

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF LE SUEUR, MINNESOTA  
 ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Page No.
<b>INTRODUCTORY SECTION</b>	
Elected and Appointed Officials	7
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	41
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Community Center Fund	42
Proprietary Funds	
Statements of Net Position	44
Statements of Revenues, Expenses and Changes in Net Position	46
Statements of Cash Flows	48
Fiduciary Funds	
Statement of Fiduciary Net Position	52
Notes to the Financial Statements	53
<b>Required Supplementary Information</b>	
Schedule of Funding Progress	90
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93
Nonmajor Special Revenue Funds	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	96
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Fire Service Fund	98
Ambulance Service Fund	100
Para-Transit Fund	101
Airport Fund	102
Community Center Fund	103
Nonmajor Capital Projects Funds	
Combining Balance Sheet	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106
General Fund	
Comparative Balance Sheets	108
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	109

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF LE SUEUR, MINNESOTA  
 ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Page No.
<b>Combining and Individual Fund Financial Statements and Schedules - Continued</b>	
Debt Service Funds	
Combining Balance Sheet	114
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	118
Agency Funds	
Combining Statement of Fiduciary Net Position	122
Combining Statement of Changes in Assets and Liabilities	124
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	126
 <b>SINGLE AUDIT AND OTHER REQUIRED REPORTS</b>	
Auditor's Report on Legal Compliance	129
Independent Auditor's Report on Internal Control	
Over Financial Reporting and on Compliance	
And Other Matters Based on an Audit of Financial	
Statements Performed in accordance	
With <i>Government Auditing Standards</i>	130
Independent Auditor's Report on Compliance	
For Each Major Federal Program and Report	
On Internal Control Over Compliance	
Required by <i>OMB Circular A-133</i>	132
Schedule of Expenditure of Federal Awards	134
Notes to Schedule of Expenditures of Federal Awards	135
Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans	136

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**INTRODUCTORY SECTION**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF LE SUEUR, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**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

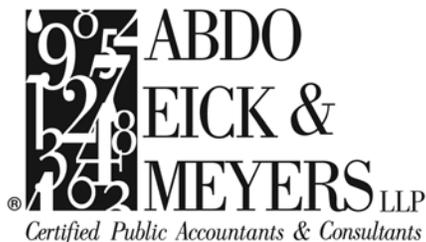
THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FINANCIAL SECTION**

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

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



---

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Sueur, Minnesota, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated May 11, 2012, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, 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.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



## Other Matters

### *Change in Accounting Standards*

As described in the Note 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Funding Progress on page 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

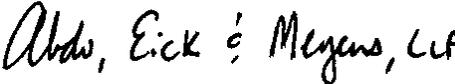
### *Supplementary Information in Relation to the Financial Statements as a Whole and Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the accompanying combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

May 30, 2013  
Mankato, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

## **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, 2012.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$34,591,215 (net position). Of this amount, \$5,133,694 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$991,545 as compared to an increase of \$77,479 in the previous year. The majority of this increase can be attributed to the increase 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 \$6,632,683, a decrease of \$3,070,747 in comparison with the prior year. The major reason for this decrease was due to a \$2,215,000 payment to the refunding bond escrow agent. Approximately 35.4 percent of this total amount, \$2,351,123, 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 \$358,284, or 19.0 percent of total General fund expenditures. These funds are not legally restricted, committed by Council, or assigned for future purposes.
- The City's total debt decreased by \$3,248,674 or 8.5 percent during the current fiscal year. This decrease was mainly due to bonds being paid off through the escrow that were refunded in 2011. Long-term debt of \$2,050,959 was issued and \$5,299,633 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**

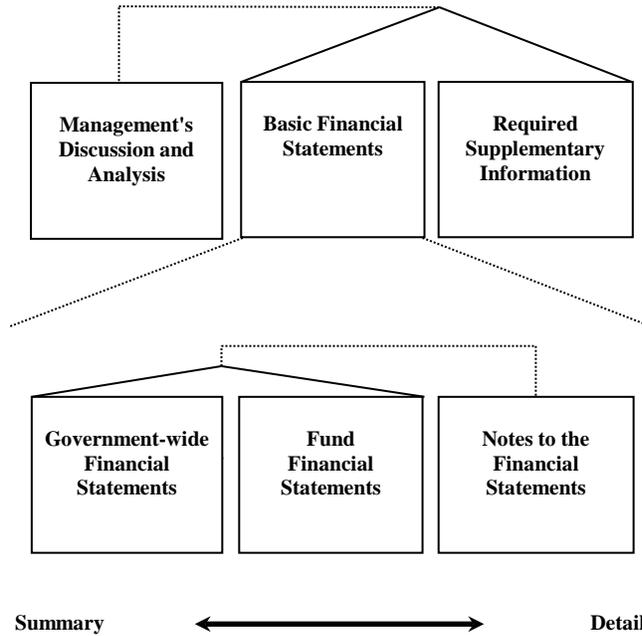


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 Position</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 Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</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 deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highway, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer, electric, and storm utilities.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 29 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 37 individual governmental funds, 18 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 Equipment Acquisition fund, 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,591,215 at the close of the most recent fiscal year.

The largest portion of the City's net position (71.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Le Sueur's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Current and other assets	\$ 16,717,108	\$ 19,651,969	\$ (2,934,861)	\$ 3,157,742	\$ 2,765,785	\$ 391,957
Capital assets	15,621,530	15,625,073	(3,543)	35,672,433	35,612,244	60,189
Total assets	<u>32,338,638</u>	<u>35,277,042</u>	<u>(2,938,404)</u>	<u>38,830,175</u>	<u>38,378,029</u>	<u>452,146</u>
Long-term liabilities outstanding	17,341,781	19,753,659	(2,411,878)	17,889,708	19,006,755	(1,117,047)
Other liabilities	393,937	495,663	(101,726)	952,172	799,324	152,848
Total liabilities	<u>17,735,718</u>	<u>20,249,322</u>	<u>(2,513,604)</u>	<u>18,841,880</u>	<u>19,806,079</u>	<u>(964,199)</u>
Net investment in capital assets	5,699,870	4,896,799	803,071	18,829,839	17,244,203	1,585,636
Restricted	4,927,812	6,618,273	(1,690,461)	-	-	-
Unrestricted	<u>3,975,238</u>	<u>3,512,648</u>	<u>462,590</u>	<u>1,158,456</u>	<u>1,327,747</u>	<u>(169,291)</u>
Total net position	<u>\$ 14,602,920</u>	<u>\$ 15,027,720</u>	<u>\$ (424,800)</u>	<u>\$ 19,988,295</u>	<u>\$ 18,571,950</u>	<u>\$ 1,416,345</u>

An additional portion of the City's net position (14.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (14.8 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net position increased by \$991,545 during the current fiscal year. The majority of this increase can be attributed to the increase in capital grants and contributions.

**Governmental activities.** Governmental activities decreased the City's net position by \$424,800. Key elements of this decrease are as follows:

- Transfers out to enterprise funds of \$810,506 due to reducing the amount owed on interfund advances.
- Airport and public safety capital and operating grants of \$516,318 and \$872,100, respectively, net of the subgrantee payment expense portion of the public safety grant of \$725,475.

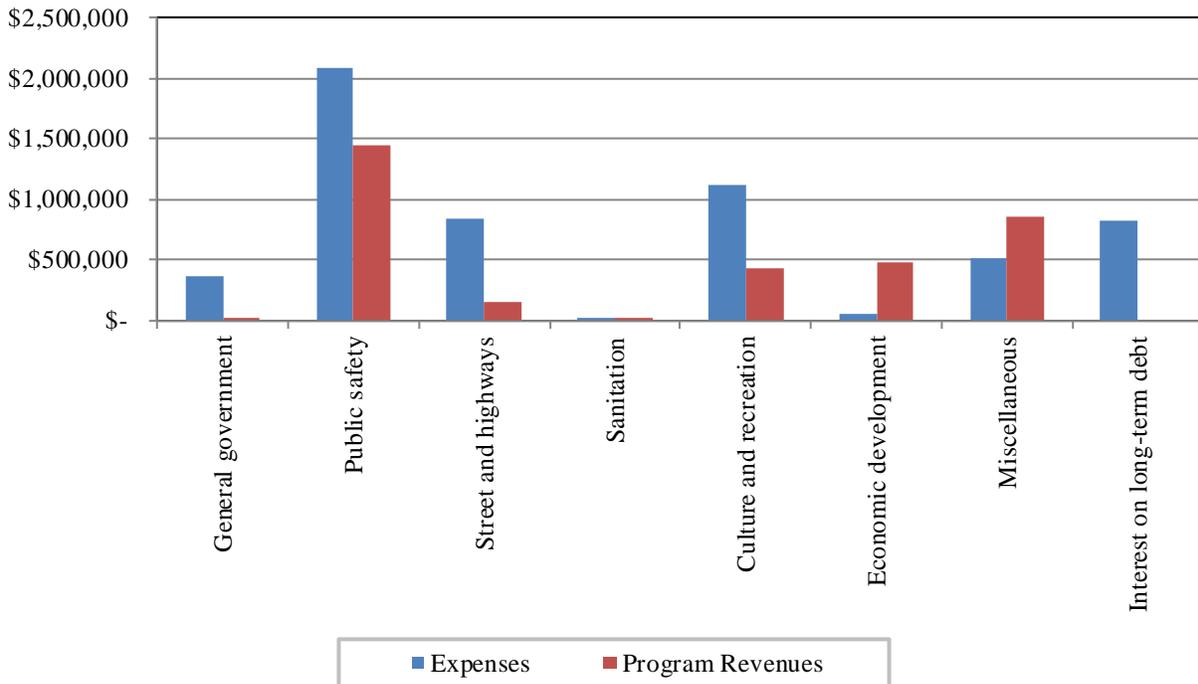
### City of Le Sueur's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,479,997	\$ 1,428,841	\$ 51,156	\$ 10,558,503	\$ 10,957,963	\$ (399,460)
Operating grants and contributions	1,053,208	316,328	736,880	10,469	-	10,469
Capital grants and contributions	900,771	111,677	789,094	11,173	44,980	(33,807)
General revenues						
Property taxes/tax increments	1,790,103	1,646,584	143,519	-	-	-
Franchise fees	14,205	9,754	4,451	-	-	-
Other taxes	2,126	2,153	(27)	-	-	-
Grants and contributions not restricted to specific programs	776,680	835,254	(58,574)	-	-	-
Unrestricted investment earnings	16,906	21,731	(4,825)	33,592	29,895	3,697
Other	171,324	16,283	155,041	-	-	-
<b>Total revenues</b>	<b>6,205,320</b>	<b>4,388,605</b>	<b>1,816,715</b>	<b>10,613,737</b>	<b>11,032,838</b>	<b>(419,101)</b>
Expenses						
General government	366,714	351,489	15,225	-	-	-
Public safety	2,093,994	1,221,015	872,979	-	-	-
Streets and highways	844,955	851,220	(6,265)	-	-	-
Sanitation	3,507	2,017	1,490	-	-	-
Culture and recreation	1,114,816	1,083,689	31,127	-	-	-
Economic development	60,854	(7,390)	68,244	-	-	-
Miscellaneous	507,799	534,172	(26,373)	-	-	-
Interest on long-term debt	826,975	878,895	(51,920)	-	-	-
Water utility	-	-	-	812,649	781,016	31,633
Sewer utility	-	-	-	1,411,702	1,518,142	(106,440)
Electric utility	-	-	-	7,783,547	8,129,699	(346,152)
<b>Total expenses</b>	<b>5,819,614</b>	<b>4,915,107</b>	<b>904,507</b>	<b>10,007,898</b>	<b>10,428,857</b>	<b>(420,959)</b>
Change in net position before transfers	385,706	(526,502)	912,208	605,839	603,981	1,858
Transfers	(810,506)	350,000	(1,160,506)	810,506	(350,000)	1,160,506
<b>Change in net position</b>	<b>(424,800)</b>	<b>(176,502)</b>	<b>(248,298)</b>	<b>1,416,345</b>	<b>253,981</b>	<b>1,162,364</b>
Net position - January 1 as restated	15,027,720	15,204,222	(176,502)	18,571,950	18,317,969	253,981
<b>Net position - December 31 as restated</b>	<b>\$ 14,602,920</b>	<b>\$ 15,027,720</b>	<b>\$ (424,800)</b>	<b>\$ 19,988,295</b>	<b>\$ 18,571,950</b>	<b>\$ 1,416,345</b>

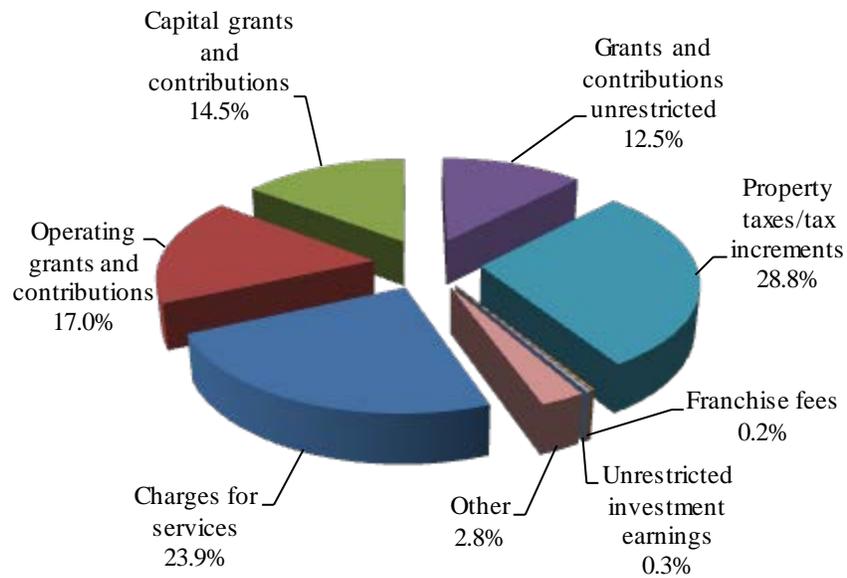
Property tax levies increased by \$2,245 (0.1 percent) during the year.

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

### Expenses and Program Revenues - Governmental Activities



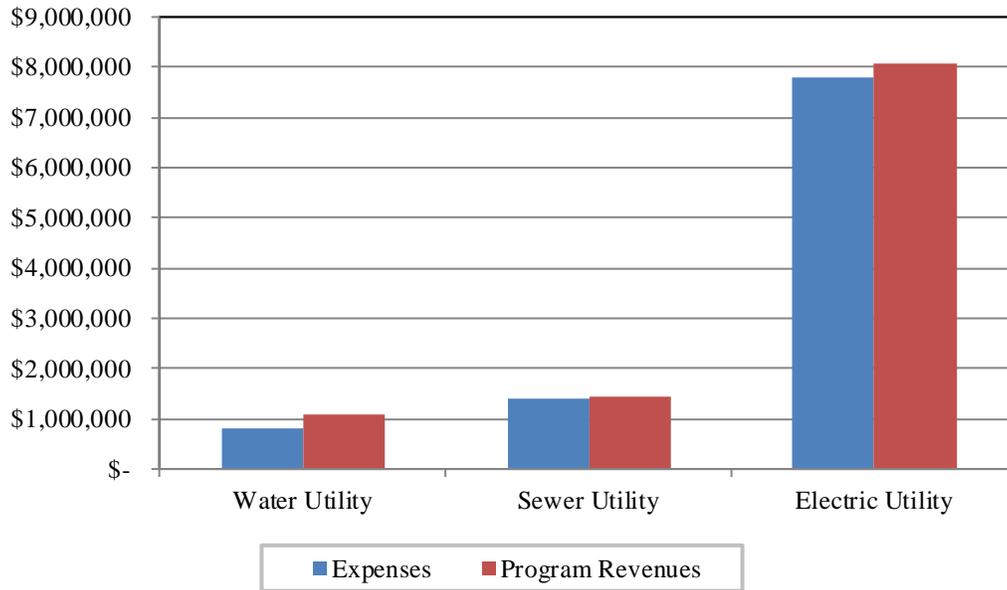
### Revenues by Source - Governmental Activities



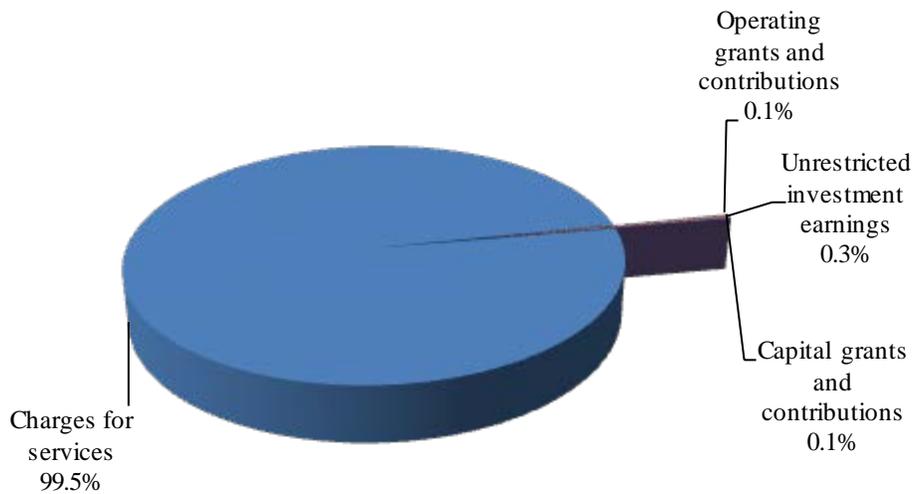
**Business-type activities.** Business-type activities increased the City’s net position by \$1,416,345. Key elements of this increase are as follows:

- Electric and sewer utility expenses and charges decreased compared to the prior year.
- One-time transfers from governmental funds of \$1,158,023 due to reducing the amount owed on interfunds advances caused a large portion of the increase.

