

CITY OF LUVERNE
LUVERNE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

BARBARA J. BERGHORST
FINANCE DIRECTOR

CITY OF LUVERNE, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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305 East Luverne Street, PO Box 659 Luverne, MN 56156• P 507.449.2388 F 507.449.5034• www.CityOfLuverne.org

May 8, 2014

To the Honorable Mayor, City Council and Citizens of the City of Luverne:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Luverne (the City) for the fiscal year ended December 31, 2013.

The report consists of managements' representations concerning the finances of the City of Luverne. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Abdo, Eick & Meyers, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP required that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City incorporated on February 14, 1877, is located in the extreme southwestern part of the State of Minnesota, approximately 25 miles east of Sioux Falls, South Dakota and about halfway between Minneapolis-Saint Paul and Omaha, Nebraska. The City has a land area of 3.44 square miles and serves a population of 4,745. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City is governed under a home rule charter adopted September 1, 1987. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and four Aldermen. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a City Administrator. The Mayor is the presiding officer of the Council and votes only in case of a tie. The City Administrator is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the city government and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. The Mayor is elected every two years and Aldermen are elected by ward and serve four-year staggered terms.

The City provides a full range of services, including fire protection, construction and maintenance of streets and infrastructure, recreational facilities and parks, storm sewer, sanitary sewer, water utilities, electric utilities, refuse and recycling collection, airport operations, planning and zoning, building inspection and general government.

The annual budget serves as the foundation for the City's financial planning and control. All departments are required to submit requests for appropriation to the City Administrator in June of each year. The City Administrator uses these requests as the starting point for developing a proposed budget. Work sessions are held with the Council covering each department budget. The City Administrator then provides a proposed budget to the Council for review prior to September 1st. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31st.

The appropriated budget for the General fund is prepared by fund, function (e.g., public safety), and department (e.g., fire). The appropriated budget is prepared by fund for the Airport and Pool & Fitness special revenue funds. Transfers of appropriations between departments and funds require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General and Airport funds, this comparison is presented on pages 36 and 37 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General fund, with appropriated annual budgets, this comparison is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual of this report which starts on page 114.

Local economy. The City of Luverne is the county seat of Rock County in Minnesota and is located at the crossroads of Interstate Highway 90 and Highway 75. The majority of Luverne residents are employed in small businesses of ten or fewer employees. This provides a great deal of economic diversity in this rural community. The economy is not adversely affected by fluctuations of one or two significant employers and employment has been very stable. Unemployment has been low for the past decade. A new hotel was constructed and opened in May and investors are moving forward with the development of a brewery and a new meat market. The Luverne Economic Development Authority focuses its efforts on attracting businesses whose workforce and activities complement existing businesses and our local agricultural economy.

Long-term financial planning. The City is continuing to work on the Lewis and Clark project, which is a tri-state effort to develop, construct and operate a water resource from Missouri River water for southeastern South Dakota and portions of northwest Iowa and southwest Minnesota. This additional water resource is necessary to meet the future water needs of the City's residents and businesses. Federal budget reductions may have an impact on their portion of the funding for this project and alternative financing options are being considered.

Relevant financial policies

The City uses a "pooled cash" concept of investing, which means that all funds with cash balance participate in an investment pool. Available cash is invested in short-term government money market accounts, certificates of deposit, obligations of the U.S. Treasury and its agencies, and municipal bonds. The maturities of the investments range from less than a month to ten years. Investment income includes appreciation and depreciation in the fair value of investments. Decreases in the fair value during the current year, however, do not necessarily represent trends that will continue and the City intends to hold investments to maturity. Cash and investments for the primary government at year end totaled \$21,729,267.

The City maintains a self-insurance program for Property/Casualty insurance and Workers Compensation insurance. The City's Property/Casualty insurance policy includes a \$25,000 deductible per occurrence with a \$50,000 annual aggregate exposure. Individual funds make small annual contributions to the Property/Casualty internal service fund to provide a source of funds for uninsured losses that may be sustained from time to time. Annual fluctuations in the cost of Workers Compensation insurance are absorbed by the Workers Compensation internal service fund.

The Finance Department engaged an actuarial study for Other Post-Employment Benefits (OPEB) in order to comply with Governmental Accounting Standards Board Pronouncement 45. The City implemented GASB 45 in the fiscal year 2009 comprehensive financial report. The OPEB liability is relatively minor and no debt will be issued to fund this liability. Additional information regarding the OPEB liability can be found in the Notes to the Financial Statement on pages 101-102.

The Finance Department updated the Internal Control manual in 2011. The Department identified key areas of activity and drafted controls for each of them. This document will be maintained as a continuing work in progress.

The City's accounting records are maintained on the accrual or modified accrual basis, as appropriate. Monthly financial reports with detailed budget to actual information are provided to the Department Heads. Summary budget to actual financial reports are provided to the City Council on a monthly basis.

The management philosophy used in developing the General fund budget for City Council consideration and approval includes conservative revenue estimate, realistic expenditures and a contingency amount for unexpected costs. In addition, management maintains a philosophy that amounts included in the budget are not automatically considered "approved." Capital expenditures as well as other significant expenditures are not approved by the City Administrator until it has been determined those adequate funds are available and the expenditure is still necessary.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Luverne for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. I would like to first express my appreciation to all members of the Fiscal & Management Services department who assisted and contributed in preparing the report. I also thank the staff of Abdo, Eick & Meyers, LLP for their assistance and review of the document. Finally I acknowledge the Mayor and the members of the City Council for their responsible and progressive manner.

Respectfully submitted,

Barbara J Berghorst

Barbara J. Berghorst
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

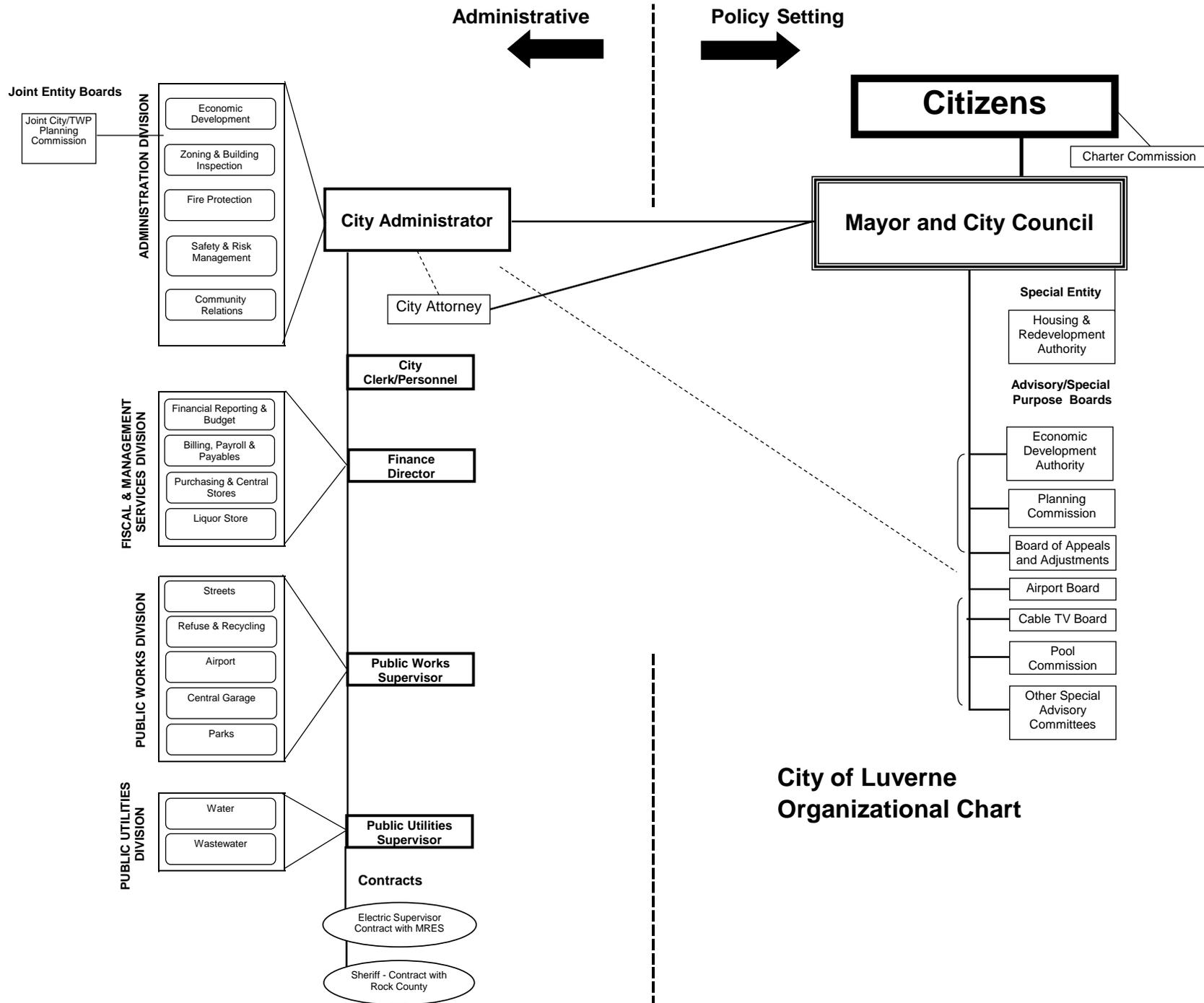
Presented to

**City of Luverne
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO



**City of Luverne
Organizational Chart**

CITY OF LUVERNE, MINNESOTA

List of Elected and Appointed Officials

For the Year Ended December 31, 2013

Mayor - City Council

Patrick T. Baustian
Caroline Thorson
Eugene Marshall
Esther S. Frakes
Kevin Aaker

Mayor
Alderman - North Ward
Alderman - South Ward
Alderman - North Ward
Alderman - South Ward

City Administrator

John M. Call

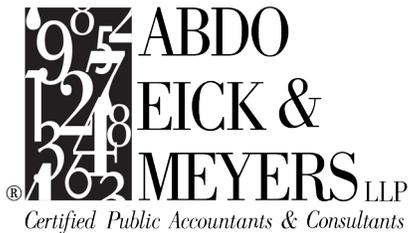
Finance Director

Barbara J. Berghorst

City Clerk

Jessica Mead

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Luverne
Luverne, 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 Luverne, Minnesota (the City), as of and for the year ended December 31, 2013, 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 opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated May 17, 2013, we expressed unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General and Airport funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Funding Progress on page 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 8, 2014

City of Luverne, Minnesota Management's Discussion and Analysis

As management of the City of Luverne, 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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 3 of this report.

Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$47,103,665 (*net position*). Of this amount, \$20,252,611 (*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 \$1,212,106 compared to an increase of \$2,575,042 in the prior year. This reduction from the prior year is mainly due to a reduction in investment earnings and a reduction in capital grants in business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,693,107, a decrease of \$1,093,803 in comparison with the prior year. This decrease largely reflects principal payments made to pay off bonds refunded in 2012 that had a call date in 2013. Approximately 13.0 percent of this total amount, \$738,502, 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 either 1) nonspendable - \$699,205, 2) restricted - \$1,749,774, 3) committed - \$591,396, or 4) assigned - \$1,909,730 for the purposes described in Note 3.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$901,811 or 29.7 percent of total General fund expenditures.
- The City's total debt decreased by \$1,965,556 or 19.6 percent. One factor in this decrease was the payment of principal on bonds that were refunded in 2012 that had a call date in 2013. Other factors affecting total debt include the issuance of \$444,000 in bonds offset by the retirement of existing debt of \$2,409,556.

Overview of the Financial Statements

This discussion and analysis are 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, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

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. Internal service funds statements are also included, reflecting balances prior to the elimination from the governmental-wide financial statements, to avoid "doubling-up" effect within the governmental and business-type columns of said statements.

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

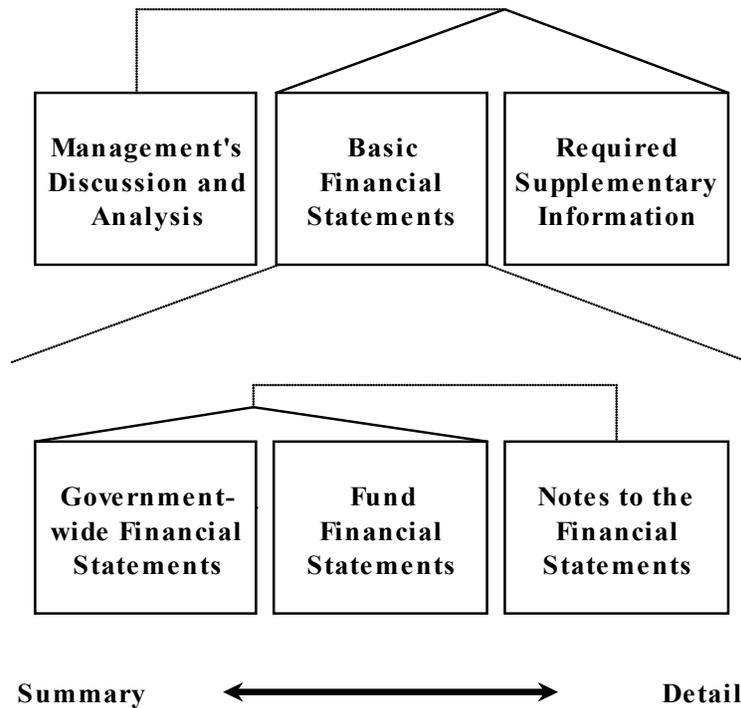


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow 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 not used compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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, public works, culture and recreation and conservation and economic development. The business-type activities of the City include a water utility, a sewer utility, refuse and recycling, an electric utility, a storm sewer utility and a liquor store operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority 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 25 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 government, 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 22 individual governmental funds. 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 Airport fund, the Economic Development Revolving Loan fund, the Community Development fund, and the Debt Service fund (considered one fund for financial reporting), all of which are considered to be major funds. Data from the other 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* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and certain special revenue funds. A budgetary comparison statement has been provided for the General fund and the special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 28 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *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, electric, refuse, and storm sewer utilities as well as its liquor store operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle maintenance, central purchasing, data processing, general risk management, worker's compensation risk management and governmental payroll benefits.

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 the water, sewer, electric and liquor operations, all of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 38 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 58 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 59 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 110 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 \$47,103,665 at the close of the most recent fiscal year.

A large portion of the City's net position (54.8 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles 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 Luverne's Summary of Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Current and other assets	\$ 6,747,630	\$ 7,686,189	\$ (938,559)	\$ 17,980,158	\$ 19,015,366	\$ (1,035,208)	\$ 1,547,454	\$ 1,961,119	\$ (413,665)
Capital assets	13,750,134	12,795,251	954,883	18,260,304	17,933,455	326,849	2,002,920	2,067,617	(64,697)
Total assets	20,497,764	20,481,440	16,324	36,240,462	36,948,821	(708,359)	3,550,374	4,028,736	(478,362)
Long-term liabilities outstanding	4,063,644	5,087,413	(1,023,769)	4,550,307	5,466,768	(916,461)	4,424	2,373	2,051
Other liabilities	293,335	189,040	104,295	727,275	795,481	(68,206)	274,755	437,521	(162,766)
Total liabilities	4,356,979	5,276,453	(919,474)	5,277,582	6,262,249	(984,667)	279,179	439,894	(160,715)
Net investment in capital assets	11,065,650	9,974,182	1,091,468	14,733,982	14,213,560	520,422	1,810,291	1,847,237	(36,946)
Restricted	587,971	616,023	(28,052)	458,951	347,944	111,007	709,739	759,696	(49,957)
Unrestricted	4,487,164	4,614,782	(127,618)	15,769,947	16,125,068	(355,121)	751,165	981,909	(230,744)
Total net position	\$ 16,140,785	\$ 15,204,987	\$ 935,798	\$ 30,962,880	\$ 30,686,572	\$ 276,308	\$ 3,271,195	\$ 3,588,842	\$ (317,647)

An additional portion of the City's net position (2.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (43.0 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.

There was an increase of \$276,308 in net position reported in connection with the City's business-type activities. Charges for services/sales for business-type activities increased by only \$46,358 or 0.4 percent. Revenue was comparable to the prior year even though water and sewer revenue was less than the prior year due to watering restrictions in place due to drought conditions. These decreases were offset with an increase in electric sales.

The City's net position increased by \$1,212,106 during the current fiscal year. Capital grants and contributions were a major factor for the increase. Net position increased even though investment earnings were less than the previous year and expenses increased over the previous year.

Governmental activities. Governmental activities increased the City's net position by \$935,798 during the year, accounting for 77.2 percent of the total growth in the City's net position. Key elements of the various increases and decreases are as follows:

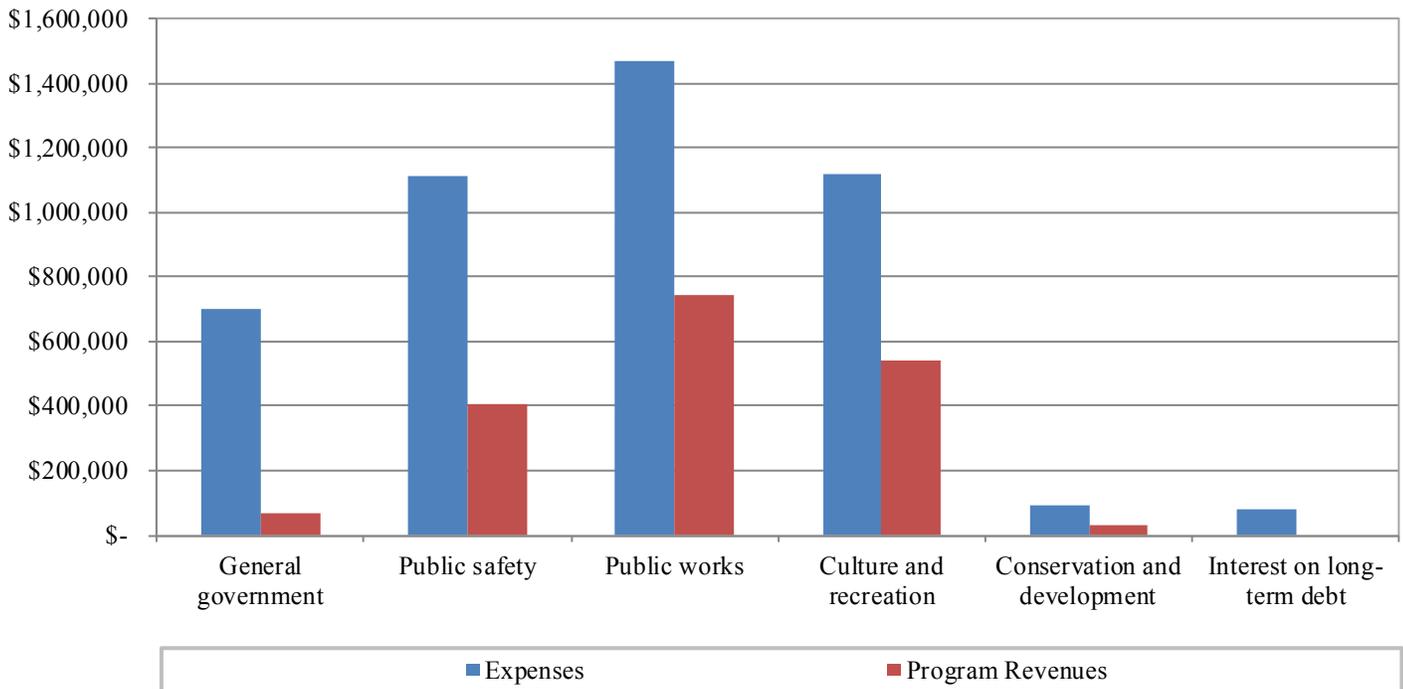
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Revenues									
Program revenues									
Charges for services	\$ 876,509	\$ 969,362	\$ (92,853)	\$ 10,672,341	\$ 10,625,983	\$ 46,358	\$ 158,221	\$ 158,625	\$ (404)
Operating grants and contributions	50,861	35,506	15,355	72,654	-	72,654	217,012	201,460	15,552
Capital grants and contributions	857,446	781,163	76,283	360	150,540	(150,180)	-	-	-
General revenues									
Property taxes/ tax increments	1,415,322	1,347,542	67,780	25,131	24,976	155	12,050	18,120	(6,070)
Other taxes	372,560	405,670	(33,110)	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,264,952	1,280,652	(15,700)	-	1,500	(1,500)	198,500	-	198,500
Unrestricted investment earnings (loss)	33,647	143,948	(110,301)	(99,048)	236,262	(335,310)	7,763	40,955	(33,192)
Other	46	-	46	721	809	(88)	1,500	17,410	(15,910)
Gain on sale of capital assets	-	-	-	-	1,000	(1,000)	-	30,750	(30,750)
Total revenues	4,871,343	4,963,843	(92,500)	10,672,159	11,041,070	(368,911)	595,046	467,320	127,726
Expenses									
General government	700,138	635,951	64,187	-	-	-	-	-	-
Public safety	1,114,561	1,166,584	(52,023)	-	-	-	-	-	-
Public works	1,470,237	1,263,739	206,498	-	-	-	-	-	-
Culture and recreation	1,117,074	932,997	184,077	-	-	-	-	-	-
Conservation and development	94,351	86,198	8,153	-	-	-	-	-	-
Interest on long-term debt	81,184	159,403	(78,219)	-	-	-	-	-	-
Water	-	-	-	1,021,691	949,208	72,483	-	-	-
Sewer	-	-	-	1,048,553	875,392	173,161	-	-	-
Refuse and recycling	-	-	-	415,337	437,194	(21,857)	-	-	-
Electric	-	-	-	6,080,534	5,769,226	311,308	-	-	-
Storm sewer	-	-	-	75,106	76,250	(1,144)	-	-	-
Liquor	-	-	-	1,112,630	1,077,729	34,901	-	-	-
Economic development	-	-	-	-	-	-	912,693	516,543	396,150
Total expenses	4,577,545	4,244,872	332,673	9,753,851	9,184,999	568,852	912,693	516,543	396,150
Increase in net position									
before transfers	293,798	718,971	(425,173)	918,308	1,856,071	(937,763)	(317,647)	(49,223)	(268,424)
Transfers	642,000	337,000	305,000	(642,000)	(337,000)	(305,000)	-	-	-
Change in net position	935,798	1,055,971	(120,173)	276,308	1,519,071	(1,242,763)	(317,647)	(49,223)	(268,424)
Net position, January 1	15,204,987	14,149,016	1,055,971	30,686,572	29,167,501	1,519,071	3,588,842	3,638,065	(49,223)
Net position, December 31	\$ 16,140,785	\$ 15,204,987	\$ 935,798	\$ 30,962,880	\$ 30,686,572	\$ 276,308	\$ 3,271,195	\$ 3,588,842	\$ (317,647)

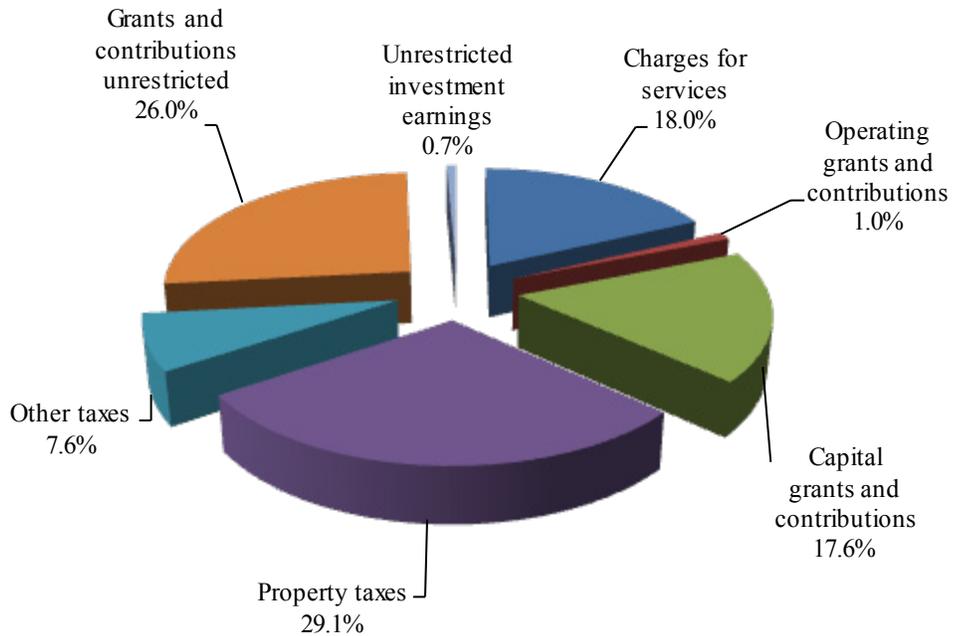
Property tax levies increased by \$65,846 (8.3 percent) during the year.

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

Expenses and Program Revenues – Governmental Activities



Revenue by Source - Governmental Activities

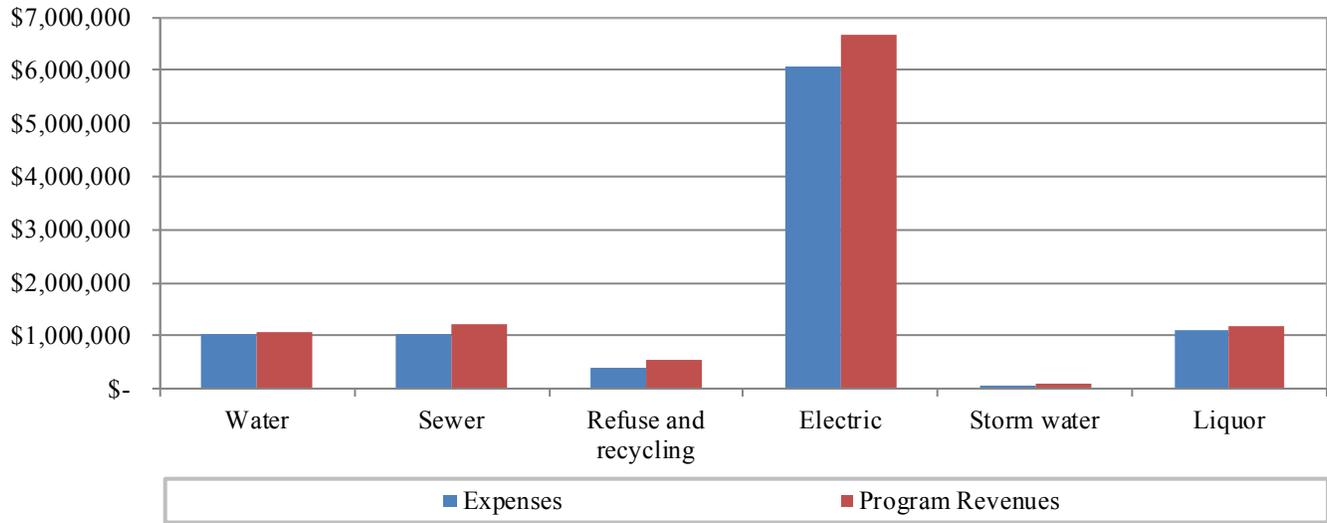


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

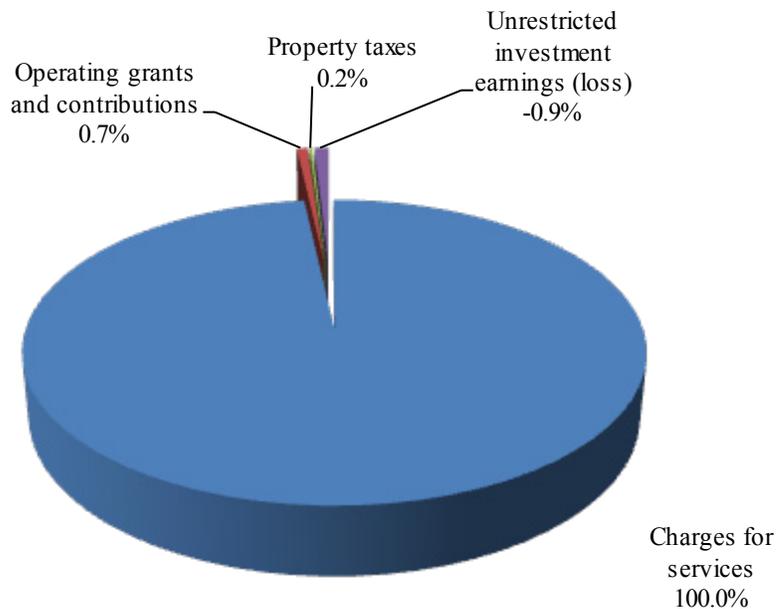
Business-type activities. Business-type activities increased the City’s net position by \$276,308, accounting for 22.8 percent of the total growth in the City’s net position. This is less than the previous year’s increase of \$1,519,071. Key elements of this increase are as follows:

- Operating revenue for business-type activities increased by only \$8,168. Utility revenue remained flat as the increase in electric operating revenue was offset by a reduction in water and sewer operating revenue due to watering restrictions in place due to drought conditions.
- Capital grants and contributions decreased \$150,180 from the previous year.
- Investments earnings were over \$300,000 less than the previous year due to market value decreases at year-end.

Expenses and Program Revenues – Business-type Activities



Revenue 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 \$5,693,107, a decrease of \$1,093,803 in comparison with the prior year. This decrease largely reflects principal payments made to pay off bonds refunded in 2012 that had a call date in 2013.

Of this total amount (\$5,693,107), (\$738,502) 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 in *nonspendable* form (\$699,205), *restricted* (\$1,749,774), *committed* (\$591,396) or *assigned* (\$1,909,730) for the purposes identified in Note 3.

The *General fund* is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General fund was \$901,811, while total fund balance reached \$2,688,041. 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 29.7 percent of total General fund expenditures, while total fund balance represents 88.6 percent of that same amount.

