

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2011

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ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF LE SUEUR, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**ELECTED**

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

**APPOINTED**

Richard Almich	Administrator
Linda Endres	Finance Director

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**FINANCIAL SECTION**

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

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Le Sueur, Minnesota

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2010 financial statements and in our report dated May 24, 2011 we expressed unqualified 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 units, each major fund and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General and Community Center special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Note 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

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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 starting on page 90 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or to the 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 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.

May 11, 2012  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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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, 2011.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$33,960,210 (net assets). Of this amount, \$4,894,902 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$40,709 as compared to an increase of \$545,112 in the previous year. The majority of this decrease can be attributed to the decrease in capital grants and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,703,430, a decrease of \$393,229 in comparison with the prior year. The major reason for this decrease was due to a decrease in capital grants and contributions. Approximately 20.9 percent of this total amount, \$2,031,173, 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 \$282,354, or 15.5 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 increased by \$240,666 or 0.6 percent during the current fiscal year. This increase was due to the issuance of bonds. Long-term debt of \$3,155,000 was issued and \$2,914,334 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**

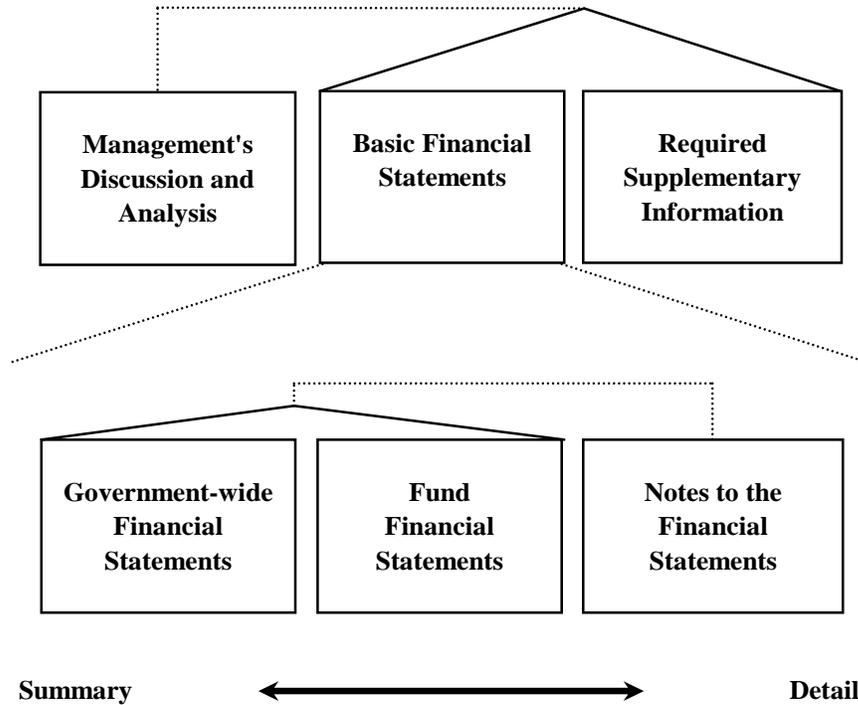


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>
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 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and electric 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 39 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, the Hospital Project 2010 fund and the Airport Improvement Project 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 statements and schedules can be found starting on page 92 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$33,960,210 at the close of the most recent fiscal year.

The largest portion of the City's net assets (63.6 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 Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Current and other assets	\$ 19,651,969	\$ 20,281,752	\$ (629,783)	\$ 2,897,335	\$ 3,681,830	\$ (784,495)
Capital assets	15,479,272	15,692,534	(213,262)	35,612,244	35,963,666	(351,422)
Total assets	35,131,241	35,974,286	(843,045)	38,509,579	39,645,496	(1,135,917)
Long-term liabilities outstanding	19,378,868	17,743,147	1,635,721	19,006,755	20,397,486	(1,390,731)
Other liabilities	495,663	2,695,789	(2,200,126)	799,324	782,441	16,883
Total liabilities	19,874,531	20,438,936	(564,405)	19,806,079	21,179,927	(1,373,848)
Invested in capital assets, net of related debt	4,750,998	4,547,814	203,184	16,845,753	15,812,223	1,033,530
Restricted	6,993,064	8,046,798	(1,053,734)	475,493	488,846	(13,353)
Unrestricted	3,512,648	2,940,738	571,910	1,382,254	2,164,500	(782,246)
Total net assets	<u>\$ 15,256,710</u>	<u>\$ 15,535,350</u>	<u>\$ (278,640)</u>	<u>\$ 18,703,500</u>	<u>\$ 18,465,569</u>	<u>\$ 237,931</u>

An additional portion of the City's net assets (22.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (14.4 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 assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets decreased by \$40,709 during the current fiscal year. The majority of this decrease can be attributed to the decrease in capital grants and contributions.

**Governmental activities.** Governmental activities decreased the City's net assets by \$278,640. Key elements of this decrease are as follows:

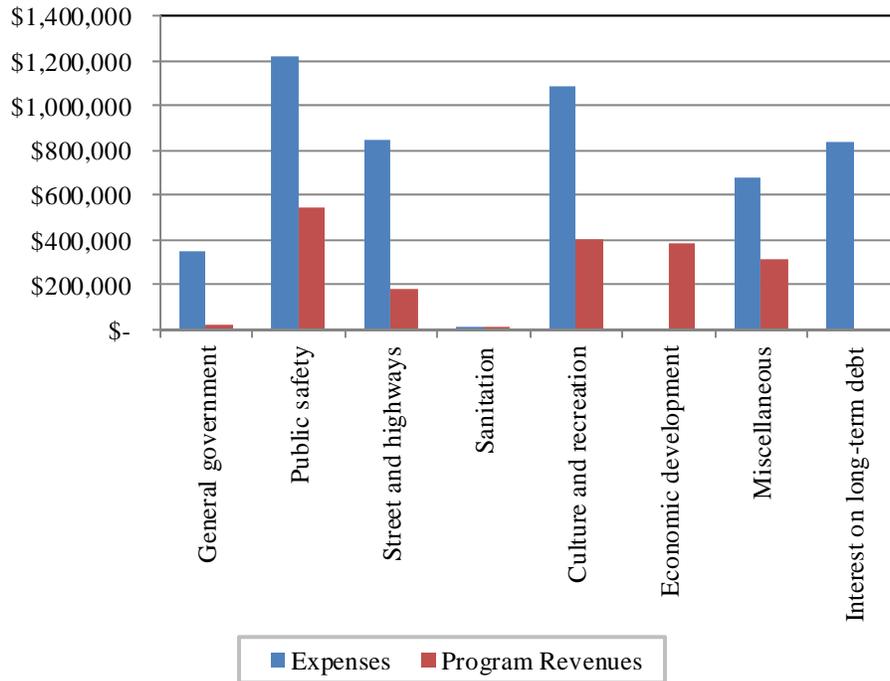
### City of Le Sueur's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,428,841	\$ 1,354,010	\$ 74,831	\$ 10,754,388	\$ 10,263,544	\$ 490,844
Operating grants and contributions	316,328	263,566	52,762	-	-	-
Capital grants and contributions	111,677	600,328	(488,651)	248,555	364,414	(115,859)
General revenues						
Property taxes/tax increments	1,646,584	1,657,659	(11,075)	-	-	-
Franchise fees	9,754	21,428	(11,674)	-	-	-
Other taxes	2,153	2,028	125	-	-	-
Grants and contributions not restricted to specific programs	835,254	834,620	634	-	-	-
Unrestricted investment earnings	21,731	31,453	(9,722)	29,895	38,796	(8,901)
Other	16,283	29,712	(13,429)	-	-	-
<b>Total revenues</b>	<b>4,388,605</b>	<b>4,794,804</b>	<b>(406,199)</b>	<b>11,032,838</b>	<b>10,666,754</b>	<b>366,084</b>
Expenses						
General government	351,489	350,190	1,299	-	-	-
Public safety	1,221,015	1,222,831	(1,816)	-	-	-
Streets and highways	851,220	861,968	(10,748)	-	-	-
Sanitation	2,017	-	2,017	-	-	-
Culture and recreation	1,083,689	981,800	101,889	-	-	-
Economic development	(7,390)	351,322	(358,712)	-	-	-
Miscellaneous	679,973	591,440	88,533	-	-	-
Interest on long-term debt	835,232	696,988	138,244	-	-	-
Water utility	-	-	-	784,465	827,889	(43,424)
Sewer utility	-	-	-	1,522,432	1,423,317	99,115
Electric utility	-	-	-	8,138,010	7,608,701	529,309
<b>Total expenses</b>	<b>5,017,245</b>	<b>5,056,539</b>	<b>(39,294)</b>	<b>10,444,907</b>	<b>9,859,907</b>	<b>585,000</b>
Increase in net assets before transfers	(628,640)	(261,735)	(366,905)	587,931	806,847	(218,916)
Transfers	350,000	424,620	(74,620)	(350,000)	(424,620)	74,620
<b>Change in net assets</b>	<b>(278,640)</b>	<b>162,885</b>	<b>(441,525)</b>	<b>237,931</b>	<b>382,227</b>	<b>(144,296)</b>
Net assets - January 1,	15,535,350	15,372,465	162,885	18,465,569	18,083,342	382,227
<b>Net assets - December 31,</b>	<b>\$ 15,256,710</b>	<b>\$ 15,535,350</b>	<b>\$ (278,640)</b>	<b>\$ 18,703,500</b>	<b>\$ 18,465,569</b>	<b>\$ 237,931</b>

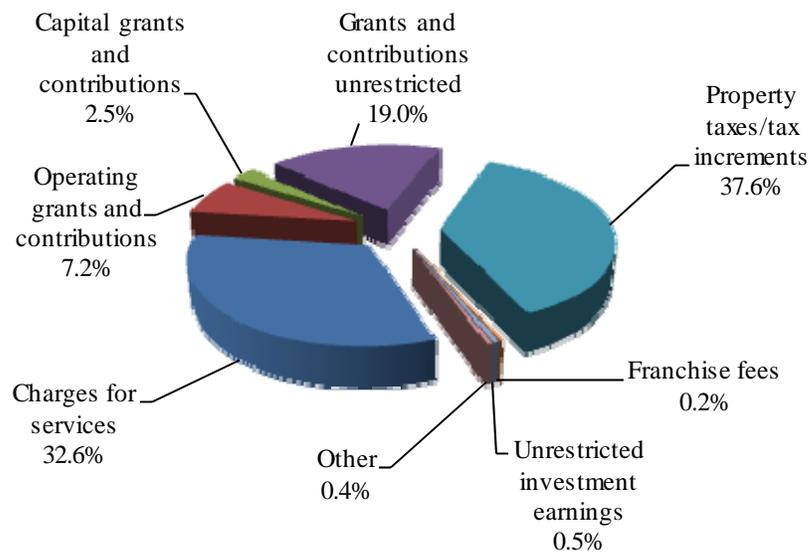
Property tax levies decreased by \$118,568 (6.9 percent) during the year.

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

### Expenses and Program Revenues - Governmental Activities



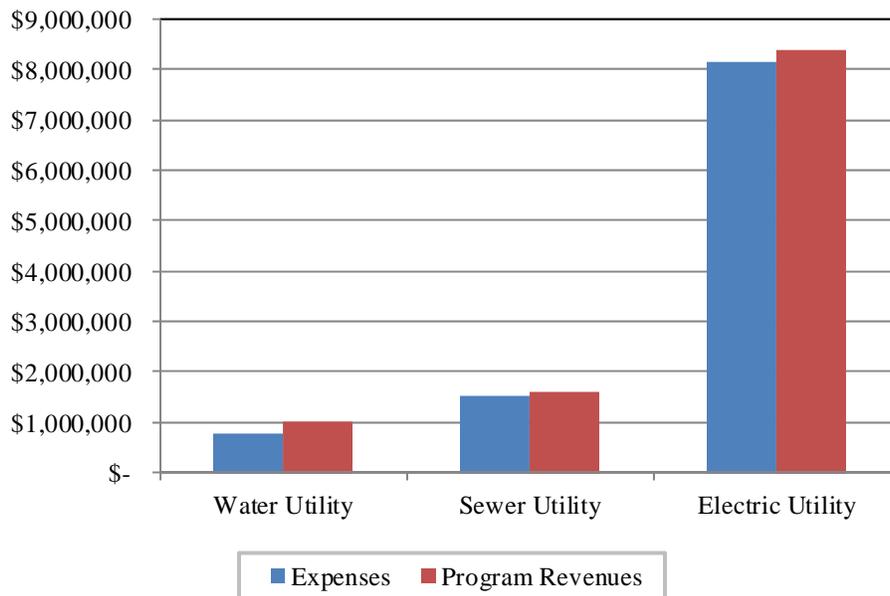
### Revenues by Source - Governmental Activities



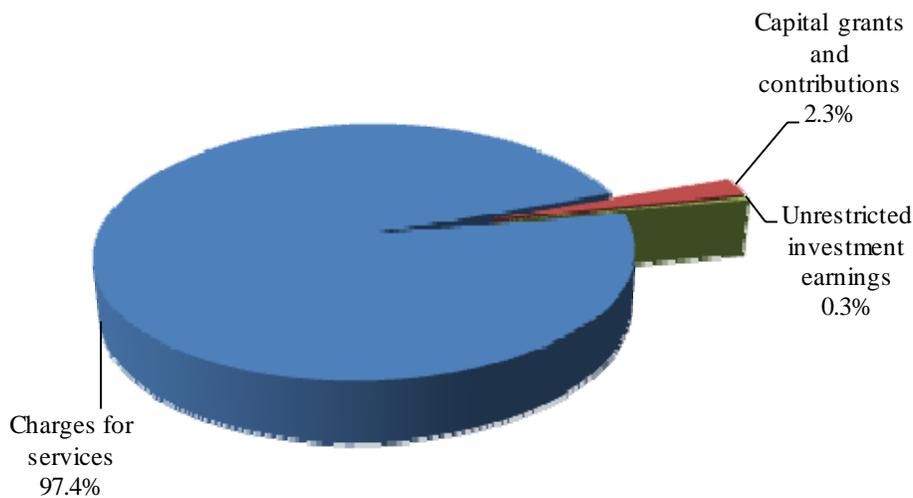
**Business-type activities.** Business-type activities increased the City’s net assets by \$237,931. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 4.2 percent. The Water, Sewer, and Electric Utility funds account for all of this increase, which resulted primarily from an increase in consumption. This accounts for the \$436,053 increase in charges for services for these funds.
- Capital contributions during the current fiscal year produced \$248,555 in revenue, compared to \$364,414 in the previous year.
- Investment earnings were \$29,895 for 2011, compared to \$38,796 in the previous year.

**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 \$9,703,430, an decrease of \$393,229 in comparison with the prior year. The major reason for this decrease was due to a decrease in capital grants and contributions. A deficit of \$483,686 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 (\$35,518), restricted (\$7,636,739), committed (\$1,370,330), or assigned (\$1,144,529) 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 \$304,513. 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 15.5 percent of fund expenditures, while total fund balance represents 16.7 percent of that same amount.

The fund balance of the City's General fund decreased by \$14,433 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$7,248,531, 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 \$118,974. The major reason for this decrease was due to costs associated with the Immanuel St. Joseph's/Mayo Health Systems, Inc. project that received the proceeds in the prior year.

The *Economic Development Revolving Loan fund* has a total fund balance of \$1,588,255 at year end. The net decrease in fund balance during the current year was \$207,811. This decrease was mainly the result of new loans made during the year exceeding loan repayment receipts.

The *Community Center fund* has a total fund balance of \$226,898 at year end. The net increase in fund balance during the current year was \$90,396. This increase was due to revenues being in excess of expenditures.

The *Hospital Project 2010 fund* has a total fund deficit of \$37,184 at year end. There was no activity in the fund during 2011.

The *Airport Improvement Project* has a total fund deficit of \$36,674 at the year end. There was an increase in the fund deficit in 2011 to write off a receivable that they are no longer expecting to receive.

**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 assets of the enterprise funds at the end of the year amounted to \$1,382,254. The total growth in net assets for the funds was \$237,931. 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 2011. The budget called for an increase in fund balance of \$187,138. Revenues were under budget by \$237,866 and expenditures were under budget by \$19,822, causing the majority of the \$14,433 decrease in fund balance in the General fund for 2011.

## 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, 2011, amounts to \$51,091,516 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 1.1 percent (a 1.4 percent decrease for governmental activities and a 1.0 percent decrease for business-type activities).

