

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

Basic Financial Statements

December 31, 2021



**City of Le Sueur
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**City of Le Sueur
Elected Officials and Administration
December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Shawn Kirby	Mayor	December 31, 2024
Nick Loose	Council	December 31, 2024
David Swanberg	Council	December 31, 2024
Marvin Sullivan	Council	December 31, 2022
Mark Huntington	Council	December 31, 2022
Newell Krogmann	Council	December 31, 2022
Scott Schlueter	Council	December 31, 2024
<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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Le Sueur, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Le Sueur's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Le Sueur as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Le Sueur and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Le Sueur's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Le Sueur's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Le Sueur's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Le Sueur's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements is 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 September 23, 2022, 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 23, 2022

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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, 2021.

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 \$38,283,958 (net position). Of this amount, \$5,808,928 (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 \$2,878,692 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 \$10,871,055, a decrease of \$49,835 in comparison with the prior year. The major reason for this decrease was due to the Main Street Project. Approximately 32.3% of total fund balance, or \$3,506,718, 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 \$1,524,428 or 52.7% 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 \$4,723,922 or 31.3% during the current fiscal year. This is due to the issuance of the 2021A G.O. Revenue bond in the amount \$7,820,000 and 2021B G.O. Revenue Note (PFA) in the amount of \$509,764 offset by debt payments of \$2,738,429.

OVERVIEW OF THE FINANCIAL STATEMENTS

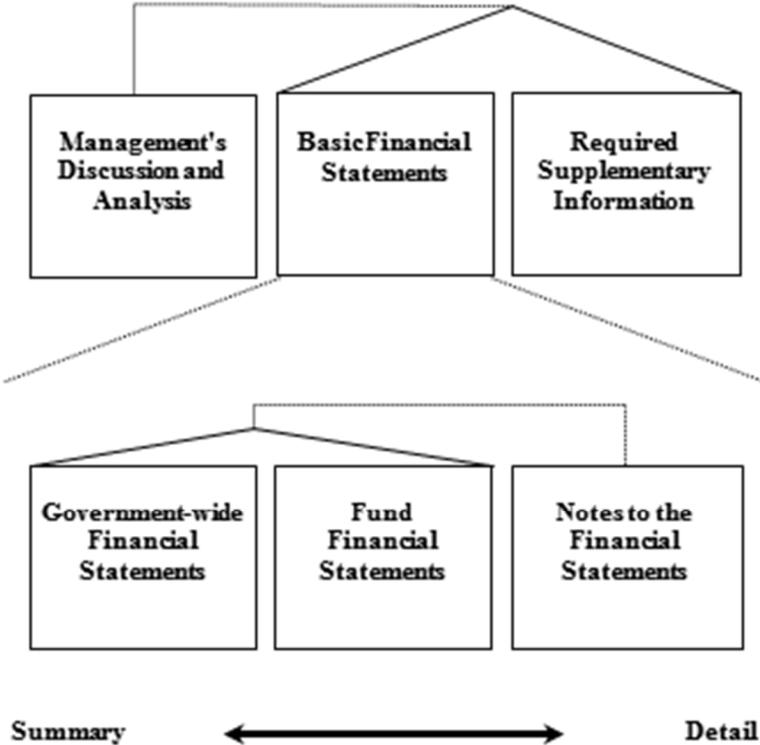
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report 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 34 individual Governmental Funds, 16 of which are Debt Service Funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Economic Development Revolving Loan Fund, the Community Center Fund, and the Debt service Funds, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 24 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, sewer pre-treatment, electric utility, storm utility, and refuse operations.

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

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

Notes to Financial Statements

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

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 104 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,283,958 at the close of the most recent fiscal year.

The largest portion of the City's net position (74.7%) 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 12,453,851	\$ 12,406,705	\$ 9,480,607	\$ 8,759,179	\$ 21,934,458	\$ 21,165,884
Capital assets	15,191,673	12,955,655	41,442,571	32,656,496	56,634,244	45,612,151
Net pension asset - fire relief	264,989	329,118	-	-	264,989	329,118
Total assets	27,910,513	25,691,478	50,923,178	41,415,675	78,833,691	67,107,153
Deferred outflows of resources related to fire relief pensions	46,666	71,863	-	-	46,666	71,863
Deferred outflows of resources related to city pensions	1,108,678	509,536	731,710	175,285	1,840,388	684,821
Deferred outflows of resources related to OPEB	10,828	8,785	5,622	5,622	16,450	14,407
Total deferred outflows of resources	1,166,172	590,184	737,332	180,907	1,903,504	771,091
Long-term liabilities outstanding	12,325,742	10,886,298	18,383,562	14,076,123	30,709,304	24,962,421
Other liabilities	1,657,468	1,696,296	5,491,321	2,201,268	7,148,789	3,897,564
Total OPEB liability	78,047	75,500	48,320	48,320	126,367	123,820
Net pension liability	910,137	1,617,732	984,723	1,152,668	1,894,860	2,770,400
Total liabilities	14,971,394	14,275,826	24,907,926	17,478,379	39,879,320	31,754,205
Deferred inflows of resources related to fire relief pensions	165,896	88,893	-	-	165,896	88,893
Deferred inflows of resources related to city pensions	1,460,266	531,405	901,711	44,656	2,361,977	576,061
Deferred inflows of resources related to OPEB	25,042	32,817	21,002	21,002	46,044	53,819
Total deferred inflows of resources	1,651,204	653,115	922,713	65,658	2,573,917	718,773
Net position						
Net investment in capital assets	6,739,547	6,131,624	21,860,117	22,440,530	28,599,664	28,572,154
Restricted	3,875,366	3,475,974	-	-	3,875,366	3,475,974
Unrestricted	1,839,174	1,745,123	3,969,754	1,612,015	5,808,928	3,357,138
Total net position	\$ 12,454,087	\$ 11,352,721	\$ 25,829,871	\$ 24,052,545	\$ 38,283,958	\$ 35,405,266

An additional portion of the City's net position (10.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (15.2%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Governmental Activities

Governmental activities increased the City's net position by \$1,101,366. Key elements of this increase are as follows:

- Revenue exceeded expenditures in governmental funds.
- 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

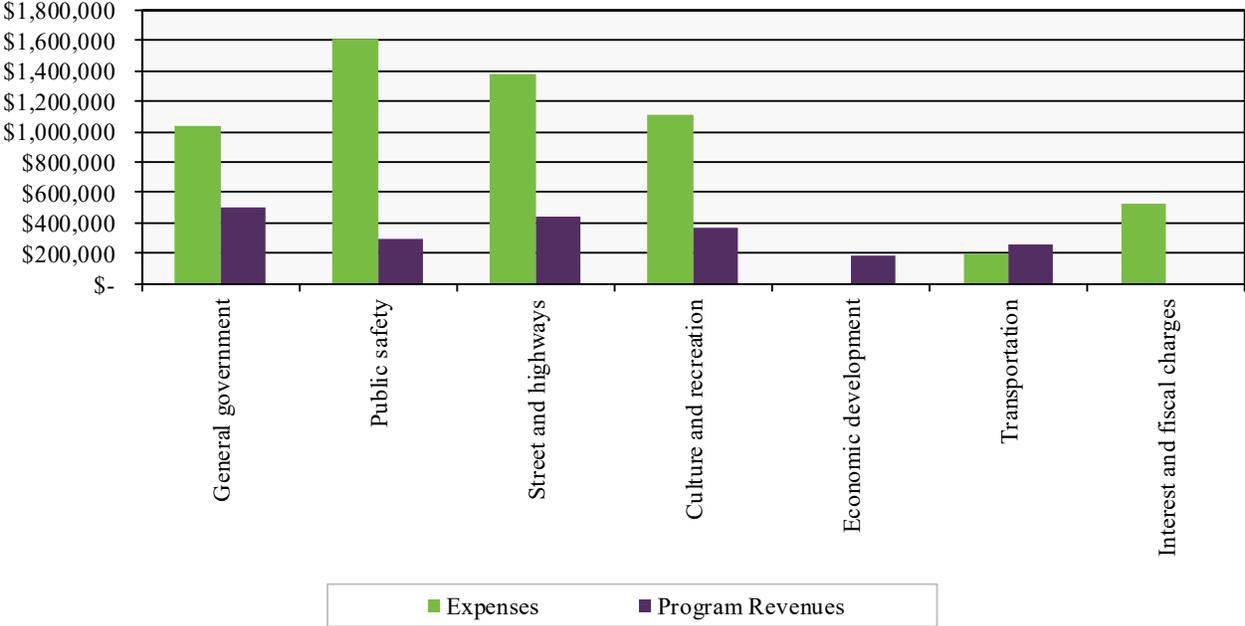
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 988,307	\$ 1,051,249	\$ 16,521,202	\$ 14,342,678	\$ 17,509,509	\$ 15,393,927
Operating grants and contributions	643,892	940,352	-	-	643,892	940,352
Capital grants and contributions	426,432	1,000,106	-	130,464	426,432	1,130,570
General revenues						
Property taxes/tax increments	2,669,720	2,658,974	-	-	2,669,720	2,658,974
Other taxes	717	1,568	-	-	717	1,568
Grants and contributions not restricted to specific programs	1,058,972	1,045,236	-	-	1,058,972	1,045,236
Unrestricted investment earnings	7,716	19,335	10,050	2,951	17,766	22,286
Gain on sale of asset	97,500	-	-	-	97,500	-
Other	273,096	177,585	-	-	273,096	177,585
Total revenues	<u>6,166,352</u>	<u>6,894,405</u>	<u>16,531,252</u>	<u>14,476,093</u>	<u>22,697,604</u>	<u>21,370,498</u>
Expenses						
General government	1,040,220	927,846	-	-	1,040,220	927,846
Public safety	1,613,341	1,426,269	-	-	1,613,341	1,426,269
Streets and highways	1,379,042	1,512,776	-	-	1,379,042	1,512,776
Culture and recreation	1,115,681	1,780,154	-	-	1,115,681	1,780,154
Housing and economic development	-	484,294	-	-	-	484,294
Transportation	192,966	259,121	-	-	192,966	259,121
Interest and fiscal charges	530,832	537,176	-	-	530,832	537,176
Water utility	-	-	1,902,364	1,523,243	1,902,364	1,523,243
Sewer utility	-	-	2,271,618	2,170,220	2,271,618	2,170,220
Refuse and recycling	-	-	272,777	292,012	272,777	292,012
Storm utility	-	-	17,349	10,762	17,349	10,762
Electric utility	-	-	9,482,722	8,493,690	9,482,722	8,493,690
Total expenses	<u>5,872,082</u>	<u>6,927,636</u>	<u>13,946,830</u>	<u>12,489,927</u>	<u>19,818,912</u>	<u>19,417,563</u>
Change in net position before transfers	294,270	(33,231)	2,584,422	1,986,166	2,878,692	1,952,935
Transfers	807,096	718,000	(807,096)	(718,000)	-	-
Special item	-	-	-	-	-	-
Change in net position	<u>1,101,366</u>	<u>684,769</u>	<u>1,777,326</u>	<u>1,268,166</u>	<u>2,878,692</u>	<u>1,952,935</u>
Net position - January 1	<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>
Prior period adjustment as previously stated	-	(810,000)	-	-	-	(810,000)
Net position - beginning, as restated	<u>11,352,721</u>	<u>10,667,952</u>	<u>24,052,545</u>	<u>22,784,379</u>	<u>35,405,266</u>	<u>33,452,331</u>
Net position - December 31	<u>\$12,454,087</u>	<u>\$11,352,721</u>	<u>\$25,829,871</u>	<u>\$24,052,545</u>	<u>\$38,283,958</u>	<u>\$35,405,266</u>

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

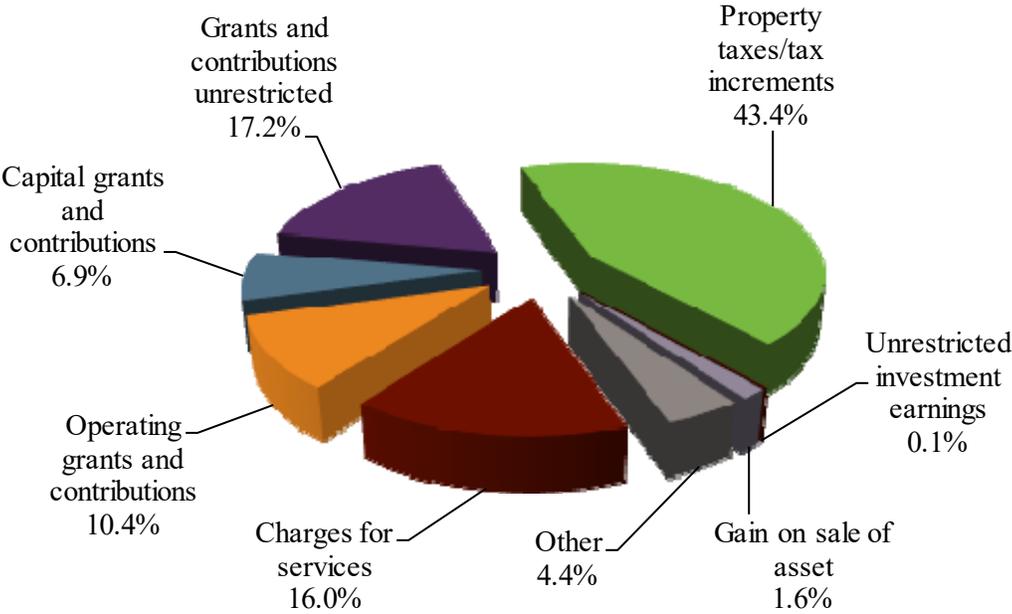
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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**

