 11,978,584	\$ 113,552	\$ 12,092,136
Cash with escrow agent	280,607	-	280,607
Investments	416,787	-	416,787
Cash on hand	450	-	450
 Total cash and investments	 \$ 12,676,428	 \$ 113,552	 \$ 12,789,980

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, 2020, is \$4,287,047, including \$4,114,968 due from ISJ/Mayo Health Systems, Inc. Medical Clinic, for which the City issued debt for \$5,500,000. These loans are secured by property and equipment.

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$1,850,882, for which they issued debt in the amount of \$2,466,000.

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

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

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

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Community Center	\$ 605,817
	Debt Service	67,310
Water Utility	Sewer Utility	1,045,944
Total		<u>\$ 1,719,071</u>

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Debt Service	Water Utility	\$ 23,190
	Sewer Utility	42,218
Water Utility	Sewer Utility	335,980
Electric Utility	Sewer Utility	300,000
Total		<u>\$ 701,388</u>

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

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

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
Revolving loan	Economic Development Authority	\$ 670,308
Nonmajor governmental	Economic Development Authority	153,233
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.

City of Le Sueur
Notes to Financial Statements

NOTE 6 – INTERFUND TRANSFERS

Transfers during the year ended December 31, 2020, were as follows:

Fund	Transfer In				Total
	General	Community Center	Debt Service	Nonmajor Governmental	
Transfers out					
General	\$ -	\$ 183,999	\$ -	\$ -	\$ 183,999
Community Center	12,000	-	175,303	-	187,303
Debt Service	-	7,302	-	90,199	97,501
Nonmajor governmental	28,332	-	465,980	7,382	501,694
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
Total transfers out	<u>\$ 558,332</u>	<u>\$ 191,301</u>	<u>\$ 841,283</u>	<u>\$ 97,581</u>	<u>\$ 1,688,497</u>

During the year ended December 31, 2020, 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, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,414,773	\$ 170,266	\$ 44,026	\$ 1,541,013
Construction in progress	60,715	53,397	107,242	6,870
Total capital assets not being depreciated	<u>1,475,488</u>	<u>223,663</u>	<u>151,268</u>	<u>1,547,883</u>
Capital assets being depreciated				
Buildings	8,381,952	-	-	8,381,952
Infrastructure	12,910,886	75,603	-	12,986,489
Machinery and equipment	2,340,421	133,325	-	2,473,746
Vehicles	1,733,503	107,242	66,937	1,773,808
Total capital assets being depreciated	<u>25,366,762</u>	<u>316,170</u>	<u>66,937</u>	<u>25,615,995</u>
Less accumulated depreciation for				
Buildings	(3,695,420)	(321,334)	-	(4,016,754)
Infrastructure	(7,105,870)	(529,536)	-	(7,635,406)
Machinery and equipment	(1,631,568)	(140,569)	-	(1,772,137)
Vehicles	(732,161)	(118,702)	(66,937)	(783,926)
Total accumulated depreciation	<u>(13,165,019)</u>	<u>(1,110,141)</u>	<u>(66,937)</u>	<u>(14,208,223)</u>
Total capital assets being depreciated, net	<u>12,201,743</u>	<u>(793,971)</u>	<u>-</u>	<u>11,407,772</u>
Governmental activities capital assets, net	<u>\$ 13,677,231</u>	<u>\$ (570,308)</u>	<u>\$ 151,268</u>	<u>\$ 12,955,655</u>

City of Le Sueur
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2020, was as follows (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 616,121	\$ -	\$ -	\$ 616,121
Construction in progress	-	860,029	-	860,029
Total capital assets not being depreciated	<u>616,121</u>	<u>860,029</u>	<u>-</u>	<u>1,476,150</u>
Capital assets being depreciated				
Buildings	5,831,568	-	-	5,831,568
Infrastructure	44,485,470	-	-	44,485,470
Machinery and equipment	5,689,191	96,227	156,321	5,629,097
Vehicles	1,418,232	464,209	18,341	1,864,100
Total capital assets being depreciated	<u>57,424,461</u>	<u>560,436</u>	<u>174,662</u>	<u>57,810,235</u>
Less accumulated depreciation for				
Buildings	(4,419,780)	(158,470)	-	(4,578,250)
Infrastructure	(15,929,094)	(990,657)	-	(16,919,751)
Machinery and equipment	(4,134,943)	(186,799)	(156,321)	(4,165,421)
Vehicles	(880,972)	(103,836)	(18,341)	(966,467)
Total accumulated depreciation	<u>(25,364,789)</u>	<u>(1,439,762)</u>	<u>(174,662)</u>	<u>(26,629,889)</u>
Total capital assets being depreciated, net	<u>32,059,672</u>	<u>(879,326)</u>	<u>-</u>	<u>31,180,346</u>
Business-type activities capital assets, net	<u>\$ 32,675,793</u>	<u>\$ (19,297)</u>	<u>\$ -</u>	<u>\$ 32,656,496</u>

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

Governmental activities	
General government	\$ 82,252
Public safety	125,132
Streets and parks	477,368
Culture and recreation	261,311
Transportation	164,078
Total depreciation expense - governmental activities	<u>\$ 1,110,141</u>
Business-type activities	
Water Utility	\$ 296,726
Sewer Utility	719,750
Electric Utility	423,286
Total depreciation expense - business-type activities	<u>\$ 1,439,762</u>

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

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental activities					
G.O. Refunding					
Bonds of 2014A-library	\$ 460,000	2.00	12/01/14	12/01/22	\$ 125,000
G.O. Refunding					
Bonds of 2014A-fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	660,000
G.O. Police Capital Improvement					
Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	145,000
G.O. Street Reconstruction					
Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	400,000
G.O. Street Reconstruction					
Bond of 2017A	1,970,000	1.35-3.00	08/10/17	12/01/32	1,930,000
G.O. Street Reconstruction					
Bond of 2020A	1,169,927	1.00-1.55	12/17/20	02/01/36	<u>1,169,927</u>
Total general obligation bonds					<u><u>\$ 4,429,927</u></u>

The 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
2021	\$ 385,000	\$ 128,371	\$ 513,371
2022	435,342	80,857	516,199
2023	420,685	71,420	492,105
2024	380,685	61,920	442,605
2025	390,685	53,905	444,590
2026-2030	1,568,423	148,140	1,716,563
2031-2035	768,423	16,500	784,923
2036	<u>80,684</u>	<u>-</u>	<u>80,684</u>
Total	<u><u>\$ 4,429,927</u></u>	<u><u>\$ 561,113</u></u>	<u><u>\$ 4,991,040</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	\$ 100,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	210,000
Total general obligation improvement bonds					<u>\$ 310,000</u>