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

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 477,086	\$ 477,086	\$ -	\$ 513,973	\$ 513,973	\$ -
Buildings	4,820,237	4,879,714	(59,477)	3,267,339	2,892,394	374,945
Infrastructure/systems	7,956,723	7,892,479	64,244	12,455,610	12,808,765	(353,155)
Machinery and equipment	690,410	692,125	(1,715)	1,500,025	1,540,678	(40,653)
Vehicles	810,536	908,597	(98,061)	313,397	340,133	(26,736)
Construction in progress	724,280	842,533	(118,253)	17,561,900	17,867,723	(305,823)
<b>Total</b>	<b>\$ 15,479,272</b>	<b>\$ 15,692,534</b>	<b>\$ (213,262)</b>	<b>\$ 35,612,244</b>	<b>\$ 35,963,666</b>	<b>\$ (351,422)</b>

Additional information on the City's capital assets can be found in Note 3D starting on page 67 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$38,147,400. Of this amount, \$7,195,000 is special assessment debt, \$26,992,400 is revenue debt, and \$3,960,000 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		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
General obligation bonds	\$ 3,960,000	\$ 3,585,000	\$ 375,000	\$ -	\$ -	\$ -
General obligation improvement bonds	7,195,000	5,625,000	1,570,000	-	-	-
General obligation revenue bonds	310,000	350,000	(40,000)	18,898,041	20,299,041	(1,401,000)
Revenue bonds	7,784,359	8,047,693	(263,334)	-	-	-
<b>Total</b>	<b>\$ 19,249,359</b>	<b>\$ 17,607,693</b>	<b>\$ 1,641,666</b>	<b>\$ 18,898,041</b>	<b>\$ 20,299,041</b>	<b>\$ (1,401,000)</b>

The City's total debt increased by \$240,666, 0.6 percent, during the current fiscal year. The major reason for the increase is the issuance of bonds. Long-term debt of \$3,155,000 was issued and \$2,914,334 was retired during the year.

The City's current bond rating from Moody's is an "A" 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 limitation for the City is \$10,689,501, which is in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F starting on page 72 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Le Sueur County is currently 8.0 percent, which is a decrease from a rate of 9.8 percent a year ago. This is higher than the State's average unemployment rate of 5.8 percent and the national average rate of 8.3 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 2012 fiscal year.

There will be a decrease in the property tax levy in 2012 of \$1,391. 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 City Clerk-Treasurer, City of Le Sueur, 203 S. Second Street, P.O. Box 176, Le Sueur, MN 56058-0176.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

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CITY OF LE SUEUR, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 3,835,964	\$ 2,341,578	\$ 6,177,542	\$ 115,822
Escrowed investments	3,380,166	475,493	3,855,659	-
Receivables				
Interest	49,837	-	49,837	-
Delinquent taxes	107,114	-	107,114	43,589
Accounts	128,643	1,553,832	1,682,475	-
Notes and mortgages	6,833,417	428,096	7,261,513	2,251,062
Special assessments	2,329,142	59,556	2,388,698	-
Intergovernmental	114,571	75,990	190,561	-
Internal balances	2,504,219	(2,504,219)	-	-
Due from component unit/primary government	-	-	-	136,201
Inventories	22,267	325,318	347,585	-
Prepaid items	2,766	10,141	12,907	-
Unamortized bond discount	343,863	131,550	475,413	40,164
Land held for resale	-	-	-	188,000
Capital assets				
Nondepreciable	1,201,366	18,075,873	19,277,239	1,457,532
Depreciable, net	14,277,906	17,536,371	31,814,277	-
<b>TOTAL ASSETS</b>	<b>35,131,241</b>	<b>38,509,579</b>	<b>73,640,820</b>	<b>4,232,370</b>
<b>LIABILITIES</b>				
Accounts payable	145,756	645,495	791,251	34,145
Due to component unit/primary government	136,201	-	136,201	-
Due to other governments	-	19,411	19,411	-
Accrued interest payable	161,557	67,908	229,465	100,530
Accrued salaries payable	52,149	37,760	89,909	-
Customer deposits payable	-	28,750	28,750	-
Noncurrent liabilities				
Due within one year	3,379,703	1,566,097	4,945,800	134,007
Due in more than one year	15,999,165	17,440,658	33,439,823	4,050,382
<b>TOTAL LIABILITIES</b>	<b>19,874,531</b>	<b>19,806,079</b>	<b>39,680,610</b>	<b>4,319,064</b>
<b>NET ASSETS (LIABILITIES)</b>				
Invested in capital assets, net of related debt	4,750,998	16,845,753	21,596,751	(220,693)
Restricted for				
Debt service	6,604,856	475,493	7,080,349	-
Economic development loans	388,208	-	388,208	-
Tax increment financing	-	-	-	10,518
Unrestricted	3,512,648	1,382,254	4,894,902	123,481
<b>TOTAL NET ASSETS (LIABILITIES)</b>	<b>\$ 15,256,710</b>	<b>\$ 18,703,500</b>	<b>\$ 33,960,210</b>	<b>\$ (86,694)</b>

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, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 351,489	\$ 22,672	\$ -	\$ -
Public safety	1,221,015	477,347	74,847	(7,687)
Streets and highways	851,220	3,815	49,799	123,753
Sanitation	2,017	12,707	-	-
Culture and recreation	1,083,689	401,964	3,045	200
Housing and economic development	(7,390)	381,681	-	-
Miscellaneous	679,973	128,655	188,637	(4,589)
Interest on noncurrent debt	835,232	-	-	-
Total governmental activities	<u>5,017,245</u>	<u>1,428,841</u>	<u>316,328</u>	<u>111,677</u>
Business-type activities				
Water utility	784,465	971,860	-	47,129
Sewer utility	1,522,432	1,399,512	-	198,786
Electric utility	8,138,010	8,383,016	-	2,640
Total business-type activities	<u>10,444,907</u>	<u>10,754,388</u>	<u>-</u>	<u>248,555</u>
Total primary government	<u>\$ 15,462,152</u>	<u>\$ 12,183,229</u>	<u>\$ 316,328</u>	<u>\$ 360,232</u>
Component unit				
Economic development	<u>\$ 591,139</u>	<u>\$ 74,048</u>	<u>\$ 20,000</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 assets

Net assets, January 1

Net assets, December 31

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (328,817)		\$ (328,817)	
(676,508)		(676,508)	
(673,853)		(673,853)	
10,690		10,690	
(678,480)		(678,480)	
389,071		389,071	
(367,270)		(367,270)	
(835,232)		(835,232)	
(3,160,399)		(3,160,399)	
	\$ 234,524	234,524	
	75,866	75,866	
	247,646	247,646	
	558,036	558,036	
(3,160,399)	558,036	(2,602,363)	
			\$ (497,091)
860,707	-	860,707	-
785,877	-	785,877	-
-	-	-	87,178
9,754	-	9,754	-
2,153	-	2,153	-
835,254	-	835,254	-
21,731	29,895	51,626	1,100
12,628	-	12,628	-
3,655	-	3,655	-
350,000	(350,000)	-	-
2,881,759	(320,105)	2,561,654	88,278
(278,640)	237,931	(40,709)	(408,813)
15,535,350	18,465,569	34,000,919	322,119
\$ 15,256,710	\$ 18,703,500	\$ 33,960,210	\$ (86,694)

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**FUND FINANCIAL STATEMENTS**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF LE SUEUR, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<b>101</b>	<b>228</b>	<b>615</b>
	General	Economic Development Revolving Loan	Community Center
<b>ASSETS</b>			
Cash and temporary investments (deficits)	\$ 333,297	\$ 1,538,418	\$ 234,610
Escrowed investments	-	-	-
Receivables			
Interest	-	49,837	-
Delinquent taxes	107,114	-	-
Accounts	27,061	-	18,163
Notes and mortgages	-	1,855,260	-
Special assessments	-	-	-
Intergovernmental	79,782	-	-
Due from other funds	10,485	-	-
Advances to other funds	-	-	-
Inventories	8,908	-	1,719
Prepaid items	2,766	-	-
	<u>569,413</u>	<u>3,443,515</u>	<u>254,492</u>
<b>TOTAL ASSETS</b>	<u>\$ 569,413</u>	<u>\$ 3,443,515</u>	<u>\$ 254,492</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 84,287	\$ -	\$ 13,178
Due to other funds	-	-	3,387
Advances from other funds	35,871	-	-
Advances from component unit	-	-	-
Accrued interest payable	-	-	-
Accrued wages payable	37,628	-	11,029
Deferred revenue	107,114	1,855,260	-
	<u>264,900</u>	<u>1,855,260</u>	<u>27,594</u>
<b>TOTAL LIABILITIES</b>	<u>264,900</u>	<u>1,855,260</u>	<u>27,594</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable for			
Due from other funds	10,485	-	-
Inventories	8,908	-	1,719
Prepaid items	2,766	-	-
Restricted for			
Economic development loans	-	388,208	-
Debt service	-	-	-
Committed for			
Economic development loans	-	1,129,190	-
Recreation, operations, maintenance, and improvements	-	-	173,711
Fire department operations and maintenance	-	-	-
Ambulance operations and maintenance	-	-	-
Assigned for			
Economic development loans	-	70,857	-
Recreation, operations, maintenance, and improvements	-	-	51,468
Ambulance operations and maintenance	-	-	-
Transit operations and maintenance	-	-	-
Capital projects	-	-	-
Unassigned	282,354	-	-
	<u>304,513</u>	<u>1,588,255</u>	<u>226,898</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>304,513</u>	<u>1,588,255</u>	<u>226,898</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 569,413</u>	<u>\$ 3,443,515</u>	<u>\$ 254,492</u>

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

<b>300s</b>	<b>455</b>	<b>491</b>		
Debt Service	Hospital Project 2010	Airport Improvement Project	Other Governmental Funds	Total Governmental Funds
\$ 1,269,145	\$ 82,747	\$ (36,674)	\$ 414,421	\$ 3,835,964
3,380,166	-	-	-	3,380,166
-	-	-	-	49,837
-	-	-	-	107,114
18,086	-	-	65,333	128,643
4,943,908	-	-	34,249	6,833,417
2,288,077	-	-	41,065	2,329,142
6,382	-	-	28,407	114,571
-	-	-	-	10,485
2,591,919	-	-	76,976	2,668,895
-	-	-	11,640	22,267
-	-	-	-	2,766
<u>\$ 14,497,683</u>	<u>\$ 82,747</u>	<u>\$ (36,674)</u>	<u>\$ 672,091</u>	<u>\$ 19,483,267</u>
\$ -	\$ -	\$ -	\$ 46,625	\$ 144,090
-	-	-	13,569	16,956
-	-	-	124,000	159,871
16,270	119,931	-	-	136,201
897	-	-	-	897
-	-	-	3,492	52,149
<u>7,231,985</u>	<u>-</u>	<u>-</u>	<u>75,314</u>	<u>9,269,673</u>
<u>7,249,152</u>	<u>119,931</u>	<u>-</u>	<u>263,000</u>	<u>9,779,837</u>
-	-	-	-	10,485
-	-	-	11,640	22,267
-	-	-	-	2,766
-	-	-	-	388,208
7,248,531	-	-	-	7,248,531
-	-	-	-	1,129,190
-	-	-	-	173,711
-	-	-	53,403	53,403
-	-	-	14,026	14,026
-	-	-	-	70,857
-	-	-	-	51,468
-	-	-	7,445	7,445
-	-	-	46,394	46,394
-	-	-	968,365	968,365
-	(37,184)	(36,674)	(692,182)	(483,686)
<u>7,248,531</u>	<u>(37,184)</u>	<u>(36,674)</u>	<u>409,091</u>	<u>9,703,430</u>
<u>\$ 14,497,683</u>	<u>\$ 82,747</u>	<u>\$ (36,674)</u>	<u>\$ 672,091</u>	<u>\$ 19,483,267</u>

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CITY OF LE SUEUR, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 9,703,430
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	15,479,272
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	(70,674)
Other postemployment benefits payable	(58,835)
Bonds payable	(19,249,359)
Bond discounts/issuance costs net of accumulated amortization	343,863
Noncurrent assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes receivable	107,114
Special assessments receivable	2,329,142
Loans receivable	6,833,417
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(160,660)</u>
Total net assets - governmental activities	<u><u>\$ 15,256,710</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 (DEFICITS)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>101</b>	<b>228</b>	<b>615</b>
	General	Economic Development Revolving Loan	Community Center
<b>REVENUES</b>			
Taxes	\$ 355,843	\$ -	\$ 393,090
Special assessments	-	-	-
Licenses and permits	125,735	-	-
Intergovernmental	910,736	-	-
Charges for services	21,200	-	372,240
Fines and forfeits	16,125	-	-
Investment earnings	9,970	7,903	-
Miscellaneous	44,659	214,286	28,119
<b>TOTAL REVENUES</b>	<b>1,484,268</b>	<b>222,189</b>	<b>793,449</b>
<b>EXPENDITURES</b>			
Current			
General government	350,990	-	-
Public safety	800,491	-	-
Streets and highways	473,877	-	-
Sanitation	2,017	-	-
Culture and recreation	164,261	-	627,053
Housing and economic development	-	430,000	-
Miscellaneous	26,008	-	-
Capital outlay			
General government	-	-	-
Public safety	2,915	-	-
Streets and highways	-	-	-
Culture and recreation	-	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	-	-
Interest and other	3,147	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,823,706</b>	<b>430,000</b>	<b>627,053</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(339,438)</b>	<b>(207,811)</b>	<b>166,396</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	-	-	-
Transfers in	350,000	-	-
Bonds issued	-	-	-
Discount on bonds issued	-	-	-
Transfers out	(24,995)	-	(76,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>325,005</b>	<b>-</b>	<b>(76,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(14,433)</b>	<b>(207,811)</b>	<b>90,396</b>
<b>FUND BALANCES (DEFICITS), JANUARY 1</b>	<b>318,946</b>	<b>1,796,066</b>	<b>136,502</b>
<b>FUND BALANCES (DEFICITS), DECEMBER 31</b>	<b>\$ 304,513</b>	<b>\$ 1,588,255</b>	<b>\$ 226,898</b>

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

<b>300s</b>	<b>455</b>	<b>491</b>		
Debt	Hospital	Airport	Other	Total
Service	Project	Improvement	Governmental	Governmental
	2010	Project	Funds	Funds
\$ 785,877	\$ -	\$ -	\$ 103,866	\$ 1,638,676
275,857	-	-	7,814	283,671
-	-	-	-	125,735
-	-	(4,589)	217,397	1,123,544
-	-	-	459,312	852,752
-	-	-	-	16,125
45,497	-	-	-	63,370
352,348	-	-	42,640	682,052
<u>1,459,579</u>	<u>-</u>	<u>(4,589)</u>	<u>831,029</u>	<u>4,785,925</u>
-	-	-	-	350,990
-	-	-	261,677	1,062,168
-	-	-	-	473,877
-	-	-	-	2,017
-	-	-	-	791,314
1,979,890	-	-	-	2,409,890
-	-	-	322,202	348,210
-	-	-	41,183	41,183
-	-	-	495,624	498,539
-	-	-	171,494	171,494
-	-	-	122,449	122,449
-	-	-	145,801	145,801
1,513,334	-	-	-	1,513,334
746,969	-	-	-	750,116
<u>4,240,193</u>	<u>-</u>	<u>-</u>	<u>1,560,430</u>	<u>8,681,382</u>
<u>(2,780,614)</u>	<u>-</u>	<u>(4,589)</u>	<u>(729,401)</u>	<u>(3,895,457)</u>
-	-	-	3,655	3,655
258,067	-	-	45,333	653,400
2,410,000	-	-	745,000	3,155,000
(6,427)	-	-	-	(6,427)
-	-	-	(202,405)	(303,400)
<u>2,661,640</u>	<u>-</u>	<u>-</u>	<u>591,583</u>	<u>3,502,228</u>
(118,974)	-	(4,589)	(137,818)	(393,229)
<u>7,367,505</u>	<u>(37,184)</u>	<u>(32,085)</u>	<u>546,909</u>	<u>10,096,659</u>
<u>\$ 7,248,531</u>	<u>\$ (37,184)</u>	<u>\$ (36,674)</u>	<u>\$ 409,091</u>	<u>\$ 9,703,430</u>

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CITY OF LE SUEUR, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balance - governmental funds \$ (393,229)

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

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	786,082
Depreciation expense	(999,344)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	1,513,334
Debt issued or incurred	(3,155,000)
Bond issuance costs, net of amortization expense	13,262
Bond discounts, net of amortization expense	(527)

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.

(91,424)

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	17,662
Special assessments	(166,288)
Loan principal repayments	(226,393)

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	(2,201)
Other postemployment benefits expense	8,146

Certain expenditures reported in the governmental funds require the use of current financial resources and, therefore, are reported as expenditures in the funds.