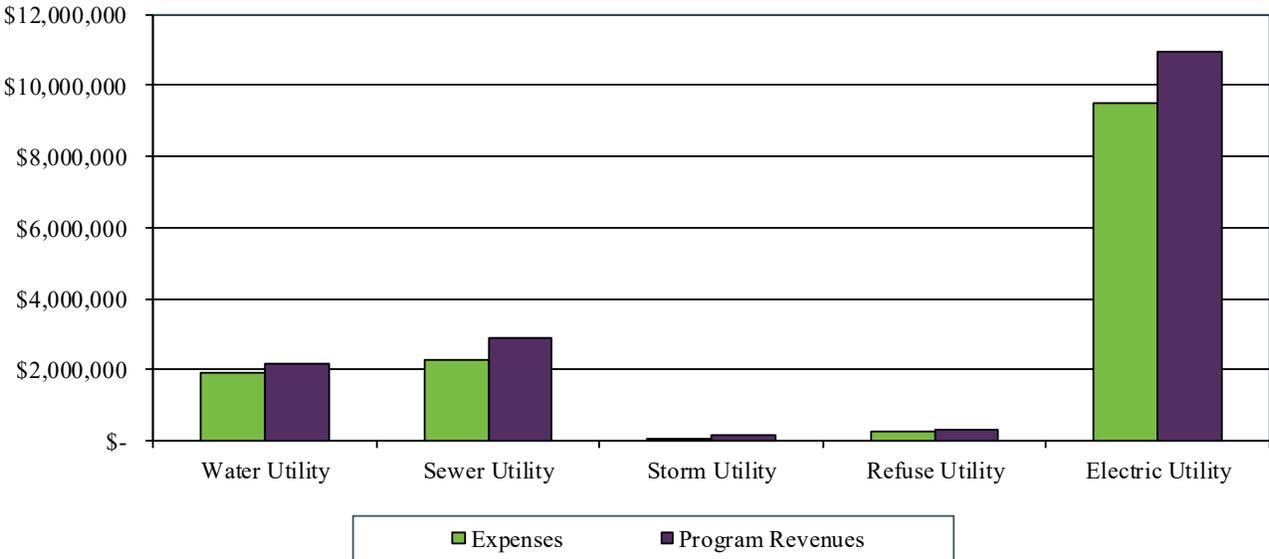
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

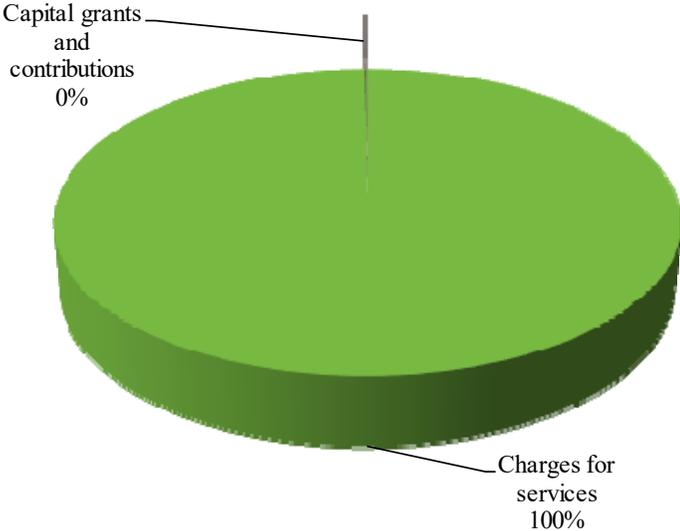
Business-type activities increased the City's net position by \$1,777,326. Key elements of this increase are as follows:

- Increased revenues within each utility fund from 2020 to 2021 based on increased rates in 2021.

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 \$10,871,055, a decrease of \$49,835 in comparison with the prior year. A balance of \$465,798 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 (\$39,994), restricted (\$6,736,208), or assigned (\$3,506,718) 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 \$1,556,936. 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 12/31/2021, both unassigned fund balance and total fund balance represent more than 25% of fund expenditures.

The fund balance of the City's General fund increased by \$478,581 during the current fiscal year. This was mostly due to grant funding that was received through APRA.

The *Economic Development Revolving Loan Fund* has a total fund balance of \$2,059,188 at year end. The net decrease in fund balance during the current year was \$3,056. This decrease was due to normal operations of the fund.

The *Community Center Fund* has a total deficit fund balance of \$730,925 at year end. The net decrease in fund balance during the current year was \$104,966. 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 respective balances of \$1,681,260 and \$4,054,950 for a combined fund balance of \$5,736,210. This is an increase in fund balance during the current year of \$163,798. The major reason for this increase was due to transfers in from other funds offset by principal payments on long-term debt. The fund balance is restricted for future debt service payments.

Proprietary Funds

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,969,754. The total improvement in net position for the funds was \$1,777,326. 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 2021. The budget called for a balanced revenue over expenditure year, including transfers. Revenues exceeded the budget by \$602,826 due to unanticipated grant activity and an increase in licenses and permits, expenditures were over budget by \$116,846 due to information technology costs and unexpected grant activity, and streets and parks were over budget by \$124,389 causing a \$478,581 increase in fund balance in the General fund for 2021.

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, 2021, amounts to \$56,634,244 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 24.16%.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,541,013	\$ 1,541,013	\$ 616,121	\$ 616,121	\$ 2,157,134	\$ 2,157,134
Buildings	4,043,864	4,365,198	1,108,709	1,253,318	5,152,573	5,618,516
Infrastructure/systems	4,899,491	5,351,083	26,581,435	27,565,720	31,480,926	32,916,803
Machinery and equipment	811,669	701,609	1,279,407	1,463,674	2,091,076	2,165,283
Vehicles	1,676,856	989,882	783,216	897,634	2,460,072	1,887,516
Construction in progress	2,218,780	6,870	11,073,683	860,029	13,292,463	866,899
Total	\$ 15,191,673	\$ 12,955,655	\$ 41,442,571	\$ 32,656,496	\$ 56,634,244	\$ 45,612,151

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 \$32,835,082. Of this amount, \$70,000 is special assessment debt, \$23,389,712 is revenue or general obligation revenue debt, \$1,316,000 is notes from direct borrowings, \$1,624,443 is capital lease and \$6,434,927 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	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds General Obligation	\$ 6,434,927	\$ 4,429,927	\$ -	\$ -	\$ 6,434,927	\$ 4,429,927
Improvement Bonds General Obligation	70,000	310,000	-	-	70,000	310,000
Revenue Bonds	-	-	17,907,838	13,105,073	17,907,838	13,105,073
Revenue Bonds	5,481,874	5,956,742	-	-	5,481,874	5,956,742
Notes from direct borrowings	-	-	1,316,000	1,524,000	1,316,000	1,524,000
Capital lease	1,019,267	1,199,921	605,176	703,000	1,624,443	1,902,921
Total	<u>\$13,006,068</u>	<u>\$11,896,590</u>	<u>\$19,829,014</u>	<u>\$15,332,073</u>	<u>\$32,835,082</u>	<u>\$27,228,663</u>

The City's total debt increased by \$5,606,418 or 20.6%, during the current fiscal year.

The City's current bond rating from S&P is an "AA-" rating for general obligation and revenue debt.

Minnesota statutes limit the amount of net general obligation debt a city may issue to 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 \$4,623,997.

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 5% for the City of Le Sueur.
- Change in property valuations in 2021 based on overall need to increase property values from County perspective.
- Inflationary trends in the region compare favorably to national indices.
- Continuation of budgeting for condemnation of properties, Capital Equipment funding, and setting a contingency to plan for future needs of the City.
- Property valuation changes continue to favor commercial/industrial properties.
- Budgeting General Fund contingency to account for inflationary pressures.
- Budgeting for \$ 200,000 for ARPA (second tranche) funding.
- Increased utility expenses as City moves away from "governmental" fee schedule.

All of these factors were considered in preparing the City's budget for the 2022 fiscal year.

The property tax levy will increase from \$2,646,148 in 2021 to \$3,106,436 in 2022, or approximately 17.39%. The City is actively managing expenses across all funds, and adjusting future capital plans accordingly.

**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, 2021**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments (including cash equivalents)	\$ 6,225,381	\$ 7,175,055	\$ 13,400,436	\$ -
Cash with escrow agent	229,245	51,362	280,607	-
Receivables				
Accounts receivable	114,462	1,560,433	1,674,895	-
Interest receivable	-	-	-	423
Taxes receivable	47,927	-	47,927	-
Special assessments receivable	1,141,192	259,404	1,400,596	-
Notes receivable	3,806,612	130,746	3,937,358	2,588,743
Due from other governments	25,497	29,206	54,703	-
Due from component unit/primary government	823,541	-	823,541	-
Inventory	34,694	262,475	297,169	-
Prepaid items	5,300	11,926	17,226	-
Land held for resale	-	-	-	1,559,472
Capital assets not being depreciated				
Land	1,541,013	616,121	2,157,134	-
Construction in progress	2,218,780	11,073,683	13,292,463	-
Capital assets net of accumulated depreciation				
Buildings	4,043,864	1,108,709	5,152,573	-
Infrastructure	4,899,491	26,581,435	31,480,926	-
Machinery and equipment	811,669	1,279,407	2,091,076	-
Vehicles	1,676,856	783,216	2,460,072	-
Net pension asset - fire relief	264,989	-	264,989	-
Total assets	27,910,513	50,923,178	78,833,691	4,148,638
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	46,666	-	46,666	-
Deferred outflows of resources related to city pensions	1,108,678	731,710	1,840,388	-
Deferred outflows of resources related to OPEB	10,828	5,622	16,450	-
Total deferred outflows of resources	1,166,172	737,332	1,903,504	-
Total assets and deferred outflows of resources	\$ 29,076,685	\$ 51,660,510	\$ 80,737,195	\$ 4,148,638
Liabilities				
Cash Overdraft	\$ -	\$ -	\$ -	\$ 775,674
Accounts and contracts payable	339,430	3,350,092	3,689,522	-
Interest payable	128,158	108,134	236,292	29,701
Salaries and benefits payable	36,966	34,875	71,841	-
Due to component unit/primary government	-	-	-	823,541
Due to other governments	17,281	79,559	96,840	-
Deposits payable	-	25,364	25,364	-
Bonds payable, net				
Payable within one year	830,890	1,450,658	2,281,548	90,666
Payable after one year	11,393,841	16,643,278	28,037,119	1,702,699
Notes from direct borrowings				
Payable within one year	-	211,000	211,000	-
Payable after one year	-	1,105,000	1,105,000	-
Capital lease payable				
Payable within one year	187,971	100,588	288,559	-
Payable after one year	831,296	504,588	1,335,884	-
Compensated absences payable				
Payable within one year	116,772	131,051	247,823	-
Payable after one year	100,605	130,696	231,301	-
Total OPEB liability	78,047	48,320	126,367	-
Net pension liability	910,137	984,723	1,894,860	-
Total liabilities	14,971,394	24,907,926	39,879,320	3,422,281
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	165,896	-	165,896	-
Deferred inflows of resources related to city pensions	1,460,266	901,711	2,361,977	-
Deferred inflows of resources related to OPEB	25,042	21,002	46,044	-
Total deferred inflows of resources	1,651,204	922,713	2,573,917	-
Net Position				
Net investment in capital assets	6,739,547	21,860,117	28,599,664	-
Restricted for				
Debt service	1,816,178	-	1,816,178	-
Economic development loans	2,059,188	-	2,059,188	-
Unrestricted	1,839,174	3,969,754	5,808,928	726,357
Total net position	12,454,087	25,829,871	38,283,958	726,357
Total liabilities, deferred inflows of resources, and net position	\$ 29,076,685	\$ 51,660,510	\$ 80,737,195	\$ 4,148,638

**City of Le Sueur
Statement of Activities
Year Ended December 31, 2021**

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	\$ 1,040,220	\$ 244,016	\$ 247,288	\$ 6,040	\$ (542,876)	\$ -	\$ (542,876)	\$ -
Public safety	1,613,341	189,505	111,034	-	(1,312,802)	-	(1,312,802)	-
Streets and parks	1,379,042	1,913	221,808	219,713	(935,608)	-	(935,608)	-
Culture and recreation	1,115,681	340,734	20,379	2,000	(752,568)	-	(752,568)	-
Housing and economic development	-	190,129	-	-	190,129	-	190,129	-
Transportation	192,966	22,010	43,383	198,679	71,106	-	71,106	-
Interest and fiscal charges	530,832	-	-	-	(530,832)	-	(530,832)	-
Total governmental activities	<u>5,872,082</u>	<u>988,307</u>	<u>643,892</u>	<u>426,432</u>	<u>(3,813,451)</u>	<u>-</u>	<u>(3,813,451)</u>	<u>-</u>
Business-type activities								
Water utility	1,902,364	2,196,501	-	-	-	294,137	294,137	-
Sewer utility	2,271,618	2,898,474	-	-	-	626,856	626,856	-
Refuse and recycling	272,777	314,945	-	-	-	42,168	42,168	-
Storm utility	17,349	178,164	-	-	-	160,815	160,815	-
Electric utility	9,482,722	10,933,118	-	-	-	1,450,396	1,450,396	-
Total business-type activities	<u>13,946,830</u>	<u>16,521,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,574,372</u>	<u>2,574,372</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 19,818,912</u>	<u>\$ 17,509,509</u>	<u>\$ 643,892</u>	<u>\$ 426,432</u>	<u>(3,813,451)</u>	<u>2,574,372</u>	<u>(1,239,079)</u>	<u>-</u>
Component units								
Economic Development Authority	<u>\$ 517,197</u>	<u>\$ 115,312</u>	<u>\$ 214,883</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,002)</u>
General revenues								
Property taxes					2,669,720	-	2,669,720	-
Tax increments					-	-	-	115,445
Intergovernmental					1,058,972	-	1,058,972	-
Payment in lieu of taxes					717	-	717	-
Other general revenues					273,096	-	273,096	21,826
Unrestricted investment earnings					7,716	10,050	17,766	5,627
Gain on sale of asset					97,500	-	97,500	-
Transfers					807,096	(807,096)	-	-
Total general revenues and transfers					<u>4,914,817</u>	<u>(797,046)</u>	<u>4,117,771</u>	<u>142,898</u>
Change in net position					<u>1,101,366</u>	<u>1,777,326</u>	<u>2,878,692</u>	<u>(44,104)</u>
Net position - beginning					<u>11,352,721</u>	<u>24,052,545</u>	<u>35,405,266</u>	<u>770,461</u>
Net position - ending					<u>\$ 12,454,087</u>	<u>\$ 25,829,871</u>	<u>\$ 38,283,958</u>	<u>\$ 726,357</u>

