

CITY OF LUVERNE
LUVERNE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

BARBARA J. BERGHORST
FINANCE DIRECTOR

CITY OF LUVERNE, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Page No.
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	7
Organizational Chart	8
List of Elected and Appointed Officials	9
 FINANCIAL SECTION	
Independent Auditor's Report	11
Management Discussion and Analysis	13
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements	
Governmental Funds	
Balance Sheet	29
Reconciliation of the Balance Sheet to the Statement of Net Position	30
Statement of Revenues, Expenditures and Changes in Fund Balances	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	33
Proprietary Funds	
Statement of Net Position	34
Statement of Revenues, Expenses and Changes in Net Position	38
Statement of Cash Flows	40
Fiduciary Funds	
Statement of Fiduciary Net Position	44
Notes to the Financial Statements	45
 Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	94
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	94
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	95
Schedule of Employer's Fire Relief Association Contributions	96
Schedule of Employer's Funding Progress for Other Post-Employment Benefit Plan	96
 Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	104
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Airport Special Revenue Fund	108
Swimming Pool Special Revenue Fund	109
Nonmajor Proprietary Funds	
Combining Statement of Net Position	112
Combining Statement of Revenues, Expenses and Changes in Net Position	115
Combining Statement of Cash Flows	116
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances	120
Debt Service Funds	
Combining Balance Sheet	126
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	128

CITY OF LUVERNE, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Page No.
Combining and Individual Fund Statements and Schedules - Continued	
Internal Service Funds	
Combining Statement of Net Position	132
Combining Statement of Revenues, Expenses and Changes in Net Position	134
Combining Statement of Cash Flows	136
Agency Funds	
Statement of Changes in Assets and Liabilities	140
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	141

STATISTICAL SECTION (UNAUDITED)

	Table	Page No.
Financial Trends		
Net Position by Component	1	144
Changes in Net Position	2	146
Governmental Activities Tax Revenues by Source	3	151
Fund Balances of Governmental Funds	4	152
Changes in Fund Balances of Governmental Funds	5	154
General Governmental Tax Revenues by Source	6	157
Revenue Capacity		
Estimated Market Value and Tax Capacity Value of Taxable Property	7	158
Property Tax Rates - Direct and Overlapping Governments	8	160
Principal Property Taxpayers	9	162
Property Tax Levies and Collections	10	165
Debt Capacity		
Ratios of Outstanding Debt by Type	11	166
Ratios of General Bonded Debt Outstanding	12	168
Computation of Direct and Overlapping Debt	13	169
Legal Debt Margin Information	14	170
Pledged-Revenue Coverage - Utility Revenue Bonds	15A	172
Pledged-Revenue Coverage - Other Bonds and Equipment Certificates	15B	173
Demographic and Economic Information		
Demographic and Economic Statistics	16	174
Principal Employers	17	175
Operating Information		
Full-time Equivalent City Government Employees by Function	18	176
Operating Indicators by Function	19	178
Capital Asset Statistics by Function	20	180
Schedule of Sources and Uses of Public Funds		
Pamida, A Tax Increment Financing District	21	182
Minnwest, A Tax Increment Financing District	22	183
Luverne Family Housing, A Tax Increment Financing District	23	184
Ford, A Tax Increment Financing District	24	185

OTHER REQUIRED REPORTS

Independent Auditor's Report on	
Minnesota Legal Compliance	187
Independent Auditor's Report on Internal	
Control Over Financial Reporting and on	
Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in	
Accordance with <i>Government Auditing Standards</i>	188



305 East Luverne Street, PO Box 659 Luverne, MN 56156• P 507.449.2388 F 507.449.5034• www.CityOfLuverne.org

May 17, 2016

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, 2015.

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, 2015, 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 unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2015, 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 fund, this comparison is presented on page 33 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 108.

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 opened 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 was complete at 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 \$22,189,148.

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 89 - 91.

The Finance Department updated the Internal Control and Accounting Policies and Procedures manual in 2015. 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, 2014. This was the twentieth 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**

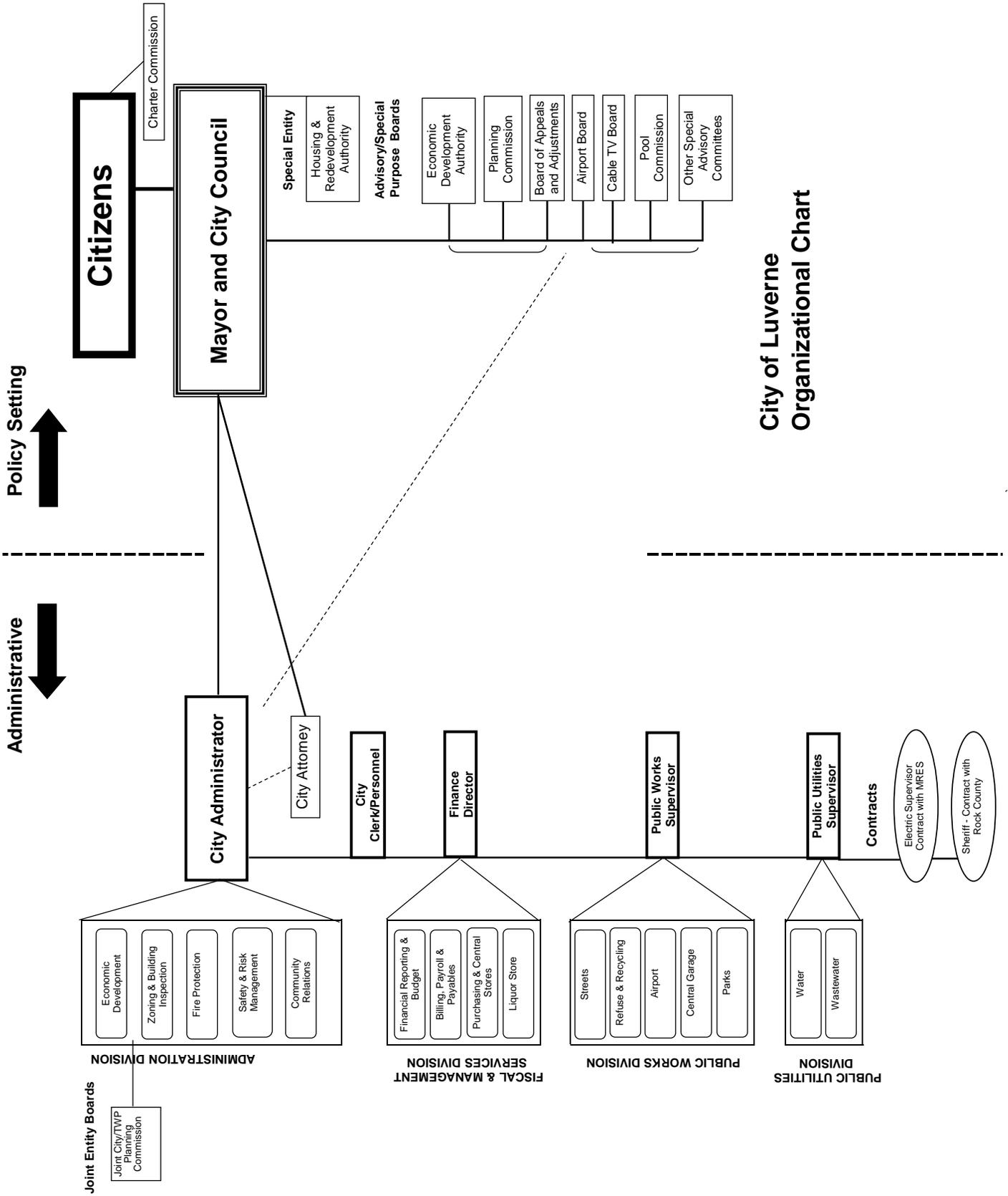
Presented to

**City of Luverne
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO



**City of Luverne
Organizational Chart**

CITY OF LUVERNE, MINNESOTA

List of Elected and Appointed Officials

For the Year Ended December 31, 2015

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

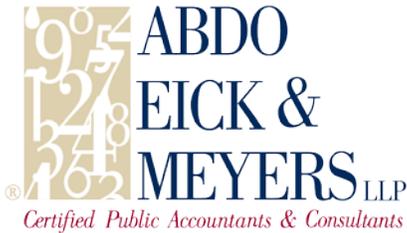
Finance Director

Barbara J. Berghorst

City Clerk

Jessica Mead

THIS PAGE IS LEFT BLANK
INTENTIONALLY



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, 2015, 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. 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, 2015, 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.

Change in Accounting Standards

As described in Note 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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 Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of Employer's Funding Progress for Other Post-Employment Benefit Plan starting on page 94 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 17, 2016, 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 17, 2016

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, 2015. 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 beginning unrestricted net position was decreased by \$1,200,828 to recognize the effects of GASB Statement No. 68 implementation.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$48,295,055 (*net position*). Of this amount, \$18,044,324 (*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 \$1,106,888 compared to an increase of \$1,285,330 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 \$4,836,131, a decrease of \$225,020 in comparison with the prior year. This decrease largely reflects street/sidewalk improvement costs paid by reserves. Approximately 32.9 percent of this total amount, \$1,590,372, 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 - \$414,975, 2) restricted - \$820,706, 3) committed - \$772,782, or 4) assigned - \$1,237,296 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

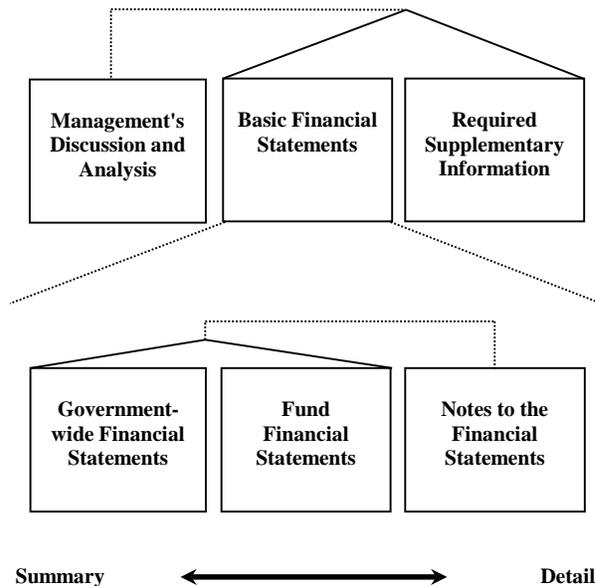


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 21 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 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 44 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 45 of this report.

Required supplementary information. The required supplementary information can be found on page 94 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 100 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48,295,055 at the close of the most recent fiscal year.

A large portion of the City's net position (60.1 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		
	2015	2014	Increase	2015	2014	Increase	2015	2014	Increase
			(Decrease)			(Decrease)			(Decrease)
Current and other assets	\$ 5,990,361	\$ 5,960,090	\$ 30,271	\$ 17,438,628	\$ 18,653,222	\$ (1,214,594)	\$ 1,594,143	\$ 1,464,421	\$ 129,722
Capital assets	14,545,662	13,803,201	742,461	22,282,709	21,393,894	888,815	1,995,040	2,071,454	(76,414)
Total assets	20,536,023	19,763,291	772,732	39,721,337	40,047,116	(325,779)	3,589,183	3,535,875	53,308
Deferred outflows of resources	122,789	-	122,789	89,166	-	89,166	5,778	-	5,778
Long-term liabilities outstanding	3,409,897	3,173,292	236,605	7,318,463	6,937,794	380,669	56,166	5,904	50,262
Other liabilities	323,712	113,156	210,556	885,996	1,197,170	(311,174)	180,175	209,960	(29,785)
Total liabilities	3,733,609	3,286,448	447,161	8,204,459	8,134,964	69,495	236,341	215,864	20,477
Deferred inflows of resources	110,156	-	110,156	126,036	-	126,036	8,167	-	8,167
Net position									
Net investment in capital assets	12,307,033	11,182,230	1,124,803	16,740,004	15,422,740	1,317,264	1,862,245	1,907,996	(45,751)
Restricted	550,208	567,138	(16,930)	653,486	581,148	72,338	516,229	555,480	(39,251)
Unrestricted	3,957,806	4,727,475	(769,669)	14,086,518	15,908,264	(1,821,746)	971,979	856,535	115,444
Total net position	\$ 16,815,047	\$ 16,476,843	\$ 338,204	\$ 31,480,008	\$ 31,912,152	\$ (432,144)	\$ 3,350,453	\$ 3,320,011	\$ 30,442

An additional portion of the City's net position (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (37.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The decrease in the unrestricted net position was due to the restatement due to GASB Statement No. 67 and 68, described more in Note 6.

There was an increase of \$375,627 in net position reported in connection with the City's business-type activities. Charges for services/sales for business-type activities increased by \$311,871 or 2.7 percent. This increase is primarily related to a 5 percent increase in overall water consumption which increased revenue in both the Water and Sewer Utility by \$150,000. In addition, the Liquor Store operations had nearly a \$64,000 increase in sales and the Refuse operations had a \$62,000 increase in sales revenue.

Governmental activities. Governmental activities increased the City's net position by \$731,261 during the year, accounting for 66.1 percent of the total growth in the City's net position. Key elements of the various increases and decreases are as follows:

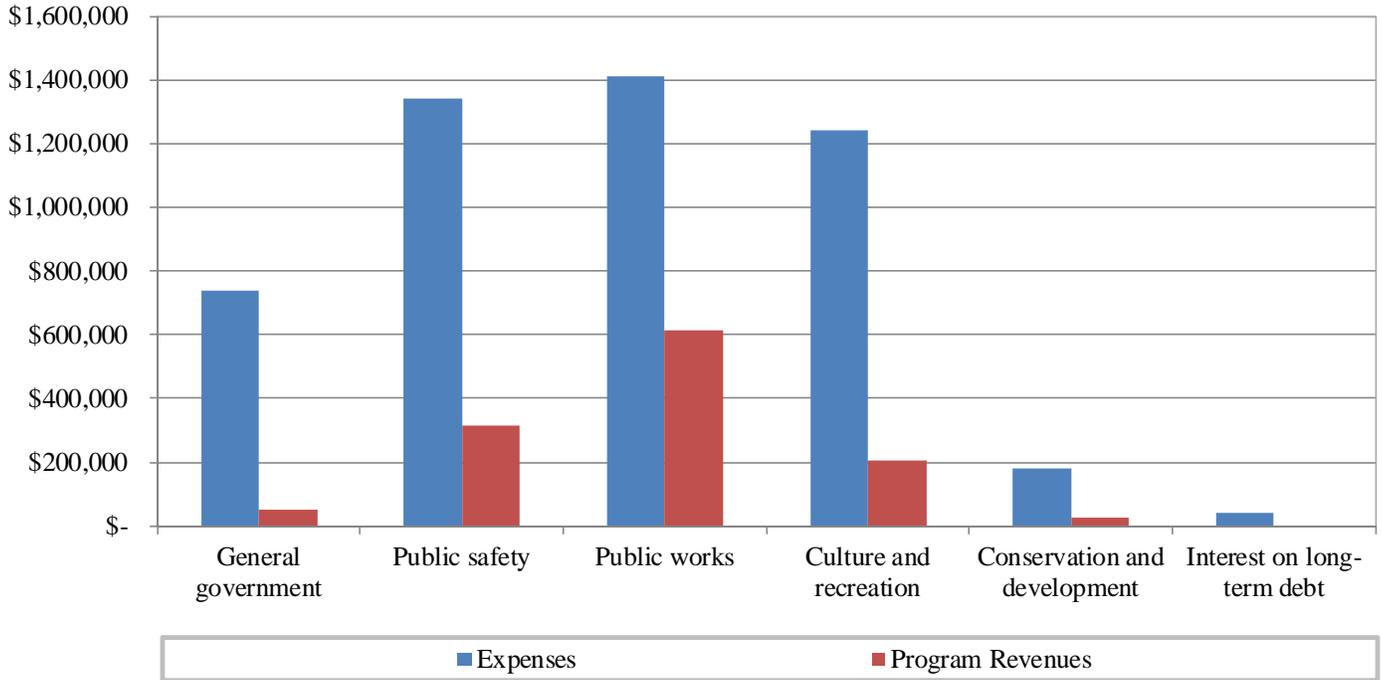
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues									
Program revenues									
Charges for services	\$ 886,439	\$ 933,679	\$ (47,240)	\$ 12,142,307	\$ 11,830,436	\$ 311,871	\$ 134,978	\$ 147,141	\$ (12,163)
Operating grants and contributions	63,292	389,345	(326,053)	-	21,780	(21,780)	105,286	-	105,286
Capital grants and contributions	256,705	62,178	194,527	-	-	-	-	-	-
General revenues									
Property taxes/									
tax increments	1,534,991	1,471,452	63,539	49,956	50,007	(51)	2,987	958	2,029
Other taxes	426,010	440,570	(14,560)	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,443,086	1,383,294	59,792	-	-	-	200,000	200,000	-
Unrestricted									
Investment earnings	119,826	125,689	(5,863)	210,178	253,008	(42,830)	22,625	24,210	(1,585)
Other	-	1,921	(1,921)	-	-	-	-	-	-
Gain on sale of capital assets	-	12,745	(12,745)	3,250	-	3,250	33,750	23,250	10,500
Total revenues	4,730,349	4,820,873	(90,524)	12,405,691	12,155,231	250,460	499,626	395,559	104,067
Expenses									
General government	740,424	694,390	46,034	-	-	-	-	-	-
Public safety	1,340,427	1,264,489	75,938	-	-	-	-	-	-
Public works	1,413,265	1,378,361	34,904	-	-	-	-	-	-
Culture and recreation	1,240,431	1,508,418	(267,987)	-	-	-	-	-	-
Conservation and development	178,251	103,906	74,345	-	-	-	-	-	-
Interest on long-term debt	39,290	50,251	(10,961)	-	-	-	-	-	-
Water	-	-	-	1,191,766	1,107,274	84,492	-	-	-
Sewer	-	-	-	1,083,254	1,017,470	65,784	-	-	-
Refuse and recycling	-	-	-	432,952	399,265	33,687	-	-	-
Electric	-	-	-	7,037,621	6,899,422	138,199	-	-	-
Storm sewer	-	-	-	76,623	82,267	(5,644)	-	-	-
Liquor	-	-	-	1,254,848	1,185,261	69,587	-	-	-
Economic development	-	-	-	-	-	-	417,710	346,743	70,967
Total expenses	4,952,088	4,999,815	(47,727)	11,077,064	10,690,959	386,105	417,710	346,743	70,967
Increase in net position before transfers	(221,739)	(178,942)	(42,797)	1,328,627	1,464,272	(135,645)	81,916	48,816	33,100
Transfers	953,000	515,000	438,000	(953,000)	(515,000)	(438,000)	-	-	-
Change in net position	731,261	336,058	395,203	375,627	949,272	(573,645)	81,916	48,816	33,100
Net position, January 1 as restated (note 6)	16,083,786	16,140,785	(56,999)	31,104,381	30,962,880	141,501	3,268,537	3,271,195	(2,658)
Net position, December 31	\$ 16,815,047	\$ 16,476,843	\$ 338,204	\$ 31,480,008	\$ 31,912,152	\$ (432,144)	\$ 3,350,453	\$ 3,320,011	\$ 30,442

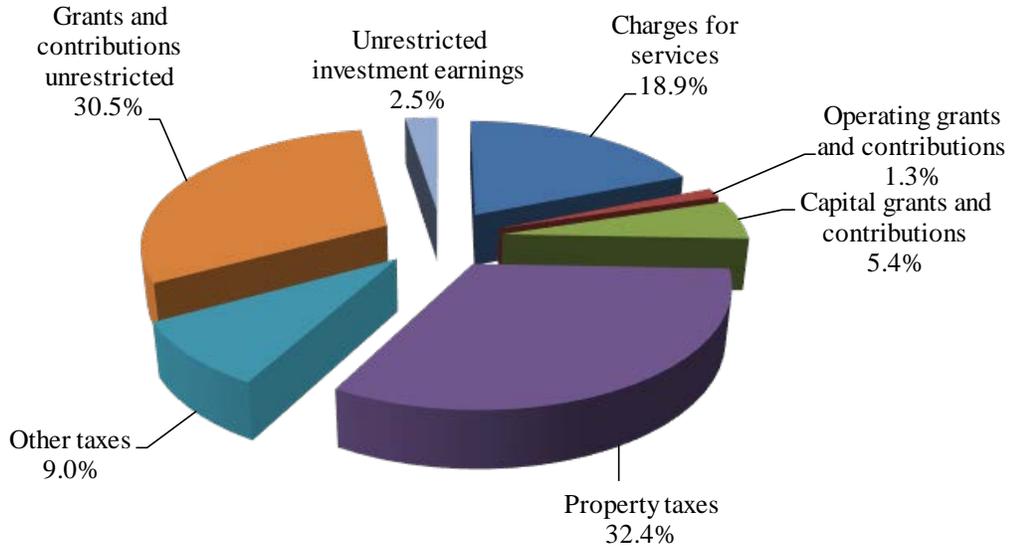
Property tax levies increased by \$70,833 (9.0 percent) during the year.