**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 \$6,632,683, a decrease of \$3,070,747 in comparison with the prior year. The major reason for this decrease was due to a payment made to the refunding bond escrow agent of \$2,215,000 for bonds refunded in 2011. A balance of \$129,010 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 (\$63,759), restricted (\$4,217,801), committed (\$1,312,186), or assigned (\$909,927) 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 \$391,159. 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 19.0 percent of fund expenditures, while total fund balance represents 20.7 percent of that same amount.

The fund balance of the City's General fund increased by \$86,646 during the current fiscal year. This was mostly due to an increase in property tax revenues.

The *Debt Service fund* has a total fund balance of \$3,783,240, 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 \$3,465,291. The major reason for this decrease was due to the payment of \$2,215,000 made to the refunding bond escrow agent. The proceeds for the refunding bond were received in the prior year.

The *Economic Development Revolving Loan fund* has a total fund balance of \$1,728,754 at year end. The net increase in fund balance during the current year was \$140,499. This increase was mainly the result of loan repayment receipts exceeding new loans made during the year.

The *Community Center fund* has a total fund balance of \$64,080 at year end. The net decrease in fund balance during the current year was \$162,818. This main cause of this decrease was due to transfers out to other funds.

The *Hospital Project 2010 fund* was closed during the year into the Economic Development Authority Debt Service fund that related to the project.

The *Airport Improvement Project fund* was closed into the Capital Improvements fund during the year.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,158,456. The total growth in net position for the funds was \$1,416,345. 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 2012. The budget called for an increase in fund balance of \$0. Revenues were over budget by \$54,481 and expenditures were under budget by \$19,703, causing the \$86,646 increase in fund balance in the General fund for 2012.

## 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, 2012, amounts to \$51,293,963 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 0.1 percent (a less than 0.1 percent decrease for governmental activities and a 0.2 percent increase for business-type activities).

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

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 860,582	\$ 477,086	\$ 383,496	\$ 513,973	\$ 513,973	\$ -
Buildings	4,573,750	4,820,237	(246,487)	3,085,678	3,267,339	(181,661)
Infrastructure/systems	7,451,261	7,956,723	(505,462)	11,971,278	12,455,613	(484,335)
Machinery and equipment	792,983	690,410	102,573	1,377,346	1,500,021	(122,675)
Vehicles	717,228	810,536	(93,308)	271,425	313,398	(41,973)
Construction in progress	1,225,726	870,081	355,645	18,452,733	17,561,900	890,833
<b>Total</b>	<b>\$ 15,621,530</b>	<b>\$ 15,625,073</b>	<b>\$ (3,543)</b>	<b>\$ 35,672,433</b>	<b>\$ 35,612,244</b>	<b>\$ 60,189</b>

Additional information on the City's capital assets can be found in Note 3C 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 \$34,898,726. Of this amount, \$5,890,000 is special assessment debt, \$25,428,726 is revenue debt, and \$3,580,000 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		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation bonds	\$ 3,580,000	\$ 3,960,000	\$ (380,000)	\$ -	\$ -	\$ -
General obligation improvement bonds	5,890,000	7,195,000	(1,305,000)	-	-	-
General obligation revenue bonds	270,000	310,000	(40,000)	17,755,000	18,898,041	(1,143,041)
Revenue bonds	7,403,726	7,784,359	(380,633)	-	-	-
<b>Total</b>	<b>\$ 17,143,726</b>	<b>\$ 19,249,359</b>	<b>\$ (2,105,633)</b>	<b>\$ 17,755,000</b>	<b>\$ 18,898,041</b>	<b>\$ (1,143,041)</b>

The City's total debt decreased by \$3,248,674, 8.5 percent, during the current fiscal year. The major reason for the decrease is the retirement of refunded debt. Long-term debt of \$2,050,959 was issued and \$5,299,633 was retired during the year.

The City's current bond rating from Moody's is a "Baa1" rating for general obligation and revenue debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt margin for the City is \$7,589,918.

Additional information on the City's long-term debt can be found in Note 3E starting on page 73 of this report.

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

- The unemployment rate for Le Sueur County is currently 7.6 percent, which is a decrease from a rate of 8.0 percent a year ago. This is higher than the State's average unemployment rate of 5.4 percent and the same as the national average rate of 7.6 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

The property tax levy will be the same in 2013 as it was for 2012. 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, Le Sueur, MN 56058.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF LE SUEUR, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 2,676,615	\$ 1,251,182	\$ 3,927,797	\$ 73,176
Escrowed investments	1,427,534	734,533	2,162,067	-
Receivables				
Interest	76,162	-	76,162	-
Delinquent taxes	114,584	-	114,584	134,847
Accounts	233,863	1,431,347	1,665,210	-
Notes and mortgages	7,601,081	387,405	7,988,486	2,242,071
Special assessments	2,110,165	53,052	2,163,217	-
Intergovernmental	450,875	35,902	486,777	-
Internal balances	1,163,183	(1,163,183)	-	-
Due from component unit/primary government	823,541	-	823,541	39,319
Inventories	36,679	417,143	453,822	-
Prepaid items	2,826	10,361	13,187	-
Land held for resale	-	-	-	188,000
Capital assets				
Nondepreciable	2,086,308	18,966,706	21,053,014	1,457,532
Depreciable, net	13,535,222	16,705,727	30,240,949	-
<b>TOTAL ASSETS</b>	<b>32,338,638</b>	<b>38,830,175</b>	<b>71,168,813</b>	<b>4,134,945</b>
<b>LIABILITIES</b>				
Accounts payable	163,380	800,792	964,172	42,608
Due to component unit/primary government	39,319	-	39,319	823,541
Due to other governments	-	22,147	22,147	-
Accrued interest payable	136,614	61,412	198,026	117,137
Accrued salaries payable	54,624	36,990	91,614	-
Customer deposits payable	-	30,831	30,831	-
Noncurrent liabilities				
Due within one year	2,193,439	2,436,403	4,629,842	104,434
Due in more than one year	15,148,342	15,453,305	30,601,647	3,340,132
<b>TOTAL LIABILITIES</b>	<b>17,735,718</b>	<b>18,841,880</b>	<b>36,577,598</b>	<b>4,427,852</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,699,870	18,829,839	24,529,709	-
Restricted for				
Debt service	4,493,251	-	4,493,251	427,532
Economic development loans	434,561	-	434,561	-
Tax increment financing	-	-	-	87,477
Unrestricted	3,975,238	1,158,456	5,133,694	(807,916)
<b>TOTAL NET POSITION</b>	<b>\$ 14,602,920</b>	<b>\$ 19,988,295</b>	<b>\$ 34,591,215</b>	<b>\$ (292,907)</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, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 366,714	\$ 21,529	\$ -	\$ -
Public safety	2,093,994	492,238	806,697	157,143
Streets and highways	844,955	1,280	26,133	123,975
Sanitation	3,507	13,768	-	-
Culture and recreation	1,114,816	422,832	7,028	6,550
Housing and economic development	60,854	450,543	37,184	-
Miscellaneous	507,799	77,807	176,166	613,103
Interest on noncurrent debt	826,975	-	-	-
Total governmental activities	<u>5,819,614</u>	<u>1,479,997</u>	<u>1,053,208</u>	<u>900,771</u>
Business-type activities				
Water utility	812,649	1,073,926	-	293
Sewer utility	1,411,702	1,415,504	8,975	5,635
Electric utility	7,783,547	8,069,073	1,494	5,245
Total business-type activities	<u>10,007,898</u>	<u>10,558,503</u>	<u>10,469</u>	<u>11,173</u>
Total primary government	<u>\$ 15,827,512</u>	<u>\$ 12,038,500</u>	<u>\$ 1,063,677</u>	<u>\$ 911,944</u>
Component unit				
Economic development	<u>\$ 513,006</u>	<u>\$ 169,219</u>	<u>\$ 30,854</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

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1 as restated

Net position, December 31

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (345,185)		\$ (345,185)	
(637,916)		(637,916)	
(693,567)		(693,567)	
10,261		10,261	
(678,406)		(678,406)	
426,873		426,873	
359,277		359,277	
(826,975)		(826,975)	
<u>(2,385,638)</u>		<u>(2,385,638)</u>	
	\$ 261,570	261,570	
	18,412	18,412	
	<u>292,265</u>	<u>292,265</u>	
	<u>572,247</u>	<u>572,247</u>	
<u>(2,385,638)</u>	<u>572,247</u>	<u>(1,813,391)</u>	
			<u>\$ (312,933)</u>
983,261	-	983,261	-
806,842	-	806,842	-
-	-	-	146,714
14,205	-	14,205	-
2,126	-	2,126	-
776,680	-	776,680	-
16,906	33,592	50,498	170
171,324	-	171,324	-
(810,506)	810,506	-	-
<u>1,960,838</u>	<u>844,098</u>	<u>2,804,936</u>	<u>146,884</u>
(424,800)	1,416,345	991,545	(166,049)
<u>15,027,720</u>	<u>18,571,950</u>	<u>33,599,670</u>	<u>(126,858)</u>
<u>\$ 14,602,920</u>	<u>\$ 19,988,295</u>	<u>\$ 34,591,215</u>	<u>\$ (292,907)</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FUND FINANCIAL STATEMENTS**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

CITY OF LE SUEUR, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	<b>101</b>	<b>228</b>	<b>615</b>
	General	Economic Development Revolving Loan	Community Center
<b>ASSETS</b>			
Cash and temporary investments	\$ 371,164	\$ 982,284	\$ 186,666
Escrowed investments	-	-	-
Receivables			
Interest	-	76,162	-
Delinquent taxes	114,584	-	-
Accounts	127,598	-	41,424
Notes and mortgages	-	1,748,544	-
Special assessments	-	-	-
Intergovernmental	58,315	-	-
Due from other funds	24,254	-	-
Advances to other funds	-	-	-
Advances to component unit	-	670,308	-
Inventories	5,795	-	1,854
Prepaid items	2,826	-	-
	<u>\$ 704,536</u>	<u>\$ 3,477,298</u>	<u>\$ 229,944</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 94,625	\$ -	\$ 27,369
Due to other funds	45,618	-	3,387
Advances from other funds	18,409	-	124,000
Advances from component unit	-	-	-
Accrued interest payable	-	-	-
Accrued wages payable	40,141	-	11,108
	<u>198,793</u>	<u>-</u>	<u>165,864</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	114,584	-	-
Unavailable revenue - special assessments	-	-	-
Unavailable revenue - notes and mortgages	-	1,748,544	-
	<u>114,584</u>	<u>1,748,544</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			
<b>FUND BALANCES</b>			
Nonspendable for			
Due from other funds	24,254	-	-
Inventories	5,795	-	1,854
Prepaid items	2,826	-	-
Restricted for			
Economic development loans	-	434,561	-
Debt service	-	-	-
Committed for			
Economic development loans	-	1,249,825	-
Fire department operations and maintenance	-	-	-
Assigned for			
Economic development loans	-	44,368	-
Recreation, operations, maintenance, and improvements	-	-	62,226
Ambulance operations and maintenance	-	-	-
Transit operations and maintenance	-	-	-
Capital projects	-	-	-
Unassigned	358,284	-	-
	<u>391,159</u>	<u>1,728,754</u>	<u>64,080</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<u>\$ 704,536</u>	<u>\$ 3,477,298</u>	<u>\$ 229,944</u>

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

<b>300s / 500s</b>	<b>410</b>	<b>455</b>	<b>491</b>		
Debt Service	Equipment Acquisition	Hospital Project 2010	Airport Improvement Project	Other Governmental Funds	Total Governmental Funds
\$ 1,085,049	\$ 257,021	\$ 39,319	\$ -	\$ (244,888)	\$ 2,676,615
1,427,534	-	-	-	-	1,427,534
-	-	-	-	-	76,162
-	-	-	-	-	114,584
-	-	-	-	64,841	233,863
5,820,475	-	-	-	32,062	7,601,081
2,076,114	-	-	-	34,051	2,110,165
227	-	-	-	392,333	450,875
-	-	-	-	3,185	27,439
1,274,185	-	-	-	70,606	1,344,791
-	-	-	-	153,233	823,541
-	-	-	-	29,030	36,679
-	-	-	-	-	2,826
<u>\$ 11,683,584</u>	<u>\$ 257,021</u>	<u>\$ 39,319</u>	<u>\$ -</u>	<u>\$ 534,453</u>	<u>\$ 16,926,155</u>
\$ -	\$ 27,762	\$ -	\$ -	\$ 11,958	\$ 161,714
2,483	-	-	-	16,816	68,304
-	-	-	-	-	142,409
-	-	39,319	-	-	39,319
1,272	-	-	-	-	1,272
-	-	-	-	3,375	54,624
<u>3,755</u>	<u>27,762</u>	<u>39,319</u>	<u>-</u>	<u>32,149</u>	<u>467,642</u>
-	-	-	-	-	114,584
2,076,114	-	-	-	34,051	2,110,165
5,820,475	-	-	-	32,062	7,601,081
<u>7,896,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,113</u>	<u>9,825,830</u>
-	-	-	-	-	24,254
-	-	-	-	29,030	36,679
-	-	-	-	-	2,826
-	-	-	-	-	434,561
3,783,240	-	-	-	-	3,783,240
-	-	-	-	-	1,249,825
-	-	-	-	62,361	62,361
-	-	-	-	-	44,368
-	-	-	-	-	62,226
-	-	-	-	65,547	65,547
-	-	-	-	43,722	43,722
-	229,259	-	-	464,805	694,064
-	-	-	-	(229,274)	129,010
<u>3,783,240</u>	<u>229,259</u>	<u>-</u>	<u>-</u>	<u>436,191</u>	<u>6,632,683</u>
<u>\$ 11,683,584</u>	<u>\$ 257,021</u>	<u>\$ 39,319</u>	<u>\$ -</u>	<u>\$ 534,453</u>	<u>\$ 16,926,155</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF LE SUEUR, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 6,632,683
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	15,621,530
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	(91,361)
Other postemployment benefits payable	(64,918)
Bonds payable	(17,143,726)
Bond premiums, net of accumulated amortization	(41,776)
Noncurrent assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	114,584
Special assessments receivable	2,110,165
Loans receivable	7,601,081
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(135,342)</u>
Total net position - governmental activities	<u><u>\$ 14,602,920</u></u>

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

CITY OF LE SUEUR, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>101</b>	<b>228</b>	<b>615</b>
	General	Economic Development Revolving Loan	Community Center
<b>REVENUES</b>			
Taxes	\$ 576,325	\$ -	\$ 313,290
Special assessments	-	-	-
Licenses and permits	115,158	-	-
Intergovernmental	851,473	-	3,938
Charges for services	20,254	-	388,840
Fines and forfeits	18,010	-	-
Investment earnings	2,726	6,676	-
Miscellaneous	64,186	194,677	35,185
Payment from component unit	-	-	-
<b>TOTAL REVENUES</b>	<b>1,648,132</b>	<b>201,353</b>	<b>741,253</b>
<b>EXPENDITURES</b>			
Current			
General government	375,422	-	-
Public safety	849,507	-	-
Streets and highways	451,806	-	-
Sanitation	3,507	-	-
Culture and recreation	179,765	-	665,005
Housing and economic development	-	60,854	-
Miscellaneous	23,026	-	-
Capital outlay			
General government	-	-	-
Public safety	111	-	-
Streets and highways	-	-	-
Culture and recreation	-	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	-	-
Interest and other	2,158	-	-
Issuance costs	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,885,302</b>	<b>60,854</b>	<b>665,005</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(237,170)</b>	<b>140,499</b>	<b>76,248</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	-	-	-
Transfers in	350,000	-	-
Bonds issued	-	-	-
Premiums on bonds issued	-	-	-
Payment to refunding bond escrow agent	-	-	-
Transfers out	(26,184)	-	(239,066)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>323,816</b>	<b>-</b>	<b>(239,066)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>86,646</b>	<b>140,499</b>	<b>(162,818)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>304,513</b>	<b>1,588,255</b>	<b>226,898</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 391,159</b>	<b>\$ 1,728,754</b>	<b>\$ 64,080</b>

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

<b>300s / 500s</b>	<b>410</b>	<b>455</b>	<b>491</b>		
Debt Service	Equipment Acquisition	Hospital Project 2010	Airport Improvement Project	Other Governmental Funds	Total Governmental Funds
\$ 806,842	\$ -	\$ -	\$ -	\$ 100,381	\$ 1,796,838
320,355	-	-	-	7,813	328,168
-	-	-	-	-	115,158
-	872,100	-	-	724,126	2,451,637
-	-	-	-	442,734	851,828
-	-	-	-	-	18,010
44,207	-	-	-	-	53,609
544,189	123,603	-	-	180,491	1,142,331
-	-	37,184	-	-	37,184
<u>1,715,593</u>	<u>995,703</u>	<u>37,184</u>	<u>-</u>	<u>1,455,545</u>	<u>6,794,763</u>
-	-	-	-	-	375,422
-	-	-	-	248,045	1,097,552
-	-	-	-	-	451,806
-	-	-	-	-	3,507
-	-	-	-	-	844,770
1,092,690	-	-	-	-	1,153,544
-	-	-	-	246,595	269,621
-	7,463	-	-	-	7,463
-	1,044,974	-	-	589	1,045,674
-	-	-	-	273,364	273,364
-	49,836	-	-	50,052	99,888
-	-	-	-	501,431	501,431
1,105,633	-	-	-	-	1,105,633
835,775	-	-	-	-	837,933
16,937	-	-	-	-	16,937
<u>3,051,035</u>	<u>1,102,273</u>	<u>-</u>	<u>-</u>	<u>1,320,076</u>	<u>8,084,545</u>
<u>(1,335,442)</u>	<u>(106,570)</u>	<u>37,184</u>	<u>-</u>	<u>135,469</u>	<u>(1,289,782)</u>
-	16,116	-	-	-	16,116
276,310	19,500	-	36,674	524,842	1,207,326
1,215,000	-	-	-	-	1,215,000
13,425	-	-	-	-	13,425
(2,215,000)	-	-	-	-	(2,215,000)
(1,419,584)	(85,425)	-	-	(247,573)	(2,017,832)
<u>(2,129,849)</u>	<u>(49,809)</u>	<u>-</u>	<u>36,674</u>	<u>277,269</u>	<u>(1,780,965)</u>
(3,465,291)	(156,379)	37,184	36,674	412,738	(3,070,747)
7,248,531	385,638	(37,184)	(36,674)	23,453	9,703,430
<u>\$ 3,783,240</u>	<u>\$ 229,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,191</u>	<u>\$ 6,632,683</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF LE SUEUR, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balance - governmental funds \$ (3,070,747)

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	1,034,974
Depreciation expense	(1,013,544)

The net effect of various miscellaneous transactions involving capital assets  
(i.e., sales, trade-ins, donations) is to decrease net position.