City of Le Sueur
Balance Sheet - Governmental Funds
December 31, 2021

	General (101, 229, 240, 250, 701)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)	Community Center (615)
Assets				
Cash investments	\$ 640,546	\$ 1,526,263	\$ 227,352	\$ -
Cash with escrow agent	-	229,245	-	-
Delinquent taxes receivable	47,927	-	-	-
Accounts receivable	9,385	-	35,724	-
Notes and mortgages receivable	-	5,667	3,791,874	-
Special assessments receivable	-	1,138,695	-	-
Due from other governments	21,553	3,944	-	-
Advances to component unit	-	-	-	-
Due from other funds	990,465	-	-	-
Inventory	27,208	-	-	802
Prepaid items	5,300	-	-	-
	<u>\$ 1,742,384</u>	<u>\$ 2,903,814</u>	<u>\$ 4,054,950</u>	<u>\$ 802</u>
Liabilities				
Accounts payable	\$ 104,878	\$ 500	\$ -	\$ 5,207
Due to other governments	4,089	-	-	11,470
Due to other funds	-	83,359	-	706,982
Accrued wages payable	28,554	-	-	8,068
Total liabilities	<u>137,521</u>	<u>83,859</u>	<u>-</u>	<u>731,727</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	47,927	-	-	-
Unavailable revenue - special assessments	-	1,138,695	-	-
Total deferred inflows of resources	<u>47,927</u>	<u>1,138,695</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable for				
Inventory	27,208	-	-	802
Prepaid items	5,300	-	-	-
Restricted for				
Debt service	-	1,681,260	4,054,950	-
Capital projects	-	-	-	-
Assigned for				
Economic development loans	-	-	-	-
Capital projects	-	-	-	-
Unassigned	1,524,428	-	-	(731,727)
Total fund balances	<u>1,556,936</u>	<u>1,681,260</u>	<u>4,054,950</u>	<u>(730,925)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,742,384</u>	<u>\$ 2,903,814</u>	<u>\$ 4,054,950</u>	<u>\$ 802</u>

2021A Bonds Capital Projects (426)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,831,220	\$ 6,225,381
-	-	229,245
-	-	47,927
-	69,353	114,462
-	9,071	3,806,612
-	2,497	1,141,192
-	-	25,497
-	823,541	823,541
-	-	990,465
-	6,684	34,694
-	-	5,300
<u>\$ -</u>	<u>\$ 4,742,366</u>	<u>\$ 13,444,316</u>
\$ 126,779	\$ 102,066	\$ 339,430
-	1,722	17,281
200,124	-	990,465
-	344	36,966
<u>326,903</u>	<u>104,132</u>	<u>1,384,142</u>
-	-	47,927
-	2,497	1,141,192
-	2,497	1,189,119
-	6,684	34,694
-	-	5,300
-	-	5,736,210
-	999,998	999,998
-	2,059,188	2,059,188
-	1,447,530	1,447,530
(326,903)	-	465,798
<u>(326,903)</u>	<u>4,635,737</u>	<u>10,871,055</u>
<u>\$ -</u>	<u>\$ 4,742,366</u>	<u>\$ 13,444,316</u>

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City of Le Sueur
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2021

Total fund balances - governmental funds \$ 10,871,055

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	30,519,449
Less accumulated depreciation	(15,327,776)

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	(11,986,801)
Unamortized bond premium	(237,930)
Capital leases payable	(1,019,267)
Compensated absences payable	(217,377)
Total OPEB liability	(78,047)
Net pension liability - city pension	(910,137)

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	47,927
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	1,128,405
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Governmental funds do not report a liability for accrued interest due and payable. (128,158)

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	(165,896)
Deferred inflows of resources related to city pensions	(1,460,266)
Deferred inflows of resources related to OPEB	(25,042)
Deferred outflows of resources related to fire relief pensions	46,666
Deferred outflows of resources related to city pensions	1,108,678
Deferred outflows of resources related to OPEB	10,828

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

264,989

Total net position - governmental activities \$ 12,454,087

City of Le Sueur
Statement of Revenues, Expenditure, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2021

	General (101, 229, 240, 250, 701)	Debt Service (300s/500s)	Medical Facility Bonds 2010 (321)	Community Center (615)
Revenues				
Taxes	\$ 781,459	\$ 812,713	\$ -	\$ 500,550
Franchise fees	18,576	-	-	-
Special assessments	-	336,805	-	-
Licenses and permits	221,565	-	-	-
Intergovernmental	1,468,393	-	-	20,330
Charges for services	23,166	-	-	301,680
Fines and forfeits	35,688	-	-	-
Investment earnings	3,733	819	248	-
Miscellaneous	217,391	54,659	186,914	33,158
Total revenues	<u>2,769,971</u>	<u>1,204,996</u>	<u>187,162</u>	<u>855,718</u>
Expenditures				
Current				
General government	934,608	-	-	-
Public safety	1,239,033	-	-	-
Streets and parks	677,101	-	-	-
Culture and recreation	19,006	-	-	772,141
Transportation	-	-	-	-
Capital outlay				
General government	25,143	-	-	-
Public safety	100	-	-	-
Streets and parks	-	-	-	-
Culture and recreation	-	-	-	90
Transportation	-	-	-	-
Debt service				
Principal	-	1,031,343	249,179	-
Interest and other	-	320,487	182,605	-
Total expenditures	<u>2,894,991</u>	<u>1,351,830</u>	<u>431,784</u>	<u>772,231</u>
Excess of revenues over (under) expenditures	(125,020)	(146,834)	(244,622)	83,487
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Bonds issued	-	-	-	-
Premiums on bonds issued	-	-	-	-
Transfers in	623,601	555,254	-	-
Transfers out	(20,000)	-	-	(188,453)
Total other financing sources (uses)	<u>603,601</u>	<u>555,254</u>	<u>-</u>	<u>(188,453)</u>
Net change in fund balances	478,581	408,420	(244,622)	(104,966)
Fund Balances				
Beginning of year	<u>1,078,355</u>	<u>1,272,840</u>	<u>4,299,572</u>	<u>(625,959)</u>
End of year	<u>\$ 1,556,936</u>	<u>\$ 1,681,260</u>	<u>\$ 4,054,950</u>	<u>\$ (730,925)</u>

2021A Bonds Capital Projects (426)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 585,638	\$ 2,680,360
-	-	18,576
-	-	336,805
-	-	221,565
105,988	286,832	1,881,543
-	167,557	492,403
-	-	35,688
273	-	5,073
-	23,873	515,995
<u>106,261</u>	<u>1,063,900</u>	<u>6,188,008</u>
-	-	934,608
-	150,224	1,389,257
-	-	677,101
-	3,056	794,203
-	56,834	56,834
-	9,230	34,373
673,270	229,066	902,436
2,236,497	651,792	2,888,289
-	82,029	82,119
-	76,208	76,208
-	-	1,280,522
31,630	-	534,722
<u>2,941,397</u>	<u>1,258,439</u>	<u>9,650,672</u>
(2,835,136)	(194,539)	(3,462,664)
-	97,500	97,500
2,390,000	-	2,390,000
118,233	-	118,233
-	20,000	1,198,855
-	(183,306)	(391,759)
<u>2,508,233</u>	<u>(65,806)</u>	<u>3,412,829</u>
(326,903)	(260,345)	(49,835)
-	4,896,082	10,920,890
<u>\$ (326,903)</u>	<u>\$ 4,635,737</u>	<u>\$ 10,871,055</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, 2021

Net change in fund balances - governmental funds \$ (49,835)

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	3,454,027
Depreciation expense	(1,173,376)
Loss on disposal	(44,633)

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

48,184

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.

7,271

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	211,547
-----------------	---------

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	1,280,522
--------------------	-----------

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.

(103,814)

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.

(10,529)

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.

(2,390,000)

Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent property taxes	(10,640)
Delinquent special assessments	(8,805)
Deferred special assessments	(108,553)
	(127,998)

Change in net position - governmental activities	\$ 1,101,366
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City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes	\$ 772,598	\$ 781,459	\$ 8,861
Franchise fees	15,000	18,576	3,576
Licenses and permits	98,500	221,565	123,065
Intergovernmental	1,171,797	1,468,393	296,596
Charges for services	20,750	23,166	2,416
Fines and forfeits	27,500	35,688	8,188
Investment earnings	1,000	3,733	2,733
Miscellaneous			
Contributions and donations	-	1,000	1,000
Refunds and reimbursements	55,000	207,997	152,997
Other	5,000	8,394	3,394
Total revenues	<u>2,167,145</u>	<u>2,769,971</u>	<u>602,826</u>
Expenditures			
Current			
General government	736,015	934,608	198,593
Public safety	1,210,960	1,239,033	28,073
Streets and parks	801,490	677,101	(124,389)
Culture and recreation	29,680	19,006	(10,674)
Capital outlay			
General government		25,143	25,143
Public safety	-	100	100
Total expenditures	<u>2,778,145</u>	<u>2,894,991</u>	<u>116,846</u>
Excess of revenues over (under) expenditures	(611,000)	(125,020)	485,980
Other Financing Sources			
Transfers in	631,000	623,601	(7,399)
Transfers out	(20,000)	(20,000)	-
Total other financing sources (uses)	<u>611,000</u>	<u>603,601</u>	<u>(7,399)</u>
Net change in fund balance	<u>\$ -</u>	<u>478,581</u>	<u>\$ 478,581</u>
Fund Balance			
Beginning of year		<u>1,078,355</u>	
End of year		<u>\$ 1,556,936</u>	

City of Le Sueur
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Center Fund
Year Ended December 31, 2021

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes	\$ 500,550	\$ 500,550	\$ -
Intergovernmental	-	20,330	20,330
Charges for services	424,950	301,680	(123,270)
Miscellaneous			
Contributions and donations	5,000	10,425	5,425
Other	45,000	22,733	(22,267)
Total revenues	975,500	855,718	(119,782)
Expenditures			
Current			
Culture and recreation	787,047	772,141	(14,906)
Capital outlay			
Culture and recreation	-	90	90
Total expenditures	787,047	772,231	(14,816)
Excess of revenues over (under) expenditures	188,453	83,487	(104,966)
Other Financing Sources (Uses)			
Transfers out	(188,453)	(188,453)	-
Net change in fund balance	\$ -	(104,966)	\$ (104,966)
Fund Balance			
Beginning of year		(625,959)	
End of year		\$ (730,925)	

City of Le Sueur
Statement of Net Position - Proprietary Funds
December 31, 2021

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)	Storm Utility (605)
Assets				
Current assets				
Cash and cash equivalents	\$ 3,774,599	\$ -	\$ 2,304,400	\$ 1,007,149
Cash with escrow agent	24,829	2,767	23,766	-
Accounts receivable	214,911	448,694	833,282	20,588
Notes and mortgages receivable - current	-	-	31,153	-
Due from other governments	10,907	11,303	6,854	-
Special assessments receivable	769	1,401	94,407	-
Due from other funds	1,885,875	-	-	-
Advances to other funds - current	-	-	50,000	-
Prepaid items	3,313	3,313	5,300	-
Inventory	15,012	2,933	244,530	-
Total current assets	<u>5,930,215</u>	<u>470,411</u>	<u>3,593,692</u>	<u>1,027,737</u>
Noncurrent assets				
Notes and mortgages receivable - noncurrent	-	-	99,593	-
Special assessments receivable - noncurrent	-	-	162,600	-
Advances to other funds - noncurrent	335,980	-	200,000	-
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	312,527	526,331	1,074,793	-
Construction in progress	7,640,010	1,273,247	851,600	1,308,826
Total capital assets	<u>17,154,681</u>	<u>36,110,799</u>	<u>14,975,284</u>	<u>1,308,826</u>
Less accumulated depreciation	<u>(5,542,598)</u>	<u>(12,843,069)</u>	<u>(9,721,352)</u>	<u>-</u>
Net capital assets	<u>11,612,083</u>	<u>23,267,730</u>	<u>5,253,932</u>	<u>1,308,826</u>
Total noncurrent assets	<u>11,948,063</u>	<u>23,267,730</u>	<u>5,716,125</u>	<u>1,308,826</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pension activity	240,984	178,367	312,359	-
Deferred outflows of resources related to OPEB	1,054	1,406	3,162	-
Total deferred outflows of resources	<u>242,038</u>	<u>179,773</u>	<u>315,521</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 18,120,316</u>	<u>\$ 23,917,914</u>	<u>\$ 9,625,338</u>	<u>\$ 2,336,563</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 1,535,973	\$ 574,946	\$ 702,516	\$ 513,684
Advances from other funds - current	-	50,000	-	-
Due to other funds	-	1,885,875	-	-
Due to other governments	12,062	14,601	52,896	-
Accrued interest payable	58,577	40,668	6,212	2,677
Accrued wages payable	12,076	8,502	14,297	-
Deposits payable	-	-	25,364	-
Compensated absences payable - current	31,340	30,316	69,395	-
Notes from direct borrowing - current	-	211,000	-	-
Capital lease payable - current	20,358	60,742	19,488	-
Bonds payable - current	244,308	996,000	140,000	70,350
Total current liabilities	<u>1,914,694</u>	<u>3,872,650</u>	<u>1,030,168</u>	<u>586,711</u>
Noncurrent liabilities				
Advances from other funds	-	535,980	-	-
Compensated absences payable - noncurrent	24,660	22,814	83,222	-
Total OPEB liability	<u>9,060</u>	<u>12,080</u>	<u>27,180</u>	<u>-</u>
Notes from direct borrowing - noncurrent	-	1,105,000	-	-
Capital lease payable - noncurrent	90,033	328,370	86,185	-
Bonds payable - noncurrent	9,041,152	5,145,288	1,185,000	1,271,838
Net pension liability	<u>324,313</u>	<u>240,043</u>	<u>420,367</u>	<u>-</u>
Total noncurrent liabilities	<u>9,489,218</u>	<u>7,389,575</u>	<u>1,801,954</u>	<u>1,271,838</u>
Total liabilities	<u>11,403,912</u>	<u>11,262,225</u>	<u>2,832,122</u>	<u>1,858,549</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pension activity	296,974	219,807	384,930	-
Deferred inflows of resources related to OPEB	3,938	5,250	11,814	-
Total deferred inflows of resources	<u>300,912</u>	<u>225,057</u>	<u>396,744</u>	<u>-</u>
Net Position				
Net investment in capital assets	3,663,857	14,919,554	3,823,259	(546,553)
Unrestricted	<u>2,751,635</u>	<u>(2,488,922)</u>	<u>2,573,213</u>	<u>1,024,567</u>
Total net position	<u>6,415,492</u>	<u>12,430,632</u>	<u>6,396,472</u>	<u>478,014</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,120,316</u>	<u>\$ 23,917,914</u>	<u>\$ 9,625,338</u>	<u>\$ 2,336,563</u>