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

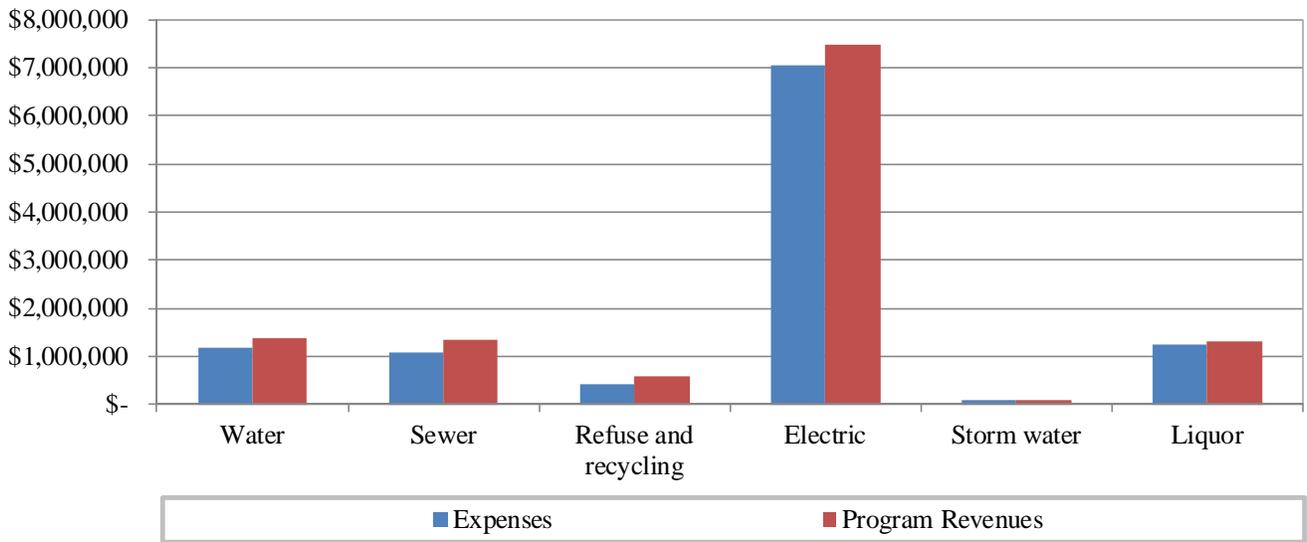


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

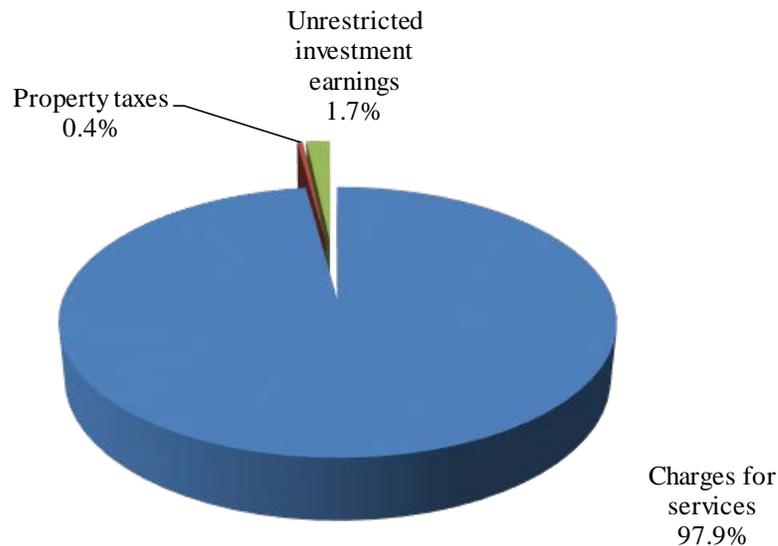
Business-type activities. Business-type activities increased the City’s net position by \$375,627, accounting for 33.9 percent of the total growth in the City’s net position. This is lower than the previous year’s increase of \$949,272. Key elements of this decrease are as follows:

- Operating revenue for business-type activities increased by \$261,517 while operating expenses increased by \$281,801. Utility revenue increased primarily due to increased consumption of overall water which increases both water and sewer revenue. In addition Liquor Store sales increased by \$63,886 over the prior year.
- Investments earnings were \$42,830 less than the previous year due to a reduction in cash available for investing. This is a result of nearly \$2.5 million in capital investment in the business-type funds as well as an increase of \$438,000 in transfers out of business-type funds.

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 \$1,732,788, while total fund balance reached \$3,016,105. 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 57.1 percent of total General fund expenditures, while total fund balance represents 99.4 percent of that same amount.

The fund balance of the City's General fund increased by \$178,882 during the current fiscal year. Key factors in this growth are as follows:

- This stable level of growth is due to total revenues being \$156,224 more than budgeted and expenditures being \$186,658 less than budgeted. The City budgeted \$164,000 to be used from reserves for the acquisition of blighted property, increase in legal costs associated with Cable TV franchise renewal and improvements at the Flag Park. The General fund budgets conservatively for revenue with adequate amounts being budgeted for expenditures.

The *Debt Service fund* has a total fund balance of \$807,430, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$45,610 during the current year in the Debt Service fund was primarily due to regularly scheduled principal and interest payments.

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 \$1,431,965. 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 \$3,188,718. Unrestricted net position of the Electric fund at the end of year amounted to \$7,510,950. Those for the Liquor Store operation amounted to \$362,314. The total growth in net position for all enterprise funds was \$478,582.

General Fund Budgetary Highlights

The final amended budget for the General fund was an \$82,000 increase in appropriations to allow for the acquisition of blighted property, the increased legal costs associated with the Cable TB franchise renewal and improvements to the Flag Park.

At the close of the year, General fund total expenditures were \$186,658 less than the final budget while actual revenues exceeded the final budget by \$156,224.

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, 2015, amounts to \$36,828,371 (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 Fire Department purchased a used Ladder truck for \$550,000.
- Street improvements in the amount of \$132,332 were made to extend Koehn Avenue and \$229,600 was invested in sidewalk improvements on South Highway 75.
- The Street Department purchased a 2015 JD pay loader for \$93,992.
- Land for the Luverne Loop trail was acquired for \$160,000.
- The Park Department purchased a 2015 Caterpillar mower for \$56,742, a play structure for \$33,905 and made improvements in the amount of \$30,963 at the Flag Park.
- The Airport invested \$197,748 in pavement sealing improvements to the runway with 85.6% of the cost paid with Federal grant dollars and 8.7% paid with State of Minnesota grant dollars.
- The Water fund made improvements to the Water Reservoir in the amount of \$116,500 and invested \$81,548 in improvements at the South Water Treatment Plant.
- The Water fund invested \$362,516 to extend water under I-90 and invested \$612,266 in water main improvements on South Highway 75.
- The Sewer fund invested \$48,109 in the Dissolved Air Floatation Thickener project at the Wastewater Treatment Facility.
- The Electric fund invested \$101,826 in distribution system improvements, \$75,395 in replacement street light poles and \$73,434 for transformers.
- The Storm Sewer fund invested \$51,807 for storm sewer improvements associated with the extension of Koehn Avenue and invested \$143,702 in storm sewer improvements on South Highway 75.
- The Liquor Store purchased property adjacent to their building for \$70,520.
- The Central Garage fund invested \$47,733 in an addition to the City Mechanics building and \$39,045 for improvements to the salt shed.

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

	Primary Government								
	Governmental Activities			Business-type Activities			Component Unit Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 2,249,389	\$ 2,054,889	\$ 194,500	\$ 274,235	\$ 203,715	\$ 70,520	\$ 728,086	\$ 760,234	\$ (32,148)
Buildings	4,625,824	4,800,083	(174,259)	469,860	499,729	(29,869)	1,264,231	1,307,914	(43,683)
Improvements	4,810,460	5,136,321	(325,861)	18,688,412	15,644,195	3,044,217	-	-	-
Machinery and equipment	2,203,430	1,794,482	408,948	798,284	660,504	137,780	2,723	3,306	(583)
Construction in progress	656,559	17,426	639,133	2,051,918	4,385,751	(2,333,833)	-	-	-
Total	\$ 14,545,662	\$ 13,803,201	\$ 742,461	\$ 22,282,709	\$ 21,393,894	\$ 888,815	\$ 1,995,040	\$ 2,071,454	\$ (76,414)

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,440,000. 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 1,175,000	\$ 1,310,000	\$ (135,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	260,000	285,000	(25,000)	-	-	-
G.O. improvement bonds	510,000	620,000	(110,000)	-	-	-
General obligation revenue bonds	-	-	-	6,120,000	6,530,000	(410,000)
Equipment certificates	375,000	468,000	(93,000)	-	-	-
Notes/loans	180,147	224,703	(44,556)	-	-	-
Total	\$ 2,500,147	\$ 2,907,703	\$ (407,556)	\$ 6,120,000	\$ 6,530,000	\$ (410,000)

The City's total debt decreased by \$817,556 or 8.7 percent due to regularly scheduled principal and interest payments. There were no bond issues during the year.

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 \$7,389,408. The current legal debt margin is \$5,839,408 which is in net of the City's outstanding general obligation debt and Equipment Certificates of \$1,550,000.

Additional information on the City's long-term debt can be found in Note 3G starting on page 70 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 2.4 percent increase for 2016 and a 2.4 percent increase for 2017.
- Other approved rate increases for 2016 include a 2.0 percent increase for sewer rates and a 4.1 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 2.16 percent.

All of these factors were considered in preparing the City's budget for the 2016 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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF LUVERNE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 5,105,457	\$ 15,060,739	\$ 20,166,196	\$ 1,348,149
Receivables (net of allowance for uncollectibles)				
Accrued interest	17,158	35,087	52,245	3,774
Delinquent taxes	18,611	13	18,624	43
Accounts, net	14,501	571,517	586,018	-
Loans/contracts	161,152	529,149	690,301	214,716
Special assessments	3,188	5,580	8,768	-
Intergovernmental	294,600	1,577	296,177	7
Internal balances	(39,594)	39,594	-	-
Due from component unit	156,039	3,565	159,604	-
Inventories	13,220	538,443	551,663	-
Prepaid items	1,446	6,554	8,000	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	-	646,810	646,810	27,454
Pension asset	244,583	-	244,583	-
Capital assets				
Nondepreciable assets	2,905,948	2,326,153	5,232,101	728,086
Depreciable assets, net of accumulated depreciation	11,639,714	19,956,556	31,596,270	1,266,954
TOTAL ASSETS	20,536,023	39,721,337	60,257,360	3,589,183
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	122,789	89,166	211,955	5,778
LIABILITIES				
Accounts payable	76,078	568,176	644,254	8,053
Contracts payable	87,331	106,668	193,999	-
Retainage payable	135,341	31,102	166,443	-
Due to primary government	-	-	-	159,604
Due to other governments	2,582	38,197	40,779	-
Accrued interest payable	14,756	59,087	73,843	-
Wages and related benefits payable	7,624	8,639	16,263	518
Deposits payable	-	74,127	74,127	2,000
Unearned revenue	-	-	-	10,000
Noncurrent liabilities				
Due within one year	470,575	585,430	1,056,005	3,763
Due in more than one year	2,939,322	6,733,033	9,672,355	52,403
TOTAL LIABILITIES	3,733,609	8,204,459	11,938,068	236,341
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	110,156	126,036	236,192	8,167
NET POSITION				
Net investment in capital assets	12,307,033	16,740,004	29,047,037	1,862,245
Restricted				
Debt service	550,208	653,486	1,203,694	-
Economic development	-	-	-	516,229
Unrestricted	3,957,806	14,086,518	18,044,324	971,979
TOTAL NET POSITION	\$ 16,815,047	\$ 31,480,008	\$ 48,295,055	\$ 3,350,453

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 740,424	\$ 47,489	\$ -	\$ 1,217
Public safety	1,340,427	244,720	44,859	24,323
Public works	1,413,265	354,595	27,014	231,165
Culture and recreation	1,240,431	215,718	(8,581)	-
Conservation and development	178,251	23,917	-	-
Interest and other costs	39,290	-	-	-
Total governmental activities	<u>4,952,088</u>	<u>886,439</u>	<u>63,292</u>	<u>256,705</u>
Business-type activities				
Water	1,191,766	1,366,341	-	-
Sewer	1,083,254	1,326,216	-	-
Refuse and recycling	432,952	578,251	-	-
Electric	7,037,621	7,469,297	-	-
Storm sewer	76,623	88,482	-	-
Liquor	1,254,848	1,313,720	-	-
Total business-type activities	<u>11,077,064</u>	<u>12,142,307</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,029,152</u>	<u>\$ 13,028,746</u>	<u>\$ 63,292</u>	<u>\$ 256,705</u>
Component unit				
Luverne Economic Development Authority	<u>\$ 417,710</u>	<u>\$ 134,978</u>	<u>\$ 105,286</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
 Gain on sale of assets
 Transfers

 Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 6)

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
\$ (691,718)		\$ (691,718)	
(1,026,525)		(1,026,525)	
(800,491)		(800,491)	
(1,033,294)		(1,033,294)	
(154,334)		(154,334)	
(39,290)		(39,290)	
<u>(3,745,652)</u>		<u>(3,745,652)</u>	
	\$ 174,575	174,575	
	242,962	242,962	
	145,299	145,299	
	431,676	431,676	
	11,859	11,859	
	58,872	58,872	
	<u>1,065,243</u>	<u>1,065,243</u>	
<u>(3,745,652)</u>	<u>1,065,243</u>	<u>(2,680,409)</u>	
			<u>\$ (177,446)</u>
1,196,242	49,956	1,246,198	-
308,832	-	308,832	1,969
29,917	-	29,917	1,018
426,010	-	426,010	-
1,443,086	-	1,443,086	200,000
119,826	210,178	330,004	22,625
-	3,250	3,250	33,750
953,000	(953,000)	-	-
<u>4,476,913</u>	<u>(689,616)</u>	<u>3,787,297</u>	<u>259,362</u>
731,261	375,627	1,106,888	81,916
<u>16,083,786</u>	<u>31,104,381</u>	<u>47,188,167</u>	<u>3,268,537</u>
<u>\$ 16,815,047</u>	<u>\$ 31,480,008</u>	<u>\$ 48,295,055</u>	<u>\$ 3,350,453</u>

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF LUVERNE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	101	300s	Other Governmental Funds	Total Governmental Funds
	General	Debt Service		
ASSETS				
Cash and temporary investments	\$ 2,580,819	\$ 805,722	\$ 1,198,136	\$ 4,584,677
Receivables (net of allowance for uncollectibles)				
Accrued interest	11,295	1,110	3,929	16,334
Delinquent taxes	14,222	4,258	131	18,611
Accounts, net	11,737	-	2,764	14,501
Loans/contracts	161,152	-	-	161,152
Special assessments	3,188	-	-	3,188
Intergovernmental	57,448	598	236,554	294,600
Due from other funds	215,821	-	-	215,821
Due from component unit	23,336	-	132,795	156,131
Inventories, at cost	2,313	-	10,907	13,220
Prepaid items	819	-	627	1,446
	<u>3,082,150</u>	<u>811,688</u>	<u>1,585,843</u>	<u>5,479,681</u>
TOTAL ASSETS	\$ 3,082,150	\$ 811,688	\$ 1,585,843	\$ 5,479,681
LIABILITIES				
Accounts payable	\$ 41,901	\$ -	\$ 32,924	\$ 74,825
Contracts payable	-	-	87,331	87,331
Retainage payable	-	-	135,341	135,341
Due to other funds	-	-	314,704	314,704
Due to other governments	1,779	-	803	2,582
Wages and related benefits payable	4,955	-	2,013	6,968
	<u>48,635</u>	<u>-</u>	<u>573,116</u>	<u>621,751</u>
TOTAL LIABILITIES	48,635	-	573,116	621,751
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	14,222	4,258	131	18,611
Special assessments	3,188	-	-	3,188
	<u>17,410</u>	<u>4,258</u>	<u>131</u>	<u>21,799</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	17,410	4,258	131	21,799
FUND BALANCES				
Nonspendable	403,441	-	11,534	414,975
Restricted	13,276	807,430	-	820,706
Committed	25,000	-	747,782	772,782
Assigned	841,600	-	395,696	1,237,296
Unassigned	1,732,788	-	(142,416)	1,590,372
	<u>3,016,105</u>	<u>807,430</u>	<u>1,012,596</u>	<u>4,836,131</u>
TOTAL FUND BALANCES	3,016,105	807,430	1,012,596	4,836,131
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,082,150	\$ 811,688	\$ 1,585,843	\$ 5,479,681

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, 2015

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

Total fund balances - governmental funds	\$ 4,836,131
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	14,337,351
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	(25,551)
Pension liability	(598,038)
Loans payable	(180,147)
Bonds payable	(2,320,000)
Unamortized bond discounts	1,518
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	18,611
Special assessments receivable	3,188
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	244,583
Governmental funds do not report a liability for accrued interest until due and payable.	(14,756)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	115,599
Deferred inflows of pension resources	(99,993)
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.	496,551
Total net position - governmental activities	\$ 16,815,047

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, 2015

	101	300s	Other Governmental	Total Governmental
	General	Debt Service	Funds	Funds
REVENUES				
Property and other taxes	\$ 1,618,688	\$ 308,793	\$ 175	\$ 1,927,656
Tax increments	-	29,906	-	29,906
Licenses and permits	81,861	-	-	81,861
Intergovernmental	1,479,364	-	258,067	1,737,431
Charges for services	297,654	-	500,291	797,945
Special assessments	1,217	-	2,073	3,290
Investment income	64,376	7,631	27,026	99,033
Miscellaneous	13,474	-	32,609	46,083
TOTAL REVENUES	3,556,634	346,330	820,241	4,723,205
EXPENDITURES				
Current				
General government	556,416	-	9,820	566,236
Public safety	1,198,483	-	-	1,198,483
Public works	662,926	-	431,691	1,094,617
Culture and recreation	499,539	-	531,752	1,031,291
Conservation and development	82,101	7,476	12,260	101,837
Capital outlay				
Public safety	-	-	559,176	559,176
Public works	-	-	500,496	500,496
Culture and recreation	-	-	299,534	299,534
Conservation and development	22,500	-	79,080	101,580
Debt service				
Principal	11,000	352,000	44,556	407,556
Interest and other costs	787	36,964	2,668	40,419
TOTAL EXPENDITURES	3,033,752	396,440	2,471,033	5,901,225
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	522,882	(50,110)	(1,650,792)	(1,178,020)
OTHER FINANCING SOURCES (USES)				
Transfers in	243,000	4,500	1,312,500	1,560,000
Transfers out	(587,000)	-	(20,000)	(607,000)
TOTAL OTHER FINANCING SOURCES (USES)	(344,000)	4,500	1,292,500	953,000
NET CHANGE IN FUND BALANCES	178,882	(45,610)	(358,292)	(225,020)
FUND BALANCES, JANUARY 1	2,837,223	853,040	1,370,888	5,061,151
FUND BALANCES, DECEMBER 31	\$ 3,016,105	\$ 807,430	\$ 1,012,596	\$ 4,836,131

