

CITY OF LUVERNE
LUVERNE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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 4, 2015

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, 2014.

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, 2014, 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, 2014, 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 4,710. 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 Ford car dealership is under construction and is expected to open in the summer of 2015. Take 16 Brewery and W-2 Meat Market opened during 2014. 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. The State of Minnesota provided a \$22,000,000 grant to provide the funds necessary to bring water to Luverne and construction started in early 2015 and is expected to be complete by the end of the year.

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 \$21,957,172.

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 97 - 99.

The Finance Department updated the Internal Control and Accounting Policies and Procedures manual in 2014. 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, 2013. This was the nineteenth 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**

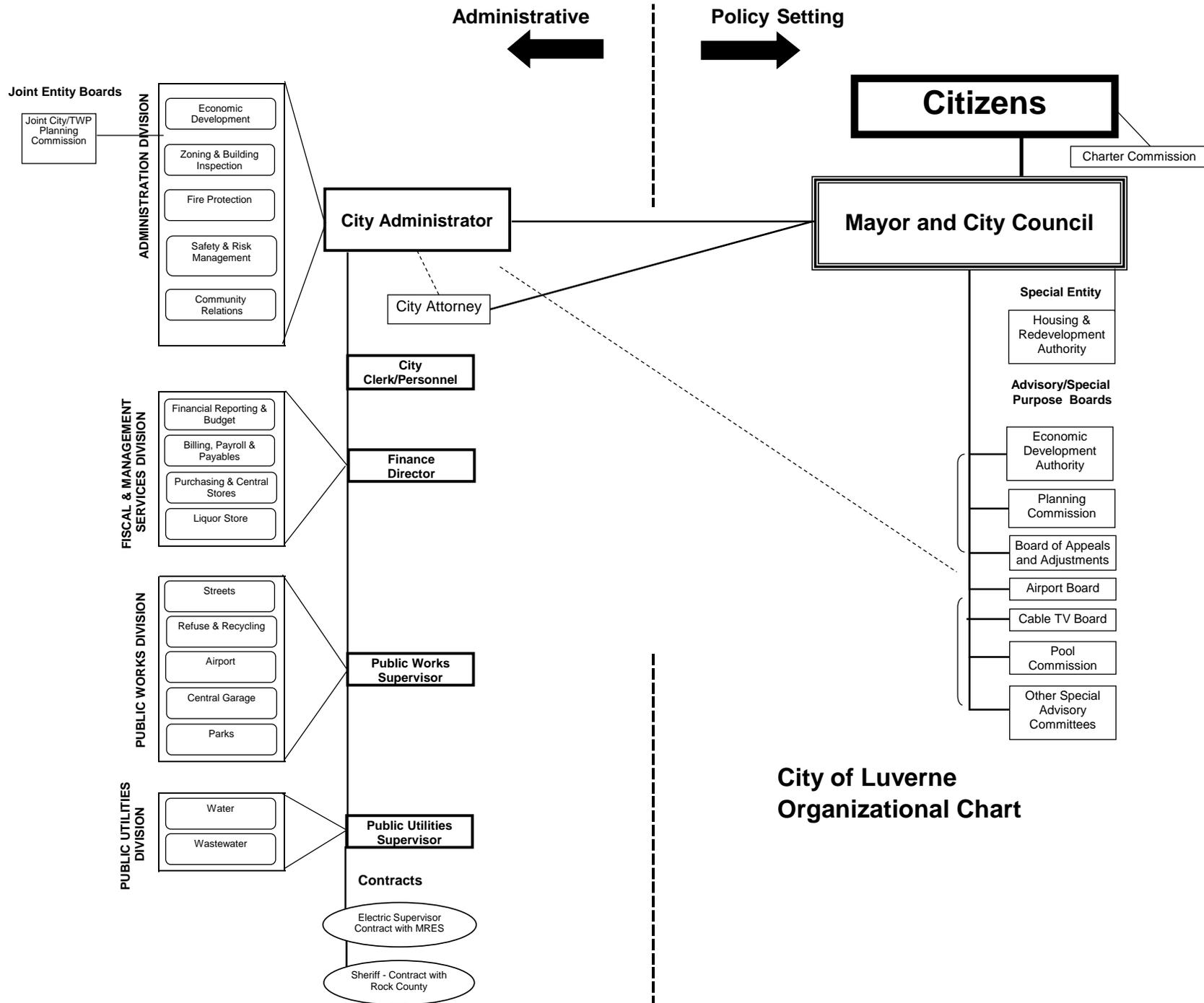
Presented to

**City of Luverne
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



**City of Luverne
Organizational Chart**

CITY OF LUVERNE, MINNESOTA

List of Elected and Appointed Officials

For the Year Ended December 31, 2014

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

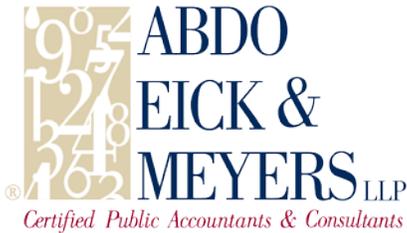
Finance Director

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2013 financial statements and, in our report dated May 8, 2014, we expressed unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General fund for the year then ended in accordance 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 102 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 combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 4, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo, Eick & Meyers, LLP

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

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, 2014. 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 \$48,388,995 (*net position*). Of this amount, \$20,635,739 (*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 \$1,285,330 compared to an increase of \$1,212,106 in the prior year. This consistency with the prior year is mainly attributable to operating revenues exceeding operating expenses in business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,061,151, a decrease of \$631,956 in comparison with the prior year. This decrease largely reflects principal payments made to pay off bonds in the amount of \$600,000 that were refunded in 2012 and had a call date in 2014. Approximately 28.2 percent of this total amount, \$1,426,910, 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 - \$447,520, 2) restricted - \$864,550, 3) committed - \$919,112, or 4) assigned - \$1,403,059 for the purposes described in Note 3.

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

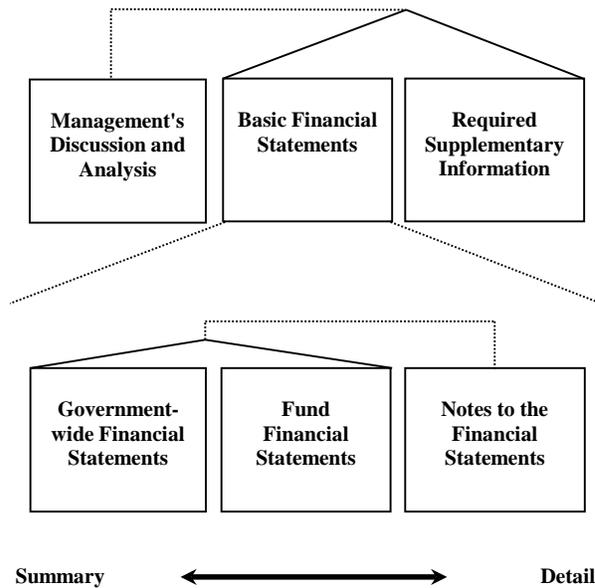


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 25 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 Economic Development Revolving Loan 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 29 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 34 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 54 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 55 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 106 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 \$48,388,995 at the close of the most recent fiscal year.

A large portion of the City's net position (55.0 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	\$ 5,960,090	\$ 6,747,630	\$ (787,540)	\$ 18,653,222	\$ 17,980,158	\$ 673,064	\$ 1,464,421	\$ 1,547,454	\$ (83,033)
Capital assets	13,803,201	13,750,134	53,067	21,393,894	18,260,304	3,133,590	2,071,454	2,002,920	68,534
Total assets	19,763,291	20,497,764	(734,473)	40,047,116	36,240,462	3,806,654	3,535,875	3,550,374	(14,499)
Long-term liabilities outstanding	3,173,292	4,063,644	(890,352)	6,937,794	4,550,307	2,387,487	5,904	4,424	1,480
Other liabilities	113,156	293,335	(180,179)	1,197,170	727,275	469,895	209,960	274,755	(64,795)
Total liabilities	3,286,448	4,356,979	(1,070,531)	8,134,964	5,277,582	2,857,382	215,864	279,179	(63,315)
Net investment in capital assets	11,182,230	11,065,650	116,580	15,422,740	14,733,982	688,758	1,907,996	1,810,291	97,705
Restricted	567,138	587,971	(20,833)	581,148	458,951	122,197	555,480	709,739	(154,259)
Unrestricted	4,727,475	4,487,164	240,311	15,908,264	15,769,947	138,317	856,535	751,165	105,370
Total net position	\$ 16,476,843	\$ 16,140,785	\$ 336,058	\$ 31,912,152	\$ 30,962,880	\$ 949,272	\$ 3,320,011	\$ 3,271,195	\$ 48,816

An additional portion of the City's net position (2.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (42.6 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 \$949,272 in net position reported in connection with the City's business-type activities. Charges for services/sales for business-type activities increased by \$1,156,818 or 11.1 percent. This increase is primarily related to an increase in utility consumption by the largest Industrial customer GEVO. Electric kwh sales increased 23 percent resulting in a 14 percent increase in sales revenue and Water sales increased by 22 percent resulting in a 16 percent increase in sales revenue.

Governmental activities. Governmental activities increased the City's net position by \$336,058 during the year, accounting for 26.1 percent of the total growth in the City's net position. Key elements of the various increases and decreases are as follows:

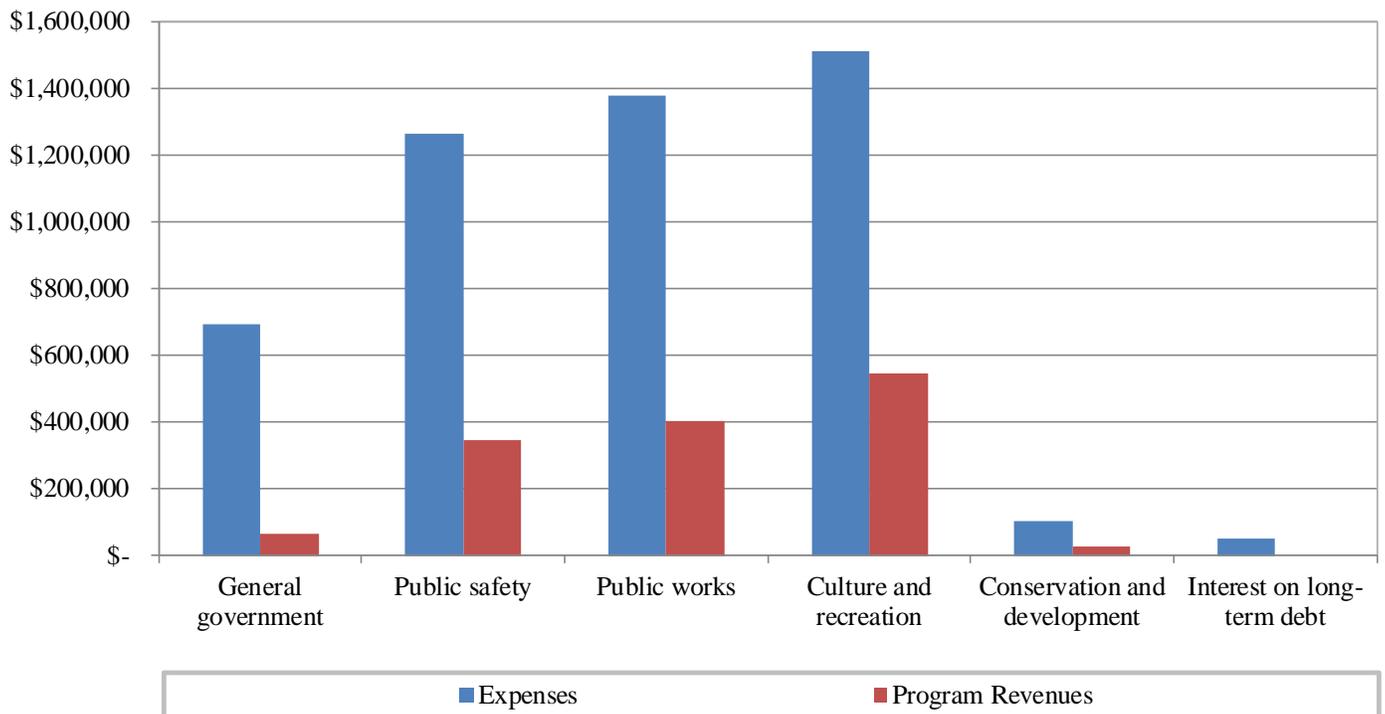
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2014	2013	Increase	2014	2013	Increase	2014	2013	Increase
			(Decrease)			(Decrease)			(Decrease)
Revenues									
Program revenues									
Charges for services	\$ 933,679	\$ 876,509	\$ 57,170	\$ 11,830,436	\$ 10,673,618	\$ 1,156,818	\$ 145,876	\$ 158,221	\$ (12,345)
Operating grants and contributions	389,345	164,929	224,416	21,780	72,654	(50,874)	-	217,012	(217,012)
Capital grants and contributions	62,178	743,378	(681,200)	-	360	(360)	-	-	-
General revenues									
Property taxes/									
tax increments	1,471,452	1,415,322	56,130	50,007	25,131	24,876	958	12,050	(11,092)
Other taxes	440,570	372,560	68,010	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,383,294	1,264,952	118,342	-	-	-	200,000	198,500	1,500
Unrestricted investment earnings (loss)	125,689	33,647	92,042	253,008	(99,048)	352,056	25,475	7,763	17,712
Other	1,921	46	1,875	-	721	(721)	-	1,500	(1,500)
Gain on sale of capital assets	12,745	-	12,745	-	-	-	23,250	-	23,250
Total revenues	4,820,873	4,871,343	(50,470)	12,155,231	10,673,436	1,481,795	395,559	595,046	(199,487)
Expenses									
General government	694,390	700,138	(5,748)	-	-	-	-	-	-
Public safety	1,264,489	1,114,561	149,928	-	-	-	-	-	-
Public works	1,378,361	1,599,497	(221,136)	-	-	-	-	-	-
Culture and recreation	1,508,418	987,814	520,604	-	-	-	-	-	-
Conservation and development	103,906	94,351	9,555	-	-	-	-	-	-
Interest on long-term debt	50,251	81,184	(30,933)	-	-	-	-	-	-
Water	-	-	-	1,107,274	1,021,691	85,583	-	-	-
Sewer	-	-	-	1,017,470	1,048,553	(31,083)	-	-	-
Refuse and recycling	-	-	-	399,265	415,337	(16,072)	-	-	-
Electric	-	-	-	6,899,422	6,081,811	817,611	-	-	-
Storm sewer	-	-	-	82,267	75,106	7,161	-	-	-
Liquor	-	-	-	1,185,261	1,112,630	72,631	-	-	-
Economic development	-	-	-	-	-	-	346,743	912,693	(565,950)
Total expenses	4,999,815	4,577,545	422,270	10,690,959	9,755,128	935,831	346,743	912,693	(565,950)
Increase in net position before transfers	(178,942)	293,798	(472,740)	1,464,272	918,308	545,964	48,816	(317,647)	366,463
Transfers	515,000	642,000	(127,000)	(515,000)	(642,000)	127,000	-	-	-
Change in net position	336,058	935,798	(599,740)	949,272	276,308	672,964	48,816	(317,647)	366,463
Net position, January 1	16,140,785	15,204,987	935,798	30,962,880	30,686,572	276,308	3,271,195	3,588,842	(317,647)
Net position, December 31	\$ 16,476,843	\$ 16,140,785	\$ 336,058	\$ 31,912,152	\$ 30,962,880	\$ 949,272	\$ 3,320,011	\$ 3,271,195	\$ 48,816

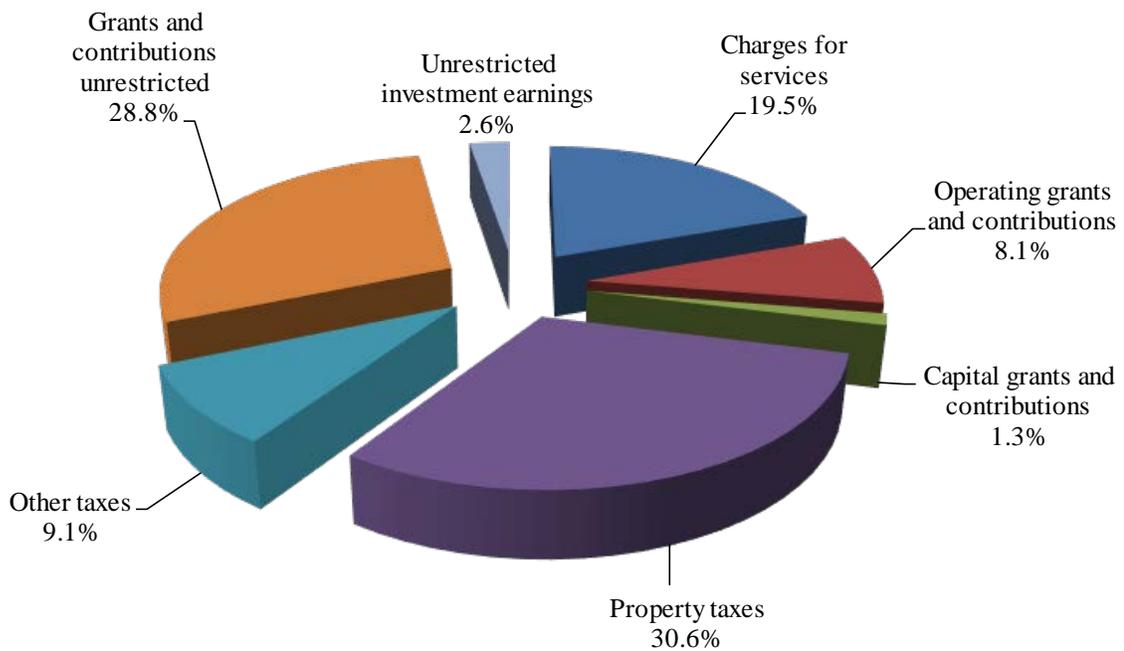
Property tax levies increased by \$69,771 (8.8 percent) during the year.

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

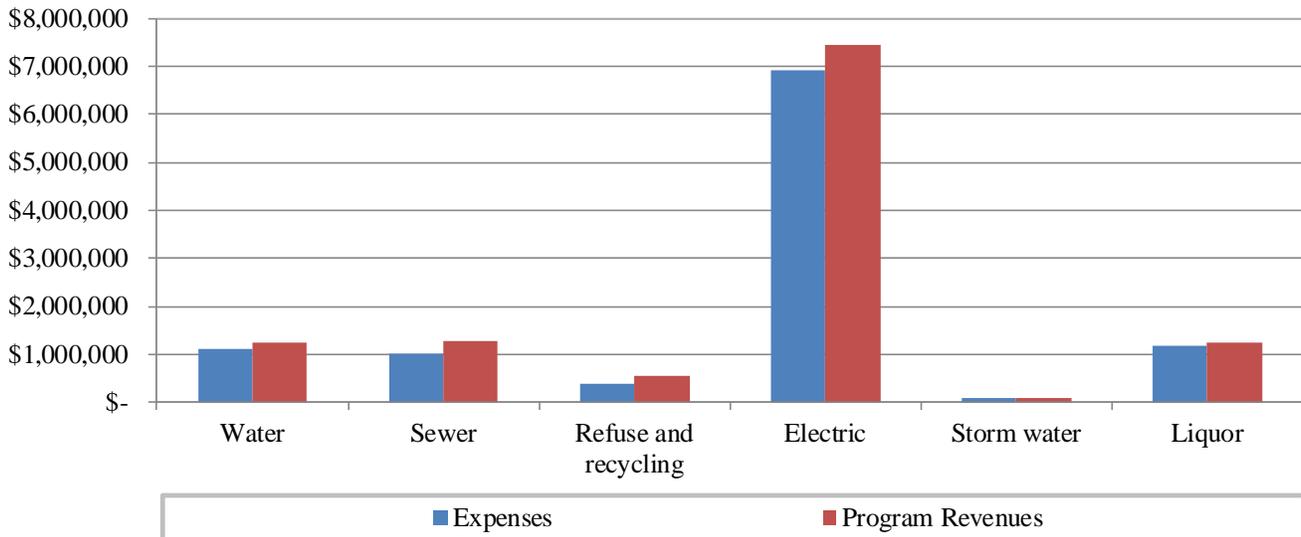


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

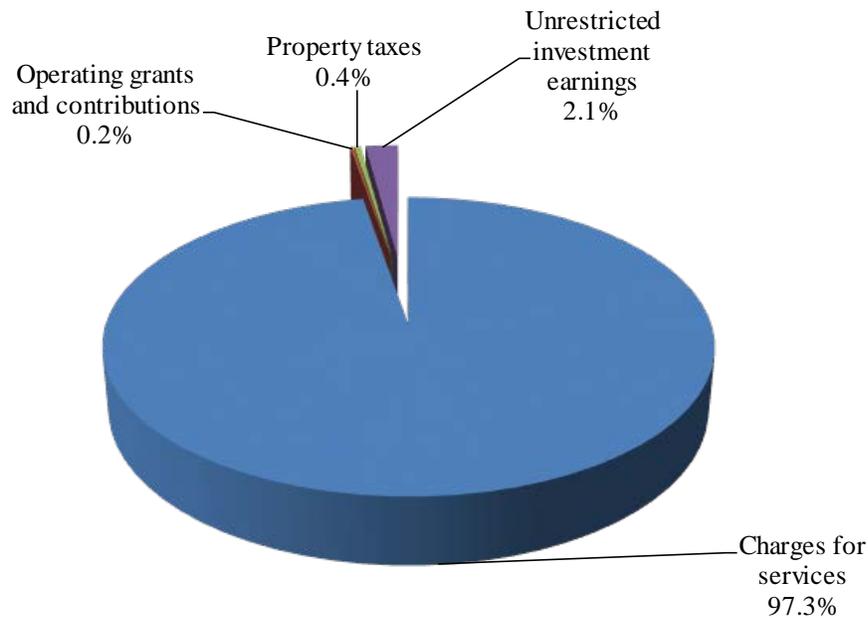
Business-type activities. Business-type activities increased the City’s net position by \$949,272, accounting for 73.9 percent of the total growth in the City’s net position. This is higher than the previous year’s increase of \$276,308. Key elements of this increase are as follows:

- Operating revenue for business-type activities increased by \$1,100,771 while operating expenses increased by \$664,846. Utility revenue increase primarily due to increased consumption of water and electricity by the largest Industrial customer GEVO.
- Investments earnings were over \$350,000 more than the previous year due to market value decreases at 2013 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.

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 \$1,528,220, while total fund balance reached \$2,837,223. 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 46.7 percent of total General fund expenditures, while total fund balance represents 86.7 percent of that same amount.

The fund balance of the City's General fund increased by \$149,182 during the current fiscal year. Key factors in this growth are as follows:

- This stable level of growth is due to total revenues being \$368,085 more than budgeted and expenditures being only \$259,813 more than budgeted even after budget amendments to allow for additional costs relating to flood 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 *Debt Service fund* has a total fund balance of \$853,040, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$663,786 during the current year in the Debt Service fund was primarily due to principal payments made to pay off bonds in the amount of \$600,000 that were refunded in 2012 and had a call date in 2014.