Sale of capital assets	(24,973)
------------------------	----------

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

Principal repayments	1,105,633
Payment to refunding bond escrow agent	2,215,000
Debt issued or incurred	(1,215,000)
Bond premiums, net of amortization expense	(10,848)

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.

25,318

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	7,470
Special assessments	(218,977)
Loan principal repayments	(325,026)

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	(20,687)
Other postemployment benefits expense	(6,083)

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	1,092,690
------------	-----------

Change in net position - governmental activities	\$ (424,800)
--	--------------

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, 2012

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 558,640	\$ 558,640	\$ 576,325	\$ 17,685
Licenses and permits	61,400	61,400	115,158	53,758
Intergovernmental	847,911	847,911	851,473	3,562
Charges for services	20,500	20,500	20,254	(246)
Fines and forfeits	20,200	20,200	18,010	(2,190)
Interest earnings	8,000	8,000	2,726	(5,274)
Miscellaneous	77,000	77,000	64,186	(12,814)
<b>TOTAL REVENUES</b>	<b>1,593,651</b>	<b>1,593,651</b>	<b>1,648,132</b>	<b>54,481</b>
EXPENDITURES				
Current				
General government	402,460	402,460	375,422	27,038
Public safety	785,122	785,122	849,507	(64,385)
Streets and highways	517,515	517,515	451,806	65,709
Sanitation	-	-	3,507	(3,507)
Culture and recreation	164,435	164,435	179,765	(15,330)
Miscellaneous	32,815	32,815	23,026	9,789
Capital outlay				
Public safety	500	500	111	389
Debt service				
Interest and other	2,158	2,158	2,158	-
<b>TOTAL EXPENDITURES</b>	<b>1,905,005</b>	<b>1,905,005</b>	<b>1,885,302</b>	<b>19,703</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(311,354)	(311,354)	(237,170)	74,184
OTHER FINANCING SOURCES (USES)				
Transfers in	355,000	355,000	350,000	(5,000)
Transfers out	(43,646)	(43,646)	(26,184)	17,462
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>311,354</b>	<b>311,354</b>	<b>323,816</b>	<b>12,462</b>
NET CHANGE IN FUND BALANCES	-	-	86,646	86,646
FUND BALANCES, JANUARY 1	304,513	304,513	304,513	-
FUND BALANCES, DECEMBER 31	<u>\$ 304,513</u>	<u>\$ 304,513</u>	<u>\$ 391,159</u>	<u>\$ 86,646</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		
\$ 313,290	\$ 313,290	\$ 313,290	\$ -
-	-	-	-
-	-	3,938	3,938
373,600	373,600	388,840	15,240
-	-	-	-
-	-	-	-
20,000	20,000	35,185	15,185
<u>706,890</u>	<u>706,890</u>	<u>741,253</u>	<u>34,363</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
667,390	667,390	665,005	2,385
-	-	-	-
-	-	-	-
-	-	-	-
<u>667,390</u>	<u>667,390</u>	<u>665,005</u>	<u>2,385</u>
39,500	39,500	76,248	36,748
-	-	-	-
<u>(64,500)</u>	<u>(64,500)</u>	<u>(239,066)</u>	<u>(174,566)</u>
<u>(64,500)</u>	<u>(64,500)</u>	<u>(239,066)</u>	<u>(174,566)</u>
(25,000)	(25,000)	(162,818)	(137,818)
<u>226,898</u>	<u>226,898</u>	<u>226,898</u>	<u>-</u>
<u>\$ 201,898</u>	<u>\$ 201,898</u>	<u>\$ 64,080</u>	<u>\$ (137,818)</u>

CITY OF LE SUEUR, MINNESOTA  
 STATEMENTS OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility	Sewer Utility	Water Utility	Sewer Utility
	2012	(Restated) 2011	2012	(Restated) 2011
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 887,089	\$ 1,026,612	\$ (200,365)	\$ 792,451
Escrowed investments	-	475,493	734,533	-
Receivables				
Accounts	148,926	169,175	179,694	306,248
Notes and mortgages receivable - current	-	-	-	-
Intergovernmental	-	-	35,902	75,990
Special assessments	-	-	1,206	804
Due from other funds	37,602	13,810	29,036	1,480
Prepaid items	2,543	2,489	2,543	2,489
Inventories	115,851	11,303	3,150	197
<b>TOTAL CURRENT ASSETS</b>	<b>1,192,011</b>	<b>1,698,882</b>	<b>785,699</b>	<b>1,179,659</b>
<b>NONCURRENT ASSETS</b>				
Notes and mortgages receivable - noncurrent	-	-	-	-
Special assessments receivable - noncurrent	20,693	22,285	31,153	36,467
Advances to other funds	43,096	57,461	-	-
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	4,510,164	4,429,233	6,985,105	6,952,276
Machinery and equipment	1,472,321	1,468,798	476,614	473,091
Vehicles	67,291	67,291	191,619	191,619
Construction in progress	101,723	81,943	17,999,568	17,327,690
Less accumulated depreciation	(4,297,412)	(4,026,203)	(6,289,357)	(6,060,884)
Total capital assets (net of accumulated depreciation)	4,797,721	4,964,696	23,061,935	22,582,178
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,861,510</b>	<b>5,044,442</b>	<b>23,093,088</b>	<b>22,618,645</b>
<b>TOTAL ASSETS</b>	<b>6,053,521</b>	<b>6,743,324</b>	<b>23,878,787</b>	<b>23,798,304</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	51,379	94,887	254,291	96,808
Due to other funds	1,858	-	-	-
Due to other governments	-	-	-	-
Accrued interest payable	4,825	8,719	52,956	54,953
Accrued wages payable	8,761	7,434	5,000	6,492
Compensated absences payable -current	12,489	11,656	9,667	9,045
Deposits payable	-	-	-	-
Bonds payable - current	405,000	380,000	1,758,000	919,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>484,312</b>	<b>502,696</b>	<b>2,079,914</b>	<b>1,086,298</b>
<b>NONCURRENT LIABILITIES</b>				
Advances from other funds	233,369	880,048	1,154,518	1,839,938
Compensated absences payable	5,920	4,525	5,691	4,049
Other postemployment benefits payable	4,167	3,891	17,447	16,147
Bonds payable - noncurrent portion	1,125,000	2,000,000	13,349,594	14,259,041
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,368,456</b>	<b>2,888,464</b>	<b>14,527,250</b>	<b>16,119,175</b>
<b>TOTAL LIABILITIES</b>	<b>1,852,768</b>	<b>3,391,160</b>	<b>16,607,164</b>	<b>17,205,473</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,267,721	3,114,696	8,879,341	7,404,137
Unrestricted	933,032	237,468	(1,607,718)	(811,306)
<b>TOTAL NET POSITION</b>	<b>\$ 4,200,753</b>	<b>\$ 3,352,164</b>	<b>\$ 7,271,623</b>	<b>\$ 6,592,831</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			
2012	(Restated) 2011	2012	(Restated) 2011	2012	2011	2012	(Restated) 2011
\$ 58,628	\$ 64,875	\$ 517,889	\$ 469,699	\$ (12,059)	\$ (12,059)	\$ 1,251,182	\$ 2,341,578
-	-	-	-	-	-	734,533	475,493
-	-	1,102,727	1,078,409	-	-	1,431,347	1,553,832
-	-	42,323	41,739	-	-	42,323	41,739
-	-	-	-	-	-	35,902	75,990
-	-	-	-	-	-	1,206	804
-	-	-	-	-	-	66,638	15,290
-	-	5,275	5,163	-	-	10,361	10,141
-	-	298,142	313,818	-	-	417,143	325,318
58,628	64,875	1,966,356	1,908,828	(12,059)	(12,059)	3,990,635	4,840,185
-	-	345,082	386,357	-	-	345,082	386,357
-	-	-	-	-	-	51,846	58,752
-	-	142,409	159,871	-	-	185,505	217,332
-	-	156,243	156,243	-	-	513,973	513,973
2,192,197	2,192,197	1,040,220	1,040,220	-	-	9,516,707	9,516,707
-	-	10,575,814	10,567,340	-	-	22,071,083	21,948,849
-	-	2,098,888	2,060,085	-	-	4,047,823	4,001,974
-	-	878,967	878,967	-	-	1,137,877	1,137,877
-	-	351,442	152,267	-	-	18,452,733	17,561,900
(1,461,463)	(1,388,390)	(8,019,531)	(7,593,559)	-	-	(20,067,763)	(19,069,036)
730,734	803,807	7,082,043	7,261,563	-	-	35,672,433	35,612,244
730,734	803,807	7,569,534	7,807,791	-	-	36,254,866	36,274,685
789,362	868,682	9,535,890	9,716,619	(12,059)	(12,059)	40,245,501	41,114,870
-	-	495,122	453,800	-	-	800,792	645,495
-	-	25,581	10,485	-	-	27,439	10,485
-	-	22,147	19,411	-	-	22,147	19,411
-	-	3,631	4,236	-	-	61,412	67,908
-	-	23,229	23,834	-	-	36,990	37,760
-	-	41,247	36,396	-	-	63,403	57,097
-	-	30,831	28,750	-	-	30,831	28,750
-	-	210,000	210,000	-	-	2,373,000	1,509,000
-	-	851,788	786,912	-	-	3,416,014	2,375,906
-	-	-	6,370	-	-	1,387,887	2,726,356
-	-	8,888	8,364	-	-	20,499	16,938
-	-	16,598	14,641	-	-	38,212	34,679
-	-	920,000	1,130,000	-	-	15,394,594	17,389,041
-	-	945,486	1,159,375	-	-	16,841,192	20,167,014
-	-	1,797,274	1,946,287	-	-	20,257,206	22,542,920
730,734	803,807	5,952,043	5,921,563	-	-	18,829,839	17,244,203
58,628	64,875	1,786,573	1,848,769	(12,059)	(12,059)	1,158,456	1,327,747
\$ 789,362	\$ 868,682	\$ 7,738,616	\$ 7,770,332	\$ (12,059)	\$ (12,059)	\$ 19,988,295	\$ 18,571,950

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2012	(Restated) 2011	2012	(Restated) 2011
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,004,597	\$ 961,419	\$ 1,309,777	\$ 1,512,060
<b>OPERATING EXPENSES</b>				
Source of power	1,145	2,924	-	-
Power and pumping	85,573	103,067	-	-
Purification	80,728	44,205	-	-
Distribution	89,804	58,357	-	-
Administrative and general	206,306	196,570	188,117	213,463
Sanitary sewer cleaning	-	-	38,368	55,375
Sewer lift stations	-	-	27,041	63,893
Sewer treatment plants	-	-	615,293	678,303
Metering	13,336	16,470	11,786	12,032
Purchased power	-	-	-	-
Transmission and distribution	-	-	-	-
Customer collection and meter	-	-	-	-
Depreciation	271,209	280,826	228,473	229,469
<b>TOTAL OPERATING EXPENSES</b>	<b>748,101</b>	<b>702,419</b>	<b>1,109,078</b>	<b>1,252,535</b>
<b>OPERATING INCOME (LOSS)</b>	<b>256,496</b>	<b>259,000</b>	<b>200,699</b>	<b>259,525</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	-	-	9,057	1,088
Special assessments	293	30,239	5,553	13,653
Interest earnings	5,525	318	2,048	513
Rental income	7,450	7,950	-	-
Other income	42,184	2,491	84,066	54,607
Connection fees	19,695	16,890	22,694	16,890
Payment to component unit	-	-	-	-
Bond issuance costs	-	-	-	-
Interest expense	(64,123)	(78,597)	(191,561)	(192,534)
Issuance costs	(425)	-	(32,776)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>10,599</b>	<b>(20,709)</b>	<b>(100,919)</b>	<b>(105,783)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>267,095</b>	<b>238,291</b>	<b>99,780</b>	<b>153,742</b>
TRANSFERS IN	581,494	-	579,012	-
TRANSFERS OUT	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>848,589</b>	<b>238,291</b>	<b>678,792</b>	<b>153,742</b>
<b>NET POSITION, JANUARY 1, AS RESTATED</b>	<b>3,352,164</b>	<b>3,113,873</b>	<b>6,592,831</b>	<b>6,439,089</b>
<b>NET POSITION, DECEMBER 31 AS RESTATED</b>	<b>\$ 4,200,753</b>	<b>\$ 3,352,164</b>	<b>\$ 7,271,623</b>	<b>\$ 6,592,831</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>		<b>Totals</b>	
Sewer Pre-Treatment		Electric Utility		Storm Utility			
2012	(Restated) 2011	2012	(Restated) 2011	2012	2011	2012	(Restated) 2011
\$ -	\$ -	\$ 7,983,869	\$ 8,316,688	\$ -	\$ -	\$ 10,298,243	\$ 10,790,167
-	-	-	-	-	-	1,145	2,924
-	-	-	-	-	-	85,573	103,067
-	-	-	-	-	-	80,728	44,205
-	-	-	-	-	-	89,804	58,357
-	-	891,930	968,066	-	-	1,286,353	1,378,099
-	-	-	-	-	-	38,368	55,375
-	-	-	-	-	-	27,041	63,893
6,247	-	-	-	-	-	621,540	678,303
-	-	-	-	-	-	25,122	28,502
-	-	5,945,556	6,107,754	-	-	5,945,556	6,107,754
-	-	442,292	507,740	-	-	442,292	507,740
-	-	34,322	34,790	-	-	34,322	34,790
73,073	73,073	425,972	437,482	-	-	998,727	1,020,850
79,320	73,073	7,740,072	8,055,832	-	-	9,676,571	10,083,859
(79,320)	(73,073)	243,797	260,856	-	-	621,672	706,308
-	-	6,474	-	-	-	15,531	1,088
-	-	265	-	-	-	6,111	43,892
-	-	26,019	29,064	-	-	33,592	29,895
-	-	-	-	-	-	7,450	7,950
-	-	85,204	68,968	-	-	211,454	126,066
-	-	-	-	-	-	42,389	33,780
-	-	-	(20,000)	-	-	-	(20,000)
-	-	-	-	-	-	-	-
-	-	(43,475)	(53,867)	-	-	(299,159)	(324,998)
-	-	-	-	-	-	(33,201)	-
-	-	74,487	24,165	-	-	(15,833)	(102,327)
(79,320)	(73,073)	318,284	285,021	-	-	605,839	603,981
-	-	-	-	-	-	1,160,506	-
-	-	(350,000)	(350,000)	-	-	(350,000)	(350,000)
(79,320)	(73,073)	(31,716)	(64,979)	-	-	1,416,345	253,981
868,682	941,755	7,770,332	7,835,311	(12,059)	(12,059)	18,571,950	18,317,969
\$ 789,362	\$ 868,682	\$ 7,738,616	\$ 7,770,332	\$ (12,059)	\$ (12,059)	\$ 19,988,295	\$ 18,571,950

