

Management Letter

City of Le Sueur
Le Sueur, Minnesota

For the Year Ended
December 31, 2014

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

We have audited 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 (the City) for the year ended December 31, 2014 and have issued our report thereon dated May 4, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 18, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Also, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following pages, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the following pages as item 2014-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below and on the following pages as items 2014-001, 2014-003 and 2014-004 to be significant deficiencies.

2014-001 Financial report preparation

- Condition:* As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
- Criteria:* Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
- Cause:* From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
- Effect:* The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
- Recommendation:* Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your CMS financial information to the amount reported in the audited financial statements.

Management response:

The City is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cities. Each year the City thoroughly reviews a draft of the financial statements and has a presentation from our auditor to the Council after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and the Council to monitor the deficiency.

Updated progress since prior year:

The City continues to accept this deficiency.

2014-002 Material audit and accounting adjustments

Condition: During our audit, adjustments were needed to record numerous accounting and audit adjustments. Some adjustments were individually material, including eight adjustments that were needed:

- To adjust interfunds, transfers and related payables.
- To adjust loans receivable and related interest and principal payments.
- To record and adjust unavailable revenue and related revenue activity.
- To record bond proceeds and escrow activity.
- To record and adjust accounts receivable and related revenue activity.
- To record due from other government and related grant revenue activity.

Criteria: Such adjustments should be detected and made by the City's personnel.

Cause: City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.

Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control for this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management response:

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

Updated progress since prior year:

The City will review the audit journal entries and will be seeking training in order to record more of these entries in the future.

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2014-003 Segregation of duties

- Condition:* During our audit, we reviewed internal control procedures over cash receipts, and utility billing transactions and found the City to have limited segregation of duties in these areas.
- Criteria:* There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
- Effect:* The existence of this limited segregation of duties increases the risk of fraud.

Internal control over cash receipts

- Cause:* As a result of the small number of staff, the Deputy Clerk sets up customers, maintains receipts journal and accounts receivable records, posts transactions to the general ledger, receives and endorses checks and currency, and prepares the deposit.
- Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. Additional controls might include obtaining and reviewing monthly receipt information.

Management response:

The Council has already taken measures to comply even though the City is relatively small and the number of staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes regular review of financial statements, regular review of bank reconciliations and budget comparisons.

Internal control over utility billing

- Cause:* As a result of the small number of staff, the Deputy Clerk approves new accounts, sets up customers and rates in the billing system, generates statements, enters readings, prepares the deposit and makes adjustments to accounts.
- Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include reviewing billing registers, exception reports, adjustments to accounts and employee billing records.

Management response:

The Council has already taken measures to comply even though the City is relatively small and the number of staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

2014-004 Inadequate year-end account reconciliations

- Condition:* During our audit, reconciliations were required of multiple accounts including: accounts receivable, accounts payable and cash accounts. We found the City to have limited reconciliations in these areas.
- Criteria:* Policies and procedures should be in place for City personnel to perform regular reconciliations, to review activity and identify related adjustments of the accounts receivable, accounts payable and cash accounts.
- Effect:* This indicates that it would be likely that a misstatements may occur and not be detected by the City. The audit firm cannot serve as a compensating control for this deficiency.
- Cause:* The City has not prepared a year-end accounts receivable, accounts payable or cash account reconciliation reflecting all necessary activity and adjustments without auditor assistance.
- Recommendation:* We recommend that management review each reconciliation and adjustment and obtain an understanding of why regular reconciliations are necessary. It is important that the Council is aware of this condition and monitor all financial information.

Management response:

The City will review and prepare all reconciliations and related adjustments in the future. The Finance Director will continue to monitor all financial activity, adjust account balances and complete reconciliations as need throughout the year and at year-end to prevent material misstatements from occurring.

Compliance and Other Matters

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you through various means.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period except for the prior period restatements described in Note 8.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The City's most sensitive estimates relate to the capital asset basis, the depreciation on capital assets, and the liability for the other postemployment benefits.

- Management's estimate of capital asset basis is based on estimated historical cost of the capital assets and depreciation is based on the estimated useful lives of capital assets.
- Management's estimate of its other postemployment benefits liability is based on several factors including, but not limited to anticipated retirement age for active employees, life expectancy, turnover, and healthcare cost trend rate.
- Management's estimate of land held for resale is based on the estimated net realizable value of acquired assets intended to be resold.
- Management's estimate of joint venture equity interest is based on the estimated City portion of the joint venture's net position.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed ten journal entries that we consider to be audit entries or corrections of management decisions, eight of which were material. They related to the following situations:

- To adjust interfunds, transfers and related payables.
- To adjust loans receivable and related interest and principal payments.
- To record and adjust unavailable revenue and related revenue activity.
- To record bond proceeds and escrow activity.
- To record and adjust accounts receivable and related revenue activity.
- To record due from other government and adjust related grant revenue activity.
- To record equity interest in joint ventures and related activity.

We also assisted in preparing a number of year-end accounting entries. These were necessary to adjust the City's records at year end to correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year-end entries is completed internally.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 4, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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 financial statements or to the financial statements themselves.

Financial Position and Results of Operations

Our principal observations and recommendations are summarized below. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended December 31, 2014.

General Fund

All general governmental functions of the City which are not accounted for in separate funds are included in the General fund.

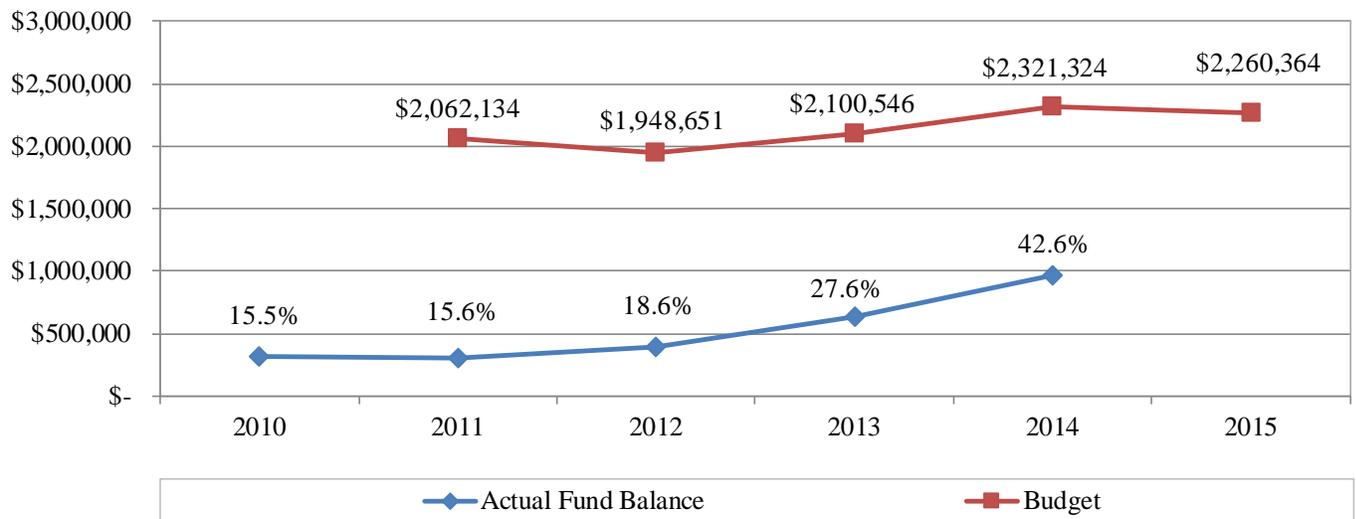
Minnesota municipalities must maintain substantial amounts of fund balance in order to meet their liquidity and working capital needs as an operating entity. That is because a substantial portion of your revenue sources (taxes and intergovernmental revenues) are received in the last two months of each six-month cycle.

As you can see from the following information, it is necessary to maintain fund balance in order to keep pace with the increasing operating budget. *This information is also presented in graphic form below.*

The following is an analysis of the General fund's fund balance for the past five years compared to the following year's budget:

Year	Total General Fund Balance December 31	Budget Year	General Fund Budget	Percent of Fund Balance to Budget
2010	\$ 318,946	2011	\$ 2,062,134	15.5 %
2011	304,513	2012	1,948,651	15.6
2012	391,159	2013	2,100,546	18.6
2013	641,338	2014	2,321,324	27.6
2014	963,072	2015	2,260,364	42.6

Fund Balance/Budget Comparison



We have compiled a peer group average derived from information we have requested from the Office of the State Auditor for Cities of the 4th class which have populations of 2,500-10,000. In 2012 and 2013, the average General fund balance as a percentage of expenditures was 76 percent and 75 percent, respectively. Based on comparison to the peer groups, the City's General fund balance is lower than that average.

The General fund's fund balance increased by \$321,734 in 2014. The total fund balance of \$963,072 represents 42.6 percent of the 2015 budget. Many other organizations, including the Office of the State Auditor (the OSA) and League of Minnesota Cities (LMC) recommend that a fund balance reserve be anywhere from 35 to 50 percent of planned expenditures. We concur with those recommendations.

Although there is no legislation regulating fund balance, it is a good policy to assign intended use of fund balance. This helps address citizen concerns as to the use of fund balance and tax levels. The City should consider documenting assignments for intended use of fund balance at and above the fifty percent level. This documentation could be accomplished by an annual resolution to identify intended use of available fund balance. We recommend a minimum fund balance for working capital be approximately 40 percent to 50 percent of planned disbursements. So at the current level, the fund balance is considered lower than what is recommended. However, the City's fund balance policy is a minimum fund balance for working capital of approximately 20 percent of planned disbursements. Fund balance is above this level, the City should analyze the existing fund balance policy and determine if the minimum fund balance should be increased.

The purposes and benefits of a fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the governmental fund expenditures.
- The City is vulnerable to legislative actions at the State and Federal level.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in maintaining, improving or obtaining its bond rating. The result will be better interest rates in future bond sales.

The 2014 General fund operations are summarized as follows:

	Budgeted Amount		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues	\$ 1,971,324	\$ 1,971,324	\$ 2,087,166	\$ 115,842
Expenditures	2,148,085	2,148,085	2,088,722	59,363
Excess (deficiency) of revenues over (under) expenditures	(176,761)	(176,761)	(1,556)	175,205
Other financing sources (uses)				
Transfers in	350,000	350,000	350,000	-
Transfers out	(26,710)	(26,710)	(26,710)	-
Total other financing sources (uses)	323,290	323,290	323,290	-
Net change in fund balances	\$ 146,529	\$ 146,529	321,734	\$ 175,205
Fund balances, January 1 as restated			641,338	
Fund balances, December 31			\$ 963,072	

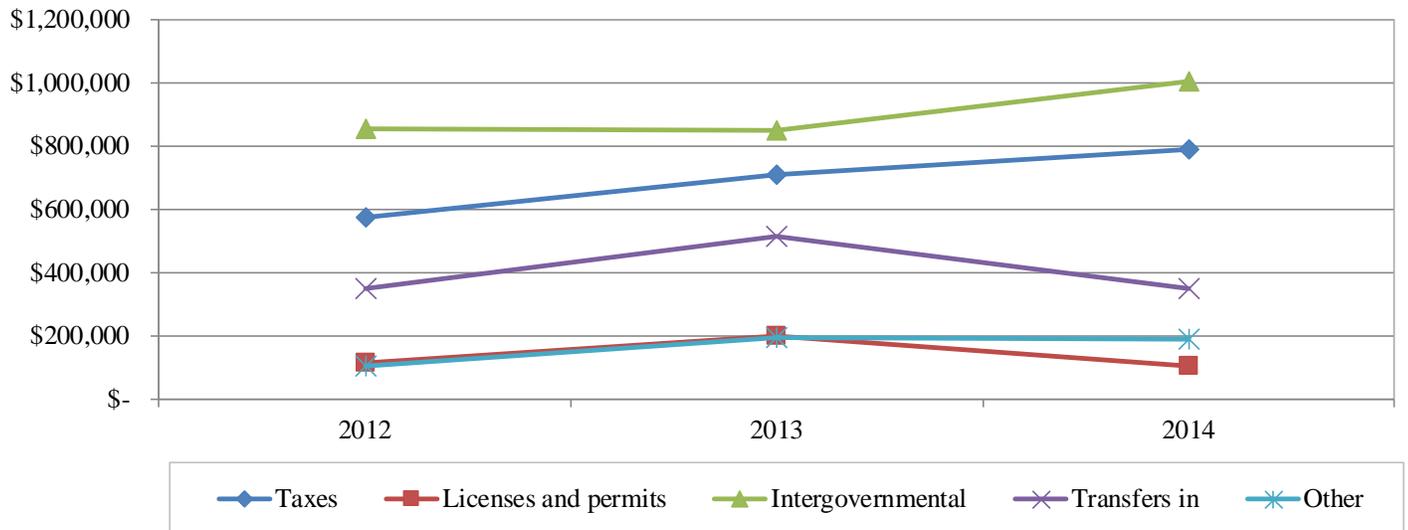
Some of the larger budget variances are as follows:

- Taxes revenues exceeded budget by \$29,151.
- Charges for services exceeded the budget by \$37,001.
- Miscellaneous revenues exceeded the budget by \$40,982.
- Building inspection expenditures exceeded the budget by \$22,697.
- Miscellaneous unallocated projects were under budget by \$35,684.

A comparison of General fund revenues and transfers for the last three years is presented below:

Source	2012	2013	2014	Percent of Total	Per Capita
Taxes	\$ 576,325	\$ 709,477	\$ 787,796	32.3 %	\$ 193
Licenses and permits	115,158	197,249	105,338	4.3	26
Intergovernmental	851,473	850,780	1,004,439	41.1	247
Charges for services	20,254	22,274	55,001	2.3	14
Fines and forfeits	18,010	26,768	24,045	1.0	6
Investment earnings	2,726	6,638	4,315	0.2	1
Other revenues	64,186	140,579	106,232	4.4	26
Transfers in	350,000	515,311	350,000	14.4	86
Total revenues and transfers	\$ 1,998,132	\$ 2,469,076	\$ 2,437,166	100.0 %	\$ 599

General Fund Revenues by Source

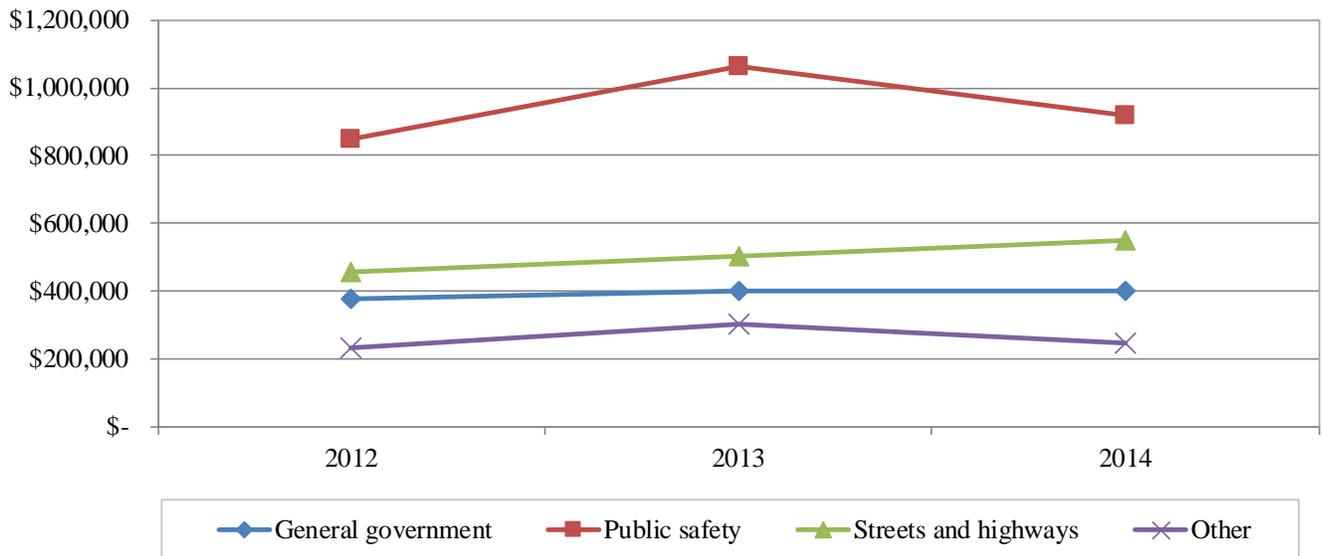


A comparison of General fund expenditures and transfers for the last three years is presented below:

Program	2012	2013	2014	Percent of Total	Per Capita	Peer Group Per Capita
Current						
General government	\$ 375,422	\$ 401,602	\$ 401,927	19.0 %	\$ 99	\$ 128
Public safety	849,507	1,060,782	916,826	43.2	225	221
Streets and highways	455,313	502,482	551,796	26.1	135	114
Sanitation	3,507	2,276	1,423	0.1	-	-
Culture and recreation	179,765	155,678	160,075	7.6	39	54
Miscellaneous	23,026	114,263	56,460	2.7	14	16
Total current	1,886,540	2,237,083	2,088,507	98.7	512	533
Capital outlay	111	-	215	-	-	28
Debt service	2,158	1,111	-	-	-	-
Transfers out	26,184	31,584	26,710	1.3	7	-
Total expenditures and transfers	\$ 1,914,993	\$ 2,269,778	\$ 2,115,432	100.0 %	\$ 519	\$ 561

The above chart compares the amount the City spends per capita, in comparison to a peer group. We have compiled a peer group average derived from the 2013 information we have requested from the Office of the State Auditor and compiled data for Cities of the 4th Class which have populations of 2,500 - 10,000.

General Fund Expenditures by Program



Special Revenue Funds

Special revenue funds have revenue from specific sources to be used for specific purposes. Listed below are the special revenue funds of the City along with the fund balances for 2014 and 2013 and the net change:

Fund	Fund Balances		Increase (Decrease)
	December 31, 2014	December 31, 2013	
Major			
Economic Development Revolving Loan	\$ 3,560,562	\$ 3,521,755	\$ 38,807
Community Center	(133,638)	(66,829)	(66,809)
Nonmajor			
Fire Service	6,483	38,387	(31,904)
Ambulance Service	135,120	112,398	22,722
Para-Transit	50,899	46,549	4,350
Airport	(70,196)	(74,192)	3,996
Total	<u>\$ 3,549,230</u>	<u>\$ 3,578,068</u>	<u>\$ (28,838)</u>

The Economic Development Revolving Loan fund balance increased by \$38,807 during 2014. This is mostly due to loan repayments.

The Community Center fund balance decreased by \$66,809 during 2014. The main cause of this decrease was mainly due to charges for services revenue being under budget by over \$25,000 and administrative and personal service expenditures being in excess of budget by over \$50,000. The Community Center fund balance has had deficits for the past two years, the City should consider implementing a plan to reduce this deficit and prevent future deficits.

The Fire Service fund balance decreased by \$31,904 during 2014, this is mainly due to a drop in state fire aid. The City has budgeted for this revenue for the past two years, however no state aid revenue is received due to the PERA conversion for the fire relief association. The City should modify future budgets to not include this revenue.

Debt Service Funds

Debt Service funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than enterprise fund debt).

Debt Service funds may have one or a combination of the following revenue sources pledged to retire debt as follows:

- Property taxes - Primarily for general City benefit projects such as parks and municipal buildings. Property taxes may also be used to fund special assessment bonds which are not fully assessed.
- Tax increments - Pledged exclusively for tax increment/economic development districts.
- Capitalized interest portion of bond proceeds - After the sale of bonds, the project may not produce revenue (tax increments or special assessments) for a period of one to two years. Bonds are issued with this timing difference considered in the form of capitalized interest.
- Special Assessments - Charges to benefited properties for various improvements.

In addition to the above pledged assets, other funding sources may be received by Debt Service funds as follows:

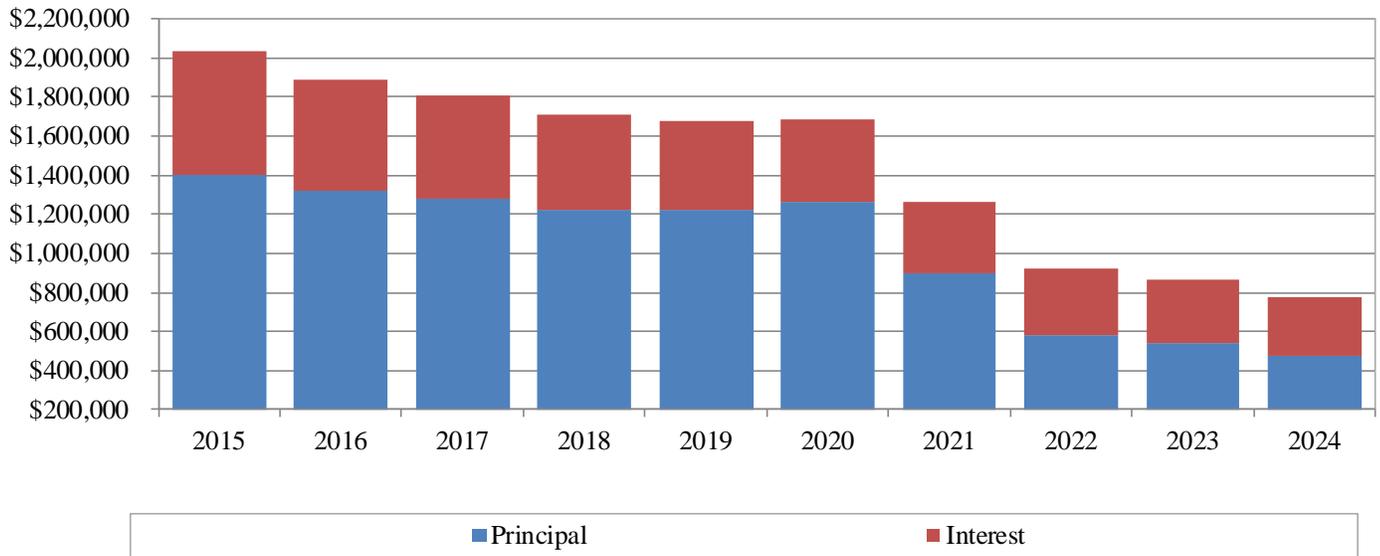
- Residual project proceeds from the related capital project fund
- Investment earnings
- State or Federal grants
- Transfers from other funds

The following is a summary of Debt Service fund assets and outstanding debt as of December 31, 2014:

Debt Description	December 31, 2014			Final Maturity Date
	Total Cash and Investments	Total Assets	Outstanding Debt	
General Obligation Bonds				
G.O. Certificates of Participation Advance Refunding	\$ 63,886	\$ 63,886	\$ 105,000	2016
2002 G.O. Fire Station Bonds	63,820	63,820	-	Matured
Equipment Lease Purchase Certificates for 2004	51,540	51,540	45,000	2015
G.O. Crossover Refunding Bonds of 2005A - Library	15,022	15,022	-	Matured
G.O. Certificates of Indebtedness of 2010	20,630	20,630	80,000	2015
G.O. Police Capital Improvements Plan Bonds of 2010	3,956	3,956	395,000	2023
G.O. Street Reconstruction Refunding Bonds of 2013B (2011A)	12,583	12,583	745,000	2026
G.O. Refunding Bonds 2014B - Fire	-	-	1,080,000	2028
G.O. Refunding Bonds 2014B - Library	-	-	460,000	2022
Total G.O. Bonds	231,437	231,437	2,910,000	
G.O. Revenue Bonds				
G.O. Tax Abatement Revenue Bonds of 2008	-	-	180,000	2018
LS Powerhouse Abatement	(6,705)	(6,705)	-	N/A
Total G.O. Revenue Bonds	(6,705)	(6,705)	180,000	
Revenue Bonds				
Gross Revenue Recreational Facility Bonds of 1999	2,277	2,277	-	Matured
Johnson Controls Lease Revenue Bond of 2006	9,051	520,748	1,444,749	2021
EDA Public Project Revenue Bonds 2010	16,270	16,270	-	Matured
Healthcare Facility Revenue Bond of 2010	224,510	5,188,285	5,152,165	2035
Recreational Facility Bonds of 2014A	179,331	179,331	2,330,000	2034
Total Revenue Bonds	431,439	5,906,911	8,926,914	
G.O. Improvement Bonds				
G.O. Crossover Refunding Bonds of 2005A	6,395	121,395	-	Matured
G.O. Improvement Bonds of 2011B	128,215	1,554,382	1,855,000	2023
G.O. Improvement Bonds of 2006A / G.O. Refunding Bonds of 2012A	1,559	703,907	1,390,000	2021
G.O. Improvement Bonds of 2009A	75,975	192,098	250,000	2017
G.O. Refunding Bonds of 2014B	-	-	115,000	2016
Total G.O. Improvement Bonds	212,144	2,571,782	3,610,000	
Total All Debt				
Service Funds	<u>\$ 868,315</u>	<u>\$ 8,703,425</u>	<u>\$ 15,626,914</u>	
Future Interest on Debt			<u>\$ 6,101,817</u>	

The City's outstanding debt is required to be funded by various resources such as special assessments, tax increments, property taxes, transfers from enterprise funds, etc. Special assessments and tax increments are usually certified once to the County for collection, but tax levies need to be certified annually. We recommend management pay particular attention to annual tax levies and transfers listed in each bond issue book to ensure proper funding of debt service. The City has numerous matured debt issues above whose funds can be closed.

