



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

Communications Letter

December 31, 2024

**City of Le Sueur
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

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

In planning and performing our audit of the basic financial statements of the governmental activities, business-type activities, the aggregate 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, 2024, 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, 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 over financial reporting.

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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weaknesses.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably Possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

The material weaknesses identified are stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated June 26, 2025, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the Members of the City Council and management and others within the City and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Bergank DV, Ltd.

Minneapolis, Minnesota
June 26, 2025

City of Le Sueur Material Weaknesses

Lack of Segregation of Accounting Duties

During the year ended December 31, 2024, 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.

Material Audit Adjustments

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

- To record capital asset activity and related balances

City of Le Sueur Required Communication

We have audited the basic financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2024. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplement(s) the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

City of Le Sueur Required Communication

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- Risk of Improper Revenue Recognition - Revenue recognition is considered a significant risk on substantially all engagement as it is generally the largest line item impacting a City's change in fund balance or net position.
- Risk of Misappropriation of Assets - Misappropriation of Assets is considered a risk in substantially all engagements as assets may be misappropriated due to fraud or error.
- Risk of Management Override of Controls - Management override of internal control is considered a risk in substantially all engagements, particularly environments where lack of segregation of accountings duties exists.
- Pension and Capital Asset Valuation - Net Pension Liability, Deferred Outflows of Resources Related to Pensions, Deferred Inflows of Resources Related to Pensions, and Capital Asset Depreciation are generally material to the financial statements and involve significant estimates.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

Depreciation - The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

**City of Le Sueur
Required Communication**

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates and Related Disclosures (Continued)

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

A material misstatement was identified as a result of our audit procedures and was brought to the attention of and corrected by management related to capital asset balances and related activity.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

**City of Le Sueur
Required Communication**

Other Information Included in Annual Reports (Continued)

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

City of Le Sueur Financial Analysis

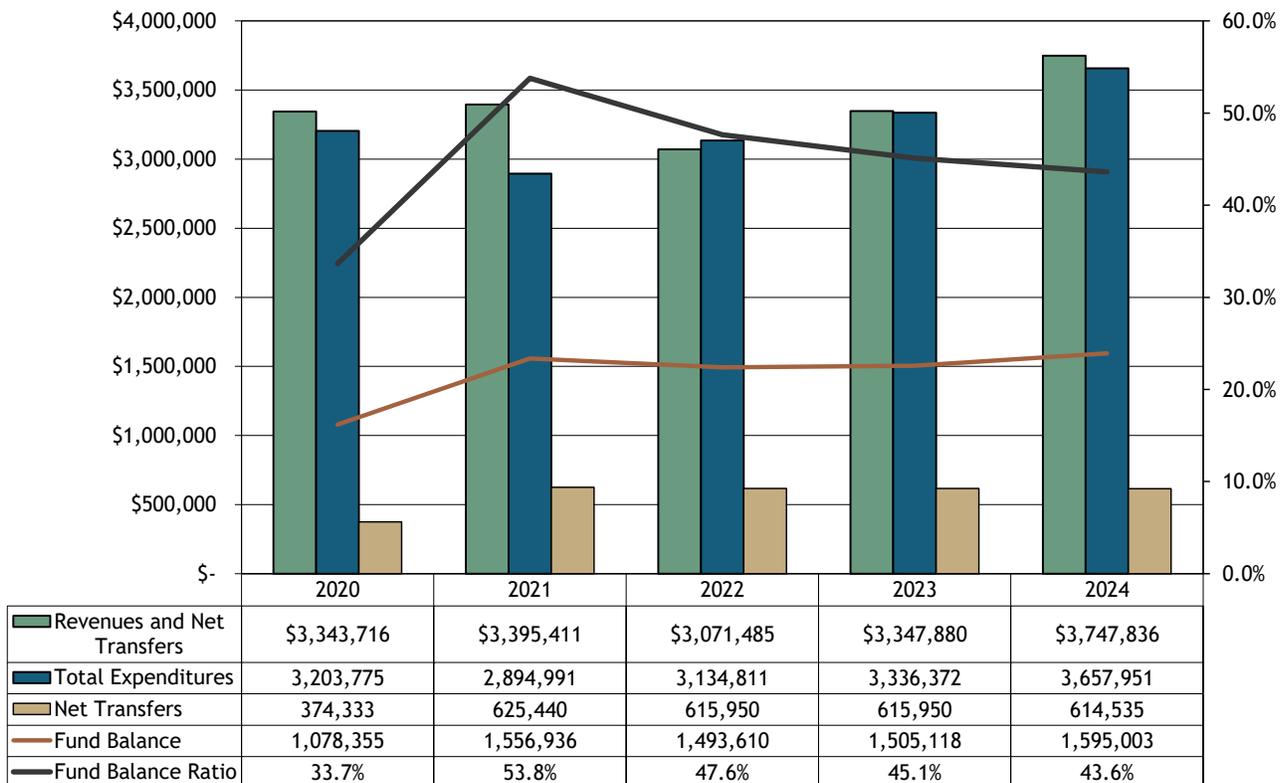
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. A subsequent discussion of this information should be useful for planning purposes.

General Fund

The following graph summarizes the past five years of General Fund revenues, expenditures, and fund balance. Revenues and net transfers increased \$399,956 from 2023 to 2024, and expenditures increased by \$321,579 over the same time frame.