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,023,232	\$ 926,375	\$ 1,434,716	\$ 1,631,266
Payments to suppliers and vendors	(297,159)	(214,447)	(701,303)	(828,121)
Payments to and on behalf of employees	(249,036)	(194,871)	(194,337)	(214,366)
Other receipts	49,634	10,441	84,066	54,607
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>526,671</b>	<b>527,498</b>	<b>623,142</b>	<b>643,386</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Change in due from other funds	(9,427)	2,276	(27,556)	(1,105)
Change in due to other funds	1,858	-	-	-
Change in advances from other funds	-	-	-	-
Transfers in	2,483	-	-	-
Transfers out	-	-	-	-
Intergovernmental	-	-	-	-
Payments to component unit	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(5,086)</b>	<b>2,276</b>	<b>(27,556)</b>	<b>(1,105)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(179,210)	(51,606)	(496,559)	11,825
Proceeds from issuance of bonds, net of issuance costs	-	-	815,777	-
Principal paid on revenue bonds payable	(850,000)	(365,000)	(919,000)	(911,000)
Interest and fees paid on revenue bonds payable and interfund advances	(68,442)	(86,018)	(193,558)	(195,799)
Payments received on assessments receivable	1,885	54,744	10,465	16,772
Payments received on notes receivable	-	-	-	-
Payments made on issuance of notes receivable	-	-	-	-
Capital grants received	-	-	9,057	1,088
Connection fees received	21,309	16,890	24,309	16,890
Payments received (paid) on advances from (to) other funds	(67,668)	(101,777)	(106,408)	(146,919)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,142,126)</b>	<b>(532,767)</b>	<b>(855,917)</b>	<b>(1,207,143)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on cash and investments	5,525	318	2,048	513
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(615,016)</b>	<b>(2,675)</b>	<b>(258,283)</b>	<b>(564,349)</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>1,502,105</b>	<b>1,504,780</b>	<b>792,451</b>	<b>1,356,800</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 887,089</b>	<b>\$ 1,502,105</b>	<b>\$ 534,168</b>	<b>\$ 792,451</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
Unrestricted	\$ 887,089	\$ 1,026,612	\$ (200,365)	\$ 792,451
Restricted	-	475,493	734,533	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 887,089</b>	<b>\$ 1,502,105</b>	<b>\$ 534,168</b>	<b>\$ 792,451</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>			
Sewer Pre-Treatment		Electric Utility		Storm Utility		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
\$ -	\$ 10,160	\$ 7,961,632	\$ 8,326,315	\$ -	\$ -	\$ 10,419,580	\$ 10,894,116
(6,247)	-	(6,593,708)	(6,989,206)	-	-	(7,598,417)	(8,031,774)
-	-	(654,043)	(652,771)	-	-	(1,097,416)	(1,062,008)
-	-	85,204	68,968	-	-	218,904	134,016
<u>(6,247)</u>	<u>10,160</u>	<u>799,085</u>	<u>753,306</u>	<u>-</u>	<u>-</u>	<u>1,942,651</u>	<u>1,934,350</u>
-	-	-	-	-	-	(36,983)	1,171
-	-	15,096	(2,310)	-	-	16,954	(2,310)
-	-	(6,370)	6,370	-	-	(6,370)	6,370
-	-	-	-	-	-	2,483	-
-	-	(350,000)	(350,000)	-	-	(350,000)	(350,000)
-	-	6,474	-	-	-	6,474	-
-	-	-	(20,000)	-	-	-	(20,000)
<u>-</u>	<u>-</u>	<u>(334,800)</u>	<u>(365,940)</u>	<u>-</u>	<u>-</u>	<u>(367,442)</u>	<u>(364,769)</u>
-	-	(246,452)	(572,325)	-	-	(922,221)	(612,106)
-	-	-	-	-	-	815,777	-
-	-	(210,000)	(125,000)	-	-	(1,979,000)	(1,401,000)
-	-	(44,080)	(54,305)	-	-	(306,080)	(336,122)
-	-	265	-	-	-	12,615	71,516
-	-	41,739	39,995	-	-	41,739	39,995
-	-	(1,048)	-	-	-	(1,048)	-
-	-	-	-	-	-	9,057	1,088
-	-	-	-	-	-	45,618	33,780
-	-	17,462	47,473	-	-	(156,614)	(201,223)
<u>-</u>	<u>-</u>	<u>(442,114)</u>	<u>(664,162)</u>	<u>-</u>	<u>-</u>	<u>(2,440,157)</u>	<u>(2,404,072)</u>
-	-	26,019	29,064	-	-	33,592	29,895
(6,247)	10,160	48,190	(247,732)	-	-	(831,356)	(804,596)
<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>
<u>\$ 58,628</u>	<u>\$ 64,875</u>	<u>\$ 517,889</u>	<u>\$ 469,699</u>	<u>\$ (12,059)</u>	<u>\$ (12,059)</u>	<u>\$ 1,985,715</u>	<u>\$ 2,817,071</u>
\$ 58,628	\$ 64,875	\$ 517,889	\$ 469,699	\$ (12,059)	\$ (12,059)	\$ 1,251,182	\$ 2,341,578
-	-	-	-	-	-	734,533	475,493
<u>\$ 58,628</u>	<u>\$ 64,875</u>	<u>\$ 517,889</u>	<u>\$ 469,699</u>	<u>\$ (12,059)</u>	<u>\$ (12,059)</u>	<u>\$ 1,985,715</u>	<u>\$ 2,817,071</u>

CITY OF LE SUEUR, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2012	2011	2012	2011
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 256,496	\$ 259,000	\$ 200,699	\$ 259,525
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	49,634	10,441	84,066	54,607
Depreciation	271,209	280,826	228,473	229,469
(Increase) decrease in assets				
Accounts receivable	18,635	(35,044)	124,939	119,206
Due from other governments	-	-	40,088	-
Prepaid items	(54)	(46)	(54)	(46)
Inventories	(104,548)	3,444	(2,953)	809
Increase (decrease) in liabilities				
Accounts payable	31,468	8,023	(54,188)	(28,477)
Due to other governments	-	-	-	-
Accrued wages payable	1,327	(540)	(1,492)	(399)
Compensated absences payable	2,228	1,690	2,264	510
Other postemployment benefits payable	276	(296)	1,300	8,182
Customer deposits payable	-	-	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 526,671</b>	<b>\$ 527,498</b>	<b>\$ 623,142</b>	<b>\$ 643,386</b>
<b>NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES</b>				
Amortization of bond discount/premium	\$ 425	\$ -	\$ -	\$ -
Capital assets acquired on account	8,760	83,736	211,671	-
Adjustment to prior year accounts receivable for connection fees	1,614	-	1,615	-
Reduction in advance from other funds through transfers in	579,011	-	579,012	-

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			
2012	2011	2012	2011	2012	2011	2012	2011
\$ (79,320)	\$ (73,073)	\$ 243,797	\$ 260,856	\$ -	\$ -	\$ 621,672	\$ 706,308
-	-	85,204	68,968	-	-	218,904	134,016
73,073	73,073	425,972	437,482	-	-	998,727	1,020,850
-	10,160	(24,318)	7,977	-	-	119,256	102,299
-	-	-	-	-	-	40,088	-
-	-	(112)	(95)	-	-	(220)	(187)
-	-	15,676	(13,842)	-	-	(91,825)	(9,589)
-	-	41,322	(11,134)	-	-	18,602	(31,588)
-	-	2,736	(144)	-	-	2,736	(144)
-	-	(605)	1,405	-	-	(770)	466
-	-	5,375	2,402	-	-	9,867	4,602
-	-	1,957	(2,219)	-	-	3,533	5,667
-	-	2,081	1,650	-	-	2,081	1,650
<u>\$ (6,247)</u>	<u>\$ 10,160</u>	<u>\$ 799,085</u>	<u>\$ 753,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,942,651</u>	<u>\$ 1,934,350</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425	\$ -
-	-	-	-	-	-	220,431	83,736
-	-	-	-	-	-	3,229	-
-	-	-	-	-	-	1,158,023	-

CITY OF LE SUEUR, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	Agency
<b>ASSETS</b>	
Cash and temporary investments	\$ (275,203)
Accounts receivable	27,394
Due from other governments	249,293
<b>TOTAL ASSETS</b>	<b>\$ 1,484</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 464
Other postemployment benefits payable	1,020
<b>TOTAL LIABILITIES</b>	<b>\$ 1,484</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, 2012

**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 was the fiscal agent until June 30, 2012 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, 2012

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

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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, 2012

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

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

The *Community Center fund* accounts for the operation of the community center, outdoor swimming pool, and recreation activities offered by the City. The fund's charges for services are committed for recreation, operations, maintenance, and improvements.

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

The *Equipment Acquisition fund* accounts for the cost associated with the acquisition of equipment.

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, 2012

**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.

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, 2012

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

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

*Deposits and investments*

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

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 RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***Investment policy***

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

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

***Property taxes***

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

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

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

***Special assessments***

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

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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, 2012

**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:

Assets	Years
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, 2012.

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***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.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

*Net position*

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

*Comparative data/reclassifications*

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

**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.

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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

**B. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2012:

Fund	Amount
Special revenue	
Airport	\$ 68,125
Debt Service	
1999 Recreational Revenue Bonds	139
2010 Police CIP Bonds	4,352
2011A G.O. Temporary Street Reconstruction Bonds	17,331
Capital projects	
Capital Improvements	89,645
Community Center Roof Project 2011	57,687
Enterprise	
Storm 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, 2012

**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, 2012

**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 \$2,154,371 (including EDA deposits of \$73,176 and fiduciary funds of (\$275,203) and the bank balance was \$2,474,986. Of the bank balance, \$709,037 was covered by federal depository insurance. The remaining balance of \$1,765,949 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

**Investments**

As of December 31, 2012, 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
Non-pooled investments			
State and Local Government Series Securities	N/A	1 to 3 years	\$ 1,926,961
Pooled investments			
Minnesota Municipal Money Market			
4M Fund	N/A	less than 6 months	167,676
4M Plus Fund	N/A	less than 6 months	1,638,249
Total pooled investments			1,805,925
Total investments			\$ 3,732,886

(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, 2012

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

*Cash on hand*

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

*Cash and investments summary*

A reconciliation of cash and investments as shown on the Statement of Net Position for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Fiduciary Funds	Total
Carrying amount of deposits	\$ 2,356,398	\$ 73,176	\$ (275,203)	\$ 2,154,371
Investments	3,732,886	-	-	3,732,886
Cash on hand	580	-	-	580
<b>Total</b>	<b>\$ 6,089,864</b>	<b>\$ 73,176</b>	<b>\$ (275,203)</b>	<b>\$ 5,887,837</b>
Cash and temporary investments	\$ 3,927,797	\$ 73,176	\$ (275,203)	\$ 3,725,770
Escrowed investments	2,162,067	-	-	2,162,067
<b>Total</b>	<b>\$ 6,089,864</b>	<b>\$ 73,176</b>	<b>\$ (275,203)</b>	<b>\$ 5,887,837</b>

**B. Notes and mortgages receivable**

The City has loaned funds to various local businesses. These notes will be paid back with monthly payments at 3.25 to 6.75 percent per annum. The balance on these notes at December 31, 2012 is \$7,988,486. These loans are secured by property and equipment.

The EDA has mortgage receivables on lot sales. These mortgages will be repaid as the lots are sold. The balance on these mortgages at December 31, 2012 is \$26,500.

The EDA has a note receivable from the ISJ/Mayo Health Systems, Inc. Medical Clinic for \$2,215,571, 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. This project is complete.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**C. Capital assets**

Capital asset activity for the primary government for the year ended December 31, 2012 was as follows:

***Primary government***

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 477,086	\$ 383,496	\$ -	\$ 860,582
Construction in progress	870,081	355,645	-	1,225,726
Total capital assets not being depreciated	<u>1,347,167</u>	<u>739,141</u>	<u>-</u>	<u>2,086,308</u>
Capital assets being depreciated				
Buildings	6,396,697	-	-	6,396,697
Infrastructure	11,853,107	44,015	-	11,897,122
Machinery and equipment	1,858,740	224,493	-	2,083,233
Vehicles	1,817,054	27,325	(33,297)	1,811,082
Total capital assets being depreciated	<u>21,925,598</u>	<u>295,833</u>	<u>(33,297)</u>	<u>22,188,134</u>
Less accumulated depreciation for				
Buildings	(1,576,460)	(246,487)	-	(1,822,947)
Infrastructure	(3,896,384)	(549,477)	-	(4,445,861)
Machinery and equipment	(1,168,330)	(121,920)	-	(1,290,250)
Vehicles	(1,006,518)	(95,660)	8,324	(1,093,854)
Total accumulated depreciation	<u>(7,647,692)</u>	<u>(1,013,544)</u>	<u>8,324</u>	<u>(8,652,912)</u>
Total capital assets being depreciated, net	<u>14,277,906</u>	<u>(717,711)</u>	<u>(24,973)</u>	<u>13,535,222</u>
Governmental activities capital assets, net	<u>\$ 15,625,073</u>	<u>\$ 21,430</u>	<u>\$ (24,973)</u>	<u>\$ 15,621,530</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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	17,561,900	961,491	(70,658)	18,452,733
Total capital assets not being depreciated	<u>18,075,873</u>	<u>961,491</u>	<u>(70,658)</u>	<u>18,966,706</u>
Capital assets being depreciated				
Buildings	9,516,707	-	-	9,516,707
Infrastructure and systems	21,948,849	122,234	-	22,071,083
Machinery and equipment	4,001,974	45,849	-	4,047,823
Vehicles	1,137,877	-	-	1,137,877
Total capital assets being depreciated	<u>36,605,407</u>	<u>168,083</u>	<u>-</u>	<u>36,773,490</u>
Less accumulated depreciation for				
Buildings	(6,249,368)	(181,662)	-	(6,431,030)
Infrastructure	(9,493,236)	(606,570)	-	(10,099,806)
Machinery and equipment	(2,501,953)	(168,523)	-	(2,670,476)
Vehicles	(824,479)	(41,972)	-	(866,451)
Total accumulated depreciation	<u>(19,069,036)</u>	<u>(998,727)</u>	<u>-</u>	<u>(20,067,763)</u>
Total capital assets being depreciated, net	<u>17,536,371</u>	<u>(830,644)</u>	<u>-</u>	<u>16,705,727</u>
Business-type activities capital assets, net	<u>\$ 35,612,244</u>	<u>\$ 130,847</u>	<u>\$ (70,658)</u>	<u>\$ 35,672,433</u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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

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

**Governmental activities**

General government	\$ 11,554
Public safety	182,703
Streets and highways	348,455
Culture and recreation	227,423
Miscellaneous	243,409
	<u>243,409</u>

Total depreciation expense - governmental activities	\$ 1,013,544
	<u>\$ 1,013,544</u>

**Business-type activities**

Water utility	\$ 271,209
Sewer utility	228,473
Sewer pre-treatment	73,073
Electric utility	425,972
	<u>425,972</u>

Total depreciation expense - business-type activities	\$ 998,727
	<u>\$ 998,727</u>

***Discretely presented component unit***

Capital assets activity for the EDA for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,457,532	\$ -	\$ -	\$ 1,457,532

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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

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

*Primary government*

The composition of interfund balances at December 31, 2012 is as follows:

*Due to/from other fund*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric Utility	\$ 24,254
Nonmajor governmental	Water Utility	1,858
	Electric Utility	1,327
Water Utility	Community Center	1,721
	Nonmajor governmental	12,089
	Debt service	2,483
Sewer Utility	Nonmajor governmental	<u>4,727</u>
Total		<u>\$ 48,459</u>

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*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Water Utility	\$ 202,124
	Sewer Utility	736,081
Nonmajor governmental	Water Utility	31,245
	Sewer Utility	39,361
Water Utility	Sewer Utility	43,096
Sewer Utility	Water Utility	335,980
Electric Utility	General	18,409
	Community Center	<u>124,000</u>
Total		<u>\$ 1,530,296</u>

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 Community Center fund, which will be repaid when the bonds have been paid in full.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

*Advances from/to primary government/component unit*

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government	Component unit	
Economic Development Revolving Loan	Economic Development Authority	\$ 670,308
North Highway 169 Frontage Road Improvements	Economic Development Authority	153,233
		<u>\$ 823,541</u>
Total		
Component unit	Primary government	
Economic Development Authority	Hospital Project 2010	<u>\$ 39,319</u>

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

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. The project has been completed.

*Interfund transfers*

The following transfers were made for the year ended December 31, 2012:

	<u>Transfer in</u>			
	<u>General Fund</u>	<u>Equipment Acquisition Fund</u>	<u>Debt Service Fund</u>	<u>Airport Improvement Project Fund</u>
Transfer out				
General fund	\$ -	\$ -	\$ 26,184	\$ -
Community Center fund	-	14,500	40,000	-
Equipment Acquisition fund	-	-	-	-
Debt Service fund	-	-	4,227	-
Nonmajor governmental funds	-	5,000	205,899	36,674
Electric Utility enterprise fund	350,000	-	-	-
Total transfers out	<u>\$ 350,000</u>	<u>\$ 19,500</u>	<u>\$ 276,310</u>	<u>\$ 36,674</u>

	<u>Transfer in</u>			
	<u>Nonmajor Governmental Funds</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Transfer out				
General fund	\$ -	\$ -	\$ -	\$ 26,184
Community Center fund	184,566	-	-	239,066
Equipment Acquisition fund	85,425	-	-	85,425
Debt Service fund	254,851	581,494	579,012	1,419,584
Nonmajor governmental funds	-	-	-	247,573
Electric Utility enterprise fund	-	-	-	350,000
Total transfers out	<u>\$ 524,842</u>	<u>\$ 581,494</u>	<u>\$ 579,012</u>	<u>\$ 2,367,832</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

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, 2012, the City made the following transfers:

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

Transfers of \$10,297 and \$15,887 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.

A transfer of \$14,500 was made out of the Community Center fund into the Equipment Acquisition fund for the purchase of new equipment.

A transfer of \$5,000 was made out of nonmajor governmental funds into the Equipment Acquisition fund for the purchase of a new ambulance.