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

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2021	\$ 240,000	\$ 8,085	\$ 248,085
2022	35,000	2,205	37,205
2023	35,000	1,103	36,103
Total	<u>\$ 310,000</u>	<u>\$ 11,393</u>	<u>\$ 321,393</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	\$ 125,689
Health care facility					
Revenue Bond of 2010	5,500,000	2.90	09/17/10	09/17/35	4,041,053
Gross revenue recreational					
Facility Bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	<u>1,790,000</u>
Total revenue bonds					<u><u>\$ 5,956,742</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
2021	\$ 480,523	\$ 253,974	\$ 734,497
2022	366,460	236,676	603,136
2023	383,618	220,969	604,587
2024	400,937	204,923	605,860
2025	341,209	260,580	601,789
2026-2030	2,017,595	1,006,318	3,023,913
2031-2035	<u>1,966,400</u>	<u>366,713</u>	<u>2,333,113</u>
Total	<u><u>\$ 5,956,742</u></u>	<u><u>\$ 2,550,153</u></u>	<u><u>\$ 8,506,895</u></u>

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. G.O. Revenue Bonds and G.O. 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	\$ 6,505,000
Electric Utility Revenue Bonds of 2020A	1,455,000	1.75	10/12/20	12/01/30	1,455,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	455,000
Utility Revenue Bond of 2017A	310,000	1.35 - 3.00	08/10/17	12/01/32	270,000
G.O. Bond of 2020B	4,420,073	1.00 - 1.55	12/17/20	02/01/36	4,420,073
Total business-type activities					<u>\$ 13,105,073</u>

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

Year Ending December 31,	G.O. Bonds Business-Type Activities			G.O. Revenue Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ -	\$ -	\$ -	\$ 1,137,000	\$ 117,765	\$ 1,254,765
2022	294,658	60,695	355,353	1,156,000	100,945	1,256,945
2023	269,315	57,270	326,585	1,170,000	85,713	1,255,713
2024	269,315	53,770	323,085	1,189,000	70,147	1,259,147
2025	274,315	50,245	324,560	1,203,000	53,880	1,256,880
2026-2030	1,421,577	197,225	1,618,802	2,780,000	87,195	2,867,195
2031-2035	1,556,577	96,741	1,653,318	50,000	2,250	52,250
2036	334,316	3,216	337,532	-	-	-
Total	<u>\$ 4,420,073</u>	<u>\$ 519,162</u>	<u>\$ 4,939,235</u>	<u>\$ 8,685,000</u>	<u>\$ 517,895</u>	<u>\$ 9,202,895</u>

E. Notes from Direct Borrowings

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 from direct borrowings	\$ 1,729,000	1.00	12/01/19	08/20/27	\$ 1,524,000

City of Le Sueur
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

E. Notes from Direct Borrowings (Continued)

The annual debt service requirements to maturity for notes from direct borrowings are as follows:

<u>Year Ending December 31,</u>	Notes from Direct Borrowings Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	221,000	10,028	231,028
2026-2027	<u>452,000</u>	<u>10,132</u>	<u>462,132</u>
Total	<u>\$ 1,524,000</u>	<u>\$ 92,216</u>	<u>\$ 1,616,216</u>

F. 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 \$1,678,389. The associated accumulated depreciation for these assets is \$150,447 for net value of \$1,418,025.

The City has entered into a lease purchase agreement with Kinetic Leasing Inc, for the acquisition of a vehicle. The assets purchased with capital lease are classified as vehicle totaled \$464,209. The associated accumulated depreciation for this asset is \$0 for net value of \$464,209.

Minimum future lease payments under the capital leases as of December 31, 2020, in the aggregate were as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ 349,820
2022	349,820
2023	349,820
2024	349,819
2025	349,820
2026-2027	<u>419,206</u>
Net minimum lease payments	2,168,305
Less amount representing interest	<u>(265,384)</u>
Present value of net minimum lease payments	<u>\$ 1,902,921</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	\$ 3,520,000	\$ 1,169,927	\$ (260,000)	\$ 4,429,927	\$ 385,000
General obligation improvement bonds	1,275,000	-	(965,000)	310,000	240,000
Revenue bonds	6,511,212	-	(554,470)	5,956,742	480,523
Bond premium	86,837	59,151	(11,872)	134,116	-
Total bonds payable	<u>11,393,049</u>	<u>1,229,078</u>	<u>(1,791,342)</u>	<u>10,830,785</u>	<u>1,105,523</u>
Capital Lease Payable	<u>1,371,320</u>	<u>-</u>	<u>(171,399)</u>	<u>1,199,921</u>	<u>180,654</u>
Compensated absences payable	<u>234,630</u>	<u>198,250</u>	<u>(167,319)</u>	<u>265,561</u>	<u>123,792</u>
Governmental activity long-term liabilities	<u>\$ 12,998,999</u>	<u>\$ 1,427,328</u>	<u>\$ (2,130,060)</u>	<u>\$ 12,296,267</u>	<u>\$ 1,409,969</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 8,573,000	\$ 1,455,000	\$ (1,343,000)	\$ 8,685,000	\$ 1,137,000
General obligation bonds	-	4,420,073	-	4,420,073	-
Bond premium	9,801	-	(2,500)	7,301	-
Total bonds payable	<u>8,582,801</u>	<u>5,875,073</u>	<u>(1,345,500)</u>	<u>13,112,374</u>	<u>1,137,000</u>
Notes from direct borrowings	<u>1,729,000</u>	<u>-</u>	<u>(205,000)</u>	<u>1,524,000</u>	<u>208,000</u>
Capital Lease Payable	<u>307,242</u>	<u>434,160</u>	<u>(38,402)</u>	<u>703,000</u>	<u>97,823</u>
Compensated absences payable	<u>185,524</u>	<u>159,397</u>	<u>(86,582)</u>	<u>258,339</u>	<u>78,767</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>\$ 1,879,034</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
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	107,474	85,026	192,500
2026-2030	639,042	323,458	962,500
2031	758,676	74,159	832,835
Total	<u>\$ 1,879,034</u>	<u>\$ 878,801</u>	<u>\$ 2,757,835</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
Revenue bonds payable	\$ 1,959,982	\$ -	\$ (80,948)	\$ 1,879,034	\$ 85,670

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2020, was \$228,199. 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 five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase was 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 fiscal year 2020 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$172,429. 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 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$104,753. 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, 2020, the City reported a liability of \$2,122,392 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. 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 \$65,462. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0354% at the end of the measurement period and 0.0324% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 2,122,392
State of Minnesota's proportionate share of the net pension liability associated with the City	65,462
Total	\$ 2,187,854

For the year ended December 31, 2020, the City recognized pension expense of \$134,473 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$5,697 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, 2020, 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	\$ 17,687	\$ 8,031
Changes in actuarial assumptions	-	74,194
Net collective between projected and actual investment earnings	57,556	-
Changes in proportion	161,294	-
Contributions paid to PERA subsequent to the measurement date	86,215	-
Total	\$ 322,752	\$ 82,225

The \$86,215 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, 2021. 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
2021	\$ (37,850)
2022	59,333
2023	81,551
2024	51,278
Total	\$ 154,312

**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, 2020, the City reported a liability of \$648,008 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0495% at the end of the measurement period and 0.0516% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$85,704 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$4,732 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$4,455 for the year ended December 31, 2020, 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.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 28,588	\$ 31,923
Changes in actuarial assumptions	225,280	395,182
Net collective between projected and actual investment earnings	23,848	-
Changes in proportion	31,976	66,731
Contributions paid to PERA subsequent to the measurement date	52,377	-
Total	\$ 362,069	\$ 493,836

The \$52,377 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, 2021. 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
2021	\$ (51,995)
2022	(192,047)
2023	30,648
2024	32,516
2025	(3,266)
Total	\$ (184,144)

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, 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, 2020, 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 assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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 Stock	35.5 %	5.10 %
International Stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25	5.90
Cash	2.0	0.00
	<hr/>	
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 . s. 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.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 3,401,458	\$ 2,122,392	\$ 1,067,265
	1% Decrease in Discount Rate <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,295,998	\$ 648,008	\$ 110,910

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.