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, 2015

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

Net change in fund balances - governmental funds	\$ (225,020)
<p>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.</p>	
Capital outlay	1,661,919
Depreciation expense	(978,256)
<p>The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>	
Book value of disposed of capital assets	(42,000)
<p>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.</p>	
Principal repayments	407,556
Amortization of bond discounts	(214)
<p>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.</p>	
	1,343
<p>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.</p>	
Property taxes	3,439
Special assessments	(1,961)
<p>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.</p>	
Other postemployment benefits expenses	(2,761)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(11,301)
<p>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.</p>	
	<u>(81,483)</u>
Change in net position - governmental activities	<u>\$ 731,261</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,625,458	\$ 1,625,458	\$ 1,618,688	\$ (6,770)
Licenses and permits	52,705	52,705	81,861	29,156
Intergovernmental	1,411,842	1,411,842	1,479,364	67,522
Charges for services	277,855	277,855	297,654	19,799
Special assessments	-	-	1,217	1,217
Investment income	21,950	21,950	64,376	42,426
Miscellaneous	10,600	10,600	13,474	2,874
TOTAL REVENUES	3,400,410	3,400,410	3,556,634	156,224
OTHER FINANCING SOURCES				
Transfers in	243,000	243,000	243,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,643,410	3,643,410	3,799,634	156,224
EXPENDITURES				
General government	561,760	586,760	556,416	30,344
Public safety	1,238,155	1,238,155	1,198,483	39,672
Public works	714,770	714,770	662,926	51,844
Culture and recreation	532,632	562,632	499,539	63,093
Conservation and development	81,335	81,335	104,601	(23,266)
Economic development	-	22,500	-	22,500
Miscellaneous	-	-	-	-
Debt service	14,258	14,258	11,787	2,471
TOTAL EXPENDITURES	3,142,910	3,220,410	3,033,752	186,658
OTHER FINANCING USES				
Transfers out	582,500	587,000	587,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,725,410	3,807,410	3,620,752	186,658
NET CHANGE IN FUND BALANCES	(82,000)	(164,000)	178,882	342,882
FUND BALANCES, JANUARY 1	2,837,223	2,837,223	2,837,223	-
FUND BALANCES, DECEMBER 31	\$ 2,755,223	\$ 2,673,223	\$ 3,016,105	\$ 342,882

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 2,243,081	\$ 3,282,235	\$ 7,272,965
Receivables (net of allowance for uncollectibles)			
Accrued interest	5,986	11,490	12,659
Delinquent taxes	-	13	-
Accounts, net	88,442	99,046	334,192
Loans	2,373	8,830	9,064
Delinquent special assessments	2,119	-	-
Intergovernmental	-	1,430	147
Due from other funds	19,768	19,768	39,536
Inventories, at cost	-	-	379,476
Prepaid items	-	-	-
TOTAL CURRENT ASSETS	2,361,769	3,422,812	8,048,039
NONCURRENT ASSETS			
Restricted assets			
Cash and temporary investments	379,394	213,808	47,900
Special assessments receivable			
Noncurrent	1,043	1,077	-
Loans receivable - noncurrent	61,669	137,591	73,157
Capital assets			
Land	102,967	18,451	11,325
Buildings	973,702	409,094	1,151,915
Improvements and infrastructure	10,868,380	8,888,723	15,735,875
Machinery and equipment	344,886	487,500	692,394
Construction in progress	1,092,739	223,764	539,905
Total capital assets	13,382,674	10,027,532	18,131,414
Less accumulated depreciation	(5,391,005)	(5,085,647)	(10,162,874)
Total capital assets (net of accumulated depreciation)	7,991,669	4,941,885	7,968,540
TOTAL NONCURRENT ASSETS	8,433,775	5,294,361	8,089,597
TOTAL ASSETS	10,795,544	8,717,173	16,137,636
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	18,151	23,558	9,447

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Total	Service Funds
\$ 364,377	\$ 899,269	\$ 14,061,927	\$ 1,519,592
694	1,894	32,723	3,188
-	-	13	-
-	49,691	571,371	146
-	5,112	25,379	3,651
-	-	2,119	-
-	-	1,577	-
-	19,768	98,840	86
158,967	-	538,443	-
-	-	-	6,554
<u>524,038</u>	<u>975,734</u>	<u>15,332,392</u>	<u>1,533,217</u>
-	5,708	646,810	-
-	1,341	3,461	-
-	132,826	405,243	94,876
78,860	62,632	274,235	-
107,064	79,566	2,721,341	226,134
20,359	1,339,721	36,853,058	79,763
82,185	848,851	2,455,816	462,943
-	195,510	2,051,918	-
288,468	2,526,280	44,356,368	768,840
<u>(144,235)</u>	<u>(1,335,938)</u>	<u>(22,119,699)</u>	<u>(514,489)</u>
<u>144,233</u>	<u>1,190,342</u>	<u>22,236,669</u>	<u>254,351</u>
<u>144,233</u>	<u>1,330,217</u>	<u>23,292,183</u>	<u>349,227</u>
<u>668,271</u>	<u>2,305,951</u>	<u>38,624,575</u>	<u>1,882,444</u>
<u>10,933</u>	<u>9,040</u>	<u>71,129</u>	<u>25,227</u>

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 22,954	\$ 13,008	\$ 442,525
Contracts payable	62,783	19,673	-
Retainage payable	18,905	12,197	-
Due to other funds	-	43	-
Due to other governments	1,049	-	19,950
Accrued interest payable	46,540	12,547	-
Wages and related benefits payable	1,652	2,220	1,278
Compensated absences payable - current	15,457	17,903	10,037
Customer deposits payable	9,604	9,511	47,900
Bonds payable - current	323,250	191,750	-
TOTAL CURRENT LIABILITIES	502,194	278,852	521,690
NONCURRENT LIABILITIES			
Compensated absences payable	62,638	60,034	45,578
Other postemployment benefits liability	6,585	9,832	7,110
Bonds payable	4,212,076	1,440,505	-
Pension liability	153,454	199,157	79,862
TOTAL NONCURRENT LIABILITIES	4,434,753	1,709,528	132,550
TOTAL LIABILITIES	4,936,947	1,988,380	654,240
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	25,658	33,299	13,353
NET POSITION			
Net investment in capital assets	3,986,343	3,309,630	7,968,540
Restricted for debt service	432,782	220,704	-
Unrestricted	1,431,965	3,188,718	7,510,950
TOTAL NET POSITION	\$ 5,851,090	\$ 6,719,052	\$ 15,479,490

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Total	Service Funds
\$ 33,174	\$ 11,594	\$ 523,255	\$ 46,174
-	24,212	106,668	-
-	-	31,102	-
-	-	43	-
13,100	4,098	38,197	-
-	-	59,087	-
1,072	811	7,033	2,262
4,053	6,865	54,315	71,134
1,404	5,708	74,127	-
-	-	515,000	-
<u>52,803</u>	<u>53,288</u>	<u>1,408,827</u>	<u>119,570</u>
8,801	26,250	203,301	252,106
3,183	4,933	31,643	11,476
-	-	5,652,581	-
<u>92,418</u>	<u>76,422</u>	<u>601,313</u>	<u>213,273</u>
<u>104,402</u>	<u>107,605</u>	<u>6,488,838</u>	<u>476,855</u>
<u>157,205</u>	<u>160,893</u>	<u>7,897,665</u>	<u>596,425</u>
<u>15,452</u>	<u>12,778</u>	<u>100,540</u>	<u>35,659</u>
144,233	1,190,342	16,599,088	349,227
-	-	653,486	-
<u>362,314</u>	<u>950,978</u>	<u>13,444,925</u>	<u>926,360</u>
<u>\$ 506,547</u>	<u>\$ 2,141,320</u>	<u>30,697,499</u>	<u>\$ 1,275,587</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		<u>782,509</u>	
Net position of business-type activities		<u>\$ 31,480,008</u>	

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
OPERATING REVENUES			
Charges for services/sales	\$ 1,349,515	\$ 1,295,183	\$ 7,210,419
Cost of sales	-	-	-
Service income	14,556	29,699	119,268
Other income	773	886	139,610
TOTAL OPERATING REVENUES	1,364,844	1,325,768	7,469,297
OPERATING EXPENSES			
Personal services	262,613	343,546	206,735
Supplies	168,082	110,013	369,084
Other services and charges	278,529	205,545	1,320,880
Power purchased/delivered	-	-	4,300,162
Depreciation	278,854	307,854	730,944
Pension expense	2,703	2,289	(2,078)
TOTAL OPERATING EXPENSES	990,781	969,247	6,925,727
OPERATING INCOME (LOSS)	374,063	356,521	543,570
NONOPERATING REVENUES (EXPENSES)			
Property taxes	-	49,956	-
Investment income	41,565	46,975	85,921
Rental income	1,497	448	-
Gain (loss) on disposition of assets	-	-	3,250
Interest and other costs	(117,424)	(31,633)	-
Interest on customer deposits	(1)	(1)	(66)
Amortization expense	(571)	(856)	-
Contributions to component unit	(60,000)	(60,000)	(60,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(134,934)	4,889	29,105
INCOME (LOSS) BEFORE TRANSFERS	239,129	361,410	572,675
TRANSFERS OUT	(160,000)	(165,000)	(445,000)
CHANGE IN NET POSITION	79,129	196,410	127,675
NET POSITION, JANUARY 1 AS RESTATED (NOTE 6)	5,771,961	6,522,642	15,351,815
NET POSITION, DECEMBER 31	\$ 5,851,090	\$ 6,719,052	\$ 15,479,490

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Total	Service Funds
\$ 1,313,045	\$ 647,033	\$ 11,815,195	\$ 695,418
(984,039)	-	(984,039)	-
-	6,175	169,698	-
675	676	142,620	57,279
<u>329,681</u>	<u>653,884</u>	<u>11,143,474</u>	<u>752,697</u>
151,334	140,230	1,104,458	350,656
18,484	51,095	716,758	65,353
89,112	182,658	2,076,724	513,270
-	-	4,300,162	-
6,087	111,955	1,435,694	39,634
(5,533)	(8,758)	(11,377)	(8,474)
<u>259,484</u>	<u>477,180</u>	<u>9,622,419</u>	<u>960,439</u>
<u>70,197</u>	<u>176,704</u>	<u>1,521,055</u>	<u>(207,742)</u>
-	-	49,956	-
4,777	13,851	193,089	22,755
-	12,849	14,794	-
-	-	3,250	-
-	(10)	(149,067)	-
-	-	(68)	-
-	-	(1,427)	-
-	(20,000)	(200,000)	-
<u>4,777</u>	<u>6,690</u>	<u>(89,473)</u>	<u>22,755</u>
74,974	183,394	1,431,582	(184,987)
(45,000)	(138,000)	(953,000)	-
29,974	45,394	478,582	(184,987)
<u>476,573</u>	<u>2,095,926</u>	<u>30,218,917</u>	<u>1,460,574</u>
<u>\$ 506,547</u>	<u>\$ 2,141,320</u>	<u>\$ 30,697,499</u>	<u>\$ 1,275,587</u>
Change in net position as shown above		\$ 478,582	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		<u>(102,955)</u>	
Change in net position of business-type activities		<u>\$ 375,627</u>	

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,367,552	\$ 1,320,637	\$ 7,571,248
Cash paid to suppliers	(448,344)	(321,958)	(6,015,125)
Cash paid to and on behalf of employees	(257,372)	(342,078)	(207,331)
Other receipts	1,497	448	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	663,333	657,049	1,348,792
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(160,000)	(165,000)	(445,000)
Payment to component unit	(60,000)	(60,000)	(60,000)
Loans made	-	(11,904)	(4,127)
Loan payments received	7,945	17,432	20,021
(Increase) decrease in due from other funds	3,551	3,551	7,102
Increase (decrease) in due to other funds	(14)	43	-
Property taxes received	-	50,008	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(208,518)	(165,870)	(482,004)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,351,731)	(335,126)	(462,911)
Proceeds from sale of capital assets	-	-	3,250
Principal paid on long-term borrowings	(215,250)	(194,750)	-
Interest and fiscal charges paid on long-term borrowings	(141,664)	(31,841)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,708,645)	(561,717)	(459,661)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	45,285	44,193	85,593
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,208,545)	(26,345)	492,720
CASH AND CASH EQUIVALENTS, JANUARY 1	3,831,020	3,522,388	6,828,145
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,622,475	\$ 3,496,043	\$ 7,320,865

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Total	Service Funds
\$ 1,313,772	\$ 652,659	\$ 12,225,868	\$ 688,743
(1,100,066)	(222,025)	(8,107,518)	(527,315)
(158,683)	(148,862)	(1,114,326)	(362,598)
-	12,849	14,794	57,279
<u>55,023</u>	<u>294,621</u>	<u>3,018,818</u>	<u>(143,891)</u>
(45,000)	(138,000)	(953,000)	-
-	(20,000)	(200,000)	-
-	-	(16,031)	-
-	17,111	62,509	-
-	3,551	17,755	(86)
-	-	29	-
-	-	50,008	-
<u>(45,000)</u>	<u>(137,338)</u>	<u>(1,038,730)</u>	<u>(86)</u>
(70,520)	(274,681)	(2,494,969)	(127,743)
-	-	3,250	-
-	-	(410,000)	-
-	-	(173,505)	-
<u>(70,520)</u>	<u>(274,681)</u>	<u>(3,075,224)</u>	<u>(127,743)</u>
<u>4,820</u>	<u>13,598</u>	<u>193,489</u>	<u>23,143</u>
(55,677)	(103,800)	(901,647)	(248,577)
<u>420,054</u>	<u>1,008,777</u>	<u>15,610,384</u>	<u>1,768,169</u>
<u>\$ 364,377</u>	<u>\$ 904,977</u>	<u>\$ 14,708,737</u>	<u>\$ 1,519,592</u>

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

CITY OF LUVERNE, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
CASH AND CASH EQUIVALENTS ARE COMPRISED OF			
Cash and temporary investments	\$ 2,243,081	\$ 3,282,235	\$ 7,272,965
Restricted assets			
Cash and temporary investments	379,394	213,808	47,900
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,622,475	\$ 3,496,043	\$ 7,320,865
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 374,063	\$ 356,521	\$ 543,570
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	278,854	307,854	730,944
Other income related to operations	1,497	448	-
Interest paid on customer deposits	(1)	(1)	(66)
(Increase) decrease in assets			
Accounts receivable	2,854	(6,097)	101,342
Special assessments receivable	(705)	816	-
Due from other governments	-	(290)	-
Inventories	13,088	-	94,883
Prepaid items	-	-	-
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	4,875	6,503	3,043
Increase (decrease) in liabilities			
Accounts payable	(12,049)	(4,110)	(121,701)
Due to other governments	(68)	-	(193)
Wages and related benefits payable	(6,760)	(8,666)	(5,365)
Deposits payable	559	440	609
Compensated absences payable	8,386	7,551	6,356
Other postemployment benefits liability	912	294	491
Pension liability	10,733	12,832	2,444
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(12,905)	(17,046)	(7,565)
Total adjustments	289,270	300,528	805,222
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 663,333	\$ 657,049	\$ 1,348,792
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital assets acquired on account	\$ 81,688	\$ 31,870	\$ -
Special assessments levied	705	-	-
Amortization of bond (premium) discount	571	856	-

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Total	Service Funds
\$ 364,377	\$ 899,269	\$ 14,061,927	\$ 1,519,592
-	5,708	646,810	-
<u>\$ 364,377</u>	<u>\$ 904,977</u>	<u>\$ 14,708,737</u>	<u>\$ 1,519,592</u>
\$ 70,197	\$ 176,704	\$ 1,521,055	\$ (207,742)
6,087	111,955	1,435,694	39,634
-	12,849	14,794	-
-	(10)	(78)	-
-	(1,490)	96,609	12,450
-	42	153	-
-	-	(290)	-
(12,688)	1,371	96,654	-
-	-	-	(234)
3,976	3,897	22,294	8,555
(1,983)	1,011	(138,832)	43,068
707	598	1,044	-
(4,656)	(3,706)	(29,153)	(9,735)
52	223	1,883	-
2,620	3,726	28,639	(13,531)
220	106	2,023	673
8	(3,766)	22,251	3,887
<u>(9,517)</u>	<u>(8,889)</u>	<u>(55,922)</u>	<u>(20,916)</u>
<u>(15,174)</u>	<u>117,917</u>	<u>1,497,763</u>	<u>63,851</u>
<u>\$ 55,023</u>	<u>\$ 294,621</u>	<u>\$ 3,018,818</u>	<u>\$ (143,891)</u>
\$ -	\$ 24,212	\$ 137,770	\$ -
-	206	911	-
-	-	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, 2015

	Agency Funds
ASSETS	
Cash and investments	\$ 539
Receivables	
Accrued interest	1
TOTAL ASSETS	\$ 540
 LIABILITIES	
Amounts held in trust for others	\$ 540

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

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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, deferred outflows of resources, 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 statement 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, 2015

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, 2015 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, 2015

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 2015. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the enterprise funds at December 31, 2015 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, 2015

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, 2015

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

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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, 2015.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Luverne Volunteer Firemen's Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

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

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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".

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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 expenditures by \$77,500.

B. Excess of expenditures over appropriations

For the year ended December 31, 2015 excess expenditures over appropriations for the Airport and Swimming Pool special revenue funds are as follows:

Fund/Department	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Airport	\$ 305,826	\$ 476,247	\$ 170,421
Swimming Pool	469,000	506,310	37,310

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, 2015, the following funds had a fund equity deficit as follows:

Fund	Amount
Nonmajor	
Special revenue	
Community Development	\$ 40,212
Capital projects	
Rural Fire Tanker	31,267
Barck Avenue TIF Project	70,937

The Community Development fund deficit will be funded with property rental payments to be received in 2016. 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 fund deficit will be funded with future tax increments.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, bonds or irrevocable standby letters of credit from Federal Home Loan Banks.