Refuse and Recycling (607)	Total
\$ 88,907	\$ 7,175,055
-	51,362
42,958	1,560,433
-	31,153
142	29,206
227	96,804
-	1,885,875
-	50,000
-	11,926
-	262,475
<u>132,234</u>	<u>11,154,289</u>
-	99,593
-	162,600
-	535,980
-	616,121
-	5,831,568
-	44,485,470
-	5,629,097
-	1,913,651
-	11,073,683
-	69,549,590
-	(28,107,019)
-	41,442,571
-	42,240,744
-	731,710
-	5,622
-	737,332
<u>\$ 132,234</u>	<u>\$ 54,132,365</u>
\$ 22,973	\$ 3,350,092
-	50,000
-	1,885,875
-	79,559
-	108,134
-	34,875
-	25,364
-	131,051
-	211,000
-	100,588
-	1,450,658
<u>22,973</u>	<u>7,427,196</u>
-	535,980
-	130,696
-	48,320
-	1,105,000
-	504,588
-	16,643,278
-	984,723
-	19,952,585
<u>22,973</u>	<u>27,379,781</u>
-	901,711
-	21,002
-	922,713
-	21,860,117
109,261	3,969,754
<u>109,261</u>	<u>25,829,871</u>
<u>\$ 132,234</u>	<u>\$ 54,132,365</u>

City of Le Sueur
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2021

	Water Utility (601)	Sewer Utility (602, 606)	Electric Utility (604)	Storm Utility (605)
Operating revenues				
Charges for services	\$ 2,175,975	\$ 2,680,612	\$ 10,533,700	\$ 178,164
Total operating revenues	<u>2,175,975</u>	<u>2,680,612</u>	<u>10,533,700</u>	<u>178,164</u>
Operating expenses				
Source of power	33,406	-	-	-
Power and pumping	141,834	371,098	-	-
Purification	6,217	116,757	-	-
Distribution	9,024	-	-	-
Administrative and general	994,088	26,758	1,189,722	-
Sanitary sewer maintenance	-	863	-	-
Sewer lift stations	-	38,324	-	-
Sewer treatment plants	-	210,753	-	-
Metering	26,103	11,954	-	-
Purchased power	-	250,641	7,143,867	-
Transmission and distribution	-	-	509,130	-
Customer collection and meter	-	-	1,414	-
Depreciation	296,577	774,211	406,342	-
Repairs and Maintenance	-	11,097	-	-
Insurance	-	25,623	-	-
Office and other supplies	-	34,750	-	-
Travel	-	3,997	-	-
Bad Debt Expense	-	1,092	-	-
Equipment	239,051	274,580	197,629	4,361
Total operating expenses	<u>1,746,300</u>	<u>2,152,498</u>	<u>9,448,104</u>	<u>4,361</u>
Operating income (loss)	429,675	528,114	1,085,596	173,803
Nonoperating revenues (expenses)				
Investment earnings	7,135	-	1,524	1,391
Rental income	7,000	4,750	-	-
Refunds and reimbursements	-	611	8,841	-
Other income	13,526	212,501	390,577	-
Interest and related expenses	(156,728)	(119,120)	(34,618)	(12,988)
Amortization of bond premium (discount)	664	-	-	-
Total nonoperating revenues (expenses)	<u>(128,403)</u>	<u>98,742</u>	<u>366,324</u>	<u>(11,597)</u>
Income (loss) before transfers	301,272	626,856	1,451,920	162,206
Transfers				
Transfers out	<u>(114,975)</u>	<u>(131,818)</u>	<u>(541,288)</u>	<u>(5,505)</u>
Change in net position	186,297	495,038	910,632	156,701
Beginning of year	<u>6,229,195</u>	<u>11,935,594</u>	<u>5,485,840</u>	<u>321,313</u>
End of year	<u>\$ 6,415,492</u>	<u>\$ 12,430,632</u>	<u>\$ 6,396,472</u>	<u>\$ 478,014</u>

Refuse and Recycling (607)	Total
\$ 314,945	\$ 15,883,396
<u>314,945</u>	<u>15,883,396</u>
-	33,406
-	512,932
-	122,974
-	9,024
272,777	2,483,345
-	863
-	38,324
-	210,753
-	38,057
-	7,394,508
-	509,130
-	1,414
-	1,477,130
-	11,097
-	25,623
-	34,750
-	3,997
-	1,092
-	715,621
<u>272,777</u>	<u>13,624,040</u>
42,168	2,259,356
-	10,050
-	11,750
-	9,452
-	616,604
-	(323,454)
-	664
<u>-</u>	<u>325,066</u>
42,168	2,584,422
<u>(13,510)</u>	<u>(807,096)</u>
28,658	1,777,326
<u>80,603</u>	<u>24,052,545</u>
<u>\$ 109,261</u>	<u>\$ 25,829,871</u>

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	Business-Type Activities - Enterprise Funds	
	Water Utility (601)	Sewer Utility (602, 606)
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 2,140,618	\$ 2,499,502
Payments to suppliers	(543,199)	(874,714)
Payments to employees	(644,073)	(479,141)
Other receipts	20,526	217,251
Net cash flows - operating activities	973,872	1,362,898
Cash Flows - Noncapital Financing Activities		
Change in due from other funds	(839,931)	-
Change in due to other funds	-	839,931
Refunds and reimbursements	-	611
Transfer out	(114,975)	(131,818)
Net cash flows - noncapital financing activities	(954,906)	708,724
Cash Flows - Capital and Related Financing Activities		
Principal paid on debt	(40,229)	(1,254,529)
Interest paid on debt	(103,350)	(123,245)
Bond proceeds	5,782,649	168,288
Payments received on assessments receivable	424	1,553
Payments received on notes receivable	-	-
Payments received (paid) on advances from (to) other funds	(23,190)	(92,218)
Acquisition of capital assets	(6,108,506)	(771,471)
Net cash flows - capital and related financing activities	(492,202)	(2,071,622)
Cash Flows - Investing Activities		
Interest and dividends received	7,135	-
Net change in cash and cash equivalents	(466,101)	-
Cash and Cash Equivalents		
January 1	4,265,529	2,767
December 31	\$ 3,799,428	\$ 2,767

Business-Type Activities -
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 10,477,516	\$ 173,875	\$ 313,784	\$ 15,605,295
(7,907,499)	(3,868)	(272,539)	(9,601,819)
(865,512)	-	-	(1,988,726)
390,577	-	-	628,354
<u>2,095,082</u>	<u>170,007</u>	<u>41,245</u>	<u>4,643,104</u>
-	-	-	(839,931)
-	-	-	839,931
8,841	-	-	9,452
<u>(541,288)</u>	<u>(5,505)</u>	<u>(13,510)</u>	<u>(807,096)</u>
<u>(532,447)</u>	<u>(5,505)</u>	<u>(13,510)</u>	<u>(797,644)</u>
(148,729)	-	-	(1,443,487)
(34,419)	(10,311)	-	(271,325)
-	168,288	-	6,119,225
17,308	-	448	19,733
29,343	-	-	29,343
50,000	-	-	(65,408)
<u>(99,935)</u>	<u>(795,635)</u>	<u>-</u>	<u>(7,775,547)</u>
<u>(186,432)</u>	<u>(637,658)</u>	<u>448</u>	<u>(3,387,466)</u>
<u>1,524</u>	<u>1,391</u>	<u>-</u>	<u>10,050</u>
1,377,727	(471,765)	28,183	468,044
<u>950,439</u>	<u>1,478,914</u>	<u>60,724</u>	<u>6,758,373</u>
<u>\$ 2,328,166</u>	<u>\$ 1,007,149</u>	<u>\$ 88,907</u>	<u>\$ 7,226,417</u>

City of Le Sueur
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	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)	\$ 429,675	\$ 528,114
Adjustments to reconcile operating income (loss) to net cash flows		
Other income related to operations	20,526	217,251
Operating activities		
Depreciation expense	296,577	774,211
Pension related activity	191,941	(46,904)
Accounts receivable	(34,950)	(180,307)
Due from other governments	(407)	(803)
Prepaid items	(150)	6,906
Inventory and land held for resale	936	72
Accounts and contracts payable	49,243	55,075
Salaries and benefits payable	14,083	11,087
Due to other governments	4,994	(2,667)
Deposits payable	-	-
Compensated absences payable	1,404	863
Total adjustments	544,197	834,784
Net cash flows - operating activities	\$ 973,872	\$ 1,362,898

Business-Type Activities
Enterprise Funds

Electric Utility (604)	Storm Utility (605)	Refuse and Recycling (607)	Total
\$ 1,085,596	\$ 173,803	\$ 42,168	\$ 2,259,356
390,577	-	-	628,354
406,342	-	-	1,477,130
(12,352)	-	-	132,685
(49,330)	(4,289)	(1,019)	(269,895)
(6,854)	-	(142)	(8,206)
(240)	-	-	6,516
33,525	-	-	34,533
643,890	493	238	748,939
3,045	-	-	28,215
(394,055)	-	-	(391,728)
(6,203)	-	-	(6,203)
1,141	-	-	3,408
<u>1,009,486</u>	<u>(3,796)</u>	<u>(923)</u>	<u>2,383,748</u>
<u>\$ 2,095,082</u>	<u>\$ 170,007</u>	<u>\$ 41,245</u>	<u>\$ 4,643,104</u>

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City of Le Sueur
Notes to Basic 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 Basic 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 Basic 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.

2021A Bonds Capital Project Fund – This fund is used to account for the resources accumulated and payments made for capital projects related to the 2021A Bonds.

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.

City of Le Sueur
Notes to Basic 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: (Continued)

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.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

City of Le Sueur
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

2. Receivables

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

3. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during May and October each year.

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

City of Le Sueur
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Special Assessments

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

5. Due to/from Other Funds

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

6. Inventory

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

7. Prepaid Items

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

8. Land Held for Resale

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

9. Capital Assets

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

City of Le Sueur
Notes to Basic 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 Basic 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 assets 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 assets 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 Basic 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 Basic 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 Basic 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 Basic Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

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

Fund/Department	Budget	Actual	Excess of Expenditures Over Appropriations
General			
City administrator	\$ 319,500	\$ 548,857	\$ 229,357
Accounting	51,630	58,016	6,386
City attorney	15,000	24,764	9,764
Insurance	100,000	128,485	28,485
Police training	1,052,830	1,082,354	29,524
Automotive charges	16,500	19,574	3,074
Special revenue - Community Center			
Personal services	268,889	416,883	147,994
Administration and general	43,312	166,045	122,733
Capital outlay	-	90	90

B. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2021:

Fund	Amount
Special revenue	
Community Center	\$ 730,925
Capital projects	
2021A Bonds Capital Projects	326,903
Debt service	
2005 G.O. Crossover Refunding Bonds	200
2006 G.O. Johnson Controls	5,770
2020 Street Improvement Bond	57,342
2022 CSAH36 Improvement Bond	14,380

The above deficits will be eliminated through transfers from other funds, future tax and assessment collections, loan repayments, grants, and charges for services.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2021, the City's bank balance of \$12,383,685 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, 2021, was \$12,207,277 for deposits. The City also had deposits with escrow agent of \$280,607 at December 31, 2021.

B. Investments

As of December 31, 2021, the City had the following investments:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings</u>	<u>Fair Value and Carrying Amount</u>		<u>Fair Value and Carrying Amount</u>
		<u>Current</u>	<u>1-5 years</u>	
Minnesota Municipal Money Market				
4M Fund - Brokered CDs	N/A	\$ -	\$ 416,925	\$ 416,925
4M Plus Fund	N/A	110		<u>110</u>
Total investments				<u><u>\$ 417,035</u></u>

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, 2021:

- Investments of \$ 417,035 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.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Custodial Credit Risk – Investments: For an investment, this is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy states all investments must be fully insured and registered in the name of the City. Some City Securities held by the City's broker-dealer are not registered to the City, but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City's portfolio.

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	\$ 12,982,951	\$ (775,674)	\$ 12,207,277
Cash with escrow agent	280,607	-	280,607
Investments	417,035	-	417,035
Cash on hand	450	-	450
 Total cash and investments	 \$ 13,681,043	 \$ (775,674)	 \$ 12,905,369

City of Le Sueur
Notes to Basic Financial Statements

NOTE 4 – NOTES AND MORTGAGES RECEIVABLE

The City has loaned funds to various local businesses. These notes will be paid back with monthly payments at 3.25% to 6.75% per annum. The balance on these notes at December 31, 2021, is \$3,937,358, including \$3,797,541 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 \$1,771,019, for which they issued debt in the amount of \$2,466,000.