The fund balance of the City's General fund increased by \$49,019 during the current fiscal year. Key factors in this growth are as follows:

- This stable level of growth is due to total revenues being \$197,701 more than budgeted and expenditures being only \$13,693 more than budgeted even after budget amendments to allow for additional costs relating to ice storm damage cleanup, excess costs to replace the swimming pool roof and other minor additional costs. The General fund budgets conservatively for revenue with adequate amounts being budgeted for expenditures.

The *Airport fund* has a fund balance of \$123,833 at year end. There was a decrease of \$67,249 in fund balance during the current year due to the expenditure of the City share of costs for the airport terminal ramp capital project.

The *Community Development fund* has a fund balance of \$171,666 at year end. There was an increase of \$21,925 in fund balance during the current year due to property rental income being greater than annual expenditures.

The *Debt Service fund* has a total fund balance of \$1,521,326 all of which is restricted for the payment of debt service. The net decrease in fund balance of \$1,181,303 during the current year in the Debt Service fund was primarily due to principal payments made to pay off bonds refunded in 2012 that had a call date in 2013.

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 Water fund at the end of the year amounted to \$3,169,029. The amount of unrestricted net position is intended to be 75 percent of the amount of accumulated depreciation for the various utility funds so there is partial funding available for ongoing infrastructure replacement. In the Sewer fund, unrestricted net position at the end of the year was \$3,381,899. Unrestricted net position of the Electric fund at the end of year amounted to \$6,650,171. Those for the Liquor Store operation amounted to \$468,420. The total growth in net position for all enterprise funds was \$434,811.

General Fund Budgetary Highlights

The final amended budget for the General fund was a \$272,600 increase in appropriations to allow \$23,000 for expenditures related to a SHIP grant that was awarded to the City to promote wellness and fitness in the community, \$123,000 for ice storm costs for hired contractors, \$25,000 for the purchase of land, \$60,000 transfer to the Swimming Pool fund for additional capital costs associated with the replacement of the roof and \$25,000 for the purchase of a digital projector and \$16,600 for expenses related to an application for historic status of the downtown commercial buildings in an effort to establish an historic district.

At the close of the year, General fund total expenditures were \$13,693 greater than the final budget while actual revenues exceeded the final budget by \$197,701.

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, 2013, amounts to \$32,010,438 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The majority of the capital assets are related to the water, sewer and electric utility operations.

Major capital asset events during the current fiscal year included the following:

- The Water fund had the north water tower repainted at a cost of \$81,786.
- The Sewer fund invested \$218,690 in the replacement of the final clarifier portion of the wastewater treatment process.
- The Refuse fund invested in \$234,300 in a new garbage truck.
- The Electric fund invested \$146,895 in distribution system upgrades, \$48,984 in street light poles and fixtures, \$23,413 in substation improvements and \$38,808 in security system improvements for the substations.
- The Street department purchased a loader at a cost of \$48,875, a skidloader at a cost of \$18,074 and an aerial lift at a cost of \$16,566.
- The Fire department purchased a hurst tool at a cost of \$30,091.
- The Park department purchased two mowers at a cost of \$34,353.
- The Swimming Pool fund invested \$434,614 in replacing the roof on their building.

City of Luverne's Capital Assets (net of accumulated depreciation)

	Primary Government								
	Governmental Activities			Business-type Activities			Component Unit Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 2,012,889	\$ 1,984,925	\$ 27,964	\$ 203,715	\$ 203,715	\$ -	\$ 627,002	\$ 627,002	\$ -
Buildings	4,448,221	3,645,421	802,800	559,106	619,225	(60,119)	1,372,028	1,436,142	(64,114)
Improvements	4,895,940	5,088,908	(192,968)	16,180,247	15,456,773	723,474	-	-	-
Machinery and equipment	1,223,569	1,284,877	(61,308)	742,465	634,706	107,759	3,890	4,473	(583)
Construction in progress	1,169,515	791,120	378,395	574,771	1,019,036	(444,265)	-	-	-
Total	\$ 13,750,134	\$ 12,795,251	\$ 954,883	\$ 18,260,304	\$ 17,933,455	\$ 326,849	\$ 2,002,920	\$ 2,067,617	\$ (64,697)

Additional information on the City's capital assets can be found in Note 3F starting on page 81 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,769,000. This entire amount is debt backed by the full faith and credit of the City even though certain bonds have specified revenue sources.

City of Luverne's Outstanding Debt

	Primary Government					
	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
General obligation bonds	\$ 1,445,000	\$ 2,620,000	\$ (1,175,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	315,000	345,000	(30,000)	-	-	-
G.O. improvement bonds	1,320,000	1,555,000	(235,000)	-	-	-
General obligation revenue bonds	-	-	-	4,210,000	5,125,000	(915,000)
Equipment certificates	479,000	45,000	434,000	-	-	-
Notes/loans	269,259	313,815	(44,556)	-	-	-
Total	\$ 3,828,259	\$ 4,878,815	\$ (1,050,556)	\$ 4,210,000	\$ 5,125,000	\$ (915,000)

The City's total debt decreased by \$1,965,556 or 19.6 percent. One factor in this decrease was the payment of principal on bonds that were refunded in 2012 that had a call date in 2013. Other factors affecting total debt include the issuance of \$444,000 in bonds, offset by the retirement of existing debt of \$2,409,556.

The City received an "AA-" rating from Standard & Poor's on the 2013 General Obligation Equipment Certificates. The "AA-" rating was affirmed for the outstanding debt. Minnesota statutes limit the amount of net general obligation debt a city may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$7,233,201. The current legal debt margin is \$5,309,201 which is in net of the City's outstanding general obligation debt and Equipment Certificates of \$1,924,000.

Additional information on the City's long-term debt can be found in Note 3G starting on page 85 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City continues to budget revenue conservatively and continues to budget expenditures appropriately. Technology is being used to bring additional efficiencies to the operations of the City.
- Purchased power costs have stabilized. WAPA rates will not increase in 2014. MRES rates have moved from the two-tier demand rate structure to a seasonal single demand rate structure with June-August at \$21.50 per kW cost per month, December-February at \$17.50 per kW cost per month and all other months at \$11.00 per kW cost per month. Local electric rates are expected to increase by an average of 1 percent over the next year. An electric rate study will be conducted in 2014.
- Low interest rates over the past few years reduced the return on the City's investment portfolio and the decrease in the value of investments resulted in a reduction in value in the investments in certificates of deposits and government securities. The City holds investments to maturity so no actual loss will occur.
- New residential construction continues in the City. The City's total estimated market valuation increased by 4.77 percent.

All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

The water rates were increased by 4.1 percent, sewer rates were increased by 3.1 percent, electric rates increased by 1.0 percent and refuse and recycling rates were not increased. These rate increases were necessary to finance increased costs of operations as well as capital improvements. An electric rate study will be conducted in 2014.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Luverne, PO Box 659, Luverne, MN 56156.

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CITY OF LUVERNE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 5,127,529	\$ 15,502,549	\$ 20,630,078	\$ 1,112,886
Receivables (net of allowance for uncollectibles)				
Accrued interest	16,794	30,173	46,967	5,115
Delinquent taxes	15,628	91	15,719	133
Accounts, net	20,596	673,959	694,555	12,717
Loans/contracts	283,307	600,342	883,649	371,434
Special assessments	7,927	8,226	16,153	-
Intergovernmental	417,681	1,120	418,801	35
Internal balances	(3,652)	3,652	-	-
Due from component unit	238,377	3,081	241,458	-
Inventories	16,734	657,247	673,981	-
Prepaid items	1,084	6,154	7,238	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	605,625	493,564	1,099,189	20,134
Investments	-	-	-	25,000
Capital assets				
Nondepreciable assets	3,182,404	778,486	3,960,890	627,002
Depreciable assets, net of accumulated depreciation	10,567,730	17,481,818	28,049,548	1,375,918
TOTAL ASSETS	20,497,764	36,240,462	56,738,226	3,550,374
LIABILITIES				
Accounts payable	202,042	530,302	732,344	19,066
Contracts payable	11,393	21,995	33,388	-
Retainage payable	17,745	-	17,745	-
Due to primary government	-	-	-	241,458
Due to other governments	4,360	36,082	40,442	-
Accrued interest payable	24,234	27,206	51,440	-
Wages and related benefits payable	33,545	38,943	72,488	2,231
Deposits payable	16	72,747	72,763	2,000
Unearned revenue	-	-	-	10,000
Noncurrent liabilities				
Due within one year	963,983	465,610	1,429,593	1,784
Due in more than one year	3,099,661	4,084,697	7,184,358	2,640
TOTAL LIABILITIES	4,356,979	5,277,582	9,634,561	279,179
NET POSITION				
Net investment in capital assets	11,065,650	14,733,982	25,799,632	1,810,291
Restricted				
Debt service	587,971	458,951	1,046,922	-
Economic development	-	-	-	709,739
Unrestricted	4,487,164	15,769,947	20,257,111	751,165
TOTAL NET POSITION	\$ 16,140,785	\$ 30,962,880	\$ 47,103,665	\$ 3,271,195

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 700,138	\$ 62,121	\$ -	\$ 2,819
Public safety	1,114,561	232,798	37,897	135,001
Public works	1,470,237	373,403	9,963	359,389
Culture and recreation	1,117,074	177,144	3,001	360,237
Conservation and development	94,351	31,043	-	-
Interest and other costs	81,184	-	-	-
Total governmental activities	<u>4,577,545</u>	<u>876,509</u>	<u>50,861</u>	<u>857,446</u>
Business-type activities				
Water	1,021,691	1,067,966	-	-
Sewer	1,048,553	1,220,933	-	360
Refuse and recycling	415,337	540,006	-	-
Electric	6,080,534	6,577,653	72,654	-
Storm sewer	75,106	87,094	-	-
Liquor	1,112,630	1,178,689	-	-
Total business-type activities	<u>9,753,851</u>	<u>10,672,341</u>	<u>72,654</u>	<u>360</u>
Total primary government	<u>\$ 14,331,396</u>	<u>\$ 11,548,850</u>	<u>\$ 123,515</u>	<u>\$ 857,806</u>
Component unit				
Luverne Economic Development Authority	<u>\$ 912,693</u>	<u>\$ 158,221</u>	<u>\$ 217,012</u>	<u>\$ -</u>

General revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Franchise and other taxes
Grants and contributions not restricted to programs
Unrestricted investment earnings (loss)
Other

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net Revenue (Expense) and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (635,198)		\$ (635,198)	
(708,865)		(708,865)	
(727,482)		(727,482)	
(576,692)		(576,692)	
(63,308)		(63,308)	
(81,184)		(81,184)	
(2,792,729)		(2,792,729)	
	\$ 46,275	46,275	
	172,740	172,740	
	124,669	124,669	
	569,773	569,773	
	11,988	11,988	
	66,059	66,059	
	991,504	991,504	
(2,792,729)	991,504	(1,801,225)	
			\$ (537,460)
1,056,683	25,131	1,081,814	-
326,215	-	326,215	11,030
32,424	-	32,424	1,020
372,560	-	372,560	-
1,264,952	-	1,264,952	198,500
33,647	(99,048)	(65,401)	7,763
46	721	767	1,500
642,000	(642,000)	-	-
3,728,527	(715,196)	3,013,331	219,813
935,798	276,308	1,212,106	(317,647)
15,204,987	30,686,572	45,891,559	3,588,842
\$ 16,140,785	\$ 30,962,880	\$ 47,103,665	\$ 3,271,195

CITY OF LUVERNE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	101	Special Revenue		
		209	220	280
	General	Airport	Economic Development Revolving Loan	Community Development
ASSETS				
Cash and temporary investments	\$ 1,991,576	\$ -	\$ 79,415	\$ 359,421
Cash held with fiscal agent	-	-	-	-
Receivables				
Accrued interest	11,121	233	117	690
Delinquent taxes	11,368	-	-	-
Accounts, net	11,206	6,919	-	-
Loans/contracts	283,307	-	-	-
Special assessments	2,699	-	-	-
Intergovernmental	52,819	357,568	-	-
Due from other funds	352,229	-	-	-
Due from component unit	45,851	-	192,629	-
Inventories, at cost	3,084	13,650	-	-
Prepaid items	483	-	-	-
TOTAL ASSETS	\$ 2,765,743	\$ 378,370	\$ 272,161	\$ 360,111
LIABILITIES				
Accounts payable	\$ 36,176	\$ 14,686	\$ -	\$ -
Contracts payable	-	29,138	-	-
Due to other funds	1,142	210,712	-	188,445
Due to other governments	3,786	1	-	-
Unapplied credits payable	30	-	-	-
Wages and related benefits payable	22,501	-	-	-
Deposit payable	-	-	-	-
TOTAL LIABILITIES	63,635	254,537	-	188,445
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	11,368	-	-	-
Special assessments	2,699	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	14,067	-	-	-
FUND BALANCES				
Nonspendable	684,954	13,650	-	-
Restricted	11,744	-	-	-
Committed	-	110,183	272,161	171,666
Assigned	1,089,532	-	-	-
Unassigned	901,811	-	-	-
TOTAL FUND BALANCES	2,688,041	123,833	272,161	171,666
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,765,743	\$ 378,370	\$ 272,161	\$ 360,111

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

300s		
Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 913,324	\$ 1,153,929	\$ 4,497,665
605,625	-	605,625
1,307	2,397	15,865
4,260	-	15,628
-	2,471	20,596
-	-	283,307
-	5,228	7,927
1,070	6,224	417,681
-	1,802	354,031
-	-	238,480
-	-	16,734
-	601	1,084
<u>\$ 1,525,586</u>	<u>\$ 1,172,652</u>	<u>\$ 6,474,623</u>
\$ 4,500	\$ 145,073	\$ 200,435
-	-	29,138
-	92,815	493,114
-	573	4,360
-	-	30
-	8,367	30,868
-	16	16
<u>4,500</u>	<u>246,844</u>	<u>757,961</u>
4,260	-	15,628
-	5,228	7,927
<u>4,260</u>	<u>5,228</u>	<u>23,555</u>
-	601	699,205
1,516,826	221,204	1,749,774
-	37,386	591,396
-	820,198	1,909,730
-	(158,809)	743,002
<u>1,516,826</u>	<u>920,580</u>	<u>5,693,107</u>
<u>\$ 1,525,586</u>	<u>\$ 1,172,652</u>	<u>\$ 6,474,623</u>

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CITY OF LUVERNE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental funds	\$ 5,693,107
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.	13,647,676
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Other postemployment benefits liability	(20,531)
Loans payable	(269,259)
Bonds payable	(3,559,000)
Unamortized bond discounts	1,946
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	15,628
Special assessments receivable	7,927
Governmental funds do not report a liability for accrued interest until due and payable.	(24,234)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>647,525</u>
Total net position - governmental activities	<u><u>\$ 16,140,785</u></u>

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	101	Special Revenue		
		209	220	280
	General	Airport	Economic Development Revolving Loan	Community Development
REVENUES				
Property and other taxes	\$ 1,422,987	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Licenses and permits	60,107	-	-	-
Intergovernmental	1,418,577	367,531	-	-
Charges for services	254,509	223,960	-	-
Special assessments	2,819	-	-	-
Investment income (loss)	29,269	(827)	(416)	(2,450)
Miscellaneous	74,520	61,675	10,389	31,043
TOTAL REVENUES	3,262,788	652,339	9,973	28,593
EXPENDITURES				
Current				
General government	567,495	-	-	-
Public safety	1,061,326	-	-	-
Public works	795,299	343,549	-	-
Culture and recreation	509,315	-	-	-
Conservation and development	64,804	-	-	6,668
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	359,483	-	-
Culture and recreation	25,000	-	-	-
Debt service				
Principal	10,000	44,556	-	-
Interest and other costs	1,700	-	-	-
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	3,034,939	747,588	-	6,668
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	227,849	(95,249)	9,973	21,925
OTHER FINANCING SOURCES (USES)				
Transfers in	282,611	28,000	-	-
Bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers out	(461,441)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(178,830)	28,000	-	-
NET CHANGE IN FUND BALANCES	49,019	(67,249)	9,973	21,925
FUND BALANCES, JANUARY 1	2,639,022	191,082	262,188	149,741
FUND BALANCES, DECEMBER 31	\$ 2,688,041	\$ 123,833	\$ 272,161	\$ 171,666

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

300s		
<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 324,327	\$ -	\$ 1,747,314
32,324	-	32,324
-	-	60,107
-	-	1,786,108
-	205,325	683,794
5,574	3,951	12,344
(4,635)	(8,501)	12,440
46	3,423	181,096
<u>357,636</u>	<u>204,198</u>	<u>4,515,527</u>
-	-	567,495
-	-	1,061,326
-	-	1,138,848
-	388,003	897,318
13,145	-	84,617
-	13,049	13,049
-	213,267	213,267
-	160,269	519,752
-	575,123	600,123
430,000	-	484,556
89,683	5,401	96,784
-	8,195	8,195
<u>532,828</u>	<u>1,363,307</u>	<u>5,685,330</u>
<u>(175,192)</u>	<u>(1,159,109)</u>	<u>(1,169,803)</u>
-	813,441	1,124,052
-	444,000	444,000
(1,010,000)	-	(1,010,000)
(611)	(20,000)	(482,052)
<u>(1,010,611)</u>	<u>1,237,441</u>	<u>76,000</u>
(1,185,803)	78,332	(1,093,803)
<u>2,702,629</u>	<u>842,248</u>	<u>6,786,910</u>
<u>\$ 1,516,826</u>	<u>\$ 920,580</u>	<u>\$ 5,693,107</u>

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CITY OF LUVERNE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENTS OF ACTIVITIES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - governmental funds \$ (1,093,803)

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	1,400,501
Depreciation expense	(810,838)
Capital assets contributed by others	358,577

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term 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	1,494,556
Debt issued or incurred	(444,000)
Discounts on bonds issued, net of amortization expense	(6,564)

Interest on long-term 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.

30,359

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	8,244
Special assessments	(7,704)

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.

Other postemployment benefits expenses	(5,038)
--	---------

Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.

11,508

Change in net position - governmental activities	<u><u>\$ 935,798</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,461,176	\$ 1,461,176	\$ 1,422,987	\$ (38,189)
Licenses and permits	81,450	81,450	60,107	(21,343)
Intergovernmental	1,023,573	1,160,573	1,418,577	258,004
Charges for services	235,500	235,500	254,509	19,009
Special assessments	-	-	2,819	2,819
Investment income	68,088	68,088	29,269	(38,819)
Miscellaneous	58,300	58,300	74,520	16,220
TOTAL REVENUES	2,928,087	3,065,087	3,262,788	197,701
OTHER FINANCING SOURCES				
Transfers in	282,000	282,000	282,611	611
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,210,087	3,347,087	3,545,399	198,312
EXPENDITURES				
General government	524,028	556,528	567,495	(10,967)
Public safety	1,091,333	1,091,333	1,061,326	30,007
Public works	716,125	780,625	795,299	(14,674)
Culture and recreation	401,710	517,310	534,315	(17,005)
Conservation and development	63,600	63,600	64,804	(1,204)
Debt service	11,850	11,850	11,700	150
TOTAL EXPENDITURES	2,808,646	3,021,246	3,034,939	(13,693)
OTHER FINANCING USES				
Transfers out	401,441	461,441	461,441	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,210,087	3,482,687	3,496,380	(13,693)
NET CHANGE IN FUND BALANCES	-	(135,600)	49,019	184,619
FUND BALANCES, JANUARY 1	2,639,022	2,639,022	2,639,022	-
FUND BALANCES, DECEMBER 31	\$ 2,639,022	\$ 2,503,422	\$ 2,688,041	\$ 184,619

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

CITY OF LUVERNE, MINNESOTA
 AIRPORT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Federal	\$ 456,000	\$ 456,000	\$ 357,568	\$ (98,432)
State	9,963	9,963	9,963	-
Charges for services	157,500	157,500	223,960	66,460
Investment income (loss)	-	-	(827)	(827)
Miscellaneous	51,230	51,230	61,675	10,445
TOTAL REVENUES	674,693	674,693	652,339	(22,354)
OTHER FINANCING SOURCES				
Transfers in	28,000	28,000	28,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	702,693	702,693	680,339	(22,354)
EXPENDITURES				
Public works				
Airport				
Supplies	121,900	121,900	193,910	(72,010)
Other services and charges	80,237	80,237	149,639	(69,402)
Capital outlay	480,000	480,000	359,483	120,517
Debt service				
Principal	44,556	44,556	44,556	-
TOTAL EXPENDITURES	726,693	726,693	747,588	(20,895)
NET CHANGE IN FUND BALANCES	(24,000)	(24,000)	(67,249)	(43,249)
FUND BALANCES, JANUARY 1	191,082	191,082	191,082	-
FUND BALANCES, DECEMBER 31	<u>\$ 167,082</u>	<u>\$ 167,082</u>	<u>\$ 123,833</u>	<u>\$ (43,249)</u>

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 3,776,265	\$ 4,111,959	\$ 3,338,290	\$ 3,325,387
Cash with fiscal agent - restricted	-	665,833	-	-
Receivables				
Accrued interest	7,532	13,260	6,446	11,500
Delinquent taxes	-	-	91	129
Accounts, net	86,543	75,097	102,739	96,131
Loans	3,741	3,457	4,030	4,390
Delinquent special assessments	1,179	1,946	-	-
Intergovernmental	-	-	1,120	151,196
Due from other funds	27,918	32,517	27,918	32,517
Inventories, at cost	14,119	37,098	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	3,917,297	4,941,167	3,480,634	3,621,250
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	228,444	171,500	211,670	143,855
Special assessments receivable				
Noncurrent	636	1,047	4,482	8,472
Loans receivable - noncurrent	84,153	63,436	84,153	63,726
Unamortized bond discounts	3,471	4,042	5,207	6,063
Capital assets				
Land	102,967	102,967	18,451	18,451
Buildings	973,702	973,702	409,094	409,094
Improvements and infrastructure	7,273,348	6,667,181	8,030,418	7,534,942
Machinery and equipment	317,294	317,294	407,335	407,335
Construction in progress	68,176	362,755	448,559	648,938
Total capital assets	8,735,487	8,423,899	9,313,857	9,018,760
Less accumulated depreciation	(4,856,417)	(4,600,550)	(4,478,495)	(4,202,408)
Total capital assets (net of accumulated depreciation)	3,879,070	3,823,349	4,835,362	4,816,352
TOTAL NONCURRENT ASSETS	4,195,774	4,063,374	5,140,874	5,038,468
TOTAL ASSETS	8,113,071	9,004,541	8,621,508	8,659,718

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2013	2012	2013	2012	2013	2012
\$ 6,058,568	\$ 5,679,052	\$ 366,836	\$ 368,868	\$ 770,582	\$ 1,064,748
-	-	-	-	-	-
10,953	16,787	660	986	1,648	3,863
-	-	-	-	-	-
433,088	391,906	-	-	50,982	61,581
10,169	12,696	-	-	187,244	138,646
-	-	-	-	-	-
-	-	-	-	-	-
55,835	65,033	-	-	27,918	32,517
507,518	553,414	134,239	130,572	1,371	1,371
-	-	-	-	-	-
<u>7,076,131</u>	<u>6,718,888</u>	<u>501,735</u>	<u>500,426</u>	<u>1,039,745</u>	<u>1,302,726</u>
47,868	37,673	-	-	5,582	4,362
-	-	-	-	1,929	1,622
<u>93,106</u>	<u>73,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
11,325	11,325	8,340	8,340	62,632	62,632
1,123,103	1,123,103	107,064	107,064	79,566	79,566
15,213,494	14,473,860	20,359	20,359	1,326,739	1,305,496
594,323	581,991	82,185	74,448	758,450	668,684
58,036	-	-	-	-	7,343
<u>17,000,281</u>	<u>16,190,279</u>	<u>217,948</u>	<u>210,211</u>	<u>2,227,387</u>	<u>2,123,721</u>
<u>(8,727,005)</u>	<u>(8,035,631)</u>	<u>(132,061)</u>	<u>(126,554)</u>	<u>(1,115,818)</u>	<u>(1,159,600)</u>
<u>8,273,276</u>	<u>8,154,648</u>	<u>85,887</u>	<u>83,657</u>	<u>1,111,569</u>	<u>964,121</u>
<u>8,414,250</u>	<u>8,265,679</u>	<u>85,887</u>	<u>83,657</u>	<u>1,119,080</u>	<u>970,105</u>
<u>15,490,381</u>	<u>14,984,567</u>	<u>587,622</u>	<u>584,083</u>	<u>2,158,825</u>	<u>2,272,831</u>

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2013	2012
	2013	2012		
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 14,310,541	\$ 14,550,014	\$ 1,821,872	\$ 1,962,757
Cash with fiscal agent - restricted	-	665,833	-	-
Receivables				
Accrued interest	27,239	46,396	3,863	6,603
Delinquent taxes	91	129	-	-
Accounts, net	673,352	624,715	607	256
Loans	205,184	159,189	133,746	99,034
Delinquent special assessments	1,179	1,946	-	-
Intergovernmental	1,120	151,196	-	-
Due from other funds	139,589	162,584	-	-
Inventories, at cost	657,247	722,455	-	16,376
Prepaid items	-	-	6,154	2,523
TOTAL CURRENT ASSETS	16,015,542	17,084,457	1,966,242	2,087,549
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	493,564	357,390	-	-
Special assessments receivable				
Noncurrent	7,047	11,141	-	-
Loans receivable - noncurrent	261,412	200,520	-	-
Unamortized bond discounts	8,678	10,105	-	-
Capital assets				
Land	203,715	203,715	-	-
Buildings	2,692,529	2,692,529	130,303	130,303
Improvements and infrastructure	31,864,358	30,001,838	79,763	61,159
Machinery and equipment	2,159,587	2,049,752	399,963	404,744
Construction in progress	574,771	1,019,036	-	2,597
Total capital assets	37,494,960	35,966,870	610,029	598,803
Less accumulated depreciation	(19,309,796)	(18,124,743)	(432,431)	(411,660)
Total capital assets (net of accumulated depreciation)	18,185,164	17,842,127	177,598	187,143
TOTAL NONCURRENT ASSETS	18,955,865	18,421,283	177,598	187,143
TOTAL ASSETS	34,971,407	35,505,740	2,143,840	2,274,692

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2013	2012	2013	2012
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 41,620	\$ 20,822	\$ 29,476	\$ 39,038
Contracts payable	-	24,114	21,995	9,177
Retainage payable	-	17,998	-	32,234
Due to other funds	176	-	176	-
Due to other governments	1,029	1,010	164	124
Accrued interest payable	13,273	32,411	13,933	19,934
Wages and related benefits payable	7,374	6,618	9,734	8,318
Compensated absences payable - current	20,600	20,127	23,832	23,040
Customer deposits payable	8,921	6,922	8,987	6,921
Current portion bonds payable	206,250	798,000	188,750	117,000
TOTAL CURRENT LIABILITIES	299,243	928,022	297,047	255,786
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	50,330	47,277	59,711	55,102
Other postemployment benefits liability	5,695	5,925	9,564	8,484
Bonds payable (net of current portion)	1,984,500	2,190,750	1,830,500	2,019,250
TOTAL NONCURRENT LIABILITIES	2,040,525	2,243,952	1,899,775	2,082,836
TOTAL LIABILITIES	2,339,768	3,171,974	2,196,822	2,338,622
NET POSITION				
Net investment in capital assets	2,366,791	2,233,641	2,821,319	2,686,165
Restricted for debt service	237,483	191,431	221,468	156,513
Unrestricted	3,169,029	3,407,495	3,381,899	3,478,418
TOTAL NET POSITION	\$ 5,773,303	\$ 5,832,567	\$ 6,424,686	\$ 6,321,096

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2013	2012	2013	2012	2013	2012
\$ 439,642	\$ 378,146	\$ 6,725	\$ 19,676	\$ 10,269	\$ 15,266
-	-	-	-	-	53,205
-	-	-	-	-	-
154	-	-	-	-	-
20,368	18,399	10,883	11,244	3,638	3,800
-	-	-	-	-	-
5,739	5,891	5,018	6,291	4,519	5,358
7,947	10,151	67	65	7,897	7,679
47,868	37,673	1,389	1,226	5,582	4,362
-	-	-	-	-	-
<u>521,718</u>	<u>450,260</u>	<u>24,082</u>	<u>38,502</u>	<u>31,905</u>	<u>89,670</u>
39,140	38,731	6,592	2,752	27,294	23,330
6,076	5,584	2,641	4,191	5,221	6,787
-	-	-	-	-	-
<u>45,216</u>	<u>44,315</u>	<u>9,233</u>	<u>6,943</u>	<u>32,515</u>	<u>30,117</u>
<u>566,934</u>	<u>494,575</u>	<u>33,315</u>	<u>45,445</u>	<u>64,420</u>	<u>119,787</u>
8,273,276	8,154,648	85,887	83,657	1,111,569	964,121
-	-	-	-	-	-
<u>6,650,171</u>	<u>6,335,344</u>	<u>468,420</u>	<u>454,981</u>	<u>982,836</u>	<u>1,188,923</u>
<u>\$ 14,923,447</u>	<u>\$ 14,489,992</u>	<u>\$ 554,307</u>	<u>\$ 538,638</u>	<u>\$ 2,094,405</u>	<u>\$ 2,153,044</u>