Transfers of \$205,899 were made out of nonmajor governmental funds into the Debt Service fund for debt service payments.

One-time transfers of \$4,227 were made between Debt Service funds and \$2,483 was made to the Water Utility fund to close the 2005C G.O. Crossover Refunding Bonds fund.

A one-time transfer of \$125,806 was made from a Debt Service fund and into a nonmajor fund to break out TIF district activity.

A one-time transfer of \$36,674 was made from nonmajor governmental funds to the Airport Improvement Project fund to close the Airport Improvement Project fund.

Transfers of \$184,566 from the Community Center fund, \$85,425 from the Equipment Acquisition fund, and \$129,045 from the Debt Service fund were made to the nonmajor governmental funds to close funds and for debt service payments.

One-time transfers were made from the Debt Service funds to the Water Utility fund for \$579,011 and Sewer Utility fund for \$579,012 to reduce an interfund loan due to the refunding of debt.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**E. 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	\$ 205,000
Equipment Lease Purchase Certificates of 2004	355,000	3.25 - 4.50	11/01/04	12/01/15	125,000
G.O. Crossover Refunding Bonds of 2005A-Fire	1,250,000	3.30 - 4.50	02/01/05	12/01/32	1,140,000
G.O. Crossover Refunding Bonds of 2005A-Library	680,000	3.30 - 4.40	02/01/05	12/01/22	550,000
G.O. Certificates of Indebtedness of 2007	610,000	3.70 - 3.90	02/14/07	12/01/13	110,000
G.O. Certificates of Indebtedness of 2010A	380,000	2.25 - 3.45	03/11/10	02/01/15	235,000
G.O. Police Capital Improvement Plan Bonds of 2010D	540,000	1.20 - 4.10	12/21/10	12/01/23	470,000
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>\$ 3,580,000</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
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	135,000	69,855	204,855
2018 - 2022	775,000	264,750	1,039,750
2023 - 2027	355,000	130,590	485,590
2028 - 2032	390,000	54,155	444,155
Total	<u><u>\$ 3,580,000</u></u>	<u><u>\$ 909,565</u></u>	<u><u>\$ 4,489,565</u></u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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. Crossover Refunding					
Bonds of 2005A	370,000	3.30 - 3.80	02/01/05	12/01/16	\$ 220,000
G.O. Improvement					
Bonds of 2006A	2,410,000	3.70 - 4.30	07/01/06	12/01/14	1,660,000
G.O. Improvement Refunding					
Bonds of 2009A	625,000	1.20 - 3.00	10/01/09	12/01/17	405,000
G.O. Refunding Bonds of 2011B	2,410,000	2.00 - 3.15	09/07/11	12/01/23	2,390,000
G.O. Refunding Bonds of 2012A	1,215,000	2.00 - 2.35	01/19/12	12/01/21	<u>1,215,000</u>
Total General Obligation Improvement Bonds					<u>\$ 5,890,000</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
2013	\$ 555,000	\$ 165,839	\$ 720,839
2014	1,900,000	150,934	2,050,934
2015	435,000	79,523	514,523
2016	620,000	69,515	689,515
2017	565,000	55,185	620,185
2018 - 2022	1,780,000	107,090	1,887,090
2023	<u>35,000</u>	<u>1,102</u>	<u>36,102</u>
Total	<u>\$ 5,890,000</u>	<u>\$ 629,188</u>	<u>\$ 6,519,188</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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>					
Electric Utility					
Revenue Bonds of 2004	\$ 1,200,000	2.25 - 4.65 %	06/01/04	12/01/14	\$ 270,000
G.O. Sewer					
Revenue Bonds of 2005D	1,535,000	3.10 - 4.25	09/01/05	12/01/13	925,000
G.O. Water					
Crossover Refunding Bonds of 2005A	815,000	3.30 - 3.65	01/01/05	12/01/15	375,000
G.O. Revenue Bonds of 2007 (PFA)	16,353,395	1.00	09/26/07	08/20/27	13,405,000
Electric Utility					
Revenue Bonds of 2010B	940,000	2.00 - 4.20	07/13/10	12/01/21	860,000
G.O. Refunding Bonds of 2010C	1,555,000	2.00 - 2.60	09/30/10	12/01/19	1,155,000
G.O. Refunding Bonds of 2012A	765,000	2.00 - 2.35	01/19/12	12/01/21	<u>765,000</u>
Total business-type activities					17,755,000
<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>270,000</u>
Total G.O. Revenue Bonds					<u>\$ 18,025,000</u>

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities			<b>G.O. Revenue Bonds</b> Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 2,373,000	\$ 237,587	\$ 2,610,587	\$ 45,000	\$ 9,518	\$ 54,518
2014	1,486,000	175,103	1,661,103	45,000	8,010	53,010
2015	1,484,000	181,120	1,665,120	45,000	6,503	51,503
2016	1,143,000	157,585	1,300,585	50,000	4,995	54,995
2017	1,157,000	142,556	1,299,556	50,000	3,144	53,144
2018 - 2022	5,420,000	474,922	5,894,922	35,000	1,295	36,295
2023 - 2027	<u>4,692,000</u>	<u>146,310</u>	<u>4,838,310</u>	-	-	-
Total	<u>\$ 17,755,000</u>	<u>\$ 1,515,183</u>	<u>\$ 19,270,183</u>	<u>\$ 270,000</u>	<u>\$ 33,465</u>	<u>\$ 303,465</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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	\$ 145,000
Johnson Controls Lease Revenue Bond of 2006	2,700,000	4.25	03/30/06	03/31/21	1,815,483
Johnson Controls Lease Revenue Bond of 2007	220,000	4.30	08/03/07	03/31/14	52,007
Health Care Facility Revenue Bond of 2010	5,500,000	2.90	09/17/10	09/17/35	<u>5,391,236</u>
Total Revenue Bonds					<u>\$ 7,403,726</u>

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

Year Ending December 31,	<b>Revenue Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
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	360,771	324,634	685,405
2018 - 2022	1,696,502	1,345,440	3,041,942
2023 - 2027	1,159,331	984,091	2,143,422
2028 - 2032	1,545,130	598,292	2,143,422
2033 - 2035	<u>1,164,552</u>	<u>121,502</u>	<u>1,286,054</u>
Total	<u>\$ 7,403,726</u>	<u>\$ 4,849,867</u>	<u>\$ 12,253,593</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

*Advance Refunding.* On January 16, 2012 the City issued General Obligation Crossover Refunding Bonds, Series 2012A for \$1,980,000. The Refunding Bonds were issued with a net interest cost of 2.1117350 percent to refund the 2012 through 2021 maturities of the City's General Obligation Water and Sewer Revenue Bonds, Series 2005D and the General Obligation Improvement Bonds, Series 2006A. The refunded bonds carried an average coupon rate of 2.0959546 percent. It is estimated that the City will reduce its aggregate debt service payments by approximately \$66,262 over the 10 years and obtain an economic gain (difference between the present values of the old and net debt service payments) of \$59,914.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 3,960,000	\$ -	\$ (380,000)	\$ 3,580,000	\$ 1,135,000
General obligation improvement bonds	7,195,000	1,215,000	(2,520,000)	5,890,000	555,000
General obligation revenue bonds	310,000	-	(40,000)	270,000	45,000
Revenue bonds	7,784,359	-	(380,633)	7,403,726	401,873
Bond premium	30,928	13,425	(2,577)	41,776	-
Total bonds payable	19,280,287	1,228,425	(3,323,210)	17,185,502	2,136,873
Compensated absences payable	70,674	102,463	(81,776)	91,361	56,566
Other postemployment benefits payable	58,835	24,713	(18,630)	64,918	-
Governmental activity long-term liabilities	<u>\$ 19,409,796</u>	<u>\$ 1,355,601</u>	<u>\$ (3,423,616)</u>	<u>\$ 17,341,781</u>	<u>\$ 2,193,439</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 18,898,041	\$ 835,959	\$ (1,979,000)	\$ 17,755,000	\$ 2,373,000
Bond premium	-	12,594	-	12,594	-
Total bonds payable	18,898,041	848,553	(1,979,000)	17,767,594	2,373,000
Compensated absences payable	74,035	90,921	(81,054)	83,902	63,403
Other postemployment benefits payable	34,679	14,566	(11,033)	38,212	-
Business-type activity long-term liabilities	<u>\$ 19,006,755</u>	<u>\$ 954,040</u>	<u>\$ (2,071,087)</u>	<u>\$ 17,889,708</u>	<u>\$ 2,436,403</u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**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>\$ 2,414,566</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>
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	68,289	124,211	192,500
2018 - 2022	406,043	556,457	962,500
2023 - 2027	539,101	423,399	962,500
2028 - 2032	<u>1,163,596</u>	<u>246,740</u>	<u>1,410,336</u>
Total	<u>\$ 2,414,566</u>	<u>\$ 1,883,270</u>	<u>\$ 4,297,836</u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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

Special assessments payable

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

<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>
Special Assessment Payable (EDA)	\$ 645,000	6.25 %	11/30/01	11/30/16	<u>\$ 220,000</u>

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

<u>Year Ending December 31,</u>	<b>Special Assessments</b>		
	<u>Component Unit Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ 11,535	\$ 61,535
2014	55,000	8,985	63,985
2015	55,000	6,125	61,125
2016	<u>60,000</u>	<u>3,210</u>	<u>63,210</u>
Total	<u>\$ 220,000</u>	<u>\$ 29,855</u>	<u>\$ 249,855</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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,	<b>Notes</b> Component Unit Activities		
	Principal	Interest	Total
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	32,345	23,366	55,711
2018 - 2020	686,601	82,603	769,204
Total	<u>\$ 810,000</u>	<u>\$ 208,373</u>	<u>\$ 1,018,373</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, 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	\$ -	\$ (51,434)	\$ 2,414,566	\$ 54,434
Contracts payable	638,389	-	(638,389)	-	-
Notes payable	810,000	-	-	810,000	-
Special assessments payable	270,000	-	(50,000)	220,000	50,000
Component unit long-term liabilities	<u>\$ 4,184,389</u>	<u>\$ -</u>	<u>\$ (739,823)</u>	<u>\$ 3,444,566</u>	<u>\$ 104,434</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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.

**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 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. In 2012, 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 14.40 percent for PEPFF members. The City's contributions to the GERF for the years ending December 31, 2012, 2011 and 2010 were \$145,362, \$125,228, and \$117,216, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$62,828, \$61,133, and \$56,867, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**A. Plan description**

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan until Medicare age, which covers both active and retired members. There are twenty active participants and four retired participants. Benefit provisions are established through negotiations between the City and the unions representing the City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

**B. Funding policy**

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives. Retired employees receive no retiree benefits except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2012, the City contributed \$29,817 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	\$ 40,192
Interest on net OPEB obligation	2,830
Adjustment to annual required contribution	<u>(3,396)</u>
Annual OPEB cost (expense)	39,626
Contributions made	<u>(29,817)</u>
Increase in net OPEB obligation	9,809
Net OPEB obligation - beginning of year	<u>94,341</u>
NET OPEB obligation - end of year	<u><u>\$ 104,150</u></u>

CITY OF LE SUEUR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**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 2012 and preceding two years follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/12	\$ 39,626	53.5 %	\$ 104,150
12/31/11	67,297	53.5	94,341
12/31/10	64,429	43.0	64,429

**D. Funded status and funding progress**

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

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

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

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

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

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

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

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

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

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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, 2012 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  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 2012 was \$767,922 and \$560 for LGA and MVHC, respectively. This accounted for 47 percent of General fund revenues.

**E. Legal debt margin**

The City's statutory debt limit is three percent of estimated taxable market value of real and personal property located in the City. The taxable market value was \$246,222,600 at December 31, 2012, for a limit of \$7,386,678. The City currently has \$3,580,000 of general obligation debt outstanding subject to this limit and restricted debt service funds of \$3,783,240. This leaves a legal debt margin of \$7,589,918. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

**Note 8: CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT**

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65, "Items Previously Reported as Assets and Liabilities." These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. In addition, a prior period restatement was needed to record an addition in capital assets for the airport project for costs in 2011. Changes related to these standards and the prior period restatements are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2011 financial statements:

Fund	December 31, 2011		
	Net Position December 31, 2010 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2011 as Restated
Governmental activities	\$ 15,535,350	\$ (331,128)	\$ 15,204,222
Business-type activities	\$ 18,465,569	\$ (147,600)	\$ 18,317,969
Component unit activities	\$ 322,119	\$ (42,934)	\$ 279,185
Business-type activities			
Water Utility	\$ 3,175,689	\$ (61,816)	\$ 3,113,873
Sewer Utility	6,466,319	(27,230)	\$ 6,439,089
Sewer pre-treatment	943,179	(1,424)	941,755
Electric Utility	7,892,441	(57,130)	7,835,311
Storm Utility	(12,059)	-	(12,059)
Total business-type activities	\$ 18,465,569	\$ (147,600)	\$ 18,317,969

(1) Write off of unamortized bond issuance cost balances at December 31, 2010.

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 8: CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT - CONTINUED**

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2012 financial statements:

Fund	December 31, 2012			Net Position January 1, 2012 as Restated
	Net Position December 31, 2011 as Previously Reported	Prior Period Restatement (2)	Prior Period Restatement (3)	
Governmental activities	\$ 15,256,710	\$ (374,791)	\$ 145,801	\$ 15,027,720
Business-type activities	\$ 18,703,500	\$ (131,550)	\$ -	\$ 18,571,950
Component unit activities	\$ (86,694)	\$ (40,164)	\$ -	\$ (126,858)
Business-type activities				
Water Utility	\$ 3,410,531	\$ (58,367)	\$ -	\$ 3,352,164
Sewer Utility	6,617,195	(24,364)	-	6,592,831
Sewer pre-treatment	868,682	-	-	868,682
Electric Utility	7,819,151	(48,819)	-	7,770,332
Storm Utility	(12,059)	-	-	(12,059)
Total business-type activities	\$ 18,703,500	\$ (131,550)	\$ -	\$ 18,571,950

- (2) Write off of any bond issuance cost activity for the year ended December 31, 2011 plus unamortized bond issuance costs at December 31, 2011.
- (3) Capitalize costs relating to the airport project at December 31, 2011.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

CITY OF LE SUEUR, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**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)
1/1/12	\$ -	\$ 387,972	\$ 387,972	- %	\$ 1,111,104	34.9 %
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, 2012

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 11,895	\$ (256,783)	\$ (244,888)
Receivables			
Accounts	64,841	-	64,841
Notes and mortgages	-	32,062	32,062
Special assessments	-	34,051	34,051
Intergovernmental	24,240	368,093	392,333
Due from other funds	-	3,185	3,185
Advances to other funds	-	70,606	70,606
Advances to component unit	-	153,233	153,233
Inventories	29,030	-	29,030
	<u>29,030</u>	<u>-</u>	<u>29,030</u>
<b>TOTAL ASSETS</b>	<u>\$ 130,006</u>	<u>\$ 404,447</u>	<u>\$ 534,453</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,913	\$ 4,045	\$ 11,958
Due to other funds	-	16,816	16,816
Accrued wages payable	3,375	-	3,375
	<u>3,375</u>	<u>-</u>	<u>3,375</u>
<b>TOTAL LIABILITIES</b>	<u>11,288</u>	<u>20,861</u>	<u>32,149</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	34,051	34,051
Unavailable revenue - notes and mortgages	-	32,062	32,062
	<u>-</u>	<u>32,062</u>	<u>32,062</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>66,113</u>	<u>66,113</u>
<b>FUND BALANCES</b>			
Nonspendable for			
Inventories	29,030	-	29,030
Committed for			
Fire department operations and maintenance	62,361	-	62,361
Assigned for			
Ambulance operations and maintenance	65,547	-	65,547
Transit operations and maintenance	43,722	-	43,722
Capital projects	-	464,805	464,805
Unassigned			
Special revenue	(81,942)	-	(81,942)
Capital projects	-	(147,332)	(147,332)
	<u>-</u>	<u>(147,332)</u>	<u>(147,332)</u>
<b>TOTAL FUND BALANCES</b>	<u>118,718</u>	<u>317,473</u>	<u>436,191</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 130,006</u>	<u>\$ 404,447</u>	<u>\$ 534,453</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, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 100,381	\$ -	\$ 100,381
Special assessments	-	7,813	7,813
Intergovernmental	207,808	516,318	724,126
Charges for services	440,884	1,850	442,734
Miscellaneous	7,925	172,566	180,491
	<u>756,998</u>	<u>698,547</u>	<u>1,455,545</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
Public safety	248,045	-	248,045
Miscellaneous	246,595	-	246,595
Capital outlay			
Public safety	589	-	589
Streets and highways	-	273,364	273,364
Culture and recreation	-	50,052	50,052
Miscellaneous	-	501,431	501,431
	<u>495,229</u>	<u>824,847</u>	<u>1,320,076</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>261,769</u>	<u>(126,300)</u>	<u>135,469</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	524,842	524,842
Transfers out	(210,899)	(36,674)	(247,573)
	<u>(210,899)</u>	<u>488,168</u>	<u>277,269</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	50,870	361,868	412,738
<b>FUND BALANCES, JANUARY 1</b>			
	<u>67,848</u>	<u>(44,395)</u>	<u>23,453</u>
<b>FUND BALANCES, DECEMBER 31</b>			
	<u>\$ 118,718</u>	<u>\$ 317,473</u>	<u>\$ 436,191</u>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<u>225</u> Fire Service	<u>226</u> Ambulance Service	<u>227</u> Para- Transit
<b>ASSETS</b>			
Cash and temporary investments	\$ 53,691	\$ 26,411	\$ 22,795
Receivables			
Accounts	10,563	42,878	1,774
Intergovernmental	-	-	24,240
Inventories	-	15,213	-
	<u>        </u>	<u>        </u>	<u>        </u>
TOTAL ASSETS	<u>\$ 64,254</u>	<u>\$ 84,502</u>	<u>\$ 48,809</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,893	\$ 3,695	\$ 1,759
Accrued wages payable	-	47	3,328
	<u>        </u>	<u>        </u>	<u>        </u>
TOTAL LIABILITIES	<u>1,893</u>	<u>3,742</u>	<u>5,087</u>
<b>FUND BALANCES</b>			
Nonspendable for			
Inventories	-	15,213	-
Committed for			
Fire department operations and maintenance	62,361	-	-
Assigned for			
Ambulance operations and maintenance	-	65,547	-
Transit operations and maintenance	-	-	43,722
Unassigned	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
TOTAL FUND BALANCES	<u>62,361</u>	<u>80,760</u>	<u>43,722</u>
	<u>        </u>	<u>        </u>	<u>        </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,254</u>	<u>\$ 84,502</u>	<u>\$ 48,809</u>