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.

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

NOTE 9 – PENSION PLANS (CONTINUED)

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

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 \$43,971 in fire state aid to the fund for the year ended December 31, 2020. 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, 2019, 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, 2020, the City reported a net pension asset of \$329,118 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. 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, 2019	\$ 1,017,956	\$ 1,162,358	\$ (144,402)
Changes for the year			
Service cost	37,848	-	37,848
Interest on pension liability	57,941	-	57,941
Difference between expected and actual experience	2,255	-	2,255
Municipal contribution	-	25,000	(25,000)
State contributions	-	43,310	(43,310)
Projected investment return	-	69,741	(69,741)
Changes in benefit level	-	-	-
Gain or loss	-	145,653	(145,653)
Benefit payments	(180,240)	(180,240)	-
Administrative expense	-	(944)	944
Net changes	<u>(82,196)</u>	<u>102,520</u>	<u>(184,716)</u>
Balances at December 31, 2020	<u>\$ 935,760</u>	<u>\$ 1,264,878</u>	<u>\$ (329,118)</u>

For the year ended December 31, 2020, the City recognized pension expense of \$(1,688).

**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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,892	\$ 14,483
Difference between projected and actual investment earnings	-	74,410
City contributions subsequent to the measurement date	68,971	-
Total	\$ 71,863	\$ 88,893

\$68,971 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, 2021. 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:

2021		\$ (26,404)
2022		(23,220)
2023		(7,699)
2024		(28,678)
Total		\$ (86,001)

E. Actuarial Assumptions

The total pension liability at December 31, 2019, 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 2019.

**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	\$ (299,561)	\$ (329,118)	\$ (358,008)

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 2019 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, 2020, 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 – 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.

C. Contingencies

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, 2020, cannot be determined at this time.

NOTE 11 – 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 28 active participants, three retired participants, and two spouse participants.

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

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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 2020, the City contributed \$12,227 to the plan.

D. Members

As of December 31, 2020, the following were covered by the benefit terms:

Retirees receiving payments	2
Spouses receiving payments	1
Active employees	<u>28</u>
Total	<u><u>31</u></u>

**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, 2020, 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, 2020 grading to 5.00% over 6 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale

The actuarial assumptions used in the December 31, 2020, valuation was based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

The discount rate used to measure the total OPEB liability was 2.90% which is equal to the 20-Year Municipal Bond Yield.

Actuarial Assumption Changes:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and PERA group.
- The discount rate was changed from 3.80% to 2.90%.
- These changes increased the liability \$2,492.

**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 \$123,820 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

	<u>Total OPEB Liability</u>
Balances at January 1, 2020	<u>\$ 185,184</u>
Changes for the year	
Service cost	10,692
Interest	6,989
Differences between expected and actual economic experience	-
Assumption changes	2,492
Net investment income	-
Benefit payments	(24,120)
Administrative expense	-
Other charges	-
Net changes	<u>(61,364)</u>
Balances at December 31, 2020	<u><u>\$ 123,820</u></u>

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 2.90% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

<u>Total OPEB Liability</u>		
<u>1% decrease (1.90%)</u>	<u>Current (2.90%)</u>	<u>1% increase (3.90%)</u>
\$ 132,456	\$ 123,820	\$ 115,717

**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 (5.50% decreasing to 4.0%)	Current (6.50% decreasing to 5.0%)	1% increase (7.50% decreasing to 6.0%)
\$ 111,039	\$ 123,820	\$ 139,109

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$10,218. At December 31, 2020, 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	\$ -	\$ 50,239
Differences between expected and actual economic experience	-	-
Changes of assumptions	2,180	3,580
Contributions subsequent to the measurement date	12,227	-
Total	\$ 14,407	\$ 53,819

The \$12,227 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, 2021.

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 . 469. The City entered into these agreements for the purpose of housing and economic development.

City of Le Sueur
Notes to Financial Statements

NOTE 14 – TAX INCREMENT FINANCING (CONTINUED)

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

During the year ended December 31, 2020, the City generated \$84,038 in tax increment revenue and made \$98,813 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, 2020, the City generated \$20,593 of tax increment revenue and made payments on the pay-as-you-go note of \$19,563. The note's balance at year end was \$357,653.
- 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, 2020, 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 \$1,595,143.

NOTE 15– PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2020, a prior period adjustment was required to reflect a change in the presentation of the Economic Development Revolving Loan Fund due to the write off expense being grouped with notes receivable last year. The adjustment affected beginning net position for governmental activities in the amount of (\$810,000) and the beginning governmental fund balance in the amount of (\$810,000).

NOTE 16– SUBSEQUENT EVENTS

In April of 2021, the City issued General Obligation Bonds, Series 2021A, in the Original Aggregate Principal Amount of \$8,080,000. Pursuant to a resolution adopted by the City Council on April 12, 2021, the City authorized the sale of its General Obligation Bonds, Series 2021A, to finance several capital projects and purchases. These include the Water Tower Project, the Main Street Reconstruction and Streetscape Project, the Main Street Utility Reconstruction Project, and the Fire Trucks and Plow Truck acquisition.

City of Le Sueur
Notes to Financial Statements

NOTE 17– 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, 2022.

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, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total OPEB Liability			
Service cost	\$ 10,692	\$ 11,582	\$ 12,193
Interest	6,989	6,404	6,424
Differenced between expected and actual experience	(57,417)	-	-
Changes of assumptions	2,492	(4,774)	-
Changes of benefit terms	-	-	-
Benefit payments	(24,120)	(20,818)	(16,468)
Other changes	-	-	-
Net change in total OPEB liability	<u>(61,364)</u>	<u>(7,606)</u>	<u>2,149</u>
Beginning of year	<u>185,184</u>	<u>192,790</u>	<u>190,641</u>
End of year	<u>\$ 123,820</u>	<u>\$ 185,184</u>	<u>\$ 192,790</u>
Covered-employee payroll	\$ 2,085,886	\$ 1,627,080	\$ 1,579,689
Total OPEB liability as a percentage of covered-employee payroll	5.94%	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
2020	0.0354%	\$ 2,122,392	\$ 65,462	\$ 2,187,854	\$ 2,521,867	84.16%	79.06%
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)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.0495%	\$ 648,008	\$ 15,381	\$ 663,389	\$ 546,701	118.53%	87.19%
2019	0.0516%	542,368	N/A	542,368	557,377	97.31%	89.26%
2018	0.0470%	497,798	N/A	497,798	496,278	100.31%	86.61%
2017	0.0480%	643,737	N/A	643,737	495,333	129.96%	85.43%
2016	0.0510%	2,042,129	N/A	2,042,129	486,648	419.63%	63.88%
2015	0.0520%	590,842	N/A	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
2020	\$ 172,429	\$ 172,429	\$ -	\$ 2,299,053	7.5%
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
2020	\$ 104,753	\$ 104,753	\$ -	\$ 591,825	17.70%
2019	100,748	100,748	-	594,383	16.95%
2018	91,685	91,685	-	565,957	16.20%
2017	80,244	80,244	-	495,333	16.20%
2016	82,433	82,433	-	508,846	16.20%
2015	85,580	85,580	-	528,272	16.20%