Loans made	2,417,280
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Change in net assets - governmental activities \$ (278,640)

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, 2011

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 373,737	\$ 471,735	\$ 355,843	\$ (115,892)
Licenses and permits	45,600	45,600	125,735	80,135
Intergovernmental	1,129,797	1,031,799	910,736	(121,063)
Charges for services	20,000	20,000	21,200	1,200
Fines and forfeits	25,250	25,250	16,125	(9,125)
Interest earnings	5,000	5,000	9,970	4,970
Miscellaneous	122,750	122,750	44,659	(78,091)
<b>TOTAL REVENUES</b>	<b>1,722,134</b>	<b>1,722,134</b>	<b>1,484,268</b>	<b>(237,866)</b>
EXPENDITURES				
Current				
General government	395,148	395,148	350,990	44,158
Public safety	764,235	764,235	800,491	(36,256)
Streets and highways	478,662	478,662	473,877	4,785
Sanitation	-	-	2,017	(2,017)
Culture and recreation	157,686	157,686	164,261	(6,575)
Miscellaneous	43,650	43,650	26,008	17,642
Capital outlay				
Public safety	1,000	1,000	2,915	(1,915)
Debt service				
Interest and other	3,147	3,147	3,147	-
<b>TOTAL EXPENDITURES</b>	<b>1,843,528</b>	<b>1,843,528</b>	<b>1,823,706</b>	<b>19,822</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(121,394)	(121,394)	(339,438)	(218,044)
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	350,000	350,000	-
Transfers out	(41,468)	(41,468)	(24,995)	16,473
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>308,532</b>	<b>308,532</b>	<b>325,005</b>	<b>16,473</b>
NET CHANGE IN FUND BALANCES	187,138	187,138	(14,433)	(201,571)
FUND BALANCES, JANUARY 1	318,946	318,946	318,946	-
FUND BALANCES, DECEMBER 31	<u>\$ 506,084</u>	<u>\$ 506,084</u>	<u>\$ 304,513</u>	<u>\$ (201,571)</u>

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

Community Center Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ 393,090	\$ 393,090	\$ 393,090	\$ -
-	-	-	-
-	-	-	-
341,700	341,700	372,240	30,540
-	-	-	-
-	-	-	-
18,000	18,000	28,119	10,119
<u>752,790</u>	<u>752,790</u>	<u>793,449</u>	<u>40,659</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
681,790	681,790	627,053	54,737
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>681,790</u>	<u>681,790</u>	<u>627,053</u>	<u>54,737</u>
71,000	71,000	166,396	95,396
-	-	-	-
<u>(71,000)</u>	<u>(71,000)</u>	<u>(76,000)</u>	<u>(5,000)</u>
<u>(71,000)</u>	<u>(71,000)</u>	<u>(76,000)</u>	<u>(5,000)</u>
-	-	90,396	90,396
136,502	136,502	136,502	-
<u>\$ 136,502</u>	<u>\$ 136,502</u>	<u>\$ 226,898</u>	<u>\$ 90,396</u>

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF NET ASSETS (LIABILITIES)  
PROPRIETARY FUNDS  
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments (deficits)	\$ 1,026,612	\$ 1,015,934	\$ 792,451	\$ 1,356,800
Restricted cash	-	-	-	-
Escrowed investments	475,493	488,846	-	-
Receivables				
Accounts	169,175	134,131	306,248	425,454
Notes and mortgages	-	-	-	-
Intergovernmental	-	-	75,990	75,990
Special assessments	-	-	804	402
Due from other funds	13,810	1,721	1,480	375
Prepaid items	2,489	2,443	2,489	2,443
Inventories	11,303	14,747	197	1,006
<b>TOTAL CURRENT ASSETS</b>	<b>1,698,882</b>	<b>1,657,822</b>	<b>1,179,659</b>	<b>1,862,470</b>
<b>NONCURRENT ASSETS</b>				
Special assessments receivable - deferred	22,285	46,490	36,467	39,988
Advances to other funds	57,461	71,826	-	-
Unamortized bond discount	58,367	61,815	24,364	27,230
Capital assets				
Land	27,831	27,831	329,899	329,899
Buildings	2,915,803	2,915,803	3,368,487	3,368,487
System and other improvements	4,429,233	4,429,233	6,952,276	6,992,409
Machinery and equipment	1,468,798	1,424,997	473,091	460,317
Vehicles	67,291	67,291	191,619	177,554
Construction in progress	81,943	-	17,327,690	17,326,221
Less accumulated depreciation	(4,026,203)	(3,745,377)	(6,060,884)	(5,831,415)
Total capital assets (net of accumulated depreciation)	4,964,696	5,119,778	22,582,178	22,823,472
<b>TOTAL NONCURRENT ASSETS</b>	<b>5,102,809</b>	<b>5,299,909</b>	<b>22,643,009</b>	<b>22,890,690</b>
<b>TOTAL ASSETS</b>	<b>6,801,691</b>	<b>6,957,731</b>	<b>23,822,668</b>	<b>24,753,160</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	94,887	12,726	96,808	125,285
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Accrued interest payable	8,719	15,839	54,953	58,218
Accrued wages payable	7,434	7,974	6,492	6,891
Compensated absences payable	11,656	8,900	9,045	8,900
Deposits payable	-	-	-	-
Bonds payable - current portion	380,000	170,000	919,000	1,106,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>502,696</b>	<b>215,439</b>	<b>1,086,298</b>	<b>1,305,294</b>
<b>NONCURRENT LIABILITIES</b>				
Advances from other funds	880,048	981,825	1,839,938	1,986,857
Compensated absences payable	4,525	5,591	4,049	3,684
Other postemployment benefits payable	3,891	4,187	16,147	7,965
Bonds payable - noncurrent portion	2,000,000	2,575,000	14,259,041	14,983,041
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,888,464</b>	<b>3,566,603</b>	<b>16,119,175</b>	<b>16,981,547</b>
<b>TOTAL LIABILITIES</b>	<b>3,391,160</b>	<b>3,782,042</b>	<b>17,205,473</b>	<b>18,286,841</b>
<b>NET ASSETS (LIABILITIES)</b>				
Invested in capital assets net of related debt	2,643,063	2,436,593	7,428,501	6,761,661
Restricted for debt service	475,493	488,846	-	-
Unrestricted	291,975	250,250	(811,306)	(295,342)
<b>TOTAL NET ASSETS (LIABILITIES)</b>	<b>\$ 3,410,531</b>	<b>\$ 3,175,689</b>	<b>\$ 6,617,195</b>	<b>\$ 6,466,319</b>

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			
2011	2010	2011	2010	2011	2010	2011	2010
\$ 64,875	\$ 54,715	\$ 469,699	\$ 678,811	\$ (12,059)	\$ (12,059)	\$ 2,341,578	\$ 3,094,201
-	-	-	38,620	-	-	-	38,620
-	-	-	-	-	-	475,493	488,846
-	10,161	1,078,409	1,086,386	-	-	1,553,832	1,656,132
-	-	428,096	468,091	-	-	428,096	468,091
-	-	-	-	-	-	75,990	75,990
-	-	-	-	-	-	804	402
-	-	-	-	-	-	15,290	2,096
-	-	5,163	5,068	-	-	10,141	9,954
-	-	313,818	299,976	-	-	325,318	315,729
64,875	64,876	2,295,185	2,576,952	(12,059)	(12,059)	5,226,542	6,150,061
-	-	-	-	-	-	58,752	86,478
-	-	159,871	207,344	-	-	217,332	279,170
-	1,423	48,819	57,130	-	-	131,550	147,598
-	-	156,243	156,243	-	-	513,973	513,973
2,192,197	2,192,197	1,040,220	488,259	-	-	9,516,707	8,964,746
-	-	10,567,340	10,258,958	-	-	21,948,849	21,680,600
-	-	2,060,085	1,975,684	-	-	4,001,974	3,860,998
-	-	878,967	878,967	-	-	1,137,877	1,123,812
-	-	152,267	541,502	-	-	17,561,900	17,867,723
(1,388,390)	(1,315,317)	(7,593,559)	(7,156,077)	-	-	(19,069,036)	(18,048,186)
803,807	876,880	7,261,563	7,143,536	-	-	35,612,244	35,963,666
803,807	878,303	7,470,253	7,408,010	-	-	36,019,878	36,476,912
868,682	943,179	9,765,438	9,984,962	(12,059)	(12,059)	41,246,420	42,626,973
-	-	453,800	481,750	-	-	645,495	619,761
-	-	10,485	12,795	-	-	10,485	12,795
-	-	19,411	19,555	-	-	19,411	19,555
-	-	4,236	4,674	-	-	67,908	78,731
-	-	23,834	22,429	-	-	37,760	37,294
-	-	36,396	31,519	-	-	57,097	49,319
-	-	28,750	27,100	-	-	28,750	27,100
-	-	210,000	125,000	-	-	1,509,000	1,401,000
-	-	786,912	724,822	-	-	2,375,906	2,245,555
-	-	6,370	-	-	-	2,726,356	2,968,682
-	-	8,364	10,839	-	-	16,938	20,114
-	-	14,641	16,860	-	-	34,679	29,012
-	-	1,130,000	1,340,000	-	-	17,389,041	18,898,041
-	-	1,159,375	1,367,699	-	-	20,167,014	21,915,849
-	-	1,946,287	2,092,521	-	-	22,542,920	24,161,404
803,807	878,303	5,970,382	5,735,666	-	-	16,845,753	15,812,223
-	-	-	-	-	-	475,493	488,846
64,875	64,876	1,848,769	2,156,775	(12,059)	(12,059)	1,382,254	2,164,500
\$ 868,682	\$ 943,179	\$ 7,819,151	\$ 7,892,441	\$ (12,059)	\$ (12,059)	\$ 18,703,500	\$ 18,465,569

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (LIABILITIES)  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
<b>OPERATING REVENUES</b>				
Charges for services	\$ 961,419	\$ 931,532	\$ 1,512,060	\$ 1,387,687
<b>OPERATING EXPENSES</b>				
Source of power	2,924	8,480	-	-
Power and pumping	103,067	117,150	-	-
Purification	44,205	43,769	-	-
Distribution	58,357	73,918	-	-
Administrative and general	196,570	185,073	213,463	148,465
Sanitary sewer maintenance	-	-	-	1,083
Sanitary sewer cleaning	-	-	55,375	52,674
Sewer lift stations	-	-	63,893	39,961
Sewer treatment plants	-	-	678,303	643,110
Metering	16,470	10,626	12,032	10,478
Purchased power	-	-	-	-
Transmission and distribution	-	-	-	-
Customer collection and meter	-	-	-	-
Depreciation	280,826	286,222	229,469	241,543
<b>TOTAL OPERATING EXPENSES</b>	<b>702,419</b>	<b>725,238</b>	<b>1,252,535</b>	<b>1,137,314</b>
<b>OPERATING INCOME (LOSS)</b>	<b>259,000</b>	<b>206,294</b>	<b>259,525</b>	<b>250,373</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	-	-	1,088	154,946
Special assessments	30,239	27,501	13,653	5,296
Interest earnings	318	1,369	513	1,896
Rental income	7,950	7,950	-	-
Other income	2,491	256	54,607	51,048
Connection fees	16,890	-	16,890	-
Payment to component unit	-	-	-	-
Interest expense	(78,898)	(98,839)	(192,534)	(203,188)
Amortization expense	(3,148)	(3,812)	(2,866)	(2,866)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(24,158)</b>	<b>(65,575)</b>	<b>(108,649)</b>	<b>7,132</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>234,842</b>	<b>140,719</b>	<b>150,876</b>	<b>257,505</b>
<b>TRANSFERS OUT</b>	<b>-</b>	<b>(34,109)</b>	<b>-</b>	<b>(40,511)</b>
<b>CHANGE IN NET ASSETS</b>	<b>234,842</b>	<b>106,610</b>	<b>150,876</b>	<b>216,994</b>
<b>NET ASSETS (LIABILITIES), JANUARY 1</b>	<b>3,175,689</b>	<b>3,069,079</b>	<b>6,466,319</b>	<b>6,249,325</b>
<b>NET ASSETS (LIABILITIES), DECEMBER 31</b>	<b>\$ 3,410,531</b>	<b>\$ 3,175,689</b>	<b>\$ 6,617,195</b>	<b>\$ 6,466,319</b>

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			
2011	2010	2011	2010	2011	2010	2011	2010
\$ -	\$ 121,930	\$ 8,316,688	\$ 7,912,965	\$ -	\$ -	\$ 10,790,167	\$ 10,354,114
-	-	-	-	-	-	2,924	8,480
-	-	-	-	-	-	103,067	117,150
-	-	-	-	-	-	44,205	43,769
-	-	-	-	-	-	58,357	73,918
-	-	968,066	892,664	-	-	1,378,099	1,226,202
-	-	-	-	-	-	-	1,083
-	-	-	-	-	-	55,375	52,674
-	-	-	-	-	-	63,893	39,961
-	-	-	-	-	-	678,303	643,110
-	-	-	-	-	-	28,502	21,104
-	-	6,107,754	5,805,400	-	-	6,107,754	5,805,400
-	-	507,740	412,575	-	-	507,740	412,575
-	-	34,790	36,237	-	-	34,790	36,237
73,073	73,073	437,482	395,091	-	-	1,020,850	995,929
73,073	73,073	8,055,832	7,541,967	-	-	10,083,859	9,477,592
(73,073)	48,857	260,856	370,998	-	-	706,308	876,522
-	-	-	-	-	-	1,088	154,946
-	-	-	-	-	-	43,892	32,797
-	-	29,064	35,531	-	-	29,895	38,796
-	-	-	-	-	-	7,950	7,950
-	-	68,968	26,847	-	-	126,066	78,151
-	-	-	-	-	-	33,780	-
-	-	(20,000)	(20,000)	-	-	(20,000)	(20,000)
-	(4,034)	(53,867)	(40,402)	-	-	(325,299)	(346,463)
(1,424)	(2,842)	(8,311)	(6,332)	-	-	(15,749)	(15,852)
(1,424)	(6,876)	15,854	(4,356)	-	-	(118,377)	(69,675)
(74,497)	41,981	276,710	366,642	-	-	587,931	806,847
-	-	(350,000)	(350,000)	-	-	(350,000)	(424,620)
(74,497)	41,981	(73,290)	16,642	-	-	237,931	382,227
943,179	901,198	7,892,441	7,875,799	(12,059)	(12,059)	18,465,569	18,083,342
\$ 868,682	\$ 943,179	\$ 7,819,151	\$ 7,892,441	\$ (12,059)	\$ (12,059)	\$ 18,703,500	\$ 18,465,569

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 926,375	\$ 925,598	\$ 1,631,266	\$ 1,133,372
Payments to suppliers and vendors	(214,447)	(228,222)	(828,121)	(765,373)
Payments to and on behalf of employees	(194,871)	(203,320)	(214,366)	(199,901)
Other receipts	10,441	8,206	54,607	51,048
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>527,498</b>	<b>502,262</b>	<b>643,386</b>	<b>219,146</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Change in due from other funds	2,276	14,365	(1,105)	-
Change in due to other funds	-	-	-	-
Change in advances from other funds	-	-	-	-
Transfers out	-	(34,109)	-	(40,511)
Payments to component unit	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>2,276</b>	<b>(19,744)</b>	<b>(1,105)</b>	<b>(40,511)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(51,606)	(33,517)	11,825	(551,941)
Proceeds from issuance of bonds	-	1,548,511	-	237,211
Principal paid on revenue bonds payable	(365,000)	(1,415,000)	(911,000)	(898,000)
Interest and fees paid on revenue bonds payable and interfund advances	(86,018)	(90,752)	(195,799)	(205,270)
Payments received on assessments receivable	54,744	50,237	16,772	8,620
Payments received on notes receivable	-	-	-	-
Payments made on issuance of notes receivable	-	-	-	-
Capital grants received	-	-	1,088	154,946
Connection fees received	16,890	-	16,890	-
Payments received (paid) on advances from (to) other funds	(101,777)	(40,317)	(146,919)	(74,699)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(532,767)</b>	<b>19,162</b>	<b>(1,207,143)</b>	<b>(1,329,133)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on cash and investments	318	1,369	513	1,896
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,675)</b>	<b>503,049</b>	<b>(564,349)</b>	<b>(1,148,602)</b>
<b>CASH AND CASH EQUIVALENTS (DEFICITS), JANUARY 1</b>	<b>1,504,780</b>	<b>1,001,731</b>	<b>1,356,800</b>	<b>2,505,402</b>
<b>CASH AND CASH EQUIVALENTS (DEFICITS), DECEMBER 31</b>	<b>\$ 1,502,105</b>	<b>\$ 1,504,780</b>	<b>\$ 792,451</b>	<b>\$ 1,356,800</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
Unrestricted	\$ 1,026,612	\$ 1,015,934	\$ 792,451	\$ 1,356,800
Restricted	475,493	488,846	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS (DEFICITS)</b>	<b>\$ 1,502,105</b>	<b>\$ 1,504,780</b>	<b>\$ 792,451</b>	<b>\$ 1,356,800</b>