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2013	2012
	2013	2012		
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 527,732	\$ 472,948	\$ 4,147	\$ 6,801
Contracts payable	21,995	86,496	-	-
Retainage payable	-	50,232	-	-
Due to other funds	506	-	-	-
Due to other governments	36,082	34,577	-	12
Accrued interest payable	27,206	52,345	-	-
Wages and related benefits payable	32,384	32,476	9,236	8,135
Compensated absences payable - current	60,343	61,062	53,694	55,487
Customer deposits payable	72,747	57,104	-	-
Current portion bonds payable	395,000	915,000	-	-
TOTAL CURRENT LIABILITIES	<u>1,173,995</u>	<u>1,762,240</u>	<u>67,077</u>	<u>70,435</u>
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	183,067	167,192	232,205	213,291
Other postemployment benefits liability	29,197	30,971	7,279	6,870
Bonds payable (net of current portion)	3,815,000	4,210,000	-	-
TOTAL NONCURRENT LIABILITIES	<u>4,027,264</u>	<u>4,408,163</u>	<u>239,484</u>	<u>220,161</u>
TOTAL LIABILITIES	<u>5,201,259</u>	<u>6,170,403</u>	<u>306,561</u>	<u>290,596</u>
NET POSITION				
Net investment in capital assets	14,658,842	14,122,232	177,598	187,143
Restricted for debt service	458,951	347,944	-	-
Unrestricted	14,652,355	14,865,161	1,659,681	1,796,953
TOTAL NET POSITION	29,770,148	29,335,337	<u>\$ 1,837,279</u>	<u>\$ 1,984,096</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	1,192,732	1,351,235		
Net position of business-type activities	<u>\$ 30,962,880</u>	<u>\$ 30,686,572</u>		

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services/sales	\$ 1,052,490	\$ 1,200,534	\$ 1,196,601	\$ 1,239,916
Cost of sales	-	-	-	-
Service income	11,780	17,715	20,251	23,026
Other income	3,006	8,300	3,627	-
TOTAL OPERATING REVENUES	1,067,276	1,226,549	1,220,479	1,262,942
OPERATING EXPENSES				
Personal services	244,359	228,236	331,498	305,661
Supplies	162,412	149,670	111,044	75,162
Other services and charges	269,686	267,415	245,964	205,774
Power purchased/delivered	-	-	-	-
Depreciation	255,867	223,352	276,087	247,574
TOTAL OPERATING EXPENSES	932,324	868,673	964,593	834,171
OPERATING INCOME (LOSS)	134,952	357,876	255,886	428,771
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	25,131	24,976
Federal grants and aids	-	-	-	-
State grants and aids	-	1,500	-	-
Special assessment income	-	-	360	540
Investment income (loss)	(25,817)	60,836	(21,756)	52,763
Rental income	690	690	454	454
Gain (loss) on disposition of assets	(4,107)	-	-	-
Long-term debt interest	(34,399)	(57,043)	(33,617)	(30,679)
Interest on customer deposits	(12)	(7)	(12)	(7)
Amortization expense	(571)	(5,851)	(856)	(855)
Bond issuance costs	-	(24,657)	-	(17,344)
TOTAL NONOPERATING REVENUES (EXPENSES)	(64,216)	(24,532)	(30,296)	29,848
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFER:	70,736	333,344	225,590	458,619
TRANSFERS OUT	(70,000)	(70,000)	(62,000)	(62,000)
CONTRIBUTIONS TO COMPONENT UNIT	(60,000)	-	(60,000)	-
CAPITAL CONTRIBUTIONS	-	-	-	150,000
CHANGE IN NET POSITION	(59,264)	263,344	103,590	546,619
NET POSITION, JANUARY 1	5,832,567	5,569,223	6,321,096	5,774,477
NET POSITION, DECEMBER 31	\$ 5,773,303	\$ 5,832,567	\$ 6,424,686	\$ 6,321,096

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

Business-type Activities - Enterprise Funds

604		609			
Electric		Liquor		Other Proprietary Funds	
2013	2012	2013	2012	2013	2012
\$ 6,394,461	\$ 6,075,863	\$ 1,178,689	\$ 1,186,644	\$ 605,797	\$ 608,702
-	-	(875,380)	(843,306)	-	-
102,345	111,477	-	-	5,361	5,343
82,124	134,961	-	-	34	3,843
<u>6,578,930</u>	<u>6,322,301</u>	<u>303,309</u>	<u>343,338</u>	<u>611,192</u>	<u>617,888</u>
210,718	227,859	140,857	150,201	169,903	226,379
307,775	244,831	26,593	15,130	47,862	54,107
1,279,999	1,211,418	67,338	67,350	160,314	164,575
3,569,863	3,460,659	-	-	-	-
691,374	644,886	5,507	4,820	100,752	74,461
<u>6,059,729</u>	<u>5,789,653</u>	<u>240,295</u>	<u>237,501</u>	<u>478,831</u>	<u>519,522</u>
<u>519,201</u>	<u>532,648</u>	<u>63,014</u>	<u>105,837</u>	<u>132,361</u>	<u>98,366</u>
-	-	-	-	-	-
54,491	-	-	-	-	-
18,163	-	-	-	-	-
-	-	-	-	-	-
(37,767)	77,314	(2,345)	4,544	(3,391)	17,564
-	-	-	-	15,908	12,272
(558)	1,000	-	-	-	-
-	-	-	-	(17)	(14)
(75)	(41)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>34,254</u>	<u>78,273</u>	<u>(2,345)</u>	<u>4,544</u>	<u>12,500</u>	<u>29,822</u>
553,455	610,921	60,669	110,381	144,861	128,188
(60,000)	(75,000)	(45,000)	(45,000)	(185,000)	(85,000)
(60,000)	-	-	-	(18,500)	-
-	-	-	-	-	-
433,455	535,921	15,669	65,381	(58,639)	43,188
<u>14,489,992</u>	<u>13,954,071</u>	<u>538,638</u>	<u>473,257</u>	<u>2,153,044</u>	<u>2,109,856</u>
<u>\$ 14,923,447</u>	<u>\$ 14,489,992</u>	<u>\$ 554,307</u>	<u>\$ 538,638</u>	<u>\$ 2,094,405</u>	<u>\$ 2,153,044</u>

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2013	2012
	2013	2012		
OPERATING REVENUES				
Charges for services/sales	\$ 10,428,038	\$ 10,311,659	\$ 730,243	\$ 740,734
Cost of sales	(875,380)	(843,306)	-	-
Service income	139,737	157,561	-	-
Other income	88,791	147,104	30,909	50,335
TOTAL OPERATING REVENUES	9,781,186	9,773,018	761,152	791,069
OPERATING EXPENSES				
Personal services	1,097,335	1,138,336	279,810	323,725
Supplies	655,686	538,900	48,337	54,363
Other services and charges	2,023,301	1,916,532	309,614	305,681
Power purchased/delivered	3,569,863	3,460,659	-	-
Depreciation	1,329,587	1,195,093	38,935	32,317
TOTAL OPERATING EXPENSES	8,675,772	8,249,520	676,696	716,086
OPERATING INCOME (LOSS)	1,105,414	1,523,498	84,456	74,983
NONOPERATING REVENUES (EXPENSES)				
Property taxes	25,131	24,976	-	-
Federal grants and aids	54,491	-	-	-
State grants and aids	18,163	1,500	-	-
Special assessment income	360	540	-	-
Investment income (loss)	(91,076)	213,021	(11,273)	30,417
Rental income	17,052	13,416	-	-
Gain (loss) on disposition of assets	(4,665)	1,000	-	-
Long-term debt interest	(68,033)	(87,736)	-	-
Interest on customer deposits	(99)	(55)	-	-
Amortization expense	(1,427)	(6,706)	-	-
Bond issuance costs	-	(42,001)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(50,103)	117,955	(11,273)	30,417
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,055,311	1,641,453	73,183	105,400
TRANSFERS OUT	(422,000)	(337,000)	(220,000)	-
CONTRIBUTIONS TO COMPONENT UNIT	(198,500)	-	-	-
CAPITAL CONTRIBUTIONS	-	150,000	-	-
CHANGE IN NET POSITION	434,811	1,454,453	(146,817)	105,400
NET POSITION, JANUARY 1	29,335,337	27,880,884	1,984,096	1,878,696
NET POSITION, DECEMBER 31	\$ 29,770,148	\$ 29,335,337	\$ 1,837,279	\$ 1,984,096
Change in net position as shown above	\$ 434,811	\$ 1,454,453		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	61,497	64,618		
Change in net position of business-type activities	<u>\$ 496,308</u>	<u>\$ 1,519,071</u>		

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,059,007	\$ 1,245,555	\$ 1,370,003	\$ 1,276,833
Cash paid to suppliers	(388,314)	(354,279)	(366,542)	(257,928)
Cash paid to and on behalf of employees	(240,307)	(232,723)	(323,601)	(306,519)
Other receipts	690	690	814	994
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>431,076</u>	<u>659,243</u>	<u>680,674</u>	<u>713,380</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(70,000)	(70,000)	(62,000)	(62,000)
Payment to component unit	(60,000)	-	(60,000)	-
Loans made	(28,600)	(67,698)	(28,600)	(69,992)
Loan payments received	7,599	3,587	8,533	1,876
(Increase) decrease in due from other funds	4,599	3,621	4,599	3,621
Increase (decrease) in due to other funds	176	-	176	-
Federal aids received	-	-	-	-
State aids received	-	1,500	-	-
Property taxes received	-	-	25,169	25,365
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(146,226)</u>	<u>(128,990)</u>	<u>(112,123)</u>	<u>(101,130)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds issued	-	1,566,093	-	1,101,906
Acquisition of capital assets	(357,807)	(1,011,940)	(314,513)	(1,334,147)
Proceeds from sale of capital assets	-	-	-	-
Cash paid to refunding bond escrow agent	-	(665,833)	-	-
Cash received from refunding bond escrow agent	665,833	-	-	-
Principal paid on long-term borrowings	(798,000)	(131,000)	(117,000)	(114,000)
Interest paid on long-term borrowings	(53,537)	(42,455)	(39,618)	(18,283)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(543,511)</u>	<u>(285,135)</u>	<u>(471,131)</u>	<u>(364,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(20,089)	63,678	(16,702)	53,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(278,750)</u>	<u>308,796</u>	<u>80,718</u>	<u>301,166</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>4,283,459</u>	<u>3,974,663</u>	<u>3,469,242</u>	<u>3,168,076</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 4,004,709</u>	<u>\$ 4,283,459</u>	<u>\$ 3,549,960</u>	<u>\$ 3,469,242</u>

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2013	2012	2013	2012	2013	2012
\$ 6,547,943	\$ 6,354,180	\$ 1,178,852	\$ 1,187,855	\$ 622,704	\$ 617,912
(5,048,351)	(5,137,431)	(986,290)	(891,434)	(213,352)	(212,423)
(212,173)	(238,023)	(139,838)	(210,437)	(168,126)	(232,308)
-	-	-	-	15,908	12,272
<u>1,287,419</u>	<u>978,726</u>	<u>52,724</u>	<u>85,984</u>	<u>257,134</u>	<u>185,453</u>
(60,000)	(75,000)	(45,000)	(45,000)	(185,000)	(85,000)
(60,000)	-	-	-	(18,500)	-
(34,517)	(75,690)	-	-	(61,600)	(138,646)
17,296	37,882	-	-	13,002	-
9,198	7,242	-	-	4,599	3,621
154	(30)	-	-	-	-
54,491	-	-	-	-	-
18,163	-	-	-	-	-
-	-	-	-	-	-
<u>(55,215)</u>	<u>(105,596)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(247,499)</u>	<u>(220,025)</u>
-	-	-	-	-	-
(810,560)	(901,268)	(7,737)	(14,280)	(301,405)	(209,204)
-	1,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(810,560)</u>	<u>(900,268)</u>	<u>(7,737)</u>	<u>(14,280)</u>	<u>(301,405)</u>	<u>(209,204)</u>
(31,933)	82,418	(2,019)	4,706	(1,176)	19,441
389,711	55,280	(2,032)	31,410	(292,946)	(224,335)
<u>5,716,725</u>	<u>5,661,445</u>	<u>368,868</u>	<u>337,458</u>	<u>1,069,110</u>	<u>1,293,445</u>
<u>\$ 6,106,436</u>	<u>\$ 5,716,725</u>	<u>\$ 366,836</u>	<u>\$ 368,868</u>	<u>\$ 776,164</u>	<u>\$ 1,069,110</u>

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2013	2012
	2013	2012		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 10,778,509	\$ 10,682,335	\$ 715,239	\$ 615,395
Cash paid to suppliers	(7,002,849)	(6,853,495)	(364,248)	(353,462)
Cash paid to and on behalf of employees	(1,084,045)	(1,220,010)	(281,238)	(315,557)
Other receipts	17,412	13,956	47,285	50,335
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,709,027</u>	<u>2,622,786</u>	<u>117,038</u>	<u>(3,289)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(422,000)	(337,000)	(220,000)	-
Payment to component unit	(198,500)	-	-	-
Loans made	(153,317)	(352,026)	-	-
Loan payments received	46,430	43,345	-	-
(Increase) decrease in due from other funds	22,995	18,105	-	-
Increase (decrease) in due to other funds	506	(30)	-	-
Federal aids received	54,491	-	-	-
State aids received	18,163	1,500	-	-
Property taxes received	25,169	25,365	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(606,063)</u>	<u>(600,741)</u>	<u>(220,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds issued	-	2,667,999	-	-
Acquisition of capital assets	(1,792,022)	(3,470,839)	(29,390)	(50,569)
Proceeds from sale of capital assets	-	1,000	-	-
Cash paid to refunding bond escrow agent	-	(665,833)	-	-
Cash received from refunding bond escrow agent	665,833	-	-	-
Principal paid on long-term borrowings	(915,000)	(245,000)	-	-
Interest paid on long-term borrowings	(93,155)	(60,738)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,134,344)</u>	<u>(1,773,411)</u>	<u>(29,390)</u>	<u>(50,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(71,919)	223,683	(8,533)	32,376
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(103,299)</u>	<u>472,317</u>	<u>(140,885)</u>	<u>(21,482)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>14,907,404</u>	<u>14,435,087</u>	<u>1,962,757</u>	<u>1,984,239</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 14,804,105</u>	<u>\$ 14,907,404</u>	<u>\$ 1,821,872</u>	<u>\$ 1,962,757</u>

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2013	2012	2013	2012
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:				
Cash and temporary investments	\$ 3,776,265	\$ 4,111,959	\$ 3,338,290	\$ 3,325,387
Restricted assets				
Cash and temporary investments	<u>228,444</u>	<u>171,500</u>	<u>211,670</u>	<u>143,855</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,004,709</u>	<u>\$ 4,283,459</u>	<u>\$ 3,549,960</u>	<u>\$ 3,469,242</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	<u>\$ 134,952</u>	<u>\$ 357,876</u>	<u>\$ 255,886</u>	<u>\$ 428,771</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	255,867	223,352	276,087	247,574
Other income related to operations	690	690	814	994
Interest paid on customer deposits	(12)	(7)	(12)	(7)
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(11,446)	16,514	(6,608)	7,550
(Increase) decrease in due from other governments	-	-	150,076	113
(Increase) decrease in special assessments receivable	1,178	1,993	3,990	5,656
(Increase) decrease in inventories	22,979	87,112	-	-
(Increase) decrease in prepaid items	-	-	-	-
Increase (decrease) in accounts payable	20,798	(24,354)	(9,562)	22,891
Increase (decrease) in due to other governments	19	55	40	124
Increase (decrease) in wages and related benefits payable	756	943	1,416	982
Increase (decrease) in compensated absences payable	3,526	(6,921)	5,401	(3,938)
Increase (decrease) in other postemployment benefits liability	(230)	1,491	1,080	2,098
Increase (decrease) in deposits payable	1,999	499	2,066	572
Total adjustments	<u>296,124</u>	<u>301,367</u>	<u>424,788</u>	<u>284,609</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 431,076</u>	<u>\$ 659,243</u>	<u>\$ 680,674</u>	<u>\$ 713,380</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Amortization on bond discount	\$ 571	\$ 11,702	\$ 856	\$ 855
Discount and issuance costs on bonds issued	-	24,657	-	17,344
Capital assets contributed	-	-	-	150,000
Capital assets purchased on account	-	42,112	21,995	41,411

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2013	2012	2013	2012	2013	2012
\$ 6,058,568	\$ 5,679,052	\$ 366,836	\$ 368,868	\$ 770,582	\$ 1,064,748
47,868	37,673	-	-	5,582	4,362
<u>\$ 6,106,436</u>	<u>\$ 5,716,725</u>	<u>\$ 366,836</u>	<u>\$ 368,868</u>	<u>\$ 776,164</u>	<u>\$ 1,069,110</u>
\$ 519,201	\$ 532,648	\$ 63,014	\$ 105,837	\$ 132,361	\$ 98,366
691,374	644,886	5,507	4,820	100,752	74,461
-	-	-	-	15,908	12,272
(75)	(41)	-	-	(17)	(14)
(41,182)	33,474	-	970	10,599	66
-	-	-	-	-	-
-	-	-	-	(307)	(60)
45,896	(134,784)	(3,667)	46,554	-	5,606
-	63	-	-	-	-
61,496	(85,616)	(12,951)	(11,613)	(4,997)	486
1,969	(145)	(361)	(589)	(162)	181
(152)	88	(1,273)	1,490	(839)	461
(1,795)	(11,556)	3,842	(62,081)	4,182	(7,795)
492	1,304	(1,550)	355	(1,566)	1,405
10,195	(1,595)	163	241	1,220	18
768,218	446,078	(10,290)	(19,853)	124,773	87,087
<u>\$ 1,287,419</u>	<u>\$ 978,726</u>	<u>\$ 52,724</u>	<u>\$ 85,984</u>	<u>\$ 257,134</u>	<u>\$ 185,453</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	53,205

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2013	2012
	2013	2012	2013	2012
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:				
Cash and temporary investments	\$ 14,310,541	\$ 14,550,014	\$ 1,821,872	\$ 1,962,757
Restricted assets				
Cash and temporary investments	493,564	357,390	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 14,804,105</u>	<u>\$ 14,907,404</u>	<u>\$ 1,821,872</u>	<u>\$ 1,962,757</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,105,414	\$ 1,523,498	\$ 84,456	\$ 74,983
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	1,329,587	1,195,093	38,935	32,317
Other income related to operations	17,412	13,956	-	-
Interest paid on customer deposits	(116)	(69)	-	-
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(48,637)	58,574	(35,063)	(98,954)
(Increase) decrease in due from other governments	150,076	113	-	-
(Increase) decrease in special assessments receivable	4,861	7,589	-	-
(Increase) decrease in inventories	65,208	4,488	16,376	2,706
(Increase) decrease in prepaid items	-	63	(3,631)	(136)
Increase (decrease) in accounts payable	54,784	(98,206)	(2,654)	4,038
Increase (decrease) in due to other governments	1,505	(374)	(12)	(26)
Increase (decrease) in wages and related benefits payable	(92)	3,964	1,101	1,594
Increase (decrease) in compensated absences payable	15,156	(92,291)	17,121	(21,394)
Increase (decrease) in other postemployment benefits liability	(1,774)	6,653	409	1,583
Increase (decrease) in deposits payable	15,643	(265)	-	-
Total adjustments	<u>1,603,613</u>	<u>1,099,288</u>	<u>32,582</u>	<u>(78,272)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,709,027</u>	<u>\$ 2,622,786</u>	<u>\$ 117,038</u>	<u>\$ (3,289)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Amortization on bond discount	\$ 1,427	\$ 12,557	\$ -	\$ -
Discount and issuance costs on bonds issued	-	42,001	-	-
Capital assets contributed	-	150,000	-	-
Capital assets purchased on account	21,995	136,728	-	-

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency Funds
ASSETS	
Cash and investments	\$ 550
Receivables	
Accrued interest	1
TOTAL ASSETS	\$ 551
LIABILITIES	
Amounts held in trust for others	\$ 551

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

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Luverne, Minnesota (the City) was incorporated in 1877. The City operates under a Home Rule Charter as defined by Minnesota statutes which provides for a Mayor-Council form of government. The council appoints the city administrator who is responsible for the proper administration of all affairs relating to the operation of 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. The discretely presented component unit is reported in a separate column in the government-wide (see note below for description) financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Economic Development Authority (EDA) was created to carry out housing and economic development activities within the City. The governing board is appointed by the City Council. The EDA's operations are partially funded by an operating transfer from the City's General fund. Various city employees, such as the City Administrator and Community/Economic Development Director perform key management functions for the EDA. In accordance with GASB Statement No. 14, this entity is presented as a discretely presented component unit comprised of governmental (Special Revenue and Debt Service and Capital Projects funds), and proprietary (Enterprise) fund types and is reported separately on the general purpose financial statements as such. The EDA has a December 31 year end. Complete financial statements for the EDA may be obtained at the City's finance department. The EDA is presented as a discretely presented component unit as the Board makeup of the entity is not substantially the same as the City Council.

Related Organization. The Luverne Volunteer Firemen's Relief Association is organized as a nonprofit organization, legally separate from the City, to provide pension benefits to its members in accordance with Minnesota statutes. Its board of directors includes the Mayor, Clerk, Fire Chief and six members appointed by the membership of the organization. All funding is conducted in accordance with Minnesota statutes, whereby state aids flow to the association, tax levies are determined by the association and the association pays benefits directly to its members. The City's portion of the costs of the association's pension benefits are included in the General fund.

The City officials are also responsible for appointing the members of the board of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor appoints the board members of the Housing and Redevelopment Authority of Luverne.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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 government 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 LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 government'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 *Airport fund* accounts for airport services provided (hangar rent, fuel sold, etc.) to the community. Revenue sources include hangar rent, aviation fuel sales and land rent.

The *Economic Development Revolving Loan fund* accounts for grants received from the Minnesota Department of Trade and Economic Development that are used for economic development loans to qualified businesses. Revenue source includes principal and interest payments on loan.

The *Community Development fund* was established with proceeds from the sale of the Luverne Community Hospital which will be used for enhancing the community through conservation and development activities. Revenue source includes land rent.

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 City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the government's water production and distribution system.

The *Sewer fund* accounts for the activities of the government's sewer collection and treatment operations.

The *Electric fund* accounts for the activities of the government's electric distribution operations.

The *Liquor fund* accounts for the activity of the government's municipal liquor store operations.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the City reports the following fund types:

Internal service funds account for data processing, central inventory, central garage maintenance, partial self-insurance for property casualty and workers compensation insurance and sick and vacation accrued benefits, on a cost reimbursement basis.

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 accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities of the City include Lewis and Clark.

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 government's water, sewer and electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority enterprise fund, of the electric enterprise fund, and of the government's internal service funds are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Deposits and investments

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

Cash balances from all funds and the discretely presented component units are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to respective funds on the basis of average month-end cash and investment balances.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City may also 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, as well as for its component units, are reported at fair value. Broker money market funds operate in accordance with appropriate state laws and regulations.

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2013 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - At year end, more than 5 percent of the City's investment portfolio included securities held with Smith Barney.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

Property tax levies are set by the City Council in December of each year and are certified to Rock County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflows 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 enterprise fund receivables are also included for services provided in 2013. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the enterprise funds at December 31, 2013 was \$63,200 and the allowance in the Swimming Pool special revenue fund was \$10,000.

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 received in cash or within 60 days after year end. All governmental special assessments receivable are offset by deferred inflows of resources in the fund financial statements.

Interfund receivables and payables

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

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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories and prepaid items

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventories are valued at cost utilizing the following methods of valuation:

Governmental funds - weighted average cost except for the Airport fund which uses first-in, first-out based on purchases. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current costs.

Business-type funds - weighted average costs except for the Liquor fund which uses first-in, first-out based on purchases.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the purchase method in both government-wide and fund financial statements.

Restricted assets

Assets whose use is limited includes assets set aside for payment of bond principal due in the next year as well as an amount for utility deposits and related interest payable to utility customers.

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, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Therefore, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the city chose to include all such items regardless of their acquisition date or amount. As the city constructs or acquires additional 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets are reported on a network and subsystem basis.

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.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the estimated useful lives. Capitalized leased assets are being amortized on a straight line basis over the estimated useful life of the equipment. The estimated useful lives are as follows:

Assets	Years
Buildings	20 to 50
Other improvements	15 to 30
System improvements/infrastructure	30 to 50
Machinery and equipment	3 to 50
Vehicles	3 to 10
Capitalized leased assets	2 to 10

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay may be earned at a rate from six to twenty days a year, according to length of employment, and is charged to expenses or expenditures in the year earned. Employees may retain a maximum of one year accrual plus five days earned vacation time every year. Vacation pay earned is accrued in the proprietary funds and recorded in the governmental funds as a current liability payable from net current assets. Sick leave is accumulated at a rate of one (1) working day per month up to a maximum of one hundred thirty-two (132) days. Sick leave is charged to expenses or expenditures in the year earned, subject to the maximum accrual.

Employees receive severance pay upon termination in good standing, or retirement, including all earned vacation and accumulated sick leave at their current rate of pay. The value of accumulated sick leave must be deposited in the employees Health Care Savings Plan account administered by the Minnesota State Retirement System at the time of termination or retirement. The balance of earned vacation and accumulated sick leave for governmental funds is reconciled and transferred at the end of each year to the Vacation/Sick internal service fund. The balance of earned vacation and accumulated sick leave for enterprise funds is accrued in the appropriate fund. The General fund is typically used to liquidate governmental compensated absences payable.

The retired employee may continue participation in the City's group health insurance plan as if the retired employee were a City employee. The normal monthly premium must be paid each month in advance of the month of coverage.

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 actuarially determined, in accordance with GASB Statement 45, at January 1, 2012.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

Deferred inflows of resources

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, qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, inventories, due from component units and other funds, and long term loans and contracts.

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 unassigned fund balance of 25-30 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 acquiring 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. In June of each year, all department of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds a public hearing and a final budget is prepared and adopted prior to the end of December.

Annual appropriated budgets are legally adopted by Council resolution for the General fund, the Airport and Swimming Pool special revenue funds. Formal budgetary integration is not employed for the Economic Development Revolving Loan fund. Formal budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for the capital projects funds is based on a project completion time cycle rather than an annual basis, therefore budgetary comparisons on an annual basis would not present meaningful information. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

The appropriated budget for the General fund is prepared by fund and function (e.g., public safety). The appropriated budget is prepared by fund for the Swimming Pool special revenue fund. Transfers of appropriations between departments and funds require the approval of the City Council. The City amended its General fund budget during the year resulting in increasing its revenues by \$137,000 and expenditures by \$212,600.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2013 excess expenditures over appropriations for the Airport special revenue fund is as follows:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 3,021,246	\$ 3,034,939	\$ 13,693
Special revenue			
Airport	726,693	747,588	20,895

The General fund excess was funded by revenues exceeding budgeted amounts by \$198,701. The Airport fund excess was funded with available fund balance.

C. Deficit fund equity

For the year ended December 31, 2013, the following fund had a fund equity deficit as follows:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
Special revenue	
Tax Increment District No. 21	\$ 4,500
Capital projects	
Rural Fire Tanker	87,118
Pool Capital Improvement	71,691

The Tax Increment District No. 12 fund deficit will be eliminated through future tax increments.

The Rural Fire Tanker fund deficit will be funded with payments from annual charges to communities under contract for rural fire services as well as fees collected from owners of property where a response to a fire call occurred. The Pool Capital Improvement fund deficit will be funded with a transfer in 2014 from the Property Casualty fund.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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.

At year end, the City's carrying amount of deposits was \$9,932,721, including \$550 reported in fiduciary funds. The bank balance was \$10,589,155. All bank balances in excess of those covered by federal depository insurance of \$750,000 were collateralized with securities held by the pledging financial institutions's trust department in the City's name of \$9,839,155. The primary government and component unit's deposits and investments are pooled.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 \$1,900.

Investments

As of December 31, 2013, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Fair Value and Carrying Amount	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)
Pooled investments			
Smith Barney Money Funds	\$ 267,111	NR	under 6 months
Mainstreet Securities Money Funds	17,554	NR	under 6 months
Escrow Funds	15,280	NR	under 6 months
Minnesota Community Capital Fund	<u>25,000</u>	NR	under 6 months
Total pooled investments	<u>324,945</u>		
Non-pooled investments			
Government Securities	2,174,812	AAA	more than 3 years
Broker Certificates of Deposit	438,768	NR	under 6 months
Broker Certificates of Deposit	1,427,601	NR	6 months to 1 year
Broker Certificates of Deposit	1,738,360	NR	1 to 3 years
Broker Certificates of Deposit	6,246,641	NR	more than 3 years
State and Local Government Securities (SLGS)	<u>602,089</u>	NR	under 6 months
Total non-pooled investments	<u>12,628,271</u>		
Total investments	<u><u>\$ 12,953,216</u></u>		

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

N/A indicates not applicable or available. NR indicates not rated.