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

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

	2019	2018	2017	2016	2015	2014
Total pension liability (TPL)						
Service cost	\$ 37,848	\$ 39,417	\$ 40,458	\$ 36,734	\$ 35,664	\$ 34,604
Interest on the pension liability	57,941	64,251	56,673	51,513	46,929	43,185
Actuarial experience (gains)/losses	2,255	(22,151)	2,723	(5,964)	(7,206)	(14,859)
Changes in benefit level	-	-	122,478	-	-	-
Benefit payments	(180,240)	(190,000)	-	-	-	-
Net change in TPL	(82,196)	(108,483)	222,332	82,283	75,384	62,930
TPL - beginning	1,017,956	1,126,439	904,107	821,824	746,440	685,151
TPL - ending	<u>\$ 935,760</u>	<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	\$ 33,544	\$ 32,973	\$ 32,650	\$ 32,998	\$ 33,106	\$ 31,404
Fire supplemental aid	7,766	7,846	7,900	8,005	8,100	7,598
Supplemental benefit reimbursement	2,000	-	-	-	-	-
Voluntary municipal contribution	25,000	25,000	50,000	-	25,000	17,602
Required municipal contribution	-	-	-	-	-	7,588
Adjustment to initial asset transfer	-	-	-	-	-	-
Net investment income	215,394	(46,999)	146,233	69,324	985	53,719
PERA administrative fee	(870)	(810)	(810)	(810)	(810)	(810)
Auditor/accounting fee	-	-	-	-	-	-
SBI investment fee	(74)	(74)	(68)	(76)	(31)	-
Benefit payments	(180,240)	(190,000)	-	-	-	-
Net change in PFNP	102,520	(172,064)	235,905	109,441	66,351	117,101
PFNP - beginning	1,162,358	1,334,422	1,098,516	989,074	922,723	805,622
PFNP - ending	<u>\$ 1,264,878</u>	<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>\$ (329,118)</u>	<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	135.2%	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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

City of Le Sueur
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes (Continued)

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.

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.

City of Le Sueur
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2016 Changes

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

OTHER POST EMPLOYMENT PLAN

2020 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and PERA group.
- The discount rate was changed from 3.80% to 2.90%.
- These changes increased the liability \$2,492.

City of Le Sueur
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

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.

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.

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.

City of Le Sueur
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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, 2020**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,411,304	\$ 2,640,204	\$ 4,051,508
Accounts receivable	49,944	-	49,944
Notes and mortgages receivable	-	11,990	11,990
Special assessments receivable	-	2,497	2,497
Advances to component unit	670,308	153,233	823,541
Inventory	7,210	-	7,210
Total assets	\$ 2,138,766	\$ 2,807,924	\$ 4,946,690
Liabilities			
Accounts payable	\$ 9,228	\$ 32,780	\$ 42,008
Due to other governments	1,593	-	1,593
Accrued wages payable	4,510	-	4,510
Total liabilities	15,331	32,780	48,111
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	2,497	2,497
Fund Balances			
Nonspendable for			
Inventory	7,210	-	7,210
Restricted for			
Capital projects	-	1,165,622	1,165,622
Assigned for			
Capital projects	-	1,606,294	1,606,294
Economic development	2,062,244	-	2,062,244
Unassigned	53,981	731	54,712
Total fund balances	2,123,435	2,772,647	4,896,082
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,138,766	\$ 2,807,924	\$ 4,946,690

City of Le Sueur
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 772,218	\$ 772,218
Special assessments	-	2,627	2,627
Intergovernmental	69,941	5,713	75,654
Charges for services	212,610	8,865	221,475
Miscellaneous	12,351	72,716	85,067
Total revenues	<u>294,902</u>	<u>862,139</u>	<u>1,157,041</u>
Expenditures			
Current			
Public safety	155,798	-	155,798
Transportation	62,176	-	62,176
Capital outlay			
General government	-	48,969	48,969
Public safety	3,383	39,938	43,321
Streets and parks	-	398,776	398,776
Parks and recreation	-	269,214	269,214
Transportation	1,247	193,889	195,136
Total expenditures	<u>656,319</u>	<u>1,014,242</u>	<u>1,670,561</u>
Excess of revenues under expenditures	(361,417)	(152,103)	(513,520)
Other Financing Sources (Uses)			
Transfers in	97,581	-	97,581
Transfers out	(6,000)	(495,694)	(501,694)
Total other financing sources (uses)	<u>91,581</u>	<u>733,384</u>	<u>824,965</u>
Net change in fund balances	(269,836)	581,281	311,445
Fund Balances			
Beginning of year	<u>3,203,271</u>	<u>2,191,366</u>	<u>5,394,637</u>
Prior period adjustment (see Note 15)	<u>(810,000)</u>	<u>-</u>	<u>(810,000)</u>
Beginning of year, as restated	<u>2,393,271</u>	<u>2,191,366</u>	<u>4,584,637</u>
End of year	<u>\$ 2,123,435</u>	<u>\$ 2,772,647</u>	<u>\$ 4,896,082</u>

City of Le Sueur
Combining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2020

	Special Revenue			
	Fire Service (225)	Economic Development Revolving Loan (228, 231)	Airport (235)	Total
Assets				
Cash and investments	\$ 14,179	\$ 1,391,936	\$ 5,189	\$ 1,411,304
Accounts receivable	43,625	-	6,319	49,944
Advances to component unit	-	670,308	-	670,308
Due from Other Funds	-	-	-	-
Inventory	-	-	7,210	7,210
Total assets	<u>\$ 57,804</u>	<u>\$ 2,062,244</u>	<u>\$ 18,718</u>	<u>\$ 2,138,766</u>
Liabilities				
Accounts payable	\$ 2,589	\$ -	\$ 6,639	\$ 9,228
Due to other governments	1,211	-	382	1,593
Accrued wages payable	4,336	-	174	4,510
Total liabilities	<u>8,136</u>	<u>-</u>	<u>7,195</u>	<u>15,331</u>
Fund Balances				
Nonspendable for				
Inventory	-	-	7,210	7,210
Assigned for				
Economic development loans	-	2,062,244	-	2,062,244
Unassigned	49,668	-	4,313	53,981
Total fund balances	<u>49,668</u>	<u>2,062,244</u>	<u>11,523</u>	<u>2,123,435</u>
Total liabilities and fund balances	<u>\$ 57,804</u>	<u>\$ 2,062,244</u>	<u>\$ 18,718</u>	<u>\$ 2,138,766</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2020