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

Business-type Activities - Enterprise Funds

<b>603</b>		<b>604</b>		<b>605</b>		Totals	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2011	2010	2011	2010	2011	2010	2011	2010
\$ 10,160	\$ 121,841	\$ 8,326,315	\$ 7,974,659	\$ -	\$ -	\$ 10,894,116	\$ 10,155,470
-	-	(6,989,206)	(6,479,438)	-	-	(8,031,774)	(7,473,033)
-	-	(652,771)	(603,177)	-	-	(1,062,008)	(1,006,398)
-	-	68,968	26,847	-	-	134,016	86,101
<u>10,160</u>	<u>121,841</u>	<u>753,306</u>	<u>918,891</u>	<u>-</u>	<u>-</u>	<u>1,934,350</u>	<u>1,762,140</u>
-	-	-	-	-	-	1,171	14,365
-	-	(2,310)	(13,000)	-	-	(2,310)	(13,000)
-	-	6,370	-	-	-	6,370	-
-	-	(350,000)	(350,000)	-	-	(350,000)	(424,620)
-	-	(20,000)	(20,000)	-	-	(20,000)	(20,000)
-	-	<u>(365,940)</u>	<u>(383,000)</u>	<u>-</u>	<u>-</u>	<u>(364,769)</u>	<u>(443,255)</u>
-	-	(572,325)	(921,353)	-	-	(612,106)	(1,506,811)
-	-	-	899,830	-	-	-	2,685,552
-	(110,000)	(125,000)	(120,000)	-	-	(1,401,000)	(2,543,000)
-	(4,401)	(54,305)	(38,067)	-	-	(336,122)	(338,490)
-	-	-	-	-	-	71,516	58,857
-	-	39,995	45,057	-	-	39,995	45,057
-	-	-	(73,500)	-	-	-	(73,500)
-	-	-	-	-	-	1,088	154,946
-	-	-	-	-	-	33,780	-
-	(6,059)	47,473	4,522	-	-	(201,223)	(116,553)
-	<u>(120,460)</u>	<u>(664,162)</u>	<u>(203,511)</u>	<u>-</u>	<u>-</u>	<u>(2,404,072)</u>	<u>(1,633,942)</u>
-	-	29,064	35,531	-	-	29,895	38,796
10,160	1,381	(247,732)	367,911	-	-	(804,596)	(276,261)
<u>54,715</u>	<u>53,334</u>	<u>717,431</u>	<u>349,520</u>	<u>(12,059)</u>	<u>(12,059)</u>	<u>3,621,667</u>	<u>3,897,928</u>
<u>\$ 64,875</u>	<u>\$ 54,715</u>	<u>\$ 469,699</u>	<u>\$ 717,431</u>	<u>\$ (12,059)</u>	<u>\$ (12,059)</u>	<u>\$ 2,817,071</u>	<u>\$ 3,621,667</u>
\$ 64,875	\$ 54,715	\$ 469,699	\$ 678,811	\$ (12,059)	\$ (12,059)	\$ 2,341,578	\$ 3,094,201
-	-	-	38,620	-	-	475,493	527,466
<u>\$ 64,875</u>	<u>\$ 54,715</u>	<u>\$ 469,699</u>	<u>\$ 717,431</u>	<u>\$ (12,059)</u>	<u>\$ (12,059)</u>	<u>\$ 2,817,071</u>	<u>\$ 3,621,667</u>

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 259,000	\$ 206,294	\$ 259,525	\$ 250,373
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Other income related to operations	10,441	8,206	54,607	51,048
Depreciation	280,826	286,222	229,469	241,543
(Increase) decrease in assets				
Accounts receivable	(35,044)	(5,934)	119,206	(254,315)
Due from other governments	-	-	-	(75,990)
Prepaid items	(46)	(148)	(46)	(148)
Inventories	3,444	(659)	809	921
Increase (decrease) in liabilities				
Accounts payable	8,023	(845)	(28,477)	(121)
Due to other governments	-	-	-	-
Accrued wages payable	(540)	2,865	(399)	(108)
Compensated absences payable	1,690	2,986	510	1,079
Other postemployment benefits payable	(296)	3,275	8,182	4,864
Customer deposits payable	-	-	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 527,498</b>	<b>\$ 502,262</b>	<b>\$ 643,386</b>	<b>\$ 219,146</b>
<b>NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES</b>				
Amortization of bond discount and fiscal fees	\$ 3,148	\$ 3,812	\$ 2,866	\$ 2,866
Discount and bond costs on new issues	-	6,489	-	-
Capital assets acquired on account	83,736	9,598	-	-

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

Business-type Activities - Enterprise Funds

<b>603</b>		<b>604</b>		<b>605</b>		Totals	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2011	2010	2011	2010	2011	2010	2011	2010
\$ (73,073)	\$ 48,857	\$ 260,856	\$ 370,998	\$ -	\$ -	\$ 706,308	\$ 876,522
-	-	68,968	26,847	-	-	134,016	86,101
73,073	73,073	437,482	395,091	-	-	1,020,850	995,929
10,160	(89)	7,977	63,794	-	-	102,299	(196,544)
-	-	-	-	-	-	-	(75,990)
-	-	(95)	(308)	-	-	(187)	(604)
-	-	(13,842)	29,858	-	-	(9,589)	30,120
-	-	(11,134)	22,329	-	-	(31,588)	21,363
-	-	(144)	54	-	-	(144)	54
-	-	1,405	(4,070)	-	-	466	(1,313)
-	-	2,402	7,003	-	-	4,602	11,068
-	-	(2,219)	9,395	-	-	5,667	17,534
-	-	1,650	(2,100)	-	-	1,650	(2,100)
<u>\$ 10,160</u>	<u>\$ 121,841</u>	<u>\$ 753,306</u>	<u>\$ 918,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,934,350</u>	<u>\$ 1,762,140</u>
\$ 1,424	\$ 2,842	\$ 8,311	\$ 6,332	\$ -	\$ -	\$ 15,749	\$ 15,852
-	-	-	40,170	-	-	-	46,659
-	-	-	16,816	-	-	83,736	26,414

CITY OF LE SUEUR, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	Agency
<b>ASSETS</b>	
Cash and temporary investments (defciits)	\$ (189,872)
Accounts receivable	16,404
Due from other governments	216,466
<b>TOTAL ASSETS</b>	<b>\$ 42,998</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 37,623
Accrued wages payable	4,548
Other postemployment benefits payable	827
<b>TOTAL LIABILITIES</b>	<b>\$ 42,998</b>

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, 2011

**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. Activities of the EDA are accounted for in various funds including General, special revenue and debt service.

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 is the fiscal agent and these 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, 2011

**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 assets 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. *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 and fiduciary 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, 2011

**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.

Deferred 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 deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

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 *Hospital Project 2010 fund* accounts for the costs associated with the hospital improvements project.

The *Airport Improvement Project fund* accounts for the costs associated with the airport improvement project.

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, 2011

**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 the Minnesota River Valley PUC activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities and net assets or equity**

*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.

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.

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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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 and broker money market investment pools operate in accordance with appropriate State laws and regulations. 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 Voyageur 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, 2011

**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.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent taxes not received within 60 days after year end in the 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 2011. 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 revenue liability in the fund financial statements.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*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.

*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

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

***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, 2009.

***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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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 assets***

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

***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, 2011

**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 15, 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, 2011, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Special revenue			
Airport	\$ 77,015	\$ 120,141	\$ 43,126

These over expenditures added to the fund's deficit fund balance.

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**C. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2011:

Fund	Amount
Special revenue	
Airport	\$ 57,357
Debt Service	
1999 Recreational Revenue Bonds	139
2010 Police CIP Bonds	4,638
2011A G.O. Temporary Street Reconstruction Bonds	17,331
Capital projects	
Hospital Project 2010	37,184
Capital Improvements	77,704
Pool Renovation Project	124,000
Community Center Roof Project 2011	51,650
Police Station Project 2010	59,520
Ice Arena Floor Replacement	50,566
North Highway 169 Frontage Road Improvements	263,682
Airport Improvement Project	36,674
Enterprise	
Storm Sewer Utility	12,059

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, 2011

**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, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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

- *Credit Risk.* Is 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.* Is 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.* Is 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 \$4,280,254 (including EDA deposits of \$115,822 and fiduciary funds of (\$189,872) and the bank balance was \$4,804,616. Of the bank balance, \$749,957 was covered by federal depository insurance. Of the remaining balance \$4,054,659 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

**Investments**

As of December 31, 2011, 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
<b>Non-pooled investments</b>			
State and Local Government Series Securities	N/A	1 to 3 years	<u>\$ 2,528,616</u>
<b>Pooled investments</b>			
Minnesota Municipal Money Market			
4M Fund	N/A	less than 6 months	417,627
4M Plus Fund	N/A	less than 6 months	<u>2,732,074</u>
Total pooled investments			<u>3,149,701</u>
Total investments			<u>\$ 5,678,317</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.

N/A Indicates no rating applicable or available.

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, 2011

**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 Assets for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Fiduciary Funds	Total
Carrying amount of deposits	\$ 4,354,304	\$ 115,822	\$ (189,872)	\$ 4,280,254
Investments	5,678,317	-	-	5,678,317
Cash on hand	580	-	-	580
Total	<u>\$ 10,033,201</u>	<u>\$ 115,822</u>	<u>\$ (189,872)</u>	<u>\$ 9,959,151</u>
Cash and temporary investments	\$ 6,177,542	\$ 115,822	\$ (189,872)	\$ 6,103,492
Escrowed investments	3,855,659	-	-	3,855,659
Total	<u>\$ 10,033,201</u>	<u>\$ 115,822</u>	<u>\$ (189,872)</u>	<u>\$ 9,959,151</u>

**B. Notes 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, 2011 is \$7,261,513. These loans are secured by property and equipment.

The EDA has mortgage receivables on lot sales. These loans will be repaid as the lots are sold. The balance on these mortgages at December 31, 2011 is \$26,500.

The EDA has a loan receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,224,562, for which they issued debt for in the amount of \$2,466,000. Of the debt issued, the EDA has \$141,795 of capitalized interest in the Debt Service fund and the balance of \$2,324,205 was transferred to the City to be spent on the project costs. The remainder of the loan to ISJ/Mayo Health Systems, Inc. Medical Clinic will be disbursed by the City and will reduce the amount due from the City until the construction proceeds have been spent.

**C. Deferred revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Fund	Unavailable
Delinquent taxes receivable	
General	\$ 107,114
Special assessments receivable	
Debt Service	2,288,077
Nonmajor governmental	41,065
Notes and mortgages receivable	
Economic Development Revolving Loan	1,855,260
Debt Service	4,943,908
Nonmajor governmental	34,249
Total	<u>\$ 9,269,673</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Capital assets**

Capital asset activity for the primary government for the year ended December 31, 2011 was as follows:

*Primary government*

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 477,086	\$ -	\$ -	\$ 477,086
Construction in progress	842,533	649,330	(767,583)	724,280
Total capital assets not being depreciated	1,319,619	649,330	(767,583)	1,201,366
Capital assets being depreciated				
Buildings	6,214,356	182,341	-	6,396,697
Infrastructure	11,278,532	574,575	-	11,853,107
Machinery and equipment	1,711,321	147,419	-	1,858,740
Vehicles	1,817,054	-	-	1,817,054
Total capital assets being depreciated	21,021,263	904,335	-	21,925,598
Less accumulated depreciation for				
Buildings	(1,334,642)	(241,818)	-	(1,576,460)
Infrastructure	(3,386,053)	(510,331)	-	(3,896,384)
Machinery and equipment	(1,019,196)	(149,134)	-	(1,168,330)
Vehicles	(908,457)	(98,061)	-	(1,006,518)
Total accumulated depreciation	(6,648,348)	(999,344)	-	(7,647,692)
Total capital assets being depreciated, net	14,372,915	(95,009)	-	14,277,906
Governmental activities capital assets, net	<u>\$ 15,692,534</u>	<u>\$ 554,321</u>	<u>\$ (767,583)</u>	<u>\$ 15,479,272</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 513,973	\$ -	\$ -	\$ 513,973
Construction in progress	17,867,723	246,138	(551,961)	17,561,900
Total capital assets not being depreciated	18,381,696	246,138	(551,961)	18,075,873
Capital assets being depreciated				
Buildings	8,964,746	551,961	-	9,516,707
Infrastructure and systems	21,680,600	268,249	-	21,948,849
Machinery and equipment	3,860,998	140,976	-	4,001,974
Vehicles	1,123,812	14,065	-	1,137,877
Total capital assets being depreciated	35,630,156	975,251	-	36,605,407
Less accumulated depreciation for				
Buildings	(6,072,352)	(177,016)	-	(6,249,368)
Infrastructure	(8,871,835)	(621,401)	-	(9,493,236)
Machinery and equipment	(2,320,320)	(181,633)	-	(2,501,953)
Vehicles	(783,679)	(40,800)	-	(824,479)
Total accumulated depreciation	(18,048,186)	(1,020,850)	-	(19,069,036)
Total capital assets being depreciated, net	17,581,970	(45,599)	-	17,536,371
Business-type activities capital assets, net	\$ 35,963,666	\$ 200,539	\$ (551,961)	\$ 35,612,244

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**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	\$	10,958
Public safety		157,435
Streets and highways		348,455
Culture and recreation		244,354
Miscellaneous		<u>238,142</u>
Total depreciation expense - governmental activities	\$	<u>999,344</u>
Business-type activities		
Water utility	\$	280,826
Sewer utility		229,469
Sewer pre-treatment		73,073
Electric utility		<u>437,482</u>
Total depreciation expense - business-type activities	\$	<u>1,020,850</u>

***Discretely presented component unit***

Capital assets activity for the EDA for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	<u>\$ 1,422,411</u>	<u>\$ 35,121</u>	<u>\$ -</u>	<u>\$ 1,457,532</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Interfund receivables, payables, and transfers**

*Primary government*

The composition of interfund balances at December 31, 2011 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Electric Utility	\$ 12,795
Water Utility	Other governmental	13,810
Sewer Utility	Other governmental	1,480
Total		\$ 28,085

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Debt Service	Water Utility	\$ 848,803
	Sewer Utility	1,743,116
Nonmajor governmental	Water Utility	31,245
	Sewer Utility	39,361
	Electric Utility	6,370
Water Utility	Sewer Utility	57,461
Electric Utility	General	35,871
	Nonmajor governmental	124,000
Totals		\$ 2,886,227

The above advances were primarily capital related and amortization schedules have been established for pay back of the loans. The one exception to that is a \$124,000 interfund advance from the Electric fund to the Pool Renovation Project fund, which will be repaid when the bonds have been paid in full.

Advances from/to primary government/component unit:

Receivable Entity	Payable Entity	Amount
Component unit	Primary government	
Economic Development Authority	Hospital Project 2010	\$ 136,201

The EDA issued debt for in the amount of \$2,466,000 to be loaned to ISJ/Mayo Health Systems, Inc. Medical Clinic for project costs. The construction proceeds of \$2,324,205 were transferred to the City to be spent on the project costs. This amount due from the City will be reduced and replaced with a loan to ISJ/Mayo Health Systems, Inc. Medical Clinic until the construction proceeds have been spent.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Interfund transfers:*

	Transfer in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer out				
General fund	\$ -	\$ 24,995	\$ -	\$ 24,995
Community Center fund	-	40,000	36,000	76,000
Nonmajor governmental funds	-	193,072	9,333	202,405
Electric Utility enterprise fund	350,000	-	-	350,000
Total transfers out	<u>\$ 350,000</u>	<u>\$ 258,067</u>	<u>\$ 45,333</u>	<u>\$ 653,400</u>

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.

In the year ended December 31, 2011, the City made the following transfers:

A transfer of \$350,000 was made from the Electric Utility fund to the General fund for administration fees and payments in lieu of taxes.

Transfers of \$10,297 and \$14,698 were made out of the General fund into the Debt Service fund for debt service payments.

A transfer of \$40,000 was made out of the Community Center fund into the Debt Services fund for debt service payments.

Transfers of \$193,072 were made out of nonmajor governmental funds into the Debt Service fund for debt service payments.

A transfer of \$ 31,000 from the Community Service fund to the Pool Renovation Project fund was made for pool improvements.

A transfer of \$5,000 was made from the Community Service fund to the Capital Improvements fund for future capital expenditures.

A transfer of \$5,000 was made from the Ambulance Service fund to the Equipment Acquisition fund for the purchase of a new ambulance.