The City's General Fund balance increased from \$1,505,118 in 2023 to \$1,595,003 in 2024. Revenues and net transfers exceed expenditures by \$89,885 during 2024. The December 31, 2024, fund balance represents 43.6% or just over five months of expenditures at 2024 levels. The City's fund balance is within the Office of the State Auditor's recommended level of no less than five months of operating expenditures. In comparison to the 2024 budgeted expenditures, which the City uses for its benchmark, the City's fund balance represents 52.1%, or just over six months of budgeted expenditures. This was an increase from 51.3% in 2023.

General Fund

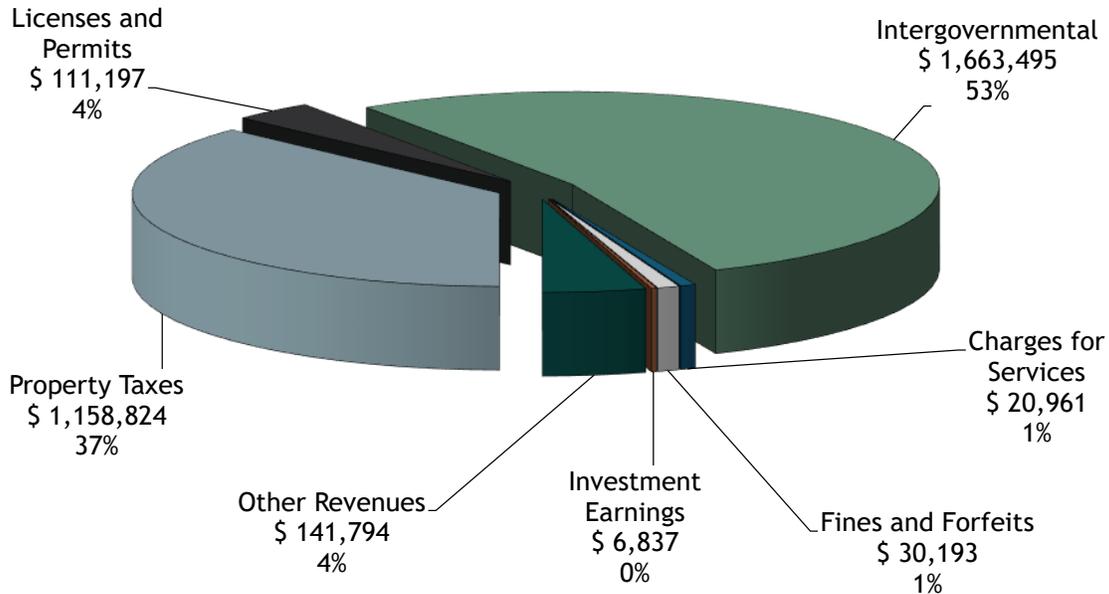


City of Le Sueur Financial Analysis

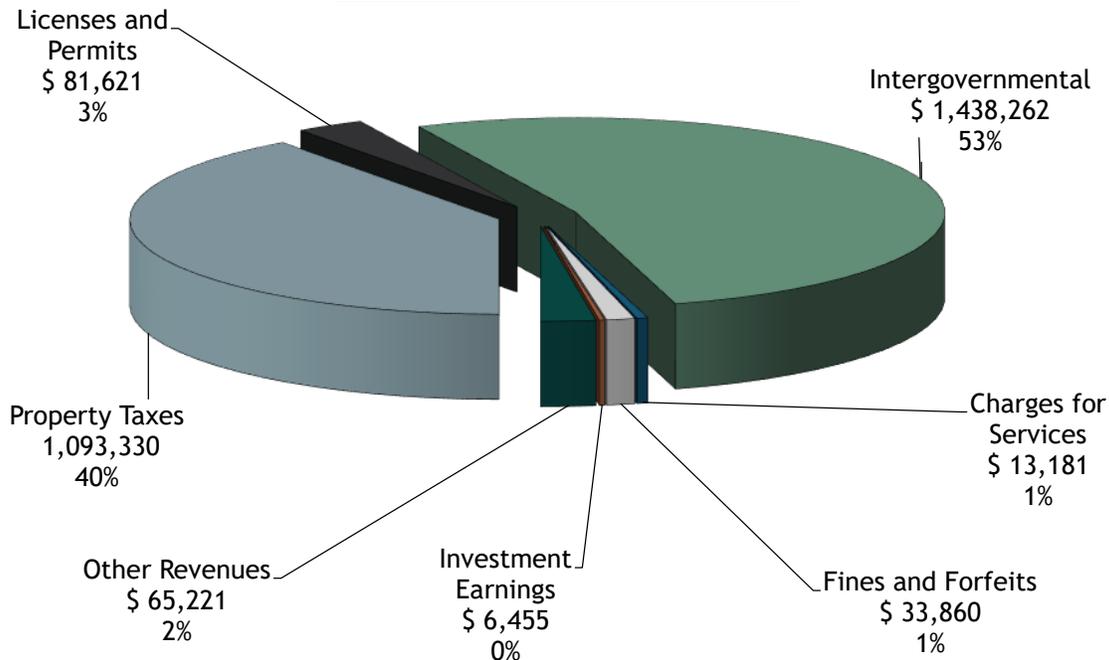
General Fund Revenues

The allocation of revenues within each major classification is presented below for 2024 and 2023. Sources of General Fund revenue have been consistent for the past several years, with property taxes and intergovernmental accounting for approximately 37% and 53% of total revenue, respectively.