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

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

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Community Center	\$ 706,982
	Debt Service	83,359
	2021A Bonds	200,124
Water Utility	Sewer Utility	<u>1,885,875</u>
Total		<u>\$ 2,876,340</u>

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Water Utility	Sewer Utility	\$ 335,980
Electric Utility	Sewer Utility	<u>250,000</u>
Total		<u>\$ 585,980</u>

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

City of Le Sueur
Notes to Basic Financial Statements

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

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

The EDA owes the City \$823,541 relating to the Le Sueur Hilltop Transportation Project Abatement. The EDA paid off debt early with a loan from the City. This will be paid off as the land from this project is sold.

NOTE 6 – INTERFUND TRANSFERS

Transfers during the year ended December 31, 2021, were as follows:

Fund	Transfer In				Total
	General	Community Center	Debt Service	Nonmajor Governmental	
Transfers out					
General	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
Community Center	11,000	-	177,453	-	188,453
Nonmajor governmental	5,505	-	177,801	-	183,306
Water Utility	27,525	-	87,450	-	114,975
Sewer Utility	19,268	-	112,550	-	131,818
Electric Utility	541,288	-	-	-	541,288
Storm Utility	5,505	-	-	-	5,505
Refuse and Recycling	13,510	-	-	-	13,510
	<u>623,601</u>	<u>-</u>	<u>555,254</u>	<u>20,000</u>	<u>1,198,855</u>
Total transfers out	<u>\$ 623,601</u>	<u>\$ -</u>	<u>\$ 555,254</u>	<u>\$ 20,000</u>	<u>\$ 1,198,855</u>

During the year ended December 31, 2021, the City made the transfers above. Transfers were made to subsidize the General Fund for administration and information technology costs, 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 Basic Financial Statements

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,541,013	\$ -	\$ -	\$ 1,541,013
Construction in progress	6,870	2,294,438	82,528	2,218,780
Total capital assets not being depreciated	<u>1,547,883</u>	<u>2,294,438</u>	<u>82,528</u>	<u>3,759,793</u>
Capital assets being depreciated				
Buildings	8,381,952	-	-	8,381,952
Infrastructure	12,986,489	82,527	-	13,069,016
Machinery and equipment	2,473,746	266,691	-	2,740,437
Vehicles	1,773,808	892,899	98,456	2,568,251
Total capital assets being depreciated	<u>25,615,995</u>	<u>1,242,117</u>	<u>98,456</u>	<u>26,759,656</u>
Less accumulated depreciation for				
Buildings	(4,016,754)	(321,334)	-	(4,338,088)
Infrastructure	(7,635,406)	(534,119)	-	(8,169,525)
Machinery and equipment	(1,772,137)	(156,631)	-	(1,928,768)
Vehicles	(783,926)	(161,292)	(53,823)	(891,395)
Total accumulated depreciation	<u>(14,208,223)</u>	<u>(1,173,376)</u>	<u>(53,823)</u>	<u>(15,327,776)</u>
Total capital assets being depreciated, net	<u>11,407,772</u>	<u>68,741</u>	<u>44,633</u>	<u>11,431,880</u>
Governmental activities capital assets, net	<u>\$ 12,955,655</u>	<u>\$ 2,363,179</u>	<u>\$ 127,161</u>	<u>\$ 15,191,673</u>

City of Le Sueur
Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2021, 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	10,213,654	-	11,073,683
Total capital assets not being depreciated	<u>1,476,150</u>	<u>10,213,654</u>	<u>-</u>	<u>11,689,804</u>
Capital assets being depreciated				
Buildings	5,831,568	-	-	5,831,568
Infrastructure	44,485,470	-	-	44,485,470
Machinery and equipment	5,629,097	-	-	5,629,097
Vehicles	1,864,100	49,551	-	1,913,651
Total capital assets being depreciated	<u>57,810,235</u>	<u>49,551</u>	<u>-</u>	<u>57,859,786</u>
Less accumulated depreciation for				
Buildings	(4,578,250)	(144,609)	-	(4,722,859)
Infrastructure	(16,919,751)	(984,285)	-	(17,904,036)
Machinery and equipment	(4,165,421)	(184,269)	-	(4,349,690)
Vehicles	(966,467)	(163,967)	-	(1,130,434)
Total accumulated depreciation	<u>(26,629,889)</u>	<u>(1,477,130)</u>	<u>-</u>	<u>(28,107,019)</u>
Total capital assets being depreciated, net	<u>31,180,346</u>	<u>(1,427,579)</u>	<u>-</u>	<u>29,752,767</u>
Business-type activities capital assets, net	<u>\$ 32,656,496</u>	<u>\$ 8,786,075</u>	<u>\$ -</u>	<u>\$ 41,442,571</u>

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

Governmental activities	
General government	\$ 83,780
Public safety	169,185
Streets and parks	485,287
Culture and recreation	267,840
Transportation	167,284
Total depreciation expense - governmental activities	<u>\$ 1,173,376</u>
Business-type activities	
Water Utility	\$ 296,577
Sewer Utility	774,211
Electric Utility	406,342
Total depreciation expense - business-type activities	<u>\$ 1,477,130</u>

City of Le Sueur
Notes to Basic 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	\$ 60,000
G.O. Refunding					
Bonds of 2014A-fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	585,000
G.O. Police Capital Improvement					
Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	100,000
G.O. Street Reconstruction					
Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	340,000
G.O. Street Reconstruction					
Bond of 2017A	1,970,000	1.35-3.00	08/10/17	12/01/32	1,790,000
G.O. Street Reconstruction					
Bond of 2020A	1,169,927	1.00-1.55	12/17/20	02/01/36	1,169,927
G.O. Tax Abatement					
Bond of 2021A	1,390,000	2.00	06/09/21	02/01/37	1,390,000
G.O. Equipment Certificate					
Bond of 2021A	1,000,000	2.00	06/09/21	02/01/31	<u>1,000,000</u>
Total general obligation bonds					<u>\$ 6,434,927</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
2022	\$ 435,342	\$ 148,265	\$ 583,607
2023	520,685	130,206	650,891
2024	550,685	117,273	667,958
2025	590,685	104,821	695,506
2026	600,685	91,363	692,048
2027-2031	2,518,423	269,331	2,787,754
2032-2036	1,108,422	58,043	1,166,465
2037	<u>110,000</u>	<u>1,100</u>	<u>111,100</u>
Total	<u>\$ 6,434,927</u>	<u>\$ 920,402</u>	<u>\$ 7,355,329</u>

City of Le Sueur
Notes to Basic 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	\$ 70,000
Total general obligation improvement bonds					<u>\$ 70,000</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
2022	\$ 35,000	\$ 2,205	\$ 37,205
2023	35,000	1,103	36,103
Total	<u>\$ 70,000</u>	<u>\$ 3,308</u>	<u>\$ 73,308</u>

City of Le Sueur
Notes to Basic 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	\$ -
Health care facility Revenue Bond of 2010	5,500,000	2.90	09/17/10	09/17/35	3,791,874
Gross revenue recreational Facility Bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	<u>1,690,000</u>
Total revenue bonds					<u><u>\$ 5,481,874</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
2022	\$ 360,548	\$ 242,589	\$ 603,137
2023	377,436	227,151	604,587
2024	394,454	211,405	605,859
2025	407,845	193,944	601,789
2026	359,885	242,504	602,389
2027-2031	2,129,077	896,226	3,025,303
2032-2034	<u>1,452,629</u>	<u>234,301</u>	<u>1,686,930</u>
Total	<u><u>\$ 5,481,874</u></u>	<u><u>\$ 2,248,120</u></u>	<u><u>\$ 7,729,994</u></u>

City of Le Sueur
Notes to Basic 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	\$ 5,603,000
Electric Utility Revenue Bonds of 2020A	1,455,000	1.75	10/12/20	12/01/30	1,325,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	370,000
Utility Revenue Bond of 2017A	310,000	1.35 - 3.00	08/10/17	12/01/32	250,000
G.O. Bond of 2020B	4,420,073	1.00 - 1.55	12/17/20	02/01/36	4,420,073
G.O. Utility Revenue Bonds 2021A	5,430,000	2.00	06/09/21	02/01/42	5,430,000
G.O. Revenue Bonds 2021 (PFA)	2,312,072	1.06	09/27/21	08/20/41	509,765
Total business-type activities					<u>\$ 17,907,838</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
2022	\$ 294,658	\$ 60,695	\$ 355,353	\$ 1,156,000	\$ 225,418	\$ 1,381,418
2023	269,315	57,270	326,585	1,395,000	192,225	1,587,225
2024	269,315	53,770	323,085	1,419,000	172,110	1,591,110
2025	274,315	50,245	324,560	1,438,000	151,193	1,589,193
2026	274,316	46,695	321,011	1,348,000	129,875	1,477,875
2027-2031	1,446,577	178,850	1,625,427	2,942,000	441,245	3,383,245
2032-2036	1,591,577	71,638	1,663,215	1,715,000	292,925	2,007,925
2037-2041	-	-	-	1,565,000	80,281	1,645,281
2042	-	-	-	-	-	-
Total	<u>\$ 4,420,073</u>	<u>\$ 519,163</u>	<u>\$ 4,939,236</u>	<u>\$ 12,978,000</u>	<u>\$ 1,685,272</u>	<u>\$ 14,663,272</u>

The G.O. Revenue Bonds 2021 (PFA) were excluded from maturity schedule above as a final amortization schedule will not be available until the project is complete.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

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, 2021, 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	\$ 1,316,000

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

Year Ending December 31,	Notes from Direct Borrowings Business-Type Activities		
	Principal	Interest	Total
2022	\$ 211,000	\$ 19,608	\$ 230,608
2023	214,000	16,465	230,465
2024	218,000	13,276	231,276
2025	221,000	10,028	231,028
2026	224,000	6,735	230,735
2027	228,000	3,397	231,397
Total	<u>\$ 1,316,000</u>	<u>\$ 69,509</u>	<u>\$ 1,385,509</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 \$347,928 for net value of \$1,032,536.

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 \$66,316 for net value of \$397,893.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

F. Capital Lease Obligations (Continued)

Minimum future lease payments under the capital leases as of December 31, 2021, in the aggregate were as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ 349,820
2023	349,820
2024	349,820
2025	349,819
2026	349,993
2027	<u>69,213</u>
Net minimum lease payments	1,818,485
Less amount representing interest	<u>(194,042)</u>
Present value of net minimum lease payments	<u>\$ 1,624,443</u>

City of Le Sueur
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

G. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 4,429,927	\$ 2,390,000	\$ (385,000)	\$ 6,434,927	\$ 435,342
General obligation improvement bonds	310,000	-	(240,000)	70,000	35,000
Revenue bonds	5,956,742	-	(474,868)	5,481,874	360,548
Bond premium	134,116	118,233	(14,419)	237,930	-
Total bonds payable	<u>10,830,785</u>	<u>2,508,233</u>	<u>(1,114,287)</u>	<u>12,224,731</u>	<u>830,890</u>
Capital Lease Payable	<u>1,199,921</u>	<u>-</u>	<u>(180,654)</u>	<u>1,019,267</u>	<u>187,971</u>
Compensated absences payable	<u>265,561</u>	<u>141,656</u>	<u>(189,840)</u>	<u>217,377</u>	<u>116,772</u>
Governmental activity long-term liabilities	<u><u>\$ 12,296,267</u></u>	<u><u>\$ 2,649,889</u></u>	<u><u>\$ (1,484,781)</u></u>	<u><u>\$ 13,461,375</u></u>	<u><u>\$ 1,135,633</u></u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 8,685,000	\$ 5,939,765	\$ (1,137,000)	\$ 13,487,765	\$ 1,156,000
General obligation bonds	4,420,073	-	-	4,420,073	294,658
Bond premium	7,301	179,461	(664)	186,098	-
Total bonds payable	<u>13,112,374</u>	<u>6,119,226</u>	<u>(1,137,664)</u>	<u>18,093,936</u>	<u>1,450,658</u>
Notes from direct borrowings	<u>1,524,000</u>	<u>-</u>	<u>(208,000)</u>	<u>1,316,000</u>	<u>211,000</u>
Capital Lease Payable	<u>703,000</u>	<u>-</u>	<u>(97,824)</u>	<u>605,176</u>	<u>100,588</u>
Compensated absences payable	<u>258,339</u>	<u>162,508</u>	<u>(159,100)</u>	<u>261,747</u>	<u>131,546</u>
Business-type activity long-term liabilities	<u><u>\$ 15,597,713</u></u>	<u><u>\$ 6,281,734</u></u>	<u><u>\$ (1,602,588)</u></u>	<u><u>\$ 20,276,859</u></u>	<u><u>\$ 1,893,792</u></u>

City of Le Sueur
Notes to Basic 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>\$ 1,793,365</u>

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

Year Ending December 31,	Component Unit Activities		
	Principal	Interest	Total
2022	\$ 90,666	\$ 101,833	\$ 192,499
2023	95,955	96,545	192,500
2024	101,551	90,949	192,500
2025	107,475	85,026	192,501
2026	113,743	78,757	192,500
2027-2031	676,315	286,185	962,500
2032	<u>607,660</u>	<u>32,676</u>	<u>640,336</u>
Total	<u>\$ 1,793,365</u>	<u>\$ 771,971</u>	<u>\$ 2,565,336</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
Revenue bonds payable	\$ 1,879,034	\$ -	\$ (85,669)	\$ 1,793,365	\$ 90,666

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2021, was \$211,099. 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 Basic 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 Basic 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. 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. The postretirement increase is 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. 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 2021 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, 2021, were \$171,457. The City's contributions were equal to the required contributions as set by state statute.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$113,742. 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, 2021, the City reported a liability of \$1,520,279 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 \$46,442.

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0356% at the end of the measurement period and 0.0354% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,520,279
State of Minnesota's proportionate share of the net pension liability associated with the City	46,442
Total	\$ 1,566,721

For the year ended December 31, 2021, the City recognized pension expense of \$76,075 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$3,747 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 Basic 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, 2021, 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	\$ 8,500	\$ 46,495
Changes in actuarial assumptions	928,251	32,539
Net collective between projected and actual investment earnings	-	1,313,085
Changes in proportion	107,182	-
Contributions paid to PERA subsequent to the measurement date	85,729	-
Total	\$ 1,129,662	\$ 1,392,119

The \$85,729 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, 2022. 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
2022	\$ (1,079)
2023	21,139
2024	(9,133)
2025	(359,113)
Total	\$ (348,186)

City of Le Sueur
Notes to Basic 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, 2021, the City reported a liability of \$374,581 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0491% at the end of the measurement period and 0.0495% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. 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 supplemental 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although it is not anticipated that they will be phased out during the fiscal year ended 2022.