<b>235</b>	Total Nonmajor Special Revenue
<u>Airport</u>	<u>Revenue</u>
\$ (91,002)	\$ 11,895
9,626	64,841
-	24,240
<u>13,817</u>	<u>29,030</u>
<u>\$ (67,559)</u>	<u>\$ 130,006</u>
\$ 566	\$ 7,913
<u>-</u>	<u>3,375</u>
<u>566</u>	<u>11,288</u>
13,817	29,030
-	62,361
-	65,547
-	43,722
<u>(81,942)</u>	<u>(81,942)</u>
<u>(68,125)</u>	<u>118,718</u>
<u>\$ (67,559)</u>	<u>\$ 130,006</u>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>225</u>	<u>226</u>	<u>227</u>
	Fire Service	Ambulance Service	Para- Transit
REVENUES			
Taxes			
Property taxes	\$ 100,381	\$ -	\$ -
Intergovernmental			
Federal	1,977	-	53,745
State	29,815	600	107,434
Charges for services	167,965	201,960	41,387
Miscellaneous	50	277	750
	<u>300,188</u>	<u>202,837</u>	<u>203,316</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	123,638	124,407	-
Miscellaneous	-	-	185,170
Capital outlay			
Public safety	589	-	-
	<u>124,227</u>	<u>124,407</u>	<u>185,170</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	175,961	78,430	18,146
OTHER FINANCING USES			
Transfers out	<u>(167,003)</u>	<u>(23,078)</u>	<u>(20,818)</u>
NET CHANGE IN FUND BALANCES	8,958	55,352	(2,672)
FUND BALANCES, JANUARY 1	<u>53,403</u>	<u>25,408</u>	<u>46,394</u>
FUND BALANCES, DECEMBER 31	<u>\$ 62,361</u>	<u>\$ 80,760</u>	<u>\$ 43,722</u>

<b>235</b>	Total Nonmajor Special Revenue
<u>Airport</u>	
\$ -	\$ 100,381
-	55,722
14,237	152,086
29,572	440,884
6,848	7,925
50,657	756,998
-	248,045
61,425	246,595
-	589
61,425	495,229
(10,768)	261,769
-	(210,899)
(10,768)	50,870
(57,357)	67,848
\$ (68,125)	\$ 118,718

CITY OF LE SUEUR, MINNESOTA  
FIRE SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 100,381	\$ 100,381	\$ 100,381	\$ -	\$ 103,866
Intergovernmental					
State aid	-	-	3,700	3,700	-
Federal aid	-	-	1,977	1,977	-
State fire aid	25,500	25,500	26,115	615	25,249
Charges for services					
Public safety	172,086	172,086	167,965	(4,121)	181,422
Miscellaneous					
Contributions and donations	-	-	50	50	-
<b>TOTAL REVENUES</b>	<b>297,967</b>	<b>297,967</b>	<b>300,188</b>	<b>2,221</b>	<b>310,537</b>
<b>EXPENDITURES</b>					
Current					
Public safety					
Administration					
Personal services	56,645	56,645	38,586	18,059	53,328
Supplies	1,716	1,716	4,098	(2,382)	1,454
Other services and charges	17,400	17,400	14,400	3,000	15,499
Total administration	75,761	75,761	57,084	18,677	70,281
Fire fighting					
Personal services	31,000	31,000	31,450	(450)	29,410
Supplies	4,000	4,000	4,003	(3)	4,572
Total fire fighting	35,000	35,000	35,453	(453)	33,982
Prevention					
Other services and charges	6,000	6,000	4,563	1,437	4,375
Training					
Supplies	4,500	4,500	1,430	3,070	3,677
Other services and charges	3,500	3,500	2,496	1,004	1,402
Total training	8,000	8,000	3,926	4,074	5,079
Communications					
Other services and charges	2,500	2,500	1,419	1,081	1,347
Repair services					
Supplies	4,500	4,500	8,254	(3,754)	7,820
Other services and charges	3,000	3,000	1,236	1,764	760
Total repair services	7,500	7,500	9,490	(1,990)	8,580

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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	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	\$ 12,300	\$ 12,300	\$ 11,703	\$ 597	\$ 10,799
Total current	147,061	147,061	123,638	23,423	134,443
Capital outlay					
Public safety					
Fire fighting	4,000	4,000	589	3,411	5,072
TOTAL EXPENDITURES	151,061	151,061	124,227	26,834	139,515
EXCESS OF REVENUES OVER EXPENDITURES	146,906	146,906	175,961	29,055	171,022
OTHER FINANCING USES					
Transfers out	(146,906)	(146,906)	(167,003)	(20,097)	(157,087)
NET CHANGE IN FUND BALANCES	-	-	8,958	8,958	13,935
FUND BALANCES, JANUARY 1	53,403	53,403	53,403	-	39,468
FUND BALANCES, DECEMBER 31	\$ 53,403	\$ 53,403	\$ 62,361	\$ 8,958	\$ 53,403

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, 2012  
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental					
State aid	\$ -	\$ -	\$ 600	\$ 600	\$ -
Charges for services					
Public safety	172,028	172,028	201,960	29,932	162,985
Miscellaneous					
Contributions and donations	1,000	1,000	-	(1,000)	1,700
Refunds and reimbursements	-	-	277	277	-
TOTAL REVENUES	<u>173,028</u>	<u>173,028</u>	<u>202,837</u>	<u>29,809</u>	<u>164,685</u>
EXPENDITURES					
Current					
Public safety					
Ambulance services					
Personal services	89,670	89,670	88,151	1,519	86,823
Supplies	34,500	34,500	13,239	21,261	17,506
Other services and charges	<u>25,780</u>	<u>25,780</u>	<u>23,017</u>	<u>2,763</u>	<u>22,905</u>
TOTAL EXPENDITURES	<u>149,950</u>	<u>149,950</u>	<u>124,407</u>	<u>25,543</u>	<u>127,234</u>
EXCESS OF REVENUES OVER EXPENDITURES	23,078	23,078	78,430	55,352	37,451
OTHER FINANCING USES					
Transfers out	<u>(23,078)</u>	<u>(23,078)</u>	<u>(23,078)</u>	<u>-</u>	<u>(21,725)</u>
NET CHANGE IN FUND BALANCES	-	-	55,352	55,352	15,726
FUND BALANCES, JANUARY 1	<u>25,408</u>	<u>25,408</u>	<u>25,408</u>	<u>-</u>	<u>9,682</u>
FUND BALANCES, DECEMBER 31	<u>\$ 25,408</u>	<u>\$ 25,408</u>	<u>\$ 80,760</u>	<u>\$ 55,352</u>	<u>\$ 25,408</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, 2012  
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental					
Federal transit aid	\$ 87,171	\$ 87,171	\$ 53,745	\$ (33,426)	\$ 64,050
State transit aid	94,435	94,435	107,434	12,999	110,350
Charges for services					
Other	37,500	37,500	41,387	3,887	44,628
Miscellaneous					
Other	-	-	-	-	30
Contributions and donations	-	-	750	750	-
<b>TOTAL REVENUES</b>	<b>219,106</b>	<b>219,106</b>	<b>203,316</b>	<b>(15,790)</b>	<b>219,058</b>
<b>EXPENDITURES</b>					
Current					
Miscellaneous					
Transportation					
Personal services	148,615	148,615	143,877	4,738	154,266
Supplies	22,560	22,560	20,413	2,147	23,424
<b>Total transportation</b>	<b>171,175</b>	<b>171,175</b>	<b>164,290</b>	<b>6,885</b>	<b>177,690</b>
Traffic and advertising					
Other services	1,000	1,000	968	32	41
Insurance and safety					
Personal services	7,150	7,150	1,938	5,212	6,793
Other services and charges	2,225	2,225	2,172	53	2,104
<b>Total insurance and safety</b>	<b>9,375</b>	<b>9,375</b>	<b>4,110</b>	<b>5,265</b>	<b>8,897</b>
Administration and general					
Supplies	2,000	2,000	2,429	(429)	1,457
Other services and charges	14,738	14,738	13,373	1,365	13,976
<b>Total administration and general</b>	<b>16,738</b>	<b>16,738</b>	<b>15,802</b>	<b>936</b>	<b>15,433</b>
<b>TOTAL EXPENDITURES</b>	<b>198,288</b>	<b>198,288</b>	<b>185,170</b>	<b>13,118</b>	<b>202,061</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>20,818</b>	<b>20,818</b>	<b>18,146</b>	<b>(2,672)</b>	<b>16,997</b>
<b>OTHER FINANCING USES</b>					
Transfers out	(20,818)	(20,818)	(20,818)	-	(19,260)
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(2,672)</b>	<b>(2,672)</b>	<b>(2,263)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>46,394</b>	<b>46,394</b>	<b>46,394</b>	<b>-</b>	<b>48,657</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 46,394</b>	<b>\$ 46,394</b>	<b>\$ 43,722</b>	<b>\$ (2,672)</b>	<b>\$ 46,394</b>

CITY OF LE SUEUR, MINNESOTA  
 AIRPORT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2012  
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental					
State					
Airport operating grant	\$ 14,300	\$ 14,300	\$ 14,237	\$ (63)	\$ 14,237
Charges for services					
Miscellaneous	58,800	58,800	29,572	(29,228)	70,077
Miscellaneous					
Rents	6,250	6,250	6,848	598	13,920
<b>TOTAL REVENUES</b>	<b>79,350</b>	<b>79,350</b>	<b>50,657</b>	<b>(28,693)</b>	<b>98,234</b>
<b>EXPENDITURES</b>					
Current					
Miscellaneous					
Fields, runways and ramps					
Personal services	9,560	9,560	7,549	2,011	7,959
Other services and charges	4,670	4,670	4,291	379	3,431
Total fields, runways and ramps	14,230	14,230	11,840	2,390	11,390
Terminal buildings and public areas					
Supplies	52,650	52,650	34,933	17,717	93,838
Other services and charges	12,245	12,245	14,652	(2,407)	14,913
Total terminal buildings and public areas	64,895	64,895	49,585	15,310	108,751
<b>TOTAL EXPENDITURES</b>	<b>79,125</b>	<b>79,125</b>	<b>61,425</b>	<b>17,700</b>	<b>120,141</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>225</b>	<b>225</b>	<b>(10,768)</b>	<b>(10,993)</b>	<b>(21,907)</b>
<b>OTHER FINANCING USES</b>					
Transfers out	(225)	(225)	-	225	(4,333)
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(10,768)</b>	<b>(10,768)</b>	<b>(26,240)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>(57,357)</b>	<b>(57,357)</b>	<b>(57,357)</b>	<b>-</b>	<b>(31,117)</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ (57,357)</b>	<b>\$ (57,357)</b>	<b>\$ (68,125)</b>	<b>\$ (10,768)</b>	<b>\$ (57,357)</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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 313,290	\$ 313,290	\$ 313,290	\$ -	\$ 393,090
Intergovernmental					
Federal	-	-	3,029	3,029	-
State	-	-	909	909	-
Charges for services					
Culture and recreation	373,600	373,600	388,840	15,240	372,240
Miscellaneous					
Other	20,000	20,000	35,185	15,185	28,119
<b>TOTAL REVENUES</b>	<b>706,890</b>	<b>706,890</b>	<b>741,253</b>	<b>34,363</b>	<b>793,449</b>
<b>EXPENDITURES</b>					
Current					
Culture and recreation					
Swimming pool					
Personal services	38,825	38,825	43,546	(4,721)	38,137
Supplies	6,000	6,000	10,360	(4,360)	6,905
Other services and charges	25,810	25,810	22,253	3,557	20,585
<b>Total swimming pool</b>	<b>70,635</b>	<b>70,635</b>	<b>76,159</b>	<b>(5,524)</b>	<b>65,627</b>
Personal services					
Personal services	341,690	341,690	310,153	31,537	285,409
Repairs and maintenance					
Supplies	19,800	19,800	18,829	971	25,607
Other services and charges	32,500	32,500	45,733	(13,233)	44,399
<b>Total repairs and maintenance</b>	<b>52,300</b>	<b>52,300</b>	<b>64,562</b>	<b>(12,262)</b>	<b>70,006</b>
Administration and general					
Supplies	42,600	42,600	54,492	(11,892)	54,668
Other services and charges	160,165	160,165	159,639	526	151,343
<b>Total administration and general</b>	<b>202,765</b>	<b>202,765</b>	<b>214,131</b>	<b>(11,366)</b>	<b>206,011</b>
<b>TOTAL EXPENDITURES</b>	<b>667,390</b>	<b>667,390</b>	<b>665,005</b>	<b>2,385</b>	<b>627,053</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>39,500</b>	<b>39,500</b>	<b>76,248</b>	<b>36,748</b>	<b>166,396</b>
<b>OTHER FINANCING USES</b>					
Transfers out	(64,500)	(64,500)	(239,066)	(174,566)	(76,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(162,818)</b>	<b>(137,818)</b>	<b>90,396</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>226,898</b>	<b>226,898</b>	<b>226,898</b>	<b>-</b>	<b>136,502</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 201,898</b>	<b>\$ 201,898</b>	<b>\$ 64,080</b>	<b>\$ (137,818)</b>	<b>\$ 226,898</b>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>420</b>	<b>430</b>	<b>435</b>
	<u>Capital Improvements</u>	<u>Pool Renovation Project</u>	<u>Community Center Roof Project 2011</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ (453,693)	\$ -	\$ (57,687)
Receivables			
Notes and mortgages	-	-	-
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Intergovernmental	368,093	-	-
Due from other funds	-	-	-
Advances to other funds	-	-	-
Advances to component unit	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ (85,600)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (57,687)</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,045	\$ -	\$ -
Due to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>4,045</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	-	-
Unavailable revenue - notes and mortgages	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>FUND BALANCES</b>			
Assigned for			
Capital projects	-	-	-
Unassigned	(89,645)	-	(57,687)
	<u>(89,645)</u>	<u>-</u>	<u>(57,687)</u>
<b>TOTAL FUND BALANCES</b>	<u><u>(89,645)</u></u>	<u><u>-</u></u>	<u><u>(57,687)</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ (85,600)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (57,687)</u></u>

445	450	477	501	478	479	Total Nonmajor Capital Projects
Police Station Project 2010	Ice Arena Floor Replacement	North Highway 169 Frontage Road Improvements	Special Assessments/ Improvements	Le Sueur Hill Improvements	2008 N. 2nd Street Reconstruction	
\$ -	\$ -	\$ (32,536)	\$ 45,751	\$ 28,776	\$ 212,606	\$ (256,783)
-	-	-	32,062	-	-	32,062
-	-	-	31,554	-	-	31,554
-	-	-	2,497	-	-	2,497
-	-	-	-	-	-	368,093
-	-	-	3,185	-	-	3,185
-	-	-	-	70,606	-	70,606
-	-	153,233	-	-	-	153,233
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,697</u>	<u>\$ 115,049</u>	<u>\$ 99,382</u>	<u>\$ 212,606</u>	<u>\$ 404,447</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,045
-	-	-	16,816	-	-	16,816
-	-	-	16,816	-	-	20,861
-	-	-	34,051	-	-	34,051
-	-	-	32,062	-	-	32,062
-	-	-	66,113	-	-	66,113
-	-	120,697	32,120	99,382	212,606	464,805
-	-	-	-	-	-	(147,332)
-	-	120,697	32,120	99,382	212,606	317,473
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,697</u>	<u>\$ 115,049</u>	<u>\$ 99,382</u>	<u>\$ 212,606</u>	<u>\$ 404,447</u>