2024 General Fund Revenues



2023 General Fund Revenues



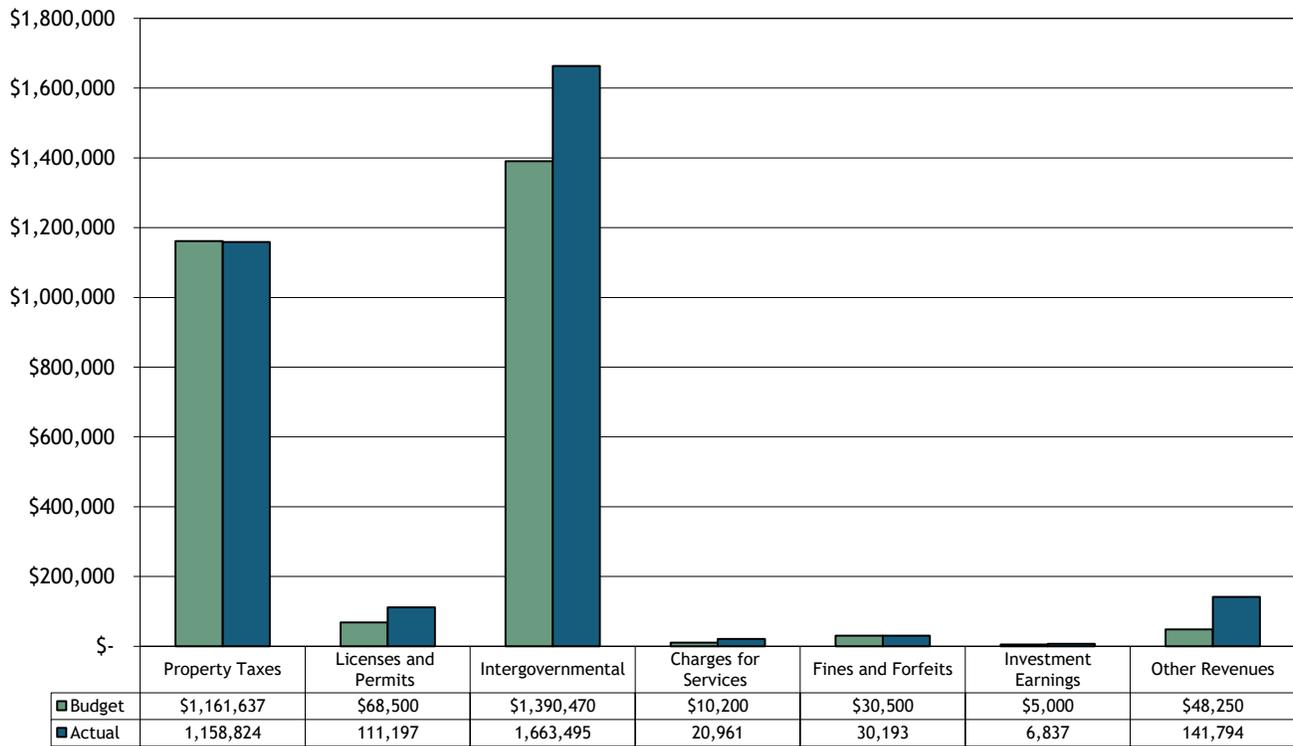
City of Le Sueur Financial Analysis

General Fund Revenues (Continued)

The graph below outlines the budget and actual results for the General Fund revenues. The actual revenue exceeded the overall final budget by \$418,744, or 15.4%.

The largest variance between budget and actual was related to intergovernmental revenue as a result of not budgeting for some grant activity. Licenses and permits were over budget \$42,697 due to more permit revenue from the Oak Terrance expansion than anticipated. Miscellaneous revenue was over budget \$93,544 as a result of more reimbursements than anticipated. All other actual revenues were in line with the budget set by the City.