A transfer of \$4,333 was made from the Airport fund to the Capital Improvements fund for future capital expenditures.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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	\$ 250,000
Equipment Lease Purchase Certificates of 2004	355,000	3.25 - 4.50	11/01/04	12/01/15	160,000
G.O. Crossover Refunding Bonds of 2005A-Fire	1,250,000	3.30 - 4.50	02/01/05	12/01/32	1,175,000
G.O. Crossover Refunding Bonds of 2005A-Library	680,000	3.30 - 4.40	02/01/05	12/01/22	595,000
G.O. Certificates of Indebtedness of 2007	610,000	3.70 - 3.90	02/14/07	12/01/13	220,000
G.O. Certificates of Indebtedness of 2010A	380,000	2.25 - 3.45	03/11/10	02/01/15	310,000
G.O. Police Capital Improvement Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	505,000
G.O. Temporary Street Reconstruction Bonds of 2011A	745,000	2.00	05/01/11	12/01/13	<u>745,000</u>
Total General Obligation Bonds					<u><u>\$ 3,960,000</u></u>

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

Year Ending December 31,	<b>General Obligation Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2012	\$ 380,000	\$ 138,740	\$ 518,740
2013	1,135,000	126,620	1,261,620
2014	300,000	98,510	398,510
2015	305,000	88,070	393,070
2016	185,000	77,015	262,015
2017 - 2021	740,000	294,325	1,034,325
2022 - 2026	460,000	150,530	610,530
2027 - 2031	370,000	70,670	440,670
2032	<u>85,000</u>	<u>3,825</u>	<u>88,825</u>
Total	<u><u>\$ 3,960,000</u></u>	<u><u>\$ 1,048,305</u></u>	<u><u>\$ 5,008,305</u></u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**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 2005C	\$ 3,370,000	2.70 - 4.05 %	07/01/05	12/01/12	\$ 2,215,000
G.O. Crossover Refunding Bonds of 2005A	370,000	3.30 - 3.80	02/01/05	12/01/16	270,000
G.O. Improvement Bonds of 2006	2,410,000	3.70 - 4.30	07/01/06	12/01/21	1,820,000
G.O. Improvement Refunding Bonds of 2009A	625,000	1.20 - 3.00	10/01/09	12/01/17	480,000
G.O. Refunding Bonds of 2011B	2,410,000	2.00 - 3.15	09/07/11	12/01/23	<u>2,410,000</u>
Total General Obligation Improvement Bonds					<u>\$ 7,195,000</u>

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

Year Ending December 31,	<b>G.O. Improvement Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2012	\$ 2,520,000	\$ 245,749	\$ 2,765,749
2013	555,000	140,394	695,394
2014	575,000	125,489	700,489
2015	595,000	109,364	704,364
2016	605,000	92,569	697,569
2017 - 2021	2,275,000	219,931	2,494,931
2022 - 2023	<u>70,000</u>	<u>3,307</u>	<u>73,307</u>
Total	<u>\$ 7,195,000</u>	<u>\$ 936,803</u>	<u>\$ 8,131,803</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

G.O. revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Business - type activities</b>					
G.O. Water					
Revenue Bonds of 2004	\$ 890,000	2.25 - 4.60 %	11/01/04	12/01/19	\$ 530,000
Electric Utility					
Revenue Bonds of 2004	1,200,000	2.25 - 4.65	06/01/04	12/01/14	400,000
G.O. Sewer					
Revenue Bonds of 2005D	1,535,000	3.10 - 4.25	09/01/05	12/01/20	1,020,000
G.O. Water					
Crossover Refunding Bonds					
of 2005A	815,000	3.30 - 3.65	01/01/05	12/01/15	490,000
G.O. Revenue Bonds of 2007 (PFA)	16,353,395 *	1.00	09/26/07	08/20/27	14,158,041
Electric Utility					
Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	940,000
G.O. Refunding Bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	<u>1,360,000</u>
Total business-type activities					18,898,041
<b>Governmental activities</b>					
G.O. Tax Abatement Bonds					
Bonds of 2008A	470,000	2.75 - 3.70	02/21/08	12/01/18	<u>310,000</u>
Total G.O. Revenue Bonds					<u>\$ 19,208,041</u>

\* Undrawn proceeds are \$70,959 at year end.

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
2012	\$ 1,509,000	\$ 270,647	\$ 1,779,647	\$ 40,000	\$ 10,718	\$ 50,718
2013	1,608,000	242,837	1,850,837	45,000	9,518	54,518
2014	1,641,000	245,200	1,886,200	45,000	8,010	53,010
2015	1,539,000	211,915	1,750,915	45,000	6,503	51,503
2016	1,198,000	183,521	1,381,521	50,000	4,994	54,994
2017 - 2021	5,871,000	600,087	6,471,087	85,000	4,440	89,440
2022 - 2026	4,646,000	201,695	4,847,695	-	-	-
2026 - 2027	957,000	9,570	966,570	-	-	-
Total	<u>\$ 18,969,000</u>	<u>\$ 1,965,472</u>	<u>\$ 20,934,472</u>	<u>\$ 310,000</u>	<u>\$ 44,183</u>	<u>\$ 354,183</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Gross Revenue Recreational Facility Bonds of 1999	\$ 760,000	4.35 - 5.70 %	06/01/99	12/01/14	\$ 210,000
Johnson Controls Lease Revenue Bond of 2006	2,700,000	4.25	03/30/06	03/31/21	1,989,479
Johnson Controls Lease Revenue Bond of 2007	220,000	4.30	08/03/07	03/31/14	84,880
Health Care Facility Revenue Bond of 2010	5,500,000	2.90	09/17/10	09/17/35	<u>5,500,000</u>
Total Revenue Bonds					<u>\$ 7,784,359</u>

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

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2012	\$ 380,633	\$ 417,714	\$ 798,347
2013	401,873	397,899	799,772
2014	404,939	377,827	782,766
2015	327,636	357,769	685,405
2016	342,992	342,413	685,405
2017 - 2021	1,862,647	1,436,017	3,298,664
2022 - 2026	1,094,588	1,048,834	2,143,422
2027 - 2031	1,459,077	684,345	2,143,422
2032 - 2035	<u>1,509,974</u>	<u>204,763</u>	<u>1,714,737</u>
Total	<u>\$ 7,784,359</u>	<u>\$ 5,267,581</u>	<u>\$ 13,051,940</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Advance Refunding.* On September 7, 2011 the City issued General Obligation Refunding Bonds, Series 2011B for \$2,410,000. The Refunding Bonds were issued with a net interest cost of 2.3962733 percent to refund the 2012 through 2023 maturities of the City's General Obligation Improvement Bonds of 2003 and the General Obligation Improvement Bonds of 2005C. The refunded bonds carried an average coupon rate of 2.3522030 percent. It is estimated that the City will reduce its aggregate debt service payments by approximately \$111,680 over the 12 years and obtain an economic gain (difference between the present values of the old and net debt service payments) of \$100,301.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 3,585,000	\$ 745,000	\$ (370,000)	\$ 3,960,000	\$ 380,000
General obligation improvement bonds	5,625,000	2,410,000	(840,000)	7,195,000	2,520,000
General obligation revenue bonds	350,000	-	(40,000)	310,000	40,000
Revenue bonds	8,047,693	-	(263,334)	7,784,359	380,633
Total bonds payable	17,607,693	3,155,000	(1,513,334)	19,249,359	3,320,633
Compensated absences payable	68,473	84,858	(82,657)	70,674	59,070
Other postemployment benefits payable	66,981	39,820	(47,966)	58,835	-
Governmental activity long-term liabilities	<u>\$ 17,743,147</u>	<u>\$ 3,279,678</u>	<u>\$ (1,643,957)</u>	<u>\$ 19,378,868</u>	<u>\$ 3,379,703</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 20,299,041	\$ -	\$ (1,401,000)	\$ 18,898,041	\$ 1,509,000
Compensated absences payable	69,433	80,834	(76,232)	74,035	57,097
Other postemployment benefits payable	29,012	17,248	(11,581)	34,679	-
Business-type activity long-term liabilities	<u>\$ 20,397,486</u>	<u>\$ 98,082</u>	<u>\$ (1,488,813)</u>	<u>\$ 19,006,755</u>	<u>\$ 1,566,097</u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Component unit debt*

Revenue bonds

The following bonds were issued to finance capital improvements in the EDA. They will be retired by transfers from the City.

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

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

<u>Year Ending December 31,</u>	<b>Revenue Bonds</b>		
	<u>Component Unit Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 51,434	\$ 141,066	\$ 192,500
2013	54,434	138,066	192,500
2014	57,609	134,891	192,500
2015	60,969	131,531	192,500
2016	64,525	127,975	192,500
2017 - 2021	383,665	578,835	962,500
2022 - 2026	509,390	453,110	962,500
2027 - 2031	676,315	286,185	962,500
2032	607,659	32,677	640,336
Total	<u><u>\$ 2,466,000</u></u>	<u><u>\$ 2,024,336</u></u>	<u><u>\$ 4,490,336</u></u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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>\$ 270,000</u>

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

Year Ending December 31,	<b>Special Assessments</b> Component Unit Activities		
	Principal	Interest	Total
2012	\$ 50,000	\$ 14,035	\$ 64,035
2013	50,000	11,535	61,535
2014	55,000	8,985	63,985
2015	55,000	6,125	61,125
2016	60,000	3,210	63,210
Total	<u>\$ 270,000</u>	<u>\$ 43,890</u>	<u>\$ 313,890</u>

Contracts payable

This contract is payable to Le Sueur Development Inc. for land purchases in the Highway 169 Industrial Park.

Description	Authorized and issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Contract for Deed Highway 169 land	\$ 669,411	5.00 %	10/01/10	10/04/16	<u>\$ 638,389</u>

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

Year Ending December 31,	<b>Contracts</b> Component Unit Activities		
	Principal	Interest	Total
2012	\$ 32,573	\$ 31,919	\$ 64,492
2013	34,202	30,291	64,493
2014	35,912	28,581	64,493
2015	37,707	26,785	64,492
2016	497,995	21,900	519,895
Total	<u>\$ 638,389</u>	<u>\$ 139,476</u>	<u>\$ 777,865</u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Notes payable

This note is payable to the City's Revolving Loan fund for land purchases in the Highway 169 Industrial Park.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Loan payable	\$ 810,000	3.25 %	02/08/10	02/08/20	<u>\$ 810,000</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
2012	\$ -	\$ 52,650	\$ 52,650
2013	-	26,325	26,325
2014	29,386	26,325	55,711
2015	30,341	25,370	55,711
2016	31,327	24,384	55,711
2017 - 2020	<u>718,946</u>	<u>105,969</u>	<u>824,915</u>
Total	<u>\$ 810,000</u>	<u>\$ 261,023</u>	<u>\$ 1,071,023</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component unit activities</b>					
Bonds payable					
Revenue bonds payable	\$ 2,466,000	\$ -	\$ -	\$ 2,466,000	\$ 51,434
Contracts payable	669,411	-	(31,022)	638,389	32,573
Notes payable	810,000	-	-	810,000	-
Special assessments payable	<u>315,000</u>	-	<u>(45,000)</u>	<u>270,000</u>	<u>50,000</u>
Component unit long-term liabilities	<u>\$ 4,260,411</u>	<u>\$ -</u>	<u>\$ (76,022)</u>	<u>\$ 4,184,389</u>	<u>\$ 134,007</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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 three 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. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

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](http://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.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED**

**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 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.4 percent for PEPFF members. The City's contributions to the GERF for the years ending December 31, 2011, 2010 and 2009 were \$125,228, \$117,216, and \$115,464, respectively. The City's contributions to the PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$61,133, \$56,867, and \$57,657, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION**

**A. Plan description**

All members of the Le Sueur Fire Department (the Department) are covered by a defined benefit plan administered by the Le Sueur Firefighters' Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Fire Department's membership. Funding for the Relief Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to Le Sueur Firefighters' Relief Association, Le Sueur, MN 56058.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED**

**B. Funding policy**

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$	43,249
Contributions made		
City (voluntary)		16,853
City (required)		1,147
State aid		25,249
Actuarial valuation date		12/31/11
Actuarial cost method		Entry age normal
Amortization method		Level dollar closed
Remaining amortization period		
Normal cost		20 years
Prior service cost		10 years
Asset valuation method		Market
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

**Three Year Trend Information**

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 43,249	100.0 %	\$ -
12/31/10	43,405	100.0	-
12/31/09	39,523	100.0	-

**Required Supplementary Information**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/11	\$ 671,828	\$ 623,129	\$ 48,699	107.8 %	\$ 2,600
12/31/10	654,493	561,925	92,568	116.5	2,600
12/31/09	551,895	506,389	45,506	109.0	2,600

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**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 25 active participants with 2 of them being 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. At the present time, there are three employees who took the early retirement package, so the City will be paying for their health insurance through 2012. Other retired employees who did not retire under the early retirement package 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 2011, the City contributed \$78,108 to the plan. Plan members receiving benefits contribute 100 percent of their 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	\$ 65,545
Interest on net OPEB obligation	2,255
Adjustment to annual required contribution	<u>(3,503)</u>
Annual OPEB cost (expense)	64,297
Contributions made	<u>(78,108)</u>
Increase in net OPEB obligation	(13,811)
Net OPEB obligation - beginning of year	<u>108,152</u>
NET OPEB obligation - end of year	<u><u>\$ 94,341</u></u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and preceding two years follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/11	\$ 64,297	53.5 %	\$ 94,341
12/31/10	64,429	43.0	64,429
12/31/09	55,136	21.9	43,043

**D. Funded status and funding progress**

As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$394,163 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,035,004, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.4 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.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

**E. Methods and assumptions**

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

*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 2004 United States Life Tables for Males and for Females were used.

*Turnover* - Non-group-specific age-based turnover data from GASB Statement 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 projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 12.2 percent initially, reduced to an ultimate rate of 6.0 percent after six years, was used.

*Health insurance premiums* - 2008 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 4.09 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2008 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 3.5 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, 2011 was 30 years.

CITY OF LE SUEUR, MINNESOTA  
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**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, 2011 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.

CITY OF LE SUEUR, MINNESOTA  
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**Note 7: OTHER INFORMATION - CONTINUED**

**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 2011 was \$767,922 and \$37,039 for LGA and MVHC, respectively. This accounted for 54 percent of General fund revenues.

**E. Legal debt margin**

The City's statutory debt limit is 3 percent of estimated taxable market value of real and personal property located in the City. The taxable market value was \$246,699,000 at December 31, 2011, for a limit of \$7,400,970. The City currently has \$3,960,000 of general obligation debt outstanding subject to this limit. This leaves a legal debt margin of \$10,689,501. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

**F. Subsequent events**

On January 19, 2012, the City issued the G.O. Crossover Refunding Bonds of 2012A for \$1,980,000. The 2012A bonds are refunding the G.O. Sewer Revenue Bonds of 2005D and the G.O. Improvement Bonds of 2006A.

**Note 8: ACCOUNTING CHANGE**

GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for fiscal year end December 31, 2011. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF LE SUEUR, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**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)
1/1/09	\$ -	\$ 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, 2011

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and temporary investments (deficits)	\$ (27,325)	\$ 441,746	\$ 414,421
Receivables			
Accounts	65,333	-	65,333
Notes and mortgages	-	34,249	34,249
Special assessments	-	41,065	41,065
Intergovernmental	27,655	752	28,407
Advances to other funds	-	76,976	76,976
Inventories	11,640	-	11,640
	<u>\$ 77,303</u>	<u>\$ 594,788</u>	<u>\$ 672,091</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 5,963	\$ 40,662	\$ 46,625
Due to other funds	-	13,569	13,569
Advances from other funds	-	124,000	124,000
Accrued wages payable	3,492	-	3,492
Deferred revenue	-	75,314	75,314
	<u>9,455</u>	<u>253,545</u>	<u>263,000</u>
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable for			
Inventories	11,640	-	11,640
Committed for			
Fire department operations and maintenance	53,403	-	53,403
Ambulance operations and maintenance	14,026	-	14,026
Assigned for			
Ambulance operations and maintenance	7,445	-	7,445
Transit operations and maintenance	46,394	-	46,394
Capital projects	-	968,365	968,365
Unassigned			
Special revenue	(65,060)	-	(65,060)
Capital projects	-	(627,122)	(627,122)
	<u>67,848</u>	<u>341,243</u>	<u>409,091</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u>\$ 77,303</u>	<u>\$ 594,788</u>	<u>\$ 672,091</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, 2011

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 103,866	\$ -	\$ 103,866
Special assessments	-	7,814	7,814
Intergovernmental	213,886	3,511	217,397
Charges for services	459,112	200	459,312
Miscellaneous	15,650	26,990	42,640
<b>TOTAL REVENUES</b>	<b>792,514</b>	<b>38,515</b>	<b>831,029</b>
<b>EXPENDITURES</b>			
Current			
Public safety	261,677	-	261,677
Miscellaneous	322,202	-	322,202
Capital outlay			
General government	-	41,183	41,183
Public safety	5,072	490,552	495,624
Streets and highways	-	171,494	171,494
Culture and recreation	-	122,449	122,449
Miscellaneous	-	145,801	145,801
<b>TOTAL EXPENDITURES</b>	<b>588,951</b>	<b>971,479</b>	<b>1,560,430</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>203,563</b>	<b>(932,964)</b>	<b>(729,401)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	-	3,655	3,655
Transfers in	-	45,333	45,333
Bonds issued	-	745,000	745,000
Transfers out	(202,405)	-	(202,405)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(202,405)</b>	<b>793,988</b>	<b>591,583</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,158</b>	<b>(138,976)</b>	<b>(137,818)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>66,690</b>	<b>480,219</b>	<b>546,909</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 67,848</b>	<b>\$ 341,243</b>	<b>\$ 409,091</b>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	225 Fire Service	226 Ambulance Service	227 Para- Transit
<b>ASSETS</b>			
Cash and temporary investments (deficits)	\$ 29,372	\$ (11,422)	\$ 20,383
Receivables			
Accounts	26,758	35,626	2,119
Intergovernmental	-	-	27,655
Inventories	-	3,937	-
 TOTAL ASSETS	 \$ 56,130	 \$ 28,141	 \$ 50,157
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,727	\$ 2,691	\$ 313
Accrued wages payable	-	42	3,450
 TOTAL LIABILITIES	 2,727	 2,733	 3,763
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable			
Inventories	-	3,937	-
Committed			
Fire department operations and maintenance	53,403	-	-
Ambulance operations and maintenance	-	14,026	-
Assigned			
Ambulance operations and maintenance	-	7,445	-
Transit operations and maintenance	-	-	46,394
Unassigned	-	-	-
 TOTAL FUND BALANCES (DEFICITS)	 53,403	 25,408	 46,394
 TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	 \$ 56,130	 \$ 28,141	 \$ 50,157