The annual debt service requirements for the next 10 years for the debt detailed above are as follows:



Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The table below compares 2014 fund balances with 2013:

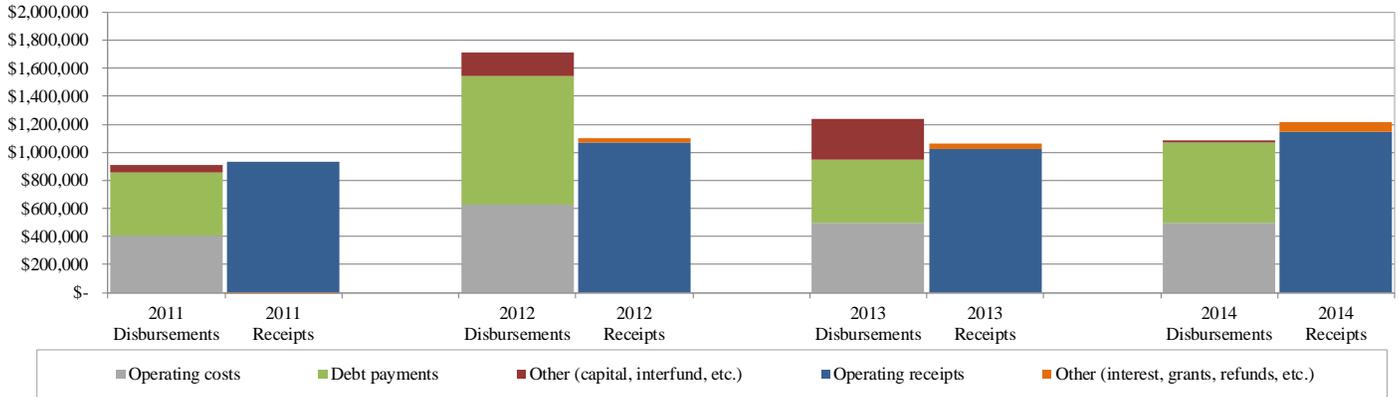
Fund	Fund Balances December 31,		Increase (Decrease)
	2014	2013	
Major			
Community Center Roof Project 2011	\$ 229,762	\$ (69,687)	\$ 299,449
Nonmajor			
Equipment Acquisition	228,965	196,427	32,538
Sidewalk Reconstruction	160,000	-	160,000
Capital Improvements	(208,414)	(134,583)	(73,831)
North Highway 169 Frontage Road Improvements	271,122	165,321	105,801
Special Assessments/Improvements	114,240	110,193	4,047
Le Sueur Hill Improvements	105,805	102,912	2,893
2008 North 2nd Street Reconstruction	117,587	121,287	(3,700)
Total	\$ 1,019,067	\$ 491,870	\$ 527,197

The City should analyze projects' status each year and close those that are completed. Any deficits should be evaluated to ensure they are consistent with financing expectations.

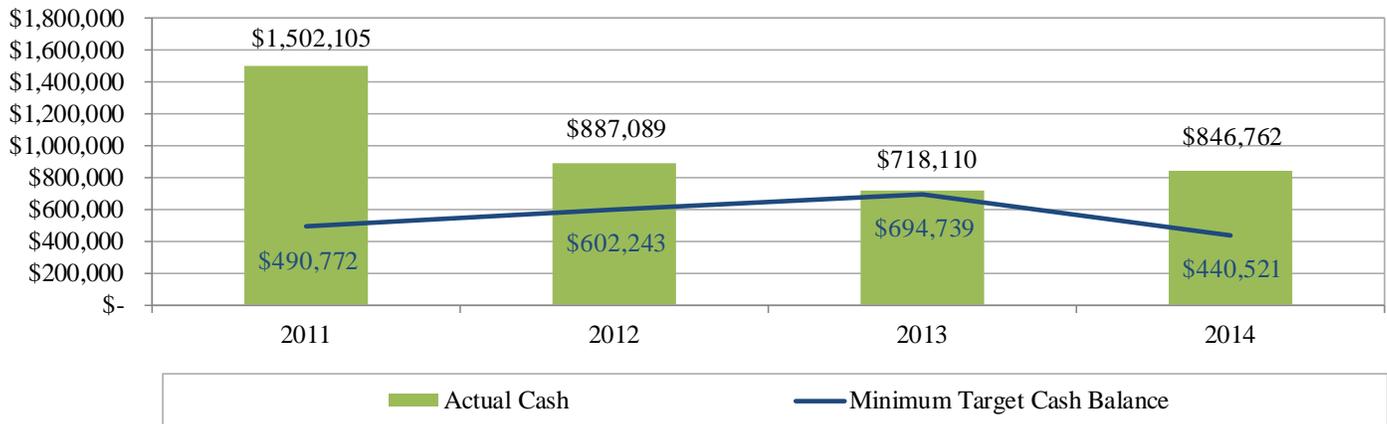
Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. A comparison of enterprise fund cash flows and cash balances for the past four years as is follows:

Water Utility Fund Cash Flows



Water Utility Fund Cash Balance

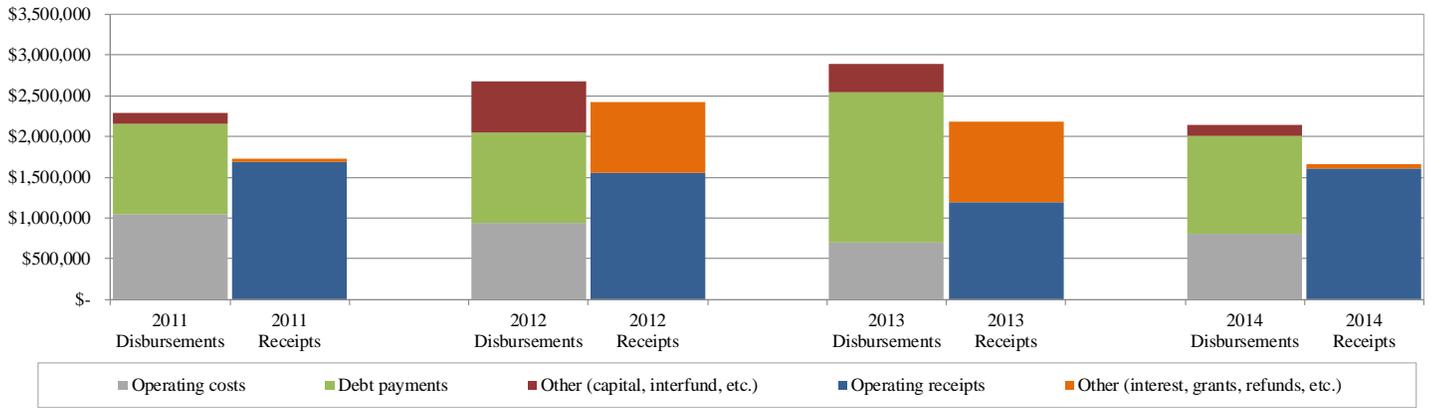


Cash flow and cash balances are shown net of escrow activity to accurately convey operating expenses and for comparison purposes.

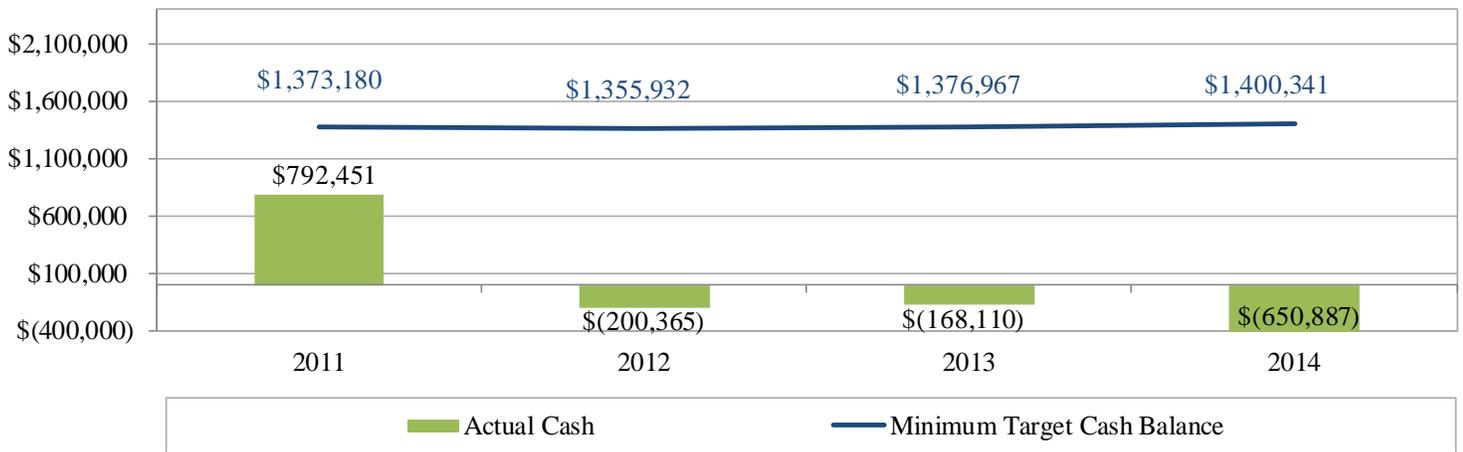
The minimum target cash balance is based off 25 percent of operating costs plus the next year's debt payments for the fund.

	2011	2012	2013	2014
Bonds payable	<u>\$ 2,380,000</u>	<u>\$ 1,530,000</u>	<u>\$ 1,125,000</u>	<u>\$ 722,153</u>

Sewer Utility Fund Cash Flows



Sewer Utility Cash Balance

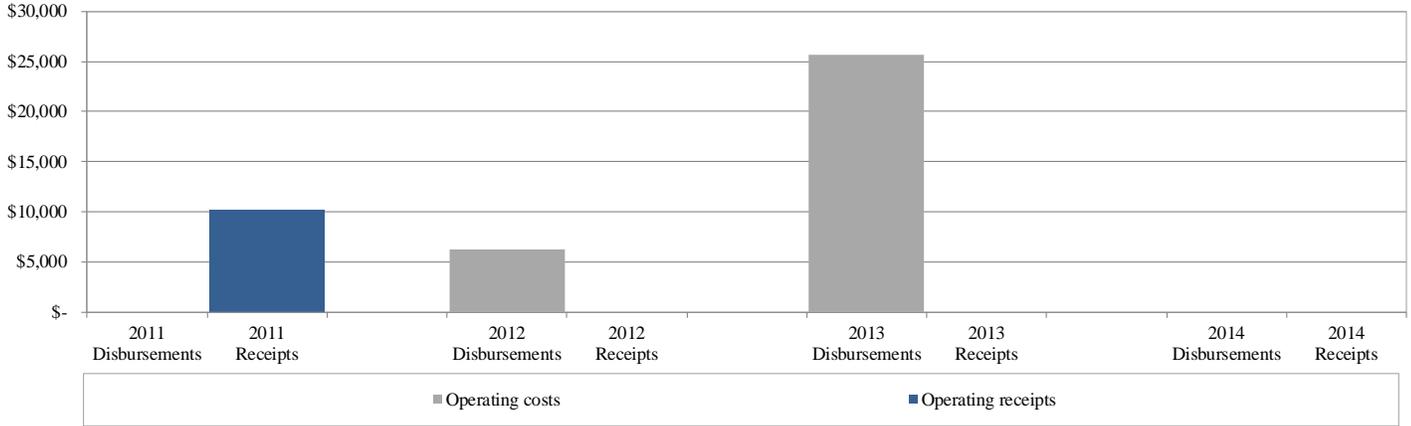


Cash flow and cash balances are shown net of escrow activity to accurately convey operating expenses and for comparison purposes.

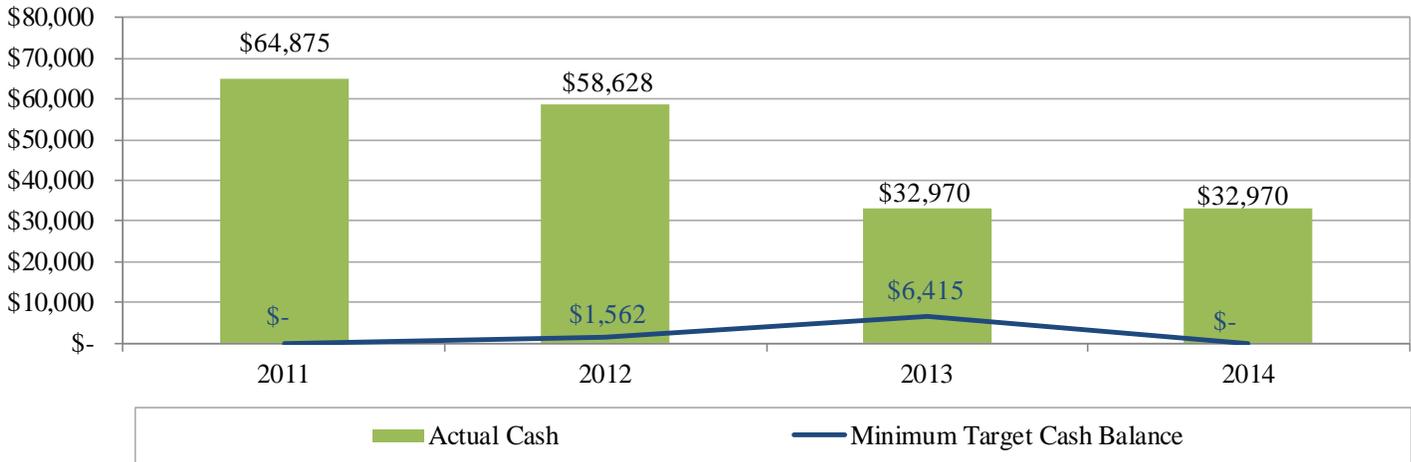
The minimum target cash balance is based off of 25 percent of operating costs plus next year’s debt payments for the fund.

	2011	2012	2013	2014
Bonds payable	<u>\$ 15,178,041</u>	<u>\$ 15,107,594</u>	<u>\$ 14,419,594</u>	<u>\$ 13,397,020</u>

Sewer Pre-Treatment Fund Cash Flows

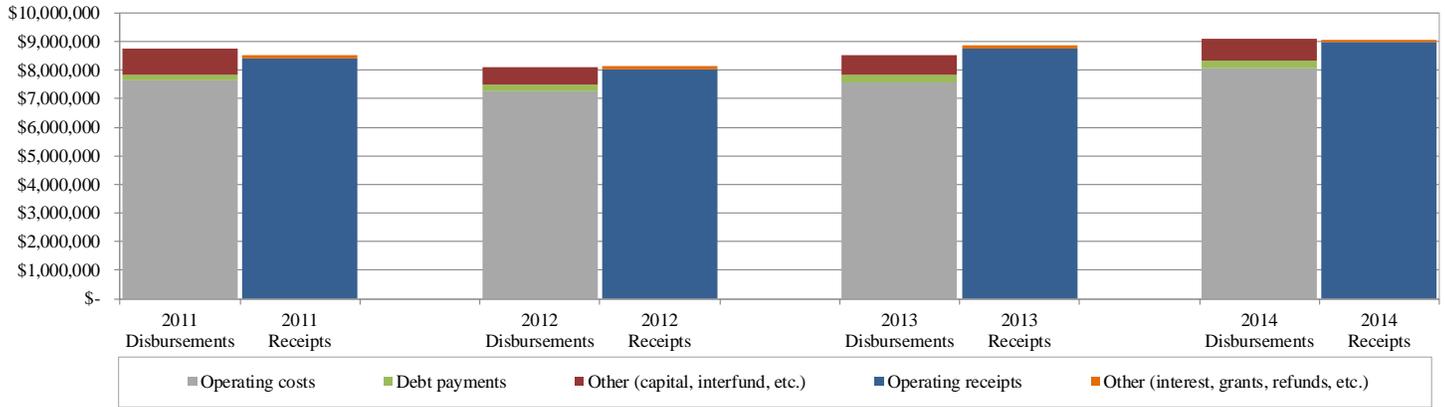


Sewer Pre-Treatment Fund Cash Balance

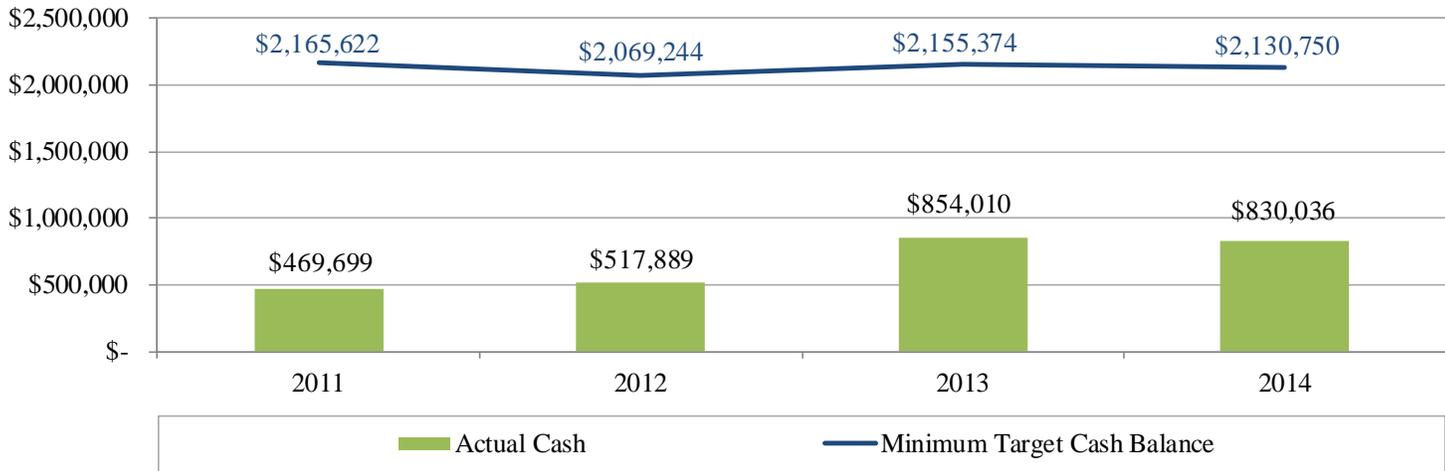


The minimum target cash balance is based off of 25 percent of operating costs for the fund. This fund has no activity and the City should consider closing to the Sewer Utility fund.

Electric Utility Fund Cash Flows



Electric Utility Fund Cash Balance



The minimum target cash balance is based off of 25 percent of operating costs plus next year's debt payments for the fund.

	2011	2012	2013	2014
Bonds payable	<u>\$ 1,340,000</u>	<u>\$ 1,130,000</u>	<u>\$ 920,000</u>	<u>\$ 695,000</u>

Ratio Analysis

The following captures a few ratios from the City's financial statements that give some additional information for trend and peer group analysis. The peer group average is derived from information available on the website of the Office of the State Auditor. Different peer group averages are used for Cities of the fourth class (populations 2,500 to 10,000). The majority of these ratios facilitate the use of economic resources focus and accrual basis of accounting at the government-wide level. A combination of liquidity (ability to pay its most immediate obligations), solvency (ability to pay its long-term obligations), funding (comparison of financial amounts and economic indicators to measure changes in financial capacity over time) and common-size (comparison of financial data with other cities) ratios are show below.

Ratio	Calculation	Source	Year			
			2011	2012	2013	2014
Debt to assets	Total liabilities/total assets	Government-wide	57%	54%	52%	51%
			33%	33%	32%	N/A
Debt service coverage	Net cash provided by operations/ enterprise fund debt payments	Enterprise funds	1.1	0.9	0.9	1.2
			1.1	1.1	1.2	N/A
Debt per capita	Bonded debt/population	Government-wide	\$ 10,008	\$ 9,235	\$ 8,560	\$ 8,051
			\$ 2,826	\$ 2,626	\$ 2,656	N/A
Taxes per capita	Tax revenues/population	Government-wide	\$ 430	\$ 483	\$ 473	\$ 498
			\$ 500	\$ 480	\$ 487	N/A
Current expenditures per capita	Current governmental fund expenditures/population	Government-wide	\$ 1,340	\$ 1,037	\$ 895	\$ 835
			\$ 640	\$ 649	\$ 634	N/A
Capital expenditures per capita	Governmental capital outlay expenditures/population	Government-wide	\$ 241	\$ 477	\$ 69	\$ 485
			\$ 229	\$ 298	\$ 294	N/A
Capital assets % left to depreciate - Governmental	Net capital assets/ gross capital assets	Government-wide	72%	70%	63%	62%
			64%	65%	64%	N/A
Capital assets % left to depreciate - Business-type	Net capital assets/ gross capital assets	Government-wide	65%	64%	62%	60%
			65%	63%	63%	N/A

Represents City of Le Sueur including EDA

Represents Peer Group Average

Debt-to-Assets Leverage Ratio (Solvency Ratio)

The debt-to-assets leverage ratio is a comparison of a city's total liabilities to its total assets or the percentage of total assets that are provided by creditors. It indicates the degree to which the City's assets are financed through borrowings and other long-term obligations (i.e. a ratio of 50 percent would indicate half of the assets are financed with outstanding debt).