**2024 General Fund Revenues
Budget and Actual**

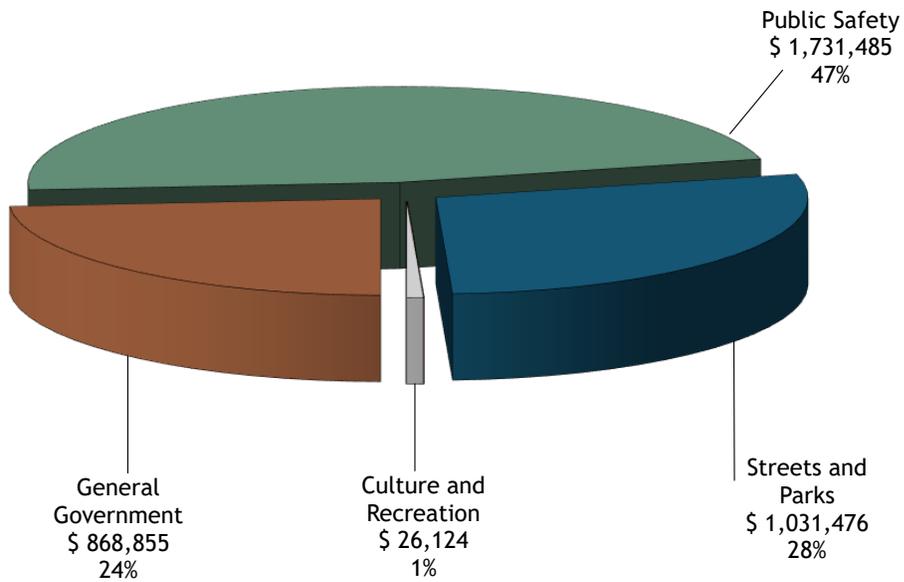


City of Le Sueur Financial Analysis

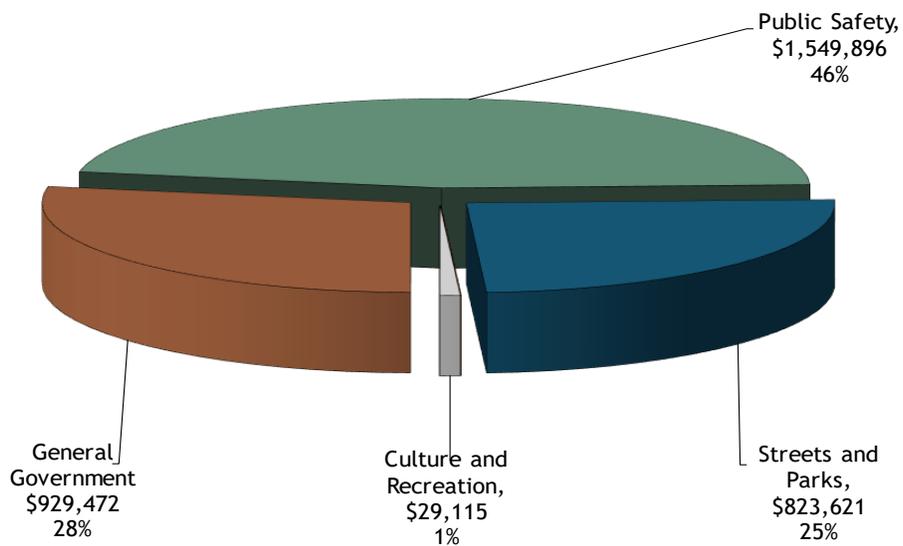
General Fund Expenditures

The following charts illustrate the allocation of General Fund expenditures by program/function. The allocation of total expenditures by program remained relatively consistent with the prior year allocation.

2024 General Fund Expenditures



2023 General Fund Expenditures



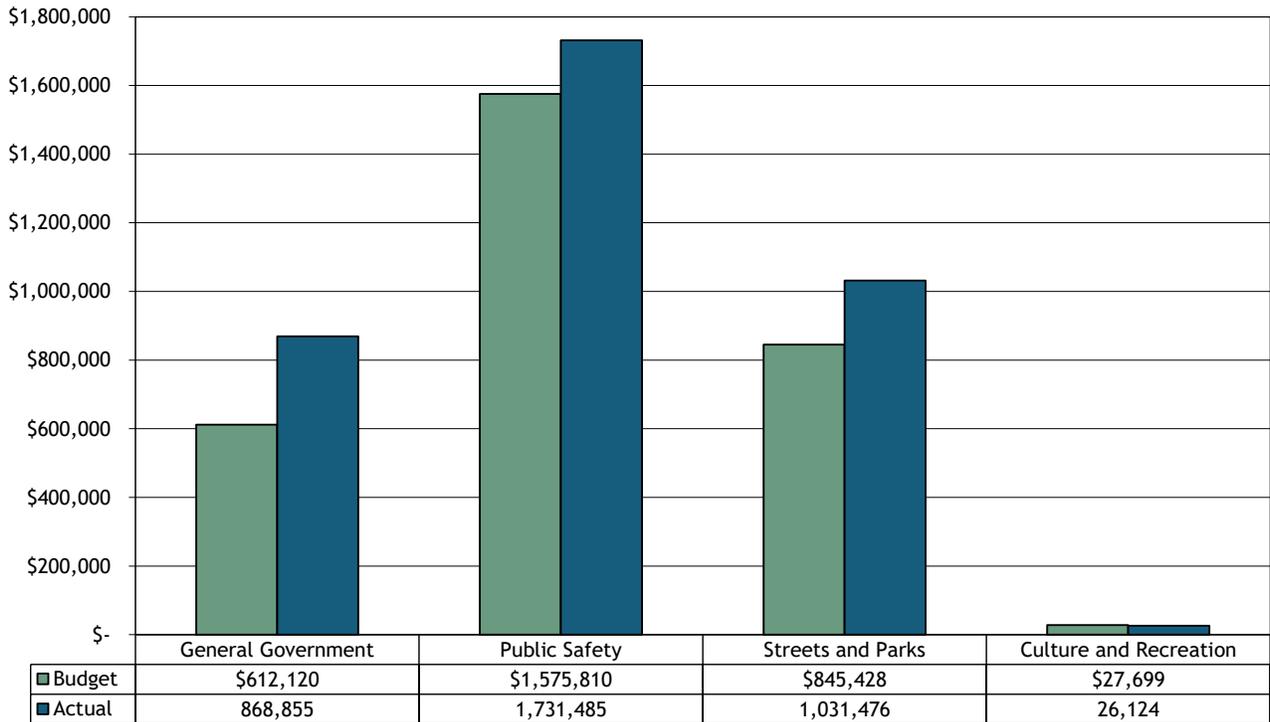
City of Le Sueur Financial Analysis

General Fund Expenditures (Continued)

During 2024, the City’s final budget was \$3,061,057 for total expenditures. For 2024, expenditures of \$3,657,951 were over budget by \$596,894, or 19.5%.