<b>235</b>	Total Nonmajor Special Revenue
<u>Airport</u>	<u>Revenue</u>
\$ (65,658)	\$ (27,325)
830	65,333
-	27,655
<u>7,703</u>	<u>11,640</u>
<u>\$ (57,125)</u>	<u>\$ 77,303</u>
\$ 232	\$ 5,963
<u>-</u>	<u>3,492</u>
<u>232</u>	<u>9,455</u>
7,703	11,640
-	53,403
-	14,026
-	7,445
-	46,394
<u>(65,060)</u>	<u>(65,060)</u>
<u>(57,357)</u>	<u>67,848</u>
<u>\$ (57,125)</u>	<u>\$ 77,303</u>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>225</u>	<u>226</u>	<u>227</u>
	Fire Service	Ambulance Service	Para- Transit
REVENUES			
Taxes			
Property taxes	\$ 103,866	\$ -	\$ -
Intergovernmental			
Federal	-	-	64,050
State	25,249	-	110,350
Charges for services	181,422	162,985	44,628
Miscellaneous	-	1,700	30
	<u>310,537</u>	<u>164,685</u>	<u>219,058</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	134,443	127,234	-
Miscellaneous	-	-	202,061
Capital outlay			
Public safety	5,072	-	-
	<u>139,515</u>	<u>127,234</u>	<u>202,061</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	171,022	37,451	16,997
OTHER FINANCING USES			
Transfers out	<u>(157,087)</u>	<u>(21,725)</u>	<u>(19,260)</u>
NET CHANGE IN FUND BALANCES	13,935	15,726	(2,263)
FUND BALANCES (DEFICITS), JANUARY 1	<u>39,468</u>	<u>9,682</u>	<u>48,657</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 53,403</u>	<u>\$ 25,408</u>	<u>\$ 46,394</u>

<b>235</b>	Total Nonmajor Special Revenue
<u>Airport</u>	<u>Revenue</u>
\$ -	\$ 103,866
-	64,050
14,237	149,836
70,077	459,112
<u>13,920</u>	<u>15,650</u>
<u>98,234</u>	<u>792,514</u>
-	261,677
120,141	322,202
-	<u>5,072</u>
<u>120,141</u>	<u>588,951</u>
(21,907)	203,563
<u>(4,333)</u>	<u>(202,405)</u>
(26,240)	1,158
<u>(31,117)</u>	<u>66,690</u>
<u>\$ (57,357)</u>	<u>\$ 67,848</u>

CITY OF LE SUEUR, MINNESOTA  
FIRE SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGE  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 103,866	\$ 103,866	\$ 103,866	\$ -	\$ 107,511
Intergovernmental					
State fire aid	23,500	23,500	25,249	1,749	26,405
Charges for services					
Public safety	179,024	179,024	181,422	2,398	169,880
<b>TOTAL REVENUES</b>	<b>306,390</b>	<b>306,390</b>	<b>310,537</b>	<b>4,147</b>	<b>309,837</b>
<b>EXPENDITURES</b>					
Current					
Public safety					
Administration					
Personal services	51,400	51,400	53,328	(1,928)	55,490
Supplies	2,050	2,050	1,454	596	486
Other services and charges	16,715	16,715	15,499	1,216	15,450
Total administration	70,165	70,165	70,281	(116)	71,426
Fire fighting					
Personal services	30,000	30,000	29,410	590	30,982
Supplies	4,500	4,500	4,572	(72)	3,118
Total fire fighting	34,500	34,500	33,982	518	34,100
Prevention					
Other services and charges	4,000	4,000	4,375	(375)	5,590
Training					
Supplies	5,000	5,000	3,677	1,323	4,383
Other services and charges	4,500	4,500	1,402	3,098	1,956
Total training	9,500	9,500	5,079	4,421	6,339
Communications					
Other services and charges	2,700	2,700	1,347	1,353	2,252
Repair services					
Supplies	6,000	6,000	7,820	(1,820)	3,205
Other services and charges	3,000	3,000	760	2,240	347
Total repair services	9,000	9,000	8,580	420	3,552

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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			2010	
	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	\$ 13,250	\$ 13,250	\$ 10,799	\$ 2,451	\$ 10,706
Total current	143,115	143,115	134,443	8,672	133,965
Capital outlay					
Public safety					
Fire fighting	4,000	4,000	5,072	(1,072)	2,871
TOTAL EXPENDITURES	147,115	147,115	139,515	7,600	136,836
EXCESS OF REVENUES OVER EXPENDITURES	159,275	159,275	171,022	11,747	173,001
OTHER FINANCING USES					
Transfers out	(136,788)	(136,788)	(157,087)	(20,299)	(132,190)
NET CHANGE IN FUND BALANCES	22,487	22,487	13,935	(8,552)	40,811
FUND BALANCES (DEFICITS), JANUARY 1	39,468	39,468	39,468	-	(1,343)
FUND BALANCES, DECEMBER 31	\$ 61,955	\$ 61,955	\$ 53,403	\$ (8,552)	\$ 39,468

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, 2011  
 (With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			Variance with Final Budget	2010
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Charges for services					
Public safety	\$ 170,749	\$ 170,749	\$ 162,985	\$ (7,764)	\$ 136,205
Miscellaneous					
Contributions and donations	2,000	2,000	1,700	(300)	500
TOTAL REVENUES	<u>172,749</u>	<u>172,749</u>	<u>164,685</u>	<u>(8,064)</u>	<u>136,705</u>
EXPENDITURES					
Current					
Public safety					
Ambulance services					
Personal services	91,374	91,374	86,823	4,551	85,436
Supplies	34,000	34,000	17,506	16,494	30,569
Other services and charges	25,650	25,650	22,905	2,745	15,790
TOTAL EXPENDITURES	<u>151,024</u>	<u>151,024</u>	<u>127,234</u>	<u>23,790</u>	<u>131,795</u>
EXCESS OF REVENUES OVER EXPENDITURES	21,725	21,725	37,451	15,726	4,910
OTHER FINANCING USES					
Transfers out	(21,725)	(21,725)	(21,725)	-	(23,693)
NET CHANGE IN FUND BALANCES	-	-	15,726	15,726	(18,783)
FUND BALANCES, JANUARY 1	9,682	9,682	9,682	-	28,465
FUND BALANCES, DECEMBER 31	<u>\$ 9,682</u>	<u>\$ 9,682</u>	<u>\$ 25,408</u>	<u>\$ 15,726</u>	<u>\$ 9,682</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, 2011  
 (With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental					
Federal transit aid	\$ 85,719	\$ 85,719	\$ 64,050	\$ (21,669)	\$ 66,896
State transit aid	92,862	92,862	110,350	17,488	110,704
Charges for services					
Other	40,645	40,645	44,628	3,983	42,944
Miscellaneous					
Other	-	-	30	30	2,417
Contributions and donations	-	-	-	-	29
<b>TOTAL REVENUES</b>	<b>219,226</b>	<b>219,226</b>	<b>219,058</b>	<b>(168)</b>	<b>222,990</b>
<b>EXPENDITURES</b>					
Current					
Miscellaneous					
Transportation					
Personal services	151,800	151,800	154,266	(2,466)	151,159
Supplies	22,060	22,060	23,424	(1,364)	26,708
Total transportation	173,860	173,860	177,690	(3,830)	177,867
Traffic and advertising					
Other services	1,000	1,000	41	959	1,487
Insurance and safety					
Personal services	5,292	5,292	6,793	(1,501)	5,367
Other services and charges	9,014	9,014	2,104	6,910	9,300
Total insurance and safety	14,306	14,306	8,897	5,409	14,667
Administration and general					
Supplies	2,300	2,300	1,457	843	1,262
Other services and charges	12,500	12,500	13,976	(1,476)	13,520
Total administration and general	14,800	14,800	15,433	(633)	14,782
<b>TOTAL EXPENDITURES</b>	<b>203,966</b>	<b>203,966</b>	<b>202,061</b>	<b>1,905</b>	<b>208,803</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>15,260</b>	<b>15,260</b>	<b>16,997</b>	<b>1,737</b>	<b>14,187</b>
<b>OTHER FINANCING USES</b>					
Transfers out	(19,260)	(19,260)	(19,260)	-	(21,525)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>(2,263)</b>	<b>1,737</b>	<b>(7,338)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>48,657</b>	<b>48,657</b>	<b>48,657</b>	<b>-</b>	<b>55,995</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 44,657</b>	<b>\$ 44,657</b>	<b>\$ 46,394</b>	<b>\$ 1,737</b>	<b>\$ 48,657</b>

CITY OF LE SUEUR, MINNESOTA  
 AIRPORT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEFICITS  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2011  
 (With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			2010	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental					
State					
Airport operating grant	\$ 14,000	\$ 14,000	\$ 14,237	\$ 237	\$ 14,237
Charges for services					
Miscellaneous	58,615	58,615	70,077	11,462	86,606
Miscellaneous					
Rents	10,900	10,900	13,920	3,020	6,723
<b>TOTAL REVENUES</b>	<b>83,515</b>	<b>83,515</b>	<b>98,234</b>	<b>14,719</b>	<b>107,566</b>
<b>EXPENDITURES</b>					
Current					
Miscellaneous					
Fields, runways and ramps					
Personal services	9,605	9,605	7,959	1,646	7,253
Other services and charges	5,645	5,645	3,431	2,214	5,448
Total fields, runways and ramps	15,250	15,250	11,390	3,860	12,701
Terminal buildings and public areas					
Supplies	52,600	52,600	93,838	(41,238)	82,074
Other services and charges	9,165	9,165	14,913	(5,748)	14,357
Total terminal buildings and public areas	61,765	61,765	108,751	(46,986)	96,431
<b>TOTAL EXPENDITURES</b>	<b>77,015</b>	<b>77,015</b>	<b>120,141</b>	<b>(43,126)</b>	<b>109,132</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,500</b>	<b>6,500</b>	<b>(21,907)</b>	<b>(28,407)</b>	<b>(1,566)</b>
<b>OTHER FINANCING USES</b>					
Transfers out	(6,500)	(6,500)	(4,333)	2,167	(6,500)
<b>NET CHANGE IN FUND DEFICITS</b>	<b>-</b>	<b>-</b>	<b>(26,240)</b>	<b>(26,240)</b>	<b>(8,066)</b>
<b>FUND DEFICITS, JANUARY 1</b>	<b>(31,117)</b>	<b>(31,117)</b>	<b>(31,117)</b>	<b>-</b>	<b>(23,051)</b>
<b>FUND DEFICITS, DECEMBER 31</b>	<b>\$ (31,117)</b>	<b>\$ (31,117)</b>	<b>\$ (57,357)</b>	<b>\$ (26,240)</b>	<b>\$ (31,117)</b>

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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 393,090	\$ 393,090	\$ 393,090	\$ -	\$ 395,886
Charges for services					
Culture and recreation	341,700	341,700	372,240	30,540	366,108
Miscellaneous					
Other	18,000	18,000	28,119	10,119	25,068
<b>TOTAL REVENUES</b>	<b>752,790</b>	<b>752,790</b>	<b>793,449</b>	<b>40,659</b>	<b>787,062</b>
<b>EXPENDITURES</b>					
Current					
Culture and recreation					
Swimming pool					
Personal services	40,370	40,370	38,137	2,233	34,429
Supplies	6,000	6,000	6,905	(905)	6,546
Other services and charges	31,025	31,025	20,585	10,440	17,892
<b>Total swimming pool</b>	<b>77,395</b>	<b>77,395</b>	<b>65,627</b>	<b>11,768</b>	<b>58,867</b>
Personal services					
Personal services	322,515	322,515	285,409	37,106	289,010
Repairs and maintenance					
Supplies	19,000	19,000	25,607	(6,607)	16,823
Other services and charges	34,000	34,000	44,399	(10,399)	32,798
<b>Total repairs and maintenance</b>	<b>53,000</b>	<b>53,000</b>	<b>70,006</b>	<b>(17,006)</b>	<b>49,621</b>
Administration and general					
Supplies	40,100	40,100	54,668	(14,568)	41,651
Other services and charges	188,780	188,780	151,343	37,437	140,593
<b>Total administration and general</b>	<b>228,880</b>	<b>228,880</b>	<b>206,011</b>	<b>22,869</b>	<b>182,244</b>
<b>TOTAL EXPENDITURES</b>	<b>681,790</b>	<b>681,790</b>	<b>627,053</b>	<b>54,737</b>	<b>579,742</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>71,000</b>	<b>71,000</b>	<b>166,396</b>	<b>95,396</b>	<b>207,320</b>
<b>OTHER FINANCING USES</b>					
Transfers out	(71,000)	(71,000)	(76,000)	(5,000)	(40,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>90,396</b>	<b>90,396</b>	<b>167,320</b>
<b>FUND BALANCES (DEFICITS), JANUARY 1</b>	<b>136,502</b>	<b>136,502</b>	<b>136,502</b>	<b>-</b>	<b>(30,818)</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 136,502</b>	<b>\$ 136,502</b>	<b>\$ 226,898</b>	<b>\$ 90,396</b>	<b>\$ 136,502</b>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	<b>410</b>	<b>420</b>	<b>430</b>	<b>435</b>
	Equipment Acquisition	Capital Improvements	Pool Renovation Project	Community Center Roof Project 2011
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ 413,400	\$ (68,155)	\$ -	\$ (49,051)
Receivables				
Notes and mortgages	-	-	-	-
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Intergovernmental	-	752	-	-
Advances to other funds	-	-	-	-
	<u>413,400</u>	<u>(67,403)</u>	<u>-</u>	<u>(49,051)</u>
<b>TOTAL ASSETS</b>	<u>\$ 413,400</u>	<u>\$ (67,403)</u>	<u>\$ -</u>	<u>\$ (49,051)</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 27,762	\$ 10,301	\$ -	\$ 2,599
Due to other funds	-	-	-	-
Advances from other funds	-	-	124,000	-
Deferred revenue	-	-	-	-
	<u>27,762</u>	<u>10,301</u>	<u>124,000</u>	<u>2,599</u>
<b>TOTAL LIABILITIES</b>	<u>27,762</u>	<u>10,301</u>	<u>124,000</u>	<u>2,599</u>
<b>FUND BALANCES (DEFICITS)</b>				
Assigned for				
Capital projects	385,638	-	-	-
Unassigned	-	(77,704)	(124,000)	(51,650)
	<u>385,638</u>	<u>(77,704)</u>	<u>(124,000)</u>	<u>(51,650)</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>385,638</u>	<u>(77,704)</u>	<u>(124,000)</u>	<u>(51,650)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 413,400</u>	<u>\$ (67,403)</u>	<u>\$ -</u>	<u>\$ (49,051)</u>

<b>445</b>	<b>450</b>	<b>501</b>	<b>477</b>	<b>478</b>	<b>479</b>	<b>Total Nonmajor Capital Projects</b>
Police Station Project 2010	Ice Arena Floor Replacement	Special Assessments/ Improvements	North Highway 169 Frontage Road Improvements	Le Sueur Hill Improvements	2008 N. 2nd Street Reconstruction	
\$ (59,520)	\$ (50,566)	\$ 28,322	\$ (263,682)	\$ 28,776	\$ 462,222	\$ 441,746
-	-	34,249	-	-	-	34,249
-	-	25,244	-	-	-	25,244
-	-	15,821	-	-	-	15,821
-	-	-	-	-	-	752
-	-	6,370	-	70,606	-	76,976
<u>\$ (59,520)</u>	<u>\$ (50,566)</u>	<u>\$ 110,006</u>	<u>\$ (263,682)</u>	<u>\$ 99,382</u>	<u>\$ 462,222</u>	<u>\$ 594,788</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,662
-	-	13,569	-	-	-	13,569
-	-	-	-	-	-	124,000
-	-	75,314	-	-	-	75,314
-	-	88,883	-	-	-	253,545
-	-	21,123	-	99,382	462,222	968,365
(59,520)	(50,566)	-	(263,682)	-	-	(627,122)
(59,520)	(50,566)	21,123	(263,682)	99,382	462,222	341,243
<u>\$ (59,520)</u>	<u>\$ (50,566)</u>	<u>\$ 110,006</u>	<u>\$ (263,682)</u>	<u>\$ 99,382</u>	<u>\$ 462,222</u>	<u>\$ 594,788</u>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>410</b>	<b>420</b>	<b>430</b>	<b>435</b>
	Equipment Acquisition	Capital Improvements	Pool Renovation Project	Community Center Roof Project 2011
<b>REVENUES</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal				
Other Federal grants	-	(18,704)	-	-
State				
Other	-	22,215	-	-
Charges for services				
Culture and recreation	-	200	-	-
Miscellaneous				
Loan repayments	-	-	-	-
Rents	-	4,800	-	-
Contributions and donations	11,017	-	-	-
Refunds and reimbursements	-	4,403	-	-
	<u>11,017</u>	<u>12,914</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Capital outlay				
Public safety	24,770	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	61,976	8,823	-	51,650
Miscellaneous	-	145,801	-	-
	<u>127,929</u>	<u>154,624</u>	<u>-</u>	<u>51,650</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(116,912)</u>	<u>(141,710)</u>	<u>-</u>	<u>(51,650)</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of assets	3,655	-	-	-
Transfers in	5,000	9,333	31,000	-
Bonds issued	-	-	-	-
	<u>8,655</u>	<u>9,333</u>	<u>31,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES</b>				
<b>NET CHANGE IN FUND BALANCES</b>	(108,257)	(132,377)	31,000	(51,650)
<b>FUND BALANCES (DEFICITS), JANUARY 1</b>	<u>493,895</u>	<u>54,673</u>	<u>(155,000)</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS), DECEMBER 31</b>	<u>\$ 385,638</u>	<u>\$ (77,704)</u>	<u>\$ (124,000)</u>	<u>\$ (51,650)</u>