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 \$8,614,885, including \$539 reported in fiduciary funds. The bank balance was \$8,858,638. 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's trust department in the City's name of \$7,608,638. The primary government and component unit's deposits and investments are pooled.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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, 2015, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Fair Value and Carrying Amount	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)
Pooled investments			
Smith Barney Money Funds	\$ 70,142	NR	under 6 months
Mainstreet Securities Money Funds	21,804	NR	under 6 months
Escrow Funds	<u>13,276</u>	NR	under 6 months
Total pooled investments	<u>105,222</u>		
Non-pooled investments			
Government Securities	1,816,258	AAA	more than 3 years
Broker Certificates of Deposit	548,089	NR	under 6 months
Broker Certificates of Deposit	301,374	NR	6 months to 1 year
Broker Certificates of Deposit	3,348,013	NR	1 to 3 years
Broker Certificates of Deposit	<u>7,453,407</u>	NR	more than 3 years
Total non-pooled investments	<u>13,467,141</u>		
Total investments	<u><u>\$ 13,572,363</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, 2015

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	\$ 7,238,743	\$ 1,375,603	\$ 539	\$ 8,614,885
Cash on hand	1,900	-	-	1,900
Investments	13,572,363	-	-	13,572,363
Total	\$ 20,813,006	\$ 1,375,603	\$ 539	\$ 22,189,148
Cash and cash investments	\$ 20,166,196	\$ 1,348,149	\$ 539	\$ 21,514,884
Restricted assets	646,810	27,454	-	674,264
Total	\$ 20,813,006	\$ 1,375,603	\$ 539	\$ 22,189,148

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	\$ 46,540	\$ 12,547	\$ -	\$ -	\$ 59,087	\$ -
Current portion of bonds/notes payable	323,250	191,750	-	-	515,000	
Customer deposits payable	9,604	9,511	47,900	5,708	72,723	-
Other	-	-	-	-	-	27,454
Total	\$ 379,394	\$ 213,808	\$ 47,900	\$ 5,708	\$ 646,810	\$ 27,454

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 11,295	\$ 1,110	\$ 3,929	\$ 5,986
Taxes	14,222	4,258	131	-
Accounts	11,737	-	12,764	96,442
Loans/contracts	161,152	-	-	2,373
Special assessments	3,188	-	-	3,162
Intergovernmental	57,448	598	236,554	-
Gross receivables	<u>259,042</u>	<u>5,966</u>	<u>253,378</u>	<u>107,963</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(8,000)</u>
Net total receivables	<u><u>\$ 259,042</u></u>	<u><u>\$ 5,966</u></u>	<u><u>\$ 243,378</u></u>	<u><u>\$ 99,963</u></u>

	Sewer	Electric	Liquor
Receivables			
Interest	\$ 11,490	\$ 12,659	\$ 694
Taxes	13	-	-
Accounts	105,546	378,192	-
Loans/contracts	8,830	414,307	-
Special assessments	1,077	-	-
Intergovernmental	1,430	147	-
Gross receivables	<u>128,386</u>	<u>805,305</u>	<u>694</u>
Less allowance for uncollectibles	<u>(6,500)</u>	<u>(44,000)</u>	<u>-</u>
Net total receivables	<u><u>\$ 121,886</u></u>	<u><u>\$ 761,305</u></u>	<u><u>\$ 694</u></u>

	Nonmajor Enterprise	Internal Service	Total
Receivables			
Interest	\$ 1,894	\$ 3,188	\$ 52,245
Taxes	-	-	18,624
Accounts	54,391	146	659,218
Loans/contracts	5,112	98,527	690,301
Special assessments	1,341	-	8,768
Intergovernmental	-	-	296,177
Gross receivables	<u>62,738</u>	<u>101,861</u>	<u>1,725,333</u>
Less allowance for uncollectibles	<u>(4,700)</u>	<u>-</u>	<u>(73,200)</u>
Net total receivables	<u><u>\$ 58,038</u></u>	<u><u>\$ 101,861</u></u>	<u><u>\$ 1,652,133</u></u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Loans/contracts receivable

Loans/contract receivable at December 31, 2015 are comprised of the following:

The City General fund made a zero percent loan to a customer on August 28, 2015 in the amount of \$120.00. The purpose of the loan was to assist with sidewalk repair. Monthly payments in the amount of \$20 are due and payable beginning October 8, 2015 with the final payment due on March 8, 2016.	\$ 40
The City General fund made a loan to the Luverne Convention & Visitors Bureau on July 17, 2013 in the amount of \$15,000 at an interest rate of 1.00 percent to assist with the financing of a digital sign. Monthly payments in the amount of 129.75 are due on the 1 st of each month beginning August 1, 2013 with the final payment due on April 1, 2023.	11,584
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.	64,042
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.	42,549
The City General fund made a loan to the Blue Mound Area Theatre on September 24, 2012 in the amount of \$52,000 at a 3.00 percent interest rate for improvements to the Shaw Drug building. Monthly payments in the amount of \$366.06 are due monthly beginning December 13, 2012 with final payment due on July 13, 2027.	<u>42,937</u>
Total governmental funds loans/contracts receivable	<u>161,152</u>
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.	64,042
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.	64,042
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.	73,000
The Sewer utility made a zero percent loan to a customer on April 23, 2015 in the amount of \$3,000.20 for the purpose of providing financing for the repair of sanitary sewer service line. Payments in the amount of \$125.01 are due on the 8 th of each month, beginning June 8, 2015 with final payment due May 8, 2017.	2,000
The Sewer utility made a zero percent loan to a customer on September 18, 2015 in the amount of \$3,276.65 for the purpose of providing financing for the repair of a sanitary sewer service line. Payments in the amount of \$136.53 are due on the 8 th of each month, beginning October 8, 2015 with final payment due May 8, 2017.	3,140

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<p>The Sewer utility made a zero percent loan to a customer on July 21, 2015 in the amount of \$3,023.44 for the purpose of providing financing for the repair of a sanitary sewer service line. Payments in the amount of \$255.99 are due on the 8th of each month, beginning Septebmer 8, 2015 with final payment due August 8, 2016.</p>	\$ 1,744
<p>The Sewer utility made a zero percent loan to a customer on November 24, 2015 in the amount of \$2,603.58 for the purpose of providing financing for the repair of a sanitary sewer service line. Payments in the amount of \$1080.49 are due on the 8th os each month, beginning December 8, 2015 with final payment due December 8, 2017.</p>	2,495
<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>	64,042
<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>	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>	3,167
<p>The Electric utility made a zero percent loan on January 8, 2015 to Sterling's Cafe in the amount of \$3,650.00 as an incentive to promote installation of energy efficient lighting. Payments in the amount of \$76.05 are due on the 8th of each month, beginning in March 2015 with final payment due February 8, 2019.</p>	2,818
<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>	2,979
<p>The Electric utility has extended loans to eligible employees for computer purchases to increase their skill level in their jobs.</p>	349
<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>	454
<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>	1,917
<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 air conditioning 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>	3,583

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<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>	\$ 2,412
<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>	98,527
<p>The Refuse utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$210,000 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	<u>137,938</u>
<p>Total business-type funds loans receivable</p>	<u>529,149</u>
<p>Total primary government loans/contracts receivable</p>	<u>690,301</u>
<p>The Economic Development Authority made a loan on November 21, 2008 to Rock Manor Limited Partnership in the amount of \$10,000 at zero percent interest to assist in the financing of a major renovation of the Rock Manor Townhouse project. The payment of this loan is due on November 21, 2038.</p>	10,000
<p>The Economic Development Authority made a loan on July 15, 2010 to Merlin and Carol Cleveringa in the amount of \$104,180 at an interest rate of 5.00 percent for the purchase of 8 lots in the Manfred Heights subdivision for twin home development. Annual payments in varying amounts from \$12,846 to \$22,278 are due on the 15th of July beginning in 2011 with the final payment being due on July 15, 2018.</p>	43,665
<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>	13,600
<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on January 17, 2013 to the Luverne Eagles Club #3403 in the amount of \$3,017.59 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$86.43 is due on the 15th of each month beginning April 15, 2013 with final payment due on March 12, 2016.</p>	344
<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>	7,143
<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>	8,911
<p>The Economic Development Authority made a loan from a Rural Business 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>	6,015

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<p>The Economic Development Authority made a loan from a Rural Business Enterprise Grant on February 7, 2013 to Niki L. Buss in the amount of \$12,903.09 at an interest rate of 2.00 percent for improvements to her building. Payment in the amount of \$164.74 is due on the 15th of each month beginning May 15, 2013 with final payment due on May 15, 2020.</p>	\$ 5,395
<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>	13,835
<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>	6,929
<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>	13,835
<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>	14,809
<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>	6,771
<p>The Economic Development Authority made a loan to Michael Cox on April 1, 2015 the amount of \$15,450.00 at an interest rate of 2.00 percent for façade improvements. Payment in the amount of \$270.80 is due on the 15th of each month beginning June 15, 2015 with final payment due May 15, 2020.</p>	13,726
<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>	9,307
<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>	28,800
<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>11,631</u>
<p>Total component unit loans receivable</p>	<u>214,716</u>
<p>Total loans/contract receivable</p>	<u>\$ 905,017</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 181,227
	Community Development	34,594
Enterprise		
Water	Community Development	19,768
Sewer	Community Development	19,768
Electric	Community Development	39,536
Nonmajor enterprise	Community Development	19,768
Internal service		
Data Processing	Nonmajor governmental	43
	Enterprise	
	Refuse and Recycling	43
		<u>43</u>
 Total		 <u><u>\$ 314,747</u></u>

Of the General fund outstanding balance, \$80,000 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, \$37,692 from 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 \$63,535 from the Airport fund will be repaid to the General fund when grant proceeds are received in 2016. The 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. The minor amount of \$86 due to the Data Processing fund is for supplies billed to other funds at the end of the year and will be repaid by those funds.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The following transfers were made in 2015:

Fund	Transfers in			Total
	General	Debt Service	Nonmajor Governmental	
Transfers out				
General	\$ -	\$ 4,500	\$ 582,500	\$ 587,000
Nonmajor governmental	-	-	20,000	20,000
Water enterprise	45,000	-	115,000	160,000
Sewer enterprise	50,000	-	115,000	165,000
Electric enterprise	50,000	-	395,000	445,000
Liquor enterprise	45,000	-	-	45,000
Nonmajor enterprise	53,000	-	85,000	138,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total transfers out	<u>\$ 243,000</u>	<u>\$ 4,500</u>	<u>\$ 1,312,500</u>	<u>\$ 1,560,000</u>

The General fund transfer to the Airport fund (\$25,000) and Swimming Pool fund (\$306,500) are annual operating transfers. The General fund transfer to the Capital Equipment Replacement fund (\$120,000), and City Offices/Government Buildings Capital Project (\$25,000) 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 Ford TIF fund (\$4,500) was to provide for legal costs incurred.

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 (\$45,000), Sewer fund (\$50,000), Electric fund (\$50,000), 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) to provide financing for a trail to be constructed around the City.

The transfer to the Capital Equipment Replacement fund from the Refuse fund (a non-major fund) (\$70,000), the Electric fund (\$320,000) the Water fund (\$100,000) and the Sewer fund (\$100,000) were transfers for equipment purchases.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Restricted assets

The composition of restricted assets of enterprise funds at December 31, 2015 are cash and investments offset by the following liability accounts:

Customer deposits - Water fund	\$ 9,604
Customer deposits - Sewer fund	9,511
Customer deposits - Electric fund	47,900
Customer deposits - Other proprietary funds	5,708
Accrued interest payable - Water fund	46,540
Accrued interest payable - Sewer fund	12,547
Current portion of bonds - Water fund	323,250
Current portion of bonds - Sewer fund	191,750
	<u>646,810</u>
Total restricted assets	<u>\$ 646,810</u>

F. Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,054,889	\$ 236,500	\$ (42,000)	\$ 2,249,389
Construction in progress	17,426	656,559	(17,426)	656,559
	<u>2,072,315</u>	<u>893,059</u>	<u>(59,426)</u>	<u>2,905,948</u>
Total capital assets not being depreciated	<u>2,072,315</u>	<u>893,059</u>	<u>(59,426)</u>	<u>2,905,948</u>
Capital assets being depreciated				
Buildings	8,759,115	114,201	-	8,873,316
Improvements and infrastructure	14,398,671	64,868	-	14,463,539
Machinery and equipment	5,208,426	821,387	(179,584)	5,850,229
	<u>28,366,212</u>	<u>1,000,456</u>	<u>(179,584)</u>	<u>29,187,084</u>
Total capital assets being depreciated	<u>28,366,212</u>	<u>1,000,456</u>	<u>(179,584)</u>	<u>29,187,084</u>
Less accumulated depreciation for				
Buildings	(3,959,032)	(288,460)	-	(4,247,492)
Improvements and infrastructure	(9,262,350)	(390,729)	-	(9,653,079)
Machinery and equipment	(3,413,944)	(311,845)	78,990	(3,646,799)
	<u>(16,635,326)</u>	<u>(991,034)</u>	<u>78,990</u>	<u>(17,547,370)</u>
Total accumulated depreciation	<u>(16,635,326)</u>	<u>(991,034)</u>	<u>78,990</u>	<u>(17,547,370)</u>
Total capital assets being depreciated, net	<u>11,730,886</u>	<u>9,422</u>	<u>(100,594)</u>	<u>11,639,714</u>
Governmental activities capital assets, net	<u>\$ 13,803,201</u>	<u>\$ 902,481</u>	<u>\$ (160,020)</u>	<u>\$ 14,545,662</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 70,520	\$ -	\$ 274,235
Construction in progress	<u>4,385,751</u>	<u>265,331</u>	<u>(2,599,164)</u>	<u>2,051,918</u>
 Total capital assets not being depreciated	 <u>4,589,466</u>	 <u>335,851</u>	 <u>(2,599,164)</u>	 <u>2,326,153</u>
Capital assets being depreciated				
Buildings	2,752,230	28,812	-	2,781,042
Improvements and infrastructure	32,576,193	4,276,865	-	36,853,058
Machinery and equipment	<u>2,539,517</u>	<u>309,001</u>	<u>(19,191)</u>	<u>2,829,327</u>
 Total capital assets being depreciated	 <u>37,867,940</u>	 <u>4,614,678</u>	 <u>(19,191)</u>	 <u>42,463,427</u>
Less accumulated depreciation for				
Buildings	(2,252,501)	(58,681)	-	(2,311,182)
Improvements and infrastructure	(16,931,998)	(1,232,648)	-	(18,164,646)
Machinery and equipment	<u>(1,879,013)</u>	<u>(171,221)</u>	<u>19,191</u>	<u>(2,031,043)</u>
 Total accumulated depreciation	 <u>(21,063,512)</u>	 <u>(1,462,550)</u>	 <u>19,191</u>	 <u>(22,506,871)</u>
 Total capital assets being depreciated, net	 <u>16,804,428</u>	 <u>3,152,128</u>	 <u>-</u>	 <u>19,956,556</u>
 Business-type activities capital assets, net	 <u>\$ 21,393,894</u>	 <u>\$ 3,487,979</u>	 <u>\$ (2,599,164)</u>	 <u>\$ 22,282,709</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	151,300
Public works, including depreciation of general infrastructure assets	446,441
Culture and recreation	227,525
Conservation and development	9,334
Central Garage internal service	12,778
	<u>12,778</u>

Total depreciation expense - governmental activities	\$ 991,034
	<u>\$ 991,034</u>

Business-type activities

Water	\$ 278,854
Sewer	307,854
Refuse and recycling	55,102
Electric	730,944
Storm sewer	56,853
Liquor	6,087
Central Store internal service	3,918
Data Processing internal service	22,938
	<u>22,938</u>

Total depreciation expense - business-type activities	\$ 1,462,550
	<u>\$ 1,462,550</u>

Construction commitments

The City has active construction projects as of December 31, 2015. The projects include Water fund improvements for the I-90 water main looping project and improvements to the north well in the south well field. In addition there is a project that includes water, sewer, storm sewer and sidewalk improvements on South Highway 75. The Sewer fund has a Dissolved Air Flotation Thickener project. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
South Highway 75 Improvement Project	\$ 2,571,473	\$ 206,861
I-90 Water Main Project	309,057	16,266
North Well in South Well Field	-	52,784
Dissolved Air Flotation Thickener	319,703	18,350
	<u>319,703</u>	<u>18,350</u>
Total	<u>\$ 2,880,530</u>	<u>\$ 223,127</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component units

Capital asset activity for the EDA for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 760,234	\$ 18,796	\$ (50,944)	\$ 728,086
Capital assets being depreciated				
Buildings	2,331,835	21,891	-	2,353,726
Machinery and equipment	5,835	-	-	5,835
Total capital assets being depreciated	<u>2,337,670</u>	<u>21,891</u>	<u>-</u>	<u>2,359,561</u>
Less accumulated depreciation for				
Buildings	(1,023,921)	(65,574)	-	(1,089,495)
Machinery and equipment	(2,529)	(583)	-	(3,112)
Total accumulated depreciation	<u>(1,026,450)</u>	<u>(66,157)</u>	<u>-</u>	<u>(1,092,607)</u>
Total capital assets being depreciated, net	<u>1,311,220</u>	<u>(44,266)</u>	<u>-</u>	<u>1,266,954</u>
EDA capital assets, net	<u>\$ 2,071,454</u>	<u>\$ (25,470)</u>	<u>\$ (50,944)</u>	<u>\$ 1,995,040</u>

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

Component unit activities	
Housing and economic development	<u>\$ 66,157</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	0.35 - 2.40 %	04/01/12	02/01/22	\$ 815,000
G.O. Improvement Bonds of 2012A (City reroof)	410,000	0.35 - 2.40	04/01/12	02/01/28	<u>360,000</u>
Total General Obligation Bonds					<u><u>\$ 1,175,000</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
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	140,000	9,725	149,725
2021 - 2025	390,000	21,838	411,838
2026 - 2028	<u>90,000</u>	<u>3,165</u>	<u>93,165</u>
Total	<u><u>\$ 1,175,000</u></u>	<u><u>\$ 89,433</u></u>	<u><u>\$ 1,264,433</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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>\$ 260,000</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
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	35,000	3,596	38,596
2021 - 2023	<u>105,000</u>	<u>4,724</u>	<u>109,724</u>
Total	<u>\$ 260,000</u>	<u>\$ 29,971</u>	<u>\$ 289,971</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement Bonds of 2012A (Refunding)	\$ 620,000	0.35 - 2.40 %	04/01/12	02/01/20	<u>\$ 510,000</u>

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

<u>Year Ending December 31</u>	G.O. Improvement Bonds Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 510,000</u>	<u>\$ 14,575</u>	<u>\$ 524,575</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	\$ 13,000
G.O. Equipment Certificates of 2013A	444,000	2.19	07/30/13	02/01/19	<u>362,000</u>
Total G.O. Equipment Certificates					<u><u>\$ 375,000</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
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>\$ 375,000</u></u>	<u><u>\$ 16,356</u></u>	<u><u>\$ 391,356</u></u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 1,090,000
G.O. Improvement Bonds of 2012A (Refunding-Water & Sewer)	2,035,000	0.35 - 2.40	04/01/12	02/01/28	1,785,000
G.O. Improvement Bonds of 2012A (Refunding-Water)	675,000	0.35 - 2.40	04/01/12	02/01/28	530,000
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>\$ 6,120,000</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
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	565,000	102,837	667,837
2021 - 2025	1,480,000	404,918	1,884,918
2026 - 2030	1,165,000	229,026	1,394,026
2031 - 2035	805,000	76,406	881,406
 Total	<u>\$ 6,120,000</u>	<u>\$ 1,319,595</u>	<u>\$ 7,439,595</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	\$ 1,364,844	\$ 1,325,768
Principal and interest	356,914	226,591
Percentage of revenues	26.2%	17.1%

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	\$ 31,499
2009 Hangar Note	136,552	-	12/31/09	12/31/19	62,666
2010 Hangar Note	143,486	-	12/31/10	12/31/21	85,982
Total Notes					<u>\$ 180,147</u>

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

Year Ending December 31	Notes Governmental Activities		
	Principal	Interest	Total
2016	\$ 44,556	\$ -	\$ 44,556
2017	43,655	-	43,655
2018	28,356	-	28,356
2019	28,356	-	28,356
2020	21,122	-	21,122
2021	14,102	-	14,102
Total	<u>\$ 180,147</u>	<u>\$ -</u>	<u>\$ 180,147</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 1,310,000	\$ -	\$ (135,000)	\$ 1,175,000	\$ 135,000
General obligation tax increment bonds	285,000	-	(25,000)	260,000	25,000
General obligation improvement bonds	620,000	-	(110,000)	510,000	110,000
General obligation equipment certificates	468,000	-	(93,000)	375,000	101,000
Bond discounts	<u>(1,732)</u>	<u>-</u>	<u>214</u>	<u>(1,518)</u>	<u>-</u>
Total bonds payable	2,681,268	-	(362,786)	2,318,482	371,000
Notes payable	224,703	-	(44,556)	180,147	44,556
Compensated absences payable	241,124	65,310	(83,198)	223,236	55,019
Other postemployment benefits liability	26,197	3,014	-	29,211	-
Pension liability GERF	<u>-</u>	<u>715,330</u> *	<u>(56,509)</u>	<u>658,821</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,173,292</u>	<u>\$ 783,654</u>	<u>\$ (547,049)</u>	<u>\$ 3,409,897</u>	<u>\$ 470,575</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 6,530,000	\$ -	\$ (410,000)	\$ 6,120,000	\$ 515,000
Bond discounts	(7,251)	-	1,427	(5,824)	-
Bond premium	<u>53,405</u>	<u>-</u>	<u>-</u>	<u>53,405</u>	<u>-</u>
Total bonds payable	6,576,154	-	(408,573)	6,167,581	515,000
Compensated absences payable	324,624	89,027	(56,031)	357,620	70,430
Other postemployment benefits liability	37,016	2,443	-	39,459	-
Pension liability GERF	<u>-</u>	<u>843,344</u> *	<u>(89,541)</u>	<u>753,803</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 6,937,794</u>	<u>\$ 934,814</u>	<u>\$ (554,145)</u>	<u>\$ 7,318,463</u>	<u>\$ 585,430</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Component Unit	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Economic Development Authority					
Compensated absences payable	\$ 2,941	\$ 4,783	\$ (3,587)	\$ 4,137	\$ 3,763
Other postemployment benefits liability	2,963	220	-	3,183	-
Pension liability GERF	-	53,612 *	(4,766)	48,846	-
Component Unit long-term liabilities	<u>\$ 5,904</u>	<u>\$ 58,615</u>	<u>\$ (8,353)</u>	<u>\$ 56,166</u>	<u>\$ 3,763</u>

* Includes January 1, 2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 6 for further details.