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 \$9 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, 2021, the City recognized pension expense of \$(24,798) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$3,103 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 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 supplemental state aid. The City also recognized \$4,419 for the year ended December 31, 2021, 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 Basic 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, 2021, 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	\$ 72,844	\$ -
Changes in actuarial assumptions	557,029	204,050
Net collective between projected and actual investment earnings	-	722,393
Changes in proportion	23,982	43,415
Contributions paid to PERA subsequent to the measurement date	56,871	-
Total	<u>\$ 710,726</u>	<u>\$ 969,858</u>

The \$56,871 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, 2022. 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
2022	\$ (268,275)
2023	(45,582)
2024	(43,715)
2025	(79,495)
2026	121,064
Total	<u>\$ (316,003)</u>

City of Le Sueur
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	<u>100.0 %</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

H. 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 (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 3,100,594	\$ 1,520,279	\$ 223,535
	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,198,842	\$ 374,581	\$ (301,109)

City of Le Sueur
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

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, 2020, the plan covered 22 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with 5 years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City contributions. The State of Minnesota contributed \$45,971 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, 2020, were \$0. In addition, the City made voluntary contributions of \$0 to the plan.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

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

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of \$264,989 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The table on the following page presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2019	\$ 935,760	\$ 1,264,878	\$ (329,118)
Changes for the year			
Service cost	54,239	-	54,239
Interest on pension liability	54,907	-	54,907
Difference between expected and actual experience	(28,429)	-	(28,429)
Municipal contribution	-	-	-
State contributions	-	45,971	(45,971)
Projected investment return	-	75,893	(75,893)
Changes in benefit level	206,464	-	206,464
Gain or loss	-	102,074	(102,074)
Benefit payments	(149,776)	(149,776)	-
Administrative expense	-	(886)	886
Net changes	<u>137,405</u>	<u>73,276</u>	<u>64,129</u>
Balances at December 31, 2020	<u>\$ 1,073,165</u>	<u>\$ 1,338,154</u>	<u>\$ (264,989)</u>

For the year ended December 31, 2021, the City recognized pension expense of \$211,190.

City of Le Sueur
Notes to Basic 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, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,896	\$ 31,605
Difference between projected and actual investment earnings	-	134,291
City contributions subsequent to the measurement date	44,770	-
Total	\$ 46,666	\$ 165,896

The \$44,770 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, 2022. 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:

2022		\$ (49,321)
2023		(33,800)
2024		(54,779)
2025		(26,100)
Total		\$ (164,000)

E. Actuarial Assumptions

The total pension liability at December 31, 2020, 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 2020.

**City of Le Sueur
Notes to Basic 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:

	1% Decrease in Discount Rate (5.0%)	Current Discount Rate Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net pension asset	\$ (229,014)	\$ (264,989)	\$ (300,328)

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 Basic 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	2.0	0.00
 Total	 <u>100.0 %</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 2020 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.

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.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 10 – CONTINGENCIES (CONTINUED)

B. Grants

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

NOTE 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.

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 2021, the City contributed \$14,582 to the plan.

City of Le Sueur
Notes to Basic Financial Statements

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Members

As of December 31, 2021, the following were covered by the benefit terms:

Retirees receiving payments	2
Spouses receiving payments	1
Active employees	28
Total	31

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, 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:

- None

City of Le Sueur
Notes to Basic Financial Statements

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of \$126,367 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

	<u>Total OPEB Liability</u>
Balances at January 1, 2021	<u>\$ 123,820</u>
Changes for the year	
Service cost	11,039
Interest	3,735
Differences between expected and actual economic experience	-
Assumption changes	-
Net investment income	-
Benefit payments	(12,227)
Administrative expense	-
Other charges	-
Net changes	<u>2,547</u>
Balances at December 31, 2021	<u><u>\$ 126,367</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.

Total OPEB Liability		
1% decrease (1.90%)	Current (2.90%)	1% increase (3.90%)
\$ 135,704	\$ 126,367	\$ 117,612

City of Le Sueur
Notes to Basic Financial Statements

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

Total OPEB Liability		
1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
\$ 111,424	\$ 126,367	\$ 144,314

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$7,311. At December 31, 2021, 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	\$ -	\$ 43,061
Differences between expected and actual economic experience	-	-
Changes of assumptions	1,868	2,983
Contributions subsequent to the measurement date	14,582	-
Total	\$ 16,450	\$ 46,044

The \$14,582 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, 2022.

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 Basic 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, 2021, the City generated \$84,100 in tax increment revenue and made \$79,895 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, 2021, the City generated \$20,600 of tax increment revenue and made payments on the pay-as-you-go note of \$19,570. The note's balance at year end was \$338,083.
- 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, 2021, the City generated \$60,000 of tax increment revenue and made payments on the pay-as-you-go note of \$57,000. The note's balance at year end was \$1,448,986.

NOTE 15 – 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total OPEB Liability				
Service cost	\$ 11,039	\$ 10,692	\$ 11,582	\$ 12,193
Interest	3,735	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	(12,227)	(24,120)	(20,818)	(16,468)
Other changes	-	-	-	-
Net change in total OPEB liability	<u>2,547</u>	<u>(61,364)</u>	<u>(7,606)</u>	<u>2,149</u>
Beginning of year	<u>123,820</u>	<u>185,184</u>	<u>192,790</u>	<u>190,641</u>
End of year	<u>\$ 126,367</u>	<u>\$ 123,820</u>	<u>\$ 185,184</u>	<u>\$ 192,790</u>
Covered-employee payroll	\$ 2,153,677	\$ 2,085,886	\$ 1,627,080	\$ 1,579,689
Total OPEB liability as a percentage of	5.87%	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
2021	0.0356%	\$ 1,520,279	\$ 46,442	\$ 1,566,721	\$ 2,564,720	59.28%	87.00%
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
2021	0.0491%	\$ 374,581	\$ 17,036	\$ 391,617	\$ 580,655	64.51%	93.66%
2020	0.0495%	652,463	15,381	667,844	546,701	119.35%	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
2021	\$ 171,457	\$ 171,457	\$ -	\$ 2,286,093	7.5%
2020	192,354	192,354	-	2,564,720	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
2021	\$ 113,742	\$ 113,742	\$ -	\$ 642,610	17.70%
2020	102,776	102,776	-	580,655	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

	2020	2019	2018	2017
Total pension liability (TPL)				
Service cost	\$ 54,239	\$ 37,848	\$ 39,417	\$ 40,458
Interest on the pension liability	54,907	57,941	64,251	56,673
Actuarial experience (gains)/losses	(28,429)	2,255	(22,151)	2,723
Changes in benefit level	206,464	-	-	122,478
Benefit payments	(149,776)	(180,240)	(190,000)	-
Net change in TPL	<u>137,405</u>	<u>(82,196)</u>	<u>(108,483)</u>	<u>222,332</u>
TPL - beginning	<u>935,760</u>	<u>1,017,956</u>	<u>1,126,439</u>	<u>904,107</u>
TPL - ending	<u>\$ 1,073,165</u>	<u>\$ 935,760</u>	<u>\$ 1,017,956</u>	<u>\$ 1,126,439</u>
Plan fiduciary net position (PFNP)				
First state aid	\$ 36,021	\$ 33,544	\$ 32,973	\$ 32,650
Fire supplemental aid	7,951	7,766	7,846	7,900
Supplemental benefit reimbursement	2,000	2,000	-	-
Voluntary municipal contribution	-	25,000	25,000	50,000
Required municipal contribution	-	-	-	-
Adjustment to initial asset transfer	-	-	-	-
Net investment income	177,967	215,394	(46,999)	146,233
PERA administrative fee	(810)	(870)	(810)	(810)
Auditor/accounting fee	-	-	-	-
SBI investment fee	(77)	(74)	(74)	(68)
Benefit payments	(149,776)	(180,240)	(190,000)	-
Net change in PFNP	<u>73,276</u>	<u>102,520</u>	<u>(172,064)</u>	<u>235,905</u>
PFNP - beginning	<u>1,264,878</u>	<u>1,162,358</u>	<u>1,334,422</u>	<u>1,098,516</u>
PFNP - ending	<u>\$ 1,338,154</u>	<u>\$ 1,264,878</u>	<u>\$ 1,162,358</u>	<u>\$ 1,334,421</u>
Net pension asset - ending	<u>\$ (264,989)</u>	<u>\$ (329,118)</u>	<u>\$ (144,402)</u>	<u>\$ (207,982)</u>
Plan fiduciary net position as a percentage of the total pension liability	124.7%	135.2%	114.2%	118.5%

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

2016	2015	2014
\$ 36,734	\$ 35,664	\$ 34,604
51,513	46,929	43,185
(5,964)	(7,206)	(14,859)
-	-	-
-	-	-
<u>82,283</u>	<u>75,384</u>	<u>62,930</u>
<u>821,824</u>	<u>746,440</u>	<u>685,151</u>
<u>\$ 904,107</u>	<u>\$ 821,824</u>	<u>\$ 748,081</u>
\$ 32,998	\$ 33,106	\$ 31,404
8,005	8,100	7,598
-	-	-
-	25,000	17,602
-	-	7,588
-	-	-
69,324	985	53,719
(810)	(810)	(810)
-	-	-
(76)	(31)	-
-	-	-
<u>109,441</u>	<u>66,351</u>	<u>117,101</u>
<u>989,074</u>	<u>922,723</u>	<u>805,622</u>
<u>\$ 1,098,515</u>	<u>\$ 989,074</u>	<u>\$ 922,723</u>
<u>\$ (194,408)</u>	<u>\$ (167,250)</u>	<u>\$ (174,642)</u>
121.5%	120.4%	123.3%

City of Le Sueur
Notes to Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of Le Sueur
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
 - The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

City of Le Sueur
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of Le Sueur
Notes to Required Supplementary Information

Police And Fire Fund (Continued)

2018 Changes

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.
- 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.

City of Le Sueur
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

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.

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SUPPLEMENTARY INFORMATION

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,445,004	\$ 2,386,216	\$ 3,831,220
Accounts receivable	69,353	-	69,353
Notes and mortgages receivable	-	9,071	9,071
Special assessments receivable	-	2,497	2,497
Advances to component unit	670,308	153,233	823,541
Inventory	6,684	-	6,684
	<u>6,684</u>	<u>-</u>	<u>6,684</u>
Total assets	<u>\$ 2,191,349</u>	<u>\$ 2,551,017</u>	<u>\$ 4,742,366</u>
Liabilities			
Accounts payable	\$ 1,074	\$ 100,992	\$ 102,066
Due to other governments	1,722	-	1,722
Accrued wages payable	344	-	344
Total liabilities	<u>3,140</u>	<u>100,992</u>	<u>104,132</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	2,497	2,497
	<u>-</u>	<u>2,497</u>	<u>2,497</u>
Fund Balances			
Nonspendable for			
Inventory	6,684	-	6,684
Restricted for			
Capital projects	-	999,998	999,998
Committed for			
Fire department operations and maintenance	107,732	-	107,732
Airport operations and maintenance	14,605	-	14,605
Assigned for			
Capital projects	-	1,447,530	1,447,530
Economic development	2,059,188	-	2,059,188
Total fund balances	<u>2,188,209</u>	<u>2,447,528</u>	<u>4,635,737</u>
	<u>2,188,209</u>	<u>2,447,528</u>	<u>4,635,737</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,191,349</u>	<u>\$ 2,551,017</u>	<u>\$ 4,742,366</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 585,638	\$ 585,638
Intergovernmental	88,153	198,679	286,832
Charges for services	156,717	10,840	167,557
Miscellaneous	18,964	4,909	23,873
Total revenues	263,834	800,066	1,063,900
Expenditures			
Current			
Public safety	150,224	-	150,224
Transportation	56,834	-	56,834
Parks and recreation	3,056	-	3,056
Capital outlay			
General government	-	9,230	9,230
Public safety	2,299	226,767	229,066
Streets and parks	-	651,792	651,792
Parks and recreation	-	82,029	82,029
Transportation	1,142	75,066	76,208
Total expenditures	213,555	1,044,884	1,258,439
Excess of revenues over (under) expenditures	50,279	(244,818)	(194,539)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	97,500	97,500
Transfers in	20,000	-	20,000
Transfers out	(5,505)	(177,801)	(183,306)
Total other financing sources (uses)	14,495	(80,301)	(65,806)
Net change in fund balances	64,774	(325,119)	(260,345)
Fund Balances			
Beginning of year	2,123,435	2,772,647	4,896,082
End of year	\$ 2,188,209	\$ 2,447,528	\$ 4,635,737

City of Le Sueur
Combining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2021

	Special Revenue			
	Fire Service (225)	Economic Development Revolving Loan (228, 231)	Airport (235)	Total
Assets				
Cash and investments	\$ 44,971	\$ 1,388,880	\$ 11,153	\$ 1,445,004
Accounts receivable	65,115	-	4,238	69,353
Advances to component unit	-	670,308	-	670,308
Inventory	-	-	6,684	6,684
Total assets	<u>\$ 110,086</u>	<u>\$ 2,059,188</u>	<u>\$ 22,075</u>	<u>\$ 2,191,349</u>
Liabilities				
Accounts payable	\$ 1,045	\$ -	\$ 29	\$ 1,074
Due to other governments	1,309	-	413	1,722
Accrued wages payable	-	-	344	344
Total liabilities	<u>2,354</u>	<u>-</u>	<u>786</u>	<u>3,140</u>
Fund Balances				
Nonspendable for				
Inventory	-	-	6,684	6,684
Assigned for				
Economic development loans	-	2,059,188	-	2,059,188
Committed for				
Fire Department operations and maintenance	107,732	-	-	107,732
Airport operations and maintenance	-	-	14,605	14,605
Total fund balances	<u>107,732</u>	<u>2,059,188</u>	<u>21,289</u>	<u>2,188,209</u>
Total liabilities and fund balances	<u>\$ 110,086</u>	<u>\$ 2,059,188</u>	<u>\$ 22,075</u>	<u>\$ 2,191,349</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2021