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 \$2,674,974. 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 \$3,401,002. Unrestricted net position of the Electric fund at the end of year amounted to \$7,159,200. Those for the Liquor Store operation amounted to \$499,243. The total growth in net position for all enterprise funds was \$1,090,870.

General Fund Budgetary Highlights

The final amended budget for the General fund was a \$75,800 increase in appropriations to allow \$8,000 for increased legal costs related to the Cable TV Franchise renewal process, \$16,100 for the required increase in the payment to the Luverne Fire Relief Association resulted from increased State Fire Aid revenue, increased personal service costs of \$39,333 in Public Works and \$2,367 in Parks due to flood damage cleanup costs and \$10,000 in Culture and Development also related to flood damage cleanup costs.

At the close of the year, General fund total expenditures were \$259,813 greater than the final budget while actual revenues exceeded the final budget by \$368,085.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$35,197,095 (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 purchased a backwash pump at a cost of \$21,000, invested \$1,125,730 for a replacement water storage tank at the south well field and invested \$2,108,431 for two above ground water storage tanks at the north water plant.
- The Sewer fund invested \$348,535 toward the construction of dissolved air flotation thickener process at the wastewater treatment plant.
- The Electric fund invested \$62,215 in roof repair at the power plant, \$90,725 for automatic metering equipment, and \$66,837 in street light poles and fixtures to convert to LED light technology. In addition the Electric fund invested \$464,985 in upgrades to generators to comply with RICE rules for air emission improvements.
- The Street department purchased a truck and plow at a cost of \$233,485 and a shouldering machine at a cost of \$19,914.
- The Fire department purchased a new generator for the fire hall at a cost of \$38,650, additional portable radios at a cost of \$11,698.
- The Park department purchased picnic tables at a cost of \$17,697 to replace those lost in the flood and playground equipment in the amount of \$102,918.
- The Swimming Pool fund invested \$65,280 in building and roof maintenance for their facility.

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

	Primary Government						Component Unit Activities		
	Governmental Activities			Business-type Activities			2014	2013	Increase (Decrease)
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)			
Land	\$ 2,054,889	\$ 2,012,889	\$ 42,000	\$ 203,715	\$ 203,715	\$ -	\$ 760,234	\$ 627,002	\$ 133,232
Buildings	4,800,083	4,448,221	351,862	499,729	559,106	(59,377)	1,307,914	1,372,028	(64,114)
Improvements	5,136,321	4,895,940	240,381	15,644,195	16,180,247	(536,052)	-	-	-
Machinery and equipment	1,794,482	1,223,569	570,913	660,504	742,465	(81,961)	3,306	3,890	(584)
Construction in progress	17,426	1,169,515	(1,152,089)	4,385,751	574,771	3,810,980	-	-	-
Total	\$ 13,803,201	\$ 13,750,134	\$ 53,067	\$ 21,393,894	\$ 18,260,304	\$ 3,133,590	\$ 2,071,454	\$ 2,002,920	\$ 68,534

Additional information on the City's capital assets can be found in Note 3F starting on page 76 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,213,000. 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation bonds	\$ 1,310,000	\$ 1,445,000	\$ (135,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	285,000	315,000	(30,000)	-	-	-
G.O. improvement bonds	620,000	1,320,000	(700,000)	-	-	-
General obligation revenue bonds	-	-	-	6,530,000	4,210,000	2,320,000
Equipment certificates	468,000	479,000	(11,000)	-	-	-
Notes/loans	224,703	269,259	(44,556)	-	-	-
Total	\$ 2,907,703	\$ 3,828,259	\$ (920,556)	\$ 6,530,000	\$ 4,210,000	\$ 2,320,000

The City's total debt increased by \$1,399,444 or 17.4 percent. One factor in this increase was the issuance of \$2,715,000 in bonds. An additional factor affecting total debt was the retirement of existing debt of \$1,315,556 which included the payment of principal on bonds in the amount of \$600,000 that were refunded in 2012 that had a call date in 2014.

The City received an "AA-" rating from Standard & Poor's on the 2014 G.O. Water Revenue Bonds. 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 \$5,455,201 which is in net of the City's outstanding general obligation debt and Equipment Certificates of \$1,778,000.

Additional information on the City's long-term debt can be found in Note 3G starting on page 80 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.
- An electric rate study was conducted in 2014 and the approved rate increases include a 2.3 percent increase for 2015, a 2.4 percent increase for 2016 and a 2.4 percent increase for 2017.
- Other approved rate increases for 2015 include a 2.0 percent increase for sewer rates and a 4.0 percent increase for water rates.
- 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 2015 fiscal year.

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 5,221,527	\$ 16,171,218	\$ 21,392,745	\$ 1,186,227
Receivables (net of allowance for uncollectibles)				
Accrued interest	17,589	35,761	53,350	4,155
Delinquent taxes	15,172	65	15,237	57
Accounts, net	22,219	668,354	690,573	-
Loans/contracts	218,104	587,849	805,953	251,328
Special assessments	5,149	5,733	10,882	-
Intergovernmental	229,562	1,287	230,849	-
Internal balances	25,920	(25,920)	-	-
Due from component unit	188,895	3,031	191,926	-
Inventories	14,665	635,097	649,762	-
Prepaid items	1,288	6,320	7,608	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	-	564,427	564,427	22,654
Capital assets				
Nondepreciable assets	2,072,315	4,589,466	6,661,781	760,234
Depreciable assets, net of accumulated depreciation	11,730,886	16,804,428	28,535,314	1,311,220
TOTAL ASSETS	19,763,291	40,047,116	59,810,407	3,535,875
LIABILITIES				
Accounts payable	51,684	664,104	715,788	3,444
Contracts payable	-	99,549	99,549	-
Retainage payable	-	195,992	195,992	-
Due to primary government	-	-	-	191,926
Due to other governments	1,355	37,153	38,508	-
Accrued interest payable	16,099	83,535	99,634	-
Wages and related benefits payable	44,018	44,593	88,611	2,590
Deposits payable	-	72,244	72,244	2,000
Unearned revenue	-	-	-	10,000
Noncurrent liabilities				
Due within one year	458,817	480,940	939,757	2,941
Due in more than one year	2,714,475	6,456,854	9,171,329	2,963
TOTAL LIABILITIES	3,286,448	8,134,964	11,421,412	215,864
NET POSITION				
Net investment in capital assets	11,182,230	15,422,740	26,604,970	1,907,996
Restricted				
Debt service	567,138	581,148	1,148,286	-
Economic development	-	-	-	555,480
Unrestricted	4,727,475	15,908,264	20,635,739	856,535
TOTAL NET POSITION	\$ 16,476,843	\$ 31,912,152	\$ 48,388,995	\$ 3,320,011

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 694,390	\$ 63,052	\$ -	\$ 2,125
Public safety	1,264,489	282,266	41,894	21,823
Public works	1,378,361	354,203	10,959	35,730
Culture and recreation	1,508,418	205,624	336,492	2,500
Conservation and development	103,906	28,534	-	-
Interest and other costs	50,251	-	-	-
Total governmental activities	<u>4,999,815</u>	<u>933,679</u>	<u>389,345</u>	<u>62,178</u>
Business-type activities				
Water	1,107,274	1,237,390	4,500	-
Sewer	1,017,470	1,256,889	11,411	-
Refuse and recycling	399,265	554,170	-	-
Electric	6,899,422	7,445,013	5,869	-
Storm sewer	82,267	87,815	-	-
Liquor	1,185,261	1,249,159	-	-
Total business-type activities	<u>10,690,959</u>	<u>11,830,436</u>	<u>21,780</u>	<u>-</u>
Total primary government	<u>\$ 15,690,774</u>	<u>\$ 12,764,115</u>	<u>\$ 411,125</u>	<u>\$ 62,178</u>
Component unit				
Luverne Economic Development Authority	<u>\$ 346,743</u>	<u>\$ 145,876</u>	<u>\$ -</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
Other
Gain on sale of assets
Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net Revenue (Expense) and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (629,213)		\$ (629,213)	
(918,506)		(918,506)	
(977,469)		(977,469)	
(963,802)		(963,802)	
(75,372)		(75,372)	
(50,251)		(50,251)	
<u>(3,614,613)</u>		<u>(3,614,613)</u>	
	\$ 134,616	134,616	
	250,830	250,830	
	154,905	154,905	
	551,460	551,460	
	5,548	5,548	
	<u>63,898</u>	<u>63,898</u>	
	1,161,257	1,161,257	
<u>(3,614,613)</u>	<u>1,161,257</u>	<u>(2,453,356)</u>	
			<u>\$ (200,867)</u>
1,056,987	50,007	1,106,994	-
380,489	-	380,489	(76)
33,976	-	33,976	1,034
440,570	-	440,570	-
1,383,294	-	1,383,294	200,000
125,689	253,008	378,697	25,475
1,921	-	1,921	-
12,745	-	12,745	23,250
515,000	(515,000)	-	-
<u>3,950,671</u>	<u>(211,985)</u>	<u>3,738,686</u>	<u>249,683</u>
336,058	949,272	1,285,330	48,816
<u>16,140,785</u>	<u>30,962,880</u>	<u>47,103,665</u>	<u>3,271,195</u>
<u>\$ 16,476,843</u>	<u>\$ 31,912,152</u>	<u>\$ 48,388,995</u>	<u>\$ 3,320,011</u>

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

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CITY OF LUVERNE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	101	300s	Other	Total
	General	Debt Service	Governmental Funds	Governmental Funds
ASSETS				
Cash and temporary investments	\$ 2,246,951	\$ 853,932	\$ 1,477,736	\$ 4,578,619
Receivables (net of allowance for uncollectibles)				
Accrued interest	11,949	1,185	3,517	16,651
Delinquent taxes	11,053	3,687	432	15,172
Accounts, net	9,284	-	12,935	22,219
Loans/contracts	218,104	-	-	218,104
Special assessments	3,156	-	1,993	5,149
Intergovernmental	203,869	2,423	23,270	229,562
Due from other funds	187,919	-	81	188,000
Due from component unit	25,544	-	163,458	189,002
Inventories, at cost	2,313	-	12,352	14,665
Prepaid items	648	-	640	1,288
TOTAL ASSETS	\$ 2,920,790	\$ 861,227	\$ 1,696,414	\$ 5,478,431
LIABILITIES				
Accounts payable	\$ 35,591	\$ -	\$ 11,232	\$ 46,823
Due to other funds	67	4,500	300,014	304,581
Due to other governments	596	-	759	1,355
Unapplied credits payable	3,772	-	-	3,772
Wages and related benefits payable	29,332	-	11,096	40,428
TOTAL LIABILITIES	69,358	4,500	323,101	396,959
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	11,053	3,687	432	15,172
Special assessments	3,156	-	1,993	5,149
TOTAL DEFERRED INFLOWS OF RESOURCES	14,209	3,687	2,425	20,321
FUND BALANCES				
Nonspendable	434,528	-	12,992	447,520
Restricted	11,510	853,040	-	864,550
Committed	25,000	-	894,112	919,112
Assigned	837,965	-	565,094	1,403,059
Unassigned	1,528,220	-	(101,310)	1,426,910
TOTAL FUND BALANCES	2,837,223	853,040	1,370,888	5,061,151
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,920,790	\$ 861,227	\$ 1,696,414	\$ 5,478,431

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

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

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

Total fund balances - governmental funds	\$ 5,061,151
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	13,695,688
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	(22,790)
Loans payable	(224,703)
Bonds payable	(2,683,000)
Unamortized bond discounts	1,732
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	15,172
Special assessments receivable	5,149
Governmental funds do not report a liability for accrued interest until due and payable.	(16,099)
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.	644,543
	<hr style="border-top: 1px solid black;"/>
Total net position - governmental activities	<u><u>\$ 16,476,843</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, 2014

	101	300s	Other	Total
	General	Debt Service	Governmental Funds	Governmental Funds
REVENUES				
Property and other taxes	\$ 1,497,304	\$ 380,948	\$ 136	\$ 1,878,388
Tax increments	-	34,090	-	34,090
Licenses and permits	115,962	-	-	115,962
Intergovernmental	1,760,048	-	46,022	1,806,070
Charges for services	259,104	-	425,948	685,052
Special assessments	2,125	-	3,445	5,570
Investment income	64,732	8,582	25,629	98,943
Miscellaneous	72,718	1,921	105,845	180,484
TOTAL REVENUES	3,771,993	425,541	607,025	4,804,559
EXPENDITURES				
Current				
General government	538,847	-	4,645	543,492
Public safety	1,140,298	-	-	1,140,298
Public works	716,768	-	321,732	1,038,500
Culture and recreation	786,700	-	473,112	1,259,812
Conservation and development	78,676	7,934	7,562	94,172
Capital outlay				
Public safety	-	-	291,915	291,915
Public works	-	-	272,636	272,636
Culture and recreation	-	-	302,707	302,707
Conservation and development	-	-	42,000	42,000
Debt service				
Principal	11,000	265,000	44,556	320,556
Interest and other costs	1,254	52,763	4,155	58,172
TOTAL EXPENDITURES	3,273,543	325,697	1,765,020	5,364,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	498,450	99,844	(1,157,995)	(559,701)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	245	-	12,500	12,745
Transfers in	242,671	12,458	1,260,601	1,515,730
Transfers out	(592,184)	(176,088)	(232,458)	(1,000,730)
Payment to refunded bond escrow agent	-	(600,000)	-	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	(349,268)	(763,630)	1,040,643	(72,255)
NET CHANGE IN FUND BALANCES	149,182	(663,786)	(117,352)	(631,956)
FUND BALANCES, JANUARY 1	2,688,041	1,516,826	1,488,240	5,693,107
FUND BALANCES, DECEMBER 31	\$ 2,837,223	\$ 853,040	\$ 1,370,888	\$ 5,061,151

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

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, 2014

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

Net change in fund balances - governmental funds \$ (631,956)

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	963,074
Depreciation expense	(915,062)

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	920,556
Amortization of bond discounts	(214)

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.

8,135

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	(456)
Special assessments	(2,778)

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	(2,259)
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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.

(2,982)

Change in net position - governmental activities	<u><u>\$ 336,058</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,493,345	\$ 1,493,345	\$ 1,497,304	\$ 3,959
Licenses and permits	65,425	65,425	115,962	50,537
Intergovernmental	1,383,360	1,487,338	1,760,048	272,710
Charges for services	240,100	240,100	259,104	19,004
Special assessments	-	-	2,125	2,125
Investment income	55,000	55,000	64,732	9,732
Miscellaneous	62,700	62,700	72,718	10,018
TOTAL REVENUES	3,299,930	3,403,908	3,771,993	368,085
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	245	245
Transfers in	223,000	243,070	242,671	(399)
TOTAL OTHER FINANCING SOURCES	223,000	243,070	242,916	(154)
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,522,930	3,646,978	4,014,909	367,931
EXPENDITURES				
General government	557,140	565,140	538,847	26,293
Public safety	1,113,302	1,129,402	1,140,298	(10,896)
Public works	663,395	702,728	716,768	(14,040)
Culture and recreation	520,533	522,900	786,700	(263,800)
Conservation and development	70,950	80,950	78,676	2,274
Debt service	12,610	12,610	12,254	356
TOTAL EXPENDITURES	2,937,930	3,013,730	3,273,543	(259,813)
OTHER FINANCING USES				
Transfers out	585,000	585,000	592,184	(7,184)
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,522,930	3,598,730	3,865,727	(266,997)
NET CHANGE IN FUND BALANCES	-	48,248	149,182	100,934
FUND BALANCES, JANUARY 1	2,688,041	2,688,041	2,688,041	-
FUND BALANCES, DECEMBER 31	\$ 2,688,041	\$ 2,736,289	\$ 2,837,223	\$ 100,934

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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 3,535,945	\$ 3,776,265	\$ 3,305,812	\$ 3,338,290
Receivables (net of allowance for uncollectibles)				
Accrued interest	9,706	7,532	8,708	6,446
Delinquent taxes	-	-	65	91
Accounts, net	91,296	86,543	92,949	102,739
Loans	2,782	3,741	7,179	4,030
Delinquent special assessments	1,468	1,179	-	-
Intergovernmental	-	-	1,140	1,120
Due from other funds	23,319	27,918	23,319	27,918
Due from component unit	-	-	-	-
Inventories, at cost	13,088	14,119	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	3,677,604	3,917,297	3,439,172	3,480,634
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	295,075	228,444	216,576	211,670
Special assessments receivable				
Noncurrent	989	636	1,893	4,482
Loans receivable - noncurrent	69,205	84,153	144,770	84,153
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	7,273,348	8,470,528	8,030,418
Machinery and equipment	344,886	317,294	407,585	407,335
Construction in progress	3,462,156	68,176	400,727	448,559
Total capital assets	12,157,059	8,735,487	9,706,385	9,313,857
Less accumulated depreciation	(5,112,151)	(4,856,417)	(4,777,793)	(4,478,495)
Total capital assets (net of accumulated depreciation)	7,044,908	3,879,070	4,928,592	4,835,362
TOTAL NONCURRENT ASSETS	7,410,177	4,192,303	5,291,831	5,135,667
TOTAL ASSETS	11,087,781	8,109,600	8,731,003	8,616,301

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		2014	2013
2014	2013	2014	2013	2014	2013
\$ 6,780,854	\$ 6,058,568	\$ 420,054	\$ 366,836	\$ 1,003,292	\$ 770,582
12,331	10,953	737	660	1,641	1,648
-	-	-	-	-	-
435,534	433,088	-	-	48,201	50,982
11,140	10,169	-	-	155,049	187,244
-	-	-	-	-	-
147	-	-	-	-	-
46,638	55,835	-	-	23,319	27,918
-	-	-	-	-	-
474,359	507,518	146,279	134,239	1,371	1,371
-	-	-	-	-	-
<u>7,761,003</u>	<u>7,076,131</u>	<u>567,070</u>	<u>501,735</u>	<u>1,232,873</u>	<u>1,039,745</u>
47,291	47,868	-	-	5,485	5,582
-	-	-	-	1,383	1,929
<u>86,975</u>	<u>93,106</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
15,485,219	15,213,494	20,359	20,359	1,326,739	1,326,739
587,067	594,323	82,185	82,185	758,450	758,450
522,868	58,036	-	-	-	-
17,729,582	17,000,281	217,948	217,948	2,227,387	2,227,387
(9,451,121)	(8,727,005)	(138,148)	(132,061)	(1,223,983)	(1,115,818)
<u>8,278,461</u>	<u>8,273,276</u>	<u>79,800</u>	<u>85,887</u>	<u>1,003,404</u>	<u>1,111,569</u>
<u>8,412,727</u>	<u>8,414,250</u>	<u>79,800</u>	<u>85,887</u>	<u>1,010,272</u>	<u>1,119,080</u>
<u>16,173,730</u>	<u>15,490,381</u>	<u>646,870</u>	<u>587,622</u>	<u>2,243,145</u>	<u>2,158,825</u>

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2014 AND 2013

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2014	2013
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 15,045,957	\$ 14,310,541	\$ 1,768,169	\$ 1,821,872
Receivables (net of allowance for uncollectibles)				
Accrued interest	33,123	27,239	3,576	3,863
Delinquent taxes	65	91	-	-
Accounts, net	667,980	673,352	374	607
Loans	176,150	205,184	110,749	133,746
Delinquent special assessments	1,468	1,179	-	-
Intergovernmental	1,287	1,120	-	-
Due from other funds	116,595	139,589	-	-
Due from component unit	-	-	-	-
Inventories, at cost	635,097	657,247	-	-
Prepaid items	-	-	6,320	6,154
TOTAL CURRENT ASSETS	16,677,722	16,015,542	1,889,188	1,966,242
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	564,427	493,564	-	-
Special assessments receivable				
Noncurrent	4,265	7,047	-	-
Loans receivable - noncurrent	300,950	261,412	-	-
Capital assets				
Land	203,715	203,715	-	-
Buildings	2,692,529	2,692,529	139,355	130,303
Improvements and infrastructure	32,576,193	31,864,358	79,763	79,763
Machinery and equipment	2,180,173	2,159,587	421,979	399,963
Construction in progress	4,385,751	574,771	-	-
Total capital assets	42,038,361	37,494,960	641,097	610,029
Less accumulated depreciation	(20,703,196)	(19,309,796)	(474,855)	(432,431)
Total capital assets (net of accumulated depreciation)	21,335,165	18,185,164	166,242	177,598
TOTAL NONCURRENT ASSETS	22,204,807	18,947,187	166,242	177,598
TOTAL ASSETS	38,882,529	34,962,729	2,055,430	2,143,840

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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2014	2013	2014	2013
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 35,003	\$ 41,620	\$ 17,118	\$ 29,476
Contracts payable	48,487	-	30,118	21,995
Retainage payable	159,317	-	15,731	-
Due to other funds	14	176	-	176
Due to other governments	1,117	1,029	-	164
Accrued interest payable	70,780	13,273	12,755	13,933
Wages and related benefits payable	8,412	7,374	10,886	9,734
Compensated absences payable - current	19,837	20,600	14,309	23,832
Customer deposits payable	9,045	8,921	9,071	8,987
Bonds payable - current	215,250	206,250	194,750	188,750
TOTAL CURRENT LIABILITIES	567,262	299,243	304,738	297,047
NONCURRENT LIABILITIES				
Compensated absences payable	49,872	50,330	56,077	59,711
Other postemployment benefits liability	5,673	5,695	9,538	9,564
Bonds payable	4,534,755	1,981,029	1,631,399	1,825,293
TOTAL NONCURRENT LIABILITIES	4,590,300	2,037,054	1,697,014	1,894,568
TOTAL LIABILITIES	5,157,562	2,336,297	2,001,752	2,191,615
NET POSITION				
Net investment in capital assets	2,899,903	2,366,791	3,102,443	2,821,319
Restricted for debt service	355,342	237,483	225,806	221,468
Unrestricted	2,674,974	3,169,029	3,401,002	3,381,899
TOTAL NET POSITION	\$ 5,930,219	\$ 5,773,303	\$ 6,729,251	\$ 6,424,686

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		2014	2013
2014	2013	2014	2013	2014	2013
\$ 564,226	\$ 439,642	\$ 35,157	\$ 6,725	\$ 10,583	\$ 10,269
20,944	-	-	-	-	-
20,944	-	-	-	-	-
-	154	-	-	-	-
20,143	20,368	12,393	10,883	3,500	3,638
-	-	-	-	-	-
6,643	5,739	5,728	5,018	4,517	4,519
9,511	7,947	2,670	67	9,046	7,897
47,291	47,868	1,352	1,389	5,485	5,582
-	-	-	-	-	-
<u>689,702</u>	<u>521,718</u>	<u>57,300</u>	<u>24,082</u>	<u>33,131</u>	<u>31,905</u>
39,748	39,140	7,564	6,592	20,343	27,294
6,619	6,076	2,963	2,641	4,827	5,221
-	-	-	-	-	-
<u>46,367</u>	<u>45,216</u>	<u>10,527</u>	<u>9,233</u>	<u>25,170</u>	<u>32,515</u>
<u>736,069</u>	<u>566,934</u>	<u>67,827</u>	<u>33,315</u>	<u>58,301</u>	<u>64,420</u>
8,278,461	8,273,276	79,800	85,887	1,003,404	1,111,569
-	-	-	-	-	-
<u>7,159,200</u>	<u>6,650,171</u>	<u>499,243</u>	<u>468,420</u>	<u>1,181,440</u>	<u>982,836</u>
<u>\$ 15,437,661</u>	<u>\$ 14,923,447</u>	<u>\$ 579,043</u>	<u>\$ 554,307</u>	<u>\$ 2,184,844</u>	<u>\$ 2,094,405</u>