	Special Revenue			Total
	Fire Service (225)	Economic Development Revolving Loan (228, 231)	Airport (235)	
Revenues				
Intergovernmental	\$ 43,971	\$ -	\$ 25,970	\$ 69,941
Charges for services	169,342	-	43,268	212,610
Miscellaneous	6,117	6,234	-	12,351
Total revenues	<u>219,430</u>	<u>6,234</u>	<u>69,238</u>	<u>294,902</u>
Expenditures				
Current				
Public safety	155,798	-	-	155,798
Transportation	-	-	62,176	62,176
Economic development	-	433,715	-	433,715
Capital outlay				
Public safety	3,383	-	-	3,383
Transportation	-	-	1,247	1,247
Total expenditures	<u>159,181</u>	<u>433,715</u>	<u>63,423</u>	<u>656,319</u>
Excess of revenues over (under) expenditures	<u>60,249</u>	<u>(427,481)</u>	<u>5,815</u>	<u>(361,417)</u>
Other Financing Sources (Uses)				
Transfers in	54,660	-	42,921	97,581
Transfers out	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balances	108,909	(427,481)	48,736	(269,836)
Fund Balances				
Beginning of year	<u>(59,241)</u>	<u>3,299,725</u>	<u>(37,213)</u>	<u>3,203,271</u>
Prior period adjustment (see Note 15)	<u>-</u>	<u>(810,000)</u>	<u>-</u>	<u>(810,000)</u>
Beginning of year, as restated	<u>(59,241)</u>	<u>2,489,725</u>	<u>(37,213)</u>	<u>2,393,271</u>
End of year	<u>\$ 49,668</u>	<u>\$ 2,062,244</u>	<u>\$ 11,523</u>	<u>\$ 2,123,435</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2020

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Intergovernmental			
State fire aid	\$ 42,000	\$ 43,971	\$ 1,971
Charges for services			
Public safety	135,000	169,342	34,342
Miscellaneous			
Refunds and reimbursements	5,000	6,117	1,117
Total revenues	182,000	219,430	37,430
Expenditures			
Current			
Public safety			
Administration			
Personal services	78,600	59,990	(18,610)
Supplies	1,150	1,186	36
Other services and charges	8,500	6,757	(1,743)
Total administration	88,250	67,933	(20,317)
Fire fighting			
Personal services	41,400	32,171	(9,229)
Supplies	3,500	4,844	1,344
Total fire fighting	44,900	37,015	(7,885)
Prevention			
Other services and charges	5,500	3,458	(2,042)
Training			
Supplies	7,500	4,080	(3,420)
Other services and charges	3,000	1,195	(1,805)
Total training	10,500	5,275	(5,225)
Communications			
Other services and charges	1,250	3,437	2,187
Repair services			
Supplies	10,000	12,733	2,733
Other services and charges	2,500	771	(1,729)
Total repair services	12,500	13,504	1,004
Stations and buildings			
Other services and charges	10,500	25,176	14,676
Total public safety - current	173,400	155,798	(17,602)

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2020

	Budgeted Amounts	Actual	Variance with
	Original and Final	Amounts	Final Budget - Over (Under)
Expenditures (Continued)			
Capital outlay			
Public safety			
Fire fighting	\$ 3,000	\$ 3,383	\$ 383
Total expenditures	176,400	159,181	(17,219)
Excess of revenues over (under) expenditures	5,600	60,249	54,649
Other Financing Uses			
Transfers out	(6,000)	(6,000)	-
Net change in fund balance	\$ (400)	108,909	\$ 109,309
Fund Balance			
Beginning of year		(59,241)	
End of year		\$ 49,668	

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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, 2020

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Over (Under)
	Original and Final				
Revenues					
Intergovernmental					
State					
Airport operating grant	\$ 15,000		\$ 25,970		\$ 10,970
Charges for services					
Rent	13,300		28,308		15,008
Miscellaneous	30,000		14,960		(15,040)
Total charges for services	43,300		43,268		(32)
Total revenues	58,300		69,238		10,938
Expenditures					
Current					
Fields, runway, and ramps					
Personal services	15,130		12,178		(2,952)
Other services and charges	7,000		7,724		724
Total fields, runways, and ramps	22,130		19,902		(2,228)
Terminal buildings and public areas					
Supplies	29,500		20,899		(8,601)
Other services and charges	18,165		21,375		3,210
Total terminal buildings and public areas	47,665		42,274		(5,391)
Capital outlay					
Fields, runway, and ramps					
Miscellaneous	600		1,247		647
Total expenditures	70,395		63,423		(6,972)
Excess of revenues over (under) expenditures	\$ (12,095)		\$ 5,815		\$ 17,910
Fund Balance					
Beginning of year			(37,213)		
End of year			\$ 11,523		

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Capital Projects Funds
December 31, 2020**

	Capital Projects		
	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Assets			
Cash and investments	\$ 731	\$ 865,830	\$ 473,808
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Deferred	-	-	-
Advances to component unit	-	-	153,233
Total assets	<u>\$ 731</u>	<u>\$ 865,830</u>	<u>\$ 627,041</u>
Liabilities			
Accounts payable	\$ -	\$ 4,430	\$ -
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	-	-
Fund Balances			
Restricted	-	-	-
Assigned for capital projects	-	861,400	627,041
Unassigned	731	-	-
Total fund balances	<u>731</u>	<u>861,400</u>	<u>627,041</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 731</u>	<u>\$ 865,830</u>	<u>\$ 627,041</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	2019 Lease Escrow (875)	Pavement Management Plan (416)	2020 Street Improvements (425)	Total
\$ 105,863	\$ -	\$ -	\$ -	\$ 1,193,972	\$ 2,640,204
11,990	-	-	-	-	11,990
2,497	-	-	-	-	2,497
-	-	-	-	-	153,233
<u>\$ 120,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,972</u>	<u>\$ 2,807,924</u>
\$ -	\$ -	\$ -	\$ -	\$ 28,350	\$ 32,780
2,497	-	-	-	-	2,497
-	-	-	-	1,165,622	1,165,622
117,853	-	-	-	-	1,606,294
-	-	-	-	-	731
<u>117,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,622</u>	<u>2,772,647</u>
<u>\$ 120,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,972</u>	<u>\$ 2,807,924</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Projects Funds
Year Ended December 31, 2020

	Capital Projects		
	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Revenues			
Property taxes	\$ -	\$ 697,900	\$ 74,318
Special assessments	2,627	-	-
Intergovernmental	-	5,713	-
Charges for services	-	8,865	-
Investment earnings	-	927	132
Loan repayments	-	-	-
Contributions and donations	-	7,500	-
Refunds and reimbursements	-	63,549	-
Total revenues	<u>2,627</u>	<u>784,454</u>	<u>74,450</u>
Expenditures			
Debt Service			
Interest and Other Charges	-	-	-
Capital outlay			
General government	-	48,969	-
Public safety	-	39,938	-
Streets and parks	-	178,581	-
Culture and recreation	-	269,214	-
Transportation	-	193,889	-
Total expenditures	<u>-</u>	<u>730,591</u>	<u>-</u>
Excess of revenues over (under) expenditures	2,627	53,863	74,450
Other Financing Sources			
Bonds issued	-	-	-
Bond premium	-	-	-
Transfers out	-	(458,490)	-
Total other financing sources	<u>-</u>	<u>(458,490)</u>	<u>-</u>
Net change in fund balances	2,627	(404,627)	74,450
Fund Balances			
Beginning of year	<u>(1,896)</u>	<u>1,266,027</u>	<u>552,591</u>
End of year	<u>\$ 731</u>	<u>\$ 861,400</u>	<u>\$ 627,041</u>