<b>445</b>	<b>450</b>	<b>477</b>	<b>501</b>	<b>478</b>	<b>479</b>	<b>Total Nonmajor Capital Projects</b>
<b>Police Station Project 2010</b>	<b>Ice Arena Floor Replacement</b>	<b>North Highway 169 Frontage Road Improvements</b>	<b>Special Assessments/ Improvements</b>	<b>Le Sueur Hill Improvements</b>	<b>2008 N. 2nd Street Reconstruction</b>	
\$ -	\$ -	\$ -	\$ 7,814	\$ -	\$ -	\$ 7,814
-	-	-	-	-	-	(18,704)
-	-	-	-	-	-	22,215
-	-	-	-	-	-	200
-	-	-	6,370	-	-	6,370
-	-	-	-	-	-	4,800
-	-	-	-	-	-	11,017
400	-	-	-	-	-	4,803
<b>400</b>	<b>-</b>	<b>-</b>	<b>14,184</b>	<b>-</b>	<b>-</b>	<b>38,515</b>
465,782	-	-	-	-	-	490,552
-	-	29,000	-	-	142,494	171,494
-	-	-	-	-	-	122,449
-	-	-	-	-	-	145,801
<b>465,782</b>	<b>-</b>	<b>29,000</b>	<b>-</b>	<b>-</b>	<b>142,494</b>	<b>971,479</b>
<b>(465,382)</b>	<b>-</b>	<b>(29,000)</b>	<b>14,184</b>	<b>-</b>	<b>(142,494)</b>	<b>(932,964)</b>
-	-	-	-	-	-	3,655
-	-	-	-	-	-	45,333
-	-	-	-	-	745,000	745,000
-	-	-	-	-	745,000	793,988
<b>(465,382)</b>	<b>-</b>	<b>(29,000)</b>	<b>14,184</b>	<b>-</b>	<b>602,506</b>	<b>(138,976)</b>
<b>405,862</b>	<b>(50,566)</b>	<b>(234,682)</b>	<b>6,939</b>	<b>99,382</b>	<b>(140,284)</b>	<b>480,219</b>
<b>\$ (59,520)</b>	<b>\$ (50,566)</b>	<b>\$ (263,682)</b>	<b>\$ 21,123</b>	<b>\$ 99,382</b>	<b>\$ 462,222</b>	<b>\$ 341,243</b>

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CITY OF LE SUEUR, MINNESOTA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
Cash and temporary investments	\$ 333,297	\$ 446,027
Receivables		
Delinquent taxes	107,114	89,452
Accounts	27,061	58,976
Intergovernmental	79,782	24,652
Due from other funds	10,485	12,795
Inventories	8,908	4,559
Prepaid items	2,766	2,715
	<u>569,413</u>	<u>639,176</u>
<b>TOTAL ASSETS</b>	<u>\$ 569,413</u>	<u>\$ 639,176</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 84,287	\$ 140,325
Advances from other funds	35,871	52,344
Accrued wages payable	37,628	38,109
Deferred revenue	107,114	89,452
	<u>264,900</u>	<u>320,230</u>
<b>TOTAL LIABILITIES</b>	<u>264,900</u>	<u>320,230</u>
<b>FUND BALANCES</b>		
Nonspendable		
Due from other funds	10,485	12,795
Inventories	8,908	4,559
Prepaid items	2,766	2,715
Unassigned	282,354	298,877
	<u>304,513</u>	<u>318,946</u>
<b>TOTAL FUND BALANCES</b>	<u>304,513</u>	<u>318,946</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 569,413</u>	<u>\$ 639,176</u>

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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 356,737	\$ 454,735	\$ 346,089	\$ (108,646)	\$ 361,648
Franchise fees	17,000	17,000	9,754	(7,246)	21,428
Total taxes	<u>373,737</u>	<u>471,735</u>	<u>355,843</u>	<u>(115,892)</u>	<u>383,076</u>
Licenses and permits					
Business	6,900	6,900	7,745	845	7,345
Nonbusiness	38,700	38,700	117,990	79,290	79,162
Total licenses and permits	<u>45,600</u>	<u>45,600</u>	<u>125,735</u>	<u>80,135</u>	<u>86,507</u>
Intergovernmental					
Federal	-	-	5,334	5,334	9,501
State					
Local government aid	930,468	930,468	767,922	(162,546)	767,922
Property tax credits and aids	134,603	36,605	37,039	434	37,120
Police aid	35,000	35,000	39,913	4,913	46,328
Other state aids	6,839	6,839	10,729	3,890	8,078
Total state	<u>1,106,910</u>	<u>1,008,912</u>	<u>855,603</u>	<u>(153,309)</u>	<u>859,448</u>
County					
Highway aid	22,887	22,887	49,799	26,912	(20,000)
Total intergovernmental	<u>1,129,797</u>	<u>1,031,799</u>	<u>910,736</u>	<u>(121,063)</u>	<u>848,949</u>
Charges for services					
General government	3,000	3,000	3,973	973	3,148
Public safety	1,000	1,000	705	(295)	897
Streets and highways	2,000	2,000	3,815	1,815	2,085
Culture and recreation	1,000	1,000	-	(1,000)	-
Miscellaneous	13,000	13,000	12,707	(293)	13,000
Total charges for services	<u>20,000</u>	<u>20,000</u>	<u>21,200</u>	<u>1,200</u>	<u>19,130</u>
Fines and forfeits	25,250	25,250	16,125	(9,125)	21,589
Interest earnings	5,000	5,000	9,970	4,970	10,112
Miscellaneous					
Other	12,300	12,300	15,877	3,577	11,150
Loan payments	52,550	52,550	-	(52,550)	-
Rents	1,800	1,800	-	(1,800)	1,800
Refunds and reimbursements	37,000	37,000	12,682	(24,318)	45,149
Reimbursements from other funds	19,100	19,100	16,100	(3,000)	16,100
Total miscellaneous	<u>122,750</u>	<u>122,750</u>	<u>44,659</u>	<u>(78,091)</u>	<u>74,199</u>
TOTAL REVENUES	<u>1,722,134</u>	<u>1,722,134</u>	<u>1,484,268</u>	<u>(237,866)</u>	<u>1,443,562</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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and council					
Personal services	\$ 22,455	\$ 22,455	\$ 21,984	\$ 471	\$ 21,684
Other services and charges	400	400	1,697	(1,297)	1,420
Total mayor and council	<u>22,855</u>	<u>22,855</u>	<u>23,681</u>	<u>(826)</u>	<u>23,104</u>
City administrator					
Personal services	85,995	85,995	62,080	23,915	61,501
Other services and charges	6,500	6,500	6,507	(7)	6,378
Total city administrator	<u>92,495</u>	<u>92,495</u>	<u>68,587</u>	<u>23,908</u>	<u>67,879</u>
Elections					
Personal services	-	-	(68)	68	2,503
Supplies	-	-	-	-	178
Total elections	<u>-</u>	<u>-</u>	<u>(68)</u>	<u>68</u>	<u>2,681</u>
City clerk					
Personal services	31,696	31,696	34,704	(3,008)	38,091
Supplies	7,100	7,100	5,071	2,029	7,899
Other services and charges	24,050	24,050	34,557	(10,507)	28,404
Total city clerk	<u>62,846</u>	<u>62,846</u>	<u>74,332</u>	<u>(11,486)</u>	<u>74,394</u>
Accounting					
Personal services	47,227	47,227	58,973	(11,746)	46,957
Supplies	300	300	300	-	2,435
Other services and charges	17,700	17,700	19,515	(1,815)	16,249
Total accounting	<u>65,227</u>	<u>65,227</u>	<u>78,788</u>	<u>(13,561)</u>	<u>65,641</u>
City attorney					
Other services and charges	20,000	20,000	20,551	(551)	16,369
Planning and zoning					
Personal services	2,500	2,500	210	2,290	6,439
Supplies	-	-	6	(6)	-
Other services and charges	6,300	6,300	6,234	66	7,879
Total planning and zoning	<u>8,800</u>	<u>8,800</u>	<u>6,450</u>	<u>2,350</u>	<u>14,318</u>
General government buildings					
Supplies	300	300	574	(274)	325
Other services and charges	26,500	26,500	28,727	(2,227)	27,185
Total general government buildings	<u>26,800</u>	<u>26,800</u>	<u>29,301</u>	<u>(2,501)</u>	<u>27,510</u>
Insurance					
Workers' compensation	41,000	41,000	21,626	19,374	47,432
Property and liability	55,125	55,125	27,742	27,383	34,682
Total insurance	<u>96,125</u>	<u>96,125</u>	<u>49,368</u>	<u>46,757</u>	<u>82,114</u>
Total general government	<u>395,148</u>	<u>395,148</u>	<u>350,990</u>	<u>44,158</u>	<u>374,010</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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Current - Continued					
Public safety					
Crime control and investigations					
Personal services	\$ 655,340	\$ 655,340	\$ 647,121	\$ 8,219	\$ 650,540
Supplies	7,500	7,500	8,770	(1,270)	6,630
Other services and charges	23,950	23,950	42,505	(18,555)	27,167
Total crime control and investigations	<u>686,790</u>	<u>686,790</u>	<u>698,396</u>	<u>(11,606)</u>	<u>684,337</u>
Police training					
Supplies	3,500	3,500	2,433	1,067	841
Other services and charges	1,000	1,000	1,055	(55)	1,668
Total police training	<u>4,500</u>	<u>4,500</u>	<u>3,488</u>	<u>1,012</u>	<u>2,509</u>
Communication services					
Other services and charges	<u>5,300</u>	<u>5,300</u>	<u>2,455</u>	<u>2,845</u>	<u>2,850</u>
Automotive services					
Supplies	16,000	16,000	21,918	(5,918)	18,910
Other services and charges	10,250	10,250	13,000	(2,750)	9,017
Total automotive services	<u>26,250</u>	<u>26,250</u>	<u>34,918</u>	<u>(8,668)</u>	<u>27,927</u>
Building inspection					
Personal services	-	-	-	-	7,083
Supplies	100	100	100	-	140
Other services and charges	20,000	20,000	38,970	(18,970)	40,103
Total building inspection	<u>20,100</u>	<u>20,100</u>	<u>39,070</u>	<u>(18,970)</u>	<u>47,326</u>
Civil defense					
Personal services	2,845	2,845	3,060	(215)	2,248
Supplies	400	400	217	183	185
Other services and charges	3,150	3,150	3,756	(606)	3,797
Total civil defense	<u>6,395</u>	<u>6,395</u>	<u>7,033</u>	<u>(638)</u>	<u>6,230</u>
Animal disposal					
Other services and charges	<u>12,000</u>	<u>12,000</u>	<u>11,736</u>	<u>264</u>	<u>11,890</u>
Other protection					
Other services and charges	<u>2,900</u>	<u>2,900</u>	<u>3,395</u>	<u>(495)</u>	<u>2,126</u>
Total public safety	<u>764,235</u>	<u>764,235</u>	<u>800,491</u>	<u>(36,256)</u>	<u>785,195</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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Streets and highways					
Streets and alleys					
Personal services	\$ 286,251	\$ 286,251	\$ 273,286	\$ 12,965	\$ 276,137
Supplies	94,700	94,700	105,147	(10,447)	77,820
Other services and charges	82,711	82,711	85,779	(3,068)	72,119
Total streets and alleys	463,662	463,662	464,212	(550)	426,076
Ice and snow removal					
Supplies	15,000	15,000	9,020	5,980	17,219
Storm drainage					
Other services and charges	-	-	645	(645)	1,290
Total streets and highways	478,662	478,662	473,877	4,785	444,585
Sanitation					
Other services and charges	-	-	2,017	(2,017)	-
Culture and recreation					
Supervision					
Personal services	76,341	76,341	73,416	2,925	80,966
Park areas					
Supplies	24,650	24,650	23,445	1,205	16,100
Other services and charges	19,850	19,850	21,169	(1,319)	23,496
Total park areas	44,500	44,500	44,614	(114)	39,596
Forestry and nursery					
Personal services	7,020	7,020	14,680	(7,660)	-
Supplies	3,300	3,300	3,498	(198)	1,876
Other services and charges	1,500	1,500	2,295	(795)	703
Total forestry and nursery	11,820	11,820	20,473	(8,653)	2,579
Library maintenance					
Other services and charges	25,025	25,025	25,758	(733)	23,365
Total culture and recreation	157,686	157,686	164,261	(6,575)	146,506

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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, 2011  
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Miscellaneous					
Unallocated					
Other charges	\$ 27,650	\$ 27,650	\$ 14,312	\$ 13,338	\$ 13,880
Safety and wellness program	6,000	6,000	6,536	(536)	5,184
Projects	10,000	10,000	5,160	4,840	14,587
Total miscellaneous	43,650	43,650	26,008	17,642	33,651
Total current	1,839,381	1,839,381	1,817,644	21,737	1,783,947
Capital outlay					
Public safety	1,000	1,000	2,915	(1,915)	541
Debt service					
Interest	3,147	3,147	3,147	-	3,418
TOTAL EXPENDITURES	1,843,528	1,843,528	1,823,706	19,822	1,787,906
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(121,394)	(121,394)	(339,438)	(218,044)	(344,344)
OTHER FINANCING SOURCES (USES)					
Transfers in	350,000	350,000	350,000	-	350,000
Transfers out	(41,468)	(41,468)	(24,995)	16,473	(26,724)
TOTAL OTHER FINANCING SOURCES (USES)	308,532	308,532	325,005	16,473	323,276
NET CHANGE IN FUND BALANCES	187,138	187,138	(14,433)	(201,571)	(21,068)
FUND BALANCES, JANUARY 1	318,946	318,946	318,946	-	340,014
FUND BALANCES, DECEMBER 31	\$ 506,084	\$ 506,084	\$ 304,513	\$ (201,571)	\$ 318,946

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2011  
(With Comparative Totals for December 31, 2010)

	<b>305</b> 1993 Installment Contract With EDA	<b>306</b> 1995 Lease Purchase	<b>307</b> 1999 Recreational Revenue Bond	<b>502</b> 2001 G.O. Improvement Bonds	<b>309</b> 2002 G.O. Library Bonds
<b>ASSETS</b>					
Cash and temporary investments (deficits)	\$ 49,959	\$ 63,899	\$ (139)	\$ 43,295	\$ 14,064
Escrowed investments	-	-	-	-	-
Receivables					
Accounts	-	-	-	-	-
Notes and mortgages	143,948	-	-	-	-
Special assessments					
Delinquent	-	-	-	-	-
Deferred	-	-	-	270,000	-
Intergovernmental	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 193,907</u></b>	<b><u>\$ 63,899</u></b>	<b><u>\$ (139)</u></b>	<b><u>\$ 313,295</u></b>	<b><u>\$ 14,064</u></b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to component unit	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Deferred revenue	143,948	-	-	270,000	-
<b>TOTAL LIABILITIES</b>	<b>143,948</b>	<b>-</b>	<b>-</b>	<b>270,000</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted for					
Debt service	49,959	63,899	(139)	43,295	14,064
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 193,907</u></b>	<b><u>\$ 63,899</u></b>	<b><u>\$ (139)</u></b>	<b><u>\$ 313,295</u></b>	<b><u>\$ 14,064</u></b>

<b>310</b> 2002 G.O. Fire Station Bonds	<b>312</b> 2004 Equipment Lease Purchase	<b>315</b> 2005A G.O. Crossover Refunding Bonds	<b>316</b> Johnson Control Facility Improvements
\$ 60,842	\$ 31,442	\$ 6,710	\$ 87,171
-	-	-	-
-	-	-	18,086
-	-	-	689,280
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 60,842</u>	<u>\$ 31,442</u>	<u>\$ 6,710</u>	<u>\$ 794,537</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	689,280
-	-	-	689,280
<u>60,842</u>	<u>31,442</u>	<u>6,710</u>	<u>105,257</u>
<u>\$ 60,842</u>	<u>\$ 31,442</u>	<u>\$ 6,710</u>	<u>\$ 794,537</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2011  
(With Comparative Totals for December 31, 2010)

	<b>317</b> 2007 G.O. Certificates of Indebtedness	<b>318</b> 2008 G.O. Tax Abatement Bonds	<b>319</b> 2010 G.O. Certificates of Indebtedness	<b>320</b> 2010 Police CIP Bonds	<b>321</b> Medical Facility Bonds 2010
<b>ASSETS</b>					
Cash and temporary investments (deficits)	\$ 12,887	\$ 193,011	\$ 28,451	\$ (4,638)	\$ 55,203
Escrowed investments	-	-	-	-	1,327,043
Receivables					
Accounts	-	-	-	-	
Notes and mortgages	-	-	-	-	4,110,680
Special assessments					
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Advances to other funds	-	-	-	-	-
	<u>12,887</u>	<u>193,011</u>	<u>28,451</u>	<u>(4,638)</u>	<u>5,492,926</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,887</u></b>	<b><u>\$ 193,011</u></b>	<b><u>\$ 28,451</u></b>	<b><u>\$ (4,638)</u></b>	<b><u>\$ 5,492,926</u></b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to component unit	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Deferred revenue	-	-	-	-	4,110,680
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,110,680</u>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,110,680</b>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted for					
Debt service	<u>12,887</u>	<u>193,011</u>	<u>28,451</u>	<u>(4,638)</u>	<u>1,382,246</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 12,887</u></b>	<b><u>\$ 193,011</u></b>	<b><u>\$ 28,451</u></b>	<b><u>\$ (4,638)</u></b>	<b><u>\$ 5,492,926</u></b>