CITY OF LE SUEUR, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>420</b>	<b>430</b>	<b>435</b>
	<u>Capital Improvements</u>	<u>Pool Renovation Project</u>	<u>Community Center Roof Project 2011</u>
REVENUES			
Special assessments	\$ -	\$ -	\$ -
Intergovernmental			
Federal			
Other Federal grants	516,318	-	-
Miscellaneous			
Loan repayments	-	-	-
Rents	4,800	-	-
Contributions and donations	120	-	-
Refunds and reimbursements	11,186	-	-
	<u>534,274</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES			
EXPENDITURES			
Capital outlay			
Streets and highways	-	-	-
Culture and recreation	44,015	-	6,037
Miscellaneous	501,431	-	-
	<u>545,446</u>	<u>-</u>	<u>6,037</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,172)</u>	<u>-</u>	<u>(6,037)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	35,905	124,000	-
Transfers out	(36,674)	-	-
	<u>(769)</u>	<u>124,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(11,941)	124,000	(6,037)
FUND BALANCES, JANUARY 1	<u>(77,704)</u>	<u>(124,000)</u>	<u>(51,650)</u>
FUND BALANCES, DECEMBER 31	<u>\$ (89,645)</u>	<u>\$ -</u>	<u>\$ (57,687)</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>	
\$ -	\$ -	\$ -	\$ 7,813	\$ -	\$ -	\$ 7,813
-	-	-	-	-	-	516,318
-	-	-	3,184	-	-	3,184
-	-	-	-	-	-	4,800
-	-	-	-	-	-	120
-	-	153,233	-	-	43	164,462
-	-	153,233	10,997	-	43	698,547
-	-	23,705	-	-	249,659	273,364
-	-	-	-	-	-	50,052
-	-	-	-	-	-	501,431
-	-	23,705	-	-	249,659	824,847
-	-	129,528	10,997	-	(249,616)	(126,300)
59,520	50,566	254,851	-	-	-	524,842
-	-	-	-	-	-	(36,674)
59,520	50,566	254,851	-	-	-	488,168
59,520	50,566	384,379	10,997	-	(249,616)	361,868
(59,520)	(50,566)	(263,682)	21,123	99,382	462,222	(44,395)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,697</u>	<u>\$ 32,120</u>	<u>\$ 99,382</u>	<u>\$ 212,606</u>	<u>\$ 317,473</u>

CITY OF LE SUEUR, MINNESOTA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and temporary investments	\$ 371,164	\$ 333,297
Receivables		
Delinquent taxes	114,584	107,114
Accounts	127,598	27,061
Intergovernmental	58,315	79,782
Due from other funds	24,254	10,485
Inventories	5,795	8,908
Prepaid items	2,826	2,766
	<u>\$ 704,536</u>	<u>\$ 569,413</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 94,625	\$ 84,287
Due to other funds	45,618	-
Advances from other funds	18,409	35,871
Accrued wages payable	40,141	37,628
	<u>198,793</u>	<u>157,786</u>
<b>TOTAL LIABILITIES</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	114,584	107,114
	<u>114,584</u>	<u>107,114</u>
<b>FUND BALANCES</b>		
Nonspendable for		
Due from other funds	24,254	10,485
Inventories	5,795	8,908
Prepaid items	2,826	2,766
Unassigned	358,284	282,354
	<u>391,159</u>	<u>304,513</u>
<b>TOTAL FUND BALANCES</b>		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
	<u>\$ 704,536</u>	<u>\$ 569,413</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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 538,640	\$ 538,640	\$ 562,120	\$ 23,480	\$ 346,089
Franchise fees	20,000	20,000	14,205	(5,795)	9,754
Total taxes	<u>558,640</u>	<u>558,640</u>	<u>576,325</u>	<u>17,685</u>	<u>355,843</u>
Licenses and permits					
Business	7,900	7,900	5,757	(2,143)	7,745
Nonbusiness	53,500	53,500	109,401	55,901	117,990
Total licenses and permits	<u>61,400</u>	<u>61,400</u>	<u>115,158</u>	<u>53,758</u>	<u>125,735</u>
Intergovernmental					
Federal	-	-	(397)	(397)	5,334
State					
Local government aid	767,922	767,922	767,922	-	767,922
Property tax credits and aids	-	-	560	560	37,039
Police aid	45,000	45,000	44,229	(771)	39,913
Other state aids	8,078	8,078	13,026	4,948	10,729
Total state	<u>821,000</u>	<u>821,000</u>	<u>825,737</u>	<u>4,737</u>	<u>855,603</u>
County					
Highway aid	26,911	26,911	26,133	(778)	49,799
Total intergovernmental	<u>847,911</u>	<u>847,911</u>	<u>851,473</u>	<u>3,562</u>	<u>910,736</u>
Charges for services					
General government	3,500	3,500	4,466	966	3,973
Public safety	1,000	1,000	705	(295)	705
Streets and highways	2,500	2,500	1,280	(1,220)	3,815
Culture and recreation	500	500	35	(465)	-
Miscellaneous	13,000	13,000	13,768	768	12,707
Total charges for services	<u>20,500</u>	<u>20,500</u>	<u>20,254</u>	<u>(246)</u>	<u>21,200</u>
Fines and forfeits	20,200	20,200	18,010	(2,190)	16,125
Interest earnings	8,000	8,000	2,726	(5,274)	9,970
Miscellaneous					
Other	13,000	13,000	9,491	(3,509)	15,877
Refunds and reimbursements	35,000	35,000	25,695	(9,305)	12,682
Reimbursements from other funds	29,000	29,000	29,000	-	16,100
Total miscellaneous	<u>77,000</u>	<u>77,000</u>	<u>64,186</u>	<u>(12,814)</u>	<u>44,659</u>
TOTAL REVENUES	<u>1,593,651</u>	<u>1,593,651</u>	<u>1,648,132</u>	<u>54,481</u>	<u>1,484,268</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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and council					
Personal services	\$ 22,510	\$ 22,510	\$ 23,260	\$ (750)	\$ 21,984
Other services and charges	1,500	1,500	1,320	180	1,697
Total mayor and council	24,010	24,010	24,580	(570)	23,681
City administrator					
Personal services	94,265	94,265	88,142	6,123	62,080
Other services and charges	6,000	6,000	7,180	(1,180)	6,507
Total city administrator	100,265	100,265	95,322	4,943	68,587
Elections					
Personal services	3,000	3,000	3,016	(16)	(68)
Supplies	250	250	313	(63)	-
Total elections	3,250	3,250	3,329	(79)	(68)
City clerk					
Personal services	38,600	38,600	38,542	58	34,704
Supplies	7,100	7,100	5,276	1,824	5,071
Other services and charges	30,000	30,000	30,526	(526)	34,557
Total city clerk	75,700	75,700	74,344	1,356	74,332
Accounting					
Personal services	50,235	50,235	53,616	(3,381)	58,973
Supplies	500	500	213	287	300
Other services and charges	16,000	16,000	15,946	54	19,515
Total accounting	66,735	66,735	69,775	(3,040)	78,788
City attorney					
Other services and charges	23,000	23,000	29,003	(6,003)	20,551
Planning and zoning					
Personal services	2,500	2,500	875	1,625	210
Supplies	-	-	-	-	6
Other services and charges	6,200	6,200	6,219	(19)	6,234
Total planning and zoning	8,700	8,700	7,094	1,606	6,450
General government buildings					
Supplies	1,000	1,000	567	433	574
Other services and charges	29,800	29,800	26,295	3,505	28,727
Total general government buildings	30,800	30,800	26,862	3,938	29,301
Insurance					
Workers' compensation	40,000	40,000	16,727	23,273	21,626
Property and liability	30,000	30,000	28,386	1,614	27,742
Total insurance	70,000	70,000	45,113	24,887	49,368
Total general government	402,460	402,460	375,422	27,038	350,990

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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety					
Crime control and investigations					
Personal services	\$ 660,115	\$ 660,115	\$ 681,593	\$ (21,478)	\$ 647,121
Supplies	8,500	8,500	8,120	380	8,770
Other services and charges	38,100	38,100	36,126	1,974	42,505
Total crime control and investigations	<u>706,715</u>	<u>706,715</u>	<u>725,839</u>	<u>(19,124)</u>	<u>698,396</u>
Police training					
Supplies	2,500	2,500	3,487	(987)	2,433
Other services and charges	1,000	1,000	2,272	(1,272)	1,055
Total police training	<u>3,500</u>	<u>3,500</u>	<u>5,759</u>	<u>(2,259)</u>	<u>3,488</u>
Communication services					
Other services and charges	2,900	2,900	4,130	(1,230)	2,455
Automotive services					
Supplies	18,000	18,000	24,526	(6,526)	21,918
Other services and charges	9,500	9,500	11,752	(2,252)	13,000
Total automotive services	<u>27,500</u>	<u>27,500</u>	<u>36,278</u>	<u>(8,778)</u>	<u>34,918</u>
Building inspection					
Supplies	100	100	559	(459)	100
Other services and charges	20,000	20,000	52,321	(32,321)	38,970
Total building inspection	<u>20,100</u>	<u>20,100</u>	<u>52,880</u>	<u>(32,780)</u>	<u>39,070</u>
Civil defense					
Personal services	4,082	4,082	3,190	892	3,060
Supplies	500	500	94	406	217
Other services and charges	3,225	3,225	5,303	(2,078)	3,756
Total civil defense	<u>7,807</u>	<u>7,807</u>	<u>8,587</u>	<u>(780)</u>	<u>7,033</u>
Animal disposal					
Other services and charges	12,000	12,000	11,780	220	11,736
Other protection					
Other services and charges	4,600	4,600	4,254	346	3,395
Total public safety	<u>785,122</u>	<u>785,122</u>	<u>849,507</u>	<u>(64,385)</u>	<u>800,491</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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Streets and highways					
Streets and alleys					
Personal services	\$ 323,935	\$ 323,935	\$ 289,964	\$ 33,971	\$ 273,286
Supplies	96,450	96,450	89,190	7,260	105,147
Other services and charges	82,130	82,130	61,686	20,444	85,779
Total streets and alleys	<u>502,515</u>	<u>502,515</u>	<u>440,840</u>	<u>61,675</u>	<u>464,212</u>
Ice and snow removal					
Supplies	15,000	15,000	8,681	6,319	9,020
Storm drainage					
Other services and charges	-	-	2,285	(2,285)	645
Total streets and highways	<u>517,515</u>	<u>517,515</u>	<u>451,806</u>	<u>65,709</u>	<u>473,877</u>
Sanitation					
Other services and charges	-	-	3,507	(3,507)	2,017
Culture and recreation					
Supervision					
Personal services	88,800	88,800	80,253	8,547	73,416
Park areas					
Supplies	18,050	18,050	19,434	(1,384)	23,445
Other services and charges	19,250	19,250	23,721	(4,471)	21,169
Total park areas	<u>37,300</u>	<u>37,300</u>	<u>43,155</u>	<u>(5,855)</u>	<u>44,614</u>
Forestry and nursery					
Personal services	7,210	7,210	25,898	(18,688)	14,680
Supplies	3,075	3,075	2,170	905	3,498
Other services and charges	1,000	1,000	1,766	(766)	2,295
Total forestry and nursery	<u>11,285</u>	<u>11,285</u>	<u>29,834</u>	<u>(18,549)</u>	<u>20,473</u>
Library maintenance					
Other services and charges	27,050	27,050	26,523	527	25,758
Total culture and recreation	<u>164,435</u>	<u>164,435</u>	<u>179,765</u>	<u>(15,330)</u>	<u>164,261</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, 2012  
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Miscellaneous					
Unallocated					
Other charges	\$ 17,250	\$ 17,250	\$ 13,452	\$ 3,798	\$ 14,312
Safety and wellness program	6,000	6,000	6,314	(314)	6,536
Projects	9,565	9,565	3,260	6,305	5,160
Total miscellaneous	<u>32,815</u>	<u>32,815</u>	<u>23,026</u>	<u>9,789</u>	<u>26,008</u>
Total current	<u>1,902,347</u>	<u>1,902,347</u>	<u>1,883,033</u>	<u>19,314</u>	<u>1,817,644</u>
Capital outlay					
Public safety	500	500	111	389	2,915
Debt service					
Interest	2,158	2,158	2,158	-	3,147
TOTAL EXPENDITURES	<u>1,905,005</u>	<u>1,905,005</u>	<u>1,885,302</u>	<u>19,703</u>	<u>1,823,706</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(311,354)</u>	<u>(311,354)</u>	<u>(237,170)</u>	<u>74,184</u>	<u>(339,438)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	355,000	355,000	350,000	(5,000)	350,000
Transfers out	<u>(43,646)</u>	<u>(43,646)</u>	<u>(26,184)</u>	<u>17,462</u>	<u>(24,995)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>311,354</u>	<u>311,354</u>	<u>323,816</u>	<u>12,462</u>	<u>325,005</u>
NET CHANGE IN FUND BALANCES	-	-	86,646	86,646	(14,433)
FUND BALANCES, JANUARY 1	<u>304,513</u>	<u>304,513</u>	<u>304,513</u>	-	<u>318,946</u>
FUND BALANCES, DECEMBER 31	<u>\$ 304,513</u>	<u>\$ 304,513</u>	<u>\$ 391,159</u>	<u>\$ 86,646</u>	<u>\$ 304,513</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2012  
(With Comparative Totals for December 31, 2011)

	<b>305</b> 1993 Installment Contract With EDA	<b>306</b> 1995 Lease Purchase	<b>307</b> 1999 Recreational Revenue Bond
<b>ASSETS</b>			
Cash and temporary investments	\$ 102,509	\$ 63,647	\$ (139)
Escrowed investments	-	-	-
Receivables			
Accounts	-	-	-
Notes and mortgages	98,807	-	-
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Intergovernmental	-	-	-
Advances to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 201,316</u></u>	<u><u>\$ 63,647</u></u>	<u><u>\$ (139)</u></u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
Advances from component unit	-	-	-
Accrued interest payable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	-	-
Unavailable revenue - notes and mortgages	98,807	-	-
	<u>98,807</u>	<u>-</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>98,807</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for			
Debt service	<u>102,509</u>	<u>63,647</u>	<u>(139)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 201,316</u></u>	<u><u>\$ 63,647</u></u>	<u><u>\$ (139)</u></u>

<b>502</b> 2001 G.O. Improvement Bonds	<b>309</b> 2002 G.O. Library Bonds	<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
\$ 49,915	\$ 14,332	\$ 62,654	\$ 51,539	\$ 2,483	\$ 102,902
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	632,532
-	-	-	-	-	-
220,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 269,915</u>	<u>\$ 14,332</u>	<u>\$ 62,654</u>	<u>\$ 51,539</u>	<u>\$ 2,483</u>	<u>\$ 735,434</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,483	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,483	-
220,000	-	-	-	-	-
-	-	-	-	-	632,532
<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>632,532</u>
49,915	14,332	62,654	51,539	-	102,902
<u>\$ 269,915</u>	<u>\$ 14,332</u>	<u>\$ 62,654</u>	<u>\$ 51,539</u>	<u>\$ 2,483</u>	<u>\$ 735,434</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2012  
(With Comparative Totals for December 31, 2011)

	<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>ASSETS</b>				
Cash and temporary investments	\$ 12,887	\$ 12,500	\$ 28,451	\$ (4,352)
Escrowed investments	-	-	-	-
Receivables				
Accounts	-	-	-	-
Notes and mortgages	-	-	-	-
Special assessments				
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	-
Advances to other funds	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 12,887</u></u>	<u><u>\$ 12,500</u></u>	<u><u>\$ 28,451</u></u>	<u><u>\$ (4,352)</u></u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Advances from component unit	-	-	-	-
Accrued interest payable	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - notes and mortgages	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>				
Restricted for				
Debt service	<u>12,887</u>	<u>12,500</u>	<u>28,451</u>	<u>(4,352)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 12,887</u></u>	<u><u>\$ 12,500</u></u>	<u><u>\$ 28,451</u></u>	<u><u>\$ (4,352)</u></u>

321 Medical Facility Bonds 2010	505 2002 G.O. Improvement Bonds	507 2005C G.O. Improvement/ 2011B Refunding Bonds	508 2006A G.O. Improvement/ 2012A Refunding Bonds	510 2011A G.O. Temporary Street Reconstruction Bonds	Totals	
					2012	2011
\$ 68,818	\$ 90,389	\$ 345,427	\$ 98,418	\$ (17,331)	\$ 1,085,049	\$ 1,269,145
235,106	-	-	1,192,428	-	1,427,534	3,380,166
	-	-	-	-	-	18,086
5,089,136	-	-	-	-	5,820,475	4,943,908
-	3,626	267,778	2,328	-	273,732	201,742
-	63,363	1,205,657	313,362	-	1,802,382	2,086,335
-	-	-	227	-	227	6,382
-	121,515	564,000	588,670	-	1,274,185	2,591,919
<u>\$5,393,060</u>	<u>\$ 278,893</u>	<u>\$ 2,382,862</u>	<u>\$ 2,195,433</u>	<u>\$ (17,331)</u>	<u>\$ 11,683,584</u>	<u>\$ 14,497,683</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,483	\$ -
-	-	-	-	-	-	16,270
-	-	-	1,272	-	1,272	897
-	-	-	1,272	-	3,755	17,167
-	66,989	1,473,435	315,690	-	2,076,114	2,288,077
5,089,136	-	-	-	-	5,820,475	4,943,908
5,089,136	66,989	1,473,435	315,690	-	7,896,589	7,231,985
303,924	211,904	909,427	1,878,471	(17,331)	3,783,240	7,248,531
<u>\$5,393,060</u>	<u>\$ 278,893</u>	<u>\$ 2,382,862</u>	<u>\$ 2,195,433</u>	<u>\$ (17,331)</u>	<u>\$ 11,683,584</u>	<u>\$ 14,497,683</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	305 1993 Installment Contract With EDA	306 1995 Lease Purchase	307 1999 Recreational Revenue Bond	502 2001 G.O. Improvement Bonds
REVENUES				
Property taxes	\$ -	\$ -	\$ 76,770	\$ -
Special assessments	-	-	-	64,035
Interest earnings	7,409	248	-	-
Miscellaneous				
Loan repayments	45,141	-	-	-
Refunds and reimbursements	-	-	-	-
<b>TOTAL REVENUES</b>	<b>52,550</b>	<b>248</b>	<b>76,770</b>	<b>64,035</b>
EXPENDITURES				
Current				
Economic development	-	-	-	-
Debt service				
Principal	-	45,000	65,000	50,000
Interest and other	-	10,283	11,770	9,562
Issuance costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>55,283</b>	<b>76,770</b>	<b>59,562</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,550	(55,035)	-	4,473
OTHER FINANCING SOURCES (USES)				
Transfer in	-	54,783	-	2,147
Bonds issued	-	-	-	-
Premiums (discounts) on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>54,783</b>	<b>-</b>	<b>2,147</b>
NET CHANGE IN FUND BALANCES	52,550	(252)	-	6,620
FUND BALANCES, JANUARY 1	49,959	63,899	(139)	43,295
FUND BALANCES, DECEMBER 31	<u>\$ 102,509</u>	<u>\$ 63,647</u>	<u>\$ (139)</u>	<u>\$ 49,915</u>