Long-term debt payable at December 31, 2015 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.	\$ 815,000
\$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>360,000</u>
Total	<u>1,175,000</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>260,000</u>
--	----------------

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>510,000</u>
---	----------------

General obligation equipment certificates:

\$444,000 General Obligation Equipment Certificates, Series 2013A made on July 30, 2013 for the purpose of financing the acquisition of a fire pumper truck. Varying principal amounts of \$82,000 to \$93,000 due annually through 2-1-2019 at an interest rate of 2.19 percent.	362,000
\$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>13,000</u>

Total	<u>375,000</u>
-------	----------------

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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.	\$ 31,499
\$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.	62,666
\$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>85,982</u>
Total	<u>180,147</u>

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.	1,090,000
\$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.	1,785,000
\$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.	530,000
\$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>6,120,000</u>
Total Long-term Debt	<u>\$ 8,620,147</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.	\$ 132,795
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.	23,336
Amount due to Internal Service fund	<u>3,473</u>
Total due to primary government	<u>\$ 159,604</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

H. Components of fund balance

At December 31, 2015, 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	\$ 161,152	\$ -	\$ -	\$ 161,152
Due from other funds	215,821	-	-	215,821
Due from component unit	23,336	-	-	23,336
Inventories	2,313	-	10,907	13,220
Prepaid items	819	-	627	1,446
Total nonspendable	\$ 403,441	\$ -	\$ 11,534	\$ 414,975
Restricted				
Fire pension debt service	\$ 13,276	\$ -	\$ -	\$ 13,276
Debt service	-	807,430	-	807,430
Total restricted	\$ 13,276	\$ 807,430	\$ -	\$ 820,706
Committed				
Historical society	\$ 25,000	\$ -	\$ -	\$ 25,000
Airport operations	-	-	138,152	138,152
Economic development	-	-	291,876	291,876
Swimming pool	-	-	28,906	28,906
Capital improvements	-	-	288,848	288,848
Total committed	\$ 25,000	\$ -	\$ 747,782	\$ 772,782
Assigned				
LEC contract	\$ 808,600	\$ -	\$ -	\$ 808,600
Fire pension contract	33,000	-	-	33,000
Capital improvements	-	-	188,772	188,772
Capital equipment	-	-	206,924	206,924
Total assigned	\$ 841,600	\$ -	\$ 395,696	\$ 1,237,296
Unassigned	\$ 1,732,788	\$ -	\$ (142,416)	\$ 1,590,372

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	25,222	1,535	8,393	3,111
Captured - Retained	<u>\$ 24,896</u>	<u>\$ 1,073</u>	<u>\$ 8,295</u>	<u>\$ -</u>
Total General Obligation Tax Increment				
Bonds and Notes issued	\$ 500,000	\$ 47,000	\$ -	\$ -
Amounts redeemed	(240,000)	(23,663)	-	-
Outstanding at December 31, 2015	<u>\$ 260,000</u>	<u>\$ 23,337</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 and 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, 2015 or December 31, 2014 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
2015	\$ -	\$ 182,089	\$ (182,089)	\$ -
2014	-	17,006	(17,006)	-
2013	-	21,330	(21,330)	-

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. The City uses the regular premium option and uses the fund to account for any additional premiums and 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. The EDA purchases 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 1-26-2016 to provide power until 1-1-2057.

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 60 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 \$80,000 have been made as of December 31, 2015.

The City of Luverne is a participant in the Lewis & Clark Regional Water System. This system sells water to its members based on an allocation commitment made by each member. There are 20 members. The commitment allocation for the City of Luverne 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 prepaid 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. The water distribution connection to Luverne was completed at the end of 2015 and now provides the majority of water to the City of Luverne Water Utility customers.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

C. Pension plans

1. Defined benefit pension plans - statewide

a. Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

b. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits

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 a 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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

c. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$113,757, \$116,263 and \$107,671, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

d. Pension costs

GERF pension costs

At December 31, 2015, the City of Luverne reported a liability of \$1,461,470 for its proportionate share of the GERF's net pension liability of which the LEDA's portion was calculated at \$48,846. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Luverne's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City of Luverne's proportionate share was 0.0282 percent which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2014. The LEDA's proportionate share was calculated at 0.0009 percent at both June 30, 2015 and June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$139,420 for its proportionate share of GERF's pension expense of which the LEDA's portion was calculated at \$3,284.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,564	\$ 71,220	\$ 470	\$ 2,463
Changes in actuarial assumptions	87,509	-	3,026	-
Net difference between projected and actual earnings on plan investments	-	36,232	-	4,347
Changes in proportion	-	128,740	-	1,357
Contributions to GERF subsequent to the measurement date	66,023	-	2,282	-
Total	\$ 167,096	\$ 236,192	\$ 5,778	\$ 8,167

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

Deferred outflows of resources totaling \$68,305 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit
2016	\$ (39,340)	\$ (1,359)
2017	(39,340)	(1,359)
2018	(89,872)	(3,108)
2019	33,433	1,155

e. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

f. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Pension liability sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF		
Primary government	\$ 2,221,148	\$ 1,412,624	\$ 744,908
Component unit	76,803	48,846	25,758

h. Pension plan fiduciary net position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

2. Defined contribution plan

There are five council members of the City of Luverne that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by 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.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

The City's contributions to the PEDCP for the years ended December 31, 2015, 2014 and 2013 were \$1,086, \$1,046 and \$1,113, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,086	\$ 1,086	5.00%	5.00%	5.00%

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

a. Plan description

All volunteer firefighters of the City are members of 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.

b. Benefits provided

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.

c. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$44,859 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2014 were \$44,859. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. 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. Furthermore, the firefighter has no obligation to contribute to the plan.

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

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

d. Pension costs

At December 31, 2015, the City reported a net pension liability (asset) of (\$244,583) for the plan. The net pension liability (asset) was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Gabriel Roeder Smith & Company applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of (\$20,751).

At December 31, 2015, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Contributions to plan subsequent to the measurement date	<u>\$ 44,859</u>

Deferred outflows of resources totaling \$44,859 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

e. Actuarial assumptions

The total pension liability at December 31, 2014 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 20 years of service	N/A
Salary increases	0.00%
Cost of living increases	5.00%
Investment rate of return	N/A

There were no changes in actuarial assumptions in 2014.

The 5 percent long-term expected rate of return on pension plan investments was determined using a single discount rate. Inflation expectations were not applied to this valuation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	57.00 %	8.00 %
Cash	17.00	2.00
Fixed income	24.00	4.00
Other	2.00	6.50
Total	100.00 %	

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: OTHER INFORMATION - CONTINUED

f. Discount rate

The discount rate used to measure the total pension liability was 5.0 percent. The single discount rate method used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Pension liability sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.00%)	Current (5.00%)	1 Percent Increase (6.00%)
Defined benefit plan	\$ (209,681)	\$ (244,583)	\$ (277,791)

h. Pension plan fiduciary net position

The Association issues a publicly available financial report. The report may be obtained by writing to the Luverne Volunteer Firemen's Relief Association, 1137 Spruce Avenue, Luverne, MN 56156.

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 2015 was \$1,373,641 respectively which accounted for 39 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, 2015

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In 2009, the City prospectively implemented the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

A. Plan description

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan until Medicare age, which covers both active and retired members. There are 26 active participants and no retired participants. Since the premium is a blended rate determined on the active and retiree population, the retirees would receive 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 2015, the City (including component unit) contributed \$0 in implicit cost 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	\$ 6,591	\$ 266	\$ 6,857
Interest on net OPEB obligation	2,544	103	2,647
Adjustment to annual required contribution	(3,678)	(149)	(3,827)
Annual OPEB cost (expense)	5,457	220	5,677
Contributions made	-	-	-
Increase in net OPEB obligation	5,457	220	5,677
Net OPEB obligation - beginning of year	63,213	2,963	66,176
Net OPEB obligation - end of year	<u>\$ 68,670</u>	<u>\$ 3,183</u>	<u>\$ 71,853</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015 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>
12/31/15	\$ 5,677	- %	\$ 71,853
12/31/14	11,703	44.2	66,176
12/31/13	11,589	61.2	59,647

D. Funded status and funding progress

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$47,548, of which the entire amount was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,044,095, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.3 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, 2015 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 7.2 percent initially, reduced incrementally to an ultimate rate of 5 percent after 7 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, 2015

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 2.75 percent initially, reduced incrementally to an ultimate rate of 5 percent after 7 years.

Health insurance premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 2.75 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, 2015 was 30 years.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 16,476,843	\$ (393,057)	\$ 16,083,786
Business-type activities	\$ 31,912,152	\$ (807,771)	\$ 31,104,381
Proprietary funds			
Water	\$ 5,930,219	\$ (158,258)	\$ 5,771,961
Sewer	6,729,251	(206,609)	6,522,642
Electric	15,437,661	(85,846)	15,351,815
Liquor	579,043	(102,470)	476,573
Refuse and Recycling	959,386	(85,582)	873,804
Storm Sewer	1,066,952	(3,336)	1,063,616
Lewis and Clark Reserve	158,506		158,506
Internal service funds			
Central Store	212,282	(22,646)	189,636
Property and Casualty Insurance	463,368	-	463,368
Data Processing	514,954	(143,024)	371,930
Interfund eliminations	(139,470)	-	(139,470)
Total business-type activities	\$ 31,912,152	\$ (807,771)	\$ 31,104,381
Component unit	\$ 3,320,011	\$ (51,474)	\$ 3,268,537

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0282 %	\$ 1,461,470	\$ -	\$ 1,461,470	\$ 1,658,255	88.1 %	78.2 %

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 131,757	\$ 131,757	\$ -	\$ 1,756,757	7.5 %

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios

	2015
Total pension liability	
Service cost	\$ 25,841
Interest	32,796
Benefit payments	(84,000)
Net change in total pension liability	(25,363)
Total pension liability - January 1, 2014	675,585
Total pension liability - December 31, 2014 (a)	\$ 650,222
Plan fiduciary net position	
Contributions - State	41,894
Contributions - employer	2,931
Projected investment return	34,529
Other	2,000
Benefit payments, including refunds of employee contributions	(84,000)
Net change in plan fiduciary net position	(2,646)
Plan fiduciary net position - January 1, 2014	897,451
Plan fiduciary net position - December 31, 2014 (b)	\$ 894,805
Fire Relief's net pension liability (asset) - December 31, 2014 (a-b)	\$ (244,583)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	137.62%
Covered-employee payroll	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A

Notes to Schedule:

Benefit changes. None in 2014.

Changes of assumptions. None in 2014.

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/15	-	-	-
12/31/14	44,825	44,825	-

* Information not available at time of audit.

Schedule of employer's funding progress for the postemployment benefit plan

Actuarial Valuation Date	Required Supplementary Information					
	Actuarial Value of Assets (a)	Actuarial 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)
01/01/15	\$ -	\$ 47,548	\$ 47,548	- %	\$ 2,044,095	2.3 %
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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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.

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 Avenue 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.

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, 2015

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
ASSETS				
Cash and temporary investments	\$ -	\$ 41,945	\$ 158,818	\$ 92,986
Receivables (net of allowance for uncollectibles)				
Accrued interest	46	327	263	236
Accounts, net	4,392	(2,378)	-	-
Delinquent taxes	-	-	-	-
Intergovernmental	231,053	215	-	-
Due from component unit	-	-	132,795	-
Inventories	10,907	-	-	-
Prepaid items	-	627	-	-
TOTAL ASSETS	\$ 246,398	\$ 40,736	\$ 291,876	\$ 93,222
LIABILITIES				
Accounts payable	\$ 3,765	\$ 8,344	\$ -	\$ -
Contracts payable	30,039	-	-	-
Retainage payable	-	-	-	-
Due to other funds	63,535	43	-	133,434
Due to other governments	-	803	-	-
Wages and related benefits payable	-	2,013	-	-
TOTAL LIABILITIES	97,339	11,203	-	133,434
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	-	-	-	-
FUND BALANCES				
Nonspendable	10,907	627	-	-
Committed	138,152	28,906	291,876	-
Assigned	-	-	-	-
Unassigned	-	-	-	(40,212)
TOTAL FUND BALANCES	149,059	29,533	291,876	(40,212)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 246,398	\$ 40,736	\$ 291,876	\$ 93,222

Capital Projects

401	402	405	408	410	415	443
Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement	Rural Fire Tanker	Ice Arena Capital Improvement	Luverne Loop Project	Barck Avenue TIF Project
\$ 55,655	\$ 218,181	\$ 214,771	\$ 431	\$ 33,378	\$ 203,248	\$ 9,028
104	1,401	468	8	96	614	35
-	-	-	750	-	-	-
-	131	-	-	-	-	-
-	50	-	5,236	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 55,759</u>	<u>\$ 219,763</u>	<u>\$ 215,239</u>	<u>\$ 6,425</u>	<u>\$ 33,474</u>	<u>\$ 203,862</u>	<u>\$ 9,063</u>
\$ -	\$ -	\$ 8,315	\$ -	\$ 4,193	\$ 8,307	\$ -
-	57,292	-	-	-	-	-
-	135,341	-	-	-	-	-
-	-	-	37,692	-	-	80,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	192,633	8,315	37,692	4,193	8,307	80,000
-	-	-	-	-	-	-
-	131	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	191,130	-
55,759	26,999	206,924	-	29,281	4,425	-
-	-	-	(31,267)	-	-	(70,937)
<u>55,759</u>	<u>26,999</u>	<u>206,924</u>	<u>(31,267)</u>	<u>29,281</u>	<u>195,555</u>	<u>(70,937)</u>
<u>\$ 55,759</u>	<u>\$ 219,763</u>	<u>\$ 215,239</u>	<u>\$ 6,425</u>	<u>\$ 33,474</u>	<u>\$ 203,862</u>	<u>\$ 9,063</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	Capital Projects		Total Nonmajor Governmental Funds
	451 MN West/ City Offices Project	479 Pool Capital Improvement	
ASSETS			
Cash and temporary investments	\$ 137,223	\$ 32,472	\$ 1,198,136
Receivables (net of allowance for uncollectibles)			
Accrued interest	265	66	3,929
Accounts, net	-	-	2,764
Delinquent taxes	-	-	131
Intergovernmental	-	-	236,554
Due from component unit	-	-	132,795
Inventories	-	-	10,907
Prepaid items	-	-	627
TOTAL ASSETS	\$ 137,488	\$ 32,538	\$ 1,585,843
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 32,924
Contracts payable	-	-	87,331
Retainage payable	-	-	135,341
Due to other funds	-	-	314,704
Due to other governments	-	-	803
Wages and related benefits payable	-	-	2,013
TOTAL LIABILITIES	-	-	573,116
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	-	-	131
FUND BALANCES			
Nonspendable	-	-	11,534
Committed	65,180	32,538	747,782
Assigned	72,308	-	395,696
Unassigned	-	-	(142,416)
TOTAL FUND BALANCES	137,488	32,538	1,012,596
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 137,488	\$ 32,538	\$ 1,585,843

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, 2015

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	213,629	-	-	-
State	44,438	-	-	-
Charges for services	258,966	214,066	\$ -	-
Special assessments	-	-	-	-
Investment income	313	2,248	1,811	1,626
Miscellaneous	843	372	7,477	23,917
TOTAL REVENUES	518,189	216,686	9,288	25,543
EXPENDITURES				
Current				
General government	-	-	-	-
Public works	431,691	-	-	-
Culture and recreation	-	506,310	-	-
Conservation and development	-	-	-	8,160
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	54,000
Debt service				
Principal	44,556	-	-	-
Interest and other costs	-	-	-	-
TOTAL EXPENDITURES	476,247	506,310	-	62,160
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41,942	(289,624)	9,288	(36,617)
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	306,500	-	-
Transfers out	-	(20,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	286,500	-	-
NET CHANGE IN FUND BALANCES	66,942	(3,124)	9,288	(36,617)
FUND BALANCES, JANUARY 1	82,117	32,657	282,588	(3,595)
FUND BALANCES, DECEMBER 31	<u>\$ 149,059</u>	<u>\$ 29,533</u>	<u>\$ 291,876</u>	<u>\$ (40,212)</u>

Capital Projects

401	402	405	408	410	415	443
Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement	Rural Fire Tanker	Ice Arena Capital Improvement	Luverne Loop Project	Barck Avenue TIF Project
\$ -	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	27,059	-	200	-
-	2,073	-	-	-	-	-
713	9,638	3,218	57	659	4,225	243
-	-	-	-	-	-	-
<u>713</u>	<u>11,886</u>	<u>3,218</u>	<u>27,116</u>	<u>659</u>	<u>4,425</u>	<u>243</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,268	22,174	-
-	-	-	-	-	-	4,100
-	-	559,176	-	-	-	-
-	369,239	131,257	-	-	-	-
-	-	56,038	-	27,423	212,873	-
-	-	-	-	-	-	25,080
-	-	-	-	-	-	-
-	-	-	2,668	-	-	-
<u>-</u>	<u>369,239</u>	<u>746,471</u>	<u>2,668</u>	<u>30,691</u>	<u>235,047</u>	<u>29,180</u>
<u>713</u>	<u>(357,353)</u>	<u>(743,253)</u>	<u>24,448</u>	<u>(30,032)</u>	<u>(230,622)</u>	<u>(28,937)</u>
-	-	710,000	-	6,000	220,000	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>710,000</u>	<u>-</u>	<u>6,000</u>	<u>220,000</u>	<u>-</u>
713	(357,353)	(33,253)	24,448	(24,032)	(10,622)	(28,937)
<u>55,046</u>	<u>384,352</u>	<u>240,177</u>	<u>(55,715)</u>	<u>53,313</u>	<u>206,177</u>	<u>(42,000)</u>
<u>\$ 55,759</u>	<u>\$ 26,999</u>	<u>\$ 206,924</u>	<u>\$ (31,267)</u>	<u>\$ 29,281</u>	<u>\$ 195,555</u>	<u>\$ (70,937)</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	Capital Projects		Total Nonmajor Governmental Funds
	451 MN West/ City Offices Project	479 Pool Capital Improvement	
REVENUES			
Taxes	\$ -	\$ -	\$ 175
Intergovernmental			
Federal	-	-	213,629
State	-	-	44,438
Charges for services	-	-	500,291
Special assessments	-	-	2,073
Investment income	1,821	454	27,026
Miscellaneous	-	-	32,609
TOTAL REVENUES	1,821	454	820,241
EXPENDITURES			
Current			
General government	9,820	-	9,820
Public works	-	-	431,691
Culture and recreation	-	-	531,752
Conservation and development	-	-	12,260
Capital outlay			
Public safety	-	-	559,176
Public works	-	-	500,496
Culture and recreation	-	3,200	299,534
Conservation and development	-	-	79,080
Debt service			
Principal	-	-	44,556
Interest and other costs	-	-	2,668
TOTAL EXPENDITURES	9,820	3,200	2,471,033
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,999)	(2,746)	(1,650,792)
OTHER FINANCING SOURCES (USES)			
Transfers in	25,000	20,000	1,312,500
Transfers out	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	20,000	1,292,500
NET CHANGE IN FUND BALANCES	17,001	17,254	(358,292)
FUND BALANCES, JANUARY 1	120,487	15,284	1,370,888
FUND BALANCES, DECEMBER 31	<u>\$ 137,488</u>	<u>\$ 32,538</u>	<u>\$ 1,012,596</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Federal	\$ -	\$ -	\$ 213,629	\$ 213,629
State	9,963	9,963	44,438	34,475
Charges for services	284,005	284,005	258,966	(25,039)
Investment income	2,000	2,000	313	(1,687)
Miscellaneous	-	-	843	843
TOTAL REVENUES	295,968	295,968	518,189	222,221
OTHER FINANCING SOURCES				
Transfers in	25,000	25,000	25,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	320,968	320,968	543,189	222,221
EXPENDITURES				
Public works				
Airport				
Supplies	184,900	184,900	145,477	39,423
Other services and charges	76,370	76,370	131,614	(55,244)
Capital outlay	-	-	154,600	(154,600)
Debt service				
Principal	44,556	44,556	44,556	-
TOTAL EXPENDITURES	305,826	305,826	476,247	(170,421)
NET CHANGE IN FUND BALANCES	15,142	15,142	66,942	51,800
FUND BALANCES, JANUARY 1	82,117	82,117	82,117	-
FUND BALANCES, DECEMBER 31	\$ 97,259	\$ 97,259	\$ 149,059	\$ 51,800