One of the largest variances occurred in general government which were \$256,735 over budget due to not including the IT Fund in the General Fund budget and increased consulting fees due to land sale and rezoning projects in 2024. Streets and parks were over budget \$186,048 due to Emerald Ash Borer tree removal expenses as well as CDL training and purchasing reflective clothing that was not budgeted for. Public safety expenditures, which were over budget \$155,675 mainly due to more part-time hours than anticipated as well as purchasing new body cams and tasers that were not budgeted for. All other actual expenditures were in line with the budget set by the City.

**2024 General Fund Expenditures
Budget and Actual**



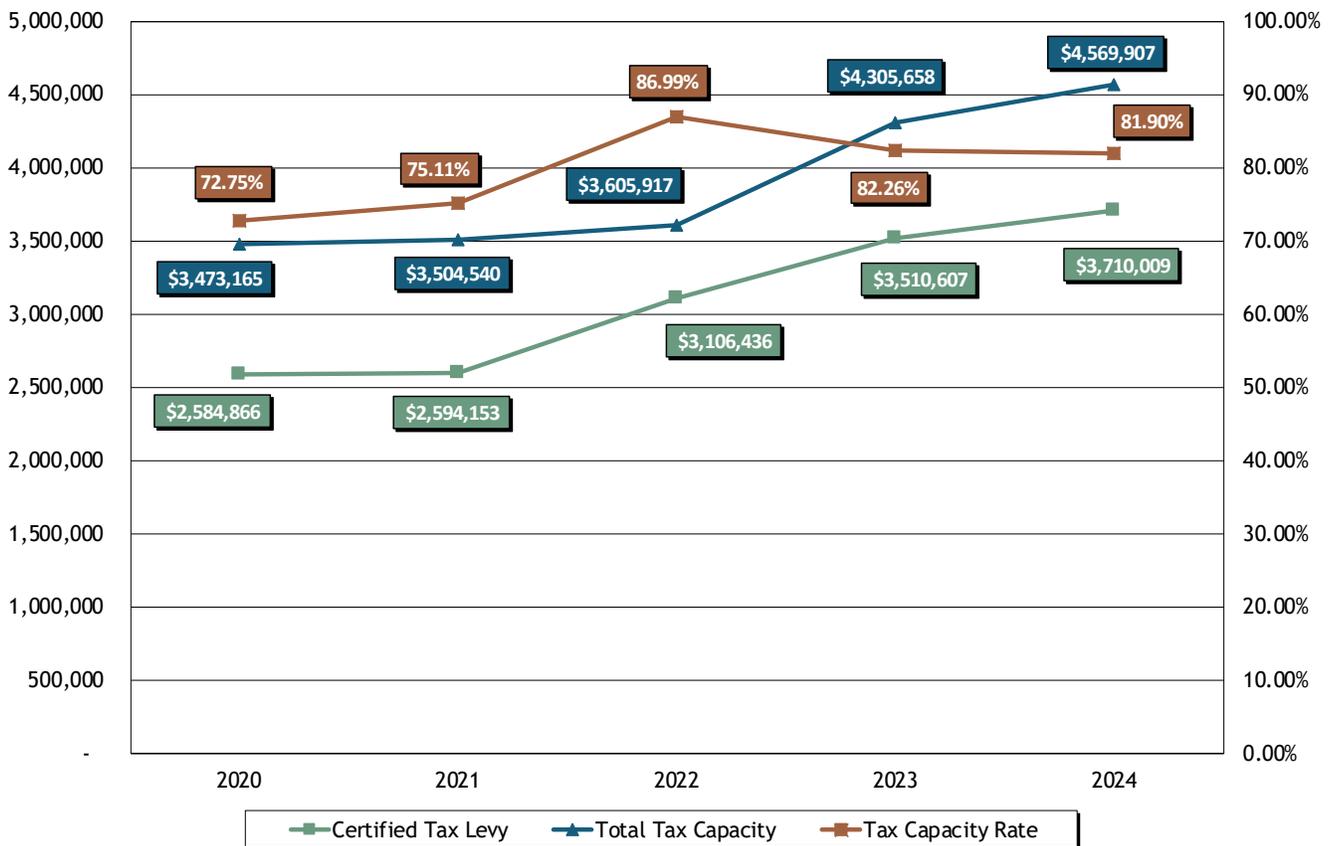
City of Le Sueur Financial Analysis

Tax Capacity, Levy, and Rates

The chart below graphs the tax capacity, certified tax levy, and City tax rate for 2020 through 2024. The tax capacity is based on total tax capacity, prior to adjustments for captured Tax Increment Financing (TIF).

During 2024 the tax capacity increased by \$264,249, or 6.1% while the certified tax levy increased \$199,402, or 5.7%. The total tax capacity increased at a greater rate than the certified tax levy resulting in the tax capacity rate decreasing from 82.26% in 2023 to 81.90% in 2024.