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2014 AND 2013

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2014	2013
	2014	2013	2014	2013
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 662,087	\$ 527,732	\$ 3,106	\$ 4,147
Contracts payable	99,549	21,995	-	-
Retainage payable	195,992	-	-	-
Due to other funds	14	506	-	-
Due to other governments	37,153	36,082	-	-
Accrued interest payable	83,535	27,206	-	-
Wages and related benefits payable	36,186	32,384	11,997	9,236
Compensated absences payable - current	55,373	60,343	66,828	53,694
Customer deposits payable	72,244	72,747	-	-
Bonds payable - current	410,000	395,000	-	-
TOTAL CURRENT LIABILITIES	1,652,133	1,173,995	81,931	67,077
NONCURRENT LIABILITIES				
Compensated absences payable	173,604	183,067	269,943	232,205
Other postemployment benefits liability	29,620	29,197	10,803	7,279
Bonds payable	6,166,154	3,806,322	-	-
TOTAL NONCURRENT LIABILITIES	6,369,378	4,018,586	280,746	239,484
TOTAL LIABILITIES	8,021,511	5,192,581	362,677	306,561
NET POSITION				
Net investment in capital assets	15,364,011	14,658,842	166,242	177,598
Restricted for debt service	581,148	458,951	-	-
Unrestricted	14,915,859	14,652,355	1,526,511	1,659,681
TOTAL NET POSITION	30,861,018	29,770,148	\$ 1,692,753	\$ 1,837,279
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	1,051,134	1,192,732		
Net position of business-type activities	\$ 31,912,152	\$ 30,962,880		

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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services/sales	\$ 1,219,317	\$ 1,052,490	\$ 1,230,768	\$ 1,196,601
Cost of sales	-	-	-	-
Service income	15,421	11,780	22,188	20,251
Other income	1,962	3,006	3,485	3,627
TOTAL OPERATING REVENUES	1,236,700	1,067,276	1,256,441	1,220,479
OPERATING EXPENSES				
Personal services	232,900	244,359	328,045	331,498
Supplies	115,487	162,412	70,428	111,044
Other services and charges	267,068	269,686	205,836	245,964
Power purchased/delivered	-	-	-	-
Depreciation	271,032	255,867	314,596	276,087
TOTAL OPERATING EXPENSES	886,487	932,324	918,905	964,593
OPERATING INCOME (LOSS)	350,213	134,952	337,536	255,886
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	50,007	25,131
Federal grants and aids	-	-	8,558	-
State grants and aids	4,500	-	2,853	-
Special assessment income	-	-	-	360
Investment income (loss)	70,737	(25,817)	52,243	(21,756)
Rental income	690	690	448	454
Gain (loss) on disposition of assets	-	(4,107)	-	-
Interest on long-term debt	(90,823)	(34,399)	(31,223)	(33,617)
Interest on customer deposits	(1)	(12)	(1)	(12)
Amortization expense	(571)	(571)	(856)	(856)
Bond issuance costs	(62,829)	-	-	-
Contributions to component unit	(60,000)	(60,000)	(60,000)	(60,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(138,297)	(124,216)	22,029	(90,296)
INCOME (LOSS) BEFORE TRANSFERS	211,916	10,736	359,565	165,590
TRANSFERS OUT	(55,000)	(70,000)	(55,000)	(62,000)
CHANGE IN NET POSITION	156,916	(59,264)	304,565	103,590
NET POSITION, JANUARY 1	5,773,303	5,832,567	6,424,686	6,321,096
NET POSITION, DECEMBER 31	<u>\$ 5,930,219</u>	<u>\$ 5,773,303</u>	<u>\$ 6,729,251</u>	<u>\$ 6,424,686</u>

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	
2014	2013	2014	2013	2014	2013
\$ 7,277,602	\$ 6,394,461	\$ 1,249,159	\$ 1,178,689	\$ 620,851	\$ 605,797
-	-	(932,697)	(875,380)	-	-
111,025	102,345	-	-	5,965	5,361
56,386	82,124	-	-	525	34
<u>7,445,013</u>	<u>6,578,930</u>	<u>316,462</u>	<u>303,309</u>	<u>627,341</u>	<u>611,192</u>
194,974	210,718	145,596	140,857	136,788	169,903
223,082	307,775	14,942	26,593	43,195	47,862
1,223,673	1,279,999	85,449	67,338	168,984	160,314
4,444,877	3,569,863	-	-	-	-
739,414	691,374	6,087	5,507	108,165	100,752
<u>6,826,020</u>	<u>6,059,729</u>	<u>252,074</u>	<u>240,295</u>	<u>457,132</u>	<u>478,831</u>
<u>618,993</u>	<u>519,201</u>	<u>64,388</u>	<u>63,014</u>	<u>170,209</u>	<u>132,361</u>
-	-	-	-	-	-
5,869	54,491	-	-	-	-
-	18,163	-	-	-	-
-	-	-	-	-	-
89,417	(37,767)	5,348	(2,345)	13,596	(3,391)
-	-	-	-	14,644	15,908
-	(558)	-	-	-	-
-	-	-	-	(10)	(17)
(65)	(75)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(18,500)</u>
<u>35,221</u>	<u>(25,746)</u>	<u>5,348</u>	<u>(2,345)</u>	<u>8,230</u>	<u>(6,000)</u>
654,214	493,455	69,736	60,669	178,439	126,361
<u>(140,000)</u>	<u>(60,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(88,000)</u>	<u>(185,000)</u>
514,214	433,455	24,736	15,669	90,439	(58,639)
<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>
<u>\$ 15,437,661</u>	<u>\$ 14,923,447</u>	<u>\$ 579,043</u>	<u>\$ 554,307</u>	<u>\$ 2,184,844</u>	<u>\$ 2,094,405</u>

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

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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, 2014 AND 2013

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2014	2013
	2014	2013		
OPERATING REVENUES				
Charges for services/sales	\$ 11,597,697	\$ 10,428,038	\$ 676,292	\$ 730,243
Cost of sales	(932,697)	(875,380)	-	-
Service income	154,599	139,737	-	-
Other income	62,358	88,791	29,437	30,909
TOTAL OPERATING REVENUES	10,881,957	9,781,186	705,729	761,152
OPERATING EXPENSES				
Personal services	1,038,303	1,097,335	363,761	279,810
Supplies	467,134	655,686	44,570	48,337
Other services and charges	1,951,010	2,023,301	295,970	309,614
Power purchased/delivered	4,444,877	3,569,863	-	-
Depreciation	1,439,294	1,329,587	42,424	38,935
TOTAL OPERATING EXPENSES	9,340,618	8,675,772	746,725	676,696
OPERATING INCOME (LOSS)	1,541,339	1,105,414	(40,996)	84,456
NONOPERATING REVENUES (EXPENSES)				
Property taxes	50,007	25,131	-	-
Federal grants and aids	14,427	54,491	-	-
State grants and aids	7,353	18,163	-	-
Special assessment income	-	360	-	-
Investment income (loss)	231,341	(91,076)	28,470	(11,273)
Rental income	15,782	17,052	-	-
Gain (loss) on disposition of assets	-	(4,665)	-	-
Interest on long-term debt	(122,056)	(68,033)	-	-
Interest on customer deposits	(67)	(99)	-	-
Amortization expense	(1,427)	(1,427)	-	-
Bond issuance costs	(62,829)	-	-	-
Contributions to component unit	(200,000)	(198,500)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(67,469)	(248,603)	28,470	(11,273)
INCOME (LOSS) BEFORE TRANSFERS	1,473,870	856,811	(12,526)	73,183
TRANSFERS OUT	(383,000)	(422,000)	(132,000)	(220,000)
CHANGE IN NET POSITION	1,090,870	434,811	(144,526)	(146,817)
NET POSITION, JANUARY 1	29,770,148	29,335,337	1,837,279	1,984,096
NET POSITION, DECEMBER 31	\$ 30,861,018	\$ 29,770,148	\$ 1,692,753	\$ 1,837,279
Change in net position as shown above	\$ 1,090,870	\$ 434,811		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(141,598)	(158,503)		
Change in net position of business-type activities	<u>\$ 949,272</u>	<u>\$ 276,308</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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,231,429	\$ 1,059,007	\$ 1,268,786	\$ 1,220,047
Cash paid to suppliers	(388,054)	(388,314)	(288,787)	(366,542)
Cash paid to and on behalf of employees	(233,105)	(240,307)	(340,076)	(323,601)
Other receipts	690	690	448	814
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	610,960	431,076	640,371	530,718
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(55,000)	(70,000)	(55,000)	(62,000)
Payment to component unit	(60,000)	(60,000)	(60,000)	(60,000)
Loans made	-	(28,600)	(81,794)	(28,600)
Loan payments received	15,907	7,599	18,028	8,533
(Increase) decrease in due from other funds	4,599	4,599	4,599	4,599
Increase (decrease) in due to other funds	(162)	176	(176)	176
Federal aids received	-	-	8,558	-
State aids received	4,500	-	2,853	-
Property taxes received	-	-	50,131	25,125
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(90,156)	(146,226)	(112,801)	(112,167)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds issued, net of premium	2,768,405	-	-	-
Acquisition of capital assets	(3,229,066)	(357,807)	(383,972)	(314,513)
Capital grants received	-	-	-	150,000
Cash received from refunding bond escrow agent	-	665,833	-	-
Principal paid on long-term borrowings	(206,250)	(798,000)	(188,750)	(117,000)
Interest and fiscal charges paid on long-term borrowings	(96,145)	(53,537)	(32,401)	(39,618)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(763,056)	(543,511)	(605,123)	(321,131)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	68,563	(20,089)	49,981	(16,702)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(173,689)	(278,750)	(27,572)	80,718
CASH AND CASH EQUIVALENTS, JANUARY 1	4,004,709	4,283,459	3,549,960	3,469,242
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 3,831,020	\$ 4,004,709	\$ 3,522,388	\$ 3,549,960

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			
2014	2013	2014	2013	2014	2013
\$ 7,441,843	\$ 6,547,943	\$ 1,249,122	\$ 1,178,852	\$ 630,571	\$ 622,704
(5,734,179)	(5,048,351)	(1,015,186)	(986,290)	(212,013)	(213,352)
(191,355)	(212,173)	(140,989)	(139,838)	(142,986)	(168,126)
-	-	-	-	14,644	15,908
<u>1,516,309</u>	<u>1,287,419</u>	<u>92,947</u>	<u>52,724</u>	<u>290,216</u>	<u>257,134</u>
(140,000)	(60,000)	(45,000)	(45,000)	(88,000)	(185,000)
(60,000)	(60,000)	-	-	(20,000)	(18,500)
(18,107)	(34,517)	-	-	-	(61,600)
23,267	17,296	-	-	32,195	13,002
9,197	9,198	-	-	4,599	4,599
(154)	154	-	-	-	-
5,869	-	-	-	-	-
-	54,491	-	-	-	-
-	18,163	-	-	-	-
<u>(179,928)</u>	<u>(55,215)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(71,206)</u>	<u>(247,499)</u>
-	-	-	-	-	-
(702,711)	(810,560)	-	(7,737)	-	(301,405)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(702,711)</u>	<u>(810,560)</u>	<u>-</u>	<u>(7,737)</u>	<u>-</u>	<u>(301,405)</u>
88,039	(31,933)	5,271	(2,019)	13,603	(1,176)
721,709	389,711	53,218	(2,032)	232,613	(292,946)
<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>
<u>\$ 6,828,145</u>	<u>\$ 6,106,436</u>	<u>\$ 420,054</u>	<u>\$ 366,836</u>	<u>\$ 1,008,777</u>	<u>\$ 776,164</u>

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

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

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2014	2013
	2014	2013		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 11,821,751	\$ 10,628,553	\$ 723,914	\$ 715,239
Cash paid to suppliers	(7,638,219)	(7,002,849)	(341,747)	(364,248)
Cash paid to and on behalf of employees	(1,048,511)	(1,084,045)	(330,996)	(281,238)
Other receipts	15,782	17,412	29,437	47,285
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,150,803	2,559,071	80,608	117,038
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(383,000)	(422,000)	(132,000)	(220,000)
Payment to component unit	(200,000)	(198,500)	-	-
Loans made	(99,901)	(153,317)	-	-
Loan payments received	89,397	46,430	-	-
(Increase) decrease in due from other funds	22,994	22,995	-	-
Increase (decrease) in due to other funds	(492)	506	-	-
Federal aids received	14,427	-	-	-
State aids received	7,353	54,491	-	-
Property taxes received	50,131	43,288	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(499,091)	(606,107)	(132,000)	(220,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds issued, net of premium	2,768,405	-	-	-
Acquisition of capital assets	(4,315,749)	(1,792,022)	(31,068)	(29,390)
Capital grants received	-	150,000	-	-
Cash received from refunding bond escrow agent	-	665,833	-	-
Principal paid on long-term borrowings	(395,000)	(915,000)	-	-
Interest and fiscal charges paid on long-term borrowings	(128,546)	(93,155)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,070,890)	(1,984,344)	(31,068)	(29,390)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	225,457	(71,919)	28,757	(8,533)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	806,279	(103,299)	(53,703)	(140,885)
CASH AND CASH EQUIVALENTS, JANUARY 1	14,804,105	14,907,404	1,821,872	1,962,757
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 15,610,384	\$ 14,804,105	\$ 1,768,169	\$ 1,821,872

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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2014	2013	2014	2013
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 3,535,945	\$ 3,776,265	\$ 3,305,812	\$ 3,338,290
Restricted assets				
Cash and temporary investments	295,075	228,444	216,576	211,670
TOTAL CASH AND CASH EQUIVALENTS	\$ 3,831,020	\$ 4,004,709	\$ 3,522,388	\$ 3,549,960
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 350,213	\$ 134,952	\$ 337,536	\$ 255,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	271,032	255,867	314,596	276,087
Other income related to operations	690	690	448	814
Interest paid on customer deposits	(1)	(12)	(1)	(12)
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(4,753)	(11,446)	9,790	(6,608)
(Increase) decrease in due from other governments	-	-	(118)	120
(Increase) decrease in special assessments receivable	(642)	1,178	2,589	3,990
(Increase) decrease in inventories	1,031	22,979	-	-
(Increase) decrease in prepaid items	-	-	-	-
Increase (decrease) in accounts payable	(6,617)	20,798	(12,358)	(9,562)
Increase (decrease) in due to other governments	88	19	(164)	40
Increase (decrease) in wages and related benefits payable	1,038	756	1,152	1,416
Increase (decrease) in compensated absences payable	(1,221)	3,526	(13,157)	5,401
Increase (decrease) in other postemployment benefits liability	(22)	(230)	(26)	1,080
Increase (decrease) in deposits payable	124	1,999	84	2,066
Total adjustments	260,747	296,124	302,835	274,832
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 610,960	\$ 431,076	\$ 640,371	\$ 530,718
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired on account	\$ 207,804	\$ -	\$ 45,849	\$ 21,995
Special assessments levied	642	-	1,011	-
Amortization of bond (premium) discount	571	571	856	856

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			
2014	2013	2014	2013	2014	2013
\$ 6,780,854	\$ 6,058,568	\$ 420,054	\$ 366,836	\$ 1,003,292	\$ 770,582
47,291	47,868	-	-	5,485	5,582
<u>\$ 6,828,145</u>	<u>\$ 6,106,436</u>	<u>\$ 420,054</u>	<u>\$ 366,836</u>	<u>\$ 1,008,777</u>	<u>\$ 776,164</u>
\$ 618,993	\$ 519,201	\$ 64,388	\$ 63,014	\$ 170,209	\$ 132,361
739,414	691,374	6,087	5,507	108,165	100,752
-	-	-	-	14,644	15,908
(65)	(75)	-	-	(10)	(17)
(2,446)	(41,182)	-	-	2,781	10,599
(147)	-	-	-	-	-
-	-	-	-	546	(307)
33,159	45,896	(12,040)	(3,667)	-	-
-	-	-	-	-	-
124,584	61,496	28,432	(12,951)	314	(4,997)
(225)	1,969	1,510	(361)	(138)	(162)
904	(152)	710	(1,273)	(2)	(839)
2,172	(1,795)	3,575	3,842	(5,802)	4,182
543	492	322	(1,550)	(394)	(1,566)
(577)	10,195	(37)	163	(97)	1,220
897,316	768,218	28,559	(10,290)	120,007	124,773
<u>\$ 1,516,309</u>	<u>\$ 1,287,419</u>	<u>\$ 92,947</u>	<u>\$ 52,724</u>	<u>\$ 290,216</u>	<u>\$ 257,134</u>
\$ 41,888	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	255	310
-	-	-	-	-	-

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

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

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2014	2013
	2014	2013		
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 15,045,957	\$ 14,310,541	\$ 1,768,169	\$ 1,821,872
Restricted assets				
Cash and temporary investments	564,427	493,564	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 15,610,384	\$ 14,804,105	\$ 1,768,169	\$ 1,821,872
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,541,339	\$ 1,105,414	\$ (40,996)	\$ 84,456
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	1,439,294	1,329,587	42,424	38,935
Other income related to operations	15,782	17,412	-	-
Interest paid on customer deposits	(77)	(116)	-	-
Change in assets and liabilities				
(Increase) decrease in accounts receivable	5,372	(48,637)	23,230	(35,063)
(Increase) decrease in due from other governments	(265)	120	-	-
(Increase) decrease in special assessments receivable	2,493	4,861	-	-
(Increase) decrease in inventories	22,150	65,208	-	16,376
(Increase) decrease in prepaid items	-	-	(166)	(3,631)
Increase (decrease) in accounts payable	134,355	54,784	(1,041)	(2,654)
Increase (decrease) in due to other governments	1,071	1,505	-	(12)
Increase (decrease) in wages and related benefits payable	3,802	(92)	2,761	1,101
Increase (decrease) in compensated absences payable	(14,433)	15,156	50,872	17,121
Increase (decrease) in other postemployment benefits liability	423	(1,774)	3,524	409
Increase (decrease) in deposits payable	(503)	15,643	-	-
Total adjustments	1,609,464	1,453,657	121,604	32,582
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,150,803	\$ 2,559,071	\$ 80,608	\$ 117,038
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired on account	\$ 295,541	\$ 21,995	\$ -	\$ -
Special assessments levied	1,908	310	-	-
Amortization of bond (premium) discount	1,427	1,427	-	-

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, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 533
Receivables	
Accrued interest	<u>1</u>
 TOTAL ASSETS	 <u>\$ 534</u>
 LIABILITIES	
Amounts held in trust for others	<u>\$ 534</u>

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

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

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, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The City reports the following major governmental funds:

The *General fund* is the 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 *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, 2014

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

Cash balances from all funds 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, 2014

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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to the statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City, 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, 2014 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, 2014

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 2014. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the enterprise funds at December 31, 2014 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, 2014

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, 2014

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, 2014

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 35-50 percent of budgeted operating expenditures for cash-flow timing needs.

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

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 - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

Comparative data/reclassifications

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

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 30, 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 as the fund is not legally obligated to complete a budget. 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 budgets are prepared by fund for the Airport and Swimming Pool special revenue funds. 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 \$103,978 and expenditures by \$75,800 .

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

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2014 excess expenditures over appropriations for the General fund, Airport and Swimming Pool special revenue funds are as follows:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 3,013,730	\$ 3,273,543	\$ 259,813
Special revenue			
Airport	259,486	366,288	106,802
Swimming Pool	468,200	497,313	29,113

The General fund excess expenditure over budget was due to unanticipated costs associated with flood damage cleanup and was funded from reserves. Excess expenditures in the Airport and Swimming Pool funds were funded by actual revenues in excess of budgeted amounts and available fund balance.

C. Deficit fund equity

For the year ended December 31, 2014, the following funds had a fund equity deficit as follows:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
Special revenue	
Community Development	\$ 3,595
Capital projects	
Rural Fire Tanker	55,715
Barck Avenue TIF Project	42,000
Debt service	
Ford Tax Increment District No. 21	4,500

The Community Development fund deficit will be funded with property rental payments to be received in 2015. 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 Barck Avenue TIF Project and the Ford Tax Increment District No. 21 fund deficits will be funded with future tax increments.

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

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 \$10,027,545, including \$533 reported in fiduciary funds. The bank balance was \$10,191,855. All bank balances in excess of those covered by federal depository insurance of \$1,250,000 were collateralized with securities held by the pledging financial institutions' trust department in the City's name of \$8,941,855. The primary government and component unit's deposits and investments are pooled.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash on hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$1,900.