Debt Service Coverage Ratio (Solvency Ratio)

The debt coverage ratio is a comparison of cash generated by operations to total debt service payments (principal and interest) of enterprise funds. This ratio indicates if there are sufficient cash flows from operations to meet debt service obligations. Except in cases where other nonoperating revenues (i.e. taxes, assessments, transfers from other funds, etc.) are used to fund debt service payments, an acceptable ratio would be above 1.

Bonded Debt per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total bonded debt by the population of the city and represents the amount of bonded debt obligation for each citizen of the city at the end of the year. The higher the amount, the more resources are needed in the future to retire these obligations through taxes, assessments or user fees.

Taxes per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total tax revenues by the population of the city and represents the amount of taxes for each citizen of the city for the year. The higher this amount is, the more reliant the city is on taxes to fund its operations.

Current Expenditures per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total current governmental expenditures by the population of the City and represents the amount of governmental expenditure for each citizen of the City during the year. Since this is generally based on ongoing expenditures, we would expect consistent annual per capita results.

Capital Expenditures per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total governmental capital outlay expenditures by the population of the City and represents the amount of capital expenditure for each citizen of the City during the year. Since projects are not always recurring, the per capita amount will fluctuate from year to year.

Capital Assets Percentage (Common-size Ratio)

This percentage represents the percent of governmental or business-type capital assets that are left to be depreciated. The lower this percentage, the older the city's capital assets are and may need major repairs or replacements in the near future. A higher percentage may indicate newer assets being constructed or purchased and may coincide with higher debt ratios or bonded debt per capita.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: ⁽¹⁾

GASB Statement No. 68 - *The Accounting and Financial Reporting of Pensions- an Amendment of GASB Statement No. 27*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measure Date - an Amendment of GASB Statement No. 68*

Summary

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

Future Accounting Standard Changes - Continued

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

GASB Statement No. 72 - *Fair Value Measurement and Application*

Summary

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair Value Measurement

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

To determine a fair value measurement, a government should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. For example, the unit of account for investments held in a brokerage account is each individual security, whereas the unit of account for an investment in a mutual fund is each share in the mutual fund held by a government.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

A fair value measurement takes into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, a government should be able to use the fair value of that asset to measure the fair value of the liability.

This Statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. It also requires identification of transactions that are not orderly. Quoted prices provided by third parties are permitted, as long as a government determines that those quoted prices are developed in accordance with the provisions of this Statement.

Fair Value Application

This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

Fair Value Disclosures

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

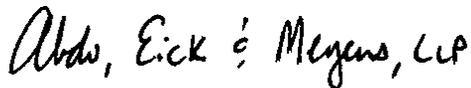
¹ *Note.* From GASB Pronouncements Summaries. Copyright 2014 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

* * * * *

This communication is intended solely for the information and use of management, the City Council, others within the City, and the Minnesota Office of the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

The comments and recommendations in this report are purely constructive in nature, and should be read in this context. Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service, and for the courtesy and cooperation extended to us by your staff.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 4, 2015

Annual Financial Report

City of Le Sueur

Le Sueur, Minnesota

For the Year Ended
December 31, 2014

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INTRODUCTORY SECTION

CITY OF LE SUEUR
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF LE SUEUR, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Broeder	Mayor	12/31/16
Jeff Kerkow	Council	12/31/16
Tom Tellijohn	Council	12/31/14
Benjamin Rohloff	Council	12/31/16
Joe Spinler	Council	12/31/14
John Schultz	Council	12/31/14
Darvin Wicks	Council	12/31/16

APPOINTED

Richard Almich	Administrator	Retired, 6/30/14
Jenelle Teppen	Administrator	Appointed, 6/2/14
Linda Endres	Finance Director	

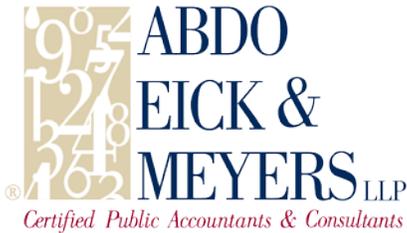
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FINANCIAL SECTION

**CITY OF LE SUEUR
LE SUEUR, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Le Sueur, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Le Sueur, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2013 financial statements and, in our report dated June 9, 2014, we expressed unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in December 31, 2014December 31, 2014financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund and Community Center special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Funding Progress on page 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2015, on our consideration of the City'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 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 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's internal control over financial reporting and compliance.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 4, 2015

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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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$35,447,587 (net position). Of this amount, \$6,871,165 (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 \$794,958 as compared to an increase of \$86,623 in the previous year. The majority of this increase can be attributed to increases in capital and operating grants and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,810,339, a decrease of \$807,552 in comparison with the prior year. The major reason for this decrease was due to debt retirement. Approximately 37.8 percent of this total amount, \$4,848,140, is available for spending at the City's discretion, but has been committed or assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$956,648, or 45.8 percent of total General fund expenditures. These funds are not legally restricted, committed by Council, or assigned for future purposes.
- The City's total debt decreased by \$1,830,939 or 5.7 percent during the current fiscal year. Long-term debt of \$4,120,000 was issued and \$5,950,939 was retired during the year.

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.

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

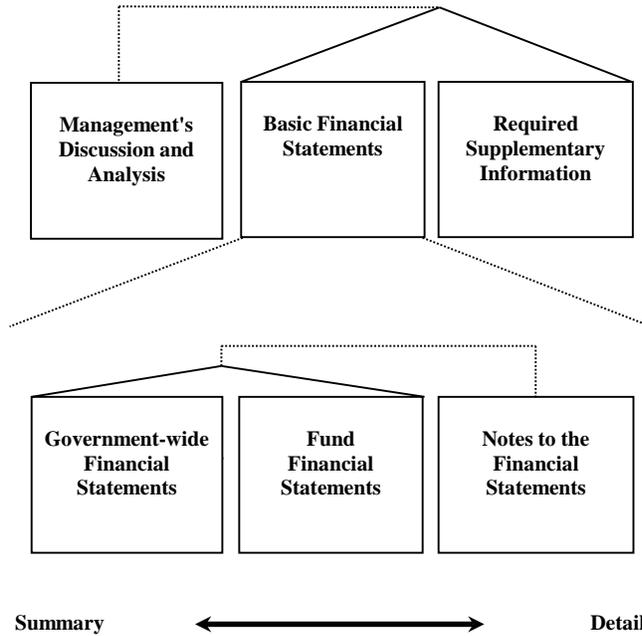


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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 and liabilities, 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 storm 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 29 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.

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 35 individual governmental funds, 20 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, the Debt service funds and the Community Center Roof Project 2011 fund, 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 34 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 and storm utility 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 44 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 52 of this report.

Notes to the 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 the financial statements can be found starting on page 53 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 86 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$35,447,587 at the close of the most recent fiscal year.

The largest portion of the City's net position (69.8 percent) 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	\$ 14,657,751	\$ 15,578,606	\$ (920,855)	\$ 3,094,579	\$ 3,123,141	\$ (28,562)
Capital assets	15,801,203	14,891,418	909,785	34,081,653	34,966,356	(884,703)
Total assets	30,458,954	30,470,024	(11,070)	37,176,232	38,089,497	(913,265)
Long-term liabilities outstanding	15,910,919	16,039,672	(128,753)	14,960,053	16,607,940	(1,647,887)
Other liabilities	482,871	381,948	100,923	833,756	877,332	(43,576)
Total liabilities	16,393,790	16,421,620	(27,830)	15,793,809	17,485,272	(1,691,463)
Net position						
Net investment in capital assets	5,486,637	5,656,573	(169,936)	19,267,480	18,501,762	765,718
Restricted	3,822,305	4,295,724	(473,419)	-	-	-
Unrestricted	4,756,222	4,096,107	660,115	2,114,943	2,102,463	12,480
Total net position	\$ 14,065,164	\$ 14,048,404	\$ 16,760	\$ 21,382,423	\$ 20,604,225	\$ 778,198

An additional portion of the City's net position (10.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (19.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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 \$16,760. Key elements of this increase are as follows:

- An increase in operating grant and contributions over prior year of \$49,125 and capital grants and contributions of \$360,917 due to the write-off of special assessments in the prior year.
- Charges for services in excess of expenditures in sanitation activities.
- Stable governmental activity expenditures.

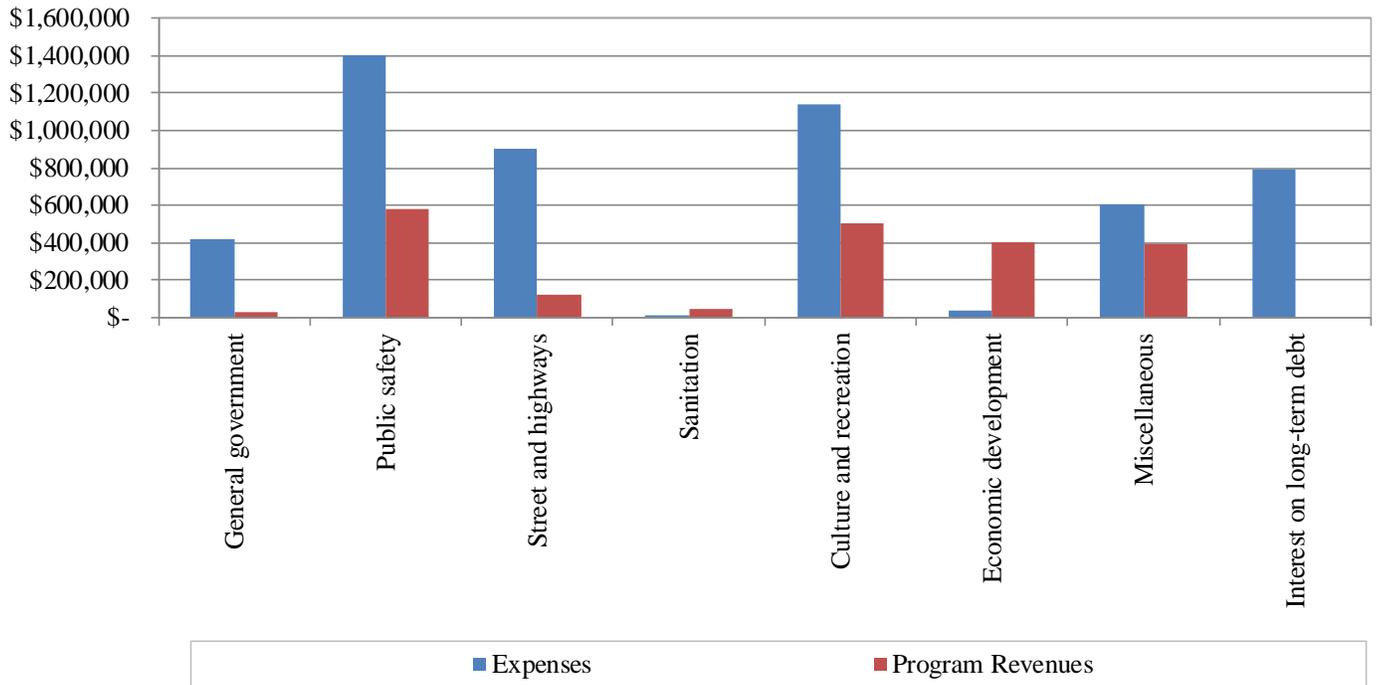
City of Le Sueur's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,530,594	\$ 1,503,238	\$ 27,356	\$ 11,770,873	\$ 11,321,650	\$ 449,223
Operating grants and contributions	347,807	298,682	49,125	407,821	81,531	326,290
Capital grants and contributions	193,860	(167,057)	360,917	38,649	90,559	(51,910)
General revenues						
Property taxes/tax increments	1,906,566	1,765,201	141,365	-	-	-
Franchise fees	37,098	37,556	(458)	-	-	-
Other taxes	2,028	2,044	(16)	-	-	-
Grants and contributions not restricted to specific programs	922,683	777,481	145,202	-	-	-
Unrestricted investment earnings	16,691	19,585	(2,894)	19,565	29,981	(10,416)
Other	9,228	135,057	(125,829)	-	-	-
Total revenues	4,966,555	4,371,787	594,768	12,236,908	11,523,721	713,187
Expenses						
General government	415,113	424,221	(9,108)	-	-	-
Public safety	1,407,081	1,571,277	(164,196)	-	-	-
Streets and highways	899,658	867,714	31,944	-	-	-
Sanitation	1,423	2,276	(853)	-	-	-
Culture and recreation	1,142,825	1,064,268	78,557	-	-	-
Economic development	37,000	45,974	(8,974)	-	-	-
Miscellaneous	602,051	607,408	(5,357)	-	-	-
Interest on long-term debt	794,644	768,228	26,416	-	-	-
Water utility	-	-	-	789,011	766,990	22,021
Sewer utility	-	-	-	1,659,677	1,600,754	58,923
Storm sewer utility	-	-	-	113	-	113
Electric utility	-	-	-	8,659,909	8,089,775	570,134
Total expenses	5,299,795	5,351,366	(51,571)	11,108,710	10,457,519	651,191
Change in net position before transfers	(333,240)	(979,579)	646,339	1,128,198	1,066,202	61,996
Transfers	350,000	350,000	-	(350,000)	(350,000)	-
Change in net position	16,760	(629,579)	646,339	778,198	716,202	61,996
Net position - January 1	14,048,404	14,677,983	(629,579)	20,604,225	19,888,023	716,202
Net position - December 31	\$ 14,065,164	\$ 14,048,404	\$ 16,760	\$ 21,382,423	\$ 20,604,225	\$ 778,198

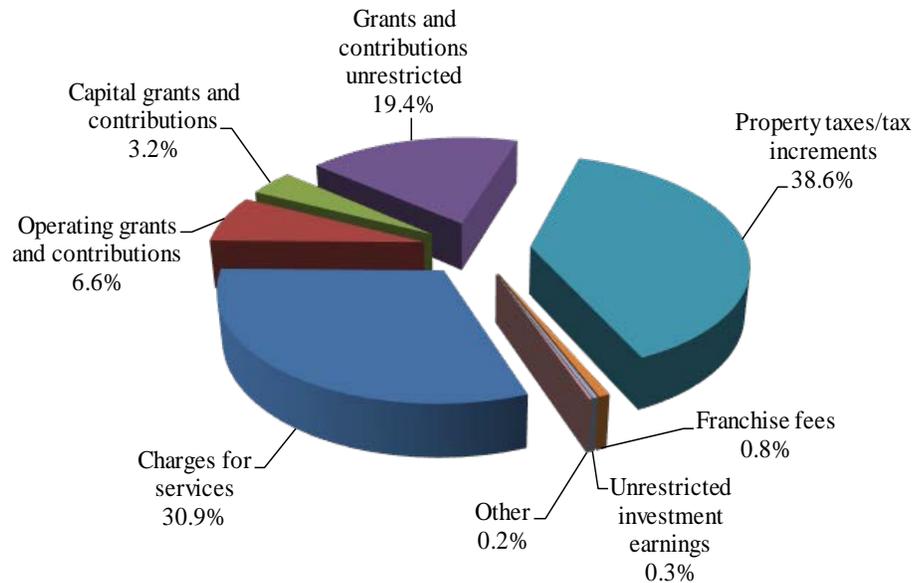
Property tax levies increased by \$94,790 (5.5 percent) during the year.

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

Expenses and Program Revenues - Governmental Activities



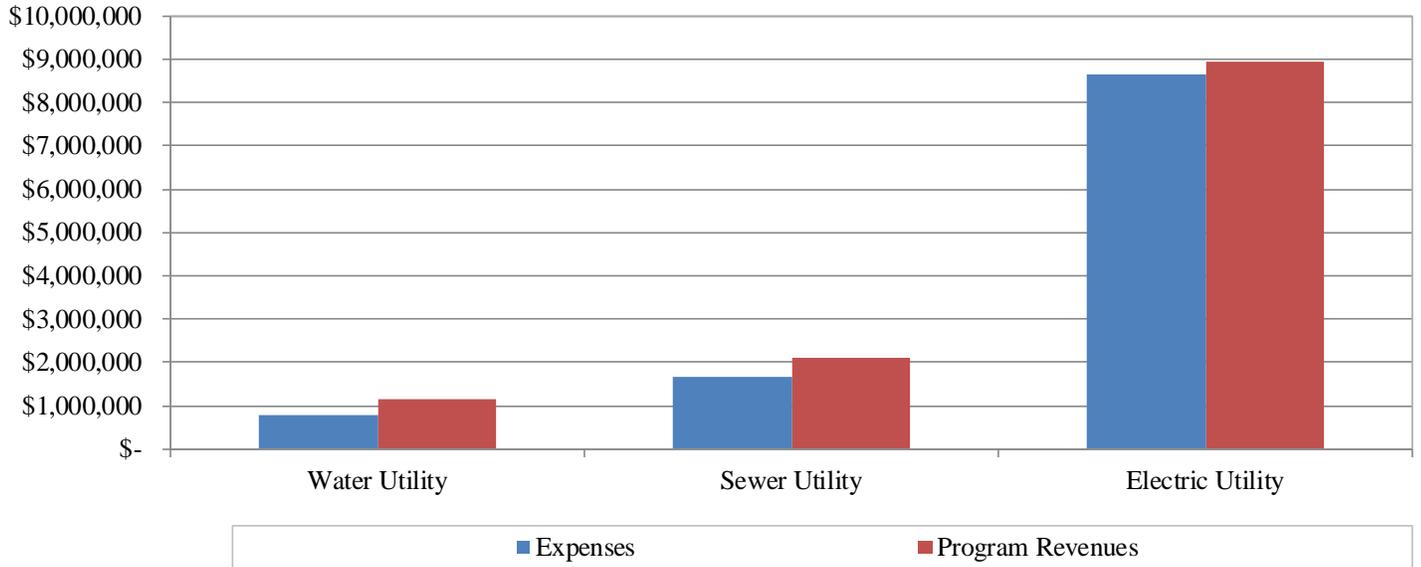
Revenues by Source - Governmental Activities



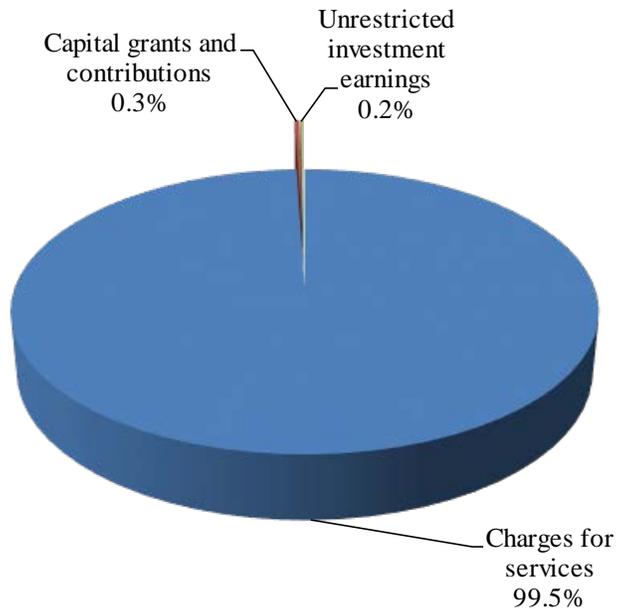
Business-type activities. Business-type activities increased the City’s net position by \$778,198. Key elements of this increase are as follows:

- Sewer utility charges for services increased compared to the prior year due to a 34% rate increase during 2014.
- Slight increases in expenses in the water, sewer and electric utilities.

• **Expenses and Program Revenues - Business-type Activities**



Revenues by Source - Business-type Activities



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 \$12,810,339, a decrease of \$807,552 in comparison with the prior year. A balance of \$538,175 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 (\$18,906), restricted (\$7,943,293), committed (\$1,256,308), or assigned (\$3,053,657) 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 \$963,072. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.8 percent of fund expenditures, while total fund balance represents 46.1 percent of that same amount.

The fund balance of the City's General fund increased by \$321,734 during the current fiscal year. This was mostly due higher than budgeted tax collections and charges for services revenue in addition to a transfer in of \$350,000.

The *Economic Development Revolving Loan fund* has a total fund balance of \$3,560,562 at year end. The net increase in fund balance during the current year was \$38,807. This increase was mainly the result of loan repayments.

The *Community Center fund* has a total deficit fund balance of \$133,638 at year end. The net decrease in fund balance during the current year was \$66,809. The main cause of this decrease was mainly due to charges for services revenue being under budget by over \$25,000 and administrative and personal service expenditures being in excess of budget by over \$50,000.

The *Debt Service fund* has a total fund balance of \$7,278,970, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$1,627,645. The major reason for this decrease was due to regular debt payments.

The *Community Center Roof Project 2011 fund* has a total fund balance of \$229,762 at year end. The net increase in fund balance during the current year was \$299,449. The increase was mainly due to bond proceeds in excess of project costs.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,114,943. The total growth in net position for the funds was \$778,198. 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 2014. The budget called for an increase in fund balance of \$146,529. Revenues were over budget by \$115,842 and expenditures were under budget by \$59,363, causing the \$321,734 increase in fund balance in the General fund for 2014.

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, 2014, amounts to \$49,882,856 (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 0.1 percent (a 6.1 percent increase for governmental activities and a 2.5 percent decrease for business-type activities).

City of Le Sueur's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 860,582	\$ 860,582	\$ -	\$ 513,973	\$ 513,973	\$ -
Buildings	4,152,977	4,401,625	(248,648)	2,177,562	2,904,474	(726,912)
Infrastructure/systems	6,734,601	6,900,424	(165,823)	29,159,037	28,619,394	539,643
Machinery and equipment	563,281	680,773	(117,492)	1,603,833	1,458,061	145,772
Vehicles	553,405	625,736	(72,331)	195,561	233,122	(37,561)
Construction in progress	2,936,357	1,422,278	1,514,079	431,687	1,237,332	(805,645)
Total	\$ 15,801,203	\$ 14,891,418	\$ 909,785	\$ 34,081,653	\$ 34,966,356	\$ (884,703)

Additional information on the City's capital assets can be found in Note 3C starting on page 66 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$30,427,914. Of this amount, \$3,610,000 is special assessment debt, \$23,907,914 is revenue debt, and \$2,910,000 is general obligation debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Le Sueur's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation bonds	\$ 2,910,000	\$ 3,245,000	\$ (335,000)	\$ -	\$ -	\$ -
General obligation improvement bonds	3,610,000	5,335,000	(1,725,000)	-	-	-
General obligation revenue bonds	180,000	225,000	(45,000)	14,801,000	16,452,000	(1,651,000)
Revenue bonds	8,926,914	7,001,853	1,925,061	-	-	-
Total	\$ 15,626,914	\$ 15,806,853	\$ (179,939)	\$ 14,801,000	\$ 16,452,000	\$ (1,651,000)

The City's total debt decreased by \$1,830,939, 5.7 percent, during the current fiscal year.

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

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt margin for the City is \$11,321,746.