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

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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
Deposits	\$ 8,799,151	\$ 1,133,020	\$ 550	\$ 9,932,721
Cash on hand	1,900	-	-	1,900
Investments	12,928,216	25,000	-	12,953,216
Total	\$ 21,729,267	\$ 1,158,020	\$ 550	\$ 22,887,837
Cash and cash investments	\$ 20,630,078	\$ 1,112,886	\$ 550	\$ 21,743,514
Restricted assets	1,099,189	45,134	-	1,144,323
Total	\$ 21,729,267	\$ 1,158,020	\$ 550	\$ 22,887,837

The balances of the restricted asset accounts are as follows:

	Primary Government					Total	Component Unit
	Debt Service	Water	Sewer	Electric	Other Proprietary Funds		EDA
Accrued interest payable	\$ -	\$ 13,273	\$ 13,933	\$ -	\$ -	\$ 27,206	\$ -
Current portion of bonds/notes payable	-	206,250	188,750	-	-	395,000	-
Customer deposits payable	-	8,921	8,987	47,868	5,582	71,358	-
Minnesota Community Capital Fund	-	-	-	-	-	-	25,000
Cash with fiscal agent	605,625	-	-	-	-	605,625	-
Other	-	-	-	-	-	-	20,134
Total	\$ 605,625	\$ 228,444	\$ 211,670	\$ 47,868	\$ 5,582	\$ 1,099,189	\$ 45,134

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Receivables

Receivables as of year-end for the City's individual major funds, nonmajor funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Airport Project</u>	<u>Economic Development Revolving Loan</u>	<u>Debt Service</u>
Receivables				
Interest	\$ 11,121	\$ 233	\$ 117	\$ 1,307
Taxes	11,368	-	-	4,260
Accounts	11,206	6,919	-	-
Loans/contracts	283,307	-	-	-
Special assessments	2,699	-	-	-
Intergovernmental	<u>52,819</u>	<u>357,568</u>	<u>-</u>	<u>1,070</u>
Net total receivables	<u>\$ 372,520</u>	<u>\$ 364,720</u>	<u>\$ 117</u>	<u>\$ 6,637</u>
	<u>Community Development</u>	<u>Nonmajor Governmental</u>	<u>Water</u>	<u>Sewer</u>
Receivables				
Interest	\$ 690	\$ 2,397	\$ 7,532	\$ 6,446
Taxes	-	-	-	91
Accounts	-	12,471	94,543	109,239
Loans/contracts	-	-	3,741	4,030
Special assessments	-	5,228	1,815	4,482
Intergovernmental	<u>-</u>	<u>6,224</u>	<u>-</u>	<u>1,120</u>
Gross receivables	690	26,320	107,631	125,408
Less allowance for uncollectibles	<u>-</u>	<u>(10,000)</u>	<u>(8,000)</u>	<u>(6,500)</u>
Net total receivables	<u>\$ 690</u>	<u>\$ 16,320</u>	<u>\$ 99,631</u>	<u>\$ 118,908</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Electric</u>	<u>Liquor</u>	<u>Nonmajor Enterprise</u>
Receivables			
Interest	\$ 10,953	\$ 660	\$ 1,648
Accounts	477,088	-	55,682
Loans/contracts	271,581	-	187,244
Special assessments	-	-	1,929
Gross receivables	<u>759,622</u>	<u>660</u>	<u>246,503</u>
Less allowance for uncollectibles	<u>(44,000)</u>	<u>-</u>	<u>(4,700)</u>
Net total receivables	<u><u>\$ 715,622</u></u>	<u><u>\$ 660</u></u>	<u><u>\$ 241,803</u></u>
		<u>Internal Service</u>	<u>Total</u>
Receivables			
Interest		\$ 3,863	\$ 46,967
Taxes		-	15,719
Accounts		607	767,755
Loans/contracts		133,746	883,649
Special assessments		-	16,153
Intergovernmental		-	418,801
Gross receivables		<u>138,216</u>	<u>2,149,044</u>
Less allowance for uncollectibles		<u>-</u>	<u>(73,200)</u>
Net total receivables		<u><u>\$ 138,216</u></u>	<u><u>\$ 2,075,844</u></u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Loans/contracts receivable

Loans/contract receivable at December 31, 2013 are comprised of the following:

The City General fund made a loan on November 14, 2008 to the Luverne Baseball Association in the amount of \$20,000 to finance the improvements to the baseball field. Payments in the amount of \$2,857.15 are due on the 15th day of each November beginning in 2009. Final payment is due on November 15, 2015.	\$ 1,421
The City General fund made a loan to the Blue Mound Area Theatre group on December 1, 2005 in the amount of \$100,000 at an interest rate of 4.25 percent. The purpose of the loan was to assist with improvements to the Palace Theatre. Monthly payments in the amount of \$1,024 are due and payable beginning January 1, 2006 with the final payment due on December 1, 2015.	23,529
The City General fund made a loan to the Luverne Convention & Visitors Bureau on July 17, 2013 in the amount of \$15,000 at an interest rate of 1.00 percent to assist with the financing of a digital sign. Monthly payments in the amount of 129.75 are due on the 1 st of each month beginning August 1, 2013 with the final payment due on April 1, 2023.	14,011
The City General fund made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.	86,935
The City General fund made a loan to the Blue Mound Area Theatre on February 28, 2012 in the amount of \$164,000 at a 2.00 percent interest rate for improvements to the Palace Theatre. Monthly payments in the amount of \$2,874.55 are due monthly beginning April 1, 2012 with final payment due on March 1, 2017.	108,454
The City General fund made a loan to the Blue Mound Area Theatre on September 24, 2012 in the amount of \$52,000 at a 3.00 percent interest rate for improvements to the Shaw Drug building. Monthly payments in the amount of \$366.06 are due monthly beginning December 13, 2012 with final payment due on July 13, 2027.	<u>48,957</u>
Total governmental funds loans/contracts receivable	<u>283,307</u>
The Water utility made a zero percent loan to a customer on October 4, 2012 in the amount of \$1,315.98 for the purpose of providing financing for installation of a new water service line. Payments in the amount of \$54.83 are due on the 10 th of each month, beginning in December 2012, with final payment due on October 10, 2014.	548
The Water utility made a zero percent loan to a customer on August 30, 2012 in the amount of \$1,230.66 for the purpose of providing financing for installation of a new water service line. Payments in the amount of \$51.22 are due on the 10 th of each month, beginning in October 2012, with final payment due on September 10, 2014.	410
The Water utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.	86,936
The Sewer utility made a zero percent loan to a customer on July 5, 2012 in the amount of 4,992.33 for the purpose of providing financing for the installation of a replacement sewer service line. Payments in the amount of \$208.02 are due on the 10 th of each month, beginning in August 2012, with final payment due on July 10, 2014.	1,248

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<p>The Sewer utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	<p>\$ 86,935</p>
<p>The Electric utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	<p>86,935</p>
<p>The Electric utility made a zero percent loan on April 27, 2011 to Herman Motors in the amount of \$5,000.00 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$83.33 are due on the 10th of each month, beginning in July 2011 with final payment due June 10, 2016.</p>	<p>2,417</p>
<p>The Electric utility made a zero percent loan on June 23, 2011 to Luverne Motor Parts in the amount of \$2,827.00 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$78.53 are due on the 10th of each month, beginning in August 2011 with final payment due July 10, 2014.</p>	<p>471</p>
<p>The Electric utility made a zero percent loan on October 31, 2011 to Tollefson Publishing in the amount of \$3,611.25 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$75.23 are due on the 10th of each month, beginning in December 2011 with final payment due November 10, 2015.</p>	<p>1,655</p>
<p>The Electric utility made a zero percent loan on July 29, 2011 to G & S Auto in the amount of \$2,983.32 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$82.87 are due on the 10th of each month, beginning in September 2011 with final payment due August 10, 2014.</p>	<p>580</p>
<p>The Electric utility made a zero percent loan on December 30, 2011 to Mert's Machine in the amount of \$3,221.36 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$67.11 are due on the 10th of each month, beginning in February 2012 with final payment due January 10, 2016.</p>	<p>1,611</p>
<p>The Electric utility has extended loans to eligible employees for computer purchases to increase their skill level in their jobs.</p>	<p>2,580</p>
<p>The Electric utility made a zero percent loan on May 19, 2011 to the Pizza Ranch in the amount of \$4,536.32 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$75.61 are due on the 10th of each month, beginning in July 2011 with final payment due June 10, 2016.</p>	<p>2,193</p>
<p>The Electric utility made a zero percent loan on November 8, 2013 to Great Planes/Sassy Seconds in the amount of \$5,000 as an incentive to promote energy efficient lighting. Payments in the amount of \$83.33 are due on the 8th of each month beginning in December 2013 with final payment due October 8, 2018.</p>	<p>4,833</p>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<p>The Property Casualty fund made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$150,000 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	\$ 133,746
<p>The Refuse utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$210,000 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	<u>187,244</u>
<p>Total business-type funds loans receivable</p>	<u>600,342</u>
<p>Total primary government loans/contracts receivable</p>	<u>883,649</u>
<p>The Economic Development Authority made a loan on November 8, 2001 to Netbriefings.com, Inc. in the amount of \$250,000 at an interest rate of 4 percent to provide capital for their business expansion. Payments in the amount of \$3,047 are due on the eighth of each month beginning in December 2001 with final payment on December 1, 2014.</p>	24,965
<p>The Economic Development Authority made a loan on November 21, 2008 to Rock Manor Limited Partnership in the amount of \$10,000 at zero percent interest to assist in the financing of a major renovation of the Rock Manor Townhouse project. The payment of this loan is due on November 21, 2038.</p>	10,000
<p>The Economic Development Authority made a loan on July 15, 2010 to Merlin and Carol Cleveringa in the amount of \$104,180 at an interest rate of 5.00 percent for the purchase of 8 lots in the Manfred Heights subdivision for twin home development. Annual payments in varying amounts from \$12,846 to \$22,278.38 are due on the 15th of July beginning in 2011 with the final payment being due on July 15, 2018.</p>	67,343
<p>The Economic Development Authority made a loan on April 1, 2010 in the amount of \$390,000 to Total Card, Inc. to consolidate two existing loans. Payments in the amount of \$5,000 including interest are due monthly on the 1st of each month beginning on May 1, 2010. Final payment is due November 1, 2017.</p>	102,620
<p>The Economic Development Authority provided a contract for deed on September 9, 2009 to Merlin and Carol Cleveringa in the amount of \$30,000 for the purchase of 2 lots in Evergreen Addition for housing development. Payment in the amount of \$200.00 is due on the 1st of each month beginning September 9, 2009, with final payment due on November 1, 2021.</p>	18,600
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on January 17, 2013 to the Luverne Eagles Club #3403 in the amount of \$3,017.59 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$86.43 is due on the 15th of each month beginning April 15, 2013 with final payment due on March 12, 2016.</p>	2,280
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on February 7, 2013 to Samuel D. Berghorst and Larry J. Voss, partners, in the amount of \$11,451.42 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$146.21 is due on the 15th of each month beginning April 15, 2013 with final payment due on March 15, 2020.</p>	10,300
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on February 7, 2013 to Samuel D. Berghorst and Larry J. Voss, partners, in the amount of \$14,285.80 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$182.39 is due on the 15th of each month beginning April 15, 2013 with final payment due on March 15, 2020.</p>	12,849

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on February 7, 2013 to Niki L. Buss in the amount of \$12,903.09 at an interest rate of 2.00 percent for improvements to her building. Payment in the amount of \$164.74 is due on the 15th of each month beginning May 15, 2013 with final payment due on May 15, 2020.</p>	\$ 11,286
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on March 5, 2013 to the Arcade Building, LLC in the amount of \$21,000.00 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$268.12 is due on the 15th of each month beginning July 15, 2013 with final payment due on July 15, 2020.</p>	19,595
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on March 19, 2013 to Scott Wessels in the amount of \$2,302.35 at an interest rate of 2.00 percent for improvements to his building. Payment in the amount of \$65.95 is due on the 15th of each month beginning April 15, 2013 with final payment due on March 15, 2016.</p>	1,740
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on March 18, 2013 to Stacy E. Riphagen and David J. Riphagen in the amount of \$10,517.50 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$134.28 is due on the 15th of each month beginning July 15, 2013 with final payment due on July 15, 2020.</p>	9,814
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on March 13, 2013 to Edwin D. Elbers and Iva J. Elbers in the amount of \$21,000.00 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$268.12 is due on the 15th of each month beginning July 15, 2013 with final payment due on July 15, 2020.</p>	19,595
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on May 16, 2013 to Lila Carol Bauer and Randy Thomas Bauer in the amount of \$21,000.00 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$268.12 is due on the 15th of each month beginning October 15, 2013 with final payment due on October 15, 2020.</p>	20,533
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on May 22, 2013 to G & S Auto Sales and Service, Inc. in the amount of \$9,600.50 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$122.57 is due on the 15th of each month beginning October 15, 2013 with final payment due on October 15, 2020.</p>	9,387
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on June 27, 2013 to Sue Hoffman in the amount of \$1,925.00 at an interest rate of 2.00 percent for improvements to her building. Payment in the amount of \$81.89 is due on the 15th of each month beginning October 15, 2013 with final payment due on October 15, 2015.</p>	1,689
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on November 15, 2013 to Daniel Wedin and Margaret Woeste-Zimmer dba Howling Dog in the amount of \$12,982.52 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$165.75 is due on the 15th of each month beginning November 15, 2013 with final payment due on November 15, 2020.</p>	12,838
<p>The Economic Development Authority made a loan to Schomacker Office Cleaning in the amount of \$16,000.00 at an interest rate of 5.00 percent for improvements to their building. Payment in the amount of \$1,228.09 is due on the 15th of May and November beginning May 15, 2013 with final payment due on November 15, 2020.</p>	16,000
<p>Total component unit loans receivable</p>	<u>371,434</u>
<p>Total loans/contract receivable</p>	<u>\$ 1,255,083</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental Airport Community Development	\$ 92,661 210,712 48,856
Nonmajor governmental	General Nonmajor governmental Enterprise Water Sewer Electric	1,142 154 176 176 154
Enterprise Water Sewer Electric Nonmajor enterprise	Community Development Community Development Community Development Community Development	27,918 27,918 55,835 27,918
Total		\$ 493,620

The majority of the General fund outstanding balance is a loan to the Airport fund to cover costs incurred for improvements that will be repaid when the Airport receives grant reimbursement. In addition the Rural Fire Tanker fund 408 and will be repaid with rural fire call fees and payments from Townships under contract for rural fire protection. The minor amounts due to the Nonmajor governmental fund are reimbursements for the City share of pool and fitness memberships for employees. The other outstanding balances between funds result from a loan from the General fund and various utility funds to the Community Development fund for land acquisition for an industrial park. Semi-annual payments are made when land rent is received.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The following transfers were made in 2013:

Fund	Transfers in			
	General	Airport	Nonmajor Governmental	Total
Transfers out				
General	\$ -	\$ 28,000	\$ 433,441	\$ 461,441
Debt service	611	-	-	611
Nonmajor governmental	-	-	20,000	20,000
Water enterprise	70,000	-	-	70,000
Sewer enterprise	62,000	-	-	62,000
Electric enterprise	40,000	-	20,000	60,000
Liquor enterprise	45,000	-	-	45,000
Nonmajor enterprise	65,000	-	120,000	185,000
Internal service	-	-	220,000	220,000
Total transfers out	<u>\$ 282,611</u>	<u>\$ 28,000</u>	<u>\$ 813,441</u>	<u>\$ 1,124,052</u>

The General fund transfer to the Airport fund (\$28,000) and Swimming Pool fund (\$278,441) are annual operating transfers. The General fund transfer to the Capital Equipment Replacement fund (\$100,000), and MN West/City Offices Project (\$50,000) are transfers for future capital purchases and improvements. The transfer from the General fund to the Ice Arena Capital Projects fund (\$5,000) was for future capital improvements.

Transfer from the Swimming Pool fund of \$20,000 to the Pool Capital Improvement fund (a non-major fund) is to accumulate funds for future capital improvements.

The Water fund (\$70,000), Sewer fund (\$62,000), Electric fund (\$40,000), Refuse and Recycling fund (\$52,000), Storm Sewer fund (\$13,000) and Liquor fund (\$45,000) transfers to the General fund are annual transfers for operations.

The transfer to the Capital Equipment Replacement fund from Refuse and Recycling (\$20,000) and Electric (\$20,000) are transfers for equipment purchases.

The transfer from Refuse and Recycling fund (\$100,000) and Central Store fund (\$220,000) to the Swimming Pool fund was to provide funding for roof replacement costs.

Transfer from the Larson/True Value TIF fund to the General fund (\$611) was made to close the fund.

E. Restricted assets

The composition of restricted assets of enterprise funds at December 31, 2013 are cash and investments offset by the following liability accounts:

Customer deposits - Water fund	\$ 8,921
Customer deposits - Sewer fund	8,987
Customer deposits - Electric fund	47,868
Customer deposits - Other proprietary funds	5,582
Accrued interest payable - Water fund	13,273
Accrued interest payable - Sewer fund	13,933
Current portion of bonds - Water fund	206,250
Current portion of bonds - Sewer fund	<u>188,750</u>
Total restricted assets	<u>\$ 493,564</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Capital assets

Capital asset activity for the year ended December 31, 2013 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,984,925	\$ 27,964	\$ -	\$ 2,012,889
Construction in progress	791,120	1,089,026	(710,631)	1,169,515
Total capital assets not being depreciated	<u>2,776,045</u>	<u>1,116,990</u>	<u>(710,631)</u>	<u>3,182,404</u>
Capital assets being depreciated				
Buildings	7,100,324	1,036,005	-	8,136,329
Improvements and infrastructure	13,627,788	159,833	-	13,787,621
Machinery and equipment	4,398,892	258,877	(176,586)	4,481,183
Total capital assets being depreciated	<u>25,127,004</u>	<u>1,454,715</u>	<u>(176,586)</u>	<u>26,405,133</u>
Less accumulated depreciation for				
Buildings	(3,454,903)	(233,205)	-	(3,688,108)
Improvements and infrastructure	(8,538,880)	(352,801)	-	(8,891,681)
Machinery and equipment	(3,114,015)	(234,196)	90,597	(3,257,614)
Total accumulated depreciation	<u>(15,107,798)</u>	<u>(820,202)</u>	<u>90,597</u>	<u>(15,837,403)</u>
Total capital assets being depreciated, net	<u>10,019,206</u>	<u>634,513</u>	<u>(85,989)</u>	<u>10,567,730</u>
Governmental activities capital assets, net	<u>\$ 12,795,251</u>	<u>\$ 1,751,503</u>	<u>\$ (796,620)</u>	<u>\$ 13,750,134</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 203,715	\$ -	\$ -	\$ 203,715
Construction in progress	<u>1,019,036</u>	<u>184,199</u>	<u>(628,464)</u>	<u>574,771</u>
Total capital assets not being depreciated	<u>1,222,751</u>	<u>184,199</u>	<u>(628,464)</u>	<u>778,486</u>
Capital assets being depreciated				
Buildings	2,752,230	-	-	2,752,230
Improvements and infrastructure	30,001,838	1,862,520	-	31,864,358
Machinery and equipment	<u>2,399,185</u>	<u>267,752</u>	<u>(162,698)</u>	<u>2,504,239</u>
Total capital assets being depreciated	<u>35,153,253</u>	<u>2,130,272</u>	<u>(162,698)</u>	<u>37,120,827</u>
Less accumulated depreciation for				
Buildings	(2,133,005)	(60,119)	-	(2,193,124)
Improvements and infrastructure	(14,545,065)	(1,139,046)	-	(15,684,111)
Machinery and equipment	<u>(1,764,479)</u>	<u>(159,993)</u>	<u>162,698</u>	<u>(1,761,774)</u>
Total accumulated depreciation	<u>(18,442,549)</u>	<u>(1,359,158)</u>	<u>162,698</u>	<u>(19,639,009)</u>
Total capital assets being depreciated, net	<u>16,710,704</u>	<u>771,114</u>	<u>-</u>	<u>17,481,818</u>
Business-type activities capital assets, net	<u>\$ 17,933,455</u>	<u>\$ 955,313</u>	<u>\$ (628,464)</u>	<u>\$ 18,260,304</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

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	\$ 142,850
Public safety	85,137
Public works, including depreciation of general infrastructure assets	221,601
Culture and recreation	179,298
Conservation and development	9,734
Miscellaneous - airport	172,218
Central Garage internal service	<u>9,364</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 820,202</u></u>

Business-type activities

Water	\$ 255,867
Sewer	276,087
Refuse and recycling	48,138
Electric	691,374
Storm sewer	52,614
Liquor	5,507
Central Store internal service	4,427
Data Processing internal service	<u>25,144</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 1,359,158</u></u>

Construction commitments

The City has active construction projects as of December 31, 2013. The projects include an airport terminal ramp project and a roof replacement project at the swimming pool. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Airport Terminal Ramp Project	\$ 325,756	\$ 50,623
Pool Roof Replacement Project	<u>165,443</u>	<u>6,575</u>
 Total	 <u><u>\$ 491,199</u></u>	 <u><u>\$ 57,198</u></u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component units

Capital asset activity for the EDA for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 627,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,002</u>
Capital assets being depreciated				
Buildings	2,331,835	-	-	2,331,835
Machinery and equipment	<u>5,835</u>	<u>-</u>	<u>-</u>	<u>5,835</u>
Total capital assets being depreciated	<u>2,337,670</u>	<u>-</u>	<u>-</u>	<u>2,337,670</u>
Less accumulated depreciation for				
Buildings	(895,693)	(64,114)	-	(959,807)
Machinery and equipment	<u>(1,362)</u>	<u>(583)</u>	<u>-</u>	<u>(1,945)</u>
Total accumulated depreciation	<u>(897,055)</u>	<u>(64,697)</u>	<u>-</u>	<u>(961,752)</u>
Total capital assets being depreciated, net	<u>1,440,615</u>	<u>(64,697)</u>	<u>-</u>	<u>1,375,918</u>
EDA capital assets, net	<u><u>\$ 2,067,617</u></u>	<u><u>\$ (64,697)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,002,920</u></u>

Depreciation expense was charged to functions/programs of the component unit as follows:

Component unit activities	
Housing and economic development	<u><u>\$ 64,697</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Long-term debt

General obligation bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$8,552,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Primary government debt

General obligation bonds

The following bonds were issued to provide funding for fire relief pensions and fire hall construction. Revenue to retire this bond issue comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2012A (Refunding 2006A)	\$ 1,035,000	.35 - 2.40 %	04/01/12	02/01/22	\$ 1,035,000
G.O. Improvement Bonds of 2012A (City reroof)	410,000	.35 - 2.40	04/01/12	02/01/28	<u>410,000</u>
Total General Obligation Bonds					<u><u>\$ 1,445,000</u></u>

* The 2012A refunding issue will refund this issue.

Annual debt service requirements to maturity for all general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2014	\$ 135,000	\$ 16,699	\$ 151,699
2015	135,000	16,159	151,159
2016	135,000	15,450	150,450
2017	140,000	14,485	154,485
2018	140,000	13,190	153,190
2019 - 2023	610,000	37,757	647,757
2024 - 2028	<u>150,000</u>	<u>8,550</u>	<u>158,550</u>
Total	<u><u>\$ 1,445,000</u></u>	<u><u>\$ 122,290</u></u>	<u><u>\$ 1,567,290</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. tax increment bonds

The following bonds were issued to finance various tax increment projects. The additional tax increment revenue resulting from the increased tax capacity of these projects will be used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Refunding Bonds of 2010A (Pamida)	\$ 375,000	0.60 - 3.00 %	11/01/10	02/01/23	<u>\$ 315,000</u>

Annual debt service requirements to maturity for all G.O. tax increment bonds are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2014	\$ 30,000	\$ 6,900	\$ 36,900
2015	25,000	6,594	31,594
2016	25,000	6,244	31,244
2017	30,000	5,773	35,773
2018	30,000	5,180	35,180
2019 - 2023	<u>175,000</u>	<u>12,774</u>	<u>187,774</u>
Total	<u>\$ 315,000</u>	<u>\$ 43,465</u>	<u>\$ 358,465</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. improvement bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements as well as ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2007A	\$ 975,000	3.55 - 3.95 %	11/15/07	02/01/14	* \$ 700,000
G.O. Improvement Bonds of 2012A (Refunding)	620,000	0.35 - 2.40	04/01/12	02/01/20	<u>620,000</u>
Total G.O. Special Assessment Bonds					<u><u>\$ 1,320,000</u></u>

* The 2012A refunding issue will refund this issue.

Annual debt service requirements to maturity for all G.O. improvement bonds are as follows:

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2014	\$ 700,000	\$ 19,000	\$ 719,000
2015	110,000	5,378	115,378
2016	110,000	4,800	114,800
2017	105,000	4,050	109,050
2018	100,000	3,105	103,105
2019 - 2020	<u>195,000</u>	<u>2,620</u>	<u>197,620</u>
Total	<u><u>\$ 1,320,000</u></u>	<u><u>\$ 38,953</u></u>	<u><u>\$ 1,358,953</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. equipment certificates

The following bond was issued to provide funding for the acquisition of a new fire truck. Revenue to retire these certificates comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2005A	\$ 98,000	4.25 %	12/15/05	01/01/16	\$ 35,000
G.O. Equipment Certificates of 2013A	440,000	2.19	07/30/13	02/01/19	<u>444,000</u>
Total G.O. Equipment Certificates					<u><u>\$ 479,000</u></u>

Annual debt service requirements to maturity for all G.O. equipment certificates are as follows:

Year Ending December 31,	G.O. Equipment Certificates Governmental Activities		
	Principal	Interest	Total
2014	\$ 11,000	\$ 11,031	\$ 22,031
2015	93,000	9,619	102,619
2016	101,000	7,265	108,265
2017	90,000	5,023	95,023
2018	91,000	3,041	94,041
2019	93,000	1,027	94,027
Total	<u><u>\$ 479,000</u></u>	<u><u>\$ 37,006</u></u>	<u><u>\$ 516,006</u></u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation revenue bonds

The following revenue bonds were issued to finance capital improvements to the water and sewer utilities. They will be retired from net revenue of these funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding					
Bonds of 2010A (Water & Sewer)	\$ 1,885,000	0.60 - 2.55 %	11/01/10	02/01/23	\$ 1,500,000
G.O. Improvement Bonds of					
2012A (Refunding-Water & Sewer)	2,035,000	.35 - 2.40	04/01/12	02/01/28	2,035,000
G.O. Improvement Bonds of					
2012A (Refunding-Water)	675,000	.35 - 2.40	04/01/12	02/01/28	<u>675,000</u>
 Total G.O. Revenue Bonds					<u><u>\$ 4,210,000</u></u>

Annual debt service requirements to maturity for all G.O. revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2014	\$ 395,000	\$ 63,951	\$ 458,951
2015	410,000	60,848	470,848
2016	400,000	56,911	456,911
2017	400,000	52,088	452,088
2018	425,000	46,051	471,051
2019 - 2023	1,445,000	131,774	1,576,774
2024 - 2028	<u>735,000</u>	<u>42,758</u>	<u>777,758</u>
 Total	<u><u>\$ 4,210,000</u></u>	<u><u>\$ 454,381</u></u>	<u><u>\$ 4,664,381</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes payable

The following notes were issued to providing financing for the construction of hangars at the municipal airport. These notes will be retired from hangar rental payments.