Investments

As of December 31, 2014, 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)
<u>Pooled investments</u>			
Smith Barney Money Funds	\$ 111,241	NR	under 6 months
Mainstreet Securities Money Funds	19,679	NR	under 6 months
Escrow Funds	<u>11,510</u>	NR	under 6 months
Total pooled investments	<u>142,430</u>		
<u>Non-pooled investments</u>			
Government Securities	2,295,384	AAA	more than 3 years
Broker Certificates of Deposit	461,712	NR	under 6 months
Broker Certificates of Deposit	2,590,140	NR	1 to 3 years
Broker Certificates of Deposit	<u>7,647,475</u>	NR	more than 3 years
Total non-pooled investments	<u>12,994,711</u>		
Total investments	<u><u>\$ 13,137,141</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, 2014

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	\$ 8,818,131	\$ 1,208,881	\$ 533	\$ 10,027,545
Cash on hand	1,900	-	-	1,900
Investments	13,137,141	-	-	13,137,141
Total	\$ 21,957,172	\$ 1,208,881	\$ 533	\$ 23,166,586
Cash and cash investments	\$ 21,392,745	\$ 1,186,227	\$ 533	\$ 22,579,505
Restricted assets	564,427	22,654	-	587,081
Total	\$ 21,957,172	\$ 1,208,881	\$ 533	\$ 23,166,586

The balances of the restricted asset accounts are as follows:

Restricted Purpose	Primary Government				Total	Component Unit
	Water	Sewer	Electric	Other Proprietary Funds		EDA
Accrued interest payable	\$ 70,780	\$ 12,755	\$ -	\$ -	\$ 83,535	\$ -
Current portion of bonds/notes payable	215,250	194,750	-	-	410,000	
Customer deposits payable	9,045	9,071	47,291	5,485	70,892	-
Other	-	-	-	-	-	22,654
Total	\$ 295,075	\$ 216,576	\$ 47,291	\$ 5,485	\$ 564,427	\$ 22,654

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

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:

	General	Debt Service	Nonmajor Governmental	Water
Receivables				
Interest	\$ 11,949	\$ 1,185	\$ 3,517	\$ 9,706
Taxes	11,053	3,687	432	-
Accounts	9,284	-	22,935	99,296
Loans/contracts	218,104	-	-	2,782
Special assessments	3,156	-	1,993	2,457
Intergovernmental	203,869	2,423	23,270	-
Gross receivables	<u>457,415</u>	<u>7,295</u>	<u>52,147</u>	<u>114,241</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(8,000)</u>
Net total receivables	<u><u>\$ 457,415</u></u>	<u><u>\$ 7,295</u></u>	<u><u>\$ 42,147</u></u>	<u><u>\$ 106,241</u></u>

	Sewer	Electric	Liquor
Receivables			
Interest	\$ 8,708	\$ 12,331	\$ 737
Taxes	65	-	-
Accounts	99,449	479,534	-
Loans/contracts	7,179	312,090	-
Special assessments	1,893	-	-
Intergovernmental	1,140	147	-
Gross receivables	<u>118,434</u>	<u>804,102</u>	<u>737</u>
Less allowance for uncollectibles	<u>(6,500)</u>	<u>(44,000)</u>	<u>-</u>
Net total receivables	<u><u>\$ 111,934</u></u>	<u><u>\$ 760,102</u></u>	<u><u>\$ 737</u></u>

	Nonmajor Enterprise	Internal Service	Total
Receivables			
Interest	\$ 1,641	\$ 3,576	\$ 53,350
Taxes	-	-	15,237
Accounts	52,901	374	763,773
Loans/contracts	155,049	110,749	805,953
Special assessments	1,383	-	10,882
Intergovernmental	-	-	230,849
Gross receivables	<u>210,974</u>	<u>114,699</u>	<u>1,880,044</u>
Less allowance for uncollectibles	<u>(4,700)</u>	<u>-</u>	<u>(73,200)</u>
Net total receivables	<u><u>\$ 206,274</u></u>	<u><u>\$ 114,699</u></u>	<u><u>\$ 1,806,844</u></u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Loans/contracts receivable

Loans/contract receivable at December 31, 2014 are comprised of the following:

<p>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.</p>	\$ 12,014
<p>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 1st of each month beginning August 1, 2013 with the final payment due on April 1, 2023.</p>	12,280
<p>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.</p>	71,987
<p>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.</p>	75,831
<p>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.</p>	<u>45,992</u>
<p>Total governmental funds loans/contracts receivable</p>	<u>218,104</u>
<p>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.</p>	\$ 71,987
<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>	71,987
<p>The Sewer Utility made a forgivable loan on June 24, 2014 to the Luverne Brew Partners, LLC in the amount of \$73,000 for effluent Sampler equipment. When job goals are met and maintained the loan will be forgiven.</p>	73,000
<p>The Sewer Utility made a zero percent loan to a customer on July 7, 2014 in the amount of \$8,794.20 for the purpose of providing financing for the installaiton of a sewer service line. Payments in the amount of \$366.43 are due on the 8th of each month, beginning August 8, 2014 with final payment due July 8, 2016.</p>	6,962
<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>	71,987

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<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 8th of each month, beginning in July 2011 with final payment due June 10, 2016.</p>	\$ 1,500
<p>The Electric utility made a zero percent loan on January 31, 2014 to E & J Howling Dog in the amount of \$5,000.00 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$83.34 are due on the 8th of each month, beginning in March 2014 with final payment due January 8, 2019.</p>	4,167
<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 8th of each month, beginning in December 2011 with final payment due November 10, 2015.</p>	828
<p>The Electric utility made a zero percent loan on December 30, 2014 to Wayne's Body Shop in the amount of \$3,971.50 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$82.74 are due on the 10th of each month, beginning in February 2015 with final payment due January 8, 2019.</p>	3,971
<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 8th of each month, beginning in February 2012 with final payment due January 10, 2016.</p>	872
<p>The Electric utility has extended loans to eligible employees for computer purchases to increase their skill level in their jobs.</p>	863
<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 8th of each month, beginning in July 2011 with final payment due June 10, 2016.</p>	1,361
<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>	3,917
<p>The Electric Utility made a zero percent loan on July 8, 2014 to the Eagles Club 3403 in the amount of \$5,000 for furnace and airconditioning improvement as an incentive to promote energy efficiencies. Payments in the amount of \$83.33 are due on the 8th of each month, beginning in August 2014 with final payment due July 8, 2019.</p>	4,583
<p>The Electric Utility made a zero percent loan on November 10, 2014 to the Eagles club 3403 in the amount of \$4,135.01 as an incentive to promote energy efficient lighting. Payments in the amount of \$68.92 are due on the 8th of the month beginning in January 2015 with final payment due December 8, 2019.</p>	4,066
<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>	110,749

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<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>	<p><u>\$ 155,049</u></p>
<p>Total business-type funds loans receivable</p>	<p><u>587,849</u></p>
<p>Total primary government loans/contracts receivable</p>	<p><u>805,953</u></p>
<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>	<p>10,000</p>
<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>	<p>55,504</p>
<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>	<p>16,200</p>
<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>	<p>1,279</p>
<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>	<p>8,737</p>
<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>	<p>10,900</p>
<p>The Economic Development Authority made a loan from a Rural Enterprise Grant on February 15, 2014 to Cary Radisewitz dba "The Bean" in the amount of \$8,004.23 at an interest rate of 2.00 percent for improvements to their building. Payments in the amount of \$102.19 is due on the 15th of each month beginning March 15, 2014 with final payment due on February 15, 2021.</p>	<p>7,109</p>
<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>	<p>8,420</p>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<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>	\$ 16,744
<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>	1,232
<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>	8,386
<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>	16,984
<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>	17,698
<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>	8,092
<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>	731
<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>	11,090
<p>The Economic Development Authority made a loan to the Minnesota Southern Railway, Inc. in the amount of \$38,400 at an interest rate of zero percent for acquisition of property. Payment in the amount of \$9,600 is due annually on March 1st beginning March 1, 2015 with final payment due on March 1, 2018.</p>	38,400
<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>	<u>13,822</u>
<p>Total component unit loans receivable</p>	<u>251,328</u>
<p>Total loans/contract receivable</p>	<u>\$ 1,057,281</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental Community Development	\$ 147,111 40,808
Nonmajor governmental	General Enterprise Water	67 14
Enterprise	Community Development	23,319
Water	Community Development	23,319
Sewer	Community Development	46,638
Electric	Community Development	23,319
Nonmajor enterprise	Community Development	<u>23,319</u>
Total		<u><u>\$ 304,595</u></u>

The majority of the General fund outstanding balance is a loan to the Barck TIF District fund 443 for a loan to cover costs associated with blight removal. The loan will be repaid with future tax increment revenue. 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, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The following transfers were made in 2014:

Fund	Transfers in			Total
	General	Debt Service	Nonmajor Governmental	
Transfers out				
General	\$ -	\$ -	\$ 592,184	\$ 592,184
Debt service	19,671	-	156,417	176,088
Nonmajor governmental	-	12,458	220,000	232,458
Water enterprise	40,000	-	15,000	55,000
Sewer enterprise	40,000	-	15,000	55,000
Electric enterprise	45,000	-	95,000	140,000
Liquor enterprise	45,000	-	-	45,000
Nonmajor enterprise	53,000	-	35,000	88,000
Internal service	-	-	132,000	132,000
	<u>-</u>	<u>-</u>	<u>132,000</u>	<u>132,000</u>
Total transfers out	<u>\$ 242,671</u>	<u>\$ 12,458</u>	<u>\$ 1,260,601</u>	<u>\$ 1,515,730</u>

The General fund transfer to the Airport fund (\$28,000) and Swimming Pool fund (\$301,000) 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 (\$6,000) was for future capital improvements. The transfer from the General fund to the Luverne Loop fund (\$100,000) is to provide matching funds for grants received to complete a trail around the city. The transfer from the General fund to the Rural Fire Pumper fund (\$7,184) was to provide for costs that exceeded the G.O. Equipment Certificate amount.

The transfer of \$19,671 from the Fire Relief Pension Debt Service fund to the General fund was to close the Fire Relief Pension fund.

The transfer of \$12,458 from Manfred Heights Capital Projects fund (a non-major fund) to Manfred Heights Debt Service fund was made to close the Capital Projects fund.

The Community Development fund (a non-major fund) transfer to the Street/Sidewalk Improvement Capital Project fund (a non-major fund) of \$200,000 is to provide funding for the City share of costs associated with the South Highway 75 improvement project.

Transfer from the Swimming Pool fund (a non-major 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 (\$40,000), Sewer fund (\$40,000), Electric fund (\$45,000), Refuse and Recycling fund (\$40,000), Storm Sewer fund (\$13,000) and Liquor fund (\$45,000) transfers to the General fund are annual transfers for operations.

The Refuse fund (a non-major fund) transfer of \$15,000, the \$75,000 transfer from Electric fund, the \$15,000 transfer from Water fund and the \$15,000 transfer from Sewer fund all were made to the Luverne Loop Capital Project fund (a non-major fund) was to provide financing for a trail to be constructed around the City.

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 Freeman and Estey Capital Project fund (a non-major fund) of \$156,417 was made to close that fund to the Street/Sidewalk Improvement Capital Project fund (a non-major fund).

The transfer of \$132,000 from the Property Casualty Internal Service fund to the Pool Capital Project fund (a non-major fund) was to provide funding for roof replacement costs.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Restricted assets

The composition of restricted assets of enterprise funds at December 31, 2014 are cash and investments offset by the following liability accounts:

Customer deposits - Water fund	\$ 9,045
Customer deposits - Sewer fund	9,071
Customer deposits - Electric fund	47,291
Customer deposits - Other proprietary funds	5,485
Accrued interest payable - Water fund	70,780
Accrued interest payable - Sewer fund	12,755
Current portion of bonds - Water fund	215,250
Current portion of bonds - Sewer fund	194,750
	<u>564,427</u>
Total restricted assets	<u>\$ 564,427</u>

F. Capital assets

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

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,012,889	\$ 42,000	\$ -	\$ 2,054,889
Construction in progress	1,169,515	13,591	(1,165,680)	17,426
Total capital assets not being depreciated	3,182,404	55,591	(1,165,680)	2,072,315
Capital assets being depreciated				
Buildings	8,136,329	622,786	-	8,759,115
Improvements and infrastructure	13,787,621	611,050	-	14,398,671
Machinery and equipment	4,481,183	855,703	(128,460)	5,208,426
Total capital assets being depreciated	26,405,133	2,089,539	(128,460)	28,366,212
Less accumulated depreciation for				
Buildings	(3,688,108)	(270,924)	-	(3,959,032)
Improvements and infrastructure	(8,891,681)	(370,669)	-	(9,262,350)
Machinery and equipment	(3,257,614)	(284,790)	128,460	(3,413,944)
Total accumulated depreciation	(15,837,403)	(926,383)	128,460	(16,635,326)
Total capital assets being depreciated, net	10,567,730	1,163,156	-	11,730,886
Governmental activities capital assets, net	<u>\$ 13,750,134</u>	<u>\$ 1,218,747</u>	<u>\$ (1,165,680)</u>	<u>\$ 13,803,201</u>

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

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	574,771	4,242,325	(431,345)	4,385,751
	<u>778,486</u>	<u>4,242,325</u>	<u>(431,345)</u>	<u>4,589,466</u>
Total capital assets not being depreciated				
	<u>778,486</u>	<u>4,242,325</u>	<u>(431,345)</u>	<u>4,589,466</u>
Capital assets being depreciated				
Buildings	2,752,230	-	-	2,752,230
Improvements and infrastructure	31,864,358	711,835	-	32,576,193
Machinery and equipment	2,504,239	81,172	(45,894)	2,539,517
	<u>37,120,827</u>	<u>793,007</u>	<u>(45,894)</u>	<u>37,867,940</u>
Total capital assets being depreciated				
	<u>37,120,827</u>	<u>793,007</u>	<u>(45,894)</u>	<u>37,867,940</u>
Less accumulated depreciation for				
Buildings	(2,193,124)	(59,377)	-	(2,252,501)
Improvements and infrastructure	(15,684,111)	(1,247,887)	-	(16,931,998)
Machinery and equipment	(1,761,774)	(163,133)	45,894	(1,879,013)
	<u>(19,639,009)</u>	<u>(1,470,397)</u>	<u>45,894</u>	<u>(21,063,512)</u>
Total accumulated depreciation				
	<u>(19,639,009)</u>	<u>(1,470,397)</u>	<u>45,894</u>	<u>(21,063,512)</u>
Total capital assets being depreciated, net				
	<u>17,481,818</u>	<u>(677,390)</u>	<u>-</u>	<u>16,804,428</u>
Business-type activities capital assets, net				
	<u>\$ 18,260,304</u>	<u>\$ 3,564,935</u>	<u>\$ (431,345)</u>	<u>\$ 21,393,894</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities

General government	\$ 143,656
Public safety	124,088
Public works, including depreciation of general infrastructure assets	242,335
Culture and recreation	220,601
Conservation and development	9,734
Miscellaneous - airport	174,648
Central Garage internal service	<u>11,321</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 926,383</u></u>

Business-type activities

Water	\$ 271,032
Sewer	314,596
Refuse and recycling	56,210
Electric	739,414
Storm sewer	51,955
Liquor	6,087
Central Store internal service	3,918
Data Processing internal service	<u>27,185</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 1,470,397</u></u>

Construction commitments

The City has active construction projects as of December 31, 2014. The projects include Water fund improvements for the Water Treat Plant No. w and the North Plant Reservoir. In addition, the Sewer fund has a Dissolved Air Flotation Thickener project and the Electric fund is completing an upgrade to Electric Generators to comply with RICE emission requirements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water Treatment Plant No. 2	\$ 1,069,444	\$ 96,876
North Plant Reservoir	1,964,672	205,614
Dissolved Air Flotation Thickener	298,885	38,794
Generation Emission Upgrades	<u>397,928</u>	<u>25,949</u>
 Total	 <u><u>\$ 3,034,116</u></u>	 <u><u>\$ 302,490</u></u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component units

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 627,002	\$ 200,322	\$ (67,090)	\$ 760,234
Capital assets being depreciated				
Buildings	2,331,835	-	-	2,331,835
Machinery and equipment	5,835	-	-	5,835
Total capital assets being depreciated	<u>2,337,670</u>	<u>-</u>	<u>-</u>	<u>2,337,670</u>
Less accumulated depreciation for				
Buildings	(959,807)	(64,114)	-	(1,023,921)
Machinery and equipment	(1,945)	(584)	-	(2,529)
Total accumulated depreciation	<u>(961,752)</u>	<u>(64,698)</u>	<u>-</u>	<u>(1,026,450)</u>
Total capital assets being depreciated, net	<u>1,375,918</u>	<u>(64,698)</u>	<u>-</u>	<u>1,311,220</u>
EDA capital assets, net	<u>\$ 2,002,920</u>	<u>\$ 135,624</u>	<u>\$ (67,090)</u>	<u>\$ 2,071,454</u>

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

Component unit activities	
Housing and economic development	<u>\$ 64,698</u>

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

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 \$10,292,000.

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	\$ 925,000
G.O. Improvement Bonds of 2012A (City reroof)	410,000	.35 - 2.40	04/01/12	02/01/28	<u>385,000</u>
Total General Obligation Bonds					<u><u>\$ 1,310,000</u></u>

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
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	140,000	11,580	151,580
2020 - 2024	500,000	29,177	529,177
2025 - 2028	<u>120,000</u>	<u>5,550</u>	<u>125,550</u>
Total	<u><u>\$ 1,310,000</u></u>	<u><u>\$ 105,591</u></u>	<u><u>\$ 1,415,591</u></u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. tax increment bonds

The following bond was 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>\$ 285,000</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
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	35,000	4,454	39,454
2020 - 2023	<u>140,000</u>	<u>8,320</u>	<u>148,320</u>
Total	<u>\$ 285,000</u>	<u>\$ 36,565</u>	<u>\$ 321,565</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. improvement bonds

The following bond was 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 2012A (Refunding)	620,000	0.35 - 2.40 %	04/01/12	02/01/20	<u>\$ 620,000</u>

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
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	100,000	1,955	101,955
2020	95,000	665	95,665
Total	<u>\$ 620,000</u>	<u>\$ 19,953</u>	<u>\$ 639,953</u>

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

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	\$ 24,000
G.O. Equipment Certificates of 2013A	444,000	2.19	07/30/13	02/01/19	<u>444,000</u>
Total G.O. Equipment Certificates					<u><u>\$ 468,000</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
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	<u>93,000</u>	<u>1,027</u>	<u>94,027</u>
Total	<u><u>\$ 468,000</u></u>	<u><u>\$ 25,975</u></u>	<u><u>\$ 493,975</u></u>

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

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	\$ 1,300,000
G.O. Improvement Bonds of 2012A (Refunding-Water & Sewer)	2,035,000	0.35 - 2.40	04/01/12	02/01/28	1,910,000
G.O. Improvement Bonds of 2012A (Refunding-Water)	675,000	0.35 - 2.40	04/01/12	02/01/28	605,000
G.O. Water Revenue Bonds of 2014A	2,715,000	2.00 - 3.75	04/01/14	02/01/35	<u>2,715,000</u>
 Total G.O. Revenue Bonds					<u><u>\$ 6,530,000</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
2015	\$ 410,000	\$ 171,148	\$ 581,148
2016	515,000	138,486	653,486
2017	515,000	131,363	646,363
2018	540,000	123,026	663,026
2019	535,000	113,533	648,533
2020 - 2024	1,770,000	440,097	2,210,097
2025 - 2029	1,290,000	263,871	1,553,871
2030 - 2034	790,000	106,125	896,125
2035	<u>165,000</u>	<u>3,094</u>	<u>168,094</u>
 Total	<u><u>\$ 6,530,000</u></u>	<u><u>\$ 1,490,743</u></u>	<u><u>\$ 8,020,743</u></u>

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

	Water	Sewer
Revenues	\$ 1,236,700	\$ 1,256,441
Principal and interest	239,566	221,151
Percentage of revenues	19.4%	17.6%

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

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	\$ 47,699
2009 Hangar Note	136,552	-		12/31/09	12/31/19	76,646
2010 Hangar Note	143,486	-		12/31/10	12/31/21	100,358
Total Notes						<u>\$ 224,703</u>

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

Year Ending December 31	Notes		
	Governmental Activities		
	Principal	Interest	Total
2015	\$ 44,556	\$ -	\$ 44,556
2016	44,556	-	44,556
2017	43,655	-	43,655
2018	28,356	-	28,356
2019	28,356	-	28,356
2020 - 2021	35,224	-	35,224
Total	<u>\$ 224,703</u>	<u>\$ -</u>	<u>\$ 224,703</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 1,445,000	\$ -	\$ (135,000)	\$ 1,310,000	\$ 135,000
General obligation tax increment bonds	315,000	-	(30,000)	285,000	25,000
General obligation improvement bonds	1,320,000	-	(700,000)	620,000	110,000
General obligation equipment certificates	479,000	-	(11,000)	468,000	93,000
Bond discounts	(1,946)	-	214	(1,732)	-
Total bonds payable	3,557,054	-	(875,786)	2,681,268	363,000
Notes payable	269,259	-	(44,556)	224,703	44,556
Compensated absences payable	213,764	67,288	(39,928)	241,124	51,261
Other postemployment benefits liability	23,567	4,610	(1,980)	26,197	-
Governmental activity long-term liabilities	<u>\$ 4,063,644</u>	<u>\$ 71,898</u>	<u>\$ (962,250)</u>	<u>\$ 3,173,292</u>	<u>\$ 458,817</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 4,210,000	\$ 2,715,000	\$ (395,000)	\$ 6,530,000	\$ 410,000
Bond discounts	(8,678)	-	1,427	(7,251)	-
Bond premium	-	53,405	-	53,405	-
Total bonds payable	4,201,322	2,768,405	(393,573)	6,576,154	410,000
Compensated absences payable	315,545	83,974	(74,895)	324,624	70,940
Other postemployment benefits liability	33,440	6,515	(2,939)	37,016	-
Business-type activity long-term liabilities	<u>\$ 4,550,307</u>	<u>\$ 2,858,894</u>	<u>\$ (471,407)</u>	<u>\$ 6,937,794</u>	<u>\$ 480,940</u>
Component Unit					
Economic Development Authority					
Compensated absences payable	\$ 1,784	\$ 4,512	\$ (3,355)	\$ 2,941	\$ 2,941
Other postemployment benefits liability	2,640	578	(255)	2,963	-
Component Unit long-term liabilities	<u>\$ 4,424</u>	<u>\$ 5,090</u>	<u>\$ (3,610)</u>	<u>\$ 5,904</u>	<u>\$ 2,941</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-term debt payable at December 31, 2014 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.	\$ 925,000
\$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>385,000</u>
Total	<u>1,310,000</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>285,000</u>
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General obligation improvement bonds

\$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>
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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>24,000</u>
Total	<u>468,000</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.	47,699
\$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.	76,646
\$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>100,358</u>
Total	<u>224,703</u>

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

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.	\$ 1,300,000
\$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.	1,910,000
\$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.	605,000
\$2,715,000, 2014 General Obligation Water Revenue Bonds of 2014 A due annually through 2-1-2035 at an interest rate of 2.00 percent to 3.75 percent.	<u>2,715,000</u>
Total	<u>6,530,000</u>
Total Long-term Debt	<u>\$ 9,437,703</u>

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.	\$ 163,458
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.	25,544
Amount due to Internal Service fund	<u>2,924</u>
Total due to primary government	<u>\$ 191,926</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

H. Components of fund balance

At December 31, 2014, 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	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Loans/contracts	\$ 218,104	\$ -	\$ -	\$ 218,104
Due from other funds	187,919	-	-	187,919
Due from component unit	25,544	-	-	25,544
Inventories	2,313	-	12,352	14,665
Prepaid items	648	-	640	1,288
Total nonspendable	\$ 434,528	\$ -	\$ 12,992	\$ 447,520
Restricted				
Fire pension debt service	\$ 11,510	\$ -	\$ -	\$ 11,510
Debt service	-	853,040	-	853,040
Total restricted	\$ 11,510	\$ 853,040	\$ -	\$ 864,550
Committed				
Historical society	\$ 25,000	\$ -	\$ -	\$ 25,000
Airport operations	-	-	69,765	69,765
Economic development	-	-	282,588	282,588
Swimming pool	-	-	32,017	32,017
Capital improvements	-	-	509,742	509,742
Total committed	\$ 25,000	\$ -	\$ 894,112	\$ 919,112
Assigned				
LEC contract	\$ 810,048	\$ -	\$ -	\$ 810,048
Fire pension contract	27,917	-	-	27,917
Capital improvements	-	-	324,917	324,917
Capital equipment	-	-	240,177	240,177
Total assigned	\$ 837,965	\$ -	\$ 565,094	\$ 1,403,059
Unassigned	\$ 1,528,220	\$ -	\$ (101,310)	\$ 1,426,910

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

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:

	Pamida 1997 TIF District	Minnwest Bank TIF District	Luverne Family Housing TIF District	Ford TIF District
Authorizing Law	M.S. 469	M.S. 469	M.S. 469	M.S. 469
Type of District	Redevelopment	Redevelopment	Housing	Redevelopment
Year Established	1996	1996	1997	2013
Duration of District	25 years	25 years	25 years	25 years
Tax Capacity				
Original	\$ 326	\$ 462	\$ 98	\$ 3,111
Current	23,986	1,461	8,393	3,111
Captured - Retained	<u>\$ 23,660</u>	<u>\$ 999</u>	<u>\$ 8,295</u>	<u>\$ -</u>
Total General Obligation Tax Increment				
Bonds and Notes issued	\$ 500,000	\$ 47,000	\$ -	\$ -
Amounts redeemed	(215,000)	(21,456)	-	-
Outstanding at December 31, 2014	<u>\$ 285,000</u>	<u>\$ 25,544</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014 or December 31, 2013 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
2014	\$ -	\$ 17,006	\$ (17,006)	\$ -
2013	-	21,330	(21,330)	-
2012	-	5,738	(5,738)	-

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

Note 4: OTHER INFORMATION - CONTINUED

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.