Additional information on the City's long-term debt can be found in Note 3E starting on page 71 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Le Sueur County is currently 5.3 percent, which is a decrease from a rate of 6.8 percent a year ago. This is higher than the State's average unemployment rate of 3.7 percent and lower than the national average rate of 5.6 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

The property tax levy will increase from \$1,822,982 in 2014 to \$2,102,590 in 2015, or approximately 15.3 percent. The City's share of property taxes is low when compared to similar sized cities throughout the State.

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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LE SUEUR
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF LE SUEUR, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 3,787,784	\$ 1,046,709	\$ 4,834,493	\$ 91,405
Receivables				
Interest	128,812	-	128,812	-
Delinquent taxes	68,648	-	68,648	-
Accounts	145,481	1,844,363	1,989,844	-
Notes and mortgages	7,047,260	303,114	7,350,374	2,308,989
Special assessments	1,409,951	40,500	1,450,451	-
Intergovernmental	261,735	335	262,070	-
Internal balances	933,176	(933,176)	-	-
Due from component unit/primary government	823,541	-	823,541	-
Inventories	14,704	392,523	407,227	-
Prepaid items	4,202	11,131	15,333	-
Investment in joint ventures	32,457	389,080	421,537	-
Land held for resale	-	-	-	188,000
Capital assets				
Nondepreciable	3,796,939	945,660	4,742,599	1,571,576
Depreciable, net	12,004,264	33,135,993	45,140,257	-
TOTAL ASSETS	30,458,954	37,176,232	67,635,186	4,159,970
LIABILITIES				
Accounts payable	240,151	604,759	844,910	2,090
Due to component unit/primary government	-	-	-	823,541
Due to other governments	27,806	91,777	119,583	-
Accrued interest payable	147,246	49,492	196,738	182,101
Accrued salaries payable	67,668	45,878	113,546	-
Customer deposits payable	-	41,850	41,850	-
Noncurrent liabilities				
Due within one year	1,538,024	1,613,336	3,151,360	234,283
Due in more than one year	14,372,895	13,346,717	27,719,612	3,107,284
TOTAL LIABILITIES	16,393,790	15,793,809	32,187,599	4,349,299
NET POSITION				
Net investment in capital assets	5,486,637	19,267,480	24,754,117	532,532
Restricted for				
Debt service	3,387,744	-	3,387,744	108,340
Economic development loans	434,561	-	434,561	-
Tax increment financing	-	-	-	739
Unrestricted	4,756,222	2,114,943	6,871,165	(830,940)
TOTAL NET POSITION	\$ 14,065,164	\$ 21,382,423	\$ 35,447,587	\$ (189,329)

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 415,113	\$ 30,797	\$ -	\$ -
Public safety	1,407,081	498,719	76,382	5,215
Streets and highways	899,658	6,513	28,444	90,210
Sanitation	1,423	44,244	-	-
Culture and recreation	1,142,825	470,336	29,298	200
Housing and economic development	37,000	398,810	-	-
Miscellaneous	602,051	81,175	213,683	98,235
Interest on noncurrent debt	794,644	-	-	-
Total governmental activities	<u>5,299,795</u>	<u>1,530,594</u>	<u>347,807</u>	<u>193,860</u>
Business-type activities				
Water utility	789,011	1,146,789	-	17,517
Sewer utility	1,659,677	1,694,917	407,821	21,132
Storm sewer	113	-	-	-
Electric utility	8,659,909	8,929,167	-	-
Total business-type activities	<u>11,108,710</u>	<u>11,770,873</u>	<u>407,821</u>	<u>38,649</u>
Total primary government	<u>\$ 16,408,505</u>	<u>\$ 13,301,467</u>	<u>\$ 755,628</u>	<u>\$ 232,509</u>
Component unit				
Economic development authority	<u>\$ 342,047</u>	<u>\$ 174,837</u>	<u>\$ 37,000</u>	<u>\$ -</u>

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise fees
- Payment in lieu of taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (384,316)		\$ (384,316)	
(826,765)		(826,765)	
(774,491)		(774,491)	
42,821		42,821	
(642,991)		(642,991)	
361,810		361,810	
(208,958)		(208,958)	
(794,644)		(794,644)	
(3,227,534)		(3,227,534)	
	\$ 375,295	375,295	
	464,193	464,193	
	(113)	(113)	
	269,258	269,258	
	1,108,633	1,108,633	
(3,227,534)	1,108,633	(2,118,901)	
			\$ (130,210)
1,159,704	-	1,159,704	-
746,862	-	746,862	-
-	-	-	83,698
37,098	-	37,098	-
2,028	-	2,028	-
922,683	-	922,683	-
16,691	19,565	36,256	164
9,228	-	9,228	-
-	-	-	26,956
350,000	(350,000)	-	-
3,244,294	(330,435)	2,913,859	110,818
16,760	778,198	794,958	(19,392)
14,048,404	20,604,225	34,652,629	(169,937)
\$ 14,065,164	\$ 21,382,423	\$ 35,447,587	\$ (189,329)

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF LE SUEUR
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF LE SUEUR, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	101	228 Economic Development Revolving Loan	615 Community Center
	<u>General</u>	<u>Loan</u>	<u>Center</u>
ASSETS			
Cash and temporary investments	\$ 893,200	\$ 1,217,140	\$ (72,226)
Receivables			
Interest	-	128,812	-
Delinquent taxes	68,648	-	-
Accounts	54,093	-	43,983
Notes and mortgages	-	1,544,302	-
Special assessments	-	-	-
Intergovernmental	96,532	-	-
Advances to other funds	-	-	-
Advances to component unit	-	670,308	-
Inventories	2,222	-	1,863
Prepaid items	4,202	-	-
	<u>4,202</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,118,897</u>	<u>\$ 3,560,562</u>	<u>\$ (26,380)</u>
LIABILITIES			
Accounts payable	\$ 33,743	\$ -	\$ 9,935
Due to other governments	4,484	-	21,957
Advances from other funds	-	-	62,000
Accrued interest payable	-	-	-
Accrued wages payable	48,950	-	13,366
	<u>48,950</u>	<u>-</u>	<u>13,366</u>
TOTAL LIABILITIES	<u>87,177</u>	<u>-</u>	<u>107,258</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	68,648	-	-
Unavailable revenue - special assessments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>68,648</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable for			
Inventories	2,222	-	1,863
Prepaid items	4,202	-	-
Restricted for			
Economic development loans	-	434,561	-
Debt service	-	-	-
Capital projects	-	-	-
Committed for			
Economic development loans	-	1,249,825	-
Fire department operations and maintenance	-	-	-
Assigned for			
Economic development loans	-	1,876,176	-
Ambulance operations and maintenance	-	-	-
Transit operations and maintenance	-	-	-
Capital projects	-	-	-
Unassigned	956,648	-	(135,501)
	<u>956,648</u>	<u>-</u>	<u>(135,501)</u>
TOTAL FUND BALANCES	<u>963,072</u>	<u>3,560,562</u>	<u>(133,638)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,118,897</u>	<u>\$ 3,560,562</u>	<u>\$ (26,380)</u>

The notes to the financial statements are an integral part of this statement.

300s / 500s	435		
Debt	Community	Other	Total
Service	Center	Governmental	Governmental
	Roof Project	Funds	Funds
	2011		
\$ 868,315	\$ 376,831	\$ 504,524	\$ 3,787,784
-	-	-	128,812
-	-	-	68,648
-	-	47,405	145,481
5,475,472	-	27,486	7,047,260
1,407,454	-	2,497	1,409,951
1,420	-	163,783	261,735
950,764	-	44,412	995,176
-	-	153,233	823,541
-	-	10,619	14,704
-	-	-	4,202
<u>\$ 8,703,425</u>	<u>\$ 376,831</u>	<u>\$ 953,959</u>	<u>\$ 14,687,294</u>
\$ 16,270	\$ 147,069	\$ 33,134	\$ 240,151
-	-	1,365	27,806
-	-	-	62,000
731	-	-	731
-	-	5,352	67,668
<u>17,001</u>	<u>147,069</u>	<u>39,851</u>	<u>398,356</u>
-	-	-	68,648
1,407,454	-	2,497	1,409,951
<u>1,407,454</u>	<u>-</u>	<u>2,497</u>	<u>1,478,599</u>
-	-	10,619	14,704
-	-	-	4,202
-	-	-	434,561
7,278,970	-	-	7,278,970
-	229,762	-	229,762
-	-	-	1,249,825
-	-	6,483	6,483
-	-	-	1,876,176
-	-	128,863	128,863
-	-	50,899	50,899
-	-	997,719	997,719
-	-	(282,972)	538,175
<u>7,278,970</u>	<u>229,762</u>	<u>911,611</u>	<u>12,810,339</u>
<u>\$ 8,703,425</u>	<u>\$ 376,831</u>	<u>\$ 953,959</u>	<u>\$ 14,687,294</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF LE SUEUR, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Amounts reported for governmental activities in the statement
of net position are different because

Total fund balances - governmental funds	\$ 12,810,339
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	15,801,203
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(110,744)
Other postemployment benefits payable	(103,682)
Bonds payable	(15,626,914)
Bond premiums, net of accumulated amortization	(69,579)
Investments in joint ventures are not financial resources and therefore are not reported in the funds	32,457
Noncurrent assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	68,648
Special assessments receivable	1,409,951
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(146,515)</u>
Total net position - governmental activities	<u><u>\$ 14,065,164</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	101	228	615
	General	Economic Development Revolving Loan	Community Center
REVENUES			
Taxes	\$ 787,796	\$ -	\$ 317,320
Special assessments	-	-	-
Licenses and permits	105,338	-	-
Intergovernmental	1,004,439	-	-
Charges for services	55,001	-	436,505
Fines and forfeits	24,045	-	-
Investment earnings	4,315	4,142	-
Miscellaneous	106,232	71,665	35,494
TOTAL REVENUES	2,087,166	75,807	789,319
EXPENDITURES			
Current			
General government	401,927	-	-
Public safety	916,826	-	-
Streets and highways	551,796	-	-
Sanitation	1,423	-	-
Culture and recreation	160,075	-	735,790
Housing and economic development	-	37,000	-
Miscellaneous	56,460	-	-
Capital outlay			
Public safety	215	-	-
Streets and highways	-	-	-
Culture and recreation	-	-	1,063
Miscellaneous	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Issuance costs	-	-	-
TOTAL EXPENDITURES	2,088,722	37,000	736,853
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,556)	38,807	52,466
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	-
Premiums on bonds issued	-	-	-
Payment to refunding bond escrow agent	-	-	-
Transfers in	350,000	-	-
Transfers out	(26,710)	-	(119,275)
TOTAL OTHER FINANCING SOURCES (USES)	323,290	-	(119,275)
NET CHANGE IN FUND BALANCES	321,734	38,807	(66,809)
FUND BALANCES, JANUARY 1	590,457	1,917,592	(66,829)
PRIOR PERIOD RESTATEMENT, NOTE 8	50,881	1,604,163	-
FUND BALANCES, JANUARY 1 (RESTATED)	641,338	3,521,755	(66,829)
FUND BALANCES, DECEMBER 31	\$ 963,072	\$ 3,560,562	\$ (133,638)

The notes to the financial statements are an integral part of this statement.

300s / 500s	435 Community Center Roof Project 2011	Other Governmental Funds	Total Governmental Funds
\$ 472,051	\$ -	\$ 380,777	\$ 1,957,944
226,323	-	-	226,323
-	-	-	105,338
-	-	275,156	1,279,595
303,943	-	404,187	1,199,636
-	-	-	24,045
29,710	-	2,892	41,059
-	-	102,971	316,362
<u>1,032,027</u>	<u>-</u>	<u>1,165,983</u>	<u>5,150,302</u>
-	-	-	401,927
-	-	290,920	1,207,746
-	-	-	551,796
-	-	-	1,423
-	-	-	895,865
-	-	-	37,000
-	-	248,229	304,689
-	-	44,068	44,283
-	-	4,700	4,700
-	1,775,946	-	1,777,009
-	-	151,275	151,275
2,529,939	-	-	2,529,939
705,859	-	-	705,859
2,545	76,005	-	78,550
<u>3,238,343</u>	<u>1,851,951</u>	<u>739,192</u>	<u>8,692,061</u>
<u>(2,206,316)</u>	<u>(1,851,951)</u>	<u>426,791</u>	<u>(3,541,759)</u>
1,833,600	2,151,400	-	3,985,000
34,207	-	-	34,207
(1,635,000)	-	-	(1,635,000)
345,864	-	5,000	700,864
-	-	(204,879)	(350,864)
<u>578,671</u>	<u>2,151,400</u>	<u>(199,879)</u>	<u>2,734,207</u>
<u>(1,627,645)</u>	<u>299,449</u>	<u>226,912</u>	<u>(807,552)</u>
3,243,560	(69,687)	654,891	6,269,984
<u>5,663,055</u>	<u>-</u>	<u>29,808</u>	<u>7,347,907</u>
<u>8,906,615</u>	<u>(69,687)</u>	<u>684,699</u>	<u>13,617,891</u>
<u>\$ 7,278,970</u>	<u>\$ 229,762</u>	<u>\$ 911,611</u>	<u>\$ 12,810,339</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF LE SUEUR, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statement
of activities are different because

Net change in fund balance - governmental funds \$ (807,552)

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	2,000,747
Depreciation expense	(1,090,962)

The City has an equity interest in joint ventures. The net allocated gain or (loss) and contributions from this investment is not a current financial resource and therefore is not reported in the governmental funds.

(16,203)

The issuance of noncurrent debt provides current financial resources to governmental funds, while the repayment of principal of noncurrent debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	4,164,939
Debt issued or incurred	(3,985,000)
Bond premiums, net of amortization expense	(30,166)

Interest on noncurrent debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the 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.

(14,276)

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	(14,280)
Special assessments	(169,467)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(1,680)
Other postemployment benefits expense	(19,340)

Change in net position - governmental activities	\$ 16,760
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The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND AND COMMUNITY CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 758,645	\$ 758,645	\$ 787,796	\$ 29,151
Licenses and permits	120,800	120,800	105,338	(15,462)
Intergovernmental	987,529	987,529	1,004,439	16,910
Charges for services	18,000	18,000	55,001	37,001
Fines and forfeits	18,100	18,100	24,045	5,945
Interest earnings	3,000	3,000	4,315	1,315
Miscellaneous	65,250	65,250	106,232	40,982
TOTAL REVENUES	<u>1,971,324</u>	<u>1,971,324</u>	<u>2,087,166</u>	<u>115,842</u>
EXPENDITURES				
Current				
General government	401,000	401,000	401,927	(927)
Public safety	913,750	913,750	916,826	(3,076)
Streets and highways	567,120	567,120	551,796	15,324
Sanitation	1,000	1,000	1,423	(423)
Culture and recreation	171,525	171,525	160,075	11,450
Miscellaneous	93,690	93,690	56,460	37,230
Capital outlay				
Public safety	-	-	215	(215)
Culture and recreation	-	-	-	-
TOTAL EXPENDITURES	<u>2,148,085</u>	<u>2,148,085</u>	<u>2,088,722</u>	<u>59,363</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(176,761)</u>	<u>(176,761)</u>	<u>(1,556)</u>	<u>175,205</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	350,000	350,000	-
Transfers out	(26,710)	(26,710)	(26,710)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>323,290</u>	<u>323,290</u>	<u>323,290</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>146,529</u>	<u>146,529</u>	<u>321,734</u>	<u>175,205</u>
FUND BALANCES, JANUARY 1 AS RESTATED	590,457	590,457	590,457	-
PRIOR PERIOD RESTATEMENT, NOTE 8	<u>50,881</u>	<u>50,881</u>	<u>50,881</u>	<u>-</u>
FUND BALANCES, JANUARY 1 (RESTATED)	<u>641,338</u>	<u>641,338</u>	<u>641,338</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 787,867</u></u>	<u><u>\$ 787,867</u></u>	<u><u>\$ 963,072</u></u>	<u><u>\$ 175,205</u></u>

The notes to the financial statements are an integral part of this statement.

Community Center

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ 317,320	\$ 317,320	\$ 317,320	\$ -
-	-	-	-
-	-	-	-
461,700	461,700	436,505	(25,195)
-	-	-	-
-	-	-	-
28,000	28,000	35,494	7,494
<u>807,020</u>	<u>807,020</u>	<u>789,319</u>	<u>(17,701)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
684,745	684,745	735,790	(51,045)
-	-	-	-
-	-	-	-
3,000	3,000	1,063	1,937
<u>687,745</u>	<u>687,745</u>	<u>736,853</u>	<u>(49,108)</u>
<u>119,275</u>	<u>119,275</u>	<u>52,466</u>	<u>(66,809)</u>
-	-	-	-
<u>(119,275)</u>	<u>(119,275)</u>	<u>(119,275)</u>	<u>-</u>
<u>(119,275)</u>	<u>(119,275)</u>	<u>(119,275)</u>	<u>-</u>
-	-	<u>(66,809)</u>	<u>(66,809)</u>
(66,829)	(66,829)	(66,829)	-
-	-	-	-
<u>(66,829)</u>	<u>(66,829)</u>	<u>(66,829)</u>	<u>-</u>
<u>\$ (66,829)</u>	<u>\$ (66,829)</u>	<u>\$ (133,638)</u>	<u>\$ (66,809)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 846,762	\$ 718,110	\$ (650,887)	\$ (168,110)
Receivables				
Accounts	170,274	171,813	260,558	169,828
Notes and mortgages receivable - current	-	-	-	-
Intergovernmental	-	-	335	-
Special assessments	1,891	1,785	2,487	2,399
Advances to other funds - current	14,366	14,366	-	-
Due from other funds	-	35,119	-	30,477
Prepaid items	2,732	2,597	2,732	2,597
Inventories	87,737	96,653	2,635	2,765
TOTAL CURRENT ASSETS	1,123,762	1,040,443	(382,140)	39,956
NONCURRENT ASSETS				
Notes and mortgages receivable - noncurrent	-	-	-	-
Special assessments receivable - noncurrent	15,330	17,221	20,792	25,349
Advances to other funds	335,980	350,345	-	-
Investment in joint venture (deficit)	-	-	389,080	(18,741)
Capital assets				
Land	27,831	27,831	329,899	329,899
Buildings	3,189,246	2,915,803	389,285	3,368,487
System and other improvements	4,419,492	4,510,164	27,850,844	24,185,787
Machinery and equipment	1,386,806	1,497,774	502,068	502,068
Vehicles	74,467	67,291	191,620	191,619
Construction in progress	291,988	303,863	130,460	789,749
Less accumulated depreciation	(4,771,714)	(4,535,019)	(7,460,158)	(6,859,859)
Total capital assets (net of accumulated depreciation)	4,618,116	4,787,707	21,934,018	22,507,750
TOTAL NONCURRENT ASSETS	4,969,426	5,155,273	22,343,890	22,514,358
TOTAL ASSETS	6,093,188	6,195,716	21,961,750	22,554,314
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	10,369	5,675	2,713	3,108
Advances from other funds - current	67,668	69,668	106,409	103,409
Due to other funds	-	5,095	-	35
Due to other governments	7,727	769	55,037	37,671
Accrued interest payable	1,265	2,275	46,005	57,089
Accrued wages payable	10,738	9,879	3,149	4,929
Compensated absences payable - current	9,253	11,965	7,640	10,993
Deposits payable	-	-	-	-
Bonds payable - current	430,000	410,000	1,039,000	1,021,000
TOTAL CURRENT LIABILITIES	537,020	515,326	1,259,953	1,238,234
NONCURRENT LIABILITIES				
Advances from other funds	352,753	426,358	818,692	932,578
Compensated absences payable	5,852	10,709	3,734	7,661
Other postemployment benefits payable	8,191	6,445	27,765	22,710
Bonds payable - noncurrent portion	292,153	715,000	12,358,020	13,398,594
TOTAL NONCURRENT LIABILITIES	658,949	1,158,512	13,208,211	14,361,543
TOTAL LIABILITIES	1,195,969	1,673,838	14,468,164	15,599,777
NET POSITION				
Net investment in capital assets	3,895,963	3,662,707	8,536,998	8,088,156
Unrestricted	1,001,256	859,171	(1,043,412)	(1,133,619)
TOTAL NET POSITION	\$ 4,897,219	\$ 4,521,878	\$ 7,493,586	\$ 6,954,537