Description	Authorized and issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2007 Hangar Note	\$ 161,098	- %	12/31/07	12/31/17	\$ 63,899
2009 Hangar Note	136,552	-	12/31/09	12/31/19	90,626
2010 Hangar Note	143,486	-	12/31/10	12/31/21	114,734
Total Notes					<u>\$ 269,259</u>

Annual debt service requirements to maturity for all notes payable are as follows:

Year Ending December 31,	Notes		
	Governmental Activities		
	Principal	Interest	Total
2014	\$ 44,556	\$ -	\$ 44,556
2015	44,556	-	44,556
2016	44,556	-	44,556
2017	43,655	-	43,655
2018	28,356	-	28,356
2019 - 2021	63,580	-	63,580
Total	<u>\$ 269,259</u>	<u>\$ -</u>	<u>\$ 269,259</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 2,620,000	\$ -	\$ (1,175,000)	\$ 1,445,000	\$ 135,000
General obligation tax increment bonds	345,000	-	(30,000)	315,000	30,000
General obligation improvement bonds	1,555,000	-	(235,000)	1,320,000	700,000
General obligation equipment certificates	45,000	444,000	(10,000)	479,000	11,000
Bond discounts	(8,510)	-	6,564	(1,946)	-
Total bonds payable	4,556,490	444,000	(1,443,436)	3,557,054	876,000
Notes payable	313,815	-	(44,556)	269,259	44,556
Compensated absences payable	190,918	56,428	(33,582)	213,764	43,427
Other postemployment benefits liability	17,680	8,278	(2,391)	23,567	-
Governmental activity long-term liabilities	<u>\$ 5,078,903</u>	<u>\$ 508,706</u>	<u>\$ (1,523,965)</u>	<u>\$ 4,063,644</u>	<u>\$ 963,983</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 5,125,000	\$ -	\$ (915,000)	\$ 4,210,000	\$ 395,000
Bond discounts	(10,105)	-	1,427	(8,678)	-
Total bonds payable	5,114,895	-	(913,573)	4,201,322	395,000
Compensated absences payable	306,114	96,660	(87,229)	315,545	70,610
Other postemployment benefits liability	35,654	1,178	(3,392)	33,440	-
Business-type activity long-term liabilities	<u>\$ 5,456,663</u>	<u>\$ 97,838</u>	<u>\$ (1,004,194)</u>	<u>\$ 4,550,307</u>	<u>\$ 465,610</u>
Component Unit					
Economic Development Authority					
Compensated absences payable	\$ 561	\$ 4,104	\$ (2,881)	\$ 1,784	\$ 1,784
Other postemployment benefits liability	1,812	2,133	(1,305)	2,640	-
Component Unit long-term liabilities	<u>\$ 2,373</u>	<u>\$ 6,237</u>	<u>\$ (4,186)</u>	<u>\$ 4,424</u>	<u>\$ 1,784</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-term debt payable at December 31, 2013 is comprised of the following individual issues:

General obligation bonds

\$1,035,000 General Obligation Bonds of 2012A (Refunding 2006A), \$110,000 to \$130,000 due annually through 2-1-2022 at an interest rate of .35 percent to 1.70 percent.	\$ 1,035,000
\$410,000 General Obligation Bonds of 2012A (City re-roof), \$25,000 to \$30,000 due annually through 2-1-2028 at an interest rate of .35 percent to 2.40 percent.	<u>410,000</u>
Total	<u>1,445,000</u>

General obligation tax increment bonds:

\$500,000 2002 General Obligation TIF Refunding Bond (Pamida Project) varying principal amounts of \$10,000 to \$40,000 due annually through 2-1-2023 at an interest rate of 2.25 percent to 5.00 percent.	<u>315,000</u>
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General obligation improvement bonds

\$975,000 2007A General Obligation Improvement Bonds, (Manfred Heights), \$85,000 to \$100,000 due annually through 2-1-2020 at an interest rate of 3.55 percent to 3.95 percent.	700,000
\$620,000 General Obligation Improvement Bonds of 2012A (Refunding 2007A), \$95,000 to \$110,000 due annually through 2-1-2020 at an interest rate of 0.45 percent to 1.40 percent.	<u>620,000</u>
Total	<u>1,320,000</u>

General obligation equipment certificates:

\$444,000 General Obligation Equipment Certificates, Series 2013A made on July 30, 2013 for the purpose of financing the acquisition of a fire pumper truck. Varying principal amounts of \$82,000 to \$93,000 due annually through 2-1-2019 at an interest rate of 2.19 percent.	444,000
\$98,000 General Obligation Equipment Certificates, Series 2005A made on December 1, 2005 for the purpose of financing the acquisition of a fire truck. Varying principal amounts of \$7,000 to \$13,000 due annually through 1-1-2016 at an interest rate of 4.250 percent.	<u>35,000</u>
Total	<u>479,000</u>

Notes payable - airport:

\$161,099 note from the State of Minnesota for the construction of a hangar at the Airport. Monthly payments of \$1,350 include interest at 0.00 percent. The final payment will be made in November 2017.	63,899
\$139,556 note from the State of Minnesota for the construction of a hangar at the Airport. Monthly payments of \$1,165 include interest at 0.00 percent. The date of the final payment is June 2020.	90,626
\$143,486 note from the State of Minnesota for the construction of a hangar at the Airport. Monthly payment of \$1,201 include interest at 0.00 percent. The final payment will be made in December 2021.	<u>114,734</u>
Total	<u>269,259</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation revenue bonds:

\$1,885,000, 2010 General Obligation Refunding Bonds (Sewer & Water 2004) due annually through 2-1-2023 at an interest rate of 0.60 percent to 3.00 percent.	\$ 1,500,000
\$975,000, 2006 General Obligation Revenue Bonds, \$45,000 to \$95,000 due annually through 2-1-2022 at an interest rate of 3.60 percent to 4.10 percent.	
\$2,035,000, 2012 General Obligation Improvement Bonds of 2012A (Refunding Water & Sewer), \$125,000 to \$155,000 due annually through 2-1-2028 at an interest rate of 0.35 percent to 2.40 percent.	2,035,000
\$675,000, 2012 General Obligation Improvement Bonds of 2012 A (Refunding Water), \$70,000 to \$90,000 due annually through 2-1-2022 at an interest rate of 0.35 percent to 1.70 percent.	<u>675,000</u>
Total	<u>4,210,000</u>
Total Long-term Debt	<u>\$ 8,038,259</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The following amounts are included in the due to primary government totals:

The Economic Development Revolving Loan Fund made a loan to the Luverne Economic Development Authority (a discretely presented component unit) in the amount of \$350,000 on October 2, 1995. The interest rate increases from 1.00 percent to 5.00 percent over the term of the loan. The purpose of the loan was to provide financing for the Berkley Information Services project. Payment of the loan is due in November 2019.	\$ 192,629
The General fund made a 6.00 percent loan to the Luverne Economic Development Authority (a discretely presented component unit) in the amount of \$47,000 on November 25, 1996. The purpose of the loan was to provide financing for the Minnwest Bank Tax Increment project. Payment of the loan is due in January 2024. The current amount due to the General fund is shown in the Minnwest TIF No. 17 Debt Service fund.	27,623
The General fund made a 3.00 percent loan to the Luverne Economic Development Authority (a discretely presented component unit) in the amount of \$200,000 on July 30, 1999. The purpose of the loan was to provide financing for the Exsito Foods project. Payments on the loan are due annually beginning August 1, 2000 with final payment due on August 1, 2014.	<u>18,228</u>
Amount due to Internal Service fund	<u>2,978</u>
Total due to primary government	<u>\$ 241,458</u>

Advance and crossover refunding bonds

On April 1, 2012, the City issued General Obligation Bonds, Series 2012 A for \$4,795,000. The bonds were issued to:

1. Refund in advance of maturity on February 1, 2013 (the crossover date) the February 1, 2014 through 2022 maturities totaling \$1,010,000 of the General Obligation Capital Improvement Plan Bonds, Series 2006A. This portion of the bonds was issued with a net interest cost of 1.3499905 percent. It is estimated that the City will reduce its aggregate debt service payment by approximately \$136,585 over the eight years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$136,394.
2. Refund in advance of maturity on February 1, 2013 (the crossover date) the February 1, 2014 through 2022 maturities totaling \$660,000 of the General Obligation Water Revenue Bonds, Series 2006B. This portion of the bonds was issued with a net interest cost of 1.2445344 percent. It is estimated that the City will reduce its aggregate debt service payment by approximately \$76,053 over the nine years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$74,860.
3. Refund in advance of maturity on February 1, 2014 (the crossover date) the February 1, 2015 through 2020 maturities totaling \$600,000 of the General Obligation Improvement Bonds, Series 2007A. This portion of the bonds was issued with a net interest cost of 1.1436068 percent. It is estimated that the City will reduce its aggregate debt service payment by approximately \$36,130 over the eight years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$35,968.
4. Provide financing in the amount of \$410,000 to replace the roof on the City Office building. This portion of the bonds was issued with a net interest cost of 1.9029136 percent.
5. Provide financing in the amount of \$2,035,000 to replace water and sewer mains on South Highway 75. This portion of the bonds was issued with a net interest cost of 1.8987197 percent.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

H. Components of fund balance

At December 31, 2013, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Airport	Economic Development Revolving Loan	Community Development	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Loans/contracts	\$ 283,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,307
Due from other funds	352,229	-	-	-	-	-	352,229
Due from component unit	45,851	-	-	-	-	-	45,851
Inventories	3,084	13,650	-	-	-	-	16,734
Prepaid items	483	-	-	-	-	601	1,084
Total nonspendable	\$ 684,954	\$ 13,650	\$ -	\$ -	\$ -	\$ 601	\$ 699,205
Restricted							
Fire pension debt service	\$ 11,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,744
Debt service	-	-	-	-	1,516,826	-	1,516,826
Capital equipment	-	-	-	-	-	221,204	221,204
Total restricted	\$ 11,744	\$ -	\$ -	\$ -	\$ 1,516,826	\$ 221,204	\$ 1,749,774
Committed							
Airport operations	\$ -	\$ 110,183	\$ -	\$ -	\$ -	\$ -	\$ 110,183
Economic development	-	-	272,161	-	-	-	272,161
Swimming pool	-	-	-	-	-	37,386	37,386
Community development	-	-	-	171,666	-	-	171,666
Total committed	\$ -	\$ 110,183	\$ 272,161	\$ 171,666	\$ -	\$ 37,386	\$ 591,396
Assigned							
LEC contract	\$ 794,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 794,165
Fire pension contract	27,917	-	-	-	-	-	27,917
Tax abatement costs	17,450	-	-	-	-	-	17,450
Ice arena expansion	20,000	-	-	-	-	-	20,000
Chamber contract	19,000	-	-	-	-	-	19,000
Seal coating	80,000	-	-	-	-	-	80,000
Assessing	47,000	-	-	-	-	-	47,000
Data processing	84,000	-	-	-	-	-	84,000
Capital improvements	-	-	-	-	-	332,473	332,473
Capital equipment	-	-	-	-	-	487,725	487,725
Total assigned	\$ 1,089,532	\$ -	\$ -	\$ -	\$ -	\$ 820,198	\$ 1,909,730
Unassigned	\$ 901,811	\$ -	\$ -	\$ -	\$ -	\$ (158,809)	\$ 743,002

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

I. Tax increment districts

The City of Luverne is the administering authority for the following tax increment financing districts:

	Larson-Luverne True Value TIF District	Connell/Skewes Klosterbuer TIF District	Pamida 1997 TIF District
Authorizing Law	M.S. 469	M.S. 469	M.S. 469
Type of District	Redevelopment	Redevelopment	Redevelopment
Year Established	1988	1993	1996
Duration of District	25 years	25 years	25 years
Tax Capacity			
Original	\$ -	\$ -	\$ 326
Current	-	-	23,986
Captured - Retained	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,660</u>
Total General Obligation Tax Increment			
Bonds and Notes issued	\$ 80,000	\$ 95,000	\$ 500,000
Amounts redeemed	<u>(80,000)</u>	<u>(95,000)</u>	<u>(185,000)</u>
Outstanding at December 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,000</u>
		Minnwest Bank TIF District	Luverne Family Housing TIF District
Authorizing Law		M.S. 469	M.S. 469
Type of District		Redevelopment	Housing
Year Established		1996	1997
Duration of District		25 years	25 years
Tax Capacity			
Original		\$ 462	\$ 98
Current		1,461	8,393
Captured - Retained		<u>\$ 999</u>	<u>\$ 8,295</u>
Total General Obligation Tax Increment			
Bonds and Notes issued		\$ 47,000	\$ -
Amounts redeemed		<u>(19,377)</u>	<u>-</u>
Outstanding at December 31, 2013		<u>\$ 27,623</u>	<u>\$ -</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 4: 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. Insurance is purchased by the City, the Economic Development Authority (a discretely presented component unit) to provide coverage for any losses that may occur. As a method to reduce insurance costs, the City uses a \$25,000 deductible per occurrence with an annual aggregate of \$50,000. This affects all of the City's insurance except for airport liability, liquor liability, boiler and machinery, worker's compensation and employee health, life and disability insurance.

The City established an Internal Service fund, called Property/Casualty Insurance fund. This fund was set up to account for and finance the City's uninsured risk of loss and to establish a reserve for uninsured losses. That initial reserve was \$200,000. This fund fronts the cost of the League of Minnesota Cities Insurance Trust insurance premium. Upon receipt of the required information, the costs, based on a premium with a \$1,000 deductible, are charged to appropriate funds/departments. There was no claim liability reported at December 31, 2013 or December 31, 2012 as there were no losses known or unpaid at those times.

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2013	\$ -	\$ 21,330	\$ (21,330)	\$ -
2012	-	5,738	(5,738)	-
2011	-	23,300	(23,300)	-

The League of Minnesota Cities Insurance Trust provides a Group Self-Insured Workers' Compensation Plan to provide workers compensation insurance for member cities of the League of Minnesota Cities and the City of Luverne purchases worker's compensation coverage through this plan. This plan is administered by Berkley Administrators, a member of the Berkley Risk Management Service Group. The City of Luverne has selected a regular premium option for determining the premium charged to the City.

The City has established an Internal Service fund, called Worker's Compensation Insurance fund. This fund was set up to account for and finance the City's additional premium costs or return premium within the parameters of the retrospective rating option selected for premiums for worker's compensation insurance coverage and to establish a reserve for additional premiums that may be required due to actual loss experience. The City now uses the regular premium option and uses the fund to account for any deposit premium refunds.

The Economic Development Authority (a discretely presented component unit) has insurance coverage under the City policy with the League of Minnesota Cities Insurance Trust. They purchase worker's compensation insurance from the League of Minnesota Cities along with the City. There have been no claims in excess of insurance coverage in any of the past three years.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: OTHER INFORMATION - CONTINUED

B. Commitments and contingencies

The City of Luverne is under contract with Missouri Basin Municipal Power Agency (MBMPA), whereby the City has agreed to purchase and receive from the agency supplemental electrical power and energy to provide electrical service to the community. This contract was amended on 1-1-2007 to provide power until 1-1-2046.

The City of Luverne is under contract with Western Area Power Administration (WAPA) for firm electric service from the United States Department of Energy, Western Area Power Administration (about 80 percent of total needs). This contract was amended on 5-28-2013 to provide power until 12-31-2050.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

The City of Luverne, at the March 27, 2012 meeting of the City Council, approved a donation of \$20,000 per year for five years to the Luverne Hockey Club, Inc. for the building expansion project. The first donation was made in 2012. Payments totaling \$40,000 have been made as of December 31, 2013.

The City of Luverne is a participant in the Lewis & Clark Regional Water System. This system will sell water to its members based on an allocation commitment made by each member. There are 20 members. The commitment allocation for the City is 821,000 gallons per day. The project is primarily funded by the Federal Government, the States of Minnesota, Iowa and South Dakota as well as members, based on their proportionate commitment. The City prepaid the first half of their commitment in May 2008 (\$734,008). The second pre-paid amount of the commitment was made in April 2009 (\$836,473). Federal funding is uncertain due to the current economic conditions. The Lewis & Clark Regional Water System board of directors has evaluated alternative funding options and there is a bill being considered by the Minnesota State Legislature to provide \$20,000,000 in funding to bring Lewis & Clark water to Luverne.

C. Pension plans

1. Defined benefit pension plans - statewide

a. Plan description

All full-time and certain part-time employees of the City of Luverne are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is 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.

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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: OTHER INFORMATION - CONTINUED

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 all GERS 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 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 GERS. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

b. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2013. In 2013, the City of Luverne was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members and 7.25 percent of Coordinated Plan members. The City's contributions to the GERS for the years ending December 31, 2013, 2012, and 2011 were \$107,671, \$111,255 and \$110,159 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: OTHER INFORMATION - CONTINUED

2. Defined contribution plan - Minnesota PERA

Five council members of the City of Luverne are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2013, 2012 and 2011 were \$1,113, \$1,296, and \$1,297, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The amount received in 2013 was \$1,194,175 respectively which accounted for 37 percent of General fund revenues.

E. Electric transmission assets

The City has received a request from Missouri River Energy Services to separately identify transmission plant assets. As a member of Missouri River Energy Services interested in signing a Transmission Service Agreement (T-1) and Member Transmission Lease agreement (MTL) in the future we found it beneficial to disclose the value of these assets. The total facility gross plant included in the Electric Utility capital assets is \$314,959. This amount is included with the electric utility assets on the Statement of Net Position for Proprietary Funds.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In 2009, the City prospectively implemented the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for 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 26 active participants and no retired participants. Since the premium is a blended rate determined on the active and retiree population, the retirees are receiving an implicit rate subsidy. Benefit provisions are established by the City Council. 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 determined by the City Council. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The City contributes none of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2013, the City (including component unit) contributed \$7,088 of implicit costs to the plan. Plan members receiving benefits contribute 100 percent of their premium costs. The General fund is typically used to liquidate the net OPEB obligation.

C. Annual OPEB cost and net OPEB obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount determined using the alternative measurement method in accordance with the parameters of GASB Statement 45. 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 City has elected to calculate the ARC and related information using the alternative measurement method permitted for employers in plans with fewer than one hundred total plan members.

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:

	Primary Government	Component Unit	Total
Annual required contribution	\$ 10,258	\$ 2,314	\$ 12,572
Interest on net OPEB obligation	1,800	406	2,206
Adjustment to annual required contribution	<u>(2,602)</u>	<u>(587)</u>	<u>(3,189)</u>
Annual OPEB cost (expense)	9,456	2,133	11,589
Contributions made	<u>(5,783)</u>	<u>(1,305)</u>	<u>(7,088)</u>
Increase in net OPEB obligation	3,673	828	4,501
Net OPEB obligation - beginning of year	<u>53,334</u>	<u>1,812</u>	<u>55,146</u>
Net OPEB obligation - end of year	<u>\$ 57,007</u>	<u>\$ 2,640</u>	<u>\$ 59,647</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 5: 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 2013 and the previous two years follows:

<u>Year Ending</u>	<u>Three Year Trend Information</u>		
	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
12/31/13	\$ 11,589	61.2 %	\$ 59,647
12/31/12	11,119	-	55,146
12/31/11	51,600	203.9	97,602

D. Funded status and funding progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$101,275, of which the entire amount was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,734,486, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.8 percent.

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

E. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the City, in the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 10 percent initially, reduced incrementally to an ultimate rate of 5 percent after 10 years. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability was amortized as a level dollar amount over an open basis of 30 years.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

The following simplifying assumptions were made:

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

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

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was 10 percent initially, reduced incrementally to an ultimate rate of 5 percent after 10 years.

Health insurance premiums - 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 3.0 percent was used based on 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 4.0 percent was used. In addition, a simplified version of the projected unit credit 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, 2013 was 30 years.

Note 6: CHANGE IN ACCOUNTING STANDARD

During fiscal year 2013, the City implemented accounting pronouncement Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*" issued by the Government Accounting Standards Board (GASB). Changes related to these standards are reflected in the financial statements and schedules and related note disclosures. The City did not have any items which required a restatement.

Note 7: SUBSEQUENT EVENT

On April 1, 2014, the City of Luverne issued \$2,715,000 in General Obligation Water Revenue Bonds, Series 2014A. The bonds will bear interest semiannually at a rate of 2.00 percent from 2014 - 2021, 3.00 percent from 2022 - 2026, 3.25 percent from 2027 - 2028, 3.50 percent from 2029 - 2030 and 3.75 percent from 2031 - 2035. The bonds will be used to finance the construction of improvements related to the North Water Reservoir project (\$2,170,286) and the related improvements to the South Water Treatment Plant Renovation project (\$529,714).

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Required Supplementary Information					
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/12	\$ -	\$ 101,275	\$ 101,275	- %	\$ 1,734,486	5.8 %
01/01/09	-	474,231	474,231	-	1,872,209	25.3

Nonmajor Governmental Funds Special Revenue Funds

Swimming Pool Fund: The City operates the Luverne Area Aquatic and Fitness Center. User fees are charged, however the operations are subsidized through a transfer from the General fund to ensure use of the facility is affordable to community residents.

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Nonmajor Governmental Funds Capital Projects Funds

Parking Lot Fund: This fund was created to account for all revenue and expenditures associated with public parking in the Central Business District in compliance with City Code Section 11.13 Subd.3.

Street/Sidewalk Improvement Fund: This fund was created to make necessary repairs to the streets and sidewalks of the City. To simplify the accounting for the various ongoing projects of this type, the City combined the various Street and Sidewalk Capital Project funds into this one fund.

Capital Equipment Replacement Fund: This fund was created to account for various capital equipment purchases. Financing is provided by a transfer from the General Fund as well as Enterprise Funds.

Rural Fire Tanker Fund: This fund was created to account for the acquisition of a rural fire tanker truck with annual revenue coming from rural fire contracts with surrounding townships as well as rural fire call fees.

Pumper Fire Engine: This fund was created to account for the acquisition of a pumper fire engine. G.O. Equipment certificates were issued in the amount of \$444,000 to finance this purchase.

Ice Arena Capital Improvement Fund: This fund was created to account for capital improvements to the ice arena facility. Funding is provided by a transfer from the General fund.

MN West/City Offices Project Fund: This fund was created to account for capital improvements to the City Office building. Funding was provided by a General Obligation Bond issue.

Manfred Heights Subdivision Project Fund: This fund was created to account for capital improvements to a new residential housing subdivision. Funding was provided by a General Obligation Bond issue.

Pool Capital Improvement Fund: This fund accounts for transfers from the Pool Special Revenue Fund to be used for significant capital improvements to the Pool facility. The long term intent is to begin accumulating funds for inevitable future renovation.

CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	Special Revenue	Capital Projects		
	210	401	402	405
	Swimming Pool	Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement
ASSETS				
Cash and temporary investments	\$ 48,413	\$ 54,154	\$ 145,543	\$ 516,761
Receivables				
Accrued interest	164	102	309	1,056
Accounts, net	2,471	-	-	-
Special assessments	-	-	5,228	-
Intergovernmental	991	-	-	-
Due from other funds	1,802	-	-	-
Prepaid items	601	-	-	-
TOTAL ASSETS	<u>\$ 54,442</u>	<u>\$ 54,256</u>	<u>\$ 151,080</u>	<u>\$ 517,817</u>
LIABILITIES				
Accounts payable	\$ 7,345	\$ -	\$ -	\$ 30,092
Due to other funds	154	-	-	-
Deposits payable	16	-	-	-
Due to other governments	573	-	-	-
Wages and related benefits payable	8,367	-	-	-
TOTAL LIABILITIES	<u>16,455</u>	<u>-</u>	<u>-</u>	<u>30,092</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Special assessments	-	-	5,228	-
FUND BALANCES				
Nonspendable	601	-	-	-
Restricted	-	-	-	-
Committed	37,386	-	-	-
Assigned	-	54,256	145,852	487,725
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>37,987</u>	<u>54,256</u>	<u>145,852</u>	<u>487,725</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 54,442</u>	<u>\$ 54,256</u>	<u>\$ 151,080</u>	<u>\$ 517,817</u>

Capital Projects

408	409	410	451	452	479	Total
Rural Fire Tanker	Pumper Fire Engine	Ice Arena Capital Improvement	MN West/ City Offices Project	Manfred Heights Subdivision Project	Pool Capital Improvement	Nonmajor Governmental Funds
\$ 304	\$ 220,829	\$ 46,460	\$ 73,203	\$ 12,343	\$ 35,919	\$ 1,153,929
6	375	88	156	115	26	2,397
-	-	-	-	-	-	2,471
-	-	-	-	-	-	5,228
5,233	-	-	-	-	-	6,224
-	-	-	-	-	-	1,802
-	-	-	-	-	-	601
<u>\$ 5,543</u>	<u>\$ 221,204</u>	<u>\$ 46,548</u>	<u>\$ 73,359</u>	<u>\$ 12,458</u>	<u>\$ 35,945</u>	<u>\$ 1,172,652</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,636	\$ 145,073
92,661	-	-	-	-	-	92,815
-	-	-	-	-	-	16
-	-	-	-	-	-	573
-	-	-	-	-	-	8,367
<u>92,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,636</u>	<u>246,844</u>
-	-	-	-	-	-	5,228
-	-	-	-	-	-	601
-	221,204	-	-	-	-	221,204
-	-	-	-	-	-	37,386
-	-	46,548	73,359	12,458	-	820,198
(87,118)	-	-	-	-	(71,691)	(158,809)
<u>(87,118)</u>	<u>221,204</u>	<u>46,548</u>	<u>73,359</u>	<u>12,458</u>	<u>(71,691)</u>	<u>920,580</u>
<u>\$ 5,543</u>	<u>\$ 221,204</u>	<u>\$ 46,548</u>	<u>\$ 73,359</u>	<u>\$ 12,458</u>	<u>\$ 35,945</u>	<u>\$ 1,172,652</u>

CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Capital Projects		
	210	401	402	405
	Swimming Pool	Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement
REVENUES				
Charges for services	\$ 176,242	\$ -	\$ -	\$ -
Special assessments	-	-	3,951	-
Investment income (loss)	(580)	(363)	(1,095)	(3,749)
Miscellaneous	3,423	-	-	-
TOTAL REVENUES	179,085	(363)	2,856	(3,749)
EXPENDITURES				
Current				
Culture and recreation	388,003	-	-	-
Conservation and development	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	25,669	52,616
Culture and recreation	10,469	-	-	129,260
Debt service				
Interest and other costs	-	-	-	-
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	398,472	-	25,669	181,876
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(219,387)	(363)	(22,813)	(185,625)
OTHER FINANCING SOURCES (USES)				
Transfers in	278,441	-	-	140,000
Bonds issued	-	-	-	-
Transfers out	(20,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	258,441	-	-	140,000
NET CHANGE IN FUND BALANCES	39,054	(363)	(22,813)	(45,625)
FUND BALANCES, JANUARY 1	(1,067)	54,619	168,665	533,350
FUND BALANCES, DECEMBER 31	<u>\$ 37,987</u>	<u>\$ 54,256</u>	<u>\$ 145,852</u>	<u>\$ 487,725</u>

Capital Projects

408	409	410	451	452	479	Total
Rural Fire Tanker	Pumper Fire Engine	Ice Arena Capital Improvement	MN West/ City Offices Project	Manfred Heights Subdivision Project	Pool Capital Improvement	Nonmajor Governmental Funds
\$ 29,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,325
-	-	-	-	-	-	3,951
(21)	(1,334)	(311)	(551)	(406)	(91)	(8,501)
-	-	-	-	-	-	3,423
<u>29,062</u>	<u>(1,334)</u>	<u>(311)</u>	<u>(551)</u>	<u>(406)</u>	<u>(91)</u>	<u>204,198</u>
-	-	-	-	-	-	388,003
-	-	-	-	-	-	-
-	-	-	13,049	-	-	13,049
-	213,267	-	-	-	-	213,267
-	-	-	-	81,984	-	160,269
-	-	-	-	-	435,394	575,123
5,401	-	-	-	-	-	5,401
-	8,195	-	-	-	-	8,195
<u>5,401</u>	<u>221,462</u>	<u>-</u>	<u>13,049</u>	<u>81,984</u>	<u>435,394</u>	<u>1,363,307</u>
<u>23,661</u>	<u>(222,796)</u>	<u>(311)</u>	<u>(13,600)</u>	<u>(82,390)</u>	<u>(435,485)</u>	<u>(1,159,109)</u>
-	-	5,000	50,000	-	340,000	813,441
-	444,000	-	-	-	-	444,000
-	-	-	-	-	-	(20,000)
<u>-</u>	<u>444,000</u>	<u>5,000</u>	<u>50,000</u>	<u>-</u>	<u>340,000</u>	<u>1,237,441</u>
23,661	221,204	4,689	36,400	(82,390)	(95,485)	78,332
<u>(110,779)</u>	<u>-</u>	<u>41,859</u>	<u>36,959</u>	<u>94,848</u>	<u>23,794</u>	<u>842,248</u>
<u>\$ (87,118)</u>	<u>\$ 221,204</u>	<u>\$ 46,548</u>	<u>\$ 73,359</u>	<u>\$ 12,458</u>	<u>\$ (71,691)</u>	<u>\$ 920,580</u>

CITY OF LUVERNE, MINNESOTA
 SWIMMING POOL SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 214,200	\$ 214,200	\$ 176,242	\$ (37,958)
Investment income (loss)	2,000	2,000	(580)	(2,580)
Miscellaneous	250	250	3,423	3,173
TOTAL REVENUES	216,450	216,450	179,085	(37,365)
OTHER FINANCING SOURCES				
Transfers in	218,441	278,441	278,441	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	434,891	494,891	457,526	(37,365)
EXPENDITURES				
Culture and recreation				
Swimming pool				
Personal services	246,900	246,900	238,791	8,109
Supplies	49,500	49,500	67,782	(18,282)
Other services and charges	101,991	101,991	81,430	20,561
Capital outlay	16,500	16,500	10,469	6,031
TOTAL EXPENDITURES	414,891	414,891	398,472	16,419
OTHER FINANCING USES				
Transfers out	20,000	20,000	20,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	434,891	434,891	418,472	16,419
NET CHANGE IN FUND BALANCES	-	60,000	39,054	(20,946)
FUND BALANCES, JANUARY 1	(1,067)	(1,067)	(1,067)	-
FUND BALANCES, DECEMBER 31	\$ (1,067)	\$ 58,933	\$ 37,987	\$ (20,946)

Nonmajor Proprietary Funds

Refuse and Recycling Fund: This fund accounts for the collection and disposal of refuse. Rock County owns the landfill site and assumed operations of it in October 1981. City customers are charged a flat fee monthly for collection service and recyclable pickup.

Storm Sewer Fund: This fund accounts for revenues and expenses associated with storm water drainage systems throughout the City. City customers are charged a fee based on the size and type of property they own.

Lewis and Clark Reserve Fund: This fund was established to receive transfers from the Water fund for the purpose of accumulating funds for the City's share of the Lewis and Clark Water project.