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 \$60,000 have been made as of December 31, 2014.

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 Minnesota State Legislature approved legislation to provide a \$22,000,000 grant to Lewis & Clark Joint Powers to bring Lewis & Clark water to Luverne.

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

Note 4: OTHER INFORMATION - CONTINUED

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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. 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.

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

Note 4: OTHER INFORMATION - CONTINUED

b. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Coordinated Plan members were required to contribute 6.25 percent of their annual covered salary in 2014. In 2014, the City of Luverne was required to contribute the following percentages of annual covered payroll: 7.25 percent for Coordinated Plan members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were 116,263, \$107,671 and \$110,950 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

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, 2014, 2013 and 2012 were \$1,046, \$1,113 and \$1,296, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

3. Defined benefit pension plans - Luverne Volunteer Firemen's Relief Association

Information that follows is from audited financial statements for the year ended December 31, 2013, the most recent information available at this time.

a. Plan description

The City contributes to the Luverne Volunteer Firemen's Relief Association (the Association), a single-employer defined benefit pension plan for the City's firefighters. This City contribution is provided through an annual levy for pension contributions in accordance with Minnesota statutes. This contribution does not relate to the City's payroll.

Volunteer firefighters of the City are members of the Association. Benefit provisions and all other requirements are consistent with enabling statutes. Provisions of the plan are as follows:

- (a) Full retirement benefits are available to members at age 50 plus twenty years of service in lump sum equal to the sum of \$2,000 for each full year of active service as an active firefighter, not to exceed 30 years.
- (b) Partial retirement benefits are available for members who have served for more than 10 years but less than 20 at age 50 in lump sum equal to the sum of \$2,000 for each full year of active service less four percent for each full year of service less than 20 years.

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

Note 4: OTHER INFORMATION - CONTINUED

b. Funding policy

The Association funding policy provides for contributions from the State of Minnesota and the City of Luverne in amounts sufficient to accumulate sufficient assets to pay benefits when due. The unfunded liability is amortized over a period of ten years.

The Association is comprised of volunteers and therefore there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling Minnesota statutes. The State aid is recognized as both intergovernmental revenue and a public safety expenditure in the General fund. The State aid for 2014 was \$41,894. The firefighter has no obligation to contribute to this pension plan.

Contributions totaling \$41,894 were made by the State in accordance with Minnesota statute requirements for the year ended December 31, 2014.

c. Funding status and progress

The amount shown below as the “actuarial accrued liability” (AAL) is based on the actuarial accrued liability measure as determined using the same actuarial assumptions as for funding purposes. This measure is substituted for the standardized measure required for disclosure purposes under the Governmental Accounting Standards Board Statement No. 27.

The assumed interest rate for the actuarial calculations was 5 percent compounded annually.

As calculated by applying the interest assumption to the latest actuarial valuation, the excess of assets over accrued liability was at December 31, 2014. The City’s annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 44,825
Contributions made	
City	2,931
State	41,894
Actuarial valuation date	12/31/14
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	5 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

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

Note 4: OTHER INFORMATION - CONTINUED

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year trend information, for the following years ended December 31, is presented as follows:

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 44,825	100.0 %	\$ -
12/31/13	45,769	100.0	-
12/31/12	27,309	100.0	-

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Annual Covered Payroll	Unfunded Accrued Liability as Percentage of Covered Payroll
12/31/14 *	\$ -	\$ -	\$ -	-	%	N/A
12/31/13	897,451	781,872	115,579	114.8		N/A
12/31/12	796,213	774,912	21,301	102.8		N/A

* Information not available for 2014.

Significant actuarial assumptions used to compute pension contribution requirements are substantially the same as those used to determine the accrued liability. Ten year historical trend information is presented in the Luverne Volunteer Firemen's Relief Association's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2014, the most recent information available at this time.

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 2014 was \$1,349,790 respectively which accounted for 36 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 \$426,027. 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, 2014

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 27 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 2014, the City (including component unit) contributed \$5,174 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	\$ 12,136	\$ 630	\$ 12,766
Interest on net OPEB obligation	2,268	118	2,386
Adjustment to annual required contribution	(3,279)	(170)	(3,449)
Annual OPEB cost (expense)	11,125	578	11,703
Contributions made	(4,919)	(255)	(5,174)
Increase in net OPEB obligation	6,206	323	6,529
Net OPEB obligation - beginning of year	57,007	2,640	59,647
Net OPEB obligation - end of year	\$ 63,213	\$ 2,963	\$ 66,176

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

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 2014 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>
12/31/14	\$ 11,703	44.2 %	\$ 66,176
12/31/13	11,589	61.2	59,647
12/31/12	11,119	-	55,146

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, 2014

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, 2014 was 30 years.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Required Supplementary Information					
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - 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

Airport Fund: This fund accounts for airport services provided (hangar rent, fuel sold, etc.) to the community.

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.

Economic Development Revolving Loan Fund: This fund was established in 1995 when the City received a \$350,000 grant/loan from the Minnesota Department of Trade and Economic Development to assist with a business expansion project. An additional \$150,000 grant/loan was received from the Minnesota Department of Trade and Economic Development in 1996 to assist with a business expansion project.

Community Development Fund: This fund was established with proceeds from the sale of the Luverne Community Hospital and is used to provide funding for various community development projects.

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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.

Luverne Loop Capital Improvement Fund: This fund was created to account for trail capital improvements. Funding includes grant proceeds and transfers from various funds to finance these projects.

Barck Tax Increment Capital Project Fund: This fund was created to account for expenditures related to the elimination of blight on three parcels in the Barck Subdivision. Future tax increments will be used to reimburse the City for land acquisition and demolition costs.

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 - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2014

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
ASSETS				
Cash and temporary investments	\$ 51,809	\$ 42,404	\$ 118,929	\$ 153,288
Receivables (net of allowance for uncollectibles)				
Accrued interest	197	348	201	520
Accounts, net	5,303	7,632	-	-
Delinquent taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	16,554	203	-	-
Due from other funds	-	81	-	-
Due from component unit	-	-	163,458	-
Inventories	12,352	-	-	-
Prepaid items	-	640	-	-
TOTAL ASSETS	\$ 86,215	\$ 51,308	\$ 282,588	\$ 153,808
LIABILITIES				
Accounts payable	\$ 4,098	\$ 6,796	\$ -	\$ -
Due to other funds	-	-	-	157,403
Due to other governments	-	759	-	-
Wages and related benefits payable	-	11,096	-	-
TOTAL LIABILITIES	4,098	18,651	-	157,403
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	-	-	-	-
Special assessments	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Nonspendable	12,352	640	-	-
Committed	69,765	32,017	282,588	-
Assigned	-	-	-	-
Unassigned	-	-	-	(3,595)
TOTAL FUND BALANCES	82,117	32,657	282,588	(3,595)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 86,215	\$ 51,308	\$ 282,588	\$ 153,808

Capital Projects

401	402	405	408	409	410	415	443
Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement	Rural Fire Tanker	Pumper Fire Engine	Ice Arena Capital Improvement	Luverne Loop Project	Barck Avenue TIF Project
\$ 54,937	\$ 383,662	\$ 239,554	\$ 373	\$ -	\$ 53,207	\$ 206,082	\$ 38,000
109	690	623	10	-	106	433	-
-	-	-	-	-	-	-	-
-	432	-	-	-	-	-	-
-	1,993	-	-	-	-	-	-
-	-	-	6,513	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 55,046</u>	<u>\$ 386,777</u>	<u>\$ 240,177</u>	<u>\$ 6,896</u>	<u>\$ -</u>	<u>\$ 53,313</u>	<u>\$ 206,515</u>	<u>\$ 38,000</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338	\$ -
-	-	-	62,611	-	-	-	80,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	62,611	-	-	338	80,000
-	432	-	-	-	-	-	-
-	1,993	-	-	-	-	-	-
-	2,425	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	232,281	-	-	-	6,000	206,177	-
55,046	152,071	240,177	-	-	47,313	-	-
-	-	-	(55,715)	-	-	-	(42,000)
55,046	384,352	240,177	(55,715)	-	53,313	206,177	(42,000)
<u>\$ 55,046</u>	<u>\$ 386,777</u>	<u>\$ 240,177</u>	<u>\$ 6,896</u>	<u>\$ -</u>	<u>\$ 53,313</u>	<u>\$ 206,515</u>	<u>\$ 38,000</u>

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CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2014

	Capital Projects			Total Nonmajor Governmental Funds
	451 MN West/ City Offices Project	452 Manfred Heights Subdivision Project	479 Pool Capital Improvement	
ASSETS				
Cash and temporary investments	\$ 120,242	\$ -	\$ 15,249	\$ 1,477,736
Receivables (net of allowance for uncollectibles)				
Accrued interest	245	-	35	3,517
Accounts, net	-	-	-	12,935
Delinquent taxes	-	-	-	432
Special assessments	-	-	-	1,993
Intergovernmental	-	-	-	23,270
Due from other funds	-	-	-	81
Due from component unit	-	-	-	163,458
Inventories	-	-	-	12,352
Prepaid items	-	-	-	640
TOTAL ASSETS	\$ 120,487	\$ -	\$ 15,284	\$ 1,696,414
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 11,232
Due to other funds	-	-	-	300,014
Due to other governments	-	-	-	759
Wages and related benefits payable	-	-	-	11,096
TOTAL LIABILITIES	-	-	-	323,101
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	-	-	-	432
Special assessments	-	-	-	1,993
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	2,425
FUND BALANCES				
Nonspendable	-	-	-	12,992
Committed	50,000	-	15,284	894,112
Assigned	70,487	-	-	565,094
Unassigned	-	-	-	(101,310)
TOTAL FUND BALANCES	120,487	-	15,284	1,370,888
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 120,487	\$ -	\$ 15,284	\$ 1,696,414

CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	34,192	-	-	-
State	11,830	-	-	-
Charges for services	185,624	203,624	\$ -	-
Special assessments	-	-	-	-
Investment income	1,426	2,517	1,458	3,767
Miscellaneous	63,500	4,842	8,969	28,534
TOTAL REVENUES	296,572	210,983	10,427	32,301
EXPENDITURES				
Current				
General government	-	-	-	-
Public works	321,732	-	-	-
Culture and recreation	-	473,112	-	-
Conservation and development	-	-	-	7,562
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	24,201	-	-
Conservation and development	-	-	-	-
Debt service				
Principal	44,556	-	-	-
Interest and other costs	-	-	-	-
TOTAL EXPENDITURES	366,288	497,313	-	7,562
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,716)	(286,330)	10,427	24,739
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	28,000	301,000	-	-
Transfers out	-	(20,000)	-	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	28,000	281,000	-	(200,000)
NET CHANGE IN FUND BALANCES	(41,716)	(5,330)	10,427	(175,261)
FUND BALANCES, JANUARY 1	123,833	37,987	272,161	171,666
FUND BALANCES, DECEMBER 31	<u>\$ 82,117</u>	<u>\$ 32,657</u>	<u>\$ 282,588</u>	<u>\$ (3,595)</u>

Capital Projects

401	402	405	408	409	410	415	443
Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement	Rural Fire Tanker	Pumper Fire Engine	Ice Arena Capital Improvement	Luverne Loop Project	Barck Avenue TIF Project
\$ -	\$ 136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	1,216	-	35,484	-	-	-	-
-	3,445	-	-	-	-	-	-
790	5,003	4,514	74	145	765	3,141	-
-	-	-	-	-	-	-	-
790	9,800	4,514	35,558	145	765	3,141	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	63,382	-	228,533	-	-	-
-	10,492	262,144	-	-	-	-	-
-	117,225	79,036	-	-	-	16,964	-
-	-	-	-	-	-	-	42,000
-	-	-	4,155	-	-	-	-
-	127,717	404,562	4,155	228,533	-	16,964	42,000
790	(117,917)	(400,048)	31,403	(228,388)	765	(13,823)	(42,000)
-	-	12,500	-	-	-	-	-
-	356,417	140,000	-	7,184	6,000	220,000	-
-	-	-	-	-	-	-	-
-	356,417	152,500	-	7,184	6,000	220,000	-
790	238,500	(247,548)	31,403	(221,204)	6,765	206,177	(42,000)
54,256	145,852	487,725	(87,118)	221,204	46,548	-	-
<u>\$ 55,046</u>	<u>\$ 384,352</u>	<u>\$ 240,177</u>	<u>\$ (55,715)</u>	<u>\$ -</u>	<u>\$ 53,313</u>	<u>\$ 206,177</u>	<u>\$ (42,000)</u>

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

	Capital Projects			Total Nonmajor Governmental Funds
	451 MN West/ City Offices Project	452 Manfred Heights Subdivision Project	479 Pool Capital Improvement	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 136
Intergovernmental				
Federal	-	-	-	34,192
State	-	-	-	11,830
Charges for services	-	-	-	425,948
Special assessments	-	-	-	3,445
Investment income	1,773	-	256	25,629
Miscellaneous	-	-	-	105,845
TOTAL REVENUES	1,773	-	256	607,025
EXPENDITURES				
Current				
General government	4,645	-	-	4,645
Public works	-	-	-	321,732
Culture and recreation	-	-	-	473,112
Conservation and development	-	-	-	7,562
Capital outlay				
Public safety	-	-	-	291,915
Public works	-	-	-	272,636
Culture and recreation	-	-	65,281	302,707
Conservation and development	-	-	-	42,000
Debt service				
Principal	-	-	-	44,556
Interest and other costs	-	-	-	4,155
TOTAL EXPENDITURES	4,645	-	65,281	1,765,020
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,872)	-	(65,025)	(1,157,995)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	12,500
Transfers in	50,000	-	152,000	1,260,601
Transfers out	-	(12,458)	-	(232,458)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	(12,458)	152,000	1,040,643
NET CHANGE IN FUND BALANCES	47,128	(12,458)	86,975	(117,352)
FUND BALANCES, JANUARY 1	73,359	12,458	(71,691)	1,488,240
FUND BALANCES, DECEMBER 31	<u>\$ 120,487</u>	<u>\$ -</u>	<u>\$ 15,284</u>	<u>\$ 1,370,888</u>

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Federal	\$ -	\$ -	\$ 34,192	\$ 34,192
State	9,963	9,963	11,830	1,867
Charges for services	179,000	179,000	185,624	6,624
Investment income	2,000	2,000	1,426	(574)
Miscellaneous	59,075	59,075	63,500	4,425
TOTAL REVENUES	250,038	250,038	296,572	46,534
OTHER FINANCING SOURCES				
Transfers in	28,000	28,000	28,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	278,038	278,038	324,572	46,534
EXPENDITURES				
Public works				
Airport				
Supplies	140,900	140,900	166,909	(26,009)
Other services and charges	74,030	74,030	82,935	(8,905)
Capital outlay	-	-	71,888	(71,888)
Debt service				
Principal	44,556	44,556	44,556	-
TOTAL EXPENDITURES	259,486	259,486	366,288	(106,802)
NET CHANGE IN FUND BALANCES	18,552	18,552	(41,716)	(60,268)
FUND BALANCES, JANUARY 1	123,833	123,833	123,833	-
FUND BALANCES, DECEMBER 31	\$ 142,385	\$ 142,385	\$ 82,117	\$ (60,268)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 186,000	\$ 186,000	\$ 203,624	\$ 17,624
Investment income	1,000	1,000	2,517	1,517
Miscellaneous	200	200	4,842	4,642
TOTAL REVENUES	187,200	187,200	210,983	23,783
OTHER FINANCING SOURCES				
Transfers in	301,000	301,000	301,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	488,200	488,200	511,983	23,783
EXPENDITURES				
Culture and recreation				
Swimming pool				
Personal services	285,800	285,800	289,177	(3,377)
Supplies	57,500	57,500	84,162	(26,662)
Other services and charges	98,200	98,200	99,773	(1,573)
Capital outlay	26,700	26,700	24,201	2,499
TOTAL EXPENDITURES	468,200	468,200	497,313	(29,113)
OTHER FINANCING USES				
Transfers out	20,000	20,000	20,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	488,200	488,200	517,313	(29,113)
NET CHANGE IN FUND BALANCES	-	-	(5,330)	(5,330)
FUND BALANCES, JANUARY 1	37,987	37,987	37,987	-
FUND BALANCES, DECEMBER 31	\$ 37,987	\$ 37,987	\$ 32,657	\$ (5,330)

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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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 371,888	\$ 193,302	\$ 473,212	\$ 421,342
Receivables (net of allowance for uncollectibles)				
Accrued interest	445	614	882	740
Accounts, net	43,719	45,877	4,482	5,105
Loans	155,049	187,244	-	-
Due from other funds	23,319	27,918	-	-
Inventories, at cost	-	-	1,371	1,371
TOTAL CURRENT ASSETS	594,420	454,955	479,947	428,558
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	5,485	5,582	-	-
Special assessments receivable				
Noncurrent	1,078	1,879	305	50
Capital assets				
Land	62,632	62,632	-	-
Buildings	79,566	79,566	-	-
Improvements	18,872	18,872	1,307,867	1,307,867
Machinery and equipment	758,450	758,450	-	-
Total capital assets	919,520	919,520	1,307,867	1,307,867
Less accumulated depreciation	(505,297)	(449,087)	(718,686)	(666,731)
Total capital assets (net of accumulated depreciation)	414,223	470,433	589,181	641,136
TOTAL NONCURRENT ASSETS	420,786	477,894	589,486	641,186
TOTAL ASSETS	1,015,206	932,849	1,069,433	1,069,744
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	10,452	10,216	131	53
Due to other governments	3,500	3,638	-	-
Wages and related benefits payable	4,351	4,379	166	140
Compensated absences payable - current	8,698	7,684	348	213
Customer deposits payable	5,485	5,582	-	-
TOTAL CURRENT LIABILITIES	32,486	31,499	645	406
NONCURRENT LIABILITIES				
Compensated absences payable	18,655	25,572	1,688	1,722
Other postemployment benefits liability	4,679	5,089	148	132
TOTAL NONCURRENT LIABILITIES	23,334	30,661	1,836	1,854
TOTAL LIABILITIES	55,820	62,160	2,481	2,260
NET POSITION				
Investment in capital assets	414,223	470,433	589,181	641,136
Unrestricted	545,163	400,256	477,771	426,348
TOTAL NET POSITION	\$ 959,386	\$ 870,689	\$ 1,066,952	\$ 1,067,484

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Total Nonmajor Proprietary Funds	
2014	2013	2014	2013
\$ 158,192	\$ 155,938	\$ 1,003,292	\$ 770,582
314	294	1,641	1,648
-	-	48,201	50,982
-	-	155,049	187,244
-	-	23,319	27,918
-	-	1,371	1,371
<u>158,506</u>	<u>156,232</u>	<u>1,232,873</u>	<u>1,039,745</u>
-	-	5,485	5,582
-	-	1,383	1,929
-	-	62,632	62,632
-	-	79,566	79,566
-	-	1,326,739	1,326,739
-	-	758,450	758,450
-	-	2,227,387	2,227,387
-	-	(1,223,983)	(1,115,818)
-	-	1,003,404	1,111,569
-	-	1,010,272	1,119,080
<u>158,506</u>	<u>156,232</u>	<u>2,243,145</u>	<u>2,158,825</u>
-	-	10,583	10,269
-	-	3,500	3,638
-	-	4,517	4,519
-	-	9,046	7,897
-	-	5,485	5,582
-	-	33,131	31,905
-	-	20,343	27,294
-	-	4,827	5,221
-	-	25,170	32,515
-	-	58,301	64,420
-	-	1,003,404	1,111,569
<u>158,506</u>	<u>156,232</u>	<u>1,181,440</u>	<u>982,836</u>
<u>\$ 158,506</u>	<u>\$ 156,232</u>	<u>\$ 2,184,844</u>	<u>\$ 2,094,405</u>

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

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services/sales	\$ 533,263	\$ 519,068	\$ 87,588	\$ 86,729
Service income	5,738	4,996	227	365
Other income	525	34	-	-
TOTAL OPERATING REVENUES	539,526	524,098	87,815	87,094
OPERATING EXPENSES				
Personal services	131,489	164,867	5,299	5,036
Supplies	37,937	44,263	5,258	3,599
Other services and charges	149,759	144,427	19,225	15,887
Depreciation	56,210	48,138	51,955	52,614
TOTAL OPERATING EXPENSES	375,395	401,695	81,737	77,136
OPERATING INCOME (LOSS)	164,131	122,403	6,078	9,958
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	4,932	279	6,390	(2,626)
Rental income	14,644	15,908	-	-
Interest expense	(10)	(17)	-	-
Contributions to component unit	(20,000)	(18,500)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(434)	(2,330)	6,390	(2,626)
INCOME (LOSS) BEFORE TRANSFERS	163,697	120,073	12,468	7,332
TRANSFERS OUT	(75,000)	(172,000)	(13,000)	(13,000)
CHANGE IN NET POSITION	88,697	(51,927)	(532)	(5,668)
NET POSITION, JANUARY 1	870,689	922,616	1,067,484	1,073,152
NET POSITION, DECEMBER 31	\$ 959,386	\$ 870,689	\$ 1,066,952	\$ 1,067,484

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Total Nonmajor Proprietary Funds	
2014	2013	2014	2013
\$ -	\$ -	\$ 620,851	\$ 605,797
-	-	5,965	5,361
-	-	525	34
-	-	627,341	611,192
-	-	136,788	169,903
-	-	43,195	47,862
-	-	168,984	160,314
-	-	108,165	100,752
-	-	457,132	478,831
-	-	170,209	132,361
2,274	(1,044)	13,596	(3,391)
-	-	14,644	15,908
-	-	(10)	(17)
-	-	(20,000)	(18,500)
2,274	(1,044)	8,230	(6,000)
2,274	(1,044)	178,439	126,361
-	-	(88,000)	(185,000)
2,274	(1,044)	90,439	(58,639)
156,232	157,276	2,094,405	2,153,044
<u>\$ 158,506</u>	<u>\$ 156,232</u>	<u>\$ 2,184,844</u>	<u>\$ 2,094,405</u>