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		604		605		Totals	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 32,970	\$ 32,970	\$ 830,036	\$ 854,010	\$ (12,172)	\$ (12,059)	\$ 1,046,709	\$ 1,424,921
-	-	1,413,531	1,455,506	-	-	1,844,363	1,797,147
-	-	20,543	43,989	-	-	20,543	43,989
-	-	-	-	-	-	335	-
-	-	-	-	-	-	4,378	4,184
-	-	-	-	-	-	14,366	14,366
-	-	-	-	-	-	-	65,596
-	-	5,667	5,387	-	-	11,131	10,581
-	-	302,151	280,076	-	-	392,523	379,494
<u>32,970</u>	<u>32,970</u>	<u>2,571,928</u>	<u>2,638,968</u>	<u>(12,172)</u>	<u>(12,059)</u>	<u>3,334,348</u>	<u>3,740,278</u>
-	-	282,571	301,816	-	-	282,571	301,816
-	-	-	-	-	-	36,122	42,570
-	-	62,000	106,167	-	-	397,980	456,512
-	-	-	-	-	-	389,080	(18,741)
-	-	156,243	156,243	-	-	513,973	513,973
2,192,197	2,192,197	464,529	1,040,220	-	-	6,235,257	9,516,707
-	-	10,691,852	10,968,695	-	-	42,962,188	39,664,646
-	-	3,678,389	2,277,009	-	-	5,567,263	4,276,851
-	-	878,967	878,967	-	-	1,145,054	1,137,877
-	-	9,239	143,720	-	-	431,687	1,237,332
(1,609,392)	(1,534,536)	(8,932,505)	(8,451,616)	-	-	(22,773,769)	(21,381,030)
<u>582,805</u>	<u>657,661</u>	<u>6,946,714</u>	<u>7,013,238</u>	<u>-</u>	<u>-</u>	<u>34,081,653</u>	<u>34,966,356</u>
<u>582,805</u>	<u>657,661</u>	<u>7,291,285</u>	<u>7,421,221</u>	<u>-</u>	<u>-</u>	<u>35,187,406</u>	<u>35,748,513</u>
<u>615,775</u>	<u>690,631</u>	<u>9,863,213</u>	<u>10,060,189</u>	<u>(12,172)</u>	<u>(12,059)</u>	<u>38,521,754</u>	<u>39,488,791</u>
-	-	591,677	504,679	-	-	604,759	513,462
-	-	-	-	-	-	174,077	173,077
-	-	-	35,228	-	-	-	40,358
-	-	29,013	27,051	-	-	91,777	65,491
-	-	2,222	2,977	-	-	49,492	62,341
-	-	31,991	22,303	-	-	45,878	37,111
-	-	37,443	41,610	-	-	54,336	64,568
-	-	41,850	25,850	-	-	41,850	25,850
-	-	90,000	225,000	-	-	1,559,000	1,656,000
-	-	824,196	884,698	-	-	2,621,169	2,638,258
-	-	-	-	-	-	1,171,445	1,358,936
-	-	16,274	8,194	-	-	25,860	26,564
-	-	29,728	23,059	-	-	65,684	52,214
-	-	605,000	695,000	-	-	13,255,173	14,808,594
-	-	651,002	726,253	-	-	14,518,162	16,246,308
-	-	1,475,198	1,610,951	-	-	17,139,331	18,884,566
<u>582,805</u>	<u>657,661</u>	<u>6,251,714</u>	<u>6,093,238</u>	<u>-</u>	<u>-</u>	<u>19,267,480</u>	<u>18,501,762</u>
<u>32,970</u>	<u>32,970</u>	<u>2,136,301</u>	<u>2,356,000</u>	<u>(12,172)</u>	<u>(12,059)</u>	<u>2,114,943</u>	<u>2,102,463</u>
<u>\$ 615,775</u>	<u>\$ 690,631</u>	<u>\$ 8,388,015</u>	<u>\$ 8,449,238</u>	<u>\$ (12,172)</u>	<u>\$ (12,059)</u>	<u>\$ 21,382,423</u>	<u>\$ 20,604,225</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ 1,129,974	\$ 985,959	\$ 1,544,589	\$ 1,118,311
OPERATING EXPENSES				
Source of power	5,744	2,220	-	-
Power and pumping	110,255	99,112	-	-
Purification	68,144	73,884	-	-
Distribution	119,166	102,419	-	-
Administrative and general	198,809	197,985	206,903	168,369
Sanitary sewer cleaning	-	-	17,859	63,544
Sewer lift stations	-	-	15,106	27,785
Sewer treatment plants	-	-	564,706	434,611
Metering	14,702	16,553	11,178	11,385
Purchased power	-	-	-	-
Transmission and distribution	-	-	-	-
Customer collection and meter	-	-	-	-
Depreciation	236,695	237,607	600,299	570,502
TOTAL OPERATING EXPENSES	753,515	729,780	1,416,191	1,276,196
OPERATING INCOME (LOSS)	376,459	256,179	128,398	(157,885)
NONOPERATING REVENUES (EXPENSES)				
Income from investment in joint venture	-	-	407,821	81,531
Investment earnings	46	296	-	1,037
Rental income	6,000	6,500	-	-
Other income	10,815	55,212	150,328	33,919
Interest and related expenses	(28,343)	(37,210)	(170,204)	(193,133)
Amortization of bond premium (discount)	-	-	1,574	-
Issuance costs	(7,153)	-	-	(32,694)
TOTAL NONOPERATING REVENUES (EXPENSES)	(18,635)	24,798	389,519	(109,340)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	357,824	280,977	517,917	(267,225)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Special assessments	2,832	2,832	6,064	6,711
Connection fees	14,685	37,316	15,068	43,700
Transfers out	-	-	-	-
CHANGE IN NET POSITION	375,341	321,125	539,049	(216,814)
NET POSITION, JANUARY 1	4,521,878	4,200,753	6,954,537	7,171,351
NET POSITION, DECEMBER 31	<u>\$ 4,897,219</u>	<u>\$ 4,521,878</u>	<u>\$ 7,493,586</u>	<u>\$ 6,954,537</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		604		605		Totals	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2014	2013	2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ 8,917,610	\$ 8,753,374	\$ -	\$ -	\$ 11,592,173	\$ 10,857,644
-	-	-	-	-	-	5,744	2,220
-	-	-	-	-	-	110,255	99,112
-	-	-	-	-	-	68,144	73,884
-	-	-	-	-	-	119,166	102,419
-	-	948,236	922,127	113	-	1,354,061	1,288,481
-	-	-	-	-	-	17,859	63,544
-	-	-	-	-	-	15,106	27,785
-	25,658	-	-	-	-	564,706	460,269
-	-	-	-	-	-	25,880	27,938
-	-	6,667,562	6,207,463	-	-	6,667,562	6,207,463
-	-	485,001	444,819	-	-	485,001	444,819
-	-	42,425	38,502	-	-	42,425	38,502
74,856	73,073	480,889	432,085	-	-	1,392,739	1,313,267
74,856	98,731	8,624,113	8,044,996	113	-	10,868,788	10,149,703
(74,856)	(98,731)	293,497	708,378	(113)	-	723,385	707,941
-	-	-	-	-	-	407,821	81,531
-	-	19,519	28,648	-	-	19,565	29,981
-	-	-	-	-	-	6,000	6,500
-	-	11,557	368,375	-	-	172,700	457,506
-	-	(35,796)	(44,779)	-	-	(234,343)	(275,122)
-	-	-	-	-	-	1,574	-
-	-	-	-	-	-	(7,153)	(32,694)
-	-	(4,720)	352,244	-	-	366,164	267,702
(74,856)	(98,731)	288,777	1,060,622	(113)	-	1,089,549	975,643
-	-	-	-	-	-	8,896	9,543
-	-	-	-	-	-	29,753	81,016
-	-	(350,000)	(350,000)	-	-	(350,000)	(350,000)
(74,856)	(98,731)	(61,223)	710,622	(113)	-	778,198	716,202
690,631	789,362	8,449,238	7,738,616	(12,059)	(12,059)	20,604,225	19,888,023
<u>\$ 615,775</u>	<u>\$ 690,631</u>	<u>\$ 8,388,015</u>	<u>\$ 8,449,238</u>	<u>\$ (12,172)</u>	<u>\$ (12,059)</u>	<u>\$ 21,382,423</u>	<u>\$ 20,604,225</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,131,513	\$ 963,072	\$ 1,453,524	\$ 1,164,079
Payments to suppliers and vendors	(211,943)	(223,293)	(639,420)	(536,460)
Payments to and on behalf of employees	(289,408)	(278,250)	(163,511)	(162,256)
Other receipts	16,815	61,712	150,328	33,919
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	646,977	523,241	800,921	499,282
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Change in due from other funds	49,484	(319,132)	30,477	(1,441)
Change in due to other funds	(5,095)	3,237	(35)	35
Transfers out	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	44,389	(315,895)	30,442	(1,406)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(67,104)	(236,353)	(26,567)	(227,988)
Proceeds from issuance of bonds, net of discounts and premiums	130,000	-	-	932,306
Principal paid on revenue bonds payable	(540,000)	(405,000)	(1,021,000)	(1,653,000)
Interest and fees paid on revenue bonds payable and interfund advances	(29,353)	(39,760)	(181,288)	(189,000)
Payments received on assessments receivable	4,617	4,519	10,533	11,322
Payments received on notes receivable	-	-	-	-
Payments made on issuance of notes receivable	-	-	-	-
Connection fees received	14,685	37,316	15,068	43,700
Payments received (paid) on advances from (to) other funds	(75,605)	262,657	(110,886)	(118,531)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(562,760)	(376,621)	(1,314,140)	(1,201,191)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	46	296	-	1,037
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,652	(168,979)	(482,777)	(702,278)
CASH AND CASH EQUIVALENTS, JANUARY 1	718,110	887,089	(168,110)	534,168
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 846,762	\$ 718,110	\$ (650,887)	\$ (168,110)

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		604		605		Totals	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2014	2013	2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ 8,975,585	\$ 8,395,614	\$ -	\$ -	\$ 11,560,622	\$ 10,522,765
-	(25,658)	(7,408,501)	(6,957,065)	(113)	-	(8,259,977)	(7,742,476)
-	-	(647,848)	(618,227)	-	-	(1,100,767)	(1,058,733)
-	-	11,557	368,375	-	-	178,700	464,006
-	(25,658)	930,793	1,188,697	(113)	-	2,378,578	2,185,562
-	-	-	-	-	-	79,961	(320,573)
-	-	(35,228)	9,647	-	-	(40,358)	12,919
-	-	(350,000)	(350,000)	-	-	(350,000)	(350,000)
-	-	(385,228)	(340,353)	-	-	(310,397)	(657,654)
-	-	(414,365)	(363,280)	-	-	(508,036)	(827,621)
-	-	-	-	-	-	130,000	932,306
-	-	(225,000)	(210,000)	-	-	(1,786,000)	(2,268,000)
-	-	(36,551)	(45,433)	-	-	(247,192)	(274,193)
-	-	-	-	-	-	15,150	15,841
-	-	42,691	43,473	-	-	42,691	43,473
-	-	-	(1,873)	-	-	-	(1,873)
-	-	-	-	-	-	29,753	81,016
-	-	44,167	36,242	-	-	(142,324)	180,368
-	-	(589,058)	(540,871)	-	-	(2,465,958)	(2,118,683)
-	-	19,519	28,648	-	-	19,565	29,981
-	(25,658)	(23,974)	336,121	(113)	-	(378,212)	(560,794)
32,970	58,628	854,010	517,889	(12,059)	(12,059)	1,424,921	1,985,715
<u>\$ 32,970</u>	<u>\$ 32,970</u>	<u>\$ 830,036</u>	<u>\$ 854,010</u>	<u>\$ (12,172)</u>	<u>\$ (12,059)</u>	<u>\$ 1,046,709</u>	<u>\$ 1,424,921</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 376,459	\$ 256,179	\$ 128,398	\$ (157,885)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	16,815	61,712	150,328	33,919
Depreciation	236,695	237,607	600,299	570,502
(Increase) decrease in assets				
Accounts receivable	1,539	(22,887)	(90,730)	9,866
Due from other governments	-	-	(335)	35,902
Prepaid items	(135)	(54)	(135)	(54)
Inventories	8,916	19,198	130	385
Increase (decrease) in liabilities				
Accounts payable	4,694	(36,944)	(395)	(39,512)
Due to other governments	6,958	769	17,366	37,671
Accrued wages payable	859	1,118	(1,780)	(71)
Compensated absences payable	(7,569)	4,265	(7,280)	3,296
Other postemployment benefits payable	1,746	2,278	5,055	5,263
Customer deposits payable	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 646,977</u>	<u>\$ 523,241</u>	<u>\$ 800,921</u>	<u>\$ 499,282</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES				
Retainage payable removed from construction in progress	\$ -	\$ -	\$ -	\$ 64,465
Income from investment in joint venture	-	-	407,821	81,531
Amortization of bond (premium) discount	-	-	(1,574)	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		604		605		Totals	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2014	2013	2014	2013	2014	2013	2014	2013
\$ (74,856)	\$ (98,731)	\$ 293,497	\$ 708,378	\$ (113)	\$ -	\$ 723,385	\$ 707,941
-	-	11,557	368,375	-	-	178,700	464,006
74,856	73,073	480,889	432,085	-	-	1,392,739	1,313,267
-	-	41,975	(352,779)	-	-	(47,216)	(365,800)
-	-	-	-	-	-	(335)	35,902
-	-	(280)	(112)	-	-	(550)	(220)
-	-	(22,075)	18,066	-	-	(13,029)	37,649
-	-	86,998	9,557	-	-	91,297	(66,899)
-	-	1,962	4,904	-	-	26,286	43,344
-	-	9,688	(926)	-	-	8,767	121
-	-	3,913	(331)	-	-	(10,936)	7,230
-	-	6,669	6,461	-	-	13,470	14,002
-	-	16,000	(4,981)	-	-	16,000	(4,981)
<u>\$ -</u>	<u>\$ (25,658)</u>	<u>\$ 930,793</u>	<u>\$ 1,188,697</u>	<u>\$ (113)</u>	<u>\$ -</u>	<u>\$ 2,378,578</u>	<u>\$ 2,185,562</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,465
-	-	-	-	-	-	407,821	81,531
-	-	-	-	-	-	(1,574)	-

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Agency
ASSETS	
Cash and temporary investments	\$ (116,665)
Accounts receivable	61,525
Due from other governments	92,256
TOTAL ASSETS	\$ 37,116
LIABILITIES	
Accounts payable	\$ 34,566
Other postemployment benefits payable	2,550
TOTAL LIABILITIES	\$ 37,116

The notes to the financial statements are an integral part of this statement.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 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.

Complete financial statements for the individual component unit may be obtained at the entity's administrative offices, Le Sueur Economic Development Authority, 203 South Second Street, Le Sueur, MN 56058.

Joint venture and joint powers agreement. In April of 2005 the City of Le Sueur and the City of Henderson entered into a joint powers agreement for the planning, construction, operation and maintenance of facilities for collection and treatment of any wastewater generated within the boundaries of the Cities of Le Sueur and Henderson. The public agency created under this joint powers agreement to manage this activity is known as the Minnesota River Valley Public Utilities Commission (MRVPUC). Under this agreement the City of Henderson transports its wastewater through a force main to a new mechanical treatment facility located in the City of Le Sueur. Wastewater from the facility is discharged into the Minnesota River. Both cities are billed an appropriate amount based upon the amount of wastewater loading generated by each city to cover the costs of its operation based on a budget prepared by the MRVPUC. Property ownership of the facilities is based on location and proportion of contributions of the respective jurisdictions. The City of Le Sueur was the fiscal agent until June 30, 2012 and certain related activities are accounted for in an agency fund.

The City and the City of Henderson formed a joint venture, the Le Sueur-Henderson Cable Communications Commission (the Commission). The purpose of the Commission is to monitor the operation and activities of cable communications, and in particular, the Cable Communications (System) of Le Sueur and Henderson (the participants); to provide coordination of administration and enforcement of the franchises of the participants for their respective System; and to conduct such other activities as may be necessary to provide equitable and reasonable rates and service levels for the citizens of the participants. These activities are accounted for in an agency fund.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 primary government and its component units. *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 support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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 and 2) grants and contributions 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 instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns 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 year for which they are levied. Grants and similar items are recognized as revenue as soon as 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 fiscal 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 fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal 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, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Economic Development Revolving Loan fund* accounts for grants received by the City which are loaned to local businesses for economic development. The fund's grant revenues are committed for economic development.

The *Community Center fund* accounts 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.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Community Center Roof Project 2011 fund* accounts for the improvement and replacement of the Community Center roof and other related capital projects.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Sewer Pre-Treatment fund* accounts for the costs associated with the City's sewer pre-treatment system and ensures that user charges are sufficient to pay for those costs.

The *Electric Utility fund* accounts for the costs associated with the City's electric system and ensures that user charges are sufficient to pay for those costs.

The *Storm Utility fund* accounts for the costs associated with the City's storm sewer system and ensures that user charges are sufficient to pay for those costs.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency funds account for Cable TV, HRA, LSH Healthy Communities and certain Minnesota River Valley PUC activities.

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 government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, sewer and electric 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a nation bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value. The 4M Fund and broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

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.

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M Fund can be obtained by contracting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment policy

The funds of the City shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. In accordance with the City's investment policy, the primary criteria for the investment of funds of the City, in priority of order are as follows.

1. Safety - Regardless of any other considerations, the protection of the taxpayer's money must be assured. Speculation with the principal amount is never justified.
2. Timing of Maturities - When funds are needed, they must be available.
3. Liquidity - A proper investment must be sufficiently liquid so that the City is able to obtain cash if an emergency arises.
4. Yield - If the Safety, Timing of Maturities, and Liquidity factors have received proper consideration, the investment or deposit providing the maximum earnings may be made since the object of investing idle funds is to put the taxpayer's money to a use that will yield the greatest return consistent with safety and the City's later need for the money.

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 January, June and November 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.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2014. 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.

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.

Interfund receivables and payables

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."

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories and prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

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.

Capital assets

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item 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	\$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
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:

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

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, proprietary, and fiduciary 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.

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 liability was determined using the alternative valuation method, in accordance with GASB Statement 45, at January 1, 2012.

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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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 - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - 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.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

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.

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 20 percent of budgeted operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities. 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."

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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
 - Ambulance Service
 - Para Transit
 - 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.

B. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Ambulance Service	\$ 162,240	\$ 166,833	\$ 4,593
Para - Transit	176,910	211,638	34,728
Community Center	687,745	736,853	49,108

The Para-Transit excess expenditures were funded by reserves. The Ambulance excess expenditures were funded by actual revenues in excess of budget. The Community Center excess expenditures contributed to an existing deficit fund balance at year end.

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2014:

Fund	Amount
Special revenue	
Community Center	\$ 133,638
Airport	70,196
Debt Service	
LS Powerhouse Abatement	6,705
Capital projects	
Capital Improvements	208,414
Enterprise	
Storm Utility	12,172

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, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The investments of the City are subject to the following risks:

- *Credit Risk.* The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* The risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

At year end, the City's carrying amount of deposits was \$4,056,686 (including EDA deposits of \$91,405 and fiduciary funds deficit of \$116,665), the bank balance was \$4,341,146. Of the bank balance, \$687,440 was covered by federal depository insurance. The remaining balance of \$3,653,706 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Investments

As of December 31, 2014, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Minnesota Municipal Money Market			
4M Fund	N/A	less than 6 months	\$ 92,708
4M Plus Fund	N/A	less than 6 months	659,259
Total investments			<u>\$ 751,967</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

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

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.

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash on hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$580.

Cash and investments summary

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

	<u>Primary Government</u>	<u>Component Unit - EDA</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Carrying amount of deposits	\$ 4,081,946	\$ 91,405	\$ (116,665)	\$ 4,056,686
Investments	751,967	-	-	751,967
Cash on hand	<u>580</u>	<u>-</u>	<u>-</u>	<u>580</u>
 Total	 <u>\$ 4,834,493</u>	 <u>\$ 91,405</u>	 <u>\$ (116,665)</u>	 <u>\$ 4,809,233</u>
 Cash and temporary investments	 <u>\$ 4,834,493</u>	 <u>\$ 91,405</u>	 <u>\$ (116,665)</u>	 <u>\$ 4,809,233</u>

B. 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 percent per annum. The balance on these notes at December 31, 2014 is \$7,350,374, including \$5,475,472 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 mortgage receivables on lot sales. These mortgages will be repaid as the lots are sold. The balance on these mortgages at December 31, 2014 is \$26,500.

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,282,489, for which they issued debt for in the amount of \$2,466,000.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the primary government for the year ended December 31, 2014 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 860,582	\$ -	\$ -	\$ 860,582
Construction in progress	1,422,278	1,919,069	(404,990)	2,936,357
Total capital assets not being depreciated	2,282,860	1,919,069	(404,990)	3,796,939
Capital assets being depreciated				
Buildings	6,472,972	-	-	6,472,972
Infrastructure	11,897,122	404,990	-	12,302,112
Machinery and equipment	2,120,946	48,381	-	2,169,327
Vehicles	1,663,537	33,297	-	1,696,834
Total capital assets being depreciated	22,154,577	486,668	-	22,641,245
Less accumulated depreciation for				
Buildings	(2,071,347)	(248,648)	-	(2,319,995)
Infrastructure	(4,996,698)	(570,813)	-	(5,567,511)
Machinery and equipment	(1,440,173)	(165,873)	-	(1,606,046)
Vehicles	(1,037,801)	(105,628)	-	(1,143,429)
Total accumulated depreciation	(9,546,019)	(1,090,962)	-	(10,636,981)
Total capital assets being depreciated, net	12,608,558	(604,294)	-	12,004,264
Governmental activities capital assets, net	<u>\$ 14,891,418</u>	<u>\$ 1,314,775</u>	<u>\$ (404,990)</u>	<u>\$ 15,801,203</u>

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 513,973	\$ -	\$ -	\$ -	\$ 513,973
Construction in progress	1,237,332	180,449	(986,094)	-	431,687
Total capital assets not being depreciated	1,751,305	180,449	(986,094)	-	945,660
Capital assets being depreciated					
Buildings	9,516,707	-	-	(3,281,450)	6,235,257
Infrastructure and systems	39,664,646	1,313,681	-	1,983,861	42,962,188
Machinery and equipment	4,276,851	-	-	1,290,412	5,567,263
Vehicles	1,137,877	-	-	7,177	1,145,054
Total capital assets being depreciated	54,596,081	1,313,681	-	-	55,909,762
Less accumulated depreciation for					
Buildings	(6,612,233)	(166,239)	-	2,720,776	(4,057,696)
Infrastructure	(11,045,252)	(989,175)	-	(1,768,725)	(13,803,152)
Machinery and equipment	(2,818,790)	(199,764)	-	(944,874)	(3,963,428)
Vehicles	(904,755)	(37,561)	-	(7,177)	(949,493)
Total accumulated depreciation	(21,381,030)	(1,392,739)	-	-	(22,773,769)
Total capital assets being depreciated, net	33,215,051	(79,058)	-	-	33,135,993
Business-type activities capital assets, net	<u>\$ 34,966,356</u>	<u>\$ 101,391</u>	<u>\$ (986,094)</u>	<u>\$ -</u>	<u>\$ 34,081,653</u>

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities		
General government	\$	11,316
Public safety		219,422
Streets and highways		337,697
Culture and recreation		230,651
Miscellaneous		<u>291,876</u>
Total depreciation expense - governmental activities		<u>\$ 1,090,962</u>
Business-type activities		
Water utility	\$	236,695
Sewer utility		600,299
Sewer pre-treatment		74,856
Electric utility		<u>480,889</u>
Total depreciation expense - business-type activities		<u>\$ 1,392,739</u>

Discretely presented component unit

Capital assets activity for the EDA for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 1,571,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,571,576</u>

D. Construction Commitments

The City has construction projects as of December 31, 2014. At year end the City's commitments with contracts are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Community Center Structural Steel	\$ 137,591	\$ 25,199
Community Center Sprinkler System	84,987	28,613
Community Center Roofing Project	<u>939,381</u>	<u>67,373</u>
Total	<u>\$ 1,161,959</u>	<u>\$ 121,185</u>

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Interfund receivables, payables, and transfers

Primary government

Advances from/to other funds

Receivable Fund	Payable Fund	Amount
Debt Service	Water Utility	\$ 400,768
	Sewer Utility	549,996
Nonmajor governmental	Water Utility	19,653
	Sewer Utility	24,759
Water Utility	Sewer Utility	350,346
Electric Utility	Community Center	62,000
		\$ 1,407,522
Total		

The above advances were primarily capital related and amortization schedules have been established for pay back of the loans.

Advances from/to primary government/component unit

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

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

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following transfers were made for the year ended December 31, 2014:

Fund	Transfer in			Total
	General	Debt Service	Nonmajor Governmental	
Transfer out				
General	\$ -	\$ 26,710	\$ -	\$ 26,710
Community Center	-	119,275	-	119,275
Nonmajor governmental	-	199,879	5,000	204,879
Electric Utility	350,000	-	-	350,000
Total transfers out	<u>\$ 350,000</u>	<u>\$ 345,864</u>	<u>\$ 5,000</u>	<u>\$ 700,864</u>

In the year ended December 31, 2014, the City made the following transfers:

A transfer of \$350,000 was made from the Electric Utility fund to the General fund representing a franchise fee of approximately 5 percent of gross revenue of said utility fund.

A transfer of \$119,275 was made out of the Community Center fund to the Debt Service funds for debt service payments.

A transfer of \$199,879 was made from Nonmajor Governmental funds to the Debt Service fund for debt service payments.

A transfer of \$5,000 was made from Nonmajor Governmental funds to other Nonmajor Governmental funds to help fund the purchase of a new ambulance.