Tax Capacity, Levy, and Rates



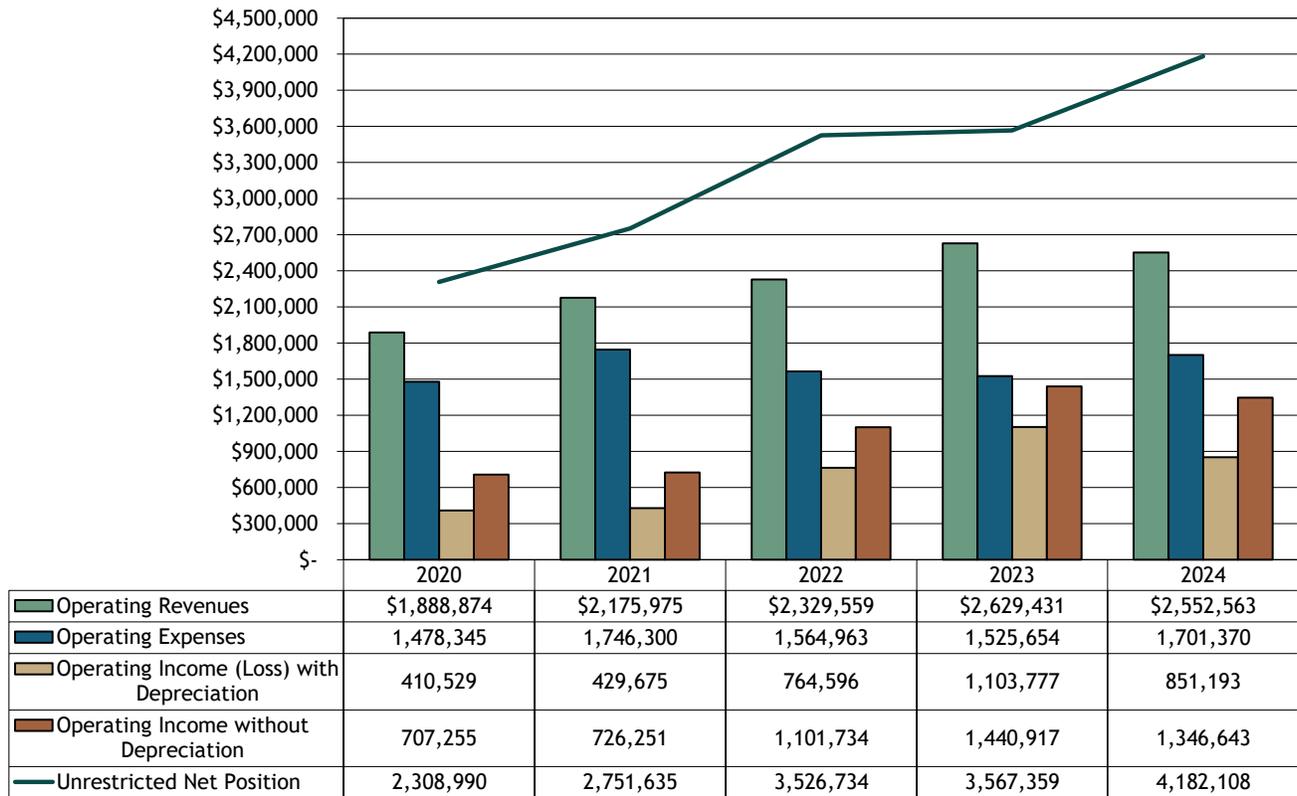
Information above was obtained from the League of Minnesota Cities property tax reports.

City of Le Sueur Financial Analysis

Water Utility Fund

The City's Water Utility Fund experienced an operating income of \$851,193 in 2024. The Fund's operating revenues decreased \$76,868 from 2023 to 2024 due to less water consumption. Operating expenses increased \$175,716 due higher depreciation expense in the current year. The operating income without depreciation decreased \$94,274 from 2023. Unrestricted net position increased \$614,749 as a result of current year operations.