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 542,388	\$ 533,340	\$ 88,183	\$ 89,364
Cash paid to suppliers	(187,608)	(188,050)	(24,405)	(25,302)
Cash paid to and on behalf of employees	(137,830)	(163,281)	(5,156)	(4,845)
Other receipts	14,644	15,908	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	231,594	197,917	58,622	59,217
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(75,000)	(172,000)	(13,000)	(13,000)
Payment to component unit	(20,000)	(18,500)	-	-
Loan payments received	32,195	13,002	-	-
Loans made	-	(61,600)	-	-
(Increase) decrease in due from other funds	4,599	4,599	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(58,206)	(234,499)	(13,000)	(13,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(245,829)	-	(55,576)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	5,101	1,588	6,248	(1,911)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178,489	(280,823)	51,870	(11,270)
CASH AND CASH EQUIVALENTS, JANUARY 1	198,884	479,707	421,342	432,612
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 377,373	\$ 198,884	\$ 473,212	\$ 421,342
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 371,888	\$ 193,302	\$ 473,212	\$ 421,342
Restricted assets				
Cash and temporary investments	5,485	5,582	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 377,373	\$ 198,884	\$ 473,212	\$ 421,342
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 164,131	\$ 122,403	\$ 6,078	\$ 9,958
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	56,210	48,138	51,955	52,614
Other income related to operations	14,644	15,908	-	-
Interest paid on customer deposits	(10)	(17)	-	-
Increase (decrease) in assets and liabilities				
Accounts receivable	2,158	8,332	623	2,267
Special assessments receivable	801	(310)	(255)	3
Accounts payable	236	800	78	(5,797)
Due to other governments	(138)	(143)	-	(19)
Wages and related benefits payable	(28)	(857)	26	18
Compensated absences payable	(5,903)	4,109	101	73
Other postemployment benefits liability	(410)	(1,666)	16	100
Deposits payable	(97)	1,220	-	-
Total adjustments	67,463	75,514	52,544	49,259
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 231,594	\$ 197,917	\$ 58,622	\$ 59,217
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Special assessments levied	\$ -	\$ 310	\$ 255	\$ -

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Total Nonmajor Proprietary Funds	
2014	2013	2014	2013
\$ -	\$ -	\$ 630,571	\$ 622,704
-	-	(212,013)	(213,352)
-	-	(142,986)	(168,126)
-	-	14,644	15,908
-	-	290,216	257,134
-	-	(88,000)	(185,000)
-	-	(20,000)	(18,500)
-	-	32,195	13,002
-	-	-	(61,600)
-	-	4,599	4,599
-	-	(71,206)	(247,499)
-	-	-	(301,405)
2,254	(853)	13,603	(1,176)
2,254	(853)	232,613	(292,946)
155,938	156,791	776,164	1,069,110
<u>\$ 158,192</u>	<u>\$ 155,938</u>	<u>\$ 1,008,777</u>	<u>\$ 776,164</u>
\$ 158,192	\$ 155,938	\$ 1,003,292	\$ 770,582
-	-	5,485	5,582
<u>\$ 158,192</u>	<u>\$ 155,938</u>	<u>\$ 1,008,777</u>	<u>\$ 776,164</u>
\$ -	\$ -	\$ 170,209	\$ 132,361
-	-	108,165	100,752
-	-	14,644	15,908
-	-	(10)	(17)
-	-	2,781	10,599
-	-	546	(307)
-	-	314	(4,997)
-	-	(138)	(162)
-	-	(2)	(839)
-	-	(5,802)	4,182
-	-	(394)	(1,566)
-	-	(97)	1,220
-	-	120,007	124,773
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,216</u>	<u>\$ 257,134</u>
\$ -	\$ -	\$ 255	\$ 310

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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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
General property tax	\$ 1,061,545	\$ 1,061,545	\$ 1,056,292	\$ (5,253)	\$ 1,050,197
Hotel/motel tax	1,800	1,800	2,466	666	2,267
Franchise tax	430,000	430,000	438,104	8,104	370,293
Penalties	-	-	442	442	230
Total taxes	<u>1,493,345</u>	<u>1,493,345</u>	<u>1,497,304</u>	<u>3,959</u>	<u>1,422,987</u>
Licenses and permits					
Business	17,225	17,225	20,012	2,787	17,893
Nonbusiness	<u>48,200</u>	<u>48,200</u>	<u>95,950</u>	<u>47,750</u>	<u>42,214</u>
Total licenses and permits	<u>65,425</u>	<u>65,425</u>	<u>115,962</u>	<u>50,537</u>	<u>60,107</u>
Intergovernmental revenues					
Federal					
FEMA grant	-	54,978	225,484	170,506	114,068
State					
Local government aid	1,349,790	1,349,790	1,349,790	-	1,194,175
Residential market value credit	277	277	277	-	373
Other State aids	<u>33,293</u>	<u>82,293</u>	<u>170,552</u>	<u>88,259</u>	<u>109,961</u>
Total State	<u>1,383,360</u>	<u>1,432,360</u>	<u>1,520,619</u>	<u>88,259</u>	<u>1,304,509</u>
Local					
Other local grant	-	-	13,945	13,945	-
Total intergovernmental revenues	<u>1,383,360</u>	<u>1,487,338</u>	<u>1,760,048</u>	<u>272,710</u>	<u>1,418,577</u>
Charges for services					
General government	100	100	468	368	210
Public safety	117,000	117,000	101,382	(15,618)	112,216
Highways and streets	123,000	123,000	157,254	34,254	141,443
Other	-	-	-	-	640
Total charges for services	<u>240,100</u>	<u>240,100</u>	<u>259,104</u>	<u>19,004</u>	<u>254,509</u>
Special assessments	-	-	2,125	2,125	2,819
Investment income (loss)	<u>55,000</u>	<u>55,000</u>	<u>64,732</u>	<u>9,732</u>	<u>29,269</u>
Miscellaneous					
Other	<u>62,700</u>	<u>62,700</u>	<u>72,718</u>	<u>10,018</u>	<u>74,520</u>
TOTAL REVENUES	<u>3,299,930</u>	<u>3,403,908</u>	<u>3,771,993</u>	<u>368,085</u>	<u>3,262,788</u>
OTHER FINANCING SOURCES					
Sale of capital assets	-	-	245	245	-
Transfers in	<u>223,000</u>	<u>243,070</u>	<u>242,671</u>	<u>(399)</u>	<u>282,611</u>
TOTAL OTHER FINANCING SOURCES	<u>223,000</u>	<u>243,070</u>	<u>242,916</u>	<u>(154)</u>	<u>282,611</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>3,522,930</u>	<u>3,646,978</u>	<u>4,014,909</u>	<u>367,931</u>	<u>3,545,399</u>

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Council					
Personal services	\$ 39,350	\$ 39,350	\$ 36,988	\$ 2,362	\$ 37,972
Supplies	1,000	1,000	1,092	(92)	805
Other services and charges	3,150	3,150	1,097	2,053	1,563
Total Council	43,500	43,500	39,177	4,323	40,340
Administration					
Personal services	124,150	124,150	128,469	(4,319)	135,070
Supplies	7,000	7,000	2,816	4,184	6,467
Other services and charges	50,530	58,530	49,958	8,572	77,105
Total administration	181,680	189,680	181,243	8,437	218,642
Elections					
Personal services	8,050	8,050	6,360	1,690	-
Supplies	1,000	1,000	614	386	-
Other services and charges	-	-	130	(130)	-
Total elections	9,050	9,050	7,104	1,946	-
Financial administration					
Other services and charges	84,000	84,000	84,000	-	83,500
Law					
Supplies	200	200	-	200	224
Other services and charges	26,400	26,400	35,246	(8,846)	28,741
Total law	26,600	26,600	35,246	(8,646)	28,965
Other general government					
Personal services	42,075	42,075	42,425	(350)	41,945
Supplies	29,535	29,535	15,559	13,976	34,519
Other services and charges	140,700	140,700	134,093	6,607	119,584
Total other general government	212,310	212,310	192,077	20,233	196,048
Total general government	557,140	565,140	538,847	26,293	567,495
Public safety					
Police					
Other services and charges	794,165	794,165	794,165	-	778,593
Fire					
Personal services	60,750	60,750	57,536	3,214	47,184
Supplies	57,500	57,500	64,855	(7,355)	25,170
Other services and charges	71,977	88,077	86,875	1,202	90,505
Total fire	190,227	206,327	209,266	(2,939)	162,859

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety - continued					
Building/planning/zoning/safety					
Personal services	\$ 83,880	\$ 83,880	\$ 95,490	\$ (11,610)	\$ 83,224
Supplies	2,050	2,050	1,067	983	1,740
Other services and charges	9,075	9,075	10,756	(1,681)	7,841
Total building/planning/zoning/safety	95,005	95,005	107,313	(12,308)	92,805
Civil defense					
Supplies	1,500	1,500	-	1,500	306
Other services and charges	1,600	1,600	1,402	198	1,485
Total civil defense	3,100	3,100	1,402	1,698	1,791
Emergency management services					
Personal services	9,145	9,145	12,818	(3,673)	8,915
Other services and charges	30	30	-	30	-
Total emergency management services	9,175	9,175	12,818	(3,643)	8,915
Animal control					
Supplies	1,100	1,100	592	508	188
Other services and charges	8,180	8,180	7,417	763	7,352
Total animal control	9,280	9,280	8,009	1,271	7,540
Insect control					
Supplies	9,500	9,500	6,325	3,175	7,658
Other services and charges	2,850	2,850	1,000	1,850	1,165
Total insect control	12,350	12,350	7,325	5,025	8,823
Total public safety	1,113,302	1,129,402	1,140,298	(10,896)	1,061,326
Public works					
Personal services	257,625	296,958	281,173	15,785	257,348
Supplies	152,600	152,600	180,533	(27,933)	187,588
Other services and charges	253,170	253,170	255,062	(1,892)	350,363
Total public works	663,395	702,728	716,768	(14,040)	795,299
Culture and recreation					
Personal services	219,800	240,800	233,130	7,670	211,671
Supplies	69,900	69,900	120,177	(50,277)	129,521
Other services and charges	230,833	212,200	433,393	(221,193)	168,123
Total culture and recreation	520,533	522,900	786,700	(263,800)	509,315

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Conservation and development					
Supplies	\$ 14,400	\$ 24,400	\$ 23,331	\$ 1,069	\$ 14,900
Other services and charges	56,550	56,550	55,345	1,205	49,904
Total conservation and development	<u>70,950</u>	<u>80,950</u>	<u>78,676</u>	<u>2,274</u>	<u>64,804</u>
Total current	<u>2,925,320</u>	<u>3,001,120</u>	<u>3,261,289</u>	<u>(260,169)</u>	<u>2,998,239</u>
Capital outlay					
Culture and recreation	-	-	-	-	25,000
Debt service					
Principal	11,000	11,000	11,000	-	10,000
Interest and other costs	1,610	1,610	1,254	356	1,700
Total debt service	<u>12,610</u>	<u>12,610</u>	<u>12,254</u>	<u>356</u>	<u>11,700</u>
TOTAL EXPENDITURES	2,937,930	3,013,730	3,273,543	(259,813)	3,034,939
OTHER FINANCING USES					
Transfers out	585,000	585,000	592,184	(7,184)	461,441
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>3,522,930</u>	<u>3,598,730</u>	<u>3,865,727</u>	<u>(266,997)</u>	<u>3,496,380</u>
NET CHANGE IN FUND BALANCES	-	48,248	149,182	100,934	49,019
FUND BALANCES, JANUARY 1	<u>2,688,041</u>	<u>2,688,041</u>	<u>2,688,041</u>	-	<u>2,639,022</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,688,041</u>	<u>\$ 2,736,289</u>	<u>\$ 2,837,223</u>	<u>\$ 100,934</u>	<u>\$ 2,688,041</u>

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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.

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 Estey 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.

Pumper Fire Engine Fund: This fund accounts for principal and interest payment on a general obligation equipment certificate of \$444,000 issued in 2013. 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, 2014

	338 Pamida TIF	343 Luverne Family Housing TIF	320 Fire Relief Pension
ASSETS			
Cash and temporary investments	\$ 70,522	\$ 4,488	\$ -
Receivables (net of allowance for uncollectibles)			
Accrued interest	90	3	-
Delinquent taxes	49	-	-
Intergovernmental	-	-	-
TOTAL ASSETS	\$ 70,661	\$ 4,491	\$ -
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	49	-	-
FUND BALANCES			
Restricted			
Debt service	70,612	4,491	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 70,661	\$ 4,491	\$ -

341 Freeman and Estey	321 Fire Hall/ MN West	342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ -	\$ 146,354	\$ 510,405	\$ 31,103	\$ 91,060	\$ -	\$ 853,932
-	134	874	23	61	-	1,185
-	1,575	1,115	324	624	-	3,687
-	833	725	216	649	-	2,423
<u>\$ -</u>	<u>\$ 148,896</u>	<u>\$ 513,119</u>	<u>\$ 31,666</u>	<u>\$ 92,394</u>	<u>\$ -</u>	<u>\$ 861,227</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500	\$ 4,500
-	1,575	1,115	324	624	-	3,687
-	147,321	512,004	31,342	91,770	(4,500)	853,040
<u>\$ -</u>	<u>\$ 148,896</u>	<u>\$ 513,119</u>	<u>\$ 31,666</u>	<u>\$ 92,394</u>	<u>\$ -</u>	<u>\$ 861,227</u>

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

	338 Pamida TIF	343 Luverne Family Housing TIF	320 Fire Relief Pension
REVENUES			
Taxes			
Property taxes	\$ 10,036	\$ -	\$ -
Tax increments	26,612	7,478	-
Investment income	650	19	-
Miscellaneous			
Other	-	-	-
TOTAL REVENUES	37,298	7,497	-
EXPENDITURES			
Current			
Conservation and development			
Other services and charges	-	7,934	-
Debt service			
Principal	30,000	-	-
Interest and other costs	7,065	-	-
TOTAL EXPENDITURES	37,065	7,934	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	233	(437)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(19,671)
Payment to refunded bond escrow agent	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(19,671)
NET CHANGE IN FUND BALANCES	233	(437)	(19,671)
FUND BALANCES, JANUARY 1	70,379	4,928	19,671
FUND BALANCES, DECEMBER 31	\$ 70,612	\$ 4,491	\$ -

341 Freeman and Estey	321 Fire Hall/ MN West	342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ -	\$ 126,770	\$ 110,298	\$ 32,768	\$ 101,076	\$ -	\$ 380,948
-	-	-	-	-	-	34,090
-	971	6,332	165	445	-	8,582
-	-	1,921	-	-	-	1,921
-	127,741	118,551	32,933	101,521	-	425,541
-	-	-	-	-	-	7,934
-	110,000	100,000	25,000	-	-	265,000
-	10,639	19,000	6,308	9,751	-	52,763
-	120,639	119,000	31,308	9,751	-	325,697
-	7,102	(449)	1,625	91,770	-	99,844
-	-	12,458	-	-	-	12,458
(156,417)	-	-	-	-	-	(176,088)
-	-	(600,000)	-	-	-	(600,000)
(156,417)	-	(587,542)	-	-	-	(763,630)
(156,417)	7,102	(587,991)	1,625	91,770	-	(663,786)
156,417	140,219	1,099,995	29,717	-	(4,500)	1,516,826
\$ -	\$ 147,321	\$ 512,004	\$ 31,342	\$ 91,770	\$ (4,500)	\$ 853,040

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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, 2014 AND 2013

	701		702	
	Central Garage		Central Store	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 217,689	\$ 232,528	\$ 207,473	\$ 189,664
Receivables (net of allowance for uncollectibles)				
Accrued interest	547	567	442	729
Accounts, net	-	-	-	306
Loans	-	-	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	218,236	233,095	207,915	190,699
NONCURRENT ASSETS				
Capital assets				
Buildings	79,654	70,602	59,701	59,701
Improvements	79,763	79,763	-	-
Machinery and equipment	62,635	55,311	146,997	146,997
Total capital assets	222,052	205,676	206,698	206,698
Less accumulated depreciation	(114,539)	(103,218)	(185,903)	(181,985)
Total noncurrent assets	107,513	102,458	20,795	24,713
TOTAL ASSETS	325,749	335,553	228,710	215,412
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,089	1,577	-	28
Wages and related benefits payable	3,590	2,677	1,129	1,140
Compensated absences payable - current	3,182	182	2,186	-
TOTAL CURRENT LIABILITIES	7,861	4,436	3,315	1,168
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	10,062	10,094	11,632	-
Other postemployment benefits liability	3,407	3,036	1,481	82
TOTAL NONCURRENT LIABILITIES	13,469	13,130	13,113	82
TOTAL LIABILITIES	21,330	17,566	16,428	1,250
NET POSITION				
Investment in capital assets	107,513	102,458	20,795	24,713
Unrestricted	196,906	215,529	191,487	189,449
TOTAL NET POSITION	\$ 304,419	\$ 317,987	\$ 212,282	\$ 214,162

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2014	2013	2014	2013	2014	2013
\$ 197,339	\$ 193,848	\$ 352,582	\$ 444,303	\$ 565,206	\$ 558,041
391	362	776	897	1,420	1,308
-	-	-	-	374	301
-	-	110,749	133,746	-	-
-	-	-	-	6,320	6,154
<u>197,730</u>	<u>194,210</u>	<u>464,107</u>	<u>578,946</u>	<u>573,320</u>	<u>565,804</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	212,347	197,655
-	-	-	-	212,347	197,655
-	-	-	-	(174,413)	(147,228)
-	-	-	-	37,934	50,427
<u>197,730</u>	<u>194,210</u>	<u>464,107</u>	<u>578,946</u>	<u>611,254</u>	<u>616,231</u>
-	-	739	1,534	1,278	1,008
-	-	-	-	7,278	5,419
-	-	-	-	13,381	10,267
-	-	739	1,534	21,937	16,694
-	-	-	-	68,448	61,868
-	-	-	-	5,915	4,161
-	-	-	-	74,363	66,029
-	-	739	1,534	96,300	82,723
-	-	-	-	37,934	50,427
<u>197,730</u>	<u>194,210</u>	<u>463,368</u>	<u>577,412</u>	<u>477,020</u>	<u>483,081</u>
<u>\$ 197,730</u>	<u>\$ 194,210</u>	<u>\$ 463,368</u>	<u>\$ 577,412</u>	<u>\$ 514,954</u>	<u>\$ 533,508</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION - CONTINUED
DECEMBER 31, 2014 AND 2013

	706 Vacation / Sick		Totals	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 227,880	\$ 203,488	\$ 1,768,169	\$ 1,821,872
Receivables (net of allowance for uncollectibles)				
Accrued interest	-	-	3,576	3,863
Accounts, net	-	-	374	607
Loans	-	-	110,749	133,746
Prepaid items	-	-	6,320	6,154
TOTAL CURRENT ASSETS	227,880	203,488	1,889,188	1,966,242
NONCURRENT ASSETS				
Capital assets				
Buildings	-	-	139,355	130,303
Improvements	-	-	79,763	79,763
Machinery and equipment	-	-	421,979	399,963
Total capital assets	-	-	641,097	610,029
Less accumulated depreciation	-	-	(474,855)	(432,431)
Total noncurrent assets	-	-	166,242	177,598
TOTAL ASSETS	227,880	203,488	2,055,430	2,143,840
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	-	3,106	4,147
Wages and related benefits payable	-	-	11,997	9,236
Compensated absences payable - current	48,079	43,245	66,828	53,694
TOTAL CURRENT LIABILITIES	48,079	43,245	81,931	67,077
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	179,801	160,243	269,943	232,205
Other postemployment benefits liability	-	-	10,803	7,279
TOTAL NONCURRENT LIABILITIES	179,801	160,243	280,746	239,484
TOTAL LIABILITIES	227,880	203,488	362,677	306,561
NET POSITION				
Investment in capital assets	-	-	166,242	177,598
Unrestricted	-	-	1,526,511	1,659,681
TOTAL NET POSITION	\$ -	\$ -	\$ 1,692,753	\$ 1,837,279

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, 2014 AND 2013

	701		702	
	Central Garage		Central Store	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ 133,870	\$ 130,700	\$ 56,295	\$ 57,516
Other income	-	-	-	-
TOTAL OPERATING REVENUES	133,870	130,700	56,295	57,516
OPERATING EXPENSES				
Personal services	101,955	100,618	49,677	5,952
Supplies	23,588	32,064	-	375
Other services and charges	14,543	13,826	7,782	8,307
Depreciation	11,321	9,364	3,918	4,427
TOTAL OPERATING EXPENSES	151,407	155,872	61,377	19,061
OPERATING INCOME (LOSS)	(17,537)	(25,172)	(5,082)	38,455
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	3,969	(2,014)	3,202	(2,588)
INCOME (LOSS) BEFORE TRANSFERS	(13,568)	(27,186)	(1,880)	35,867
TRANSFERS OUT	-	-	-	(220,000)
CHANGE IN NET POSITION	(13,568)	(27,186)	(1,880)	(184,133)
NET POSITION, JANUARY 1	317,987	345,173	214,162	398,295
NET POSITION, DECEMBER 31	\$ 304,419	\$ 317,987	\$ 212,282	\$ 214,162

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2014	2013	2014	2013	2014	2013
\$ 686	\$ 12,587	\$ 132,941	\$ 139,440	\$ 352,500	\$ 390,000
-	-	29,407	30,924	30	(15)
<u>686</u>	<u>12,587</u>	<u>162,348</u>	<u>170,364</u>	<u>352,530</u>	<u>389,985</u>
-	-	-	-	212,129	173,240
-	-	-	-	20,982	15,898
-	1,826	151,228	158,713	122,417	126,942
-	-	-	-	27,185	25,144
<u>-</u>	<u>1,826</u>	<u>151,228</u>	<u>158,713</u>	<u>382,713</u>	<u>341,224</u>
686	10,761	11,120	11,651	(30,183)	48,761
<u>2,834</u>	<u>(1,287)</u>	<u>6,836</u>	<u>(1,434)</u>	<u>11,629</u>	<u>(3,950)</u>
3,520	9,474	17,956	10,217	(18,554)	44,811
-	-	(132,000)	-	-	-
<u>3,520</u>	<u>9,474</u>	<u>(114,044)</u>	<u>10,217</u>	<u>(18,554)</u>	<u>44,811</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>
<u>\$ 197,730</u>	<u>\$ 194,210</u>	<u>\$ 463,368</u>	<u>\$ 577,412</u>	<u>\$ 514,954</u>	<u>\$ 533,508</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, 2014 AND 2013

	706		Totals	
	Vacation / Sick			
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ 676,292	\$ 730,243
Other income	-	-	29,437	30,909
TOTAL OPERATING REVENUES	-	-	705,729	761,152
OPERATING EXPENSES				
Personal services	-	-	363,761	279,810
Supplies	-	-	44,570	48,337
Other services and charges	-	-	295,970	309,614
Depreciation	-	-	42,424	38,935
TOTAL OPERATING EXPENSES	-	-	746,725	676,696
OPERATING INCOME (LOSS)	-	-	(40,996)	84,456
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	-	-	28,470	(11,273)
INCOME (LOSS) BEFORE TRANSFERS	-	-	(12,526)	73,183
TRANSFERS OUT	-	-	(132,000)	(220,000)
CHANGE IN NET POSITION	-	-	(144,526)	(146,817)
NET POSITION, JANUARY 1	-	-	1,837,279	1,984,096
NET POSITION, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,692,753</u>	<u>\$ 1,837,279</u>