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 193,302	\$ 475,345	\$ 421,342	\$ 432,612
Receivables				
Accrued interest	614	1,923	740	1,455
Accounts, net	45,877	54,209	5,105	7,372
Loan	187,244	138,646	-	-
Due from other funds	27,918	32,517	-	-
Inventories, at cost	-	-	1,371	1,371
TOTAL CURRENT ASSETS	454,955	702,640	428,558	442,810
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	5,582	4,362	-	-
Special assessments receivable				
Noncurrent	1,879	1,569	50	53
Capital assets				
Land	62,632	62,632	-	-
Construction work in process	-	7,343	-	-
Buildings	79,566	79,566	-	-
Improvements	18,872	-	1,307,867	1,305,496
Machinery and equipment	758,450	668,684	-	-
Total capital assets	919,520	818,225	1,307,867	1,305,496
Less accumulated depreciation	(449,087)	(545,483)	(666,731)	(614,117)
Total capital assets (net of accumulated depreciation)	470,433	272,742	641,136	691,379
TOTAL NONCURRENT ASSETS	477,894	278,673	641,186	691,432
TOTAL ASSETS	932,849	981,313	1,069,744	1,134,242
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	10,216	9,416	53	5,850
Contract payable	-	-	-	53,205
Due to other governments	3,638	3,781	-	19
Wages and related benefits payable	4,379	5,236	140	122
Compensated absences payable - current	7,684	7,471	213	208
TOTAL CURRENT LIABILITIES	25,917	25,904	406	59,404
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer deposits payable	5,582	4,362	-	-
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	25,572	21,676	1,722	1,654
Other postemployment benefits liability	5,089	6,755	132	32
TOTAL NONCURRENT LIABILITIES	30,661	28,431	1,854	1,686
TOTAL LIABILITIES	62,160	58,697	2,260	61,090
NET POSITION				
Net investment in capital assets	470,433	272,742	641,136	691,379
Unrestricted	400,256	649,874	426,348	381,773
TOTAL NET POSITION	\$ 870,689	\$ 922,616	\$ 1,067,484	\$ 1,073,152

Business-type Activities - Enterprise Funds

611

Lewis and Clark Reserve		Total Nonmajor Proprietary Funds	
2013	2012	2013	2012
\$ 155,938	\$ 156,791	\$ 770,582	\$ 1,064,748
294	485	1,648	3,863
-	-	50,982	61,581
-	-	187,244	138,646
-	-	27,918	32,517
-	-	1,371	1,371
<u>156,232</u>	<u>157,276</u>	<u>1,039,745</u>	<u>1,302,726</u>
-	-	5,582	4,362
-	-	1,929	1,622
-	-	62,632	62,632
-	-	-	7,343
-	-	79,566	79,566
-	-	1,326,739	1,305,496
-	-	758,450	668,684
-	-	2,227,387	2,123,721
-	-	(1,115,818)	(1,159,600)
-	-	1,111,569	964,121
-	-	1,119,080	970,105
<u>156,232</u>	<u>157,276</u>	<u>2,158,825</u>	<u>2,272,831</u>
-	-	10,269	15,266
-	-	-	53,205
-	-	3,638	3,800
-	-	4,519	5,358
-	-	7,897	7,679
-	-	26,323	85,308
-	-	5,582	4,362
-	-	27,294	23,330
-	-	5,221	6,787
-	-	32,515	30,117
-	-	64,420	119,787
-	-	1,111,569	964,121
<u>156,232</u>	<u>157,276</u>	<u>982,836</u>	<u>1,188,923</u>
<u>\$ 156,232</u>	<u>\$ 157,276</u>	<u>\$ 2,094,405</u>	<u>\$ 2,153,044</u>

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services/sales	\$ 519,068	\$ 522,059	\$ 86,729	\$ 86,643
Service income	4,996	4,948	365	395
Other income	34	3,843	-	-
TOTAL OPERATING REVENUES	524,098	530,850	87,094	87,038
OPERATING EXPENSES				
Personal services	164,867	219,788	5,036	6,591
Supplies	44,263	50,731	3,599	3,376
Other services and charges	144,427	146,786	15,887	17,789
Depreciation	48,138	25,442	52,614	49,019
TOTAL OPERATING EXPENSES	401,695	442,747	77,136	76,775
OPERATING INCOME (LOSS)	122,403	88,103	9,958	10,263
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	279	8,614	(2,626)	6,711
Rental income	15,908	12,272	-	-
Interest expense	(17)	(14)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	16,170	20,872	(2,626)	6,711
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	138,573	108,975	7,332	16,974
TRANSFERS OUT	(172,000)	(72,000)	(13,000)	(13,000)
CONTRIBUTIONS TO COMPONENT UNIT	(18,500)	-	-	-
CHANGE IN NET POSITION	(51,927)	36,975	(5,668)	3,974
NET POSITION, JANUARY 1	922,616	885,641	1,073,152	1,069,178
NET POSITION, DECEMBER 31	\$ 870,689	\$ 922,616	\$ 1,067,484	\$ 1,073,152

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Total Nonmajor Proprietary Funds	
2013	2012	2013	2012
\$ -	\$ -	\$ 605,797	\$ 608,702
-	-	5,361	5,343
-	-	34	3,843
-	-	611,192	617,888
-	-	169,903	226,379
-	-	47,862	54,107
-	-	160,314	164,575
-	-	100,752	74,461
-	-	478,831	519,522
-	-	132,361	98,366
(1,044)	2,239	(3,391)	17,564
-	-	15,908	12,272
-	-	(17)	(14)
(1,044)	2,239	12,500	29,822
(1,044)	2,239	144,861	128,188
-	-	(185,000)	(85,000)
-	-	(18,500)	-
(1,044)	2,239	(58,639)	43,188
157,276	155,037	2,153,044	2,109,856
<u>\$ 156,232</u>	<u>\$ 157,276</u>	<u>\$ 2,094,405</u>	<u>\$ 2,153,044</u>

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 533,340	\$ 530,623	\$ 89,364	\$ 87,289
Cash paid to suppliers	(188,050)	(192,519)	(25,302)	(19,904)
Cash paid to and on behalf of employees	(163,281)	(225,335)	(4,845)	(6,973)
Other receipts	15,908	12,272	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>197,917</u>	<u>125,041</u>	<u>59,217</u>	<u>60,412</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(172,000)	(72,000)	(13,000)	(13,000)
Payment to component unit	(18,500)	-	-	-
Loan payments received	13,002	-	-	-
Loans made	(61,600)	(138,646)	-	-
(Increase) decrease in due from other funds	4,599	3,621	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(234,499)</u>	<u>(207,025)</u>	<u>(13,000)</u>	<u>(13,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(245,829)	(108,818)	(55,576)	(100,386)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	1,588	9,128	(1,911)	7,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(280,823)	(181,674)	(11,270)	(45,066)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>479,707</u>	<u>661,381</u>	<u>432,612</u>	<u>477,678</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 198,884</u>	<u>\$ 479,707</u>	<u>\$ 421,342</u>	<u>\$ 432,612</u>
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 193,302	\$ 475,345	\$ 421,342	\$ 432,612
Restricted assets				
Cash and temporary investments	5,582	4,362	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 198,884</u>	<u>\$ 479,707</u>	<u>\$ 421,342</u>	<u>\$ 432,612</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 122,403	\$ 88,103	\$ 9,958	\$ 10,263
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	48,138	25,442	52,614	49,019
Other income related to operations	15,908	12,272	-	-
Interest paid on customer deposits	(17)	(14)	-	-
Increase (decrease) in assets and liabilities				
Accounts receivable	8,332	(61)	2,267	127
Special assessments receivable	(310)	(184)	3	124
Inventories	-	4,466	-	1,140
Accounts payable	800	384	(5,797)	102
Due to other governments	(143)	162	(19)	19
Wages and related benefits payable	(857)	469	18	(8)
Compensated absences payable	4,109	(7,453)	73	(342)
Other postemployment benefits liability	(1,666)	1,437	100	(32)
Deposits payable	1,220	18	-	-
Total adjustments	<u>75,514</u>	<u>36,938</u>	<u>49,259</u>	<u>50,149</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 197,917</u>	<u>\$ 125,041</u>	<u>\$ 59,217</u>	<u>\$ 60,412</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets purchased on account	\$ -	\$ -	\$ -	\$ 53,205

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Total Nonmajor Proprietary Funds	
2013	2012	2013	2012
\$ -	\$ -	\$ 622,704	\$ 617,912
-	-	(213,352)	(212,423)
-	-	(168,126)	(232,308)
-	-	15,908	12,272
-	-	257,134	185,453
-	-	(185,000)	(85,000)
-	-	(18,500)	-
-	-	13,002	-
-	-	(61,600)	(138,646)
-	-	4,599	3,621
-	-	(247,499)	(220,025)
-	-	(301,405)	(209,204)
(853)	2,405	(1,176)	19,441
(853)	2,405	(292,946)	(224,335)
156,791	154,386	1,069,110	1,293,445
<u>\$ 155,938</u>	<u>\$ 156,791</u>	<u>\$ 776,164</u>	<u>\$ 1,069,110</u>
\$ 155,938	\$ 156,791	\$ 770,582	\$ 1,064,748
-	-	5,582	4,362
<u>\$ 155,938</u>	<u>\$ 156,791</u>	<u>\$ 776,164</u>	<u>\$ 1,069,110</u>
\$ -	\$ -	\$ 132,361	\$ 98,366
-	-	100,752	74,461
-	-	15,908	12,272
-	-	(17)	(14)
-	-	10,599	66
-	-	(307)	(60)
-	-	-	5,606
-	-	(4,997)	486
-	-	(162)	181
-	-	(839)	461
-	-	4,182	(7,795)
-	-	(1,566)	1,405
-	-	1,220	18
-	-	124,773	87,087
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,134</u>	<u>\$ 185,453</u>
\$ -	\$ -	\$ -	\$ 53,205

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The General Fund

The General fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds, and it is usually the largest and most important accounting activity for state and local governments. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and forfeits, rents and charges for current services, state-shared taxes, and interest earnings. The fund's resources also finance a wider range of activities than any other fund. Most of the current operations of governmental units will be financed from this fund.

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
General property tax	\$ 1,059,776	\$ 1,059,776	\$ 1,050,197	\$ (9,579)	\$ 914,854
Hotel/motel tax	1,400	1,400	2,267	867	1,675
Franchise tax	400,000	400,000	370,293	(29,707)	403,995
Penalties	-	-	230	230	1,389
Total taxes	1,461,176	1,461,176	1,422,987	(38,189)	1,321,913
Licenses and permits					
Business	16,950	16,950	17,893	943	24,979
Nonbusiness	64,500	64,500	42,214	(22,286)	165,456
Total licenses and permits	81,450	81,450	60,107	(21,343)	190,435
Intergovernmental revenues					
Federal					
FEMA grant	-	114,000	114,068	68	-
State					
Local government aid	1,000,000	1,000,000	1,194,175	194,175	1,194,175
Residential market value credit	373	373	373	-	225
Other State aids	23,200	23,200	86,103	62,903	54,396
Total State	1,023,573	1,023,573	1,280,651	257,078	1,248,796
Local					
Other local grant	-	23,000	23,858	858	2,339
Total intergovernmental revenues	1,023,573	1,160,573	1,418,577	258,004	1,251,135
Charges for services					
General government	-	-	210	210	106
Public safety	112,500	112,500	112,216	(284)	126,815
Highways and streets	123,000	123,000	141,443	18,443	132,895
Other	-	-	640	640	202
Total charges for services	235,500	235,500	254,509	19,009	260,018
Special assessments	-	-	2,819	2,819	1,554
Investment income (loss)	68,088	68,088	29,269	(38,819)	74,839
Miscellaneous					
Other	58,300	58,300	74,520	16,220	60,518
TOTAL REVENUES	2,928,087	3,065,087	3,262,788	197,701	3,160,412
OTHER FINANCING SOURCES					
Transfers in	282,000	282,000	282,611	611	282,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,210,087	3,347,087	3,545,399	198,312	3,442,412

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES					
Current					
General government					
Council					
Personal services	\$ 39,300	\$ 39,300	\$ 37,972	\$ 1,328	\$ 38,237
Supplies	100	100	805	(705)	3,560
Other services and charges	3,120	3,120	1,563	1,557	4,274
Total Council	<u>42,520</u>	<u>42,520</u>	<u>40,340</u>	<u>2,180</u>	<u>46,071</u>
Administration					
Personal services	113,000	113,000	135,070	(22,070)	106,019
Supplies	6,000	6,000	6,467	(467)	5,520
Other services and charges	44,800	77,300	77,105	195	59,779
Total administration	<u>163,800</u>	<u>196,300</u>	<u>218,642</u>	<u>(22,342)</u>	<u>171,318</u>
Elections					
Personal services	-	-	-	-	7,521
Supplies	-	-	-	-	554
Other services and charges	-	-	-	-	118
Total elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,193</u>
Financial administration					
Other services and charges	83,500	83,500	83,500	-	84,000
Law					
Supplies	100	100	224	(124)	-
Other services and charges	22,550	22,550	28,741	(6,191)	30,595
Total law	<u>22,650</u>	<u>22,650</u>	<u>28,965</u>	<u>(6,315)</u>	<u>30,595</u>
Other general government					
Personal services	42,640	42,640	41,945	695	29,124
Supplies	33,650	33,650	34,519	(869)	33,231
Other services and charges	135,268	135,268	119,584	15,684	142,107
Total other general government	<u>211,558</u>	<u>211,558</u>	<u>196,048</u>	<u>15,510</u>	<u>204,462</u>
Total general government	<u>524,028</u>	<u>556,528</u>	<u>567,495</u>	<u>(10,967)</u>	<u>544,639</u>
Public safety					
Police					
Other services and charges	778,593	778,593	778,593	-	770,884
Fire					
Personal services	54,050	54,050	47,184	6,866	56,023
Supplies	47,000	47,000	25,170	21,830	65,243
Other services and charges	85,410	85,410	90,505	(5,095)	64,750
Total fire	<u>186,460</u>	<u>186,460</u>	<u>162,859</u>	<u>23,601</u>	<u>186,016</u>

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety - continued					
Building/planning/zoning/safety					
Personal services	\$ 82,045	\$ 82,045	\$ 83,224	\$ (1,179)	\$ 81,149
Supplies	1,825	1,825	1,740	85	1,700
Other services and charges	9,155	9,155	7,841	1,314	6,518
Total building/planning/zoning/safety	93,025	93,025	92,805	220	89,367
Civil defense					
Supplies	2,000	2,000	306	1,694	1,439
Other services and charges	1,570	1,570	1,485	85	21,186
Total civil defense	3,570	3,570	1,791	1,779	22,625
Emergency management services					
Personal services	8,955	8,955	8,915	40	8,683
Other services and charges	300	300	-	300	400
Total emergency management services	9,255	9,255	8,915	340	9,083
Animal control					
Supplies	1,000	1,000	188	812	430
Other services and charges	8,180	8,180	7,352	828	7,825
Total animal control	9,180	9,180	7,540	1,640	8,255
Insect control					
Supplies	9,500	9,500	7,658	1,842	7,662
Other services and charges	1,750	1,750	1,165	585	1,756
Total insect control	11,250	11,250	8,823	2,427	9,418
Total public safety	1,091,333	1,091,333	1,061,326	30,007	1,095,648
Public works					
Personal services	259,525	259,525	257,348	2,177	213,516
Supplies	149,600	149,600	187,588	(37,988)	156,601
Other services and charges	307,000	371,500	350,363	21,137	263,528
Total public works	716,125	780,625	795,299	(14,674)	633,645
Culture and recreation					
Personal services	213,150	213,150	211,671	1,479	199,371
Supplies	59,000	108,000	129,521	(21,521)	63,258
Other services and charges	129,560	171,160	168,123	3,037	115,430
Total culture and recreation	401,710	492,310	509,315	(17,005)	378,059

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Conservation and development					
Supplies	\$ 14,400	\$ 14,400	\$ 14,900	\$ (500)	\$ 10,767
Other services and charges	49,200	49,200	49,904	(704)	43,968
Total conservation and development	63,600	63,600	64,804	(1,204)	54,735
Total current expenditures	2,796,796	2,984,396	2,998,239	(13,843)	2,706,726
Capital outlay					
Public safety	-	-	-	-	100,032
Culture and recreation	-	25,000	25,000	-	-
Total capital outlay	-	25,000	25,000	-	100,032
Debt service					
Principal	10,000	10,000	10,000	-	10,000
Interest and other costs	1,850	1,850	1,700	150	2,307
Total debt service	11,850	11,850	11,700	150	12,307
TOTAL EXPENDITURES	2,808,646	3,021,246	3,034,939	(13,693)	2,819,065
OTHER FINANCING USES					
Transfers out	401,441	461,441	461,441	-	388,391
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,210,087	3,482,687	3,496,380	(13,693)	3,207,456
NET CHANGE IN FUND BALANCES	-	(135,600)	49,019	184,619	234,956
FUND BALANCES, JANUARY 1	2,639,022	2,639,022	2,639,022	-	2,404,066
FUND BALANCES, DECEMBER 31	\$ 2,639,022	\$ 2,503,422	\$ 2,688,041	\$ 184,619	\$ 2,639,022

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Debt Service Funds

Pamida TIF Fund: This fund accounts for the principal and interest payments on a general obligation tax increment bond of \$225,000 issued in 1996. Revenue for such payments is derived from tax increment financing as provided by Minnesota Law.

Luverne Family Housing TIF Fund: This fund accounts for the principal and interest on a taxable tax increment note of 1997. Revenue for such payments is derived from tax increment financing as provided by Minnesota Law.

Larson/True Value TIF Fund: This fund accounts for the principal and interest payments on a redevelopment bond of \$80,000 issued in 1988. Revenue for such payments is derived from tax increment financing as provided by Minnesota Law.

Fire Relief Pension Fund: This fund accounts for the principal and interest payments on a taxable general obligation pension bond of \$560,000 issued in 2002. Revenue for such payments is derived from a general property tax levy.

Freeman and Estev Fund: This fund accounts for the principal and interest payments on a general obligation improvement bond of \$1,120,000 issued in 2002. Revenue for such payments is received from special assessments levied on individual affected properties as well as a general property tax levy.

Fire Hall/MN West Fund: This fund accounts for the principal and interest payments on a general obligation improvement bond of \$1,500,000 issued in 2006. Revenue for such payments is received from a general property tax levy.

Manfred Heights Fund: This fund accounts for the principal and interest payments on a general obligation improvement bond of \$975,000 issued in 2007. Revenue for such payments is received from lot sales as well as a general property tax levy.

City Office Roof Fund: This fund accounts for principal and interest payments on a general obligation improvement bond of \$410,000 issued in 2012. Revenue for such payments is derived from a general property tax levy.

Ford TIF District No. 21 Fund: This fund was created to account for all revenue and expenditures associated with improvements relating to Tax Increment District No. 21 which includes the removal of several substandard buildings and the construction of a new Ford Dealership.

CITY OF LUVERNE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	338 Pamida TIF	343 Luverne Family Housing TIF	357 Larson/True Value TIF
ASSETS			
Cash and temporary investments	\$ 70,242	\$ 4,925	\$ -
Cash held with fiscal agent - restricted	-	-	-
Receivables			
Accrued interest	84	3	-
Delinquent taxes	163	-	-
Intergovernmental	53	-	-
	<u>70,542</u>	<u>4,928</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 70,542</u>	<u>\$ 4,928</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	163	-	-
FUND BALANCES			
Restricted			
Debt service	70,379	4,928	-
	<u>70,379</u>	<u>4,928</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 70,542</u>	<u>\$ 4,928</u>	<u>\$ -</u>

320 Fire Relief Pension	341 Freeman and Estey	321 Fire Hall/ MN West	342 Manfred Heights	322 City Office Roof	344 Ford TIF District No. 21	Total
\$ 19,592	\$ 156,080	\$ 139,669	\$ 493,215	\$ 29,601	\$ -	\$ 913,324
-	-	-	605,625	-	-	605,625
37	291	101	779	12	-	1,307
382	808	1,658	977	272	-	4,260
42	46	449	376	104	-	1,070
<u>\$ 20,053</u>	<u>\$ 157,225</u>	<u>\$ 141,877</u>	<u>\$ 1,100,972</u>	<u>\$ 29,989</u>	<u>\$ -</u>	<u>\$ 1,525,586</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500	\$ 4,500
382	808	1,658	977	272	-	4,260
<u>19,671</u>	<u>156,417</u>	<u>140,219</u>	<u>1,099,995</u>	<u>29,717</u>	<u>(4,500)</u>	<u>1,516,826</u>
<u>\$ 20,053</u>	<u>\$ 157,225</u>	<u>\$ 141,877</u>	<u>\$ 1,100,972</u>	<u>\$ 29,989</u>	<u>\$ -</u>	<u>\$ 1,525,586</u>

CITY OF LUVERNE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	338 Pamida TIF	343 Luverne Family Housing TIF	357 Larson/True Value TIF
REVENUES			
Taxes			
Property taxes	\$ 17,958	\$ -	\$ -
Tax increments	23,933	8,391	-
Special assessments	-	-	-
Investment income (loss)	(297)	(10)	-
Miscellaneous			
Other	-	-	-
TOTAL REVENUES	41,594	8,381	-
EXPENDITURES			
Current			
Economic development			
Other services and charges	-	8,645	-
Debt service			
Principal	30,000	-	-
Interest and other costs	7,269	-	-
TOTAL EXPENDITURES	37,269	8,645	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,325	(264)	-
OTHER FINANCING SOURCES (USES)			
Payment to refunded bond escrow agent	-	-	-
Transfers out	-	-	(611)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(611)
NET CHANGE IN FUND BALANCES	4,325	(264)	(611)
FUND BALANCES, JANUARY 1	66,054	5,192	611
FUND BALANCES, DECEMBER 31	\$ 70,379	\$ 4,928	\$ -

320 Fire Relief Pension	341 Freeman and Estey	321 Fire Hall/ MN West	342 Manfred Heights	322 City Office Roof	344 Ford TIF District No. 21	Total
\$ 79	\$ 160	\$ 135,594	\$ 132,475	\$ 38,061	\$ -	\$ 324,327
-	-	-	-	-	-	32,324
-	5,574	-	-	-	-	5,574
(130)	(1,034)	(358)	(2,764)	(42)	-	(4,635)
-	46	-	-	-	-	46
(51)	4,746	135,236	129,711	38,019	-	357,636
-	-	-	-	-	4,500	13,145
75,000	135,000	90,000	100,000	-	-	430,000
1,969	658	38,353	33,200	8,234	-	89,683
76,969	135,658	128,353	133,200	8,234	4,500	532,828
(77,020)	(130,912)	6,883	(3,489)	29,785	(4,500)	(175,192)
-	-	(1,010,000)	-	-	-	(1,010,000)
-	-	-	-	-	-	(611)
-	-	(1,010,000)	-	-	-	(1,010,611)
(77,020)	(130,912)	(1,003,117)	(3,489)	29,785	(4,500)	(1,185,803)
96,691	287,329	1,143,336	1,103,484	(68)	-	2,702,629
\$ 19,671	\$ 156,417	\$ 140,219	\$ 1,099,995	\$ 29,717	\$ (4,500)	\$ 1,516,826

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Internal Service Funds

Central Garage Fund: This fund accounts for the repair and maintenance of City vehicles and equipment by the City mechanic. Certain pieces of equipment which are purchased with cash from a number of different funds, and used by them, are recorded in this fund as assets.

Central Store Fund: This fund accounts for the centralized inventory and purchasing functions of the City.

Worker's Compensation Insurance Fund: This fund accounts for the receipts and disbursements that may be incurred as a result of the City's election of the retro-rated premium method of the current workers' compensation insurance coverage. Premium refunds or additional payments on an experience factor will dictate the activity in this fund.

Property/Casualty Insurance Fund: This fund accounts for the premium savings as a result of the larger deductible option selected in the City's property and casualty insurance. The savings will be used to pay the larger deductible in the event of a loss and will cover any catastrophic losses not normally covered by insurance.

Data Processing Fund: This fund accounts for centralized accounting and data processing functions of the City.

Vacation/Sick Fund: This fund accounts for the accumulation of funds for vacation and sick accrual in governmental funds.

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2013 AND 2012

	701		702	
	Central Garage		Central Store	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 232,528	\$ 259,023	\$ 189,664	\$ 365,039
Receivables				
Accrued interest	567	996	729	1,170
Accounts, net	-	-	306	-
Loans	-	-	-	-
Inventories, at cost	-	4,660	-	11,716
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	233,095	264,679	190,699	377,925
NONCURRENT ASSETS				
Capital assets				
Buildings	70,602	70,602	59,701	59,701
Improvements	79,763	61,159	-	-
Machinery and equipment	55,311	55,311	146,997	146,997
Construction in progress	-	2,597	-	-
Total capital assets	205,676	189,669	206,698	206,698
Less accumulated depreciation	(103,218)	(93,854)	(181,985)	(177,558)
Total noncurrent assets	102,458	95,815	24,713	29,140
TOTAL ASSETS	335,553	360,494	215,412	407,065
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,577	3,267	28	-
Due to other governments	-	12	-	-
Wages and related benefits payable	2,677	2,366	1,140	853
Compensated absences payable - current	182	1,129	-	2,406
TOTAL CURRENT LIABILITIES	4,436	6,774	1,168	3,259
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	10,094	6,360	-	5,019
Other postemployment benefits liability	3,036	2,187	82	492
TOTAL NONCURRENT LIABILITIES	13,130	8,547	82	5,511
TOTAL LIABILITIES	17,566	15,321	1,250	8,770
NET POSITION				
Net investment in capital assets	102,458	95,815	24,713	29,140
Unrestricted	215,529	249,358	189,449	369,155
TOTAL NET POSITION	\$ 317,987	\$ 345,173	\$ 214,162	\$ 398,295

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2013	2012	2013	2012	2013	2012
\$ 193,848	\$ 184,178	\$ 444,303	\$ 466,372	\$ 558,041	\$ 504,716
362	558	897	1,789	1,308	2,090
-	-	-	-	301	256
-	-	133,746	99,034	-	-
-	-	-	-	-	-
-	-	-	-	6,154	2,523
<u>194,210</u>	<u>184,736</u>	<u>578,946</u>	<u>567,195</u>	<u>565,804</u>	<u>509,585</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	197,655	202,436
-	-	-	-	-	-
-	-	-	-	197,655	202,436
-	-	-	-	(147,228)	(140,248)
-	-	-	-	50,427	62,188
<u>194,210</u>	<u>184,736</u>	<u>578,946</u>	<u>567,195</u>	<u>616,231</u>	<u>571,773</u>
-	-	1,534	-	1,008	3,534
-	-	-	-	-	-
-	-	-	-	5,419	4,916
-	-	-	-	10,267	10,132
-	-	1,534	-	16,694	18,582
-	-	-	-	61,868	60,303
-	-	-	-	4,161	4,191
-	-	-	-	66,029	64,494
-	-	1,534	-	82,723	83,076
-	-	-	-	50,427	62,188
<u>194,210</u>	<u>184,736</u>	<u>577,412</u>	<u>567,195</u>	<u>483,081</u>	<u>426,509</u>
<u>\$ 194,210</u>	<u>\$ 184,736</u>	<u>\$ 577,412</u>	<u>\$ 567,195</u>	<u>\$ 533,508</u>	<u>\$ 488,697</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION - CONTINUED
DECEMBER 31, 2013 AND 2012

	706		Totals	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 203,488	\$ 183,429	\$ 1,821,872	\$ 1,962,757
Receivables				
Accrued interest	-	-	3,863	6,603
Accounts, net	-	-	607	256
Loans	-	-	133,746	99,034
Inventories, at cost	-	-	-	16,376
Prepaid items	-	-	6,154	2,523
TOTAL CURRENT ASSETS	203,488	183,429	1,966,242	2,087,549
NONCURRENT ASSETS				
Capital assets				
Buildings	-	-	130,303	130,303
Improvements	-	-	79,763	61,159
Machinery and equipment	-	-	399,963	404,744
Construction in progress	-	-	-	2,597
Total capital assets	-	-	610,029	598,803
Less accumulated depreciation	-	-	(432,431)	(411,660)
Total noncurrent assets	-	-	177,598	187,143
TOTAL ASSETS	203,488	183,429	2,143,840	2,274,692
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	-	4,147	6,801
Due to other governments	-	-	-	12
Wages and related benefits payable	-	-	9,236	8,135
Compensated absences payable - current	43,245	41,820	53,694	55,487
TOTAL CURRENT LIABILITIES	43,245	41,820	67,077	70,435
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	160,243	141,609	232,205	213,291
Other postemployment benefits liability	-	-	7,279	6,870
TOTAL NONCURRENT LIABILITIES	160,243	141,609	239,484	220,161
TOTAL LIABILITIES	203,488	183,429	306,561	290,596
NET POSITION				
Net investment in capital assets	-	-	177,598	187,143
Unrestricted	-	-	1,659,681	1,796,953
TOTAL NET POSITION	\$ -	\$ -	\$ 1,837,279	\$ 1,984,096

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	701		702	
	Central Garage		Central Store	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 130,700	\$ 130,700	\$ 57,516	\$ 57,104
Other income	-	-	-	-
TOTAL OPERATING REVENUES	130,700	130,700	57,516	57,104
OPERATING EXPENSES				
Personal services	100,618	86,164	5,952	28,843
Supplies	32,064	25,494	375	1,740
Other services and charges	13,826	11,842	8,307	11,112
Depreciation	9,364	8,941	4,427	4,790
TOTAL OPERATING EXPENSES	155,872	132,441	19,061	46,485
OPERATING INCOME (LOSS)	(25,172)	(1,741)	38,455	10,619
NONOPERATING REVENUES				
Investment income (loss)	(2,014)	4,600	(2,588)	5,396
INCOME (LOSS) BEFORE TRANSFERS	(27,186)	2,859	35,867	16,015
TRANSFERS OUT	-	-	(220,000)	-
CHANGE IN NET POSITION	(27,186)	2,859	(184,133)	16,015
NET POSITION, JANUARY 1	345,173	342,314	398,295	382,280
NET POSITION, DECEMBER 31	\$ 317,987	\$ 345,173	\$ 214,162	\$ 398,295

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2013	2012	2013	2012	2013	2012
\$ 12,587	\$ 14,967	\$ 139,440	\$ 149,963	\$ 390,000	\$ 388,000
-	-	30,924	49,165	(15)	1,170
<u>12,587</u>	<u>14,967</u>	<u>170,364</u>	<u>199,128</u>	<u>389,985</u>	<u>389,170</u>
-	-	-	-	173,240	208,718
-	-	-	-	15,898	27,129
1,826	-	158,713	155,769	126,942	126,958
-	-	-	-	25,144	18,586
<u>1,826</u>	<u>-</u>	<u>158,713</u>	<u>155,769</u>	<u>341,224</u>	<u>381,391</u>
10,761	14,967	11,651	43,359	48,761	7,779
<u>(1,287)</u>	<u>2,576</u>	<u>(1,434)</u>	<u>8,073</u>	<u>(3,950)</u>	<u>9,772</u>
9,474	17,543	10,217	51,432	44,811	17,551
-	-	-	-	-	-
9,474	17,543	10,217	51,432	44,811	17,551
<u>184,736</u>	<u>167,193</u>	<u>567,195</u>	<u>515,763</u>	<u>488,697</u>	<u>471,146</u>
<u>\$ 194,210</u>	<u>\$ 184,736</u>	<u>\$ 577,412</u>	<u>\$ 567,195</u>	<u>\$ 533,508</u>	<u>\$ 488,697</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	706		Totals	
	Vacation / Sick			
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ 730,243	\$ 740,734
Other income	-	-	30,909	50,335
TOTAL OPERATING REVENUES	-	-	761,152	791,069
OPERATING EXPENSES				
Personal services	-	-	279,810	323,725
Supplies	-	-	48,337	54,363
Other services and charges	-	-	309,614	305,681
Depreciation	-	-	38,935	32,317
TOTAL OPERATING EXPENSES	-	-	676,696	716,086
OPERATING INCOME (LOSS)	-	-	84,456	74,983
NONOPERATING REVENUES				
Investment income (loss)	-	-	(11,273)	30,417
INCOME (LOSS) BEFORE TRANSFERS	-	-	73,183	105,400
TRANSFERS OUT	-	-	(220,000)	-
CHANGE IN NET POSITION	-	-	(146,817)	105,400
NET POSITION, JANUARY 1	-	-	1,984,096	1,878,696
NET POSITION, DECEMBER 31	\$ -	\$ -	\$ 1,837,279	\$ 1,984,096