A transfer of \$26,710 was made out of the General fund to the Debt Service fund for debt service payments.

Transfers were used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service fund to establish mandatory reserve accounts, and 3) move unrestricted General fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term Debt

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
Certificates of Participation Advance Refunding	\$ 605,000	1.25 - 4.40 %	07/01/03	12/01/16	\$ 105,000
Equipment Lease Purchase Certificates of 2004	355,000	3.25 - 4.50	11/01/04	12/01/15	45,000
G.O. Refunding Bonds of 2014A-Library	460,000	2.00	12/01/14	12/01/22	460,000
G.O. Refunding Bonds of 2014A-Fire	1,080,000	2.00 - 3.00	12/01/14	12/01/28	1,080,000
G.O. Certificates of Indebtedness of 2010A	380,000	2.25 - 3.45	03/11/10	02/01/15	80,000
G.O. Police Capital Improvement Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	395,000
G.O. Street Reconstruction Refunding Bonds of 2013B (2011A)	800,000	.90-3.20	10/01/13	12/01/26	<u>745,000</u>
Total General Obligation Bonds					<u>\$ 2,910,000</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
2015	\$ 390,000	\$ 76,545	\$ 466,545
2016	275,000	65,880	340,880
2017	215,000	58,870	273,870
2018	225,000	54,380	279,380
2019	235,000	49,510	284,510
2020 - 2024	1,080,000	160,278	1,240,278
2025 - 2028	<u>490,000</u>	<u>33,270</u>	<u>523,270</u>
Total	<u>\$ 2,910,000</u>	<u>\$ 498,733</u>	<u>\$ 3,408,733</u>

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2006A	\$ 2,410,000	3.70 - 4.30 %	07/01/06	12/01/15	\$ 175,000
G.O. Improvement Refunding Bonds of 2009A	625,000	1.20 - 3.00	10/01/09	12/01/17	250,000
G.O. Refunding Bonds of 2011B	2,410,000	2.00 - 3.15	09/07/11	12/01/23	1,855,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	1,215,000
G.O. Refunding Bonds of 2014B	115,000	2.00	12/01/14	12/01/16	115,000
Total General Obligation Improvement Bonds					<u>\$ 3,610,000</u>

The annual debt service requirements to maturity for special assessment (improvement) bonds are as follows:

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2015	\$ 610,000	\$ 80,735	\$ 690,735
2016	620,000	68,435	688,435
2017	565,000	55,185	620,185
2018	490,000	43,035	533,035
2019	500,000	32,645	532,645
2020 - 2023	825,000	32,513	857,513
Total	<u>\$ 3,610,000</u>	<u>\$ 312,548</u>	<u>\$ 3,922,548</u>

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business - type activities					
G.O. Revenue Bonds of 2007 (PFA) Electric Utility	\$ 16,353,395	1.00 %	09/26/07	08/20/27	\$ 11,731,000
Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	695,000
G.O. Refunding Bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	585,000
G.O. Refunding Bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	755,000
G.O. Revenue Bonds of 2013A	965,000	1.10 - 4.20	10/01/13	12/01/25	900,000
G.O. Water Refunding Bonds of 2014B	135,000	2.00	12/01/14	12/01/15	<u>135,000</u>
Total business-type activities					14,801,000
Governmental activities					
G.O. Tax Abatement Bonds of 2008A	470,000	2.75 - 3.70	02/21/08	12/01/18	<u>180,000</u>
Total G.O. Revenue Bonds					<u>\$ 14,981,000</u>

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities			G.O. Revenue Bonds Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,559,000	\$ 175,790	\$ 1,734,790	\$ 45,000	\$ 6,503	\$ 51,503
2016	1,213,000	155,530	1,368,530	50,000	4,995	54,995
2017	1,232,000	168,313	1,400,313	50,000	3,145	53,145
2018	1,250,000	151,248	1,401,248	35,000	1,295	36,295
2019	1,264,000	133,060	1,397,060	-	-	-
2020 - 2024	5,340,000	398,991	5,738,991	-	-	-
2025 - 2027	2,943,000	61,250	3,004,250	-	-	-
Total	<u>\$ 14,801,000</u>	<u>\$ 1,244,182</u>	<u>\$ 16,045,182</u>	<u>\$ 180,000</u>	<u>\$ 15,938</u>	<u>\$ 195,938</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover all business-type principal and interest payments are as follows:

	601 Water Utility	602 Sewer Utility	604 Electric Utility
Revenues	\$ 1,129,974	\$ 1,544,589	\$ 8,917,610
Principal and interest	569,353	1,202,288	261,551
Percentage of revenues	50.4%	77.8%	2.9%

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Revenue bonds

The following bonds were issued to finance capital improvements in the governmental enterprise 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
Johnson Controls Lease Revenue Bond of 2006	\$ 2,700,000	4.25 %	03/30/06	03/31/21	\$ 1,444,749
Health Care Facility Revenue Bond of 2010	5,500,000	2.90	09/17/10	09/17/35	5,152,165
Gross Revenue Recreational Facility Bonds of 2014A	2,330,000	4.50	09/04/14	12/01/34	<u>2,330,000</u>
Total Revenue Bonds					<u>\$ 8,926,914</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
2015	\$ 412,636	\$ 467,422	\$ 880,058
2016	432,992	429,285	862,277
2017	450,771	410,336	861,107
2018	468,632	391,035	859,667
2019	487,400	370,467	857,867
2020 - 2024	1,854,337	1,554,450	3,408,787
2025 - 2029	1,910,662	1,109,680	3,020,342
2030 - 2034	2,498,791	523,931	3,022,722
2035	410,693	17,992	428,685
Total	<u>\$ 8,926,914</u>	<u>\$ 5,274,598</u>	<u>\$ 14,201,512</u>

Advance Refunding. On December 1, 2014 the City issued General Obligation Refunding Bonds, Series 2014B for \$1,790,000. The Refunding Bonds were issued with a net interest cost of 2.5268906 percent to refund the 2014 through the 2032 maturities of the City's General Obligation Crossover Refunding Bonds, Series 2005A, the. The refunded bonds carried an average coupons rate of 2.5385317 percent. It is estimated that the City will reduce its aggregate debt service payments by approximately \$302,634 over the 10 years and obtain an economic gain (difference between the present values of the old and net debt service payments) of \$210,274.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 3,245,000	\$ 1,540,000	\$ (1,875,000)	\$ 2,910,000	\$ 390,000
General obligation improvement bonds	5,335,000	115,000	(1,840,000)	3,610,000	610,000
General obligation revenue bonds	225,000	-	(45,000)	180,000	45,000
Revenue bonds	7,001,853	2,330,000	(404,939)	8,926,914	412,636
Bond premium	39,413	34,207	(4,041)	69,579	-
Total bonds payable	15,846,266	4,019,207	(4,168,980)	15,696,493	1,457,636
Compensated absences payable	109,064	103,470	(101,790)	110,744	80,388
Other postemployment benefits payable	84,342	23,996	(4,656)	103,682	-
Governmental activity long-term liabilities	<u>\$ 16,039,672</u>	<u>\$ 4,146,673</u>	<u>\$ (4,275,426)</u>	<u>\$ 15,910,919</u>	<u>\$ 1,538,024</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 16,452,000	\$ 135,000	\$ (1,786,000)	\$ 14,801,000	\$ 1,559,000
Bond premium	12,594	2,153	(1,574)	13,173	-
Total bonds payable	16,464,594	137,153	(1,787,574)	14,814,173	1,559,000
Compensated absences payable	91,132	99,622	(110,558)	80,196	54,336
Other postemployment benefits payable	52,214	14,855	(1,385)	65,684	-
Business-type activity long-term liabilities	<u>\$ 16,607,940</u>	<u>\$ 251,630</u>	<u>\$ (1,899,517)</u>	<u>\$ 14,960,053</u>	<u>\$ 1,613,336</u>

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Component unit debt

Revenue bonds

The following bonds were issued to finance public projects in the EDA. They will be retired from ISJ/Mayo Health Systems, Inc. Medical Clinic loan repayments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public Project Revenue Bonds of 2010 (EDA)	\$ 2,466,000	5.72 %	09/17/10	09/17/32	<u>\$ 2,302,523</u>

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

Year Ending December 31,	Revenue Bonds		
	Component Unit Activities		
	Principal	Interest	Total
2015	\$ 60,969	\$ 131,531	\$ 192,500
2016	64,525	127,975	192,500
2017	68,289	124,211	192,500
2018	72,272	120,228	192,500
2019	76,487	116,013	192,500
2020 - 2024	454,790	507,710	962,500
2025 - 2029	603,823	358,677	962,500
2030 - 2032	901,368	123,967	1,025,335
Total	<u>\$ 2,302,523</u>	<u>\$ 1,610,312</u>	<u>\$ 3,912,835</u>

Special assessments payable

These special assessments are payable to the City for the Knollview East Subdivision.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Special Assessment Payable (EDA)	\$ 645,000	6.25 %	11/30/01	11/30/16	<u>\$ 115,000</u>

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

Year Ending December 31,	Special Assessments		
	Component Unit Activities		
	Principal	Interest	Total
2015	\$ 55,000	\$ 6,125	\$ 61,125
2016	60,000	3,210	63,210
Total	<u>\$ 115,000</u>	<u>\$ 9,335</u>	<u>\$ 124,335</u>

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes payable

These notes are payable to the City's Revolving Loan fund and LSDI, Inc. for land purchases in the Highway 169 Industrial Park.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Note payable	\$ 810,000	3.25 %	02/08/10	02/08/20	\$ 810,000
Note payable - LSDI, Inc.	114,044	3.00	12/29/09	Past due	114,044
Total Notes Payable					<u><u>\$ 924,044</u></u>

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

Year Ending December 31,	Notes Component Unit Activities		
	Principal	Interest	Total
2015	\$ 118,314	\$ 27,805	\$ 146,119
2016	60,423	25,969	86,392
2017	62,316	24,076	86,392
2018	64,269	22,123	86,392
2019	35,602	20,108	55,710
2020	583,120	18,952	602,072
Total	<u><u>\$ 924,044</u></u>	<u><u>\$ 139,033</u></u>	<u><u>\$ 1,063,077</u></u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
Revenue bonds payable	\$ 2,360,132	\$ -	\$ (57,609)	\$ 2,302,523	\$ 60,969
Notes payable	924,044	-	-	924,044	118,314
Special assessments payable	170,000	-	(55,000)	115,000	55,000
Component unit long-term liabilities	<u><u>\$ 3,454,176</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (112,609)</u></u>	<u><u>\$ 3,341,567</u></u>	<u><u>\$ 234,283</u></u>

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of Le Sueur are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after five years of credited service. The defined retirement 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 and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. In 2014 the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 15.3 percent for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$155,626, \$151,757, and \$145,362, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013 and 2012 were \$72,440, \$65,299, and \$62,828, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 twenty active participants and four retired participants. Benefit provisions are established through negotiations between the City and the unions representing the City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding policy

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives. Retired employees receive no retiree benefits except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2014 the City contributed \$5,793 to the plan. Plan members receiving benefits contributed 100 percent of the premium costs.

C. Annual other postemployment benefit cost

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 40,192
Interest on net OPEB obligation	4,150
Adjustment to annual required contribution	<u>(4,981)</u>
 Annual OPEB cost (expense)	 39,361
 Contributions made	 <u>(5,793)</u>
Increase in net OPEB obligation	33,568
 Net OPEB obligation - beginning of year	 <u>138,348</u>
 NET OPEB obligation - end of year	 <u><u>\$ 171,916</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and preceding two years follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 39,361	14.7 %	\$ 171,916
12/31/13	39,567	13.6	138,348
12/31/12	39,626	75.2	104,150

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$387,972 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,111,104, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 34.9 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and assumptions

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average age of retirement and expectations of management, the retirement age for active plan members was determined on an individual level. In addition, spouses of retired employees were assumed to discontinue coverage on the plan when the retired employee reaches Medicare age.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2008 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on actual rate changes for 2012 along with projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate increase of 9.0 percent initially in 2012, followed by a 4.1 percent increase in 2013, to an ultimate average rate increase of 6.4 percent after six years, was used.

Health insurance premiums - 2011 and 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 2.48 percent was based on average changes over the past ten years in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

CITY OF LE SUEUR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 7: OTHER INFORMATION

A. 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.

B. Contingent liabilities

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.

Claims and litigation

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City. No liability or provision for loss has been recorded in the December 31, 2014 financial statements in relation to any of these matters.

C. Commitments

On August 22, 2005, the City signed a project development agreement with Johnson Controls for a fifteen year Infrastructure Improvement Program which will generate approximate energy savings of \$57,875 and operational savings of \$44,245 annually. An all-encompassing project described in the agreement will cost approximately \$2,900,000. The projects in the proposal will be funded by savings created through the use of new equipment and technology, as well as future budgeted dollars identified by the City.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) programs. The amount received in 2014 was \$914,451 and \$154 for LGA and MVHC, respectively. This accounted for 44 percent of General fund revenues.

E. Legal debt margin

The City's statutory debt limit is three percent of estimated taxable market value of real and personal property located in the City. The taxable market value was \$231,759,200 at December 31, 2014 for a limit of \$6,952,776. The City currently has \$2,910,000 of general obligation debt outstanding subject to this limit and restricted debt service funds of \$7,278,970. This leaves a legal debt margin of \$11,321,746. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

CITY OF LE SUEUR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 7: OTHER INFORMATION - CONTINUED

F. Joint powers agreements

In April of 1993, the City of Le Sueur and the City of Henderson entered into a joint powers agreement for operating and monitoring the activities of cable commissions for the purpose of establishing a cable communications system in the two Cities. The public agency created under this joint powers agreement to manage this activity is known as the Le Sueur-Henderson Cable Communications Commissions (CATV). CATV consists of seven directors, five of whom are appointed by Le Sueur and two of whom are appointed by Henderson. Property ownership of the facilities is based on the makeup of the directors of the Commission.

The City's equity interest and its share of the net income (loss) of the Commission are added to the value of the investment in joint ventures in the government-wide financial statements under governmental activities. As of December 31, 2014 the amount reported as the equity interest in the joint venture was \$32,457. The Commission's financial information for the period ending December 31, 2014 is available at the Commission office located at 821 East Ferry Street, Le Sueur, MN 56058.

In April of 2005, The City of Le Sueur and the City of Henderson entered into a joint powers agreement for the planning, construction operation and maintenance of facilities for collection and treatment of any wastewater generated within the boundaries of the cities of Le Sueur and Henderson. The public agency created under this joint powers agreement to manage this activity is known as the Minnesota River Valley Public Utilities Commission (MRVPUC). Under this agreement the City of Henderson transports its wastewater through a force main to a new mechanical treatment facility located in the City of Le Sueur. Wastewater from the facility is discharged into the Minnesota River. Both cities are billed an appropriate amount based on upon the amount of wastewater loading generated by each city to cover the cost of its operation based on a budget prepared by MRVPUC. Property ownership of the facilities is based on the location and proportion of contribution of the respective jurisdictions.

As of December 31, 2014 MRVPUC reported a net position balance of December 31, 2014 December 31, 2014 \$532,987. The City of Le Sueur's share of this balance was \$389,080.

Note 8: PRIOR PERIOD RESTATEMENTS

In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," unavailable revenue for loans was eliminated in order to properly offset the loans balances with restricted fund balance.

Changes related to the adjustment are reflected in the financial statements and schedules and related note disclosures. The restatement had no effect on the government-wide statements.

As a result of the prior period restatement to beginning balances, the following schedule reconciled the previously reported December 31, 2013 balances to the December 31, 2014 financial statements.

Fund	December 31, 2013		
	Fund Balance December 31, 2013 as Previously Reported	(1) Restatement	Fund Balance January 1, 2014 as Restated
Governmental			
General	\$ 590,457	\$ 50,881	\$ 641,338
Economic Development Revolving Loan	1,917,592	1,604,163	3,521,755
2006C G.O. Johnson Controls	100,517	573,372	673,889
Medical Facility Bonds 2010	223,349	5,089,683	5,313,032
Special Assessments/Improvements	80,385	29,808	110,193
	<u>\$ 2,912,300</u>	<u>\$ 7,347,907</u>	<u>\$ 10,260,207</u>

(1) To adjust unavailable revenue for loans in accordance with GASB Statement No. 54.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LE SUEUR
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF LE SUEUR, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Required Supplementary Information					
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Simplified Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/12	\$ -	\$ 387,972	\$ 387,972	- %	\$ 1,111,104	34.9 %
01/01/09	-	394,163	394,163	-	2,035,004	19.4

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF LE SUEUR
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF LE SUEUR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 43,685	\$ 460,839	\$ 504,524
Receivables			
Accounts	47,005	400	47,405
Notes and mortgages	-	27,486	27,486
Special assessments	-	2,497	2,497
Intergovernmental	35,523	128,260	163,783
Advances to other funds	-	44,412	44,412
Advances to component unit	-	153,233	153,233
Inventories	10,619	-	10,619
	<u>10,619</u>	<u>-</u>	<u>10,619</u>
TOTAL ASSETS	<u>\$ 136,832</u>	<u>\$ 817,127</u>	<u>\$ 953,959</u>
LIABILITIES			
Accounts payable	\$ 7,809	\$ 25,325	\$ 33,134
Due to other governments	1,365	-	1,365
Accrued wages payable	5,352	-	5,352
	<u>14,526</u>	<u>25,325</u>	<u>39,851</u>
TOTAL LIABILITIES	<u>14,526</u>	<u>25,325</u>	<u>39,851</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			
Inventories	10,619	-	10,619
Committed for			
Fire department operations and maintenance	6,483	-	6,483
Assigned for			
Ambulance operations and maintenance	128,863	-	128,863
Transit operations and maintenance	50,899	-	50,899
Capital projects	-	997,719	997,719
Unassigned	(74,558)	(208,414)	(282,972)
	<u>122,306</u>	<u>789,305</u>	<u>911,611</u>
TOTAL FUND BALANCES	<u>122,306</u>	<u>789,305</u>	<u>911,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 136,832</u>	<u>\$ 817,127</u>	<u>\$ 953,959</u>

CITY OF LE SUEUR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 105,966	\$ 274,811	\$ 380,777
Intergovernmental	204,683	70,473	275,156
Charges for services	403,987	200	404,187
Investment earnings	-	2,892	2,892
Miscellaneous	28,485	74,486	102,971
	<u>743,121</u>	<u>422,862</u>	<u>1,165,983</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	290,920	-	290,920
Miscellaneous	248,229	-	248,229
Capital outlay			
Public safety	162	43,906	44,068
Streets and highways	-	4,700	4,700
Miscellaneous	7,777	143,498	151,275
	<u>547,088</u>	<u>192,104</u>	<u>739,192</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>196,033</u>	<u>230,758</u>	<u>426,791</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,000	5,000
Transfers out	(196,869)	(8,010)	(204,879)
	<u>(196,869)</u>	<u>(3,010)</u>	<u>(199,879)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	<u>(836)</u>	<u>227,748</u>	<u>226,912</u>
FUND BALANCES, JANUARY 1 AS RESTATED	123,142	531,749	654,891
PRIOR PERIOD ADJUSTMENT	-	29,808	29,808
	<u>123,142</u>	<u>561,557</u>	<u>684,699</u>
FUND BALANCES, JANUARY 1 AS RESTATED			
FUND BALANCES, DECEMBER 31	<u>\$ 122,306</u>	<u>\$ 789,305</u>	<u>\$ 911,611</u>

CITY OF LE SUEUR, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	225	226	227
	Fire Service	Ambulance Service	Para- Transit
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ (8,061)	\$ 108,535	\$ 17,188
Receivables			
Accounts	17,204	25,464	4,212
Intergovernmental	-	-	35,523
Inventories	-	6,257	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 9,143</u></u>	<u><u>\$ 140,256</u></u>	<u><u>\$ 56,923</u></u>
LIABILITIES			
Accounts payable	\$ 1,800	\$ 4,990	\$ 589
Due to other governments	869	102	118
Accrued wages payable	(9)	44	5,317
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,660</u>	<u>5,136</u>	<u>6,024</u>
FUND BALANCES			
Nonspendable for			
Inventories	-	6,257	-
Committed for			
Fire department operations and maintenance	6,483	-	-
Assigned for			
Ambulance operations and maintenance	-	128,863	-
Transit operations and maintenance	-	-	50,899
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>6,483</u>	<u>135,120</u>	<u>50,899</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 9,143</u></u>	<u><u>\$ 140,256</u></u>	<u><u>\$ 56,923</u></u>

235	Total Nonmajor Special Revenue
<u>Airport</u>	
\$ (73,977)	\$ 43,685
125	47,005
-	35,523
<u>4,362</u>	<u>10,619</u>
<u>\$ (69,490)</u>	<u>\$ 136,832</u>
\$ 430	\$ 7,809
276	1,365
-	<u>5,352</u>
<u>706</u>	<u>14,526</u>
4,362	10,619
-	6,483
-	128,863
-	50,899
<u>(74,558)</u>	<u>(74,558)</u>
<u>(70,196)</u>	<u>122,306</u>
<u>\$ (69,490)</u>	<u>\$ 136,832</u>

CITY OF LE SUEUR, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>225</u> Fire Service	<u>226</u> Ambulance Service	<u>227</u> Para- Transit
REVENUES			
Taxes			
Property taxes	\$ 105,966	\$ -	\$ -
Intergovernmental			
Federal	-	-	76,954
State	-	-	112,068
Charges for services	138,036	198,174	48,472
Miscellaneous	<u>30</u>	<u>15,057</u>	<u>-</u>
TOTAL REVENUES	<u>244,032</u>	<u>213,231</u>	<u>237,494</u>
EXPENDITURES			
Current			
Public safety	124,087	166,833	-
Miscellaneous	-	-	203,861
Capital outlay			
Public safety	162	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>7,777</u>
TOTAL EXPENDITURES	<u>124,249</u>	<u>166,833</u>	<u>211,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	119,783	46,398	25,856
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(151,687)</u>	<u>(23,676)</u>	<u>(21,506)</u>
NET CHANGE IN FUND BALANCES	(31,904)	22,722	4,350
FUND BALANCES, JANUARY 1	<u>38,387</u>	<u>112,398</u>	<u>46,549</u>
FUND BALANCES, DECEMBER 31	<u>\$ 6,483</u>	<u>\$ 135,120</u>	<u>\$ 50,899</u>

235	Total Nonmajor Special Revenue
<u>Airport</u>	<u>Revenue</u>
\$ -	\$ 105,966
-	76,954
15,661	127,729
19,305	403,987
<u>13,398</u>	<u>28,485</u>
<u>48,364</u>	<u>743,121</u>
-	290,920
44,368	248,229
-	162
-	<u>7,777</u>
<u>44,368</u>	<u>547,088</u>
3,996	196,033
-	<u>(196,869)</u>
3,996	(836)
<u>(74,192)</u>	<u>123,142</u>
<u>\$ (70,196)</u>	<u>\$ 122,306</u>