Capital Projects

Special Assessments/ Improvements (501)	Le Sueur Hill Improvements (478)	2019 Lease Escrow (875)	Pavement Management Plan (416)	2020 Street Improvements (425)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 772,218
-	-	-	-	-	2,627
-	-	-	-	-	5,713
-	-	-	-	-	8,865
-	-	203	-	-	1,262
405	-	-	-	-	405
-	-	-	-	-	7,500
-	-	-	-	-	63,549
<u>405</u>	<u>-</u>	<u>203</u>	<u>-</u>	<u>-</u>	<u>862,139</u>
-	-	-	-	63,456	63,456
-	-	-	-	-	48,969
-	-	-	-	-	39,938
-	-	220,195	-	-	398,776
-	-	-	-	-	269,214
-	-	-	-	-	193,889
<u>-</u>	<u>-</u>	<u>220,195</u>	<u>-</u>	<u>63,456</u>	<u>1,014,242</u>
405	-	(219,992)	-	(63,456)	(152,103)
-	-	-	-	1,169,927	1,169,927
-	-	-	-	59,151	59,151
<u>-</u>	<u>(33,456)</u>	<u>-</u>	<u>(3,748)</u>	<u>-</u>	<u>(495,694)</u>
<u>-</u>	<u>(33,456)</u>	<u>-</u>	<u>(3,748)</u>	<u>1,229,078</u>	<u>733,384</u>
405	(33,456)	(219,992)	(3,748)	1,165,622	581,281
<u>117,448</u>	<u>33,456</u>	<u>219,992</u>	<u>3,748</u>	<u>-</u>	<u>2,191,366</u>
<u>\$ 117,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,165,622</u>	<u>\$ 2,772,647</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Property taxes	\$ 770,923	\$ 768,118	\$ (2,805)
Franchise fees	20,000	15,780	(4,220)
Licenses and permits			
Business	8,600	5,655	(2,945)
Nonbusiness	96,000	118,057	22,057
Total licenses and permits	<u>104,600</u>	<u>123,712</u>	<u>19,112</u>
Intergovernmental			
State			
Local government aid	1,018,897	1,020,741	1,844
Property tax credits and aids	-	406	406
Police aid	60,000	66,157	6,157
Other state aids	8,000	810,140	802,140
County			
Highway aid	28,000	-	(28,000)
Total intergovernmental	<u>1,114,897</u>	<u>1,897,444</u>	<u>782,547</u>
Charges for services			
General government	11,750	1,847	(9,903)
Public safety	7,500	10,608	3,108
Streets and highways	1,500	1,321	(179)
Culture and recreation	3,000	6,700	3,700
Housing and economic development	-	2,000	2,000
Total charges for services	<u>23,750</u>	<u>22,476</u>	<u>(1,274)</u>
Fines and forfeits	24,000	26,061	2,061
Interest earnings	5,500	7,689	2,189
Miscellaneous			
Contributions and donations	-	700	700
Refunds and reimbursements	75,000	107,198	32,198
Other	13,500	205	(13,295)
Total miscellaneous	<u>88,500</u>	<u>108,103</u>	<u>19,603</u>
Total revenues	<u>\$ 2,152,170</u>	<u>\$ 2,969,383</u>	<u>\$ 817,213</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020

	Budgeted Amounts	Actual	Variance with
	Original and Final	Amounts	Final Budget - Over (Under)
Expenditures			
General government			
Mayor and City Council			
Personal services	\$ 23,060	\$ 28,524	\$ 5,464
Supplies	5,000	183	(4,817)
Other services and charges	2,000	251	(1,749)
Total Mayor and City Council	<u>30,060</u>	<u>28,958</u>	<u>(1,102)</u>
City administrator			
Personal services	166,920	142,896	(24,024)
Other services and charges	104,000	114,761	10,761
Total City Administrator	<u>270,920</u>	<u>257,657</u>	<u>(13,263)</u>
Accounting			
Personal services	39,190	39,270	80
Supplies	500	-	(500)
Other services and charges	24,000	20,836	(3,164)
Total accounting	<u>63,690</u>	<u>60,106</u>	<u>(3,584)</u>
City attorney			
Other services and charges	15,000	22,466	7,466
Planning and zoning			
Personal services	69,940	67,720	(2,220)
Other services and charges	22,200	32,639	10,439
Total planing and zoning	<u>92,140</u>	<u>100,359</u>	<u>8,219</u>
General government buildings			
Supplies	400	770	370
Other services and charges	26,500	26,960	460
Total general government buildings	<u>26,900</u>	<u>27,730</u>	<u>830</u>
Insurance			
Workers' compensation	50,000	55,598	5,598
Property and liability	35,000	54,124	19,124
Total insurance	<u>85,000</u>	<u>109,722</u>	<u>24,722</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (Continued)			
Miscellaneous			
Other charges	\$ 1,500	\$ 14,776	\$ 13,276
Safety and wellness program	2,500	1,126	(1,374)
Projects	139,540	106,505	(33,035)
Total miscellaneous	<u>143,540</u>	<u>122,407</u>	<u>(21,133)</u>
Total general government	<u>727,250</u>	<u>729,405</u>	<u>2,155</u>
Public safety			
Police training			
Personal services	821,350	922,386	101,036
Supplies	13,600	14,192	592
Other services and charges	116,200	90,086	(26,114)
Total crime control and investigations	<u>951,150</u>	<u>1,026,664</u>	<u>75,514</u>
Communication services			
Other services and charges	<u>2,300</u>	<u>2,850</u>	<u>550</u>
Automotive services			
Supplies	10,000	9,120	(880)
Other services and charges	6,500	8,314	1,814
Total automotive services	<u>16,500</u>	<u>17,434</u>	<u>934</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (Continued)			
Public safety (Continued)			
Building inspection			
Personal services	\$ 130,100	\$ 117,007	\$ (13,093)
Supplies	750	946	196
Other services and charges	4,200	1,975	(2,225)
Total building inspection	<u>135,050</u>	<u>119,928</u>	<u>(15,122)</u>
Animal control			
Other services and charges	15,000	14,400	(600)
Total public safety	<u>1,120,000</u>	<u>1,181,276</u>	<u>61,276</u>
Streets and parks			
Streets and parks			
Personal services	558,320	563,030	4,710
Supplies	103,300	101,233	(2,067)
Other services and charges	103,100	117,813	14,713
Total streets and alleys	<u>764,720</u>	<u>782,076</u>	<u>17,356</u>
Vehicle maintenance			
Capital outlay	<u>20,700</u>	<u>6,954</u>	<u>(13,746)</u>
Total streets and parks	<u>785,420</u>	<u>789,030</u>	<u>3,610</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		Amounts	Over (Under)
Expenditures (Continued)				
Culture and recreation				
Library maintenance				
Other services and charges	\$ 30,500		\$ 19,770	(10,730)
Housing and economic development				
Other services and charges	25,000		484,294	459,294
Total expenditures	2,688,170		3,203,775	515,605
Excess of revenues over (under) expenditures	(536,000)		(234,392)	301,608
Other Financing Sources (Uses)				
Transfers in	536,000		558,332	22,332
Transfers out	-		(183,999)	(183,999)
Total other financing sources (uses)	536,000		374,333	(161,667)
Net change in fund balance	\$ -		139,941	\$ 139,941
Fund Balance				
Beginning of year			938,414	
End of year			\$ 1,078,355	