Water Utility Fund

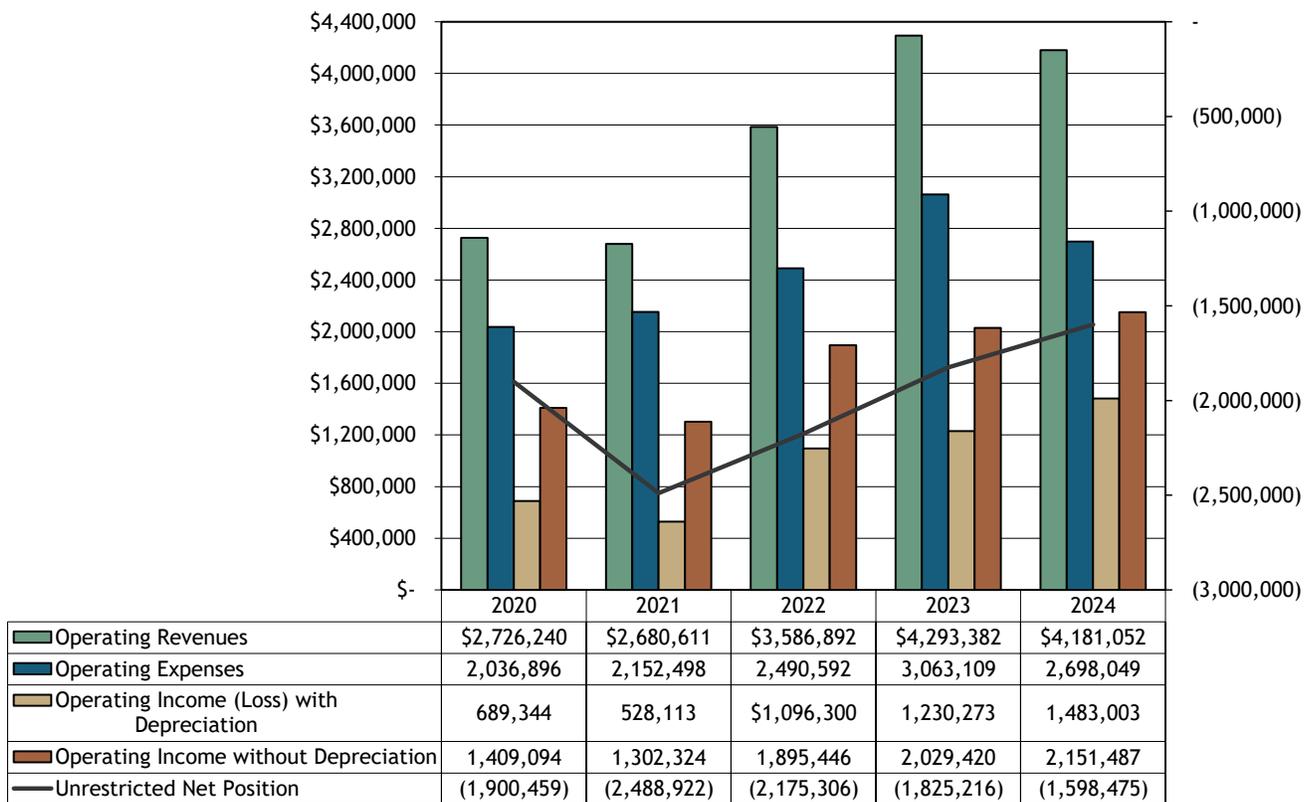


City of Le Sueur Financial Analysis

Sewer Utility Fund

The Sewer Utility Fund operating income increased \$252,730 from 2023 to 2024. Operating revenues decreased \$112,330, which was attributable to less treatment for Agropur during the year. Operating expense decreased \$365,060 due to decreased chemical costs for treatment and less repairs and maintenance. Without depreciation, the Sewer Fund had an operating income of \$1,483,003, which is an increase of \$252,730 from 2023. Unrestricted net position increased to a deficit of \$1,598,475 during 2024 due to current year operations. The City should evaluate Sewer Utility Fund operations and rates to ensure resources are available for operations and capital needs.

Sewer Utility Fund

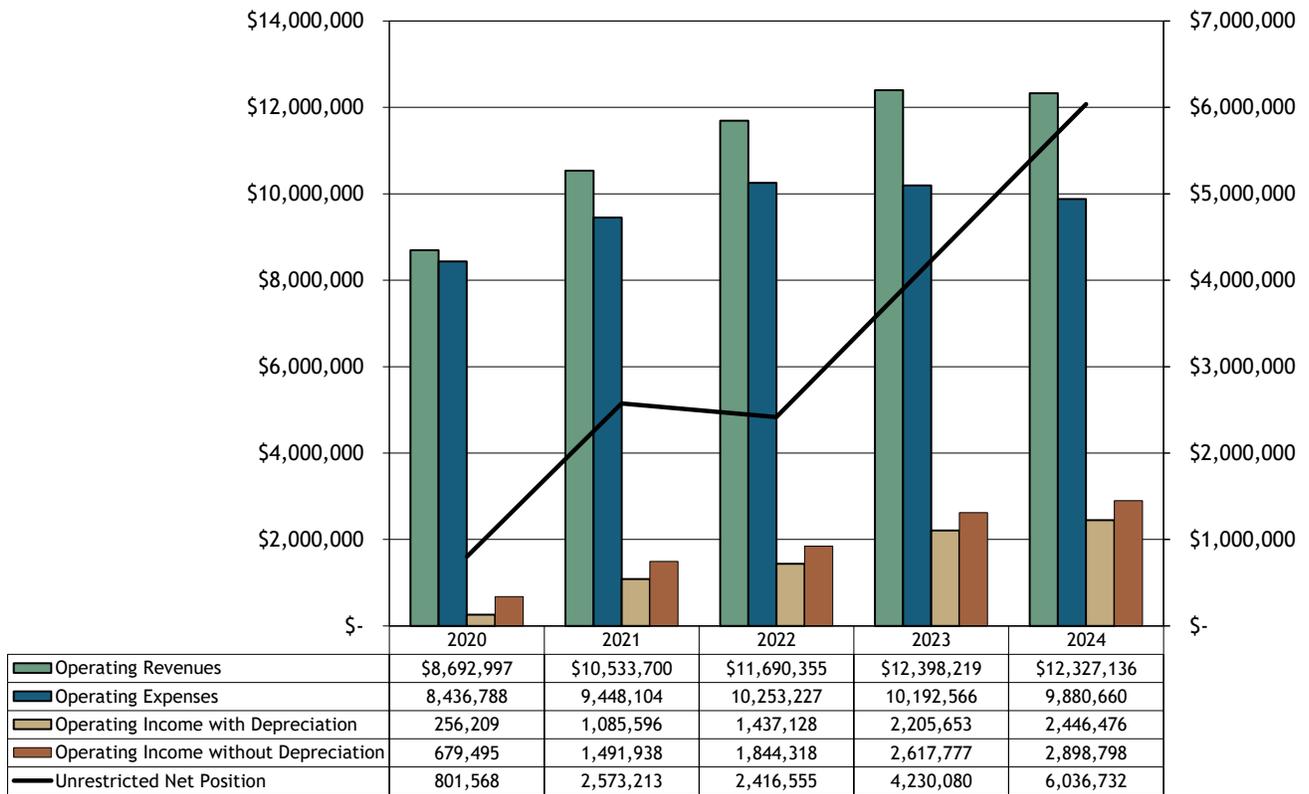


City of Le Sueur Financial Analysis

Electric Utility Fund

The City's Electric Utility Fund had an operating income of \$2,446,476 in 2024. The Fund's operating revenues decreased \$71,083 from 2023 to 2024 as a result of less consumption. The operating income without depreciation increased from 2023 by \$281,021. Unrestricted net position increased \$1,806,652 due to current year operations.