322 EDA Lease Revenue Bonds 2010	505 2002 G.O. Improvement Bonds	506 2003 G.O. Improvement Bonds	507 2005C G.O. Improvement Bonds	508 2006A G.O. Improvement Bonds	510 2011A G.O. Temporary Street Reconstruction Bonds	Totals	
						2011	2010
\$ 16,270	\$ 94,614	\$ 136,475	\$ 231,145	\$ 165,815	\$ (17,331)	\$ 1,269,145	\$ 4,531,997
-	-	-	2,053,123	-	-	3,380,166	-
-	-	-	-	-	-	18,086	-
-	-	-	-	-	-	4,943,908	3,084,743
-	4,663	3,107	192,572	1,400	-	201,742	122,071
-	73,270	188,609	1,218,592	335,864	-	2,086,335	2,326,034
-	204	1,554	2,107	2,517	-	6,382	23,305
-	145,818	221,000	1,571,023	654,078	-	2,591,919	2,826,250
<u>\$ 16,270</u>	<u>\$ 318,569</u>	<u>\$ 550,745</u>	<u>\$ 5,268,562</u>	<u>\$ 1,159,674</u>	<u>\$ (17,331)</u>	<u>\$ 14,497,683</u>	<u>\$ 12,914,400</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,610
16,270	-	-	-	-	-	16,270	-
-	-	-	897	-	-	897	1,437
-	77,933	191,716	1,411,164	337,264	-	7,231,985	5,532,848
16,270	77,933	191,716	1,412,061	337,264	-	7,249,152	5,546,895
-	240,636	359,029	3,856,501	822,410	(17,331)	7,248,531	7,367,505
<u>\$ 16,270</u>	<u>\$ 318,569</u>	<u>\$ 550,745</u>	<u>\$ 5,268,562</u>	<u>\$ 1,159,674</u>	<u>\$ (17,331)</u>	<u>\$ 14,497,683</u>	<u>\$ 12,914,400</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES (DEFICITS) - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(With Comparative Totals for the Year Ended December 31, 2010)

	<b>305</b> 1993 Installment Contract With EDA	<b>306</b> 1995 Lease Purchase	<b>307</b> 1999 Recreational Revenue Bond	<b>502</b> 2001 G.O. Improvement Bonds	<b>309</b> 2002 G.O. Library Bonds
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ 80,280	\$ -	\$ 71,000
Special assessments	-	-	-	61,263	-
Interest earnings	10,031	412	-	-	-
Miscellaneous					
Loan repayments	42,519	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>52,550</u>	<u>412</u>	<u>80,280</u>	<u>61,263</u>	<u>71,000</u>
<b>EXPENDITURES</b>					
Current					
Economic development	-	-	-	-	-
Debt service					
Principal	-	40,000	65,000	50,000	45,000
Interest and other	-	11,683	15,280	11,213	24,810
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>51,683</u>	<u>80,280</u>	<u>61,213</u>	<u>69,810</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>52,550</u>	<u>(51,271)</u>	<u>-</u>	<u>50</u>	<u>1,190</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	50,683	-	-	-
Bonds issued	-	-	-	-	-
Discounts on bonds issued	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>50,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	52,550	(588)	-	50	1,190
<b>FUND BALANCES (DEFICITS), JANUARY 1</b>	<u>(2,591)</u>	<u>64,487</u>	<u>(139)</u>	<u>43,245</u>	<u>12,874</u>
<b>FUND BALANCES (DEFICITS), DECEMBER 31</b>	<u>\$ 49,959</u>	<u>\$ 63,899</u>	<u>\$ (139)</u>	<u>\$ 43,295</u>	<u>\$ 14,064</u>

<b>310</b> 2002 G.O. Fire Station Bonds	<b>312</b> 2004 Equipment Lease Purchase	<b>315</b> 2005C G.O. Crossover Refunding Bonds	<b>316</b> 2006C G.O. Johnson Control
\$ -	\$ -	\$ -	\$ 154,197
-	-	-	-
-	-	-	31,608
-	-	-	54,435
-	-	-	-
-	-	-	240,240
-	-	-	-
40,000	35,000	-	198,334
51,060	8,540	-	94,559
91,060	43,540	-	292,893
(91,060)	(43,540)	-	(52,653)
91,060	43,540	-	50,297
-	-	-	-
-	-	-	-
91,060	43,540	-	50,297
-	-	-	(2,356)
60,842	31,442	6,710	107,613
<u>\$ 60,842</u>	<u>\$ 31,442</u>	<u>\$ 6,710</u>	<u>\$ 105,257</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES (DEFICITS) - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(With Comparative Totals for the Year Ended December 31, 2010)

	<b>317</b> 2007 G.O. Certificates of Indebtedness	<b>318</b> 2008 G.O. Tax Abatement Bonds	<b>319</b> 2010 G.O. Certificates of Indebtedness	<b>320</b> 2010 Police CIP Bonds	<b>321</b> Medical Facility Bonds 2010
<b>REVENUES</b>					
Property taxes	\$ 122,000	\$ 116,590	\$ 80,310	\$ 47,000	\$ -
Special assessments	-	-	-	-	-
Interest earnings	-	-	-	-	2,204
Miscellaneous					
Loan repayments	-	-	-	-	255,195
Refunds and reimbursements	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>122,000</u>	<u>116,590</u>	<u>80,310</u>	<u>47,000</u>	<u>257,399</u>
<b>EXPENDITURES</b>					
Current					
Economic development	-	-	-	-	1,979,890
Debt service					
Principal	105,000	40,000	70,000	35,000	-
Interest and other	12,460	11,918	10,024	15,714	240,702
<b>TOTAL EXPENDITURES</b>	<u>117,460</u>	<u>51,918</u>	<u>80,024</u>	<u>50,714</u>	<u>2,220,592</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,540</u>	<u>64,672</u>	<u>286</u>	<u>(3,714)</u>	<u>(1,963,193)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	-	22,487	-	-
Bonds issued	-	-	-	-	-
Discounts on bonds issued	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>22,487</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,540	64,672	22,773	(3,714)	(1,963,193)
<b>FUND BALANCES (DEFICITS), JANUARY 1</b>	<u>8,347</u>	<u>128,339</u>	<u>5,678</u>	<u>(924)</u>	<u>3,345,439</u>
<b>FUND BALANCES (DEFICITS), DECEMBER 31</b>	<u>\$ 12,887</u>	<u>\$ 193,011</u>	<u>\$ 28,451</u>	<u>\$ (4,638)</u>	<u>\$ 1,382,246</u>

322 EDA Lease Revenue Bonds 2010	505 2002 G.O. Improvement Bonds	506 2003 G.O. Improvement Bonds	507 2005C G.O. Improvement Bonds	508 2006A G.O. Improvement Bonds	510 2011A G.O. Temporary Street Reconstruction Bonds	Totals	
						2011	2010
\$ -	\$ 39,500	\$ -	\$ 15,000	\$ 60,000	\$ -	\$ 785,877	\$ 759,417
-	12,723	20,246	122,962	58,663	-	275,857	302,330
-	-	-	-	-	1,242	45,497	121,827
-	-	-	-	-	-	352,149	1,253,397
-	-	-	199	-	-	199	-
-	52,223	20,246	138,161	118,663	1,242	1,459,579	2,436,971
-	-	-	-	-	-	1,979,890	2,303,434
-	75,000	350,000	210,000	155,000	-	1,513,334	2,195,152
-	13,923	16,429	109,270	80,811	18,573	746,969	771,398
-	88,923	366,429	319,270	235,811	18,573	4,240,193	5,269,984
-	(36,700)	(346,183)	(181,109)	(117,148)	(17,331)	(2,780,614)	(2,833,013)
-	-	-	-	-	-	258,067	313,752
-	-	330,248	2,079,752	-	-	2,410,000	5,532,990
-	-	-	(6,427)	-	-	(6,427)	-
-	-	330,248	2,073,325	-	-	2,661,640	5,846,742
-	(36,700)	(15,935)	1,892,216	(117,148)	(17,331)	(118,974)	3,013,729
-	277,336	374,964	1,964,285	939,558	-	7,367,505	4,353,776
\$ -	\$ 240,636	\$ 359,029	\$ 3,856,501	\$ 822,410	\$ (17,331)	\$ 7,248,531	\$ 7,367,505

CITY OF LE SUEUR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 DECEMBER 31, 2011  
 (With Comparative Totals for December 31, 2010)

	Agency			
	229	240	250	606
	Cable TV	HRA	LSH Healthy Communities	Minnesota River Valley PUC
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ (5,008)	\$ (6,691)	\$ (734)	\$ (177,439)
Accounts receivable	5,687	7,951	734	2,032
Due from other governments	-	-	-	216,466
<b>TOTAL ASSETS</b>	<b><u>\$ 679</u></b>	<b><u>\$ 1,260</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 41,059</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	433	-	\$ 37,190
Accrued wages payable	679	-	-	3,869
Other postemployment benefits payable	-	827	-	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 679</u></b>	<b><u>\$ 1,260</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 41,059</u></b>

Totals

<u>2011</u>	<u>2010</u>
\$ (189,872)	\$ 6,864
16,404	14,968
<u>216,466</u>	<u>-</u>
<u>\$ 42,998</u>	<u>\$ 21,832</u>
\$ 37,623	\$ 7,361
4,548	3,368
<u>827</u>	<u>11,103</u>
<u>\$ 42,998</u>	<u>\$ 21,832</u>

CITY OF LE SUEUR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**CABLE TV (229)**

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ (5,813)	\$ 23,377	\$ 22,572	\$ (5,008)
Accounts receivable	5,813	5,687	5,813	5,687
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 29,064</u>	<u>\$ 28,385</u>	<u>\$ 679</u>
<b>LIABILITIES</b>				
Accrued wages payable	<u>\$ -</u>	<u>\$ 29,064</u>	<u>\$ 28,385</u>	<u>\$ 679</u>

**HRA (240)**

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ (5,276)	\$ 94,095	\$ 95,510	\$ (6,691)
Accounts receivable	6,326	7,951	6,326	7,951
<b>TOTAL ASSETS</b>	<u>\$ 1,050</u>	<u>\$ 102,046</u>	<u>\$ 101,836</u>	<u>\$ 1,260</u>
<b>LIABILITIES</b>				
Accounts payable	\$ (6)	\$ 439	\$ -	\$ 433
Accrued wages payable	-	101,607	101,607	-
Other postemployment benefits liability	1,056	-	229	827
<b>TOTAL LIABILITIES</b>	<u>\$ 1,050</u>	<u>\$ 102,046</u>	<u>\$ 101,836</u>	<u>\$ 1,260</u>

**LSH HEALTHY COMMUNITIES (250)**

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ (1,134)	\$ 21,580	\$ 21,180	\$ (734)
Accounts receivable	1,749	734	1,749	734
<b>TOTAL ASSETS</b>	<u>\$ 615</u>	<u>\$ 22,314</u>	<u>\$ 22,929</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 615	\$ -	\$ 615	\$ -
Accrued wages payable	-	22,314	22,314	-
<b>TOTAL LIABILITIES</b>	<u>\$ 615</u>	<u>\$ 22,314</u>	<u>\$ 22,929</u>	<u>\$ -</u>

CITY OF LE SUEUR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**MINNESOTA RIVER VALLEY PUC (606)**

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ 19,087	\$ 701,824	\$ 898,350	\$ (177,439)
Accounts receivable	-	2,032	-	2,032
Due from other governments	1,080	216,466	1,080	216,466
<b>TOTAL ASSETS</b>	<b>\$ 20,167</b>	<b>\$ 920,322</b>	<b>\$ 899,430</b>	<b>\$ 41,059</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,752	\$ 37,190	\$ 6,752	\$ 37,190
Accrued wages payable	3,368	883,132	882,631	3,869
Other postemployment benefits payable	10,047	-	10,047	-
<b>TOTAL LIABILITIES</b>	<b>\$ 20,167</b>	<b>\$ 920,322</b>	<b>\$ 899,430</b>	<b>\$ 41,059</b>

**TOTAL**

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>ASSETS</b>				
Cash and temporary investments (deficits)	\$ 6,864	\$ 840,876	\$ 1,037,612	\$ (189,872)
Accounts receivable	13,888	16,404	13,888	16,404
Due from other governments	1,080	216,466	1,080	216,466
<b>TOTAL ASSETS</b>	<b>\$ 21,832</b>	<b>\$ 1,073,746</b>	<b>\$ 1,052,580</b>	<b>\$ 42,998</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,361	\$ 37,629	\$ 7,367	\$ 37,623
Accrued wages payable	3,368	1,036,117	1,034,937	4,548
Other postemployment benefits payable	11,103	-	10,276	827
<b>TOTAL LIABILITIES</b>	<b>\$ 21,832</b>	<b>\$ 1,073,746</b>	<b>\$ 1,052,580</b>	<b>\$ 42,998</b>

CITY OF LE SUEUR, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total 2011	Total 2010	Percent Increase (Decrease)
<b>REVENUES</b>			
Taxes	\$ 1,638,676	\$ 1,645,890	(0.44) %
Special assessments	283,671	310,416	(8.62)
Licenses and permits	125,735	86,507	45.35
Intergovernmental	1,123,544	1,247,619	(9.94)
Charges for services	852,752	820,873	3.88
Fines and forfeits	16,125	21,589	(25.31)
Investment earnings	63,370	146,374	(56.71)
Miscellaneous	682,052	2,298,651	(70.33)
TOTAL REVENUES	\$ 4,785,925	\$ 6,577,919	(27.24) %
Per Capita	\$ 1,179	\$ 1,518	(22.33) %
<b>EXPENDITURES</b>			
Current			
General government	\$ 350,990	\$ 374,010	(6.15) %
Public safety	1,062,168	1,050,955	1.07
Streets and highways	473,877	444,585	6.59
Sanitation	2,017	-	100.00
Culture and recreation	791,314	726,248	8.96
Economic development	2,409,890	3,305,434	(27.09)
Miscellaneous	348,210	351,586	(0.96)
Capital outlay			
General government	41,183	-	100.00
Public safety	498,539	254,736	95.71
Streets and highways	171,494	71,310	140.49
Culture and recreation	122,449	46,542	163.09
Miscellaneous	145,801	190,546	(23.48)
Debt service			
Principal	1,513,334	2,195,152	(31.06)
Interest and other charges	750,116	820,200	(8.54)
TOTAL EXPENDITURES	\$ 8,681,382	\$ 9,831,304	(11.70) %
Per Capita	\$ 2,139	\$ 2,269	(5.73) %
Total Long-term Indebtedness	\$ 19,249,359	\$ 17,607,693	9.32 %
Per Capita	4,744	4,065	16.71
General Fund Balance - December 31	\$ 304,513	\$ 318,946	(4.53) %
Per Capita	75	74	1.91

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, 2011

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## REPORT ON MINNESOTA LEGAL COMPLIANCE

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, Minnesota (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

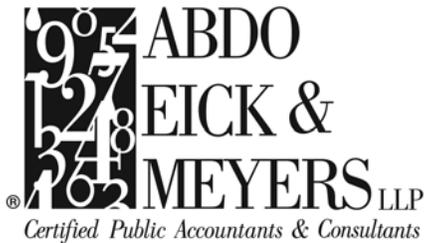
The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Council, management 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.

May 11, 2012  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants



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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

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 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiency described in the accompanying Schedule of Findings and Responses as finding 2011-2 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 deficiency described in the accompanying Schedule of Findings and Responses as finding 2011-1 to be significant deficiency.



## 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, 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* and Minnesota statutes.

We noted certain matters that we reported to management of the City in a separate letter dated May 11, 2012.

The City's responses to the findings in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Council, management 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.

May 11, 2012  
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

CITY OF LE SUEUR, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

Finding      Description

**2011-1**      **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, 2011

<u>Finding</u>	<u>Description</u>
<b>2011-2</b>	<b>Material audit and accounting adjustments</b>
<i>Condition:</i>	During our audit, adjustments were needed to correct coding and reclassify amounts to correct funds and accounting periods (accruals). The material audit adjustments made were to record additional due from other governments and record additional accounts payable.
<i>Criteria:</i>	Such adjustments should be detected and made by the City's personnel.
<i>Cause:</i>	City staff has not prepared a year end trial balance reflecting all necessary accruals and year end adjustments without auditor assistance.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.
<i>Management response:</i>	<p>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.</p>
<i>Updated progress since prior year:</i>	<p>The number of journal entries required for the 2011 audit was less than the number of journal entries from the 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.</p>