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 181,800	\$ 181,800	\$ 214,066	\$ 32,266
Investment income	500	500	2,248	1,748
Miscellaneous	200	200	372	172
TOTAL REVENUES	182,500	182,500	216,686	34,186
OTHER FINANCING SOURCES				
Transfers in	306,500	306,500	306,500	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	489,000	489,000	523,186	34,186
EXPENDITURES				
Culture and recreation				
Swimming pool				
Personal services	286,600	286,600	306,385	(19,785)
Supplies	65,000	65,000	90,029	(25,029)
Other services and charges	97,400	97,400	109,896	(12,496)
Capital outlay	20,000	20,000	-	20,000
TOTAL EXPENDITURES	469,000	469,000	506,310	(37,310)
OTHER FINANCING USES				
Transfers out	20,000	20,000	20,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	489,000	489,000	526,310	(37,310)
NET CHANGE IN FUND BALANCES	-	-	(3,124)	(3,124)
FUND BALANCES, JANUARY 1	32,657	32,657	32,657	-
FUND BALANCES, DECEMBER 31	<u>\$ 32,657</u>	<u>\$ 32,657</u>	<u>\$ 29,533</u>	<u>\$ (3,124)</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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 STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Total
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 465,767	\$ 273,242	\$ 160,260	\$ 899,269
Receivables (net of allowance for uncollectibles)				
Accrued interest	801	795	298	1,894
Accounts, net	45,374	4,317	-	49,691
Loans	5,112	-	-	5,112
Due from other funds	19,768	-	-	19,768
TOTAL CURRENT ASSETS	536,822	278,354	160,558	975,734
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	5,708	-	-	5,708
Special assessments receivable - noncurrent	1,284	57	-	1,341
Loans receivable - noncurrent	132,826	-	-	132,826
Capital assets				
Land	62,632	-	-	62,632
Construction in progress	-	195,510	-	195,510
Buildings	79,566	-	-	79,566
Improvements	18,872	1,320,849	-	1,339,721
Machinery and equipment	768,936	79,915	-	848,851
Total capital assets	930,006	1,596,274	-	2,526,280
Less accumulated depreciation	(560,399)	(775,539)	-	(1,335,938)
Total capital assets (net of accumulated depreciation)	369,607	820,735	-	1,190,342
TOTAL NONCURRENT ASSETS	509,425	820,792	-	1,330,217
TOTAL ASSETS	1,046,247	1,099,146	160,558	2,305,951
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	8,670	370	-	9,040

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Total
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
CURRENT LIABILITIES				
Accounts payable	\$ 11,540	\$ 54	\$ -	\$ 11,594
Contract payable	-	24,212	-	24,212
Due to other funds	-	-	-	-
Due to other governments	4,098	-	-	4,098
Wages and related benefits payable	778	33	-	811
Compensated absences payable - current	6,603	262	-	6,865
Customer deposits payable	5,708	-	-	5,708
TOTAL CURRENT LIABILITIES	<u>28,727</u>	<u>24,561</u>	<u>-</u>	<u>53,288</u>
NONCURRENT LIABILITIES				
Compensated absences payable	24,356	1,894	-	26,250
Other postemployment benefits liability	4,774	159	-	4,933
Pension liability	73,292	3,130	-	76,422
TOTAL NONCURRENT LIABILITIES	<u>102,422</u>	<u>5,183</u>	<u>-</u>	<u>107,605</u>
TOTAL LIABILITIES	<u>131,149</u>	<u>29,744</u>	<u>-</u>	<u>160,893</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	12,255	523	-	12,778
NET POSITION				
Investment in capital assets	369,607	820,735	-	1,190,342
Unrestricted	541,906	248,514	160,558	950,978
TOTAL NET POSITION	<u>\$ 911,513</u>	<u>\$ 1,069,249</u>	<u>\$ 160,558</u>	<u>\$ 2,141,320</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Total
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
OPERATING REVENUES				
Charges for services/sales	\$ 558,938	\$ 88,095	\$ -	\$ 647,033
Service income	5,788	387	-	6,175
Other income	676	-	-	676
TOTAL OPERATING REVENUES	565,402	88,482	-	653,884
OPERATING EXPENSES				
Personal services	134,914	5,316	-	140,230
Supplies	47,673	3,422	-	51,095
Other services and charges	172,880	9,778	-	182,658
Depreciation	55,102	56,853	-	111,955
Pension expense	(8,705)	(53)	-	(8,758)
TOTAL OPERATING EXPENSES	401,864	75,316	-	477,180
OPERATING INCOME (LOSS)	163,538	13,166	-	176,704
NONOPERATING REVENUES (EXPENSES)				
Investment income	6,332	5,467	2,052	13,851
Rental income	12,849	-	-	12,849
Interest and other costs	(10)	-	-	(10)
Contributions to component unit	(20,000)	-	-	(20,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(829)	5,467	2,052	6,690
INCOME (LOSS) BEFORE TRANSFERS	162,709	18,633	2,052	183,394
TRANSFERS OUT	(125,000)	(13,000)	-	(138,000)
CHANGE IN NET POSITION	37,709	5,633	2,052	45,394
NET POSITION, JANUARY 1 AS RESTATED	873,804	1,063,616	158,506	2,095,926
NET POSITION, DECEMBER 31	\$ 911,513	\$ 1,069,249	\$ 160,558	\$ 2,141,320

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Total
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 563,764	\$ 88,895	\$ -	\$ 652,659
Cash paid to suppliers	(210,172)	(11,853)	-	(222,025)
Cash paid to and on behalf of employees	(143,491)	(5,371)	-	(148,862)
Other receipts	12,849	-	-	12,849
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>222,950</u>	<u>71,671</u>	<u>-</u>	<u>294,621</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(125,000)	(13,000)	-	(138,000)
Payment to component unit	(20,000)	-	-	(20,000)
Loan payments received	17,111	-	-	17,111
(Increase) decrease in due from other funds	3,551	-	-	3,551
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(124,338)</u>	<u>(13,000)</u>	<u>-</u>	<u>(137,338)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(10,486)	(264,195)	-	(274,681)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	5,976	5,554	2,068	13,598
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,102	(199,970)	2,068	(103,800)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>377,373</u>	<u>473,212</u>	<u>158,192</u>	<u>1,008,777</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 471,475</u>	<u>\$ 273,242</u>	<u>\$ 160,260</u>	<u>\$ 904,977</u>
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 465,767	\$ 273,242	\$ 160,260	\$ 899,269
Restricted assets				
Cash and temporary investments	5,708	-	-	5,708
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 471,475</u>	<u>\$ 273,242</u>	<u>\$ 160,260</u>	<u>\$ 904,977</u>

CITY OF LUVERNE, MINNESOTA
 COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Total
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 163,538	\$ 13,166	\$ -	\$ 176,704
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	55,102	56,853	-	111,955
Other income related to operations	12,849	-	-	12,849
Interest paid on customer deposits	(10)	-	-	(10)
(Increase) decrease in assets				
Accounts receivable	(1,655)	165	-	(1,490)
Special assessments receivable	(206)	248	-	42
Inventories	-	1,371	-	1,371
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	3,782	115	-	3,897
Increase (decrease) in liabilities				
Accounts payable	1,088	(77)	-	1,011
Due to other governments	598	-	-	598
Wages and related benefits payable	(3,573)	(133)	-	(3,706)
Deposits payable	223	-	-	223
Compensated absences payable	3,606	120	-	3,726
Other postemployment benefits liability	95	11	-	106
Pension liability	(3,888)	122	-	(3,766)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(8,599)	(290)	-	(8,889)
Total adjustments	59,412	58,505	-	117,917
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 222,950</u>	<u>\$ 71,671</u>	<u>\$ -</u>	<u>\$ 294,621</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired on account	\$ -	\$ 24,212	\$ -	\$ 24,212
Special assessments levied	206	-	-	206

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
General property tax	\$ 1,203,658	\$ 1,203,658	\$ 1,191,008	\$ (12,650)	\$ 1,056,292
Hotel/motel tax	1,800	1,800	2,804	1,004	2,466
Franchise tax	420,000	420,000	423,206	3,206	438,104
Penalties	-	-	1,670	1,670	442
Total taxes	1,625,458	1,625,458	1,618,688	(6,770)	1,497,304
Licenses and permits					
Business	17,505	17,505	19,513	2,008	20,012
Nonbusiness	35,200	35,200	62,348	27,148	95,950
Total licenses and permits	52,705	52,705	81,861	29,156	115,962
Intergovernmental revenues					
Federal					
FEMA grant	-	-	(6,436)	(6,436)	225,484
State					
Local government aid	1,373,641	1,373,641	1,373,641	-	1,349,790
Agricultural market value credit	408	408	408	-	277
Other State aids	37,793	37,793	111,751	73,958	170,552
Total State	1,411,842	1,411,842	1,485,800	73,958	1,520,619
Local					
Other local grant	-	-	-	-	13,945
Total intergovernmental revenues	1,411,842	1,411,842	1,479,364	67,522	1,760,048
Charges for services					
General government	34,400	34,400	39,473	5,073	41,468
Public safety	118,000	118,000	105,697	(12,303)	101,382
Highways and streets	125,455	125,455	148,947	23,492	157,254
Other	-	-	3,537	3,537	-
Total charges for services	277,855	277,855	297,654	19,799	300,104
Special assessments	-	-	1,217	1,217	2,125
Investment income	21,950	21,950	64,376	42,426	64,732
Miscellaneous					
Other	10,600	10,600	13,474	2,874	31,718
TOTAL REVENUES	3,400,410	3,400,410	3,556,634	156,224	3,771,993
OTHER FINANCING SOURCES					
Sale of capital assets	-	-	-	-	245
Transfers in	243,000	243,000	243,000	-	242,671
TOTAL OTHER FINANCING SOURCES	243,000	243,000	243,000	-	242,916
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,643,410	3,643,410	3,799,634	156,224	4,014,909

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES					
Current					
General government					
Council					
Personal services	\$ 39,350	\$ 39,350	\$ 38,850	\$ 500	\$ 36,988
Supplies	1,000	1,000	101	899	1,092
Other services and charges	2,650	2,650	2,125	525	1,097
Total Council	43,000	43,000	41,076	1,924	39,177
Administration					
Personal services	147,750	147,750	139,631	8,119	128,469
Supplies	6,500	6,500	2,715	3,785	2,816
Other services and charges	49,500	49,500	50,959	(1,459)	49,958
Total administration	203,750	203,750	193,305	10,445	181,243
Elections					
Personal services	-	-	-	-	6,360
Supplies	-	-	-	-	614
Other services and charges	-	-	-	-	130
Total elections	-	-	-	-	7,104
Financial administration					
Other services and charges	84,000	84,000	84,000	-	84,000
Law					
Supplies	200	200	-	200	-
Other services and charges	30,400	55,400	54,740	660	35,246
Total law	30,600	55,600	54,740	860	35,246
Other general government					
Personal services	45,275	45,275	43,918	1,357	42,425
Supplies	27,035	27,035	21,509	5,526	15,559
Other services and charges	128,100	128,100	117,868	10,232	134,093
Total other general government	200,410	200,410	183,295	17,115	192,077
Total general government	561,760	586,760	556,416	30,344	538,847
Public safety					
Police					
Other services and charges	810,048	810,048	810,048	-	794,165
Fire					
Personal services	68,000	68,000	43,907	24,093	57,536
Supplies	69,500	69,500	73,929	(4,429)	64,855
Other services and charges	71,217	71,217	89,897	(18,680)	86,875
Total fire	208,717	208,717	207,733	984	209,266

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety - continued					
Building/planning/zoning/safety					
Personal services	\$ 171,745	\$ 171,745	\$ 134,504	\$ 37,241	\$ 95,490
Supplies	2,050	2,050	1,963	87	1,067
Other services and charges	8,825	8,825	10,464	(1,639)	10,756
Total building/planning/zoning/safety	182,620	182,620	146,931	35,689	107,313
Civil defense					
Supplies	1,500	1,500	-	1,500	-
Other services and charges	1,600	1,600	1,417	183	1,402
Total civil defense	3,100	3,100	1,417	1,683	1,402
Emergency management services					
Personal services	9,860	9,860	12,362	(2,502)	12,818
Other services and charges	30	30	-	30	-
Total emergency management services	9,890	9,890	12,362	(2,472)	12,818
Animal control					
Supplies	600	600	398	202	592
Other services and charges	8,380	8,380	8,154	226	7,417
Total animal control	8,980	8,980	8,552	428	8,009
Insect control					
Supplies	12,500	12,500	10,780	1,720	6,325
Other services and charges	2,300	2,300	660	1,640	1,000
Total insect control	14,800	14,800	11,440	3,360	7,325
Total public safety	1,238,155	1,238,155	1,198,483	39,672	1,140,298
Public works					
Personal services	292,300	292,300	258,555	33,745	281,173
Supplies	153,100	153,100	154,409	(1,309)	180,533
Other services and charges	269,370	269,370	249,962	19,408	255,062
Total public works	714,770	714,770	662,926	51,844	716,768
Culture and recreation					
Personal services	236,000	236,000	233,124	2,876	233,130
Supplies	67,900	97,900	92,936	4,964	120,177
Other services and charges	228,732	228,732	173,479	55,253	433,393
Total culture and recreation	532,632	562,632	499,539	63,093	786,700

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Conservation and development					
Supplies	\$ 21,400	\$ 21,400	\$ 17,779	\$ 3,621	\$ 23,331
Other services and charges	59,935	59,935	64,322	(4,387)	55,345
Total conservation and development	81,335	81,335	82,101	(766)	78,676
Total current	3,128,652	3,183,652	2,999,465	184,187	3,261,289
Capital outlay					
Conservation and development	-	22,500	22,500	-	-
Debt service					
Principal	13,553	13,553	11,000	2,553	11,000
Interest and other costs	705	705	787	(82)	1,254
Total debt service	14,258	14,258	11,787	2,471	12,254
TOTAL EXPENDITURES	3,142,910	3,220,410	3,033,752	186,658	3,273,543
OTHER FINANCING USES					
Transfers out	582,500	587,000	587,000	-	592,184
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,725,410	3,807,410	3,620,752	186,658	3,865,727
NET CHANGE IN FUND BALANCES	(82,000)	(164,000)	178,882	342,882	149,182
FUND BALANCES, JANUARY 1	2,837,223	2,837,223	2,837,223	-	2,688,041
FUND BALANCES, DECEMBER 31	\$ 2,755,223	\$ 2,673,223	\$ 3,016,105	\$ 342,882	\$ 2,837,223

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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 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, 2015

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
ASSETS			
Cash and temporary investments	\$ 66,983	\$ 4,504	\$ 153,517
Receivables (net of allowance for uncollectibles)			
Accrued interest	94	3	138
Delinquent taxes	60	-	1,438
Intergovernmental	12	-	239
TOTAL ASSETS	\$ 67,149	\$ 4,507	\$ 155,332
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	\$ 60	\$ -	\$ 1,438
FUND BALANCES			
Restricted			
Debt service	67,089	4,507	153,894
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 67,149	\$ 4,507	\$ 155,332

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 446,436	\$ 32,821	\$ 101,461	\$ -	\$ 805,722
779	25	71	-	1,110
1,287	385	1,088	-	4,258
152	40	155	-	598
<u>\$ 448,654</u>	<u>\$ 33,271</u>	<u>\$ 102,775</u>	<u>\$ -</u>	<u>\$ 811,688</u>
\$ 1,287	\$ 385	\$ 1,088	\$ -	\$ 4,258
<u>447,367</u>	<u>32,886</u>	<u>101,687</u>	<u>-</u>	<u>807,430</u>
<u>\$ 448,654</u>	<u>\$ 33,271</u>	<u>\$ 102,775</u>	<u>\$ -</u>	<u>\$ 811,688</u>

CITY OF LUVERNE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
REVENUES			
Taxes			
Property taxes	\$ 4,994	\$ -	\$ 125,697
Tax increments	22,432	7,474	-
Investment income	645	18	951
TOTAL REVENUES	<u>28,071</u>	<u>7,492</u>	<u>126,648</u>
EXPENDITURES			
Current			
Conservation and development			
Other services and charges	-	7,476	-
Debt service			
Principal	25,000	-	110,000
Interest and other costs	6,594	-	10,075
TOTAL EXPENDITURES	<u>31,594</u>	<u>7,476</u>	<u>120,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,523)	16	6,573
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	(3,523)	16	6,573
FUND BALANCES, JANUARY 1	<u>70,612</u>	<u>4,491</u>	<u>147,321</u>
FUND BALANCES, DECEMBER 31	<u>\$ 67,089</u>	<u>\$ 4,507</u>	<u>\$ 153,894</u>

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 45,383	\$ 32,459	\$ 100,260	\$ -	\$ 308,793
-	-	-	-	29,906
<u>5,358</u>	<u>169</u>	<u>490</u>	<u>-</u>	<u>7,631</u>
<u>50,741</u>	<u>32,628</u>	<u>100,750</u>	<u>-</u>	<u>346,330</u>
-	-	-	-	7,476
110,000	25,000	82,000	-	352,000
<u>5,378</u>	<u>6,084</u>	<u>8,833</u>	<u>-</u>	<u>36,964</u>
<u>115,378</u>	<u>31,084</u>	<u>90,833</u>	<u>-</u>	<u>396,440</u>
(64,637)	1,544	9,917	-	(50,110)
-	-	-	4,500	4,500
(64,637)	1,544	9,917	4,500	(45,610)
<u>512,004</u>	<u>31,342</u>	<u>91,770</u>	<u>(4,500)</u>	<u>853,040</u>
<u>\$ 447,367</u>	<u>\$ 32,886</u>	<u>\$ 101,687</u>	<u>\$ -</u>	<u>\$ 807,430</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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 STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>701</u> Central Garage	<u>702</u> Central Store	<u>703</u> Worker's Comp Insurance
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 114,600	\$ 211,180	\$ 197,425
Receivables (net of allowance for uncollectibles)			
Accrued interest	455	425	369
Accounts, net	-	-	-
Loans	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
TOTAL CURRENT ASSETS	<u>115,055</u>	<u>211,605</u>	<u>197,794</u>
NONCURRENT ASSETS			
Loans receivable - noncurrent	-	-	-
Capital assets			
Buildings	166,433	59,701	-
Improvements	79,763	-	-
Machinery and equipment	89,432	146,997	-
Total capital assets	335,628	206,698	-
Less accumulated depreciation	(127,317)	(189,821)	-
TOTAL NONCURRENT ASSETS	<u>208,311</u>	<u>16,877</u>	<u>-</u>
TOTAL ASSETS	<u>323,366</u>	<u>228,482</u>	<u>197,794</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	7,190	2,498	-
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	1,253	-	-
Wages and related benefits payable	656	210	-
Compensated absences payable - current	4,768	2,248	-
TOTAL CURRENT LIABILITIES	<u>6,677</u>	<u>2,458</u>	<u>-</u>
NONCURRENT LIABILITIES			
Compensated absences payable (net of current portion)	9,713	12,220	-
Other postemployment benefits liability	3,660	1,591	-
Pension liability	60,783	21,121	-
TOTAL NONCURRENT LIABILITIES	<u>74,156</u>	<u>34,932</u>	<u>-</u>
TOTAL LIABILITIES	<u>80,833</u>	<u>37,390</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	10,163	3,531	-
NET POSITION			
Investment in capital assets	208,311	16,877	-
Unrestricted	31,249	173,182	197,794
TOTAL NET POSITION	<u>\$ 239,560</u>	<u>\$ 190,059</u>	<u>\$ 197,794</u>

704 Property and Casualty Insurance	705 Data Processing	706 Vacation/ Sick	Total
\$ 291,504	\$ 496,128	\$ 208,755	\$ 1,519,592
693	1,246	-	3,188
-	146	-	146
3,651	-	-	3,651
-	86	-	86
-	6,554	-	6,554
<u>295,848</u>	<u>504,160</u>	<u>208,755</u>	<u>1,533,217</u>
<u>94,876</u>	<u>-</u>	<u>-</u>	<u>94,876</u>
-	-	-	226,134
-	-	-	79,763
-	226,514	-	462,943
-	226,514	-	768,840
-	(197,351)	-	(514,489)
<u>94,876</u>	<u>29,163</u>	<u>-</u>	<u>349,227</u>
<u>390,724</u>	<u>533,323</u>	<u>208,755</u>	<u>1,882,444</u>
-	15,539	-	25,227
42,738	2,183	-	46,174
-	1,396	-	2,262
-	13,867	50,251	71,134
<u>42,738</u>	<u>17,446</u>	<u>50,251</u>	<u>119,570</u>
-	71,669	158,504	252,106
-	6,225	-	11,476
-	131,369	-	213,273
-	209,263	158,504	476,855
<u>42,738</u>	<u>226,709</u>	<u>208,755</u>	<u>596,425</u>
-	21,965	-	35,659
94,876	29,163	-	349,227
<u>253,110</u>	<u>271,025</u>	<u>-</u>	<u>926,360</u>
<u>\$ 347,986</u>	<u>\$ 300,188</u>	<u>\$ -</u>	<u>\$ 1,275,587</u>