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Community Center Fund
Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Revenues				
Taxes				
Property taxes	\$ 506,043		\$ 506,043	\$ -
Charges for services				
Culture and recreation	825,750		318,692	(507,058)
Miscellaneous				
Contributions and donations	-		5,133	5,133
Other	55,000		26,569	(28,431)
Total miscellaneous	55,000		31,702	(23,298)
Total revenues	1,386,793		856,437	(530,356)
Expenditures				
Culture and recreation				
Swimming pool				
Personal services	46,870		44,046	(2,824)
Supplies	8,800		12,419	3,619
Other services and charges	26,600		24,749	(1,851)
Total swimming pool	82,270		81,214	(1,056)
School programs				
Other services and charges	421,400		165,506	(255,894)
Personal services				
Personal services	444,620		441,953	(2,667)
Repairs and maintenance				
Supplies	5,000		1,530	(3,470)
Other services and charges	7,500		3,441	(4,059)
Total repairs and maintenance	12,500		4,971	(7,529)
Administration and general				
Supplies	60,500		30,708	(29,792)
Other services and charges	178,200		155,209	(22,991)
Total administration and general	238,700		185,917	(52,783)
Capital outlay				
Culture and recreation	-		320	320
Total expenditures	1,199,490		879,881	(319,609)
Excess of revenues over (under) expenditures	187,303		(23,444)	(210,747)
Other Financing Uses				
Transfers out	(187,303)		(187,303)	-
Net change in fund balance	\$ -		(19,446)	\$ (19,446)
Fund Balance				
Beginning of year			(606,513)	
End of year			\$ (625,959)	

**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2020**

	Debt Service		
	2014A Recreational Facilities Bonds (301)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
Assets			
Cash and investments	\$ 150,416	\$ -	\$ 23,523
Cash with Fiscal Agent	-	-	-
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Current	-	-	-
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	-	-
Advances to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 150,416</u>	<u>\$ -</u>	<u>\$ 23,523</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	-	-
Fund Balances			
Restricted for debt service	<u>150,416</u>	<u>-</u>	<u>23,523</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 150,416</u>	<u>\$ -</u>	<u>\$ 23,523</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)	2019 Capital Lease (324)
\$ 49,681	\$ -	\$ -	\$ 10,129	\$ 11,124	\$ -
-	-	-	-	-	229,245
-	81,324	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7,170	-	-	-	-
-	-	-	-	-	-
<u>\$ 49,681</u>	<u>\$ 88,494</u>	<u>\$ -</u>	<u>\$ 10,129</u>	<u>\$ 11,124</u>	<u>\$ 229,245</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	5,950	-	-	-	-
-	5,950	-	-	-	-
-	-	-	-	-	-
49,681	82,544	-	10,129	11,124	229,245
<u>\$ 49,681</u>	<u>\$ 88,494</u>	<u>\$ -</u>	<u>\$ 10,129</u>	<u>\$ 11,124</u>	<u>\$ 229,245</u>

**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2020**

	Debt Service			
	2002 G.O. Improvement Bonds (505)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)	2006A G.O. Improvement/ 2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)
Assets				
Cash and investments	\$ -	\$ 219,355	\$ 109,526	\$ 32,723
Cash with Fiscal Agent	-	-	-	-
Notes and mortgages receivable	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	448	3,261	2,751	-
Deferred	2,962	161,336	47,501	-
Accounts Receivable	-	-	-	-
Advances to other funds	-	-	65,408	-
	<u>-</u>	<u>-</u>	<u>65,408</u>	<u>-</u>
Total assets	<u>\$ 3,410</u>	<u>\$ 383,952</u>	<u>\$ 225,186</u>	<u>\$ 32,723</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	3,410	164,597	50,252	-
Fund Balances				
Restricted for debt service	<u>-</u>	<u>219,355</u>	<u>174,934</u>	<u>32,723</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,410</u>	<u>\$ 383,952</u>	<u>\$ 225,186</u>	<u>\$ 32,723</u>

Debt Service

2017A G.O. Street Reconstruction Bond (314)	2020 Street Improvement Bond (325)	Total
\$ 112,205	\$ 174,914	\$ 893,596
-	-	229,245
-	-	81,324
2,047	-	2,047
2,037	-	8,497
243,173	788,294	1,243,266
-	-	7,170
-	-	65,408
<u>\$ 359,462</u>	<u>\$ 963,208</u>	<u>\$ 2,530,553</u>
\$ -	\$ -	\$ -
-	-	5,950
-	-	5,950
245,210	788,294	1,251,763
114,252	174,914	1,272,840
<u>\$ 359,462</u>	<u>\$ 963,208</u>	<u>\$ 2,530,553</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2020

	Debt Service			
	2014A Recreational Facilities Bonds (301)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)	2002 G.O. Fire Station Bonds (310)
Revenues				
Property taxes	\$ -	\$ -	\$ 66,000	\$ 86,000
Special assessments	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment earnings	-	-	-	-
Other interest	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>66,000</u>	<u>86,000</u>
Expenditures				
Debt Service				
Principal	95,000	-	60,000	75,000
Interest and other	<u>80,303</u>	<u>-</u>	<u>13,600</u>	<u>9,900</u>
Total expenditures	<u>175,303</u>	<u>-</u>	<u>73,600</u>	<u>84,900</u>
Excess of revenues over (under) expenditures	(175,303)	-	(7,600)	1,100
Other Financing Sources (Uses)				
Transfers in	175,303	-	-	-
Transfers out	<u>-</u>	<u>(28,064)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>175,303</u>	<u>(28,064)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(28,064)	(7,600)	1,100
Fund Balances				
Beginning of year	<u>150,416</u>	<u>28,064</u>	<u>31,123</u>	<u>48,581</u>
End of year	<u>\$ 150,416</u>	<u>\$ -</u>	<u>\$ 23,523</u>	<u>\$ 49,681</u>