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	701		702	
	Central Garage		Central Store	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received (paid) from interfund services provided	\$ 133,870	\$ 130,700	\$ 56,601	\$ 57,210
Cash paid to suppliers	(38,619)	(47,592)	(7,810)	(8,654)
Cash paid to and on behalf of employees	(97,703)	(96,671)	(34,471)	(13,500)
Other receipts	-	4,660	-	11,716
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,452)</u>	<u>(8,903)</u>	<u>14,320</u>	<u>46,772</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	(16,376)	(16,007)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	3,989	(1,585)	3,489	(2,147)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,839)	(26,495)	17,809	(175,375)
CASH AND CASH EQUIVALENTS, JANUARY 1	232,528	259,023	189,664	365,039
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 217,689</u>	<u>\$ 232,528</u>	<u>\$ 207,473</u>	<u>\$ 189,664</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (17,537)	\$ (25,172)	\$ (5,082)	\$ 38,455
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	11,321	9,364	3,918	4,427
Increase (decrease) in assets and liabilities				
Accounts receivable	-	-	306	(306)
Inventories	-	4,660	-	11,716
Prepaid items	-	-	-	-
Accounts payable	(488)	(1,690)	(28)	28
Due to other governments	-	(12)	-	-
Wages and related benefits payable	913	311	(11)	287
Other postemployment benefits liability	371	849	1,399	(410)
Compensated absences payable	2,968	2,787	13,818	(7,425)
Total adjustments	15,085	16,269	19,402	8,317
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,452)</u>	<u>\$ (8,903)</u>	<u>\$ 14,320</u>	<u>\$ 46,772</u>

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2014	2013	2014	2013	2014	2013
\$ 686	\$ 12,587	\$ 155,938	\$ 104,728	\$ 352,427	\$ 389,955
-	(1,826)	(152,023)	(157,179)	(143,295)	(148,997)
-	-	-	-	(198,822)	(171,067)
-	-	29,407	30,924	30	(15)
<u>686</u>	<u>10,761</u>	<u>33,322</u>	<u>(21,527)</u>	<u>10,340</u>	<u>69,876</u>
-	-	(132,000)	-	-	-
-	-	-	-	(14,692)	(13,383)
<u>2,805</u>	<u>(1,091)</u>	<u>6,957</u>	<u>(542)</u>	<u>11,517</u>	<u>(3,168)</u>
3,491	9,670	(91,721)	(22,069)	7,165	53,325
193,848	184,178	444,303	466,372	558,041	504,716
<u>\$ 197,339</u>	<u>\$ 193,848</u>	<u>\$ 352,582</u>	<u>\$ 444,303</u>	<u>\$ 565,206</u>	<u>\$ 558,041</u>
<u>\$ 686</u>	<u>\$ 10,761</u>	<u>\$ 11,120</u>	<u>\$ 11,651</u>	<u>\$ (30,183)</u>	<u>\$ 48,761</u>
-	-	-	-	27,185	25,144
-	-	22,997	(34,712)	(73)	(45)
-	-	-	-	-	-
-	-	-	-	(166)	(3,631)
-	-	(795)	1,534	270	(2,526)
-	-	-	-	-	-
-	-	-	-	1,859	503
-	-	-	-	1,754	(30)
-	-	-	-	9,694	1,700
-	-	22,202	(33,178)	40,523	21,115
<u>\$ 686</u>	<u>\$ 10,761</u>	<u>\$ 33,322</u>	<u>\$ (21,527)</u>	<u>\$ 10,340</u>	<u>\$ 69,876</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	706		Totals	
	Vacation / Sick			
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received (paid) from interfund services provided	\$ 24,392	\$ 20,059	\$ 723,914	\$ 715,239
Cash paid to suppliers	-	-	(341,747)	(364,248)
Cash paid to and on behalf of employees	-	-	(330,996)	(281,238)
Other receipts	-	-	29,437	47,285
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	24,392	20,059	80,608	117,038
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(132,000)	(220,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(31,068)	(29,390)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	-	-	28,757	(8,533)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,392	20,059	(53,703)	(140,885)
CASH AND CASH EQUIVALENTS, JANUARY 1	203,488	183,429	1,821,872	1,962,757
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 227,880	\$ 203,488	\$ 1,768,169	\$ 1,821,872
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ -	\$ (40,996)	\$ 84,456
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	42,424	38,935
Increase (decrease) in assets and liabilities				
Accounts receivable	-	-	23,230	(35,063)
Inventories	-	-	-	16,376
Prepaid items	-	-	(166)	(3,631)
Accounts payable	-	-	(1,041)	(2,654)
Due to other governments	-	-	-	(12)
Wages and related benefits payable	-	-	2,761	1,101
Other postemployment benefits liability	-	-	3,524	409
Compensated absences payable	24,392	20,059	50,872	17,121
Total adjustments	24,392	20,059	121,604	32,582
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 24,392	\$ 20,059	\$ 80,608	\$ 117,038

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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
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Lewis and Clark				
ASSETS				
Cash and investments	\$ 550	\$ 83,156	\$ 83,173	\$ 533
Receivables				
Accrued interest	1	1	1	1
TOTAL ASSETS	<u>\$ 551</u>	<u>\$ 83,157</u>	<u>\$ 83,174</u>	<u>\$ 534</u>
LIABILITIES				
Amounts held for others	<u>\$ 551</u>	<u>\$ 83,157</u>	<u>\$ 83,174</u>	<u>\$ 534</u>

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

	Total 2014	Total 2013	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 1,912,478	\$ 1,779,638	7.46 %
Special assessments	5,570	12,344	(54.88)
Licenses and permits	115,962	60,107	92.93
Intergovernmental	1,806,070	1,786,108	1.12
Charges for services	685,052	683,794	0.18
Investment earnings	98,943	12,440	695.36
Miscellaneous	180,484	181,096	(0.34)
TOTAL REVENUES	\$ 4,804,559	\$ 4,515,527	6.40 %
Per Capita	\$ 1,020	\$ 959	6.38 %
EXPENDITURES			
Current			
General government	\$ 543,492	\$ 567,495	(4.23) %
Public safety	1,140,298	1,061,326	7.44
Public works	1,038,500	1,138,848	(8.81)
Culture and recreation	1,259,812	897,318	40.40
Conservation and development	94,172	84,617	11.29
Capital outlay			
General government	-	13,049	N/A
Public safety	291,915	213,267	36.88
Public works	272,636	519,752	(47.54)
Culture and recreation	302,707	600,123	(49.56)
Conservation and development	42,000	-	N/A
Debt service			
Principal	320,556	484,556	(33.85)
Interest and other costs	58,172	96,784	(39.90)
Bond issuance costs	-	8,195	N/A
TOTAL EXPENDITURES	\$ 5,364,260	\$ 5,685,330	(5.65) %
Per Capita	\$ 1,139	\$ 1,207	(5.67) %
Total Long-term Indebtedness	\$ 2,907,703	\$ 3,828,259	(24.05) %
Per Capita	617	813	(24.06)
General Fund Balance - December 31	\$ 2,837,223	\$ 2,688,041	5.55 %
Per Capita	602	571	5.53

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			
	2014	2013	2012	2011
Governmental activities				
Net investment in capital assets	\$ 11,182,230	\$ 11,065,650	\$ 9,974,182	\$ 9,126,886
Restricted	567,138	587,971	628,498	529,057
Unrestricted	<u>4,727,475</u>	<u>4,487,164</u>	<u>4,602,307</u>	<u>4,531,553</u>
Total governmental activities net position	<u>16,476,843</u>	<u>16,140,785</u>	<u>15,204,987</u>	<u>14,187,496</u>
Business-type activities				
Net investment in capital assets	15,422,740	14,733,982	14,204,393	13,721,426
Restricted	581,148	458,951	347,944	304,281
Unrestricted	<u>15,908,264</u>	<u>15,769,947</u>	<u>16,134,235</u>	<u>15,178,390</u>
Total business-type activities net position	<u>31,912,152</u>	<u>30,962,880</u>	<u>30,686,572</u>	<u>29,204,097</u>
Primary government				
Net investment in capital assets	26,604,970	25,799,632	24,178,575	22,848,312
Restricted	1,148,286	1,046,922	976,442	833,338
Unrestricted	<u>20,635,739</u>	<u>20,257,111</u>	<u>20,736,542</u>	<u>19,709,943</u>
Total primary government net position	<u>\$ 48,388,995</u>	<u>\$ 47,103,665</u>	<u>\$ 45,891,559</u>	<u>\$ 43,391,593</u>

Table 1

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 9,512,985	\$ 9,054,791	\$ 7,046,069	\$ 5,856,980	\$ 5,544,453	\$ 5,825,841
238,855	303,330	-	-	-	-
4,255,703	4,188,264	3,830,245	3,951,808	4,314,168	3,945,495
14,007,543	13,546,385	10,876,314	9,808,788	9,858,621	9,771,336
13,334,878	13,836,826	13,567,002	13,901,572	13,134,678	13,848,382
360,405	330,653	327,878	329,838	281,405	239,394
14,030,207	12,459,832	12,017,572	10,907,412	10,366,212	9,219,514
27,725,490	26,627,311	25,912,452	25,138,822	23,782,295	23,307,290
22,847,863	22,891,617	20,613,071	19,758,552	18,679,131	19,674,223
599,260	633,983	327,878	329,838	281,405	239,394
18,285,910	16,648,096	15,847,817	14,859,220	14,680,380	13,165,009
<u>\$ 41,733,033</u>	<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>

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

	Fiscal Year			
	2014	2013	2012	2011
EXPENSES				
Governmental activities				
General government	\$ 694,390	\$ 700,138	\$ 635,951	\$ 637,217
Public safety	1,264,489	1,114,561	1,166,584	1,121,294
Public works	1,378,361	1,470,237	1,263,739	1,255,146
Culture and recreation	1,508,418	1,117,074	932,997	901,766
Conservation and development	103,906	94,351	86,198	318,480
Interest on long-term debt	50,251	81,184	159,403	122,743
	<u>4,999,815</u>	<u>4,577,545</u>	<u>4,244,872</u>	<u>4,356,646</u>
Total governmental activities expenses				
Business-type activities				
Water	1,107,274	1,021,691	949,208	834,782
Sewer	1,017,470	1,048,553	875,392	835,648
Refuse and recycling	399,265	415,337	437,194	420,554
Electric	6,899,422	6,080,534	5,769,226	5,923,359
Storm sewer	82,267	75,106	76,250	82,298
Liquor	1,185,261	1,112,630	1,077,729	1,016,858
	<u>10,690,959</u>	<u>9,753,851</u>	<u>9,184,999</u>	<u>9,113,499</u>
Total business-type activities expenses				
Total primary government expenses				
	<u>\$ 15,690,774</u>	<u>\$ 14,331,396</u>	<u>\$ 13,429,871</u>	<u>\$ 13,470,145</u>
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	\$ 63,052	\$ 62,121	\$ 47,492	\$ 51,817
Public safety	282,266	232,798	384,318	263,000
Public works/streets	354,203	373,403	316,630	321,368
Culture and recreation	205,624	177,144	196,480	216,383
Conservation and development	28,534	31,043	24,442	24,442
Miscellaneous	-	-	-	-
Operating grants and contributions	389,345	164,929	35,506	34,568
Capital grants and contributions	62,178	743,378	781,163	226,957
	<u>1,385,202</u>	<u>1,784,816</u>	<u>1,786,031</u>	<u>1,138,535</u>
Total governmental activities program revenues				
Business-type activities				
Charges for services				
Water	1,237,390	1,067,966	1,227,239	1,250,747
Sewer	1,256,889	1,220,933	1,263,396	1,212,028
Refuse and recycling	554,170	540,006	543,122	541,011
Electric	7,445,013	6,577,653	6,318,544	6,415,879
Storm sewer	87,815	87,094	87,038	86,745
Liquor	1,249,159	1,178,689	1,186,644	1,103,616
Operating grants and contributions	21,780	72,654	-	-
Capital grants and contributions	-	360	150,540	7,882
	<u>11,852,216</u>	<u>10,745,355</u>	<u>10,776,523</u>	<u>10,617,908</u>
Total business-type activities program revenues				
Total primary government program revenues				
	<u>\$ 13,237,418</u>	<u>\$ 12,530,171</u>	<u>\$ 12,562,554</u>	<u>\$ 11,756,443</u>

Table 2

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 621,043	\$ 636,689	\$ 634,193	\$ 294,379	\$ 410,305	\$ 444,463
1,157,952	1,068,857	1,078,790	1,032,340	1,017,933	1,016,442
1,221,999	1,092,130	1,047,566	1,321,735	1,129,163	1,101,681
879,739	934,358	1,575,747	1,135,804	1,057,981	1,006,696
90,220	59,119	289,590	627,427	254,499	171,901
156,189	203,159	234,153	219,301	204,348	213,396
<u>4,127,142</u>	<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>
988,222	1,855,956	1,721,554	857,826	752,875	795,781
897,768	878,326	871,325	813,265	856,432	732,383
417,189	392,343	543,640	392,639	362,091	398,174
5,962,493	5,550,824	5,071,016	4,944,833	4,869,545	4,404,896
79,293	60,026	77,398	61,746	38,740	39,721
987,460	965,470	908,574	815,535	751,977	739,448
<u>9,332,425</u>	<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>\$ 13,459,567</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>
\$ 54,073	\$ 38,069	\$ 26,265	\$ 7,173	\$ 9,985	\$ 35,641
260,206	237,608	246,744	250,049	250,965	204,609
244,489	153,865	175,655	132,862	123,872	127,322
227,713	224,637	229,545	229,665	227,130	234,283
17,854	17,657	14,613	-	-	-
-	-	-	-	-	48,021
38,862	39,290	712,075	229,941	232,720	231,804
564,245	1,980,096	1,470,636	202,179	171,929	245,923
<u>1,407,442</u>	<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>
1,204,587	1,160,826	1,110,832	1,103,663	1,036,532	990,510
1,135,984	1,072,722	954,163	889,890	809,005	742,330
516,125	500,956	486,419	457,880	431,624	391,065
6,356,768	6,067,045	6,157,909	5,575,623	4,828,497	4,370,352
86,861	88,809	88,914	84,065	81,836	81,803
1,064,495	1,029,748	972,412	882,122	792,814	773,561
-	-	-	-	1,316	-
7,580	366,994	777	2,849	2,479	15,990
<u>10,372,400</u>	<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>\$ 11,779,842</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>

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

	Fiscal Year			
	2014	2013	2012	2011
PROGRAM REVENUES - CONTINUED				
Net (expense)/revenue				
Governmental activities	\$ (3,614,613)	\$ (2,792,729)	\$ (2,458,841)	\$ (3,218,111)
Business-type activities	1,161,257	991,504	1,591,524	1,504,409
Total primary government net expense	<u>\$ (2,453,356)</u>	<u>\$ (1,801,225)</u>	<u>\$ (867,317)</u>	<u>\$ (1,713,702)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 1,056,987	\$ 1,056,683	\$ 906,331	\$ 743,688
Property taxes, levied for debt service	380,489	326,215	406,876	316,141
Tax increments	33,976	32,424	34,335	34,107
Franchise and other taxes	440,570	372,560	405,670	388,611
Grants and contributions not restricted to specific programs	1,383,294	1,264,952	1,280,652	1,420,670
Unrestricted investment earnings	125,689	33,647	143,948	162,832
Other	1,921	46	-	15
Gain on sale of capital assets	12,745	-	-	-
Transfers	515,000	642,000	337,000	332,000
Total governmental activities	<u>3,950,671</u>	<u>3,728,527</u>	<u>3,514,812</u>	<u>3,398,064</u>
Business-type activities				
Taxes				
Property taxes, levied for debt service	50,007	25,131	24,976	21,276
Grants and contributions not restricted to specific programs	-	-	1,500	4,225
Unrestricted investment earnings (loss)	253,008	(99,048)	236,262	280,084
Other	-	721	809	613
Gain on sale of capital assets	-	-	1,000	-
Transfers	(515,000)	(642,000)	(337,000)	(332,000)
Total business-type activities	<u>(211,985)</u>	<u>(715,196)</u>	<u>(72,453)</u>	<u>(25,802)</u>
Total primary government	<u>\$ 3,738,686</u>	<u>\$ 3,013,331</u>	<u>\$ 3,442,359</u>	<u>\$ 3,372,262</u>
CHANGES IN NET POSITION				
Governmental activities	\$ 336,058	\$ 935,798	\$ 1,055,971	\$ 179,953
Business-type activities	949,272	276,308	1,519,071	1,478,607
Total primary government	<u>\$ 1,285,330</u>	<u>\$ 1,212,106</u>	<u>\$ 2,575,042</u>	<u>\$ 1,658,560</u>

Table 2 (continued)

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ (2,719,700)	\$ (1,303,090)	\$ (1,984,506)	\$ (3,579,117)	\$ (3,057,628)	\$ (2,826,976)
<u>1,039,975</u>	<u>584,155</u>	<u>577,919</u>	<u>1,110,248</u>	<u>352,443</u>	<u>255,208</u>
<u>\$ (1,679,725)</u>	<u>\$ (718,935)</u>	<u>\$ (1,406,587)</u>	<u>\$ (2,468,869)</u>	<u>\$ (2,705,185)</u>	<u>\$ (2,571,768)</u>
\$ 630,953	\$ 527,783	\$ 476,338	\$ 549,975	\$ 411,806	\$ 394,573
297,383	264,863	257,244	190,364	185,217	198,031
54,927	582,235	83,523	298,583	295,121	307,782
386,493	385,254	368,586	331,415	326,889	322,474
1,310,452	1,726,083	1,347,398	1,512,055	1,426,291	1,320,217
193,500	212,134	253,153	324,057	243,764	166,822
150	20	40	-	-	-
-	-	1,750	8,900	1,825	-
<u>307,000</u>	<u>274,789</u>	<u>264,000</u>	<u>313,935</u>	<u>254,000</u>	<u>256,000</u>
<u>3,180,858</u>	<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>
20,793	41,077	41,115	40,519	40,478	42,039
4,508	8,748	9,070	9,654	9,875	9,912
329,144	355,025	391,504	509,217	302,532	162,259
754	643	450	324	80	-
10,005	-	17,572	500	23,597	-
<u>(307,000)</u>	<u>(274,789)</u>	<u>(264,000)</u>	<u>(313,935)</u>	<u>(254,000)</u>	<u>(256,000)</u>
<u>58,204</u>	<u>130,704</u>	<u>195,711</u>	<u>246,279</u>	<u>122,562</u>	<u>(41,790)</u>
<u>\$ 3,239,062</u>	<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>
\$ 461,158	\$ 2,670,071	\$ 1,067,526	\$ (49,833)	\$ 87,285	\$ 138,923
<u>1,098,179</u>	<u>714,859</u>	<u>773,630</u>	<u>1,356,527</u>	<u>475,005</u>	<u>213,418</u>
<u>\$ 1,559,337</u>	<u>\$ 3,384,930</u>	<u>\$ 1,841,156</u>	<u>\$ 1,306,694</u>	<u>\$ 562,290</u>	<u>\$ 352,341</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				
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
2014	1,056,987	380,489	33,976	2,466	438,104	1,912,022

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

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2005 - 2010)	235,397	206,590	115,834	124,158	111,289
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2005 - 2010)	<u>1,313,646</u>	<u>1,537,935</u>	<u>1,647,475</u>	<u>1,719,558</u>	<u>1,807,922</u>
Total General fund	<u>\$ 1,549,043</u>	<u>\$ 1,744,525</u>	<u>\$ 1,763,309</u>	<u>\$ 1,843,716</u>	<u>\$ 1,919,211</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2005 - 2010)	3,601,802	4,030,201	4,173,832	2,804,471	3,309,341
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2005 - 2010)	<u>82,058</u>	<u>945</u>	<u>(89,529)</u>	<u>(77,393)</u>	<u>(12,074)</u>
Total all other governmental funds	<u>\$ 3,683,860</u>	<u>\$ 4,031,146</u>	<u>\$ 4,084,303</u>	<u>\$ 2,727,078</u>	<u>\$ 3,297,267</u>

Table 4

Fiscal Year				
2010	2011	2012	2013	2014
\$ -	\$ 369,411	\$ 562,938	\$ 684,954	\$ 434,528
98,993	12,475	12,475	11,744	11,510
-	-	-	-	25,000
-	1,198,528	1,092,661	1,089,532	837,965
2,045,119	823,652	970,948	901,811	1,528,220
<u>\$ 2,144,112</u>	<u>\$ 2,404,066</u>	<u>\$ 2,639,022</u>	<u>\$ 2,688,041</u>	<u>\$ 2,837,223</u>
\$ -	\$ 10,600	\$ 15,703	\$ 14,251	\$ 12,992
2,744,408	1,040,741	2,702,629	1,738,030	853,040
-	593,502	588,008	591,396	894,112
-	1,175,513	954,094	820,198	565,094
(291,564)	(141,160)	(112,546)	(158,809)	(101,310)
<u>\$ 2,452,844</u>	<u>\$ 2,679,196</u>	<u>\$ 4,147,888</u>	<u>\$ 3,005,066</u>	<u>\$ 2,223,928</u>

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

	Fiscal Year				
	2005	2006	2007	2008	2009
REVENUES					
Taxes	\$ 914,572	\$ 927,969	\$ 1,069,838	\$ 1,100,367	\$ 1,172,406
Tax increments	307,782	295,121	298,583	82,339	580,734
Licenses and permits	65,030	93,878	93,379	83,811	74,615
Intergovernmental revenue	1,640,022	1,758,668	1,880,230	3,026,344	2,896,500
Charges for services	520,789	490,011	498,282	547,458	519,666
Fines and forfeits	3,799	3,880	4,231	3,998	-
Lease revenue	38,670	-	-	-	-
Special assessments	177,062	133,546	122,951	120,824	90,642
Investment income	159,061	217,184	291,435	223,953	186,006
Miscellaneous	132,683	37,345	71,675	99,652	447,415
TOTAL REVENUES	3,959,470	3,957,602	4,330,604	5,288,746	5,967,984
EXPENDITURES					
General government	431,156	388,582	532,040	524,751	506,956
Public safety	946,248	911,794	919,894	1,004,243	999,236
Public works	632,727	648,154	705,603	929,518	853,957
Culture and recreation	806,667	857,007	953,373	973,238	755,843
Conservation and development	160,270	153,559	291,330	158,537	58,321
Capital outlay	1,651,262	1,756,680	1,561,826	2,468,972	1,719,849
Debt service					
Principal	840,157	437,289	437,419	554,123	643,208
Interest and other costs	219,405	166,705	238,748	217,932	208,482
TOTAL EXPENDITURES	5,687,892	5,319,770	5,640,233	6,831,314	5,745,852
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,728,422)	(1,362,168)	(1,309,629)	(1,542,568)	222,132
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	25,200	95,800	1,750	-
Transfers in	1,254,722	732,977	756,449	579,780	837,407
Debt issued	98,000	1,639,600	996,498	-	136,552
Payment to refunded bonds escrow agent	-	-	-	-	-
Discount on debt issued	-	(13,864)	(6,728)	-	-
Transfers out	(998,722)	(478,977)	(460,449)	(315,780)	(550,407)
TOTAL OTHER FINANCING SOURCES (USES)	354,000	1,904,936	1,381,570	265,750	423,552
NET CHANGE IN FUND BALANCES	\$ (1,374,422)	\$ 542,768	\$ 71,941	\$ (1,276,818)	\$ 645,684
Debt service as a percentage of noncapital expenditures	26.24%	16.66%	15.95%	18.15%	21.88%