CITY OF LE SUEUR, MINNESOTA
FIRE SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 105,966	\$ 105,966	\$ 105,966	\$ -	\$ 105,966
Intergovernmental					
State fire aid	25,500	25,500	-	(25,500)	-
Charges for services					
Public safety	156,362	156,362	138,036	(18,326)	146,852
Miscellaneous					
Contributions and donations	-	-	30	30	-
TOTAL REVENUES	287,828	287,828	244,032	(43,796)	252,818
EXPENDITURES					
Current					
Public safety					
Administration					
Personal services	64,500	64,500	45,002	19,498	31,410
Supplies	1,250	1,250	895	355	1,640
Other services and charges	11,920	11,920	10,533	1,387	14,017
Total administration	77,670	77,670	56,430	21,240	47,067
Fire fighting					
Personal services	31,000	31,000	31,110	(110)	31,700
Supplies	5,000	5,000	3,619	1,381	5,500
Total fire fighting	36,000	36,000	34,729	1,271	37,200
Prevention					
Other services and charges	5,000	5,000	4,838	162	2,813
Training					
Supplies	4,500	4,500	3,126	1,374	2,709
Other services and charges	3,000	3,000	1,597	1,403	3,865
Total training	7,500	7,500	4,723	2,777	6,574
Communications					
Other services and charges	1,750	1,750	952	798	1,204
Repair services					
Supplies	5,000	5,000	6,182	(1,182)	16,031
Other services and charges	1,000	1,000	354	646	624
Total repair services	6,000	6,000	6,536	(536)	16,655

CITY OF LE SUEUR, MINNESOTA
 FIRE SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety					
Stations and buildings					
Other services and charges	\$ 11,800	\$ 11,800	\$ 15,879	\$ (4,079)	\$ 13,569
Total current	145,720	145,720	124,087	21,633	125,082
Capital outlay					
Public safety					
Fire fighting	4,000	4,000	162	3,838	2,868
TOTAL EXPENDITURES	149,720	149,720	124,249	25,471	127,950
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	138,108	138,108	119,783	(18,325)	124,868
OTHER FINANCING SOURCES (USES)					
Transfers out	(151,687)	(151,687)	(151,687)	-	(148,842)
NET CHANGE IN FUND BALANCES	(13,579)	(13,579)	(31,904)	(18,325)	(23,974)
FUND BALANCES, JANUARY 1	38,387	38,387	38,387	-	62,361
FUND BALANCES, DECEMBER 31	\$ 24,808	\$ 24,808	\$ 6,483	\$ (18,325)	\$ 38,387

CITY OF LE SUEUR, MINNESOTA
 AMBULANCE SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Charges for services					
Public safety	\$ 177,916	\$ 177,916	\$ 198,174	\$ 20,258	\$ 181,543
Miscellaneous					
Contributions and donations	8,000	8,000	11,040	3,040	14,210
Refunds and reimbursements	-	-	4,017	4,017	7,384
TOTAL REVENUES	<u>185,916</u>	<u>185,916</u>	<u>213,231</u>	<u>27,315</u>	<u>203,137</u>
EXPENDITURES					
Current					
Public safety					
Ambulance services					
Personal services	90,670	90,670	91,753	(1,083)	90,239
Supplies	39,500	39,500	39,183	317	30,443
Other services and charges	32,070	32,070	35,897	(3,827)	26,547
TOTAL EXPENDITURES	<u>162,240</u>	<u>162,240</u>	<u>166,833</u>	<u>(4,593)</u>	<u>147,229</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,676	23,676	46,398	22,722	55,908
OTHER FINANCING SOURCES (USES)					
Transfers out	(23,676)	(23,676)	(23,676)	-	(24,270)
NET CHANGE IN FUND BALANCES	-	-	22,722	22,722	31,638
FUND BALANCES, JANUARY 1	<u>112,398</u>	<u>112,398</u>	<u>112,398</u>	<u>-</u>	<u>80,760</u>
FUND BALANCES, DECEMBER 31	<u>\$ 112,398</u>	<u>\$ 112,398</u>	<u>\$ 135,120</u>	<u>\$ 22,722</u>	<u>\$ 112,398</u>

CITY OF LE SUEUR, MINNESOTA
 PARA - TRANSIT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental					
Federal transit aid	\$ 84,000	\$ 84,000	\$ 76,954	\$ (7,046)	\$ 54,900
State transit aid	113,600	113,600	112,068	(1,532)	121,037
Charges for services					
Other	45,500	45,500	48,472	2,972	44,654
TOTAL REVENUES	243,100	243,100	237,494	(5,606)	220,591
EXPENDITURES					
Current					
Miscellaneous					
Transportation					
Personal services	119,150	119,150	152,914	(33,764)	145,408
Supplies	28,500	28,500	25,116	3,384	27,941
Total transportation	147,650	147,650	178,030	(30,380)	173,349
Traffic and advertising					
Other services	1,000	1,000	645	355	450
Insurance and safety					
Personal services	6,160	6,160	4,061	2,099	2,854
Other services and charges	6,250	6,250	5,685	565	5,931
Total insurance and safety	12,410	12,410	9,746	2,664	8,785
Administration and general					
Supplies	1,900	1,900	2,156	(256)	897
Other services and charges	13,950	13,950	13,284	666	12,093
Total administration and general	15,850	15,850	15,440	410	12,990
Total current	176,910	176,910	203,861	(26,951)	195,574
Capital outlay					
Miscellaneous					
Transit	-	-	7,777	(7,777)	-
TOTAL EXPENDITURES	176,910	176,910	211,638	(34,728)	195,574
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	66,190	66,190	25,856	(40,334)	25,017
OTHER FINANCING SOURCES (USES)					
Transfers out	(21,506)	(21,506)	(21,506)	-	(22,190)
NET CHANGE IN FUND BALANCES	44,684	44,684	4,350	(40,334)	2,827
FUND BALANCES, JANUARY 1	46,549	46,549	46,549	-	43,722
FUND BALANCES, DECEMBER 31	\$ 91,233	\$ 91,233	\$ 50,899	\$ (40,334)	\$ 46,549

CITY OF LE SUEUR, MINNESOTA
 AIRPORT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental					
State					
Airport operating grant	\$ 14,300	\$ 14,300	\$ 15,661	\$ 1,361	\$ 14,237
Charges for services					
Miscellaneous	44,410	44,410	19,305	(25,105)	24,284
Miscellaneous					
Rents	6,250	6,250	13,398	7,148	5,515
TOTAL REVENUES	64,960	64,960	48,364	(16,596)	44,036
EXPENDITURES					
Current					
Miscellaneous					
Fields, runways and ramps					
Personal services	9,315	9,315	5,464	3,851	5,223
Other services and charges	6,050	6,050	6,162	(112)	6,140
Total fields, runways and ramps	15,365	15,365	11,626	3,739	11,363
Terminal buildings and public areas					
Supplies	33,850	33,850	21,678	12,172	26,230
Other services and charges	15,745	15,745	11,064	4,681	12,090
Total terminal buildings and public areas	49,595	49,595	32,742	16,853	38,320
TOTAL EXPENDITURES	64,960	64,960	44,368	20,592	49,683
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	3,996	3,996	(5,647)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(420)
NET CHANGE IN FUND BALANCES	-	-	3,996	3,996	(6,067)
FUND BALANCES, JANUARY 1	(74,192)	(74,192)	(74,192)	-	(68,125)
FUND BALANCES, DECEMBER 31	\$ (74,192)	\$ (74,192)	\$ (70,196)	\$ 3,996	\$ (74,192)

CITY OF LE SUEUR, MINNESOTA
COMMUNITY CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			2013	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 317,320	\$ 317,320	\$ 317,320	\$ -	\$ 301,790
Charges for services					
Culture and recreation	461,700	461,700	436,505	(25,195)	428,017
Miscellaneous					
Other	28,000	28,000	35,494	7,494	38,987
TOTAL REVENUES	<u>807,020</u>	<u>807,020</u>	<u>789,319</u>	<u>(17,701)</u>	<u>768,794</u>
EXPENDITURES					
Current					
Culture and recreation					
Swimming pool					
Personal services	41,060	41,060	35,266	5,794	43,582
Supplies	7,500	7,500	7,811	(311)	6,191
Other services and charges	24,150	24,150	27,634	(3,484)	27,059
Total swimming pool	<u>72,710</u>	<u>72,710</u>	<u>70,711</u>	<u>1,999</u>	<u>76,832</u>
Personal services					
Personal services	332,805	332,805	364,844	(32,039)	321,260
Repairs and maintenance					
Supplies	20,500	20,500	17,394	3,106	21,704
Other services and charges	38,000	38,000	39,156	(1,156)	42,732
Total repairs and maintenance	<u>58,500</u>	<u>58,500</u>	<u>56,550</u>	<u>1,950</u>	<u>64,436</u>
Administration and general					
Supplies	54,850	54,850	65,072	(10,222)	73,076
Other services and charges	165,880	165,880	178,613	(12,733)	167,898
Total administration and general	<u>220,730</u>	<u>220,730</u>	<u>243,685</u>	<u>(22,955)</u>	<u>240,974</u>
Total current	<u>684,745</u>	<u>684,745</u>	<u>735,790</u>	<u>(51,045)</u>	<u>703,502</u>
Capital outlay					
Culture and recreation	3,000	3,000	1,063	1,937	77,728
TOTAL EXPENDITURES	<u>687,745</u>	<u>687,745</u>	<u>736,853</u>	<u>(49,108)</u>	<u>781,230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	119,275	119,275	52,466	(66,809)	(12,436)
OTHER FINANCING SOURCES (USES)					
Transfers out	(119,275)	(119,275)	(119,275)	-	(118,473)
NET CHANGE IN FUND BALANCES	-	-	(66,809)	(66,809)	(130,909)
FUND BALANCES, JANUARY 1	(66,829)	(66,829)	(66,829)	-	64,080
FUND BALANCES, DECEMBER 31	<u>\$ (66,829)</u>	<u>\$ (66,829)</u>	<u>\$ (133,638)</u>	<u>\$ (66,809)</u>	<u>\$ (66,829)</u>

CITY OF LE SUEUR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	410	415	420
	<u>Equipment Acquisition</u>	<u>Sidewalk Reconstruction</u>	<u>Capital Improvements</u>
ASSETS			
Cash and temporary investments	\$ 228,965	\$ 160,000	\$ (247,986)
Receivables			
Accounts	-	-	400
Notes and mortgages	-	-	-
Special assessments			
Noncurrent	-	-	-
Intergovernmental	-	-	64,497
Advances to other funds	-	-	-
Advances to component unit	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 228,965</u>	<u>\$ 160,000</u>	<u>\$ (183,089)</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,325</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned for			
Capital projects	228,965	160,000	-
Unassigned	<u>-</u>	<u>-</u>	<u>(208,414)</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>228,965</u>	<u>160,000</u>	<u>(208,414)</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 228,965</u>	<u>\$ 160,000</u>	<u>\$ (183,089)</u>

477	501	478	479	Total Nonmajor Capital Projects
North Highway 169 Frontage Road Improvements	Special Assessments/ Improvements	Le Sueur Hill Improvements	2008 N. 2nd Street Reconstruction	
\$ 54,126	\$ 86,754	\$ 61,393	\$ 117,587	\$ 460,839
-	-	-	-	400
-	27,486	-	-	27,486
-	2,497	-	-	2,497
63,763	-	-	-	128,260
-	-	44,412	-	44,412
153,233	-	-	-	153,233
<u>\$ 271,122</u>	<u>\$ 116,737</u>	<u>\$ 105,805</u>	<u>\$ 117,587</u>	<u>\$ 817,127</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,325</u>
<u>-</u>	<u>2,497</u>	<u>-</u>	<u>-</u>	<u>2,497</u>
271,122	114,240	105,805	117,587	997,719
-	-	-	-	(208,414)
<u>271,122</u>	<u>114,240</u>	<u>105,805</u>	<u>117,587</u>	<u>789,305</u>
<u>\$ 271,122</u>	<u>\$ 116,737</u>	<u>\$ 105,805</u>	<u>\$ 117,587</u>	<u>\$ 817,127</u>

CITY OF LE SUEUR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	410	415	420
	<u>Equipment Acquisition</u>	<u>Sidewalk Reconstruction</u>	<u>Capital Improvements</u>
REVENUES			
Taxes			
Property taxes	\$ -	\$ 160,000	\$ -
Intergovernmental			
Federal			
Other Federal grants	-	-	61,102
State			
Other	5,976	-	3,395
Charges for services	-	-	200
Investment earnings	-	-	-
Miscellaneous			
Loan repayments	-	-	-
Rents	-	-	4,800
Contributions and donations	65,468	-	-
Refunds and reimbursements	-	-	170
	<u>71,444</u>	<u>160,000</u>	<u>69,667</u>
TOTAL REVENUES			
EXPENDITURES			
Capital outlay			
Public safety	43,906	-	-
Streets and highways	-	-	-
Miscellaneous	-	-	143,498
	<u>43,906</u>	<u>-</u>	<u>143,498</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>27,538</u>	<u>160,000</u>	<u>(73,831)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	-	-
Transfers out	-	-	-
	<u>5,000</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES			
	<u>32,538</u>	<u>160,000</u>	<u>(73,831)</u>
FUND BALANCES, JANUARY			
	196,427	-	(134,583)
PRIOR PERIOD ADJUSTMENT			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, JANUARY 1 AS RESTATED			
	<u>196,427</u>	<u>-</u>	<u>(134,583)</u>
FUND BALANCES, DECEMBER 31			
	<u>\$ 228,965</u>	<u>\$ 160,000</u>	<u>\$ (208,414)</u>

477	501	478	479	Total Nonmajor Capital Projects
North Highway 169 Frontage Road Improvements	Special Assessments/ Improvements	Le Sueur Hill Improvements	2008 N. 2nd Street Reconstruction	
\$ 114,811	\$ -	\$ -	\$ -	\$ 274,811
-	-	-	-	61,102
-	-	-	-	9,371
-	-	-	-	200
-	(1)	2,893	-	2,892
-	863	-	-	863
-	-	-	-	4,800
-	-	-	-	65,468
-	3,185	-	-	3,355
<u>114,811</u>	<u>4,047</u>	<u>2,893</u>	<u>-</u>	<u>422,862</u>
-	-	-	-	43,906
1,000	-	-	3,700	4,700
-	-	-	-	143,498
<u>1,000</u>	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>192,104</u>
<u>113,811</u>	<u>4,047</u>	<u>2,893</u>	<u>(3,700)</u>	<u>230,758</u>
-	-	-	-	5,000
(8,010)	-	-	-	(8,010)
(8,010)	-	-	-	(3,010)
<u>105,801</u>	<u>4,047</u>	<u>2,893</u>	<u>(3,700)</u>	<u>227,748</u>
165,321	80,385	102,912	121,287	531,749
-	29,808	-	-	29,808
<u>165,321</u>	<u>110,193</u>	<u>102,912</u>	<u>121,287</u>	<u>561,557</u>
<u>\$ 271,122</u>	<u>\$ 114,240</u>	<u>\$ 105,805</u>	<u>\$ 117,587</u>	<u>\$ 789,305</u>

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CITY OF LE SUEUR, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
ASSETS		
Cash and temporary investments	\$ 893,200	\$ 658,200
Receivables		
Delinquent taxes	68,648	82,928
Accounts	54,093	39,787
Intergovernmental	96,532	39,642
Notes and mortgages	-	50,881
Due from other funds	-	35,316
Inventories	2,222	6,687
Prepaid items	4,202	2,886
	\$ 1,118,897	\$ 916,327
LIABILITIES		
Accounts payable	\$ 33,743	\$ 88,422
Due to other funds	-	45,618
Due to other governments	4,484	6,139
Advances from other funds	-	13,167
Accrued wages payable	48,950	38,715
	87,177	192,061
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	68,648	82,928
FUND BALANCES		
Nonspendable for		
Due from other funds	-	35,316
Inventories	2,222	6,687
Prepaid items	4,202	2,886
Unassigned	956,648	596,449
	963,072	641,338
	\$ 1,118,897	\$ 916,327

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CITY OF LE SUEUR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 720,645	\$ 720,645	\$ 750,698	\$ 30,053	\$ 671,921
Franchise fees	38,000	38,000	37,098	(902)	37,556
Total taxes	758,645	758,645	787,796	29,151	709,477
Licenses and permits					
Business	7,700	7,700	7,495	(205)	7,630
Nonbusiness	113,100	113,100	97,843	(15,257)	189,619
Total licenses and permits	120,800	120,800	105,338	(15,462)	197,249
Intergovernmental					
State					
Local government aid	914,451	914,451	914,451	-	767,922
Property tax credits and aids	-	-	154	154	437
Police aid	45,000	45,000	53,312	8,312	50,669
Other state aids	8,078	8,078	8,078	-	10,470
Total state	967,529	967,529	975,995	8,466	829,498
County					
Highway aid	20,000	20,000	28,444	8,444	21,282
Total intergovernmental	987,529	987,529	1,004,439	16,910	850,780
Charges for services					
General government	4,000	4,000	5,108	1,108	5,194
Public safety	1,000	1,000	1,161	161	922
Streets and highways	2,500	2,500	3,328	828	2,500
Culture and recreation	500	500	1,160	660	-
Miscellaneous	10,000	10,000	44,244	34,244	13,658
Total charges for services	18,000	18,000	55,001	37,001	22,274
Fines and forfeits	18,100	18,100	24,045	5,945	26,768
Interest earnings	3,000	3,000	4,315	1,315	6,638
Miscellaneous					
Other	4,000	4,000	41,413	37,413	4,295
Loan payments	-	-	-	-	47,925
Refunds and reimbursements	15,000	15,000	17,769	2,769	59,359
Reimbursements from other funds	46,250	46,250	47,050	800	29,000
Total miscellaneous	65,250	65,250	106,232	40,982	140,579
TOTAL REVENUES	1,971,324	1,971,324	2,087,166	115,842	1,953,765

CITY OF LE SUEUR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and council					
Personal services	\$ 24,875	\$ 24,875	\$ 23,476	\$ 1,399	\$ 22,519
Supplies	3,000	3,000	795	2,205	-
Other services and charges	5,000	5,000	3,442	1,558	5,714
Total mayor and council	32,875	32,875	27,713	5,162	28,233
City administrator					
Personal services	76,030	76,030	87,501	(11,471)	93,275
Other services and charges	7,000	7,000	9,992	(2,992)	8,042
Total city administrator	83,030	83,030	97,493	(14,463)	101,317
Elections					
Personal services	3,000	3,000	2,856	144	-
Supplies	300	300	204	96	-
Total elections	3,300	3,300	3,060	240	-
City clerk					
Personal services	49,930	49,930	51,485	(1,555)	34,909
Supplies	8,400	8,400	9,398	(998)	6,783
Other services and charges	30,100	30,100	29,422	678	29,003
Total city clerk	88,430	88,430	90,305	(1,875)	70,695
Accounting					
Personal services	48,265	48,265	42,062	6,203	57,465
Supplies	300	300	300	-	360
Other services and charges	16,600	16,600	15,686	914	14,092
Total accounting	65,165	65,165	58,048	7,117	71,917
City attorney					
Other services and charges	35,000	35,000	21,484	13,516	43,204
Planning and zoning					
Personal services	1,000	1,000	700	300	175
Other services and charges	6,200	6,200	9,584	(3,384)	6,311
Total planning and zoning	7,200	7,200	10,284	(3,084)	6,486
General government buildings					
Supplies	400	400	521	(121)	292
Other services and charges	26,600	26,600	26,834	(234)	27,955
Total general government buildings	27,000	27,000	27,355	(355)	28,247
Insurance					
Workers' compensation	31,000	31,000	39,202	(8,202)	25,247
Property and liability	28,000	28,000	26,983	1,017	26,256
Total insurance	59,000	59,000	66,185	(7,185)	51,503
Total general government	401,000	401,000	401,927	(927)	401,602

CITY OF LE SUEUR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety					
Crime control and investigations					
Personal services	\$ 730,600	\$ 730,600	\$ 710,508	\$ 20,092	\$ 712,563
Supplies	9,500	9,500	7,666	1,834	8,255
Other services and charges	37,000	37,000	49,231	(12,231)	41,604
	<u>777,100</u>	<u>777,100</u>	<u>767,405</u>	<u>9,695</u>	<u>762,422</u>
Total crime control and investigations					
Police training					
Supplies	3,800	3,800	2,598	1,202	4,043
Other services and charges	1,500	1,500	1,331	169	1,507
	<u>5,300</u>	<u>5,300</u>	<u>3,929</u>	<u>1,371</u>	<u>5,550</u>
Total police training					
Communication services					
Other services and charges	2,500	2,500	2,280	220	3,467
	<u>2,500</u>	<u>2,500</u>	<u>2,280</u>	<u>220</u>	<u>3,467</u>
Total communication services					
Automotive services					
Supplies	26,400	26,400	27,392	(992)	22,592
Other services and charges	24,350	24,350	16,024	8,326	21,708
	<u>50,750</u>	<u>50,750</u>	<u>43,416</u>	<u>7,334</u>	<u>44,300</u>
Total automotive services					
Building inspection					
Supplies	200	200	11	189	3,825
Other services and charges	50,000	50,000	72,886	(22,886)	217,998
	<u>50,200</u>	<u>50,200</u>	<u>72,897</u>	<u>(22,697)</u>	<u>221,823</u>
Total building inspection					
Civil defense					
Personal services	4,050	4,050	3,081	969	3,379
Supplies	300	300	257	43	42
Other services and charges	3,900	3,900	4,653	(753)	3,570
	<u>8,250</u>	<u>8,250</u>	<u>7,991</u>	<u>259</u>	<u>6,991</u>
Total civil defense					
Animal disposal					
Other services and charges	14,400	14,400	13,750	650	11,736
	<u>14,400</u>	<u>14,400</u>	<u>13,750</u>	<u>650</u>	<u>11,736</u>
Total animal disposal					
Other protection					
Other services and charges	5,250	5,250	5,158	92	4,493
	<u>5,250</u>	<u>5,250</u>	<u>5,158</u>	<u>92</u>	<u>4,493</u>
Total other protection					
Total public safety	<u>913,750</u>	<u>913,750</u>	<u>916,826</u>	<u>(3,076)</u>	<u>1,060,782</u>

CITY OF LE SUEUR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Streets and highways					
Streets and alleys					
Personal services	\$ 353,820	\$ 353,820	\$ 332,180	\$ 21,640	\$ 314,505
Supplies	94,600	94,600	109,339	(14,739)	89,523
Other services and charges	103,700	103,700	93,752	9,948	79,741
Total streets and alleys	<u>552,120</u>	<u>552,120</u>	<u>535,271</u>	<u>16,849</u>	<u>483,769</u>
Ice and snow removal					
Supplies	15,000	15,000	16,525	(1,525)	18,713
Total streets and highways	<u>567,120</u>	<u>567,120</u>	<u>551,796</u>	<u>15,324</u>	<u>502,482</u>
Sanitation					
Other services and charges	1,000	1,000	1,423	(423)	2,276
Health and welfare					
Supplies	1,600	1,600	280	1,320	-
Other services and charges	13,650	13,650	13,424	226	-
Total health and welfare	<u>15,250</u>	<u>15,250</u>	<u>13,704</u>	<u>1,546</u>	<u>-</u>
Culture and recreation					
Supervision					
Personal services	75,975	75,975	67,256	8,719	60,777
Park areas					
Supplies	21,400	21,400	20,372	1,028	25,720
Other services and charges	23,300	23,300	27,280	(3,980)	22,994
Total park areas	<u>44,700</u>	<u>44,700</u>	<u>47,652</u>	<u>(2,952)</u>	<u>48,714</u>
Forestry and nursery					
Personal services	18,150	18,150	11,671	6,479	14,692
Supplies	5,000	5,000	1,874	3,126	3,485
Other services and charges	2,000	2,000	1,226	774	928
Total forestry and nursery	<u>25,150</u>	<u>25,150</u>	<u>14,771</u>	<u>10,379</u>	<u>19,105</u>
Library maintenance					
Other services and charges	25,700	25,700	30,396	(4,696)	27,082
Total culture and recreation	<u>171,525</u>	<u>171,525</u>	<u>160,075</u>	<u>11,450</u>	<u>155,678</u>