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	701 Central Garage	702 Central Store	703 Worker's Comp Insurance
OPERATING REVENUES			
Charges for services	\$ 158,870	\$ 46,575	\$ -
Other income	-	-	-
TOTAL OPERATING REVENUES	158,870	46,575	-
OPERATING EXPENSES			
Personal services	102,668	36,897	-
Supplies	31,959	-	-
Other services and charges	15,696	8,754	2,474
Depreciation	12,778	3,918	-
Pension expense	(2,753)	(492)	-
TOTAL OPERATING EXPENSES	160,348	49,077	2,474
OPERATING INCOME (LOSS)	(1,478)	(2,502)	(2,474)
NONOPERATING REVENUES (EXPENSES)			
Investment income	3,128	2,925	2,538
CHANGE IN NET POSITION	1,650	423	64
NET POSITION, JANUARY 1 AS RESTATED	237,910	189,636	197,730
NET POSITION, DECEMBER 31	\$ 239,560	\$ 190,059	\$ 197,794

704 Property and Casualty Insurance	705 Data Processing	706 Vacation/ Sick	Total
\$ 137,473	\$ 352,500	\$ -	\$ 695,418
<u>57,279</u>	<u>-</u>	<u>-</u>	<u>57,279</u>
<u>194,752</u>	<u>352,500</u>	<u>-</u>	<u>752,697</u>
-	211,091	-	350,656
-	33,394	-	65,353
315,486	170,860	-	513,270
-	22,938	-	39,634
<u>-</u>	<u>(5,229)</u>	<u>-</u>	<u>(8,474)</u>
<u>315,486</u>	<u>433,054</u>	<u>-</u>	<u>960,439</u>
(120,734)	(80,554)	-	(207,742)
<u>5,352</u>	<u>8,812</u>	<u>-</u>	<u>22,755</u>
(115,382)	(71,742)	-	(184,987)
<u>463,368</u>	<u>371,930</u>	<u>-</u>	<u>1,460,574</u>
<u>\$ 347,986</u>	<u>\$ 300,188</u>	<u>\$ -</u>	<u>\$ 1,275,587</u>

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	701 Central Garage	702 Central Store	703 Worker's Comp Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received (paid) from interfund services provided	\$ 158,870	\$ 46,575	\$ -
Cash paid to suppliers	(44,738)	(8,262)	(2,474)
Cash paid to and on behalf of employees	(106,865)	(37,548)	-
Other receipts	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,267	765	(2,474)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) decrease in due from other funds	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(113,576)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,220	2,942	2,560
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(103,089)	3,707	86
CASH AND CASH EQUIVALENTS, JANUARY 1	217,689	207,473	197,339
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 114,600	\$ 211,180	\$ 197,425
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,478)	\$ (2,502)	\$ (2,474)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	12,778	3,918	-
(Increase) decrease in assets			
Accounts receivable	-	-	-
Prepaid items	-	-	-
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	2,487	797	-
Increase (decrease) in liabilities			
Accounts payable	164	-	-
Wages and related benefits payable	(2,934)	(919)	-
Compensated absences payable	1,237	650	-
Other postemployment benefits liability	253	110	-
Pension liability	803	698	-
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(6,043)	(1,987)	-
Total adjustments	8,745	3,267	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,267	\$ 765	\$ (2,474)

704 Property and Casualty Insurance	705 Data Processing	706 Vacation/ Sick	Total
\$ 149,695 (273,487) - 57,279	\$ 352,728 (198,354) (218,185) -	\$ (19,125) - - -	\$ 688,743 (527,315) (362,598) 57,279
(66,513)	(63,811)	(19,125)	(143,891)
-	(86)	-	(86)
-	(14,167)	-	(127,743)
5,435	8,986	-	23,143
(61,078)	(69,078)	(19,125)	(248,577)
352,582	565,206	227,880	1,768,169
<u>\$ 291,504</u>	<u>\$ 496,128</u>	<u>\$ 208,755</u>	<u>\$ 1,519,592</u>
<u>\$ (120,734)</u>	<u>\$ (80,554)</u>	<u>\$ -</u>	<u>\$ (207,742)</u>
-	22,938	-	39,634
12,222	228	-	12,450
-	(234)	-	(234)
-	5,271	-	8,555
41,999	905	-	43,068
-	(5,882)	-	(9,735)
-	3,707	(19,125)	(13,531)
-	310	-	673
-	2,386	-	3,887
-	(12,886)	-	(20,916)
54,221	16,743	(19,125)	63,851
<u>\$ (66,513)</u>	<u>\$ (63,811)</u>	<u>\$ (19,125)</u>	<u>\$ (143,891)</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Lewis and Clark				
ASSETS				
Cash and investments	\$ 533	\$ 12,428,908	\$ 12,428,902	\$ 539
Receivables				
Accrued interest	1	1	1	1
TOTAL ASSETS	<u>\$ 534</u>	<u>\$ 12,428,909</u>	<u>\$ 12,428,903</u>	<u>\$ 540</u>
LIABILITIES				
Amounts held for others	<u>\$ 534</u>	<u>\$ 12,428,909</u>	<u>\$ 12,428,903</u>	<u>\$ 540</u>

CITY OF LUVERNE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total 2015	Total 2014	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 1,957,562	\$ 1,912,478	2.36 %
Special assessments	3,290	5,570	(40.93)
Licenses and permits	81,861	115,962	(29.41)
Intergovernmental	1,737,431	1,806,070	(3.80)
Charges for services	797,945	685,052	16.48
Investment earnings	99,033	98,943	0.09
Miscellaneous	46,083	180,484	(74.47)
	<u>\$ 4,723,205</u>	<u>\$ 4,804,559</u>	(1.69) %
TOTAL REVENUES	<u>\$ 4,723,205</u>	<u>\$ 4,804,559</u>	(1.69) %
Per Capita	\$ 1,004	\$ 1,020	(1.57) %
EXPENDITURES			
Current			
General government	\$ 566,236	\$ 543,492	4.18 %
Public safety	1,198,483	1,140,298	5.10
Public works	1,094,617	1,038,500	5.40
Culture and recreation	1,031,291	1,259,812	(18.14)
Conservation and development	101,837	94,172	8.14
Capital outlay			
Public safety	559,176	291,915	91.55
Public works	500,496	272,636	83.58
Culture and recreation	299,534	302,707	(1.05)
Conservation and development	101,580	42,000	141.86
Debt service			
Principal	407,556	320,556	27.14
Interest and other costs	40,419	58,172	(30.52)
	<u>\$ 5,901,225</u>	<u>\$ 5,364,260</u>	10.01 %
TOTAL EXPENDITURES	<u>\$ 5,901,225</u>	<u>\$ 5,364,260</u>	10.01 %
Per Capita	\$ 1,255	\$ 1,139	10.15 %
Total Long-term Indebtedness	\$ 2,500,147	\$ 2,907,703	(14.02) %
Per Capita	531	617	(13.91)
General Fund Balance - December 31	\$ 3,016,105	\$ 2,837,223	6.30 %
Per Capita	641	602	6.44

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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			
	2015	2014	2013	2012
Governmental activities				
Net investment in capital assets	\$ 12,307,033	\$ 11,182,230	\$ 11,065,650	\$ 9,974,182
Restricted	550,208	567,138	587,971	628,498
Unrestricted	3,957,806	4,727,475	4,487,164	4,602,307
Total governmental activities net position	16,815,047	16,476,843	16,140,785	15,204,987
Business-type activities				
Net investment in capital assets	16,740,004	15,422,740	14,733,982	14,204,393
Restricted	653,486	581,148	458,951	347,944
Unrestricted	14,086,518	15,908,264	15,769,947	16,134,235
Total business-type activities net position	31,480,008	31,912,152	30,962,880	30,686,572
Primary government				
Net investment in capital assets	29,047,037	26,604,970	25,799,632	24,178,575
Restricted	1,203,694	1,148,286	1,046,922	976,442
Unrestricted	18,044,324	20,635,739	20,257,111	20,736,542
Total primary government net position	\$ 48,295,055	\$ 48,388,995	\$ 47,103,665	\$ 45,891,559

Table 1

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 9,126,886	\$ 9,512,985	\$ 9,054,791	\$ 7,046,069	\$ 5,856,980	\$ 5,544,453
529,057	238,855	303,330	-	-	-
<u>4,531,553</u>	<u>4,255,703</u>	<u>4,188,264</u>	<u>3,830,245</u>	<u>3,951,808</u>	<u>4,314,168</u>
<u>14,187,496</u>	<u>14,007,543</u>	<u>13,546,385</u>	<u>10,876,314</u>	<u>9,808,788</u>	<u>9,858,621</u>
13,721,426	13,334,878	13,836,826	13,567,002	13,901,572	13,134,678
304,281	360,405	330,653	327,878	329,838	281,405
<u>15,178,390</u>	<u>14,030,207</u>	<u>12,459,832</u>	<u>12,017,572</u>	<u>10,907,412</u>	<u>10,366,212</u>
<u>29,204,097</u>	<u>27,725,490</u>	<u>26,627,311</u>	<u>25,912,452</u>	<u>25,138,822</u>	<u>23,782,295</u>
22,848,312	22,847,863	22,891,617	20,613,071	19,758,552	18,679,131
833,338	599,260	633,983	327,878	329,838	281,405
<u>19,709,943</u>	<u>18,285,910</u>	<u>16,648,096</u>	<u>15,847,817</u>	<u>14,859,220</u>	<u>14,680,380</u>
<u>\$ 43,391,593</u>	<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>

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

	Fiscal Year			
	2015	2014	2013	2012
EXPENSES				
Governmental activities				
General government	\$ 740,424	\$ 694,390	\$ 700,138	\$ 635,951
Public safety	1,340,427	1,264,489	1,114,561	1,166,584
Public works	1,413,265	1,378,361	1,470,237	1,263,739
Culture and recreation	1,240,431	1,508,418	1,117,074	932,997
Conservation and development	178,251	103,906	94,351	86,198
Interest on long-term debt	39,290	50,251	81,184	159,403
Total governmental activities expenses	<u>4,952,088</u>	<u>4,999,815</u>	<u>4,577,545</u>	<u>4,244,872</u>
Business-type activities				
Water	1,191,766	1,107,274	1,021,691	949,208
Sewer	1,083,254	1,017,470	1,048,553	875,392
Refuse and recycling	432,952	399,265	415,337	437,194
Electric	7,037,621	6,899,422	6,080,534	5,769,226
Storm sewer	76,623	82,267	75,106	76,250
Liquor	1,254,848	1,185,261	1,112,630	1,077,729
Total business-type activities expenses	<u>11,077,064</u>	<u>10,690,959</u>	<u>9,753,851</u>	<u>9,184,999</u>
Total primary government expenses	<u>\$ 16,029,152</u>	<u>\$ 15,690,774</u>	<u>\$ 14,331,396</u>	<u>\$ 13,429,871</u>
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	\$ 47,489	\$ 63,052	\$ 62,121	\$ 47,492
Public safety	244,720	282,266	232,798	384,318
Public works/streets	354,595	354,203	373,403	316,630
Culture and recreation	215,718	205,624	177,144	196,480
Conservation and development	23,917	28,534	31,043	24,442
Operating grants and contributions	63,292	389,345	164,929	35,506
Capital grants and contributions	256,705	62,178	743,378	781,163
Total governmental activities program revenues	<u>1,206,436</u>	<u>1,385,202</u>	<u>1,784,816</u>	<u>1,786,031</u>
Business-type activities				
Charges for services				
Water	1,366,341	1,237,390	1,067,966	1,227,239
Sewer	1,326,216	1,256,889	1,220,933	1,263,396
Refuse and recycling	578,251	554,170	540,006	543,122
Electric	7,469,297	7,445,013	6,577,653	6,318,544
Storm sewer	88,482	87,815	87,094	87,038
Liquor	1,313,720	1,249,159	1,178,689	1,186,644
Operating grants and contributions	-	21,780	72,654	-
Capital grants and contributions	-	-	360	150,540
Total business-type activities program revenues	<u>12,142,307</u>	<u>11,852,216</u>	<u>10,745,355</u>	<u>10,776,523</u>
Total primary government program revenues	<u>\$ 13,348,743</u>	<u>\$ 13,237,418</u>	<u>\$ 12,530,171</u>	<u>\$ 12,562,554</u>

Table 2

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 637,217	\$ 621,043	\$ 636,689	\$ 634,193	\$ 294,379	\$ 410,305
1,121,294	1,157,952	1,068,857	1,078,790	1,032,340	1,017,933
1,255,146	1,221,999	1,092,130	1,047,566	1,321,735	1,129,163
901,766	879,739	934,358	1,575,747	1,135,804	1,057,981
318,480	90,220	59,119	289,590	627,427	254,499
122,743	156,189	203,159	234,153	219,301	204,348
<u>4,356,646</u>	<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>
834,782	988,222	1,855,956	1,721,554	857,826	752,875
835,648	897,768	878,326	871,325	813,265	856,432
420,554	417,189	392,343	543,640	392,639	362,091
5,923,359	5,962,493	5,550,824	5,071,016	4,944,833	4,869,545
82,298	79,293	60,026	77,398	61,746	38,740
1,016,858	987,460	965,470	908,574	815,535	751,977
<u>9,113,499</u>	<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>\$ 13,470,145</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>
\$ 51,817	\$ 54,073	\$ 38,069	\$ 26,265	\$ 7,173	\$ 9,985
263,000	260,206	237,608	246,744	250,049	250,965
321,368	244,489	153,865	175,655	132,862	123,872
216,383	227,713	224,637	229,545	229,665	227,130
24,442	17,854	17,657	14,613	-	-
34,568	38,862	39,290	712,075	229,941	232,720
226,957	564,245	1,980,096	1,470,636	202,179	171,929
<u>1,138,535</u>	<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>
1,250,747	1,204,587	1,160,826	1,110,832	1,103,663	1,036,532
1,212,028	1,135,984	1,072,722	954,163	889,890	809,005
541,011	516,125	500,956	486,419	457,880	431,624
6,415,879	6,356,768	6,067,045	6,157,909	5,575,623	4,828,497
86,745	86,861	88,809	88,914	84,065	81,836
1,103,616	1,064,495	1,029,748	972,412	882,122	792,814
-	-	-	-	-	1,316
7,882	7,580	366,994	777	2,849	2,479
<u>10,617,908</u>	<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>\$ 11,756,443</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>

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

	Fiscal Year			
	2015	2014	2013	2012
PROGRAM REVENUES - CONTINUED				
Net (expense)/revenue				
Governmental activities	\$ (3,745,652)	\$ (3,614,613)	\$ (2,792,729)	\$ (2,458,841)
Business-type activities	1,065,243	1,161,257	991,504	1,591,524
Total primary government net expense	<u>\$ (2,680,409)</u>	<u>\$ (2,453,356)</u>	<u>\$ (1,801,225)</u>	<u>\$ (867,317)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 1,196,242	\$ 1,056,987	\$ 1,056,683	\$ 906,331
Property taxes, levied for debt service	308,832	380,489	326,215	406,876
Tax increments	29,917	33,976	32,424	34,335
Franchise and other taxes	426,010	440,570	372,560	405,670
Grants and contributions not restricted to specific programs	1,443,086	1,383,294	1,264,952	1,280,652
Unrestricted investment earnings	119,826	125,689	33,647	143,948
Other	-	1,921	46	-
Gain on sale of capital assets	-	12,745	-	-
Transfers	953,000	515,000	642,000	337,000
Total governmental activities	<u>4,476,913</u>	<u>3,950,671</u>	<u>3,728,527</u>	<u>3,514,812</u>
Business-type activities				
Taxes				
Property taxes, levied for debt service	49,956	50,007	25,131	24,976
Grants and contributions not restricted to specific programs	-	-	-	1,500
Unrestricted investment earnings (loss)	210,178	253,008	(99,048)	236,262
Other	-	-	721	809
Gain on sale of capital assets	3,250	-	-	1,000
Transfers	(953,000)	(515,000)	(642,000)	(337,000)
Total business-type activities	<u>(689,616)</u>	<u>(211,985)</u>	<u>(715,196)</u>	<u>(72,453)</u>
Total primary government	<u>\$ 3,787,297</u>	<u>\$ 3,738,686</u>	<u>\$ 3,013,331</u>	<u>\$ 3,442,359</u>
CHANGES IN NET POSITION				
Governmental activities	\$ 731,261	\$ 336,058	\$ 935,798	\$ 1,055,971
Business-type activities	375,627	949,272	276,308	1,519,071
Total primary government	<u>\$ 1,106,888</u>	<u>\$ 1,285,330</u>	<u>\$ 1,212,106</u>	<u>\$ 2,575,042</u>

Table 2 (continued)

		Fiscal Year				
2011	2010	2009	2008	2007	2006	
\$ (3,218,111)	\$ (2,719,700)	\$ (1,303,090)	\$ (1,984,506)	\$ (3,579,117)	\$ (3,057,628)	
1,504,409	1,039,975	584,155	577,919	1,110,248	352,443	
<u>\$ (1,713,702)</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>	
\$ 743,688	\$ 630,953	\$ 527,783	\$ 476,338	\$ 549,975	\$ 411,806	
316,141	297,383	264,863	257,244	190,364	185,217	
34,107	54,927	582,235	83,523	298,583	295,121	
388,611	386,493	385,254	368,586	331,415	326,889	
1,420,670	1,310,452	1,726,083	1,347,398	1,512,055	1,426,291	
162,832	193,500	212,134	253,153	324,057	243,764	
15	150	20	40	-	-	
-	-	-	1,750	8,900	1,825	
332,000	307,000	274,789	264,000	313,935	254,000	
<u>3,398,064</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>	
21,276	20,793	41,077	41,115	40,519	40,478	
4,225	4,508	8,748	9,070	9,654	9,875	
280,084	329,144	355,025	391,504	509,217	302,532	
613	754	643	450	324	80	
-	10,005	-	17,572	500	23,597	
<u>(332,000)</u>	<u>(307,000)</u>	<u>(274,789)</u>	<u>(264,000)</u>	<u>(313,935)</u>	<u>(254,000)</u>	
<u>(25,802)</u>	<u>58,204</u>	<u>130,704</u>	<u>195,711</u>	<u>246,279</u>	<u>122,562</u>	
<u>\$ 3,372,262</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>	
\$ 179,953	\$ 461,158	\$ 2,670,071	\$ 1,067,526	\$ (49,833)	\$ 87,285	
1,478,607	1,098,179	714,859	773,630	1,356,527	475,005	
<u>\$ 1,658,560</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>	

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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				
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
2015	1,196,242	308,832	29,917	2,804	423,206	1,961,001

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2006 - 2010)	206,590	115,834	124,158	111,289	98,993
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2006 - 2010)	<u>1,537,935</u>	<u>1,647,475</u>	<u>1,719,558</u>	<u>1,807,922</u>	<u>2,045,119</u>
Total General fund	<u>\$ 1,744,525</u>	<u>\$ 1,763,309</u>	<u>\$ 1,843,716</u>	<u>\$ 1,919,211</u>	<u>\$ 2,144,112</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2006 - 2010)	4,030,201	4,173,832	2,804,471	3,309,341	2,744,408
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2006 - 2010)	<u>945</u>	<u>(89,529)</u>	<u>(77,393)</u>	<u>(12,074)</u>	<u>(291,564)</u>
Total all other governmental funds	<u>\$ 4,031,146</u>	<u>\$ 4,084,303</u>	<u>\$ 2,727,078</u>	<u>\$ 3,297,267</u>	<u>\$ 2,452,844</u>