	Special Revenue			Total
	Fire Service (225)	Economic Development Revolving Loan (228, 231)	Airport (235)	
Revenues				
Intergovernmental	\$ 44,770	\$ -	\$ 43,383	\$ 88,153
Charges for services	134,707	-	22,010	156,717
Miscellaneous	16,615	-	2,349	18,964
Total revenues	<u>196,092</u>	<u>-</u>	<u>67,742</u>	<u>263,834</u>
Expenditures				
Current				
Public safety	150,224	-	-	150,224
Transportation	-	-	56,834	56,834
Economic development	-	3,056	-	3,056
Capital outlay				
Public safety	2,299	-	-	2,299
Transportation	-	-	1,142	1,142
Total expenditures	<u>152,523</u>	<u>3,056</u>	<u>57,976</u>	<u>213,555</u>
Excess of revenues over (under) expenditures	<u>43,569</u>	<u>(3,056)</u>	<u>9,766</u>	<u>50,279</u>
Other Financing Sources (Uses)				
Transfers in	20,000	-	-	20,000
Transfers out	(5,505)	-	-	(5,505)
Total other financing source (uses)	<u>14,495</u>	<u>-</u>	<u>-</u>	<u>14,495</u>
Net change in fund balances	58,064	(3,056)	9,766	64,774
Fund Balances				
Beginning of year	<u>49,668</u>	<u>2,062,244</u>	<u>11,523</u>	<u>2,123,435</u>
End of year	<u>\$ 107,732</u>	<u>\$ 2,059,188</u>	<u>\$ 21,289</u>	<u>\$ 2,188,209</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2021

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Intergovernmental			
State fire aid	\$ 42,000	\$ 44,770	\$ 2,770
Charges for services			
Public safety	<u>150,000</u>	<u>134,707</u>	<u>(15,293)</u>
Miscellaneous			
Refunds and reimbursements	5,000	6,506	1,506
Total revenues	<u>197,000</u>	<u>196,092</u>	<u>(908)</u>
Expenditures			
Current			
Public safety			
Administration			
Personal services	81,170	58,918	(22,252)
Supplies	1,500	1,410	(90)
Other services and charges	13,500	5,226	(8,274)
Total administration	<u>96,170</u>	<u>65,554</u>	<u>(30,616)</u>
Fire fighting			
Personal services	41,400	33,826	(7,574)
Supplies	4,000	3,487	(513)
Total fire fighting	<u>45,400</u>	<u>37,313</u>	<u>(8,087)</u>
Prevention			
Other services and charges	5,500	11,326	5,826
Training			
Supplies	7,500	(385)	(7,885)
Other services and charges	3,000	-	(3,000)
Total training	<u>10,500</u>	<u>(385)</u>	<u>(10,885)</u>
Communications			
Other services and charges	6,250	6,119	(131)
Repair services			
Supplies	16,500	7,770	(8,730)
Other services and charges	3,000	3,816	816
Total repair services	<u>19,500</u>	<u>11,586</u>	<u>(7,914)</u>
Stations and buildings			
Other services and charges	<u>14,500</u>	<u>18,711</u>	<u>4,211</u>
Total public safety - current	<u>197,820</u>	<u>150,224</u>	<u>(47,596)</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Fire Service Fund
Year Ended December 31, 2021

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		
Expenditures (Continued)			
Capital outlay			
Public safety			
Fire fighting	\$ 3,000	\$ 2,299	\$ (701)
Total expenditures	200,820	152,523	(48,297)
Excess of revenues over (under) expenditures	(3,820)	43,569	47,389
Other Financing Uses			
Transfers out	(6,000)	(5,505)	495
Net change in fund balance	\$ 10,180	58,064	\$ 47,884
Fund Balance			
Beginning of year		49,668	
End of year		\$ 107,732	

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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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Revenues				
Intergovernmental				
State				
Airport operating grant	\$ 20,000		\$ 43,383	\$ 23,383
Charges for services				
Rent	14,300		4,686	(9,614)
Miscellaneous	30,000		17,324	(12,676)
Total charges for services	44,300		22,010	(22,290)
Total revenues	64,400		67,742	3,342
Expenditures				
Current				
Fields, runway, and ramps				
Personal services	20,640		23,637	2,997
Other services and charges	7,500		6,883	(617)
Total fields, runways, and ramps	28,140		30,520	2,380
Terminal buildings and public areas				
Supplies	27,800		15,313	(12,487)
Other services and charges	17,350		11,001	(6,349)
Total terminal buildings and public areas	45,150		26,314	(18,836)
Capital outlay				
Fields, runway, and ramps				
Miscellaneous	700		1,142	442
Total expenditures	73,990		57,976	(16,014)
Excess of revenues over (under) expenditures	\$ (9,590)		\$ 9,766	\$ 19,356
Fund Balance				
Beginning of year			11,523	
End of year			\$ 21,289	

**City of Le Sueur
Combining Balance Sheet -
Nonmajor Capital Projects Funds
December 31, 2021**

	Capital Projects		
	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Assets			
Cash and investments	\$ 731	\$ 485,409	\$ 719,065
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Deferred	-	-	-
Advances to component unit	-	-	153,233
	<u>731</u>	<u>485,409</u>	<u>872,298</u>
Total assets	<u>\$ 731</u>	<u>\$ 485,409</u>	<u>\$ 872,298</u>
Liabilities			
Accounts payable	\$ -	\$ 29,027	\$ -
Total liabilities	<u>-</u>	<u>29,027</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	-	-
Fund Balances			
Restricted	-	-	-
Assigned for capital projects	731	456,382	872,298
Total fund balances	<u>731</u>	<u>456,382</u>	<u>872,298</u>
	<u>731</u>	<u>485,409</u>	<u>872,298</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 731</u>	<u>\$ 485,409</u>	<u>\$ 872,298</u>

Capital Projects

Special Assessments/ Improvements (501)	2020 Street Improvements (425)	Total
\$ 109,048	\$ 1,071,963	\$ 2,386,216
9,071	-	9,071
2,497	-	2,497
-	-	153,233
<u>\$ 120,616</u>	<u>\$ 1,071,963</u>	<u>\$ 2,551,017</u>
\$ -	\$ 71,965	\$ 100,992
-	71,965	100,992
2,497	-	2,497
-	999,998	999,998
118,119	-	1,447,530
<u>118,119</u>	<u>999,998</u>	<u>2,447,528</u>
<u>\$ 120,616</u>	<u>\$ 1,071,963</u>	<u>\$ 2,551,017</u>

City of Le Sueur
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Projects Funds
Year Ended December 31, 2021

	Capital Projects		
	Sidewalk Reconstruction (415)	Capital Improvements (420)	North Highway 169 Frontage Road Improvements (477)
Revenues			
Property taxes	\$ -	\$ 341,000	\$ 244,638
Intergovernmental	-	198,679	-
Charges for services	-	10,840	-
Investment earnings	-	734	619
Loan repayments	-	-	-
Contributions and donations	-	2,000	-
Total revenues	<u>-</u>	<u>553,253</u>	<u>245,257</u>
Expenditures			
Capital outlay			
General government	-	9,230	-
Public safety	-	226,767	-
Streets and parks	-	484,878	-
Culture and recreation	-	82,029	-
Transportation	-	75,066	-
Total expenditures	<u>-</u>	<u>877,970</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	(324,717)	245,257
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	97,500	-
Transfers out	-	(177,801)	-
Total other financing sources (uses)	<u>-</u>	<u>(80,301)</u>	<u>-</u>
Net change in fund balances	-	(405,018)	245,257
Fund Balances			
Beginning of year	<u>731</u>	<u>861,400</u>	<u>627,041</u>
End of year	<u>\$ 731</u>	<u>\$ 456,382</u>	<u>\$ 872,298</u>

Capital Projects

Special Assessments/ Improvements (501)	2020 Street Improvements (425)	Total
\$ -	\$ -	\$ 585,638
-	-	198,679
-	-	10,840
-	1,290	2,643
266	-	266
-	-	2,000
<u>266</u>	<u>1,290</u>	<u>800,066</u>
-	-	9,230
-	-	226,767
-	166,914	651,792
-	-	82,029
-	-	75,066
<u>-</u>	<u>166,914</u>	<u>1,044,884</u>
266	(165,624)	(244,818)
-	-	97,500
<u>-</u>	<u>-</u>	<u>(177,801)</u>
<u>-</u>	<u>-</u>	<u>(80,301)</u>
266	(165,624)	(325,119)
<u>117,853</u>	<u>1,165,622</u>	<u>2,772,647</u>
<u>\$ 118,119</u>	<u>\$ 999,998</u>	<u>\$ 2,447,528</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2021

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		
Revenues			
Property taxes	\$ 772,598	\$ 781,459	\$ 8,861
Franchise fees	15,000	18,576	3,576
Licenses and permits			
Business	6,000	7,365	1,365
Nonbusiness	92,500	214,200	121,700
Total licenses and permits	<u>98,500</u>	<u>221,565</u>	<u>123,065</u>
Intergovernmental			
State			
Local government aid	1,044,209	1,042,521	(1,688)
Property tax credits and aids	-	396	396
Police aid	63,000	55,155	(7,845)
Other state aids	16,000	321,733	305,733
County			
Highway aid	48,588	48,588	-
Total intergovernmental	<u>1,171,797</u>	<u>1,468,393</u>	<u>296,596</u>
Charges for services			
General government	9,750	5,397	(4,353)
Public safety	8,500	13,153	4,653
Streets and highways	-	1,913	1,913
Culture and recreation	2,500	2,703	203
Total charges for services	<u>20,750</u>	<u>23,166</u>	<u>2,416</u>
Fines and forfeits	27,500	35,688	8,188
Interest earnings	1,000	3,733	2,733
Miscellaneous			
Contributions and donations	-	1,000	1,000
Refunds and reimbursements	55,000	207,997	152,997
Other	5,000	8,394	3,394
Total miscellaneous	<u>60,000</u>	<u>217,391</u>	<u>157,391</u>
Total revenues	<u>\$ 2,167,145</u>	<u>\$ 2,769,971</u>	<u>\$ 602,826</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2021

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures			
General government			
Mayor and City Council			
Personal services	\$ 29,050	\$ 28,855	\$ (195)
Supplies	3,500	1,095	(2,405)
Other services and charges	2,000	773	(1,227)
Total Mayor and City Council	<u>34,550</u>	<u>30,723</u>	<u>(3,827)</u>
City administrator			
Personal services	79,000	109,368	30,368
Other services and charges	43,500	71,965	28,465
Capital outlay	-	7,630	7,630
Total City Administrator	<u>122,500</u>	<u>188,963</u>	<u>66,463</u>
Elections			
Supplies	-	75	75
Accounting			
Personal services	27,130	25,578	(1,552)
Supplies	1,000	70	(930)
Other services and charges	23,500	32,368	8,868
Total accounting	<u>51,630</u>	<u>58,016</u>	<u>6,386</u>
City attorney			
Other services and charges	15,000	24,764	9,764
Capital outlay	-	17,513	17,513
Total general government buildings	<u>15,000</u>	<u>42,277</u>	<u>27,277</u>
Planning and zoning			
Personal services	72,810	35,488	(37,322)
Other services and charges	26,950	16,584	(10,366)
Total planing and zoning	<u>99,760</u>	<u>52,072</u>	<u>(47,688)</u>
General government buildings			
Supplies	400	417	17
Other services and charges	26,500	13,233	(13,267)
Total general government buildings	<u>26,900</u>	<u>13,650</u>	<u>(13,250)</u>
Insurance			
Workers' compensation	60,000	75,016	15,016
Property and liability	40,000	53,469	13,469
Total insurance	<u>100,000</u>	<u>128,485</u>	<u>28,485</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2021

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (Continued)			
General governmental (continued)			
Miscellaneous			
Other charges	\$ 1,500	\$ 13,680	\$ 12,180
Safety and wellness program	1,000	57	(943)
Projects	86,175	71,859	(14,316)
Total miscellaneous	<u>88,675</u>	<u>85,596</u>	<u>(3,079)</u>
Information technology			
Other services and charges	<u>197,000</u>	<u>359,894</u>	<u>162,894</u>
Total general government	<u>736,015</u>	<u>959,751</u>	<u>223,736</u>
Public safety			
Police training			
Personal services	948,530	992,185	43,655
Supplies	12,100	20,561	8,461
Other services and charges	92,200	69,608	(22,592)
Total crime control and investigations	<u>1,052,830</u>	<u>1,082,354</u>	<u>29,524</u>
Communication services			
Other services and charges	<u>2,300</u>	<u>1,710</u>	<u>(590)</u>
Automotive services			
Supplies	10,000	9,755	(245)
Other services and charges	6,500	9,819	3,319
Total automotive services	<u>16,500</u>	<u>19,574</u>	<u>3,074</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2021

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (Continued)			
Public safety (Continued)			
Building inspection			
Personal services	\$ 120,130	\$ 118,867	\$ (1,263)
Supplies	500	123	(377)
Other services and charges	3,700	2,005	(1,695)
Total building inspection	<u>124,330</u>	<u>120,995</u>	<u>(3,335)</u>
Animal control			
Other services and charges	15,000	14,400	(600)
Total public safety	<u>1,210,960</u>	<u>1,239,033</u>	<u>28,073</u>
Streets and parks			
Streets and parks			
Personal services	554,710	458,844	(95,866)
Supplies	82,700	60,767	(21,933)
Other services and charges	164,080	158,617	(5,463)
Total streets and alleys	<u>801,490</u>	<u>678,228</u>	<u>(123,262)</u>
Vehicle maintenance			
Capital outlay	-	(1,127)	(1,127)
Total streets and parks	<u>801,490</u>	<u>677,101</u>	<u>(124,389)</u>