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	701		702	
	Central Garage		Central Store	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received (paid) from interfund services provided	\$ 130,700	\$ 130,700	\$ 57,210	\$ 57,218
Cash paid to suppliers	(47,592)	(35,042)	(8,654)	(9,263)
Cash paid to and on behalf of employees	(96,671)	(83,207)	(13,500)	(28,188)
Other receipts	4,660	-	11,716	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(8,903)</u>	<u>12,451</u>	<u>46,772</u>	<u>19,767</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(220,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(16,007)	(2,597)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(1,585)	4,968	(2,147)	5,712
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,495)	14,822	(175,375)	25,479
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>259,023</u>	<u>244,201</u>	<u>365,039</u>	<u>339,560</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 232,528</u>	<u>\$ 259,023</u>	<u>\$ 189,664</u>	<u>\$ 365,039</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (25,172)	\$ (1,741)	\$ 38,455	\$ 10,619
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	9,364	8,941	4,427	4,790
Increase (decrease) in assets and liabilities				
Accounts receivable	-	-	(306)	114
Inventories	4,660	(890)	11,716	3,596
Prepaid items	-	-	-	-
Accounts payable	(1,690)	3,172	28	-
Due to other governments	(12)	12	-	(7)
Wages and related benefits payable	311	1,854	287	87
Other postemployment benefits liability	849	226	(410)	188
Compensated absences payable	2,787	877	(7,425)	380
Total adjustments	<u>16,269</u>	<u>14,192</u>	<u>8,317</u>	<u>9,148</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (8,903)</u>	<u>\$ 12,451</u>	<u>\$ 46,772</u>	<u>\$ 19,767</u>

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2013	2012	2013	2012	2013	2012
\$ 12,587	\$ 14,967	\$ 104,728	\$ 50,929	\$ 389,955	\$ 387,966
(1,826)	-	(157,179)	(155,769)	(148,997)	(153,388)
-	-	-	-	(171,067)	(204,162)
-	-	30,924	49,165	(15)	1,170
10,761	14,967	(21,527)	(55,675)	69,876	31,586
-	-	-	-	-	-
-	-	-	-	(13,383)	(47,972)
(1,091)	2,714	(542)	8,492	(3,168)	10,490
9,670	17,681	(22,069)	(47,183)	53,325	(5,896)
184,178	166,497	466,372	513,555	504,716	510,612
<u>\$ 193,848</u>	<u>\$ 184,178</u>	<u>\$ 444,303</u>	<u>\$ 466,372</u>	<u>\$ 558,041</u>	<u>\$ 504,716</u>
\$ 10,761	\$ 14,967	\$ 11,651	\$ 43,359	\$ 48,761	\$ 7,779
-	-	-	-	25,144	18,586
-	-	(34,712)	(99,034)	(45)	(34)
-	-	-	-	-	-
-	-	-	-	(3,631)	(136)
-	-	1,534	-	(2,526)	866
-	-	-	-	-	(31)
-	-	-	-	503	(347)
-	-	-	-	(30)	1,169
-	-	-	-	1,700	3,734
-	-	(33,178)	(99,034)	21,115	23,807
<u>\$ 10,761</u>	<u>\$ 14,967</u>	<u>\$ (21,527)</u>	<u>\$ (55,675)</u>	<u>\$ 69,876</u>	<u>\$ 31,586</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	706		Totals	
	Vacation / Sick			
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received (paid) from interfund services provided	\$ 20,059	\$ (26,385)	\$ 715,239	\$ 615,395
Cash paid to suppliers	-	-	(364,248)	(353,462)
Cash paid to and on behalf of employees	-	-	(281,238)	(315,557)
Other receipts	-	-	47,285	50,335
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	20,059	(26,385)	117,038	(3,289)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(220,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(29,390)	(50,569)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	-	-	(8,533)	32,376
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,059	(26,385)	(140,885)	(21,482)
CASH AND CASH EQUIVALENTS, JANUARY 1	183,429	209,814	1,962,757	1,984,239
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 203,488	\$ 183,429	\$ 1,821,872	\$ 1,962,757
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ -	\$ 84,456	\$ 74,983
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	38,935	32,317
Increase (decrease) in assets and liabilities				
Accounts receivable	-	-	(35,063)	(98,954)
Inventories	-	-	16,376	2,706
Prepaid items	-	-	(3,631)	(136)
Accounts payable	-	-	(2,654)	4,038
Due to other governments	-	-	(12)	(26)
Wages and related benefits payable	-	-	1,101	1,594
Other postemployment benefits liability	-	-	409	1,583
Compensated absences payable	20,059	(26,385)	17,121	(21,394)
Total adjustments	20,059	(26,385)	32,582	(78,272)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 20,059	\$ (26,385)	\$ 117,038	\$ (3,289)

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Agency Funds

Lewis and Clark Fund: This fund was established pursuant to a fiscal agent agreement executed by the Lewis and Clark Rural Water System Minnesota Systems Joint Powers Board and the City of Luverne. This fund accounts for payments made by Board members and expenses associated with approved activities of the joint powers board.

CITY OF LUVERNE, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
Lewis and Clark				
ASSETS				
Cash and investments	\$ 553	\$ (4)	\$ (1)	\$ 550
Receivables				
Accrued interest	2	-	1	1
	<u>555</u>	<u>(4)</u>	<u>-</u>	<u>551</u>
TOTAL ASSETS	<u>\$ 555</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 551</u>
LIABILITIES				
Amounts held for others	<u>\$ 555</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 551</u>

CITY OF LUVERNE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total 2013	Total 2012	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 1,779,638	\$ 1,769,446	0.58 %
Special assessments	12,344	36,450	(66.13)
Licenses and permits	60,107	190,435	(68.44)
Intergovernmental	1,786,108	1,267,456	40.92
Charges for services	683,794	674,013	1.45
Investment earnings	12,440	125,033	(90.05)
Miscellaneous	181,096	945,409	(80.84)
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 4,515,527</u>	<u>\$ 5,008,242</u>	(9.84) %
Per Capita	\$ 959	\$ 1,068	(10.20) %
EXPENDITURES			
Current			
General government	\$ 567,495	\$ 544,639	4.20 %
Public safety	1,061,326	1,095,648	(3.13)
Public works	1,138,848	857,251	32.85
Culture and recreation	897,318	774,622	15.84
Conservation and development	84,617	76,464	10.66
Capital outlay			
General government	13,049	576,816	(97.74)
Public safety	213,267	120,432	77.08
Public works	519,752	182,288	185.13
Culture and recreation	600,123	861,013	(30.30)
Debt service			
Principal	484,556	476,592	1.67
Interest and other costs	96,784	108,821	(11.06)
Bond issuance costs	8,195	32,008	(74.40)
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 5,685,330</u>	<u>\$ 5,706,594</u>	(0.37) %
Per Capita	\$ 1,207	\$ 1,217	(0.78) %
Total Long-term Indebtedness	\$ 3,828,259	\$ 4,878,815	(21.53) %
Per Capita	813	1,040	(21.85)
General Fund Balance - December 31	\$ 2,688,041	\$ 2,639,022	1.86 %
Per Capita	571	563	1.45

The purpose of this report is to provide a summary of financial information concerning the City of Luverne to interested citizens. The complete financial statements may be examined at City Offices, 305 East Luverne Street, Luverne, MN, 56156. Questions about this report should be directed to Barbara Berghorst at (507) 449-9900.

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STATISTICAL SECTION - (UNAUDITED)

This part of the City of Luverne's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF LUVERNE, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Governmental activities				
Net investment in capital assets	\$ 11,065,650	\$ 9,974,182	\$ 9,126,886	\$ 9,512,985
Restricted	587,971	628,498	529,057	238,855
Unrestricted	4,487,164	4,602,307	4,531,553	4,255,703
Total governmental activities net position	16,140,785	15,204,987	14,187,496	14,007,543
Business-type activities				
Net investment in capital assets	14,733,982	14,204,393	13,721,426	13,334,878
Restricted	458,951	347,944	304,281	360,405
Unrestricted	15,769,947	16,134,235	15,178,390	14,030,207
Total business-type activities net position	30,962,880	30,686,572	29,204,097	27,725,490
Primary government				
Net investment in capital assets	25,799,632	24,178,575	22,848,312	22,847,863
Restricted	1,046,922	976,442	833,338	599,260
Unrestricted	20,257,111	20,736,542	19,709,943	18,285,910
Total primary government net position	\$ 47,103,665	\$ 45,891,559	\$ 43,391,593	\$ 41,733,033

Table 1

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 9,054,791	\$ 7,046,069	\$ 5,856,980	\$ 5,544,453	\$ 5,825,841	\$ 4,432,161
303,330	-	-	-	-	-
4,188,264	3,830,245	3,951,808	4,314,168	3,945,495	5,200,252
<u>13,546,385</u>	<u>10,876,314</u>	<u>9,808,788</u>	<u>9,858,621</u>	<u>9,771,336</u>	<u>9,632,413</u>
13,836,826	13,567,002	13,901,572	13,134,678	13,848,382	13,889,609
330,653	327,878	329,838	281,405	239,394	171,203
12,459,832	12,017,572	10,907,412	10,366,212	9,219,514	9,033,060
<u>26,627,311</u>	<u>25,912,452</u>	<u>25,138,822</u>	<u>23,782,295</u>	<u>23,307,290</u>	<u>23,093,872</u>
22,891,617	20,613,071	19,758,552	18,679,131	19,674,223	18,321,770
633,983	327,878	329,838	281,405	239,394	171,203
16,648,096	15,847,817	14,859,220	14,680,380	13,165,009	14,233,312
<u>\$ 40,173,696</u>	<u>\$ 36,788,766</u>	<u>\$ 34,947,610</u>	<u>\$ 33,640,916</u>	<u>\$ 33,078,626</u>	<u>\$ 32,726,285</u>

CITY OF LUVERNE, MINNESOTA
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
EXPENSES				
Governmental activities				
General government	\$ 700,138	\$ 635,951	\$ 637,217	\$ 621,043
Public safety	1,114,561	1,166,584	1,121,294	1,157,952
Public works	1,470,237	1,263,739	1,255,146	1,221,999
Culture and recreation	1,117,074	932,997	901,766	879,739
Conservation and development	94,351	86,198	318,480	90,220
Interest on long-term debt	81,184	159,403	122,743	156,189
Total governmental activities expenses	<u>4,577,545</u>	<u>4,244,872</u>	<u>4,356,646</u>	<u>4,127,142</u>
Business-type activities				
Water	1,021,691	949,208	834,782	988,222
Sewer	1,048,553	875,392	835,648	897,768
Refuse and recycling	415,337	437,194	420,554	417,189
Electric	6,080,534	5,769,226	5,923,359	5,962,493
Storm sewer	75,106	76,250	82,298	79,293
Liquor	1,112,630	1,077,729	1,016,858	987,460
Total business-type activities expenses	<u>9,753,851</u>	<u>9,184,999</u>	<u>9,113,499</u>	<u>9,332,425</u>
Total primary government expenses	<u>\$ 14,331,396</u>	<u>\$ 13,429,871</u>	<u>\$ 13,470,145</u>	<u>\$ 13,459,567</u>
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	\$ 62,121	\$ 47,492	\$ 49,317	\$ 54,073
Public safety	232,798	384,318	263,000	260,206
Public works/streets	373,403	316,630	321,368	244,489
Culture and recreation	177,144	196,480	216,383	227,713
Conservation and development	31,043	24,442	24,442	17,854
Miscellaneous	-	-	-	-
Operating grants and contributions	50,861	35,506	34,568	38,862
Capital grants and contributions	857,446	781,163	226,957	564,245
Total governmental activities program revenues	<u>1,784,816</u>	<u>1,786,031</u>	<u>1,136,035</u>	<u>1,407,442</u>
Business-type activities				
Charges for services				
Water	1,067,966	1,227,239	1,250,747	1,204,587
Sewer	1,220,933	1,263,396	1,212,028	1,135,984
Refuse and recycling	540,006	543,122	541,011	516,125
Electric	6,577,653	6,318,544	6,415,879	6,356,768
Storm sewer	87,094	87,038	86,745	86,861
Liquor	1,178,689	1,186,644	1,103,616	1,064,495
Operating grants and contributions	72,654	-	-	-
Capital grants and contributions	360	150,540	7,882	7,580
Total business-type activities program revenues	<u>10,745,355</u>	<u>10,776,523</u>	<u>10,617,908</u>	<u>10,372,400</u>
Total primary government program revenues	<u>\$ 12,530,171</u>	<u>\$ 12,562,554</u>	<u>\$ 11,753,943</u>	<u>\$ 11,779,842</u>

Table 2

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 636,689	\$ 634,193	\$ 294,379	\$ 410,305	\$ 444,463	\$ 385,693
1,068,857	1,078,790	1,032,340	1,017,933	1,016,442	988,303
1,092,130	1,047,566	1,321,735	1,129,163	1,101,681	1,118,254
934,358	1,575,747	1,135,804	1,057,981	1,006,696	1,003,852
59,119	289,590	627,427	254,499	171,901	1,339,747
203,159	234,153	219,301	204,348	213,396	216,648
<u>3,994,312</u>	<u>4,860,039</u>	<u>4,630,986</u>	<u>4,074,229</u>	<u>3,954,579</u>	<u>5,052,497</u>
1,855,956	1,721,554	857,826	752,875	795,781	745,309
878,326	871,325	813,265	856,432	732,383	723,562
392,343	543,640	392,639	362,091	398,174	380,572
5,550,824	5,071,016	4,944,833	4,869,545	4,404,896	3,791,428
60,026	77,398	61,746	38,740	39,721	36,742
965,470	908,574	815,535	751,977	739,448	714,635
<u>9,702,945</u>	<u>9,193,507</u>	<u>7,885,844</u>	<u>7,631,660</u>	<u>7,110,403</u>	<u>6,392,248</u>
<u>\$ 13,697,257</u>	<u>\$ 14,053,546</u>	<u>\$ 12,516,830</u>	<u>\$ 11,705,889</u>	<u>\$ 11,064,982</u>	<u>\$ 11,444,745</u>
\$ 38,069	\$ 26,265	\$ 7,173	\$ 9,985	\$ 35,641	\$ 22,970
237,608	246,744	250,049	250,965	204,609	269,499
153,865	175,655	132,862	123,872	127,322	275,543
224,637	229,545	229,665	227,130	234,283	238,081
17,657	14,613	-	-	-	-
-	-	-	-	48,021	51,559
39,290	712,075	229,941	232,720	231,804	226,476
1,980,096	1,470,636	202,179	171,929	245,923	847,809
<u>2,691,222</u>	<u>2,875,533</u>	<u>1,051,869</u>	<u>1,016,601</u>	<u>1,127,603</u>	<u>1,931,937</u>
1,160,826	1,110,832	1,103,663	1,036,532	990,510	937,884
1,072,722	954,163	889,890	809,005	742,330	677,439
500,956	486,419	457,880	431,624	391,065	335,951
6,067,045	6,157,909	5,575,623	4,828,497	4,370,352	4,026,157
88,809	88,914	84,065	81,836	81,803	69,864
1,029,748	972,412	882,122	792,814	773,561	756,038
-	-	-	1,316	-	-
366,994	777	2,849	2,479	15,990	505,810
<u>10,287,100</u>	<u>9,771,426</u>	<u>8,996,092</u>	<u>7,984,103</u>	<u>7,365,611</u>	<u>7,309,143</u>
<u>\$ 12,978,322</u>	<u>\$ 12,646,959</u>	<u>\$ 10,047,961</u>	<u>\$ 9,000,704</u>	<u>\$ 8,493,214</u>	<u>\$ 9,241,080</u>

CITY OF LUVERNE, MINNESOTA
 CHANGES IN NET POSITION - CONTINUED
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
PROGRAM REVENUES - CONTINUED				
Net (expense)/revenue				
Governmental activities	\$ (2,792,729)	\$ (2,458,841)	\$ (3,218,111)	\$ (2,719,700)
Business-type activities	991,504	1,591,524	1,504,409	1,039,975
Total primary government net expense	<u>\$ (1,801,225)</u>	<u>\$ (867,317)</u>	<u>\$ (1,713,702)</u>	<u>\$ (1,679,725)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 1,056,683	\$ 906,331	\$ 743,688	\$ 630,953
Property taxes, levied for debt service	326,215	406,876	316,141	297,383
Tax increments	32,424	34,335	34,107	54,927
Franchise and other taxes	372,560	405,670	388,611	386,493
Grants and contributions not restricted to specific programs	1,264,952	1,280,652	1,420,670	1,310,452
Unrestricted investment earnings	33,647	143,948	162,832	193,500
Other	46	-	15	150
Gain on sale of capital assets	-	-	-	-
Transfers	642,000	337,000	332,000	307,000
Total governmental activities	<u>3,728,527</u>	<u>3,514,812</u>	<u>3,398,064</u>	<u>3,180,858</u>
Business-type activities				
Taxes				
Property taxes, levied for debt service	25,131	24,976	21,276	20,793
Grants and contributions not restricted to specific programs	-	1,500	4,225	4,508
Unrestricted investment earnings (loss)	(99,048)	236,262	280,084	329,144
Other	721	809	613	754
Gain on sale of capital assets	-	1,000	-	10,005
Transfers	(642,000)	(337,000)	(332,000)	(307,000)
Total business-type activities	<u>(715,196)</u>	<u>(72,453)</u>	<u>(25,802)</u>	<u>58,204</u>
Total primary government	<u>\$ 3,013,331</u>	<u>\$ 3,442,359</u>	<u>\$ 3,372,262</u>	<u>\$ 3,239,062</u>
CHANGES IN NET POSITION				
Governmental activities	\$ 935,798	\$ 1,055,971	\$ 179,953	\$ 461,158
Business-type activities	276,308	1,519,071	1,478,607	1,098,179
Total primary government	<u>\$ 1,212,106</u>	<u>\$ 2,575,042</u>	<u>\$ 1,658,560</u>	<u>\$ 1,559,337</u>

Table 2 (continued)

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ (1,303,090)	\$ (1,984,506)	\$ (3,579,117)	\$ (3,057,628)	\$ (2,826,976)	\$ (3,120,560)
584,155	577,919	1,110,248	352,443	255,208	916,895
<u>\$ (718,935)</u>	<u>\$ (1,406,587)</u>	<u>\$ (2,468,869)</u>	<u>\$ (2,705,185)</u>	<u>\$ (2,571,768)</u>	<u>\$ (2,203,665)</u>
\$ 527,783	\$ 476,338	\$ 549,975	\$ 411,806	\$ 394,573	\$ 364,344
264,863	257,244	190,364	185,217	198,031	207,639
582,235	83,523	298,583	295,121	307,782	304,155
385,254	368,586	331,415	326,889	322,474	306,666
1,726,083	1,347,398	1,512,055	1,426,291	1,320,217	1,318,604
212,134	253,153	324,057	243,764	166,822	237,493
20	40	-	-	-	-
-	1,750	8,900	1,825	-	-
274,789	264,000	313,935	254,000	256,000	216,685
<u>3,973,161</u>	<u>3,052,032</u>	<u>3,529,284</u>	<u>3,144,913</u>	<u>2,965,899</u>	<u>2,955,586</u>
41,077	41,115	40,519	40,478	42,039	13
8,748	9,070	9,654	9,875	9,912	-
355,025	391,504	509,217	302,532	162,259	242,634
643	450	324	80	-	-
-	17,572	500	23,597	-	60,436
<u>(274,789)</u>	<u>(264,000)</u>	<u>(313,935)</u>	<u>(254,000)</u>	<u>(256,000)</u>	<u>(216,685)</u>
130,704	195,711	246,279	122,562	(41,790)	86,398
<u>\$ 4,103,865</u>	<u>\$ 3,247,743</u>	<u>\$ 3,775,563</u>	<u>\$ 3,267,475</u>	<u>\$ 2,924,109</u>	<u>\$ 3,041,984</u>
\$ 2,670,071	\$ 1,067,526	\$ (49,833)	\$ 87,285	\$ 138,923	\$ (164,974)
714,859	773,630	1,356,527	475,005	213,418	1,003,293
<u>\$ 3,384,930</u>	<u>\$ 1,841,156</u>	<u>\$ 1,306,694</u>	<u>\$ 562,290</u>	<u>\$ 352,341</u>	<u>\$ 838,319</u>

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CITY OF LUVERNE, MINNESOTA
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Hotel/motel Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service				
2004	\$ 364,344	\$ 207,639	\$ 304,155	\$ 1,235	\$ 305,431	\$ 1,182,804
2005	394,573	198,031	307,782	1,182	321,292	1,222,860
2006	411,806	185,217	295,121	1,098	325,791	1,219,033
2007	549,975	190,364	298,583	1,102	330,313	1,370,337
2008	476,338	257,244	83,523	1,516	367,070	1,185,691
2009	527,783	264,863	582,235	1,411	383,843	1,760,135
2010	630,953	297,383	54,927	1,382	385,111	1,369,756
2011	743,688	316,141	34,107	887	387,724	1,482,547
2012	906,331	406,876	34,335	1,675	403,995	1,753,212
2013	1,056,683	326,215	32,424	2,267	370,293	1,787,882

CITY OF LUVERNE, MINNESOTA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2003 - 2010)	32,723	235,397	206,590	115,834	124,158
Assigned	-	-	-	-	-
Unassigned (Unreserved 2003 - 2010)	1,457,181	1,313,646	1,537,935	1,647,475	1,719,558
Total General fund	<u>\$ 1,489,904</u>	<u>\$ 1,549,043</u>	<u>\$ 1,744,525</u>	<u>\$ 1,763,309</u>	<u>\$ 1,843,716</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2003 - 2010)	5,161,460	3,601,802	4,030,201	4,173,832	2,804,471
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2003 - 2010)	(44,039)	82,058	945	(89,529)	(77,393)
Total all other governmental funds	<u>\$ 5,117,421</u>	<u>\$ 3,683,860</u>	<u>\$ 4,031,146</u>	<u>\$ 4,084,303</u>	<u>\$ 2,727,078</u>

Table 4

Fiscal Year				
2009	2010	2011	2012	2013
\$ -	\$ -	\$ 369,411	\$ 562,938	\$ 684,954
111,289	98,993	12,475	12,475	11,744
-	-	1,198,528	1,092,661	1,089,532
1,807,922	2,045,119	823,652	970,948	901,811
<u>\$ 1,919,211</u>	<u>\$ 2,144,112</u>	<u>\$ 2,404,066</u>	<u>\$ 2,639,022</u>	<u>\$ 2,688,041</u>
\$ -	\$ -	\$ 10,600	\$ 15,703	\$ 14,251
3,309,341	2,744,408	1,040,741	2,702,629	1,738,030
-	-	593,502	588,008	591,396
-	-	1,175,513	954,094	820,198
(12,074)	(291,564)	(141,160)	(112,546)	(158,809)
<u>\$ 3,297,267</u>	<u>\$ 2,452,844</u>	<u>\$ 2,679,196</u>	<u>\$ 4,147,888</u>	<u>\$ 3,005,066</u>

CITY OF LUVERNE, MINNESOTA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
REVENUES					
Taxes	\$ 877,990	\$ 914,572	\$ 927,969	\$ 1,069,838	\$ 1,100,367
Tax increments	304,155	307,782	295,121	298,583	82,339
Licenses and permits	122,465	65,030	93,878	93,379	83,811
Intergovernmental revenue	2,316,399	1,640,022	1,758,668	1,880,230	3,026,344
Charges for services	496,703	520,789	490,011	498,282	547,458
Fines and forfeits	7,976	3,799	3,880	4,231	3,998
Lease revenue	51,559	38,670	-	-	-
Special assessments	188,726	177,062	133,546	122,951	120,824
Investment income	226,487	159,061	217,184	291,435	223,953
Miscellaneous	190,351	132,683	37,345	71,675	99,652
TOTAL REVENUES	4,782,811	3,959,470	3,957,602	4,330,604	5,288,746
EXPENDITURES					
General government	350,469	431,156	388,582	532,040	524,751
Public safety	915,294	946,248	911,794	919,894	1,004,243
Public works	1,447,054	632,727	648,154	705,603	929,518
Culture and recreation	825,194	806,667	857,007	953,373	973,238
Conservation and development	1,338,949	160,270	153,559	291,330	158,537
Capital outlay	237,223	1,651,262	1,756,680	1,561,826	2,468,972
Debt service					
Principal	463,190	840,157	437,289	437,419	554,123
Interest and other costs	221,703	219,405	166,705	238,748	217,932
TOTAL EXPENDITURES	5,799,076	5,687,892	5,319,770	5,640,233	6,831,314
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,016,265)	(1,728,422)	(1,362,168)	(1,309,629)	(1,542,568)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	25,200	95,800	1,750
Transfers in	453,815	1,254,722	732,977	756,449	579,780
Debt issued	21,527	98,000	1,639,600	996,498	-
Payment to refunded bonds escrow agent	-	-	-	-	-
Discount on debt issued	-	-	(13,864)	(6,728)	-
Transfers out	(237,130)	(998,722)	(478,977)	(460,449)	(315,780)
TOTAL OTHER FINANCING SOURCES (USES)	238,212	354,000	1,904,936	1,381,570	265,750
NET CHANGE IN FUND BALANCES	\$ (778,053)	\$ (1,374,422)	\$ 542,768	\$ 71,941	\$ (1,276,818)
Debt service as a percentage of noncapital expenditures	14.56%	26.25%	16.67%	15.96%	18.16%

Table 5

		Fiscal Year							
		2009	2010	2011	2012	2013			
\$	1,172,406	\$	1,314,969	\$	1,443,061	\$	1,732,568	\$	1,747,314
	580,734		55,063		33,921		36,878		32,324
	74,615		86,731		90,228		190,435		60,107
	2,896,500		1,856,285		1,530,290		1,267,456		1,786,108
	519,666		646,568		679,870		674,013		683,794
	-		125		-		-		-
	-		-		-		-		-
	90,642		92,247		78,422		36,450		12,344
	186,006		170,990		140,776		125,033		12,440
	447,415		109,113		305,198		945,409		181,096
	<u>5,967,984</u>		<u>4,332,091</u>		<u>4,301,766</u>		<u>5,008,242</u>		<u>4,515,527</u>
	506,956		492,799		506,873		544,639		567,495
	999,236		1,081,976		1,049,164		1,095,648		1,061,326
	853,957		757,228		812,308		857,251		1,138,848
	755,843		690,957		779,066		774,622		897,318
	58,321		89,471		316,435		76,464		84,617
	1,719,849		1,095,426		302,717		1,740,549		1,346,191
	643,208		839,212		287,059		476,592		484,556
	208,482		190,205		117,222		140,829		104,979
	<u>5,745,852</u>		<u>5,237,274</u>		<u>4,170,844</u>		<u>5,706,594</u>		<u>5,685,330</u>
	<u>222,132</u>		<u>(905,183)</u>		<u>130,922</u>		<u>(698,352)</u>		<u>(1,169,803)</u>
	-		-		-		-		-
	837,407		1,265,757		694,250		770,391		1,124,052
	136,552		758,106		23,384		2,065,000		444,000
	-		(775,000)		-		-		(1,010,000)
	-		(4,445)		-		-		-
	<u>(550,407)</u>		<u>(958,757)</u>		<u>(362,250)</u>		<u>(433,391)</u>		<u>(482,052)</u>
	<u>423,552</u>		<u>285,661</u>		<u>355,384</u>		<u>2,402,000</u>		<u>76,000</u>
\$	<u>645,684</u>	\$	<u>(619,522)</u>	\$	<u>486,306</u>	\$	<u>1,703,648</u>	\$	<u>(1,093,803)</u>
	21.90%		24.61%		10.38%		15.57%		13.76%

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CITY OF LUVERNE, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Lodging Tax	Franchise Tax	Total
2004	\$ 571,324	\$ 304,155	\$ 1,235	\$ 305,431	\$ 1,182,145
2005	592,098	307,782	1,182	321,292	1,222,354
2006	601,080	295,121	1,098	325,791	1,223,090
2007	738,423	298,583	1,102	330,313	1,368,421
2008	731,781	82,339	1,516	367,070	1,182,706
2009	787,152	580,734	1,411	383,843	1,753,140
2010	928,476	55,063	1,382	385,111	1,370,032
2011	1,054,450	33,921	887	387,724	1,476,982
2012	1,326,898	36,878	1,675	403,995	1,769,446
2013	1,374,754	32,324	2,267	370,293	1,779,638

CITY OF LUVERNE, MINNESOTA
ESTIMATED MARKET VALUE AND TAX CAPACITY VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended <u>December 31,</u>	Real Property (1)		Total Real Property	Personal Property
	Residential Property	Commercial Property		
2004	\$ -	\$ -	\$ 164,971,800	\$ 1,186,400
2005	-	-	172,231,300	1,241,900
2006	140,643,100	43,509,000	184,152,100	942,800
2007	147,434,000	45,013,700	192,447,700	967,200
2008	153,483,600	47,989,700	201,473,300	1,280,800
2009	163,085,500	51,206,100	214,291,600	1,389,800
2010	164,819,700	53,222,700	218,042,400	1,594,400
2011	170,174,100	52,878,800	223,052,900	1,661,500
2012	172,954,500	55,081,900	228,036,400	2,095,500
2013	174,316,900	64,474,900	238,791,800	2,314,900

Source: Rock County Assessor

(1) Estimated market value for real property by classification for prior years was not available at the time this report was prepared.