<b>309</b> 2002 G.O. Library Bonds	<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
\$ 68,325	\$ -	\$ -	\$ -	\$ 154,198
-	-	-	-	-
-	-	-	-	29,294
-	-	-	-	56,749
-	-	-	-	-
<u>68,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,241</u>
-	-	-	-	-
45,000	35,000	35,000	-	206,869
23,325	49,740	7,070	-	86,024
-	-	-	-	-
<u>68,325</u>	<u>84,740</u>	<u>42,070</u>	<u>-</u>	<u>292,893</u>
-	(84,740)	(42,070)	-	(52,652)
268	86,552	62,167	-	50,297
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(6,710)	-
<u>268</u>	<u>86,552</u>	<u>62,167</u>	<u>(6,710)</u>	<u>50,297</u>
268	1,812	20,097	(6,710)	(2,355)
<u>14,064</u>	<u>60,842</u>	<u>31,442</u>	<u>6,710</u>	<u>105,257</u>
<u>\$ 14,332</u>	<u>\$ 62,654</u>	<u>\$ 51,539</u>	<u>\$ -</u>	<u>\$ 102,902</u>

CITY OF LE SUEUR, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	<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>REVENUES</b>				
Property taxes	\$ 118,470	\$ 125,057	\$ 63,639	\$ 51,503
Special assessments	-	-	-	-
Interest earnings	-	-	-	-
Miscellaneous				
Loan repayments	-	-	-	-
Refunds and reimbursements	-	-	-	-
<b>TOTAL REVENUES</b>	<u>118,470</u>	<u>125,057</u>	<u>63,639</u>	<u>51,503</u>
<b>EXPENDITURES</b>				
Current				
Economic development	-	-	-	-
Debt service				
Principal	110,000	40,000	75,000	35,000
Interest and other	8,470	10,717	8,735	16,217
Issuance costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>118,470</u>	<u>50,717</u>	<u>83,735</u>	<u>51,217</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>74,340</u>	<u>(20,096)</u>	<u>286</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	-	20,096	-
Bonds issued	-	-	-	-
Premiums (discounts) on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers out	-	(254,851)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(254,851)</u>	<u>20,096</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>(180,511)</u>	<u>-</u>	<u>286</u>
<b>FUND BALANCES, JANUARY 1</b>	<u>12,887</u>	<u>193,011</u>	<u>28,451</u>	<u>(4,638)</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 12,887</u>	<u>\$ 12,500</u>	<u>\$ 28,451</u>	<u>\$ (4,352)</u>

321 Medical Facility Bonds 2010	505 2002 G.O. Improvement Bonds	507 2005C G.O. Improvement/ 2011B Refunding Bonds	508 2006A G.O. Improvement/ 2012A Refunding Bonds	510 2011A G.O. Temporary Street Reconstruction Bonds	Totals	
					2012	2011
\$ -	\$ 42,500	\$ 31,480	\$ 60,000	\$ 14,900	\$ 806,842	\$ 785,877
-	15,643	200,928	39,749	-	320,355	275,857
754	-	3,509	2,993	-	44,207	45,497
442,299	-	-	-	-	544,189	352,149
-	-	-	-	-	-	199
<u>443,053</u>	<u>58,143</u>	<u>235,917</u>	<u>102,742</u>	<u>14,900</u>	<u>1,715,593</u>	<u>1,459,579</u>
1,092,690	-	-	-	-	1,092,690	1,979,890
108,764	75,000	20,000	160,000	-	1,105,633	1,513,334
319,921	11,875	148,997	98,169	14,900	835,775	726,544
-	-	-	16,937	-	16,937	20,425
<u>1,521,375</u>	<u>86,875</u>	<u>168,997</u>	<u>275,106</u>	<u>14,900</u>	<u>3,051,035</u>	<u>4,240,193</u>
<u>(1,078,322)</u>	<u>(28,732)</u>	<u>66,920</u>	<u>(172,364)</u>	<u>-</u>	<u>(1,335,442)</u>	<u>(2,780,614)</u>
-	-	-	-	-	276,310	258,067
-	-	-	1,215,000	-	1,215,000	2,410,000
-	-	-	13,425	-	13,425	(6,427)
-	-	(2,215,000)	-	-	(2,215,000)	-
-	-	(1,158,023)	-	-	(1,419,584)	-
-	-	(3,373,023)	1,228,425	-	(2,129,849)	2,661,640
(1,078,322)	(28,732)	(3,306,103)	1,056,061	-	(3,465,291)	(118,974)
1,382,246	240,636	4,215,530	822,410	(17,331)	7,248,531	7,367,505
<u>\$ 303,924</u>	<u>\$ 211,904</u>	<u>\$ 909,427</u>	<u>\$ 1,878,471</u>	<u>\$ (17,331)</u>	<u>\$ 3,783,240</u>	<u>\$ 7,248,531</u>

CITY OF LE SUEUR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2012  
 (With Comparative Totals for December 31, 2011)

	Agency			
	229	240	250	606
	Cable TV	HRA	LSH Healthy Communities	Minnesota River Valley PUC
<b>ASSETS</b>				
Cash and temporary investments	\$ (4,954)	\$ (4,435)	\$ (4,033)	\$ (261,781)
Accounts receivable	4,954	5,919	4,033	12,488
Due from other governments	-	-	-	249,293
	-	-	-	249,293
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 1,484</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	464	-	\$ -
Accrued wages payable	-	-	-	-
Other postemployment benefits payable	-	1,020	-	-
	-	1,020	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 1,484</b>	<b>\$ -</b>	<b>\$ -</b>

Totals

<u>2012</u>	<u>2011</u>
\$ (275,203)	\$ (189,872)
27,394	16,404
<u>249,293</u>	<u>216,466</u>
<u>\$ 1,484</u>	<u>\$ 42,998</u>
\$ 464	\$ 37,623
-	4,548
<u>1,020</u>	<u>827</u>
<u>\$ 1,484</u>	<u>\$ 42,998</u>

CITY OF LE SUEUR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**CABLE TV (229)**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>ASSETS</b>				
Cash and temporary investments	\$ (5,008)	\$ 23,377	\$ 23,323	\$ (4,954)
Accounts receivable	5,687	4,954	5,687	4,954
<b>TOTAL ASSETS</b>	<u>\$ 679</u>	<u>\$ 28,331</u>	<u>\$ 29,010</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accrued wages payable	<u>\$ 679</u>	<u>\$ 28,331</u>	<u>\$ 29,010</u>	<u>\$ -</u>

**HRA (240)**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>ASSETS</b>				
Cash and temporary investments	\$ (6,691)	\$ 78,152	\$ 75,896	\$ (4,435)
Accounts receivable	7,951	5,919	7,951	5,919
<b>TOTAL ASSETS</b>	<u>\$ 1,260</u>	<u>\$ 84,071</u>	<u>\$ 83,847</u>	<u>\$ 1,484</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 433	\$ 473	\$ 442	\$ 464
Accrued wages payable	-	83,405	83,405	-
Other postemployment benefits liability	827	193	-	1,020
<b>TOTAL LIABILITIES</b>	<u>\$ 1,260</u>	<u>\$ 84,071</u>	<u>\$ 83,847</u>	<u>\$ 1,484</u>

**LSH HEALTHY COMMUNITIES (250)**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>ASSETS</b>				
Cash and temporary investments	\$ (734)	\$ 22,672	\$ 25,971	\$ (4,033)
Accounts receivable	-	4,033	-	4,033
<b>TOTAL ASSETS</b>	<u>\$ (734)</u>	<u>\$ 26,705</u>	<u>\$ 25,971</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ (734)	\$ 1,468	\$ 734	\$ -
Accrued wages payable	-	25,237	25,237	-
<b>TOTAL LIABILITIES</b>	<u>\$ (734)</u>	<u>\$ 26,705</u>	<u>\$ 25,971</u>	<u>\$ -</u>

CITY OF LE SUEUR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**MINNESOTA RIVER VALLEY PUC (606)**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>ASSETS</b>				
Cash and temporary investments	\$ (177,439)	\$ 448,125	\$ 532,467	\$ (261,781)
Accounts receivable	2,032	12,488	2,032	12,488
Due from other governments	216,466	249,293	216,466	249,293
<b>TOTAL ASSETS</b>	<b>\$ 41,059</b>	<b>\$ 709,906</b>	<b>\$ 750,965</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 37,190	\$ -	\$ 37,190	\$ -
Accrued wages payable	3,869	709,906	713,775	-
<b>TOTAL LIABILITIES</b>	<b>\$ 41,059</b>	<b>\$ 709,906</b>	<b>\$ 750,965</b>	<b>\$ -</b>

**TOTAL**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>ASSETS</b>				
Cash and temporary investments	\$ (189,872)	\$ 572,326	\$ 657,657	\$ (275,203)
Accounts receivable	15,670	27,394	15,670	27,394
Due from other governments	216,466	249,293	216,466	249,293
<b>TOTAL ASSETS</b>	<b>\$ 42,264</b>	<b>\$ 849,013</b>	<b>\$ 889,793</b>	<b>\$ 1,484</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 36,889	\$ 1,941	\$ 38,366	\$ 464
Accrued wages payable	4,548	846,879	851,427	-
Other postemployment benefits payable	827	193	-	1,020
<b>TOTAL LIABILITIES</b>	<b>\$ 42,264</b>	<b>\$ 849,013</b>	<b>\$ 889,793</b>	<b>\$ 1,484</b>

CITY OF LE SUEUR, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total 2012	Total 2011	Percent Increase (Decrease)
<b>REVENUES</b>			
Taxes	\$ 1,796,838	\$ 1,638,676	9.65 %
Special assessments	328,168	283,671	15.69
Licenses and permits	115,158	125,735	(8.41)
Intergovernmental	2,451,637	1,123,544	118.21
Charges for services	851,828	852,752	(0.11)
Fines and forfeits	18,010	16,125	11.69
Investment earnings	53,609	63,370	(15.40)
Miscellaneous	1,142,331	682,052	67.48
Payment from component unit	37,184	-	100.00
 TOTAL REVENUES	 \$ 6,794,763	 \$ 4,785,925	 41.97 %
Per Capita	\$ 1,680	\$ 1,179	42.43 %
 <b>EXPENDITURES</b>			
Current			
General government	\$ 375,422	\$ 350,990	6.96 %
Public safety	1,097,552	1,062,168	3.33
Streets and highways	451,806	473,877	(4.66)
Sanitation	3,507	2,017	73.87
Culture and recreation	844,770	791,314	6.76
Economic development	1,153,544	2,409,890	(52.13)
Miscellaneous	269,621	348,210	(22.57)
Capital outlay			
General government	7,463	41,183	(81.88)
Public safety	1,045,674	498,539	109.75
Streets and highways	273,364	171,494	59.40
Culture and recreation	99,888	122,449	(18.42)
Miscellaneous	501,431	145,801	243.91
Debt service			
Principal	1,105,633	1,513,334	(26.94)
Interest and other charges	837,933	729,691	14.83
Issuance costs	16,937	20,425	(17.08)
 TOTAL EXPENDITURES	 \$ 8,084,545	 \$ 8,681,382	 (6.87) %
Per Capita	\$ 1,999	\$ 2,139	(6.58) %
 Total Long-term Indebtedness	 \$ 17,143,726	 \$ 19,249,359	 (10.94) %
Per Capita	4,238	4,744	(10.65)
 General Fund Balance - December 31	 \$ 391,159	 \$ 304,513	 28.45 %
Per Capita	97	75	28.86

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.

**SINGLE AUDIT AND  
OTHER REQUIRED REPORTS**

CITY OF LE SUEUR  
LE SUEUR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



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

## AUDITOR'S REPORT ON 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2013.

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 Political Subdivisions*, 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.

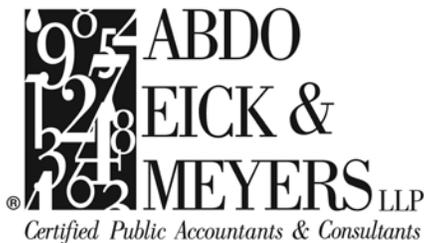
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. 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.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

May 30, 2013  
Mankato, Minnesota

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



---

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council  
City of Le Sueur, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Le Sueur, Minnesota (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans as items 2012-1 and 2012-2, we identified finding 2012-2 to be a deficiency in internal control that we consider to be a material weakness and finding 2012-1 to be a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans as item 2012-2 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, Responses and Questioned Costs/Corrective Action Plans as item 2012-1 to be a significant deficiency.



## Compliance and Other Matters

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

## The City's Responses to Findings

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

## Purpose of this Report

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

May 30, 2013  
Mankato, Minnesota

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



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

---

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY *OMB CIRCULAR A-133*

Honorable Mayor and City Council  
City of Le Sueur, Minnesota

***Report on Compliance for Each Major Federal Program***

We have audited the City of Le Sueur, Minnesota's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans for the year ended December 31, 2012.



## Report on Internal Control Over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

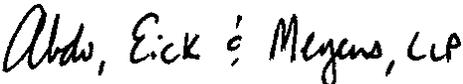
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans as item 2012-2 to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

May 30, 2013  
Mankato, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

CITY OF LE SUEUR, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Awarding Agency	Pass-through Entity	Program Name	Federal Domestic Assistance Number	State or Other Contract Number	Amount Expended
U. S. Department of Homeland Security		Assistance to Firefighters Grant	97.044		\$ 872,100
U. S. Department of Homeland Security		Disaster Grant - Public Assistance	97.036	DR-1941 DR-1982	2,059 7,612
U. S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	4005-38 4005-40 4005-41	3,865 454,682 57,771
U. S. Department of Transportation	Minnesota Department of Transportation	Formula Grants for other than Urbanized Areas	20.509		<u>59,500</u>
	Total expended				<u>\$ 1,457,589</u>

CITY OF LE SUEUR, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City of Le Sueur, Minnesota (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly for Federal agencies as well as Federal awards passed through other government agencies are included in the schedule.

**2. Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for the major programs, which are described in Note 1B to the City's financial statements.

CITY OF LE SUEUR, MINNESOTA  
 SCHEDULE OF FINDINGS, RESPONSES AND  
 QUESTIONED COSTS/CORRECTIVE ACTION PLANS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**A. Summary of Auditor's Results**

**Financial Statements**

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the City of Le Sueur, Minnesota (the City).
2. Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Finding 2012-2 is considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.

**Federal Awards**

1. A significant deficiency relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by *OMB Circular A-133*. Finding 2012-2 is considered to be a material weakness.
2. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
3. Audit findings relative to the major federal awards programs were noted for the City in section C below.
4. The programs tested as major programs included:

	CFDA
Airport Improvement Program	20.106
Assistance to Firefighters Grant	97.044

5. The threshold for distinguishing between Types A and B programs was \$300,000.
6. The City did not qualify as a low-risk auditee.

CITY OF LE SUEUR, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND  
QUESTIONED COSTS/CORRECTIVE ACTION PLANS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

**B. Findings - Financial Statement Audit**

Finding      Description

**2012-1      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, RESPONSES AND  
QUESTIONED COSTS/CORRECTIVE ACTION PLANS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Corrective Action Plan (CAP):**

**Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

Continue training of accounting staff in financial reporting to gain competencies in this area for future preparation and review of financial statements. The City's goal is to better understand the financial statements and related footnote disclosures.

**Official Responsible for Ensuring CAP:**

Linda Endres, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

Continual

CITY OF LE SUEUR, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND  
QUESTIONED COSTS/CORRECTION ACTION PLANS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding    Description

**2012-2    Material audit and accounting adjustments**

*Condition:*            During our audit, adjustments were needed to record numerous accounting and audit adjustments. Some adjustments were individually material, including one adjustment that was needed to record an airport grant receivable.

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

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

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

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

*Management response:*

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

*Updated progress since prior year:*

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

**Corrective Action Plan (CAP):**

**Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

Continue training of accounting staff in financial reporting to gain competencies in this area for future recording of financial activity.

**Official Responsible for Ensuring CAP:**

Linda Endres, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

Continual

**C. Findings and Questioned Costs - Major Federal Awards Program**

See Finding 2012-2.