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2021

	Budgeted Amounts	Actual	Variance with Final Budget - Over (Under)
	Original and Final	Amounts	
Expenditures (Continued)			
Library maintenance			
Personal services	\$ -	\$ 1,605	\$ 1,605
Other services and charges	29,680	17,401	(12,279)
Total library	29,680	19,006	(10,674)
Total current	2,778,145	2,894,891	116,746
Capital outlay			
Public safety	-	100	100
Total expenditures	2,778,145	2,894,991	116,846
Excess of revenues over (under) expenditures	(611,000)	(125,020)	485,980
Other Financing Sources (Uses)			
Transfers in	631,000	623,601	(7,399)
Transfers out	(20,000)	(20,000)	-
Total other financing sources (uses)	611,000	603,601	(7,399)
Net change in fund balance	\$ -	478,581	\$ 478,581
Fund Balance			
Beginning of year		1,078,355	
End of year		\$ 1,556,936	

City of Le Sueur
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual -
Community Center Fund
Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Revenues				
Taxes				
Property taxes	\$ 500,550		\$ 500,550	\$ -
Charges for services				
Culture and recreation	424,950		301,680	(123,270)
Miscellaneous				
Contributions and donations	5,000		10,425	5,425
Other	45,000		22,733	(22,267)
Total miscellaneous	50,000		33,158	(16,842)
Total revenues	975,500		855,718	(119,782)
Expenditures				
Culture and recreation				
Swimming pool				
Personal services	210,233		66,937	(143,296)
Supplies	8,750		8,278	(472)
Other services and charges	48,943		29,017	(19,926)
Total swimming pool	267,926		104,232	(163,694)
School programs				
Other services and charges	68,344		11,421	(56,923)
Personal services				
Personal services	268,889		416,344	147,455
Repairs and maintenance				
Supplies	122,275		58,495	(63,780)
Other services and charges	16,301		15,065	(1,236)
Total repairs and maintenance	138,576		73,560	(65,016)
Administration and general				
Supplies	10,669		14,297	3,628
Other services and charges	32,643		152,287	119,644
Total administration and general	43,312		166,584	123,272
Capital outlay				
Culture and recreation	-		90	90
Total expenditures	787,047		772,231	(14,816)
Excess of revenues over (under) expenditures	188,453		83,487	(104,966)
Other Financing Uses				
Transfers out	(188,453)		(188,453)	-
Net change in fund balance	\$ -		(104,966)	\$ (104,966)
Fund Balance				
Beginning of year			(625,959)	
End of year			\$ (730,925)	

**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2021**

	Debt Service		
	2014A Recreational Facilities Bonds (301)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
Assets			
Cash and investments	\$ 150,190	\$ -	\$ 25,567
Cash with Fiscal Agent	-	-	-
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Due from other governments	-	-	-
	<u>150,190</u>	<u>-</u>	<u>25,567</u>
Total assets	<u>\$ 150,190</u>	<u>\$ -</u>	<u>\$ 25,567</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	200	-
Total liabilities	<u>-</u>	<u>200</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	-	-
Fund Balances			
Restricted for debt service	<u>150,190</u>	<u>(200)</u>	<u>25,567</u>
	<u>\$ 150,190</u>	<u>\$ -</u>	<u>\$ 25,567</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 150,190</u>	<u>\$ -</u>	<u>\$ 25,567</u>

Debt Service

2002 G.O. Fire Station Bonds (310)	2006C G.O. Johnson Controls (316)	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2019 Capital Lease (324)
\$ 50,926	\$ -	\$ 10,929	\$ 13,837	\$ 240,000
-	-	-	-	229,245
-	5,667	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 50,926</u>	<u>\$ 5,667</u>	<u>\$ 10,929</u>	<u>\$ 13,837</u>	<u>\$ 469,245</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	11,437	-	-	-
-	<u>11,437</u>	-	-	-
-	-	-	-	-
50,926	(5,770)	10,929	13,837	469,245
<u>\$ 50,926</u>	<u>\$ 5,667</u>	<u>\$ 10,929</u>	<u>\$ 13,837</u>	<u>\$ 469,245</u>

**City of Le Sueur
Combining Balance Sheet -
Debt Service Funds
December 31, 2021**

	Debt Service		
	2002 G.O. Improvement Bonds (505)	2005 G.O. Improvement/ 2011B Refunding Bonds (507)	2006A G.O. Improvement/ 2012A Refunding Bonds (508)
Assets			
Cash and investments	\$ 673	\$ 353,071	\$ 146,950
Cash with Fiscal Agent	-	-	-
Notes and mortgages receivable	-	-	-
Special assessments receivable			
Delinquent	-	-	2,956
Deferred	2,962	101,873	23,640
Due from other governments	-	-	345
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,635</u>	<u>\$ 454,944</u>	<u>\$ 173,891</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	2,962	101,873	26,596
Fund Balances			
Restricted for debt service	<u>673</u>	<u>353,071</u>	<u>147,295</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,635</u>	<u>\$ 454,944</u>	<u>\$ 173,891</u>

Debt Service

2013B (2011A) G.O. Street Reconstruction Refunding Bonds (510)	2017A G.O. Street Reconstruction Bond (314)	2020 Street Improvement Bond (325)	Main Street Bond (326)	2022 CSAH36 Improvement Bond (327)	Total
\$ 34,966	\$ 181,857	\$ 317,297	\$ -	\$ -	\$ 1,526,263
-	-	-	-	-	229,245
-	-	-	-	-	5,667
-	-	1,026	-	-	3,982
-	180,353	825,885	-	-	1,134,713
-	2,364	1,235	-	-	3,944
<u>\$ 34,966</u>	<u>\$ 364,574</u>	<u>\$ 1,145,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,903,814</u>
\$ -	\$ -	\$ 500	\$ -	\$ -	\$ 500
-	-	-	57,342	14,380	83,359
-	-	500	57,342	14,380	83,859
-	180,353	826,911	-	-	1,138,695
34,966	184,221	318,032	(57,342)	(14,380)	1,681,260
<u>\$ 34,966</u>	<u>\$ 364,574</u>	<u>\$ 1,145,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,903,814</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2021

	Debt Service		
	2014A Recreational Facilities Bonds (301)	2005 G.O. Crossover Refunding Bonds (502)	2002 G.O. Library Bonds (309)
Revenues			
Property taxes	\$ -	\$ -	\$ 70,000
Special assessments	-	-	-
Miscellaneous			
Investment earnings	140	-	-
Refunds and reimbursements	-	-	-
Other interest	-	-	-
Total revenues	<u>140</u>	<u>-</u>	<u>70,000</u>
Expenditures			
Debt Service			
Principal	100,000	-	65,000
Interest and other	77,819	200	2,956
Total expenditures	<u>177,819</u>	<u>200</u>	<u>67,956</u>
Excess of revenues over (under) expenditures	(177,679)	(200)	2,044
Other Financing Sources (Uses)			
Transfers in	<u>177,453</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>177,453</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(226)	(200)	2,044
Fund Balances			
Beginning of year	<u>150,416</u>	<u>-</u>	<u>23,523</u>
End of year	<u>\$ 150,190</u>	<u>\$ (200)</u>	<u>\$ 25,567</u>

Debt Service

2002 G.O. Fire Station Bonds (310)	2006C G.O. Johnson Controls (316)	2010 Police CIP Bonds (320)	LS Powerhouse Abatement (323)	2019 Capital Lease (324)	2002 G.O. Improvement Bonds (505)
\$ 95,000	\$ 44,000	\$ 53,000	\$ 2,713	\$ 240,000	\$ -
-	-	-	-	-	673
-	-	-	-	-	-
-	-	-	-	51,444	-
-	3,215	-	-	-	-
<u>95,000</u>	<u>47,215</u>	<u>53,000</u>	<u>2,713</u>	<u>291,444</u>	<u>673</u>
75,000	125,689	45,000	-	180,654	-
18,755	9,840	7,200	-	48,591	-
<u>93,755</u>	<u>135,529</u>	<u>52,200</u>	<u>-</u>	<u>229,245</u>	<u>-</u>
1,245	(88,314)	800	2,713	62,199	673
-	-	-	-	177,801	-
-	-	-	-	177,801	-
1,245	(88,314)	800	2,713	240,000	673
49,681	82,544	10,129	11,124	229,245	-
<u>\$ 50,926</u>	<u>\$ (5,770)</u>	<u>\$ 10,929</u>	<u>\$ 13,837</u>	<u>\$ 469,245</u>	<u>\$ 673</u>

City of Le Sueur
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Funds
Year Ended December 31, 2021

	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	\$ -	\$ 74,000	\$ 75,000
Special assessments	87,631	26,418	-
Miscellaneous			
Investment earnings	346	128	-
Refunds and reimbursements	-	-	-
Other interest	-	-	-
Total revenues	<u>87,977</u>	<u>100,546</u>	<u>75,000</u>
Expenditures			
Debt Service			
Principal	30,000	210,000	60,000
Interest and other	4,261	5,185	12,757
Total expenditures	<u>34,261</u>	<u>215,185</u>	<u>72,757</u>
Excess of revenues over (under) expenditures	53,716	(114,639)	2,243
Other Financing Sources (Uses)			
Transfers in	80,000	87,000	-
Total other financing sources (uses)	<u>80,000</u>	<u>87,000</u>	<u>-</u>
Net change in fund balances	133,716	(27,639)	2,243
Fund Balances			
Beginning of year	<u>219,355</u>	<u>174,934</u>	<u>32,723</u>
End of year	<u>\$ 353,071</u>	<u>\$ 147,295</u>	<u>\$ 34,966</u>

Debt Service

2017A G.O. Street Reconstruction Bond (314)	2020 Street Improvement Bond (325)	Main Street Bond (326)	2022 CSAH36 Improvement Bond (327)	Total
\$ 159,000	\$ -	\$ -	\$ -	\$ 812,713
70,058	152,025	-	-	336,805
73	132	-	-	819
-	-	-	-	51,444
-	-	-	-	3,215
<u>229,131</u>	<u>152,157</u>	<u>-</u>	<u>-</u>	<u>1,204,996</u>
140,000	-	-	-	1,031,343
52,162	9,039	57,342	14,380	320,487
<u>192,162</u>	<u>9,039</u>	<u>57,342</u>	<u>14,380</u>	<u>1,351,830</u>
36,969	143,118	(57,342)	(14,380)	(146,834)
33,000	-	-	-	555,254
<u>33,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,254</u>
69,969	143,118	(57,342)	(14,380)	408,420
114,252	174,914	-	-	1,272,840
<u>\$ 184,221</u>	<u>\$ 318,032</u>	<u>\$ (57,342)</u>	<u>\$ (14,380)</u>	<u>\$ 1,681,260</u>

**City of Le Sueur
Balance Sheet - Component Unit -
Le Sueur Economic Development Authority
December 31, 2021**

Assets		
Interest Receivable	\$	423
Notes receivable		2,588,743
Land held for resale		<u>1,559,472</u>
Total assets	\$	<u><u>4,148,638</u></u>
Liabilities		
and fund balances		
Cash overdraft	\$	775,674
Due to component unit/primary government		<u>823,541</u>
Total liabilities		<u>1,599,215</u>
Fund Balance		
Restricted		<u>2,549,423</u>
Total liabilities and fund balance	\$	<u><u>4,148,638</u></u>
 Reconciliation of the balance sheet to the statement of net position		
Fund balance	\$	2,549,423
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		(1,793,365)
Governmental fund statements do not report a liability for accrued interest until due and payable.		
		<u>(29,701)</u>
Net position	\$	<u><u>726,357</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, 2021

Revenues		
Tax increments	\$	115,445
Land rental		16,205
Investment income		5,627
Other		335,816
Total revenues		<u>473,093</u>
Expenditures		
Current		
Economic development	\$	411,824
Debt service		
Principal		85,670
Interest and fiscal charges		106,830
Total expenditures		<u>604,324</u>
Excess of revenues under expenditures		(131,231)
Fund Balance		
Beginning of year		<u>2,680,654</u>
End of year		<u>\$ 2,549,423</u>
Reconciliation of the schedule of revenues, expenditures, and changes in fund balance to the Statement of Activities.		
Net change in fund balance	\$	(131,231)
Principal payments on long-term debt are recognized as expenditures in the funds but have no effect on net position.		85,670
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>1,457</u>
Change in net position	\$	<u>(44,104)</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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 23, 2022.

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 2021-002 and Audit Finding 2021-003 to be material weaknesses.

Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as Audit Finding 2021-001 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 23, 2022

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, 2021, and the related notes to financial statements, and have issued our report thereon date September 23, 2022.

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 2021-004. 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.

BergankDV, Ltd.

Minneapolis, Minnesota
September 23, 2022

**City of Le Sueur
Schedule of Findings and
Responses on Legal Compliance and Internal Control
December 31, 2021**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS

Significant Deficiency:

Audit Finding 2021-001 – Improve Utility Billing Process

During our audit, we noted the City's utility billing process was not sufficient to ensure utility revenue and receivable balances were properly recorded and properly classified to the correct general ledger codes.

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 within to develop internal controls to recalculate the utility revenue.

Material Weaknesses:

Audit Finding 2021-002 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2021, 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, 2021**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)

Material Weakness (Continued):

Audit Finding 2021-002 – 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 2021-003 – Material Audit Adjustments

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

- To record special assessment activity
- To record utility 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, 2021**

CURRENT YEAR AND PRIOR YEAR LEGAL COMPLIANCE FINDINGS

Audit Finding 2021-004 – 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.

PRIOR YEAR LEGAL COMPLIANCE FINDINGS

Audit Finding 2020-005 - Develop Electronic or Wire Transfers Policies and Procedures

Corrective Action Taken:

We noted during the audit that the City and EDA Component Unit did established policies and procedures to ensure the validity of approvals or transactions.