Electric Utility Fund



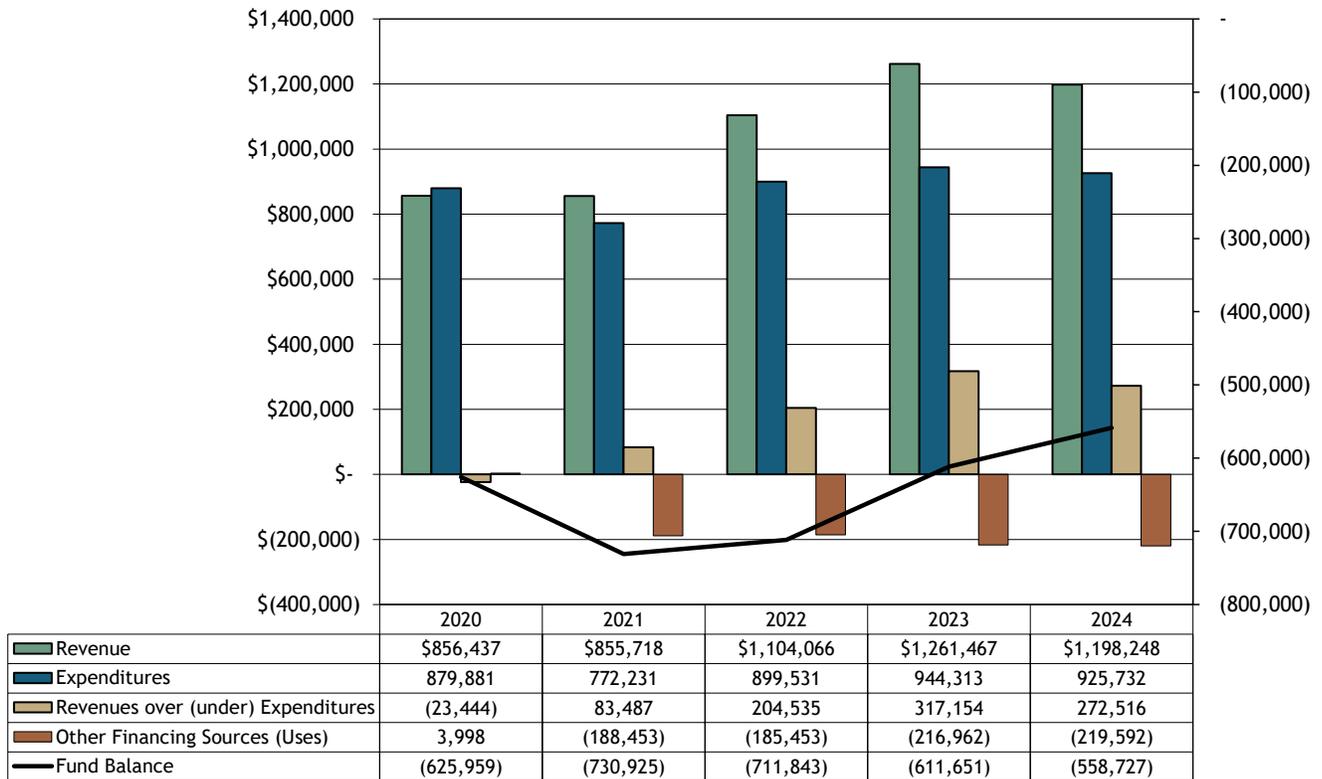
City of Le Sueur Financial Analysis

Community Center Fund

For 2024, revenues were down 5.0% while expenditures were down 2.0%. These decreases were primarily due to a decrease in property taxes levied and less activity during the year. Fund balance increased \$52,924 in 2024.

The magnitude of the deficits in this Fund have reached a point where the Fund’s operations need to be monitored to be able to sustain the operating transfer out to other funds. A discussion on the long-term operation goals and performance expectations of this Fund are recommended to ensure all stakeholders are aware of the consequences of current operations.

Community Center Fund



City of Le Sueur Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures***
GASB has issued GASB Statement No. 102 relating to risk disclosures. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.
- **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***
GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.
- **Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets***
GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and its applicability to your City.

City of Le Sueur Emerging Issues

Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures*

The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

This Statement provides definitions for concentration and constraint. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

This Statement requires a government to assess whether a concentration or constraint could present a risk of financial difficulty. The City will need to make a disclosure in the notes to the financial statements if all three of the following criteria are true:

- The City knows about the concentration or constraint prior to financial statement issuance.
- The concentration or constraint makes the City vulnerable to risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause a substantial impact have either (1) happened; (2) started to happen; or (3) are more likely than not to start happening within 12 months of the financial statements being issued.

If a government determines the above criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Disclosures are required for the government as a whole as well as any opinion unit in the financial statements that includes outstanding revenue debt. Disclosures can be combined to avoid unnecessary duplication (e.g., a subsequent event footnote).

GASB Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

City of Le Sueur Emerging Issues

Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**City of Le Sueur
Emerging Issues**

Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets*

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.