Table 7

<u>Total Estimated Market Value</u>	<u>Total Direct Tax Rate</u>	<u>Tax Capacity Value</u>	<u>Tax Capacity Value as a Percentage of Estimated Actual Value</u>
\$ 166,158,200	44.121	\$ 1,894,020	1.14 %
173,473,200	44.219	1,980,151	1.14
185,094,900	43.076	2,074,112	1.12
193,414,900	43.652	2,193,676	1.13
202,754,100	44.548	2,304,913	1.14
215,681,400	45.697	2,465,847	1.14
219,636,800	47.736	2,509,154	1.14
224,714,400	52.095	2,195,236	0.98
230,131,900	62.705	2,237,520	0.97
241,106,700	63.367	2,478,201	1.03

CITY OF LUVERNE, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Luverne			Overlapping Rates		
	Operating Millage	Debt Service Millage	Total City Millage	Rock County		
				Operating Millage	Debt Service Millage	Total County Millage
2004	27.409	16.712	44.121	42.307	-	42.307
2005	27.503	16.716	44.219	41.017	-	41.017
2006	27.888	15.188	43.076	37.095	0.617	37.712
2007	28.342	15.310	43.652	34.161	1.143	35.304
2008	26.960	17.588	44.548	32.564	1.056	33.620
2009	27.908	17.789	45.697	31.229	0.965	32.194
2010	31.109	16.627	47.736	27.586	0.839	28.425
2011	37.705	14.390	52.095	28.570	0.885	29.455
2012	42.870	19.835	62.705	28.310	0.834	29.144
2013	47.921	15.446	63.367	22.842	1.638	24.480

Source: Rock County Auditor/Treasurer

Table 8

Overlapping Rates				
Independent School District No. 2184				
Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Total Direct and Overlapping Rates
29.101	-	29.101	0.571	116.100
23.882	-	23.882	0.555	109.673
3.977	18.025	22.002	0.505	103.295
5.325	16.194	21.519	0.464	100.939
5.105	14.875	19.980	0.425	98.573
5.339	13.299	18.638	0.387	96.916
4.654	10.783	15.437	0.324	91.922
5.996	11.089	17.085	0.325	98.960
4.971	11.031	16.002	0.182	108.033
4.014	9.503	13.517	0.155	101.519

CITY OF LUVERNE, MINNESOTA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2013</u>		
		<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
Agri-Energy, LLC	Ethanol production	\$ 271,208	1	11.0 %
Midwest Fire	Fire truck manufacturer	35,090	2	1.4
Good Samaritan Society - Oak Apartments	Congregate care facility	34,600	3	1.4
Sanford Hospital - Luverne	Hospital	30,550	4	1.2
Luverne Economic Development Authority	Commercial property	29,978	5	1.2
Glen's Food Center	Groceries	27,798	6	1.1
Shopko Hometown	Retail	25,222	7	1.0
Papik Motors	Auto sales	24,714	8	1.0
Total Card, Inc.	Credit card processing	18,592	9	0.8
SARPLLC	2 motels	17,322	10	0.7
SWMN Farmers Coop	Grain elevator	-		-
Luverne Townhome Rental Properties LLC	Apartment Buildings	-		-
Rock Creek Townhomes	Rental Property	-		-
	Total	<u>\$ 515,074</u>		<u>20.8 %</u>

Source: Rock County Assessor

Table 9

2004		
<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
\$ 93,706	1	5.0 %
-		-
18,468	6	1.0
-		-
31,821	2	1.7
26,286	3	1.4
22,430	4	1.2
12,174	10	0.6
19,250	5	1.0
-		-
12,943	9	0.7
15,609	7	0.8
<u>13,425</u>	8	<u>0.7</u>
<u>\$ 266,112</u>		<u>14.1 %</u>

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CITY OF LUVERNE, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 718,031	\$ 708,018	\$ 99	\$ 10,013	\$ 718,031	100.0 %
2005	744,697	733,732	98.5	10,965	744,697	100.0
2006	789,077	784,483	99.4	4,594	789,077	100.0
2007	841,545	826,511	98.2	15,034	841,545	100.0
2008	944,746	934,084	98.9	10,441	944,525	100.0
2009	1,016,155	1,002,671	98.7	12,833	1,015,504	99.9
2010	1,144,019	1,132,487	99.0	10,373	1,142,860	99.9
2011	1,284,454	1,267,946 ⁽¹⁾	98.7	15,367	1,283,313	99.9
2012	1,348,740	1,345,705	99.8	-	1,345,705	99.8
2013	1,414,586	1,404,941	99.3	-	1,404,941	99.3

(1) Includes market rate homestead credit unallotment of \$85,904.

Source: Finance Department, City of Luverne

CITY OF LUVERNE, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					
	General Obligation Bonds	G.O. Improvement Bonds	G.O. Revenue Bonds	G.O. Tax Increment Bonds	G.O. Equipment Certificates	Capital Leases and Notes
2004	\$ 560,000	\$ 1,745,000	\$ 379,000	\$ 1,705,000	\$ -	\$ 62,734
2005	510,000	1,500,000	-	1,551,000	98,000	50,577
2006	1,955,000	1,315,000	-	1,367,000	98,000	176,888
2007	1,900,000	2,105,000	-	1,182,500	91,000	192,467
2008	1,770,000	1,910,000	-	982,500	83,000	171,344
2009	1,635,000	1,475,000	-	942,500	74,000	283,688
2010	1,490,000	1,235,000	-	387,500	65,000	376,582
2011	1,340,000	1,150,000	-	382,500	55,000	362,907
2012	2,620,000	1,555,000	-	345,000	45,000	313,815
2013	1,445,000	1,320,000	-	315,000	479,000	269,259

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
G.O. Revenue Bonds				
\$ 2,755,000	\$ 7,206,734	5.52 %	\$ 1,571	
2,755,000	6,464,577	4.70	1,407	
3,605,000	8,516,888	6.20	1,845	
3,455,000	8,925,967	5.96	1,942	
3,260,000	8,176,844	4.62	1,780	
3,060,000	7,470,188	4.39	1,631	
4,735,000	8,289,082	4.33	1,747	
2,660,000	5,950,407	2.74	1,261	
5,125,000	10,003,815	4.31	2,120	
4,210,000	8,038,259	NA	1,718	

CITY OF LUVERNE, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 12

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ 560,000	\$ 69,813	\$ 490,187	0.26 %	\$ 107
2005	608,000	77,823	530,177	0.27	115
2006	2,053,000	127,396	1,925,604	0.93	417
2007	1,991,000	145,042	1,845,958	0.84	402
2008	1,853,000	166,775	1,686,225	0.73	367
2009	1,709,000	183,491	1,525,509	0.62	333
2010	1,555,000	200,207	1,354,793	0.54	286
2011	1,395,000	223,822	1,171,178	0.53	248
2012	2,665,000	1,239,959	1,425,041	0.64	304
2013	1,924,000	189,607	1,734,393	0.70	371

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF LUVERNE, MINNESOTA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 DECEMBER 31, 2013

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct debt			
City of Luverne	<u>\$ 3,828,259</u>	100.00 %	<u>\$ 3,828,259</u>
Overlapping debt			
Rock County	5,045,000	11.94	602,373
Independent School District #2184	<u>4,520,000</u>	22.40	<u>1,012,480</u>
Total overlapping debt	<u>9,565,000</u>		<u>1,614,853</u>
Total direct and overlapping debt	<u><u>\$ 13,393,259</u></u>		<u><u>\$ 5,443,112</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Luverne. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF LUVERNE, MINNESOTA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 3,275,708	\$ 3,469,464	\$ 3,701,898	\$ 3,868,298	\$ 6,082,623
Total net debt applicable to limit	<u>560,000</u>	<u>608,000</u>	<u>2,053,000</u>	<u>1,991,000</u>	<u>1,853,000</u>
Legal debt margin	<u>\$ 2,715,708</u>	<u>\$ 2,861,464</u>	<u>\$ 1,648,898</u>	<u>\$ 1,877,298</u>	<u>\$ 4,229,623</u>
Total net debt applicable to the limit as a percentage of debt limit	17.10%	17.52%	55.46%	51.47%	30.46%

Note: Under state finance law, the City of Luverne's outstanding general obligation debt should not exceed 3 percent of total estimated market value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

The method of computation of legal debt margin is that which is used by our bond consultants.

Table 14

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 6,470,442	\$ 6,589,104	\$ 6,741,432	\$ 6,903,957	\$ 7,233,201
<u>1,709,000</u>	<u>1,555,000</u>	<u>1,395,000</u>	<u>2,665,000</u>	<u>1,924,000</u>
<u>\$ 4,761,442</u>	<u>\$ 5,034,104</u>	<u>\$ 5,346,432</u>	<u>\$ 4,238,957</u>	<u>\$ 5,309,201</u>
26.41%	23.60%	20.69%	38.60%	26.60%

Legal Debt Margin Calculation for Fiscal Year 2013

Estimated Market Value (2012/2013)	\$ 241,106,700
A) Debt Limit 3.0% of estimated market value	7,233,201
Total Bonded Debt	<u>7,769,000</u>
B) Deductions:	
General obligation improvement bonds	1,320,000
General obligation tax increment bonds	315,000
General obligation revenue bonds	<u>4,210,000</u>
Total Deductions	<u>5,845,000</u>
Net Debt applicable to debt limit	
General obligation debt	1,445,000
General obligation equipment certificates	<u>479,000</u>
Total Net Debt applicable to debt limit	<u>1,924,000</u>
Legal Debt Margin	<u>\$ 5,309,201</u>
Percent of Debt Margin not used	73.40%

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CITY OF LUVERNE, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Table 15A

Year	Utility Revenue Bonds							Coverage
	Gross Revenue	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾				
				Principal	Interest	Total		
2004	\$ 1,036,379 ⁽³⁾	\$ 476,606	\$ 559,773	\$ 138,600	\$ 8,245	\$ 146,845	3.81	
2005	1,881,718 ⁽⁴⁾	864,391	1,017,327	-	119,088	119,088	8.54	
2006	2,053,438 ⁽⁴⁾	968,972	1,084,466	125,000	107,740	232,740	4.66	
2007	2,305,965 ⁽⁴⁾	1,071,943	1,234,022	150,000	131,405	281,405	4.39	
2008	2,302,534 ⁽⁴⁾	1,123,343	1,179,191	195,000	134,838	329,838	3.58	
2009	2,714,686 ⁽⁴⁾	1,204,639	1,510,047	200,000	127,877	327,877	4.61	
2010	2,524,189 ⁽⁴⁾	1,190,867	1,333,322	210,000	120,563	330,563	4.03	
2011	2,618,747 ⁽⁴⁾	1,158,072	1,460,675	225,000	96,448	321,448	4.54	
2012	2,781,250 ⁽⁴⁾	1,231,918	1,549,332	245,000	59,280	304,280	5.09	
2013	2,266,817 ⁽⁴⁾	1,364,963	901,854	255,000	92,945	347,945	2.59	

Source: City of Luverne Financial Records

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

(3) Includes Sewer.

(4) Includes Water and Sewer.

CITY OF LUVERNE, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Table 15B

Year	Other Bonds and Equipment Certificates						Coverage
	Tax Revenue	Debt Service Revenues	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	
2004	\$ 205,239	\$ 621,547	\$ 826,786	\$ 485,000 ⁽¹⁾	\$ 195,893	\$ 680,893	1.21
2005	192,406	580,199	772,605	424,000	160,546	584,546	1.32
2006	154,342	519,868	674,210	431,500	216,172	647,672	1.04
2007	297,441	484,654	782,095	533,000	188,839	721,839	1.08
2008	263,636	262,825	526,461	384,000	205,345	589,345	0.89
2009	271,767	740,052	1,011,819	389,000	189,392	578,392	1.75
2010	297,971	211,723	509,694	250,000	108,811	358,811	1.42
2011	415,458	199,590	615,048	427,500	99,511	527,011	1.17
2012	459,985	110,605	570,590	427,500	101,816	529,316	1.08
2013	369,722	985	370,707	430,000	101,383	531,383	0.70

Source: City of Luverne Financial Records

(1) Does not include bond principal paid by escrow.

CITY OF LUVERNE, MINNESOTA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Table 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Educational Attainment - College Graduate or Better</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	4,588	\$ 130,560,716	\$ 28,457	42.6	19.6 %	1,288	3.4 %
2005	4,596	137,484,744	29,914	42.6	19.6	1,234	3.2
2006	4,617	137,378,835	29,755	42.6	19.6	1,233	2.8
2007	4,597	149,807,036	32,588	42.6	19.6	1,195	3.2
2008	4,593	177,014,220	38,540	42.6	19.6	1,193	3.9
2009	4,579	170,059,481	37,139	42.6	19.6	1,187	5.5
2010	4,745	191,223,500	40,300	41.7	19.6	1,191	5.2
2011	4,719	217,456,239	46,081	41.7	28.0	1,216	4.6
2012	4,680	231,915,482	49,555	41.7	28.0	1,177	3.9
2013	4,680	NA	NA	44.2	28.0	1,209	3.5

Source: Southwest Regional Development Commission and U.S. Department of Commerce Bureau of Economic Analysis.

Note: Median age and education level information is collected during the decennial census. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF LUVERNE, MINNESOTA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Table 17

	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sanford Hospital - Luverne	249	1	10.77 %	190	2	7.47 %
Independent School District No. 2184	200	2	8.65	245	1	9.63
Gold 'N Plump	175	3	7.57	130	4	5.11
Minnesota Veterans Home	173	4	7.48	166	3	6.52
Total Card Inc.	120	5	5.19	-	-	-
Mary Jane Brown Good Samaritan Home	110	6	4.76	107	5	4.20
Rock County	104	7	4.50	105	7	4.13
Continental Western Group	74	8	3.20	104	8	4.09
City of Luverne	68	9	2.94	106	6	4.16
Papik Motors	54	10	2.34	40	10	1.57
Sanford Clinic Luverne	-	-	-	50	9	1.96
Total	<u>1,327</u>		<u>57.40 %</u>	<u>1,243</u>		<u>48.84 %</u>

Source: State Department of Commerce.

CITY OF LUVERNE, MINNESOTA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of December 31				
	2004	2005	2006	2007	2008
General government	2.55	2.29	2.75	3.53	3.95
Public safety					
Fire					
Firefighters and officers	1.85	2.19	2.37	2.26	2.26
Building official	0.81	1.00	1.01	1.01	1.00
Streets and highways	3.38	3.71	4.16	3.45	3.44
Sanitation	3.05	3.04	2.49	2.89	2.84
Culture and recreation					
Parks	3.66	3.16	3.37	3.54	3.18
Library	3.22	3.31	3.34	3.34	3.12
Swimming pool	7.26	6.76	7.06	6.78	6.47
Housing and economic development	0.61	0.86	0.79	0.70	0.82
Water	2.66	2.64	2.99	3.13	3.40
Sewer	4.46	3.54	4.11	4.26	3.77
Electric	3.90	2.66	2.98	2.68	2.57
Liquor - off sale	2.39	2.38	2.45	2.47	2.33
Central garage	1.07	1.01	1.00	1.02	1.01
Central store	0.52	0.50	0.50	0.51	0.50
Data processing	2.58	2.57	2.58	2.58	2.58
Total	<u>43.97</u>	<u>41.62</u>	<u>43.95</u>	<u>44.15</u>	<u>43.24</u>

Source: Finance Department

Table 18

Full-time Equivalent Employees as of December 31				
2009	2010	2011	2012	2013
2.83	3.14	2.81	3.23	2.92
1.85	2.76	2.09	2.47	1.81
1.00	1.00	1.00	1.00	1.00
3.29	3.27	3.10	3.05	3.67
2.73	2.90	2.90	2.93	2.01
3.37	3.25	3.05	3.05	3.28
-	-	-	-	-
6.35	6.31	6.75	7.02	6.34
0.52	1.00	0.84	0.77	1.00
3.49	3.18	3.13	3.10	3.36
3.56	4.35	4.28	4.26	4.49
2.77	2.57	2.57	2.77	2.38
2.44	2.49	2.46	2.82	2.92
0.95	1.16	1.16	0.99	1.20
0.50	0.50	0.50	0.50	0.11
2.61	2.62	2.96	2.66	1.58
<u>38.26</u>	<u>40.50</u>	<u>39.60</u>	<u>40.62</u>	<u>38.07</u>

CITY OF LUVERNE, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Physical arrests	142	94	75	160	137
Parking violations	73	102	33	71	144
Traffic violations	169	175	212	142	201
Fire					
Number of calls answered	52	72	53	60	86
Building/zoning					
Permits issued	416	308	241	292	211
Inspections	2,004	1,713	1,499	1,331	1,300
Sanitation					
Refuse collected annually	1,397	1,417	1,397	1,496	1,526
Recyclables collected annually	312	312	312	312	312
Airport					
Aviation fuel sales (gallons)	8,261	9,811	9,993	7,877	7,770
Jet fuel (gallons)	-	-	-	-	-
Culture and recreation					
Library circulation	83,866	86,943	87,065	96,945	99,004
Pool and fitness center					
Attendance	79,996	79,973	80,750	80,513	82,556
Memberships	996	1,174	1,214	1,179	1,142
Water					
Average daily consumption	825,000	831,578	804,029	902,749	1,110,155
Wastewater					
Average daily sewage treatment	832,000	865,000	1,034,000	1,099,000	1,137,000
Electric					
Kilowatt hours sold	69,742,257	74,594,504	76,973,893	79,688,930	74,785,319
Liquor					
Annual sales	\$ 753,587	\$ 771,767	\$ 790,166	\$ 878,367	\$ 968,556

Sources: Various government departments

Table 19

Fiscal Year					
2009	2010	2011	2012	2013	
107	168	140	68	91	
43	27	52	-	2	
93	257	191	46	187	
59	89	92	84	75	
228	242	241	245	211	
1,135	1,103	1,124	1,082	812	
1,560	1,483	1,458	1,273	1,351	
312	312	312	338	416	
10,120	15,789	16,183	16,978	17,997	
-	11,867	18,632	13,284	24,443	
-	-	-	-	-	
81,867	79,218	78,296	76,043	68,374	
1,300	968	917	800	949	
1,053,119	984,170	900,218	673,306	739,627	
942,000	1,162,917	1,337,000	913,000	827,000	
74,411,632	77,318,682	76,389,496	73,454,715	68,828,422	
\$ 1,025,544	\$ 1,058,949	\$ 1,097,579	\$ 1,182,830	\$ 1,175,086	

CITY OF LUVERNE, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Public Safety					
Fire					
Stations	1	1	1	1	1
Part-time paid	35	36	36	36	38
Hydrants	220	220	220	220	215
I.S.O. Rating	5	5	5	5	5
Public Works					
Street division					
Miles of street	43	43	43	43	43
Percent of paved streets	95	95	95	95	95
Miles of alleys	4.99	4.99	4.99	4.99	4.99
Street lights	652	697	697	697	709
Signalized intersections	2	2	2	2	2
Parks division					
Neighborhood parks	11	11	11	11	11
Area in acres	20	20	20	20	20
Regional parks	2	2	2	2	2
Area in acres	60	60	60	60	60
Baseball diamonds	1	1	1	1	1
Basketball courts	2	2	2	2	2
Bike trails	1	1	1	1	1
Hockey rinks/outdoor	1	1	1	1	1
Softball diamonds	3	3	3	3	3
Swimming areas	1	1	1	1	1
Tennis courts	2	2	2	2	2
Volleyball courts	3	3	3	3	3
Utilities					
Municipal water					
Type of treatment					
Consumers	1,978	1,990	1,988	2,015	2,019
Average daily consumption	825,000	831,578	905,005	902,749	1,110,155
Total gallons sold	243,966,000	267,137,000	259,122,000	275,533,250	273,746,750
Total gallons pumped	273,703,000	303,526,000	330,326,906	353,916,660	405,206,416
Storage capacity	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Miles of water main	34	34	34	34	35
Municipal water treatment					
Type of treatment					
Users	1,948	1,960	1,970	1,983	1,988
Average daily use	832,000	865,000	1,034,000	1,099,000	1,137,000
Peak demand	1,232,000	1,127,000	2,836,000	1,740,000	1,782,000
Maximum design capacity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total volume	303,676,000	315,683,000	377,392,000	401,550,000	416,314,000
Miles of sanitary sewer	34	34	34	34	35
Storm Drains:					
Miles of storm sewer	11.1	11.1	11.1	11.1	11.1
Parking system					
Off-street parking lots	2	2	2	2	2
Employees					
Full-time	32	32	32	33	30
Part-time	48	54	52	55	44
Volunteer Firemen	35	36	36	36	38
Election judges	23	-	33	-	32
Total employees	138	122	153	124	144

Source: City of Luverne Financial Records.

Note: No capital asset indicators are available for the general government function.

Table 20

Fiscal Year				
2009	2010	2011	2012	2013
1	1	1	1	1
35	37	36	36	37
221	222	222	222	222
5	5	5	5	5
43	43	43	43	43
95	95	95	95	95
4.99	4.99	4.99	4.99	4.99
715	715	715	715	715
2	2	2	2	2
11	11	11	11	11
20	20	20	20	20
2	2	2	2	2
60	60	60	60	60
1	1	1	1	1
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
2	2	2	2	2
3	3	3	3	3
2,026	2,019	2,016	2,027	2,035
1,053,119	984,170	900,218	673,306	739,627
282,381,000	277,651,250	245,908,500	220,937,250	172,229,250
384,388,552	359,222,119	328,579,720	246,430,043	269,599,000
2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
35	35	35	35	35
1,996	1,989	1,990	1,992	1,998
942,000	1,162,917	1,337,000	913,000	827,000
1,419,000	2,413,000	3,315,000	1,309,000	1,593,000
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
343,402,000	425,067,000	488,573,000	334,096,000	302,670,000
35	35	35	35	35
11.1	11.1	11.1	11.1	11.1
2	2	2	2	2
29	28	26	27	28
41	46	38	44	44
35	37	36	36	37
-	32	-	29	0
105	143	100	136	109

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (LARSON), A TAX INCREMENT FINANCING DISTRICT
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2013

Table 21

	Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Bond proceeds	\$ 80,000	\$ 80,000	\$ -	\$ -
Tax increments	153,020	88,256	-	(64,764)
Interest on invested funds	-	2,054	-	2,054
Property tax receipts	-	24,904	-	24,904
Total sources of funds	233,020	195,214	-	(37,806)
Uses of funds				
Land acquisitions	80,000	80,635	-	(635)
Bond payments:				
Principal	80,000	80,000	-	-
Interest	73,020	73,342	-	(322)
Administrative costs/fiscal agent fees	-	363	-	(363)
Total uses of funds	233,020	234,340	-	(1,320)
District balance (deficiency)	-	(39,126)	-	(39,126)
Transfers from other funds	-	2,855	-	2,855
Transfers to other funds	-	-	(611)	(611)
Transfers to other districts	-	(767)	-	(767)
Transfers from other districts	-	37,649	-	37,649
Funds remaining	\$ -	\$ 611	\$ (611)	\$ -

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (CONNELL/KLOSTERBUER VAGJRT), A TAX INCREMENT FINANCING DISTRICT
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2013

Table 22

	Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Bond proceeds	\$ 95,000	\$ 95,000	\$ -	\$ -
Tax increments	150,000	77,080	-	(72,920)
Property taxes	-	24,579	-	24,579
Residential market value credit	-	1,690	-	1,690
Interest on invested funds	-	334	-	334
Real estate sales	6,000	6,000	-	-
Total sources of funds	251,000	204,683	-	(46,317)
Uses of funds				
Site improvements or preparation costs	65,600	115,180	-	(49,580)
Bond payments:				
Principal	95,000	95,000	-	-
Interest	49,556	49,611	-	(55)
Administrative costs	-	6,334	-	(6,334)
Total uses of funds	210,156	266,125	-	(55,969)
District balance (deficiency)	40,844	(61,442)	-	(102,286)
Transfers from other funds	-	-	37,636	37,636
Transfers from other districts	-	23,806	-	23,806
Funds remaining (deficient)	\$ 40,844	\$ (37,636)	\$ 37,636	\$ (40,844)

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (PAMIDA), A TAX INCREMENT FINANCING DISTRICT
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2013

Table 23

	Original Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Bond proceeds	\$ 525,000	\$ 1,391,375	\$ -	\$ 866,375
Tax increments	1,220,000	415,120	23,933	(780,947)
Interest on invested funds	-	10,262	(297)	9,965
Market value homestead credit	-	3,553	-	3,553
Property taxes/state aids	-	109,072	17,958	127,030
Total sources of funds	1,745,000	1,929,382	41,594	225,976
Uses of funds				
Installation of public utilities and improvements	525,000	554,556	-	(29,556)
Bond payments:				
Principal	525,000	1,055,000	30,000	(560,000)
Interest	544,000	353,004	7,163	183,833
Administrative costs	-	26,152	106	(26,258)
Total uses of funds	1,594,000	1,988,712	37,269	(431,981)
District balance (deficiency)	151,000	(59,330)	4,325	(206,005)
Transfers to other districts	-	(13,962)	-	(13,962)
Transfers from other funds	-	139,346	-	139,346
Funds remaining (deficient)	\$ 151,000	\$ 66,054	\$ 4,325	\$ (80,621)

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (MINNWEST), A TAX INCREMENT FINANCING DISTRICT
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2013

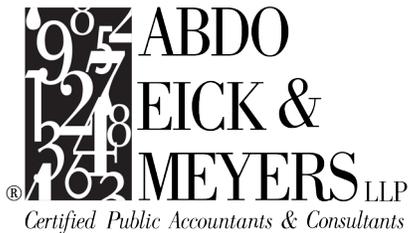
Table 24

	Original Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Loan proceeds	\$ 47,000	\$ 47,000	\$ -	\$ -
Tax increments	53,000	20,801	1,011	(31,188)
Interest on invested funds	-	110	(64)	46
Other - up front contribution	4,500	-	-	(4,500)
Market value homestead credit	-	3,856	-	3,856
Property taxes/state aid	-	27,907	10,948	38,855
	<u>104,500</u>	<u>99,674</u>	<u>11,895</u>	<u>7,069</u>
Uses of funds				
Site improvements or preparation costs	47,000	50,329	-	(3,329)
Bond payments:				
Principal	47,000	17,417	1,959	27,624
Interest	51,300	39,855	1,768	9,677
	<u>145,300</u>	<u>107,601</u>	<u>3,727</u>	<u>33,972</u>
District balance (deficiency)	(40,800)	(7,927)	8,168	41,041
Transfers from other districts	-	13,857	-	13,857
Funds remaining (deficient)	<u>\$ (40,800)</u>	<u>\$ 5,930</u>	<u>\$ 8,168</u>	<u>\$ 54,898</u>

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (LUVERNE FAMILY HOUSING), A TAX INCREMENT FINANCING DISTRICT
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2013

Table 25

	Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Tax increments	\$ 300,000	\$ 144,559	\$ 8,391	\$ (147,050)
Interest on invested funds	-	744	(10)	734
Total sources of funds	300,000	145,303	8,381	(146,316)
Uses of funds				
Site improvements or preparation costs	300,000	139,215	8,645	152,140
Bond payments:				
Principal	300,000	-	-	300,000
Interest	314,815	-	-	314,815
Administrative costs/fiscal agent fees	30,000	-	-	30,000
Total uses of funds	944,815	139,215	8,645	796,955
District balance (deficiency)	(644,815)	6,088	(264)	650,639
Transfers to other districts	-	(896)	-	(896)
Funds remaining (deficient)	\$ (644,815)	\$ 5,192	\$ (264)	\$ 649,743



INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Luverne, Minnesota (the City) as of and for the year ended December 31, 2013, 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 8, 2014.

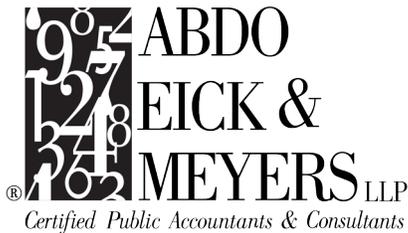
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and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

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

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 8, 2014



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 Luverne
Luverne, 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 the City of Luverne, Minnesota (the City), as of and for the year ended December 31, 2013, 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 8, 2014.

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.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

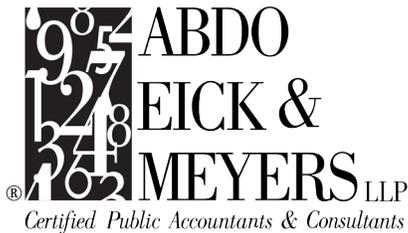
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Purpose of this Report

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 8, 2014



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

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Luverne's, Minnesota (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, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the 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 the 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 the City's internal control over compliance.

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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 8, 2014

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Awarding Agency	Pass-through Entity	Program Name	Federal Domestic Assistance Number	Amount Expended
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036	\$ 168,559
U.S. Department of Agriculture	Direct	Rural Business Enterprise Grants	10.769	99,990
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	357,568
U.S. Department of Housing and Urban Development	Minnesota Department of Employment and Economic Development	Community Development Block Grants - State's Program	14.228	<u>117,022</u>
	Total expended			<u>\$ 743,139</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of City of Luverne, Minnesota, (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on 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 program and accrual and modified accrual basis of accounting for nonmajor programs, which is described in Note 1B to the City's financial statements.

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CITY OF LUVERNE, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Luverne (the City).
2. No deficiencies were noted relating to the audit of the financial statements is 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 *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

1. No significant deficiencies in internal control over major federal award programs are disclosed in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by *OMB Circular A-133*.
2. The auditor's report on compliance for major federal award programs for the City expresses an unmodified opinion on all major federal programs.
3. There are no audit findings to be reported under Section 510(a) of *OMB Circular A-133*.
4. The programs tested as major programs were:

	CFDA
U.S. Department of Transportation Airport Improvement Program	20.106
U.S. Department of Housing and Urban Development Community Development Block Grants - State's Program	14.228

5. The threshold used for distinguishing between Types A and B programs was \$300,000.
6. The City was determined not to be a low-risk auditee.

B. Findings - Financial Statement Audit

None noted.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None noted.