Table 5

		Fiscal Year							
		2010	2011	2012	2013	2014			
\$	1,314,969	\$	1,443,061	\$	1,732,568	\$	1,747,314	\$	1,878,388
	55,063		33,921		36,878		32,324		34,090
	86,731		90,228		190,435		60,107		115,962
	1,856,285		1,530,290		1,267,456		1,786,108		1,806,070
	646,568		679,870		674,013		683,794		685,052
	125		-		-		-		-
	-		-		-		-		-
	92,247		78,422		36,450		12,344		5,570
	170,990		140,776		125,033		12,440		98,943
	109,113		305,198		945,409		181,096		180,484
	<u>4,332,091</u>		<u>4,301,766</u>		<u>5,008,242</u>		<u>4,515,527</u>		<u>4,804,559</u>
	492,799		506,873		544,639		567,495		543,492
	1,081,976		1,049,164		1,095,648		1,061,326		1,140,298
	757,228		812,308		857,251		1,138,848		1,038,500
	690,957		779,066		774,622		897,318		1,259,812
	89,471		316,435		76,464		84,617		94,172
	1,095,426		302,717		1,740,549		1,346,191		909,258
	839,212		287,059		476,592		484,556		320,556
	190,205		117,222		140,829		104,979		58,172
	<u>5,237,274</u>		<u>4,170,844</u>		<u>5,706,594</u>		<u>5,685,330</u>		<u>5,364,260</u>
	<u>(905,183)</u>		<u>130,922</u>		<u>(698,352)</u>		<u>(1,169,803)</u>		<u>(559,701)</u>
	-		-		-		-		12,745
	1,265,757		694,250		770,391		1,124,052		1,515,730
	758,106		23,384		2,065,000		444,000		-
	(775,000)		-		-		(1,010,000)		(600,000)
	(4,445)		-		-		-		-
	<u>(958,757)</u>		<u>(362,250)</u>		<u>(433,391)</u>		<u>(482,052)</u>		<u>(1,000,730)</u>
	<u>285,661</u>		<u>355,384</u>		<u>2,402,000</u>		<u>76,000</u>		<u>(72,255)</u>
\$	<u>(619,522)</u>	\$	<u>486,306</u>	\$	<u>1,703,648</u>	\$	<u>(1,093,803)</u>	\$	<u>(631,956)</u>
	24.56%		10.38%		15.51%		13.75%		8.60%

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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
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
2014	1,437,818	34,090	2,466	438,104	1,912,478

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

Fiscal Year Ended December 31	Real Property (1)		Total Real Property	Personal Property
	Residential Property	Commercial Property		
2005	\$ -	\$ -	\$ 164,971,800	\$ 1,186,400
2006	-	-	172,231,300	1,241,900
2007	140,643,100	43,509,000	184,152,100	942,800
2008	147,434,000	45,013,700	192,447,700	967,200
2009	153,483,600	47,989,700	201,473,300	1,280,800
2010	163,085,500	51,206,100	214,291,600	1,389,800
2011	164,819,700	53,222,700	218,042,400	1,594,400
2012	170,174,100	52,878,800	223,052,900	1,661,500
2013	172,954,500	55,081,900	228,036,400	2,095,500
2014	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 certain 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	44.219	\$ 1,980,151	1.19 %
173,473,200	43.076	2,074,112	1.20
185,094,900	43.652	2,193,676	1.19
193,414,900	44.548	2,304,913	1.19
202,754,100	45.697	2,465,847	1.22
215,681,400	47.736	2,509,154	1.16
219,636,800	52.095	2,195,236	1.00
224,714,400	62.705	2,237,520	1.00
230,131,900	63.367	2,478,201	1.08
241,106,700	60.862	2,443,937	1.01

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
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
2014	42.726	18.136	60.862	17.459	1.285	18.744

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
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
3.681	7.063	10.744	0.121	90.471

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

Taxpayer	Type of Business	2014		
		Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Agri-Energy, LLC	Ethanol production	\$ 273,368	1	11.2 %
Grandstay (Luverne Hotel Partners, LLC)	Hotel	54,350	2	2.3
Midwest Fire (Rock River Properties, LLC)	Fire truck manufacturer	35,090	3	1.4
Good Samaritan Society - Oak Apartments	Congregate care facility	34,600	4	1.4
Sanford Hospital - Luverne	Hospital	30,550	5	1.3
Luverne Economic Development Authority	Commercial property	29,978	6	1.2
Glen's Food Center	Groceries	29,416	7	1.2
Shopko Hometown	Retail	25,222	8	1.0
Papik Motors	Auto sales	24,714	9	1.0
Total Card, Inc.	Credit card processing	18,048	10	0.7
Sanford Medical Clinic - Luverne	Medical Clinic	-	-	-
Luverne Townhome Rental Properties LLC	Apartment Buildings	-	-	-
SWMN Farmers Coop	Grain elevator	-	-	-
	Total	<u>\$ 555,336</u>		<u>22.7 %</u>

Source: Rock County Assessor

Table 9

2005		
<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
\$ 93,706	1	4.8 %
-	-	-
-	-	-
34,600	2	1.7
-	-	-
31,821	3	1.6
26,286	4	1.3
22,430	6	1.1
12,230	10	0.6
19,250	7	1.0
25,842	5	1.3
15,609	8	0.8
<u>13,057</u>	9	<u>0.7</u>
<u>\$ 294,831</u>		<u>14.9 %</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
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	10,662	944,746	100.0
2009	1,016,155	1,002,671	98.7	12,910	1,015,581	99.9
2010	1,144,019	1,132,487	99.0	10,455	1,142,942	99.9
2011	1,284,454	1,267,946 ⁽¹⁾	98.7	15,793	1,283,739	99.9
2012	1,348,740	1,345,705	99.8	1,420	1,347,125	99.9
2013	1,414,586	1,404,941	99.3	7,474	1,412,415	99.8
2014	1,484,357	1,475,215	99.4	-	1,475,215	99.4

(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					Business-type Activities
	General Obligation Bonds	G.O. Improvement Bonds	G.O. Tax Increment Bonds	G.O. Equipment Certificates	Capital Leases and Notes	G.O. Revenue Bonds
2005	\$ 510,000	\$ 1,500,000	\$ 1,551,000	\$ 98,000	\$ 50,577	\$ 2,755,000
2006	1,955,000	1,315,000	1,367,000	98,000	176,888	3,605,000
2007	1,900,000	2,105,000	1,182,500	91,000	192,467	3,455,000
2008	1,770,000	1,910,000	982,500	83,000	171,344	3,260,000
2009	1,635,000	1,475,000	942,500	74,000	283,688	3,060,000
2010	1,490,000	1,235,000	387,500	65,000	376,582	4,735,000
2011	1,340,000	1,150,000	382,500	55,000	362,907	2,660,000
2012	2,620,000	1,555,000	345,000	45,000	313,815	5,125,000
2013	1,445,000	1,320,000	315,000	479,000	269,259	4,210,000
2014	1,310,000	620,000	285,000	468,000	224,703	6,530,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
N/A indicates information not available.

Table 11

<u>Total Primary Government</u>		<u>Percentage of Personal Income</u>	<u>Per Capita</u>	
\$	6,464,577	4.70 %	\$	1,407
	8,516,888	6.20		1,845
	8,925,967	5.96		1,942
	8,176,844	4.62		1,780
	7,470,188	4.39		1,631
	8,289,082	4.33		1,747
	5,950,407	2.74		1,261
	10,003,815	4.29		2,124
	8,038,259	3.55		1,707
	9,437,703	N/A		2,004

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
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	303
2013	1,924,000	189,607	1,734,393	0.70	368
2014	1,778,000	270,433	1,507,567	0.62	320

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, 2014

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>\$ 2,907,703</u>	100.00 %	<u>\$ 2,907,703</u>
Overlapping debt			
Rock County	7,005,000	11.94	836,397
Independent School District #2184	<u>3,685,000</u>	22.40	<u>825,440</u>
Total overlapping debt	<u>10,690,000</u>		<u>1,661,837</u>
Total direct and overlapping debt	<u>\$ 13,597,703</u>		<u>\$ 4,569,540</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 3,469,464	\$ 3,701,898	\$ 3,868,298	\$ 6,082,623	\$ 6,470,442
Total net debt applicable to limit	<u>608,000</u>	<u>2,053,000</u>	<u>1,991,000</u>	<u>1,853,000</u>	<u>1,709,000</u>
Legal debt margin	<u>\$ 2,861,464</u>	<u>\$ 1,648,898</u>	<u>\$ 1,877,298</u>	<u>\$ 4,229,623</u>	<u>\$ 4,761,442</u>
Total net debt applicable to the limit as a percentage of debt limit	17.52%	55.46%	51.47%	30.46%	26.41%

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 6,589,104	\$ 6,741,432	\$ 6,903,957	\$ 7,233,201	\$ 7,233,201
<u>1,555,000</u>	<u>1,395,000</u>	<u>2,665,000</u>	<u>1,924,000</u>	<u>1,778,000</u>
<u>\$ 5,034,104</u>	<u>\$ 5,346,432</u>	<u>\$ 4,238,957</u>	<u>\$ 5,309,201</u>	<u>\$ 5,455,201</u>
23.60%	20.69%	38.60%	26.60%	24.58%

Legal Debt Margin Calculation for Fiscal Year 2014

Estimated Market Value (2013/2014)	\$ 241,106,700
A) Debt Limit 3.0% of estimated market value	7,233,201
Total Bonded Debt	<u>9,213,000</u>
B) Deductions	
General obligation improvement bonds	620,000
General obligation tax increment bonds	285,000
General obligation revenue bonds	<u>6,530,000</u>
Total Deductions	<u>7,435,000</u>
Net Debt applicable to debt limit	
General obligation debt	1,310,000
General obligation equipment certificates	<u>468,000</u>
Total Net Debt applicable to debt limit	<u>1,778,000</u>
Legal Debt Margin	<u>\$ 5,455,201</u>
Percent of Debt Margin not used	75.42%

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	
2005	\$ 1,881,718 ⁽³⁾	\$ 864,391	\$ 1,017,327	\$ -	\$ 119,088	\$ 119,088	8.54
2006	2,053,438 ⁽³⁾	968,972	1,084,466	125,000	107,740	232,740	4.66
2007	2,305,965 ⁽³⁾	1,071,943	1,234,022	150,000	131,405	281,405	4.39
2008	2,302,534 ⁽³⁾	1,123,343	1,179,191	195,000	134,838	329,838	3.58
2009	2,714,686 ⁽³⁾	1,204,639	1,510,047	200,000	127,877	327,877	4.61
2010	2,524,189 ⁽³⁾	1,190,867	1,333,322	210,000	120,563	330,563	4.03
2011	2,618,747 ⁽³⁾	1,158,072	1,460,675	225,000	96,448	321,448	4.54
2012	2,781,250 ⁽³⁾	1,231,918	1,549,332	245,000	59,280	304,280	5.09
2013	2,266,817 ⁽³⁾	1,364,963	901,854	255,000	92,945	347,945	2.59
2014	2,683,177 ⁽³⁾	1,219,764	1,463,413	395,000	63,951	458,951	3.19

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 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	
2005	\$ 192,406	\$ 580,119	\$ 772,525	\$ 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
2014	427,618	10,503	438,121	276,000	54,017	330,017	1.33

Source: City of Luverne Financial Records

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

Table 16

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Educational Attainment - College Graduate or Better	School Enrollment	Unemployment Rate
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	4,709	233,354,495	49,555	41.7	28.0	1,177	3.9
2013	4,710	226,249,560	48,036	44.2	28.0	1,209	3.5
2014	4,710	N/A	N/A	43.6	28.0	1,195	2.4

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.

N/A indicates information not available.

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

Table 17

	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sanford Hospital - Luverne	258	1	11.18 %	190	2	7.47 %
Gold 'N Plump	240	2	10.40	130	4	5.11
Independent School District No. 2184	195	3	8.45	245	1	9.63
Minnesota Veterans Home	180	4	7.80	166	3	6.52
Rock County	111	5	4.81	105	7	4.13
Mary Jane Brown Good Samaritan Home	103	6	4.46	107	5	4.20
Total Card Inc.	89	7	3.86	-	-	-
City of Luverne	83	8	3.60	106	6	4.16
Continental Western Group	71	9	3.08	104	8	4.09
Papik Motors	57	10	2.47	40	10	1.57
Sanford Clinic Luverne	-	-	-	50	9	1.96
Total	1,387		60.11 %	1,243		48.84 %

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				
	2005	2006	2007	2008	2009
General government	2.29	2.75	3.53	3.95	2.83
Public safety					
Fire					
Firefighters and officers	2.19	2.37	2.26	2.26	1.85
Building official	1.00	1.01	1.01	1.00	1.00
Streets and highways	3.71	4.16	3.45	3.44	3.29
Sanitation	3.04	2.49	2.89	2.84	2.73
Culture and recreation					
Parks	3.16	3.37	3.54	3.18	3.37
Library	3.31	3.34	3.34	3.12	-
Swimming pool	6.76	7.06	6.78	6.47	6.35
Housing and economic development	0.86	0.79	0.70	0.82	0.52
Water	2.64	2.99	3.13	3.40	3.49
Sewer	3.54	4.11	4.26	3.77	3.56
Electric	2.66	2.98	2.68	2.57	2.77
Liquor - off sale	2.38	2.45	2.47	2.33	2.44
Central garage	1.01	1.00	1.02	1.01	0.95
Central store	0.50	0.50	0.51	0.50	0.50
Data processing	2.57	2.58	2.58	2.58	2.61
Total	41.62	43.95	44.15	43.24	38.26

Source: Finance Department

Table 18

Full-time Equivalent Employees as of December 31				
2010	2011	2012	2013	2014
3.14	2.81	3.23	2.92	2.61
2.76	2.09	2.47	1.81	2.28
1.00	1.00	1.00	1.00	1.12
3.27	3.10	3.05	3.67	4.00
2.90	2.90	2.93	2.01	1.67
3.25	3.05	3.05	3.28	3.86
-	-	-	-	-
6.31	6.75	7.02	6.34	8.01
1.00	0.84	0.77	1.00	1.00
3.18	3.13	3.10	3.36	3.30
4.35	4.28	4.26	4.49	4.50
2.57	2.57	2.77	2.38	2.24
2.49	2.46	2.82	2.92	2.91
1.16	1.16	0.99	1.20	1.20
0.50	0.50	0.50	0.11	0.50
2.62	2.96	2.66	1.58	1.98
<u>40.50</u>	<u>39.60</u>	<u>40.62</u>	<u>38.07</u>	<u>41.18</u>

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Physical arrests	94	75	160	137	107
Parking violations	102	33	71	144	43
Traffic violations	175	212	142	201	93
Fire					
Number of calls answered	72	53	60	86	59
Building/zoning					
Permits issued	308	241	292	211	228
Inspections	1,713	1,499	1,331	1,300	1,135
Sanitation					
Refuse collected annually	1,417	1,397	1,496	1,526	1,560
Recyclables collected annually	312	312	312	312	312
Airport					
Aviation fuel sales (gallons)	9,811	9,993	7,877	7,770	10,120
Jet fuel (gallons)	-	-	-	-	-
Culture and recreation					
Library circulation	86,943	87,065	96,945	99,004	-
Pool and fitness center					
Attendance	79,973	80,750	80,513	82,556	81,867
Memberships	1,174	1,214	1,179	1,142	1,300
Water					
Average daily consumption	831,578	804,029	902,749	1,110,155	1,053,119
Wastewater					
Average daily sewage treatment	865,000	1,034,000	1,099,000	1,137,000	942,000
Electric					
Kilowatt hours sold	74,594,504	76,973,893	79,688,930	74,785,319	74,411,632
Liquor					
Annual sales	\$ 771,767	\$ 790,166	\$ 878,367	\$ 968,556	\$ 1,025,544

Sources: Various government departments

Table 19

Fiscal Year					
2010	2011	2012	2013	2014	
168	140	68	91	111	
27	52	-	2	-	
257	191	46	187	123	
89	92	84	75	86	
242	241	245	211	190	
1,103	1,124	1,082	812	722	
1,483	1,458	1,273	1,351	1,450	
312	312	338	416	416	
15,789	16,183	16,978	17,997	16,176	
11,867	18,632	13,284	24,443	17,061	
-	-	-	-	-	
79,218	78,296	76,043	68,374	75,375	
968	917	800	849	824	
984,170	900,218	673,306	739,627	756,436	
1,162,917	1,337,000	913,000	827,000	941,000	
77,318,682	76,389,496	73,454,715	68,828,422	85,733,095	
\$ 1,058,949	\$ 1,097,579	\$ 1,182,830	\$ 1,175,086	\$ 1,252,183	

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Public Safety					
Fire					
Stations	1	1	1	1	1
Part-time paid	36	36	36	38	35
Hydrants	220	220	220	215	221
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	697	697	697	709	715
Signalized intersections	2	2	2	2	2
Parks division					
Neighborhood parks	12	12	12	12	12
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	1,990	1,988	2,015	2,019	2,026
Average daily consumption	831,578	905,005	902,749	1,110,155	1,053,119
Total gallons sold	267,137,000	259,122,000	275,533,250	273,746,750	282,381,000
Total gallons pumped	303,526,000	330,326,906	353,916,660	405,206,416	384,388,552
Storage capacity	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Miles of water main	34	34	34	35	35
Municipal water treatment					
Type of treatment					
Users	1,960	1,970	1,983	1,988	1,996
Average daily use	865,000	1,034,000	1,099,000	1,137,000	942,000
Peak demand	1,127,000	2,836,000	1,740,000	1,782,000	1,419,000
Maximum design capacity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total volume	315,683,000	377,392,000	401,550,000	416,314,000	343,402,000
Miles of sanitary sewer	34	34	34	35	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	33	30	29
Part-time	54	52	55	44	41
Volunteer Firemen	36	36	36	38	35
Election judges	-	33	-	32	-
Total employees	122	153	124	144	105

Source: City of Luverne Financial Records.

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

Table 20

Fiscal Year				
2010	2011	2012	2013	2014
1	1	1	1	1
37	36	36	37	35
222	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
12	12	12	12	13
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
2,019	2,016	2,027	2,035	2,040
984,170	900,218	673,306	739,627	648,782
277,651,250	245,908,500	220,937,250	172,229,250	209,151,000
359,222,119	328,579,720	246,430,043	269,599,000	236,156,828
2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
35	35	35	35	35
1,989	1,990	1,992	1,998	2,002
1,162,917	1,337,000	913,000	827,000	941,000
2,413,000	3,315,000	1,309,000	1,593,000	6,617,000
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
425,067,000	488,573,000	334,096,000	302,670,000	343,458,000
35	35	35	35	35
11.1	11.1	11.1	11.1	11.1
2	2	2	2	2
28	26	27	28	29
46	38	44	44	51
37	36	36	37	34
32	-	29	0	20
143	100	136	109	134

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, 2014

Table 21

	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	439,053	26,612	(754,335)
Interest on invested funds	-	9,965	650	10,615
Market value homestead credit	-	3,553	-	3,553
Property taxes/state aids	-	127,030	10,036	137,066
Total sources of funds	1,745,000	1,970,976	37,298	263,274
Uses of funds				
Installation of public utilities and improvements	525,000	554,556	-	(29,556)
Bond payments				
Principal	525,000	1,085,000	30,000	(590,000)
Interest	544,000	360,167	6,900	176,933
Administrative costs/fiscal agent fees	-	26,258	165	(26,423)
Total uses of funds	1,594,000	2,025,981	37,065	(469,046)
District balance (deficiency)	151,000	(55,005)	233	(205,772)
Transfers to other districts	-	(13,962)	-	(13,962)
Transfers from other funds	-	139,346	-	139,346
Funds remaining (deficient)	\$ 151,000	\$ 70,379	\$ 233	\$ (80,388)

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, 2014

Table 22

	Original Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Loan proceeds	\$ 47,000	\$ 47,000	\$ -	\$ -
Tax increments	53,000	21,812	967	(30,221)
Interest on invested funds	-	46	205	251
Other - up front contribution	4,500	-	-	(4,500)
Market value homestead credit	-	3,856	-	3,856
Property taxes/state aid	-	38,855	62	38,917
Total sources of funds	104,500	111,569	1,234	8,303
Uses of funds				
Site improvements or preparation costs	47,000	50,329	-	(3,329)
Bond payments				
Principal	47,000	19,376	2,079	25,545
Interest	51,300	41,623	1,647	8,030
Total uses of funds	145,300	111,328	3,726	30,246
District balance (deficiency)	(40,800)	241	(2,492)	38,549
Transfers from other districts	-	13,857	-	13,857
Funds remaining (deficient)	\$ (40,800)	\$ 14,098	\$ (2,492)	\$ 52,406

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, 2014

Table 23

	Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Tax increments	\$ 300,000	\$ 152,950	\$ 7,478	\$ (139,572)
Interest on invested funds	-	734	19	753
Total sources of funds	300,000	153,684	7,497	(138,819)
Uses of funds				
Site improvements or preparation costs	300,000	147,860	7,934	144,206
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	147,860	7,934	789,021
District balance (deficiency)	(644,815)	5,824	(437)	650,202
Transfers to other districts	-	(896)	-	(896)
Funds remaining (deficient)	\$ (644,815)	\$ 4,928	\$ (437)	\$ 649,306

CITY OF LUVERNE, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (FORD), A TAX INCREMENT FINANCING DISTRICT
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2014

Table 24

	<u>Budget</u>	<u>Accounted For in Prior Years</u>	<u>Current Year</u>	<u>Amount Remaining</u>
Sources of funds				
Tax increments	\$ 750,000	\$ -	\$ -	\$ (750,000)
Interest on invested funds	5,000	-	-	(5,000)
Total sources of funds	<u>755,000</u>	<u>-</u>	<u>-</u>	<u>(755,000)</u>
Uses of funds				
Site improvements or preparation costs	210,000	-	-	210,000
Land/building acquisition	190,000	-	-	190,000
Bond payments				
Principal	400,000	-	-	400,000
Interest	150,000	-	-	150,000
Administrative costs/fiscal agent fees	75,000	4,500	-	70,500
Total uses of funds	<u>1,025,000</u>	<u>4,500</u>	<u>-</u>	<u>1,020,500</u>
Funds remaining (deficient)	<u>\$ (270,000)</u>	<u>\$ (4,500)</u>	<u>\$ -</u>	<u>\$ 265,500</u>

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2015.

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 4, 2015



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

Honorable Mayor and City Council
City of 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 4, 2015.

Internal Control Over Financial Reporting

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

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 4, 2015