Debt Service

2006C G.O. Johnson Controls (316)	2008 G.O. Tax Abatement Bonds (318)	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2019 Capital Lease (324)	2002 G.O. Improvement Bonds (505)
\$ 169,000	\$ -	\$ 55,000	\$ 5,400	\$ -	\$ -
-	-	-	-	-	-
7,170	-	-	-	-	-
-	-	-	-	-	-
5,661	-	-	-	-	-
<u>181,831</u>	<u>-</u>	<u>55,000</u>	<u>5,400</u>	<u>-</u>	<u>-</u>
243,587	-	45,000	-	171,398	-
13,133	-	8,105	-	57,847	-
<u>256,720</u>	<u>-</u>	<u>53,105</u>	<u>-</u>	<u>229,245</u>	<u>-</u>
(74,889)	-	1,895	5,400	(229,245)	-
-	7,490	-	-	458,490	-
-	-	-	-	-	(69,437)
<u>-</u>	<u>7,490</u>	<u>-</u>	<u>-</u>	<u>458,490</u>	<u>(69,437)</u>
(74,889)	7,490	1,895	5,400	229,245	(69,437)
157,433	(7,490)	8,234	5,724	-	69,437
<u>\$ 82,544</u>	<u>\$ -</u>	<u>\$ 10,129</u>	<u>\$ 11,124</u>	<u>\$ 229,245</u>	<u>\$ -</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2020

	Debt Service		
	2005 G.O. Improvement /2011B Refunding Bonds (507)	2006A G.O. Improvement /2012A Refunding Bonds (508)	2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)
Revenues			
Property taxes	\$ 51,000	\$ 73,000	\$ 76,000
Special assessments	193,915	37,988	-
Charges for services	-	-	-
Miscellaneous			
Investment earnings	71	-	-
Other interest	-	-	-
Total revenues	<u>244,986</u>	<u>110,988</u>	<u>76,000</u>
Expenditures			
Debt Service			
Principal	310,000	205,000	60,000
Interest and other	12,170	9,746	13,490
Total expenditures	<u>322,170</u>	<u>214,746</u>	<u>73,490</u>
Excess of revenues over (under) expenditures	(77,184)	(103,758)	2,510
Other Financing Sources (Uses)			
Transfers in	80,000	87,000	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>80,000</u>	<u>87,000</u>	<u>-</u>
Net change in fund balances	2,816	(16,758)	2,510
Fund Balances			
Beginning of year	<u>216,539</u>	<u>191,692</u>	<u>30,213</u>
End of year	<u>\$ 219,355</u>	<u>\$ 174,934</u>	<u>\$ 32,723</u>

Debt Service

2017A G.O. Street Reconstruction Bond (314)	2020 Street Improvement Bond (325)	Total
\$ 34,000	\$ -	\$ 615,400
41,455	174,914	448,272
-	-	7,170
-	-	71
-	-	5,661
<u>75,455</u>	<u>174,914</u>	<u>1,076,574</u>
20,000	-	1,284,985
<u>51,982</u>	<u>-</u>	<u>270,276</u>
<u>71,982</u>	<u>-</u>	<u>1,555,261</u>
3,473	174,914	(478,687)
33,000	-	841,283
-	-	(97,501)
<u>33,000</u>	<u>-</u>	<u>743,782</u>
36,473	174,914	265,095
<u>77,779</u>	<u>-</u>	<u>1,007,745</u>
<u>\$ 114,252</u>	<u>\$ 174,914</u>	<u>\$ 1,272,840</u>

City of Le Sueur
Balance Sheet - Component Unit -
Le Sueur Economic Development Authority
December 31, 2020

Assets

Cash and investments	\$ 113,552
Notes receivable	1,850,882
Land held for resale	<u>1,559,472</u>
Total assets	<u><u>\$ 3,523,906</u></u>

Liabilities

Accounts payable	\$ 9,075
Due to component unit/primary government	823,541
Due to other governments	8,136
Unearned revenue	<u>2,500</u>
Total liabilities	<u>843,252</u>

Fund Balance

Restricted	<u>2,680,654</u>
Total liabilities and fund balance	<u><u>\$ 3,523,906</u></u>

Reconciliation of the balance sheet to
the statement of net position

Fund balance	\$ 2,680,654
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	(1,879,034)
Governmental fund statements do not report a liability for accrued interest until due and payable.	<u>(31,159)</u>
Net position	<u><u>\$ 770,461</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, 2020

Revenues		
Tax increments	\$	141,738
Payments from primary government		37,000
Land rental		16,205
Investment income		366
Other		117,240
Total revenues		<u>312,549</u>
Expenditures		
Current		
Economic development	\$	217,589
Debt service		
Principal		80,948
Interest and fiscal charges		111,552
Total expenditures		<u>410,089</u>
Excess of revenues under expenditures		(97,540)
Fund Balance		
Beginning of year		<u>2,778,194</u>
End of year	\$	<u>2,680,654</u>
Reconciliation of the schedule of revenues, expenditures, and changes in fund balance to the Statement of Activities.		
Net change in fund balance	\$	(97,540)
Principal payments on long-term debt are recognized as expenditures in the funds but have no effect on net position.		80,948
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 accrue, regardless of when it is due.		<u>1,377</u>
Change in net position	\$	<u>(15,215)</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, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2020-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2020-001 to be a significant deficiency.

Compliance and Other Matters

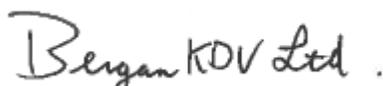
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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
July 29, 2021

Minnesota Legal Compliance

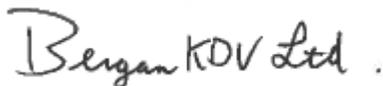
Independent Auditor's Report

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, 2020, and the related notes to financial statements, and have issued our report thereon date July 29, 2021.

In connection with our audit, we noted that the City failed to comply with provisions of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, insofar as they relate to accounting matters as described in the (Schedule of Findings and Responses on Legal Compliance and Internal Control) as items 2020-004 and 2020-005. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters.] 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, insofar as they relate to accounting matters.

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." followed by a period.

Minneapolis, Minnesota
July 29, 2021

**City of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2020**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS

Significant Deficiency:

Audit Finding 2020-001 – Improve Utility Billing Process

During our audit, we noted the City's utility billing software did not have the ability to run necessary reports to recalculate revenue.

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 working with the utility software company to generate reports to recalculate the utility revenue.

Material Weakness:

Audit Finding 2020-002 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2020, 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, 2020**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)

Material Weakness (Continued):

Audit Finding 2020-002 – 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.

Audit Finding 2020-003 – Material Audit Adjustments and Prior Period Adjustment

There were several material audit adjustments needed to ensure the financial statements were free from material misstatement. The following audit adjustments were required:

- To record cash with escrow balances and adjust related debt activity.
- Reallocate bond proceeds, bonds payable balances, and related activity to the proper funds.
- To record capital lease payable and related assets
- To adjust capital assets, accumulated depreciation, and depreciation expense

There was also a prior period adjustment needed to properly reflect notes receivable balances.

City's Response:

Management of the City will review year-end procedures and improve internal controls to avoid material misstatements.

**City of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2020**

CURRENT YEAR AND PRIOR YEAR LEGAL COMPLIANCE FINDINGS

Audit Finding 2020-004 – 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 one invoice 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 2020-005 - 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

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, 2020, 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.