CITY OF LE SUEUR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Miscellaneous					
Unallocated					
Other charges	\$ 57,500	\$ 57,500	\$ 17,190	\$ 40,310	\$ 22,416
Safety and wellness program	5,940	5,940	8,062	(2,122)	6,225
Projects	15,000	15,000	17,504	(2,504)	85,622
Total miscellaneous	78,440	78,440	42,756	35,684	114,263
Total current	2,148,085	2,148,085	2,088,507	59,578	2,237,083
Capital outlay					
Public safety	-	-	215	(215)	-
Debt service					
Interest	-	-	-	-	1,111
TOTAL EXPENDITURES	2,148,085	2,148,085	2,088,722	59,363	2,238,194
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(176,761)	(176,761)	(1,556)	175,205	(284,429)
OTHER FINANCING SOURCES (USES)					
Transfers in	350,000	350,000	350,000	-	515,311
Transfers out	(26,710)	(26,710)	(26,710)	-	(31,584)
TOTAL OTHER FINANCING SOURCES (USES)	323,290	323,290	323,290	-	483,727
NET CHANGE IN FUND BALANCES	146,529	146,529	321,734	175,205	199,298
FUND BALANCES, JANUARY 1 AS RESTATED	641,338	641,338	641,338	-	391,159
PRIOR PERIOD RESTATEMENT, NOTE 8	-	-	-	-	50,881
FUND BALANCES, DECEMBER 31	\$ 787,867	\$ 787,867	\$ 963,072	\$ 175,205	\$ 641,338

CITY OF LE SUEUR, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2014

	301 2014A Recreational Facilities Bonds	306 1995 Lease Purchase	307 1999 Recreational Revenue Bond
ASSETS			
Cash and temporary investments	\$ 179,331	\$ 63,886	\$ 2,277
Receivables			
Notes and mortgages	-	-	-
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Intergovernmental	-	-	-
Advances to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 179,331</u>	<u>\$ 63,886</u>	<u>\$ 2,277</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued interest payable	731	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>731</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	-	-	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES			
Restricted for			
Debt service	178,600	63,886	2,277
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 179,331</u>	<u>\$ 63,886</u>	<u>\$ 2,277</u>

502 2005 G.O. Crossover Refunding Bonds	309 2002 G.O. Library Bonds	310 2002 G.O. Fire Station Bonds	312 2004 Equipment Lease Purchase	316 Johnson Control Facility Improvements	318 2008 G.O. Tax Abatement Bonds
\$ 6,395	\$ 15,022	\$ 63,820	\$ 51,540	\$ 9,051	\$ -
-	-	-	-	511,697	-
-	-	-	-	-	-
115,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 121,395</u>	<u>\$ 15,022</u>	<u>\$ 63,820</u>	<u>\$ 51,540</u>	<u>\$ 520,748</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
115,000	-	-	-	-	-
6,395	15,022	63,820	51,540	520,748	-
<u>\$ 121,395</u>	<u>\$ 15,022</u>	<u>\$ 63,820</u>	<u>\$ 51,540</u>	<u>\$ 520,748</u>	<u>\$ -</u>

CITY OF LE SUEUR, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2014

	319 2010 G.O. Certificates of Indebtedness	320 2010 Police CIP Bonds	321 Medical Facility Bonds 2010	322 EDA Lease Revenue 2010
ASSETS				
Cash and temporary investments	\$ 20,630	\$ 3,956	\$ 224,510	\$ 16,270
Receivables				
Notes and mortgages	-	-	4,963,775	-
Special assessments				
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	-
Advances to other funds	-	-	-	-
	<u>\$ 20,630</u>	<u>\$ 3,956</u>	<u>\$ 5,188,285</u>	<u>\$ 16,270</u>
TOTAL ASSETS	<u>\$ 20,630</u>	<u>\$ 3,956</u>	<u>\$ 5,188,285</u>	<u>\$ 16,270</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,270
Accrued interest payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,270</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for				
Debt service	20,630	3,956	5,188,285	-
	<u>20,630</u>	<u>3,956</u>	<u>5,188,285</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 20,630</u>	<u>\$ 3,956</u>	<u>\$ 5,188,285</u>	<u>\$ 16,270</u>

323	505	507	508	510		
LS	2002	2011B	2006A G.O.	2013B (2011A)		
Powerhouse	G.O.	G.O.	Improvement/	G.O. Street		
Abatement	Improvement	Refunding	2012A Refunding	Reconstruction	Totals	2013
	Bonds	Bonds	Bonds	Refunding Bonds		
\$ (6,705)	\$ 75,975	\$ 128,215	\$ 1,559	\$ 12,583	\$ 868,315	\$ 978,516
-	-	-	-	-	5,475,472	5,663,055
-	2,681	40,362	2,491	-	45,534	34,722
-	40,533	964,873	241,514	-	1,361,920	1,542,199
-	-	932	488	-	1,420	356
-	72,909	420,000	457,855	-	950,764	1,109,474
<u>\$ (6,705)</u>	<u>\$ 192,098</u>	<u>\$ 1,554,382</u>	<u>\$ 703,907</u>	<u>\$ 12,583</u>	<u>\$ 8,703,425</u>	<u>\$ 10,499,806</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,270	\$ 16,270
-	-	-	-	-	731	-
-	-	-	-	-	17,001	16,270
-	43,214	1,005,235	244,005	-	1,407,454	1,576,921
(6,705)	148,884	549,147	459,902	12,583	7,278,970	8,906,615
<u>\$ (6,705)</u>	<u>\$ 192,098</u>	<u>\$ 1,554,382</u>	<u>\$ 703,907</u>	<u>\$ 12,583</u>	<u>\$ 8,703,425</u>	<u>\$ 10,499,806</u>

CITY OF LE SUEUR, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014

	301 2014A Recreational Facilities Bonds	306 1995 Lease Purchase	307 1999 Recreational Revenue Bond
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Charges for services	-	-	-
Investment earnings	-	220	-
TOTAL REVENUES	-	220	-
EXPENDITURES			
Current			
Principal	-	50,000	75,000
Interest and other	-	6,595	2,137
Issuance costs	-	-	-
TOTAL EXPENDITURES	-	56,595	77,137
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(56,375)	(77,137)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	56,595	79,275
Bonds issued	178,600	-	-
Premiums (discounts) on bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	178,600	56,595	79,275
NET CHANGE IN FUND BALANCES	178,600	220	2,138
FUND BALANCES, JANUARY 1	-	63,666	139
PRIOR PERIOD RESTATEMENT	-	-	-
FUND BALANCES, JANUARY 1 AS RESTATED	-	63,666	139
FUND BALANCES, DECEMBER 31	<u>\$ 178,600</u>	<u>\$ 63,886</u>	<u>\$ 2,277</u>

502 2005 G.O. Crossover Refunding Bonds	309 2002 G.O. Library Bonds	310 2002 G.O. Fire Station Bonds	312 2004 Equipment Lease Purchase	316 2006C G.O. Johnson Controls	318 2008 G.O. Tax Abatement Bonds
\$ -	\$ 71,000	\$ -	\$ -	\$ 47,000	\$ 45,000
63,985	-	-	-	-	-
-	-	1,166	-	-	-
-	-	-	-	24,368	-
<u>63,985</u>	<u>71,000</u>	<u>1,166</u>	<u>-</u>	<u>71,368</u>	<u>45,000</u>
55,000	50,000	40,000	40,000	206,970	45,000
6,213	35,629	83,738	3,804	67,836	8,010
2,545	-	-	-	-	-
<u>63,758</u>	<u>85,629</u>	<u>123,738</u>	<u>43,804</u>	<u>274,806</u>	<u>53,010</u>
227	(14,629)	(122,572)	(43,804)	(203,438)	(8,010)
-	-	87,395	43,805	50,297	8,010
115,000	460,000	1,080,000	-	-	-
2,545	10,319	21,343	-	-	-
(115,000)	(455,000)	(1,065,000)	-	-	-
<u>2,545</u>	<u>15,319</u>	<u>123,738</u>	<u>43,805</u>	<u>50,297</u>	<u>8,010</u>
<u>2,772</u>	<u>690</u>	<u>1,166</u>	<u>1</u>	<u>(153,141)</u>	<u>-</u>
3,623	14,332	62,654	51,539	100,517	-
-	-	-	-	573,372	-
<u>3,623</u>	<u>14,332</u>	<u>62,654</u>	<u>51,539</u>	<u>673,889</u>	<u>-</u>
<u>\$ 6,395</u>	<u>\$ 15,022</u>	<u>\$ 63,820</u>	<u>\$ 51,540</u>	<u>\$ 520,748</u>	<u>\$ -</u>

CITY OF LE SUEUR, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	319 2010 G.O. Certificates of Indebtedness	320 2010 Police CIP Bonds	321 Medical Facility Bonds 2010	322 EDA Lease Revenue 2010
REVENUES				
Property taxes	\$ 57,051	\$ 59,000	\$ -	\$ -
Special assessments	-	-	-	-
Charges for services	-	-	302,777	-
Investment earnings	-	-	1,161	-
TOTAL REVENUES	57,051	59,000	303,938	-
EXPENDITURES				
Current				
Principal	80,000	40,000	122,969	-
Interest and other	5,359	15,044	305,716	-
Issuance costs	-	-	-	-
TOTAL EXPENDITURES	85,359	55,044	428,685	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,308)	3,956	(124,747)	-
OTHER FINANCING SOURCES (USES)				
Transfer in	20,487	-	-	-
Bonds issued	-	-	-	-
Premiums (discounts) on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,487	-	-	-
NET CHANGE IN FUND BALANCES	(7,821)	3,956	(124,747)	-
FUND BALANCES, JANUARY 1	28,451	-	223,349	-
PRIOR PERIOD RESTATEMENT	-	-	5,089,683	-
FUND BALANCES, JANUARY 1 AS RESTATED	28,451	-	5,313,032	-
FUND BALANCES, DECEMBER 31	\$ 20,630	\$ 3,956	\$ 5,188,285	\$ -

323	505	507	508	510	
LS	2002	2005C G.O.	2006A G.O.	2013B (2011A)	
Powerhouse	G.O.	Improvement/	Improvement/	G.O. Street	
Abatement	Improvement	2011B Refunding	2012A Refunding	Reconstruction	Totals
	Bonds	Bonds	Bonds	Refunding Bonds	
\$ -	\$ 40,000	\$ 17,000	\$ 70,000	\$ 66,000	\$ 472,051
-	13,911	106,686	41,741	-	226,323
-	-	-	-	-	303,943
-	-	-	3,961	-	29,710
-	53,911	123,686	115,702	66,000	1,032,027
-	80,000	270,000	1,320,000	55,000	2,529,939
-	9,100	48,585	87,531	20,562	705,859
-	-	-	-	-	2,545
-	89,100	318,585	1,407,531	75,562	3,238,343
-	(35,189)	(194,899)	(1,291,829)	(9,562)	(2,206,316)
-	-	-	-	-	345,864
-	-	-	-	-	1,833,600
-	-	-	-	-	34,207
-	-	-	-	-	(1,635,000)
-	-	-	-	-	578,671
-	(35,189)	(194,899)	(1,291,829)	(9,562)	(1,627,645)
(6,705)	184,073	744,046	1,751,731	22,145	3,243,560
-	-	-	-	-	5,663,055
(6,705)	184,073	744,046	1,751,731	22,145	8,906,615
<u>\$ (6,705)</u>	<u>\$ 148,884</u>	<u>\$ 549,147</u>	<u>\$ 459,902</u>	<u>\$ 12,583</u>	<u>\$ 7,278,970</u>

CITY OF LE SUEUR, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2014
 (With Comparative Totals for December 31, 2013)

	Agency			
	229 Cable TV	240 HRA	250 LSH Healthy Communities	606 Minnesota River Valley PUC
ASSETS				
Cash and temporary investments	\$ (3,740)	\$ (6,080)	\$ (5,313)	\$ (101,532)
Accounts receivable	3,740	8,630	5,313	43,842
Due from other governments	-	-	-	92,256
TOTAL ASSETS	\$ -	\$ 2,550	\$ -	\$ 34,566
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 34,566
Other postemployment benefits payable	-	2,550	-	-
TOTAL LIABILITIES	\$ -	\$ 2,550	\$ -	\$ 34,566

Totals

<u>2014</u>	<u>2013</u>
\$ (116,665)	\$ (220,815)
61,525	35,120
<u>92,256</u>	<u>192,256</u>
<u>\$ 37,116</u>	<u>\$ 6,561</u>
\$ 34,566	\$ 4,770
<u>2,550</u>	<u>1,791</u>
<u>\$ 37,116</u>	<u>\$ 6,561</u>

CITY OF LE SUEUR, MINNESOTA
 AGENCY FUNDS
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

CABLE TV (229)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
ASSETS				
Cash and temporary investments	\$ 984	\$ 17,439	\$ 22,163	\$ (3,740)
Accounts receivable	-	3,740	-	3,740
TOTAL ASSETS	<u>\$ 984</u>	<u>\$ 21,179</u>	<u>\$ 22,163</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	<u>\$ 984</u>	<u>\$ 21,179</u>	<u>\$ 22,163</u>	<u>\$ -</u>

HRA (240)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
ASSETS				
Cash and temporary investments	\$ (5,808)	\$ 94,568	\$ 94,840	\$ (6,080)
Accounts receivable	7,599	24,471	23,440	8,630
TOTAL ASSETS	<u>\$ 1,791</u>	<u>\$ 119,039</u>	<u>\$ 118,280</u>	<u>\$ 2,550</u>
LIABILITIES				
Accrued wages payable	\$ -	\$ 118,280	\$ 118,280	\$ -
Other postemployment benefits liability	1,791	759	-	2,550
TOTAL LIABILITIES	<u>\$ 1,791</u>	<u>\$ 119,039</u>	<u>\$ 118,280</u>	<u>\$ 2,550</u>

LSH HEALTHY COMMUNITIES (250)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
ASSETS				
Cash and temporary investments	\$ (3,698)	\$ 19,377	\$ 20,992	\$ (5,313)
Accounts receivable	3,698	4,844	3,229	5,313
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 24,221</u>	<u>\$ 24,221</u>	<u>\$ -</u>
LIABILITIES				
Accrued wages payable	<u>\$ -</u>	<u>\$ 24,221</u>	<u>\$ 24,221</u>	<u>\$ -</u>

CITY OF LE SUEUR, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2014

MINNESOTA RIVER VALLEY PUC (606)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
ASSETS				
Cash and temporary investments	\$ (212,293)	\$ 348,235	\$ 237,474	\$ (101,532)
Accounts receivable	23,823	106,073	86,054	43,842
Due from other governments	192,256	-	100,000	92,256
	\$ 3,786	\$ 454,308	\$ 423,528	\$ 34,566
LIABILITIES				
Accounts payable	\$ 3,786	\$ 200,584	\$ 169,804	\$ 34,566
Accrued wages payable	-	253,724	253,724	-
	\$ 3,786	\$ 454,308	\$ 423,528	\$ 34,566
TOTAL				
	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
ASSETS				
Cash and temporary investments	\$ (220,815)	\$ 479,619	\$ 375,469	\$ (116,665)
Accounts receivable	35,120	139,128	112,723	61,525
Due from other governments	192,256	-	100,000	92,256
	\$ 6,561	\$ 618,747	\$ 588,192	\$ 37,116
LIABILITIES				
Accounts payable	\$ 4,770	\$ 221,763	\$ 191,967	\$ 34,566
Accrued wages payable	-	396,225	396,225	-
Other postemployment benefits payable	1,791	759	-	2,550
	\$ 6,561	\$ 618,747	\$ 588,192	\$ 37,116

CITY OF LE SUEUR, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

	Total		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 1,957,944	\$ 1,834,413	6.73 %
Special assessments	226,323	321,921	(29.70)
Licenses and permits	105,338	197,249	(46.60)
Intergovernmental	1,279,595	1,045,943	22.34
Charges for services	1,199,636	856,471	40.07
Fines and forfeits	24,045	26,768	(10.17)
Investment earnings	41,059	46,468	(11.64)
Miscellaneous	316,362	968,457	(67.33)
TOTAL REVENUES	<u>\$ 5,150,302</u>	<u>\$ 5,297,690</u>	(2.78) %
Per Capita	\$ 1,264	\$ 1,308	(3.38) %
EXPENDITURES			
Current			
General government	\$ 401,927	\$ 401,602	0.08 %
Public safety	1,207,746	1,333,093	(9.40)
Streets and highways	551,796	502,482	9.81
Sanitation	1,423	2,276	(37.48)
Culture and recreation	895,865	859,180	4.27
Economic development	37,000	164,300	(77.48)
Miscellaneous	304,689	359,520	(15.25)
Capital outlay			
Public safety	44,283	43,247	2.40
Streets and highways	4,700	84,465	(94.44)
Culture and recreation	1,777,009	91,337	1,845.55
Miscellaneous	151,275	58,320	159.39
Debt service			
Principal	2,529,939	2,136,873	18.39
Interest and other charges	705,859	740,154	(4.63)
Issuance costs	78,550	33,540	134.20
TOTAL EXPENDITURES	<u>\$ 8,692,061</u>	<u>\$ 6,810,389</u>	27.63 %
Per Capita	\$ 2,134	\$ 1,682	26.85 %
Total Long-term Indebtedness	\$ 15,626,914	\$ 15,806,853	(1.14) %
Per Capita	3,836	3,904	(1.74)
General Fund Balance - December 31	\$ 963,072	\$ 641,338	50.17 %
Per Capita	236	158	49.25

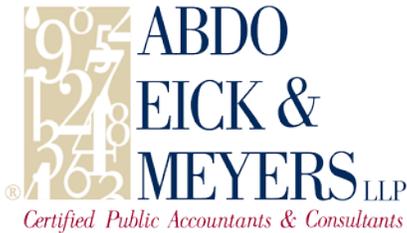
The purpose of this report is to provide a summary of financial information concerning the City of Le Sueur to interested citizens. The complete financial statements may be examined at 203 S. Second Street, P.O. Box 176, Le Sueur, MN 56058-0176. Questions about this report should be directed to Linda Endres, Finance Director at 507-665-6401.

OTHER REQUIRED REPORTS

CITY OF LE SUEUR
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of 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 (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2015.

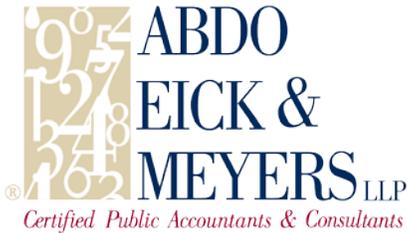
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 4, 2015



INDEPENDENT AUDITOR'S 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*

Honorable Mayor and City Council
City of Le Sueur, Minnesota

We have audited, in accordance with the 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 City of Le Sueur, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-001, 2014-003 and 2014-004 to be significant deficiencies.

Compliance and Other Matters

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

The City's Responses to Findings

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

Purpose of this Report

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 4, 2015

CITY OF LE SUEUR, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding Description

2014-001 **Financial report preparation**

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause: From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your CMS financial information to the amount reported in the audited financial statements.

Management response:

The City is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cities. Each year the City thoroughly reviews a draft of the financial statements and has a presentation from our auditor to the Council after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and the Council to monitor the deficiency.

Updated progress since prior year:

The City continues to accept this deficiency.

CITY OF LE SUEUR, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-002 Material audit and accounting adjustments

Condition: During our audit, adjustments were needed to record numerous accounting and audit adjustments. Some adjustments were individually material, including eight adjustments that were needed:

- To adjust interfunds, transfers and related payables.
- To adjust loans receivable and related interest and principal payments.
- To record and adjust unavailable revenue and related revenue activity.
- To record bond proceeds and escrow activity.
- To record and adjust accounts receivable and related revenue activity.
- To record due from other government and related grant revenue activity.

Criteria: Such adjustments should be detected and made by the City's personnel.

Cause: City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.

Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control for this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management response:

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

Updated progress since prior year:

The City will review the audit journal entries and will be seeking training in order to record more of these entries in the future.

CITY OF LE SUEUR, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-003 Segregation of duties

- Condition:* During our audit, we reviewed internal control procedures over cash receipts, and utility billing transactions and found the City to have limited segregation of duties in these areas.
- Criteria:* There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
- Effect:* The existence of this limited segregation of duties increases the risk of fraud.

Internal control over cash receipts

- Cause:* As a result of the small number of staff, the Deputy Clerk sets up customers, maintains receipts journal and accounts receivable records, posts transactions to the general ledger, receives and endorses checks and currency, and prepares the deposit.
- Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. Additional controls might include obtaining and reviewing monthly receipt information.

Management response:

The Council has already taken measures to comply even though the City is relatively small and the number of staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes regular review of financial statements, regular review of bank reconciliations and budget comparisons.

Internal control over utility billing

- Cause:* As a result of the small number of staff, the Deputy Clerk approves new accounts, sets up customers and rates in the billing system, generates statements, enters readings, prepares the deposit and makes adjustments to accounts.
- Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include reviewing billing registers, exception reports, adjustments to accounts and employee billing records.

Management response:

The Council has already taken measures to comply even though the City is relatively small and the number of staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

CITY OF LE SUEUR, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-004 Inadequate year-end account reconciliations

Condition: During our audit, reconciliations were required of multiple accounts including: accounts receivable, accounts payable and cash accounts. We found the City to have limited reconciliations in these areas.

Criteria: Policies and procedures should be in place for City personnel to perform regular reconciliations, to review activity and identify related adjustments of the accounts receivable, accounts payable and cash accounts.

Effect: This indicates that it would be likely that misstatements may occur and not be detected by the City. The audit firm cannot serve as a compensating control for this deficiency.

Cause: The City has not prepared a year-end accounts receivable, accounts payable or cash account reconciliation reflecting all necessary activity and adjustments without auditor assistance.

Recommendation: We recommend that management review each reconciliation and adjustment and obtain an understanding of why regular reconciliations are necessary. It is important that the Council is aware of this condition and monitor all financial information.

Management response:

The City will review and prepare all reconciliations and related adjustments in the future. The Finance Director will continue to monitor all financial activity, adjust account balances and complete reconciliations as need throughout the year and at year-end to prevent material misstatements from occurring.