Table 4

Fiscal Year				
2011	2012	2013	2014	2015
\$ 369,411	\$ 562,938	\$ 684,954	\$ 434,528	\$ 403,441
12,475	12,475	11,744	11,510	13,276
-	-	-	25,000	25,000
1,198,528	1,092,661	1,089,532	837,965	841,600
823,652	970,948	901,811	1,528,220	1,732,788
<u>\$ 2,404,066</u>	<u>\$ 2,639,022</u>	<u>\$ 2,688,041</u>	<u>\$ 2,837,223</u>	<u>\$ 3,016,105</u>
\$ 10,600	\$ 15,703	\$ 14,251	\$ 12,992	\$ 11,534
1,040,741	2,702,629	1,738,030	853,040	807,430
593,502	588,008	591,396	894,112	747,782
1,175,513	954,094	820,198	565,094	395,696
(141,160)	(112,546)	(158,809)	(101,310)	(142,416)
<u>\$ 2,679,196</u>	<u>\$ 4,147,888</u>	<u>\$ 3,005,066</u>	<u>\$ 2,223,928</u>	<u>\$ 1,820,026</u>

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

	Fiscal Year				
	2006	2007	2008	2009	2010
REVENUES					
Taxes	\$ 927,969	\$ 1,069,838	\$ 1,100,367	\$ 1,172,406	\$ 1,314,969
Tax increments	295,121	298,583	82,339	580,734	55,063
Licenses and permits	93,878	93,379	83,811	74,615	86,731
Intergovernmental revenue	1,758,668	1,880,230	3,026,344	2,896,500	1,856,285
Charges for services	490,011	498,282	547,458	519,666	646,568
Fines and forfeits	3,880	4,231	3,998	-	125
Special assessments	133,546	122,951	120,824	90,642	92,247
Investment income	217,184	291,435	223,953	186,006	170,990
Miscellaneous	37,345	71,675	99,652	447,415	109,113
TOTAL REVENUES	3,957,602	4,330,604	5,288,746	5,967,984	4,332,091
EXPENDITURES					
General government	388,582	532,040	524,751	506,956	492,799
Public safety	911,794	919,894	1,004,243	999,236	1,081,976
Public works	648,154	705,603	929,518	853,957	757,228
Culture and recreation	857,007	953,373	973,238	755,843	690,957
Conservation and development	153,559	291,330	158,537	58,321	89,471
Capital outlay	1,756,680	1,561,826	2,468,972	1,719,849	1,095,426
Debt service					
Principal	437,289	437,419	554,123	643,208	839,212
Interest and other costs	166,705	238,748	217,932	208,482	190,205
TOTAL EXPENDITURES	5,319,770	5,640,233	6,831,314	5,745,852	5,237,274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,362,168)	(1,309,629)	(1,542,568)	222,132	(905,183)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	25,200	95,800	1,750	-	-
Transfers in	732,977	756,449	579,780	837,407	1,265,757
Debt issued	1,639,600	996,498	-	136,552	758,106
Payment to refunded bonds escrow agent	-	-	-	-	(775,000)
Discount on debt issued	(13,864)	(6,728)	-	-	(4,445)
Transfers out	(478,977)	(460,449)	(315,780)	(550,407)	(958,757)
TOTAL OTHER FINANCING SOURCES (USES)	1,904,936	1,381,570	265,750	423,552	285,661
NET CHANGE IN FUND BALANCES	\$ 542,768	\$ 71,941	\$ (1,276,818)	\$ 645,684	\$ (619,522)
Debt service as a percentage of noncapital expenditures	16.66%	15.95%	18.15%	21.88%	24.56%

Table 5

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	1,443,061	\$	1,732,568	\$	1,747,314	\$	1,878,388	\$	1,927,656
	33,921		36,878		32,324		34,090		29,906
	90,228		190,435		60,107		115,962		81,861
	1,530,290		1,267,456		1,786,108		1,806,070		1,737,431
	679,870		674,013		683,794		685,052		797,945
	-		-		-		-		-
	78,422		36,450		12,344		5,570		3,290
	140,776		125,033		12,440		98,943		99,033
	305,198		945,409		181,096		180,484		46,083
	<u>4,301,766</u>		<u>5,008,242</u>		<u>4,515,527</u>		<u>4,804,559</u>		<u>4,723,205</u>
	506,873		544,639		567,495		543,492		566,236
	1,049,164		1,095,648		1,061,326		1,140,298		1,198,483
	812,308		857,251		1,138,848		1,038,500		1,094,617
	779,066		774,622		897,318		1,259,812		1,031,291
	316,435		76,464		84,617		94,172		101,837
	302,717		1,740,549		1,346,191		909,258		1,460,786
	287,059		476,592		484,556		320,556		407,556
	117,222		140,829		104,979		58,172		40,419
	<u>4,170,844</u>		<u>5,706,594</u>		<u>5,685,330</u>		<u>5,364,260</u>		<u>5,901,225</u>
	<u>130,922</u>		<u>(698,352)</u>		<u>(1,169,803)</u>		<u>(559,701)</u>		<u>(1,178,020)</u>
	-		-		-		12,745		-
	694,250		770,391		1,124,052		1,515,730		1,560,000
	23,384		2,065,000		444,000		-		-
	-		-		(1,010,000)		(600,000)		-
	-		-		-		-		-
	<u>(362,250)</u>		<u>(433,391)</u>		<u>(482,052)</u>		<u>(1,000,730)</u>		<u>(607,000)</u>
	<u>355,384</u>		<u>2,402,000</u>		<u>76,000</u>		<u>(72,255)</u>		<u>953,000</u>
\$	<u>486,306</u>	\$	<u>1,703,648</u>	\$	<u>(1,093,803)</u>	\$	<u>(631,956)</u>	\$	<u>(225,020)</u>
	10.38%		15.51%		13.75%		8.60%		10.57%

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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
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
2015	1,501,646	29,906	2,804	423,206	1,957,562

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

Fiscal Year Ended <u>December 31</u>	Real Property (1)		Total Real Property	Personal Property
	Residential Property	Commercial Property		
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
2015	177,085,400	66,899,100	243,984,500	2,329,100

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

Total Estimated Market Value	Total Direct Tax Rate	Tax Capacity Value	Tax Capacity Value as a Percentage of Estimated Actual Value
\$ 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
246,313,600	61.747	2,559,719	1.04

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

Fiscal Year	City of Luverne			Overlapping Rates Rock County		
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage
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
2015	47.160	14.587	61.747	17.890	1.206	19.096

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
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
3.886	6.743	10.629	0.118	91.590

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

Taxpayer	Type of Business	2015		
		Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Agri-Energy, LLC	Ethanol production	\$ 273,368	1	10.4 %
Grandstay (Luverne Hotel Partners, LLC)	Hotel	54,350	2	2.2
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	1.2
Luverne Economic Development Authority	Commercial property	29,978	6	1.2
Glen's Food Center	Groceries	29,544	7	1.2
Shopko Hometown	Retail	25,196	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>\$ 555,438</u>		<u>21.7 %</u>

Source: Rock County Assessor

Table 9

2006		
<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
\$ 93,726	1	4.4 %
-	-	-
-	-	-
34,600	2	1.7
-	-	-
27,851	4	1.3
26,286	5	1.3
22,430	6	1.1
12,270	10	0.6
18,200	7	0.9
30,528	3	1.5
15,822	8	0.8
<u>12,689</u>	9	<u>0.6</u>
<u>\$ 294,402</u>		<u>14.2 %</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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
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	13,484	1,016,155	100.0
2010	1,144,019	1,132,487	99.0	11,176	1,143,663	100.0
2011	1,284,454	1,267,946 ⁽¹⁾	98.7	16,256	1,284,202	100.0
2012	1,348,740	1,345,705	99.8	2,481	1,348,186	100.0
2013	1,414,586	1,404,941	99.3	8,912	1,413,853	99.9
2014	1,484,357	1,475,215	99.4	7,828	1,483,043	99.9
2015	1,555,190	1,539,732	99.0	-	1,539,732	99.0

(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
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	1,548,651	342,839	45,000	313,815	5,114,895
2013	1,445,000	1,320,000	313,054	479,000	269,259	4,201,322
2014	1,310,000	620,000	283,268	468,000	224,703	6,576,154
2015	1,175,000	510,000	258,482	375,000	180,147	6,167,581

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

	Total Primary Government	Percentage of Personal Income		Per Capita
\$	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
	9,985,200	4.28		2,120
	8,027,635	3.55		1,704
	9,482,125	4.27		2,013
	8,666,210	N/A		1,842

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
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
2015	1,550,000	288,467	1,261,533	0.49	268

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, 2015

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>\$ 2,498,629</u>	100.00 %	<u>\$ 2,498,629</u>
Overlapping debt			
Rock County	8,308,000	9.30	772,644
Independent School District #2184	<u>2,780,000</u>	17.59	<u>489,002</u>
Total overlapping debt	<u>11,088,000</u>		<u>1,261,646</u>
Total direct and overlapping debt	<u>\$ 13,586,629</u>		<u>\$ 3,760,275</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 3,701,898	\$ 3,868,298	\$ 6,082,623	\$ 6,470,442	\$ 6,589,104
Total net debt applicable to limit	<u>2,053,000</u>	<u>1,991,000</u>	<u>1,853,000</u>	<u>1,709,000</u>	<u>1,555,000</u>
Legal debt margin	<u>\$ 1,648,898</u>	<u>\$ 1,877,298</u>	<u>\$ 4,229,623</u>	<u>\$ 4,761,442</u>	<u>\$ 5,034,104</u>
Total net debt applicable to the limit as a percentage of debt limit	55.46%	51.47%	30.46%	26.41%	23.60%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 6,741,432	\$ 6,903,957	\$ 7,233,201	\$ 7,233,201	\$ 7,389,408
<u>1,395,000</u>	<u>2,665,000</u>	<u>1,924,000</u>	<u>1,778,000</u>	<u>1,550,000</u>
<u>\$ 5,346,432</u>	<u>\$ 4,238,957</u>	<u>\$ 5,309,201</u>	<u>\$ 5,455,201</u>	<u>\$ 5,839,408</u>
20.69%	38.60%	26.60%	24.58%	20.98%

Legal Debt Margin Calculation for Fiscal Year 2015

Estimated Market Value (2014/2015)	\$ 246,313,600
A) Debt Limit 3.0% of estimated market value	7,389,408
Total Bonded Debt	<u>8,486,063</u>
B) Deductions	
General obligation improvement bonds	510,000
General obligation tax increment bonds	258,482
General obligation revenue bonds	<u>6,167,581</u>
Total Deductions	<u>6,936,063</u>
Net Debt applicable to debt limit	
General obligation debt	1,175,000
General obligation equipment certificates	<u>375,000</u>
Total Net Debt applicable to debt limit	<u>1,550,000</u>
Legal Debt Margin	<u>\$ 5,839,408</u>
Percent of Debt Margin not used	79.02%

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	
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
2015	2,831,053 ⁽³⁾	1,373,320	1,457,733	410,000	171,148	581,148	2.51

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	
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
2015	352,801	7,631	360,432	363,000	37,751	400,751	0.90

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
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	4,704	222,113,472	47,218	43.6	28.0	1,195	2.4
2015	4,704	N/A	N/A	43.8	27.8	1,193	2.2

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

	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sanford Hospital - Luverne	258	1	11.59 %	190	2	7.47 %
Gold 'N Plump	210	2	9.43	130	4	5.11
Independent School District No. 2184	205	3	9.21	245	1	9.63
Minnesota Veterans Home	176	4	7.91	166	3	6.52
Mary Jane Brown Good Samaritan Home	112	5	4.18	107	5	4.20
Rock County	93	6	5.03	105	7	4.13
Total Card Inc.	54	7	2.43	-	-	-
City of Luverne	84	8	3.77	106	6	4.17
Continental Western Group	62	9	2.79	104	8	4.09
Papik Motors	56	10	2.51	40	10	1.57
Sanford Clinic Luverne	-	-	-	50	9	1.96
Total	1,310		58.85 %	1,243		48.85 %

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				
	2006	2007	2008	2009	2010
General government	2.75	3.53	3.95	2.83	3.14
Public safety					
Fire					
Firefighters and officers	2.37	2.26	2.26	1.85	2.76
Building official	1.01	1.01	1.00	1.00	1.00
Streets and highways	4.16	3.45	3.44	3.29	3.27
Sanitation	2.49	2.89	2.84	2.73	2.90
Culture and recreation					
Parks	3.37	3.54	3.18	3.37	3.25
Library	3.34	3.34	3.12	-	-
Swimming pool	7.06	6.78	6.47	6.35	6.31
Housing and economic development	0.79	0.70	0.82	0.52	1.00
Water	2.99	3.13	3.40	3.49	3.18
Sewer	4.11	4.26	3.77	3.56	4.35
Electric	2.98	2.68	2.57	2.77	2.57
Liquor - off sale	2.45	2.47	2.33	2.44	2.49
Central garage	1.00	1.02	1.01	0.95	1.16
Central store	0.50	0.51	0.50	0.50	0.50
Data processing	2.58	2.58	2.58	2.61	2.62
Total	43.95	44.15	43.24	38.26	40.50

Source: Finance Department

Table 18

Full-time Equivalent Employees as of December 31				
2011	2012	2013	2014	2015
2.81	3.23	2.92	2.61	2.70
2.09	2.47	1.81	2.28	1.44
1.00	1.00	1.00	1.12	1.79
3.10	3.05	3.67	4.00	3.62
2.90	2.93	2.01	1.67	1.57
3.05	3.05	3.28	3.86	3.82
-	-	-	-	-
6.75	7.02	6.34	8.01	8.26
0.84	0.77	1.00	1.00	1.04
3.13	3.10	3.36	3.30	3.60
4.28	4.26	4.49	4.50	4.77
2.57	2.77	2.38	2.24	2.28
2.46	2.82	2.92	2.91	3.00
1.16	0.99	1.20	1.20	1.23
0.50	0.50	0.11	0.50	0.52
2.96	2.66	1.58	1.98	2.04
<u>39.60</u>	<u>40.62</u>	<u>38.07</u>	<u>41.18</u>	<u>41.68</u>

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Physical arrests	75	160	137	107	168
Parking violations	33	71	144	43	27
Traffic violations	212	142	201	93	257
Fire					
Number of calls answered	53	60	86	59	89
Building/zoning					
Permits issued	241	292	211	228	242
Inspections	1,499	1,331	1,300	1,135	1,103
Sanitation					
Refuse collected annually	1,397	1,496	1,526	1,560	1,483
Recyclables collected annually	312	312	312	312	312
Airport					
Aviation fuel sales (gallons)	9,993	7,877	7,770	10,120	15,789
Jet fuel (gallons)	-	-	-	-	11,867
Culture and recreation					
Library circulation	87,065	96,945	99,004	-	-
Pool and fitness center					
Attendance	80,750	80,513	82,556	81,867	79,218
Memberships	1,214	1,179	1,142	1,300	968
Water					
Average daily consumption	804,029	902,749	1,110,155	1,053,119	984,170
Wastewater					
Average daily sewage treatment	1,034,000	1,099,000	1,137,000	942,000	1,162,917
Electric					
Kilowatt hours sold	76,973,893	79,688,930	74,785,319	74,411,632	77,318,682
Liquor					
Annual sales	\$ 790,166	\$ 878,367	\$ 968,556	\$ 1,025,544	\$ 1,058,949

Sources: Various government departments

Table 19

Fiscal Year					
2011	2012	2013	2014	2015	
140	68	91	111	54	
52	-	2	-	-	
191	46	187	123	94	
92	84	75	86	69	
241	245	211	190	239	
1,124	1,082	812	722	689	
1,458	1,273	1,351	1,450	1,563	
312	338	416	416	416	
16,183	16,978	17,997	16,176	19,003	
18,632	13,284	24,443	17,061	27,248	
-	-	-	-	-	
78,296	76,043	68,374	75,375	78,845	
917	800	849	824	633	
900,218	673,306	739,627	756,436	689,825	
1,337,000	913,000	827,000	941,000	867,500	
76,389,496	73,454,715	68,828,422	85,733,095	80,979,831	
\$ 1,097,579	\$ 1,182,830	\$ 1,175,086	\$ 1,252,183	\$ 1,319,620	

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Public Safety					
Fire					
Stations	1	1	1	1	1
Part-time paid	36	36	38	35	37
Hydrants	220	220	215	221	222
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	709	715	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	1,988	2,015	2,019	2,026	2,019
Average daily consumption	905,005	902,749	1,110,155	1,053,119	984,170
Total gallons sold	259,122,000	275,533,250	273,746,750	282,381,000	277,651,250
Total gallons pumped	330,326,906	353,916,660	405,206,416	384,388,552	359,222,119
Storage capacity	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Miles of water main	34	34	35	35	35
Municipal water treatment					
Type of treatment					
Users	1,970	1,983	1,988	1,996	1,989
Average daily use	1,034,000	1,099,000	1,137,000	942,000	1,162,917
Peak demand	2,836,000	1,740,000	1,782,000	1,419,000	2,413,000
Maximum design capacity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total volume	377,392,000	401,550,000	416,314,000	343,402,000	425,067,000
Miles of sanitary sewer	34	34	35	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	33	30	29	28
Part-time	52	55	44	41	46
Volunteer Firemen	36	36	38	35	37
Election judges	33	-	32	-	32
Total employees	153	124	144	105	143

Source: City of Luverne Financial Records.

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

Table 20

Fiscal Year					
2011	2012	2013	2014	2015	
1	1	1	1	1	1
36	36	37	35	37	37
222	222	222	222	222	222
5	5	5	5	5	5
43	43	43	43	43	43
95	95	95	95	95	95
4.99	4.99	4.99	4.99	4.99	4.99
715	715	715	715	715	719
2	2	2	2	2	2
12	12	12	13	13	13
20	20	20	20	20	20
2	2	2	2	2	2
60	60	60	60	60	60
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
2,016	2,027	2,035	2,040	2,039	
900,218	673,306	739,627	648,782	689,825	
245,908,500	220,937,250	172,229,250	209,151,000	219,878,250	
328,579,720	246,430,043	269,599,000	236,156,828	251,786,260	
2,700,000	2,700,000	2,700,000	2,700,000	3,050,000	
35	35	35	35	35	
1,990	1,992	1,998	2,002	2,005	
1,337,000	913,000	827,000	941,000	867,000	
3,315,000	1,309,000	1,593,000	6,617,000	1,285,000	
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
488,573,000	334,096,000	302,670,000	343,458,000	316,581,000	
35	35	35	35	35	
11.1	11.1	11	11	11	
2	2	2	2	2	
26	27	28	29	28	
38	44	44	51	56	
36	36	37	34	37	
-	29	-	20	-	
100	136	109	134	121	

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, 2015

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	465,665	22,432	(731,903)
Interest on invested funds	-	10,615	645	11,260
Market value homestead credit	-	3,553	-	3,553
Property taxes/state aids	-	137,066	4,994	142,060
Total sources of funds	1,745,000	2,008,274	28,071	291,345
Uses of funds				
Installation of public utilities and improvements	525,000	554,556	-	(29,556)
Bond payments				
Principal	525,000	1,115,000	25,000	(615,000)
Interest	544,000	367,067	6,429	170,504
Administrative costs/fiscal agent fees	-	26,423	165	(26,588)
Total uses of funds	1,594,000	2,063,046	31,594	(500,640)
District balance (deficiency)	151,000	(54,772)	(3,523)	(209,295)
Transfers to other districts	-	(13,962)	-	(13,962)
Transfers from other funds	-	139,346	-	139,346
Funds remaining (deficient)	\$ 151,000	\$ 70,612	\$ (3,523)	\$ (83,911)

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, 2015

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	22,779	967	(29,254)
Interest on invested funds	-	251	159	410
Other - up front contribution	4,500	-	-	(4,500)
Market value homestead credit	-	3,856	-	3,856
Property taxes/state aid	-	38,917	2,029	40,946
Total sources of funds	104,500	112,803	3,155	11,458
Uses of funds				
Site improvements or preparation costs	47,000	50,329	-	(3,329)
Bond payments				
Principal	47,000	21,455	2,208	23,337
Interest	51,300	43,270	1,519	6,511
Total uses of funds	145,300	115,054	3,727	26,519
District balance (deficiency)	(40,800)	(2,251)	(572)	37,977
Transfers from other districts	-	13,857	-	13,857
Funds remaining (deficient)	\$ (40,800)	\$ 11,606	\$ (572)	\$ 51,834

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, 2015

Table 23

	Budget	Accounted For in Prior Years	Current Year	Amount Remaining
Sources of funds				
Tax increments	\$ 300,000	\$ 160,428	\$ 7,474	\$ (132,098)
Interest on invested funds	-	753	18	771
Total sources of funds	300,000	161,181	7,492	(131,327)
Uses of funds				
Site improvements or preparation costs	300,000	155,794	7,476	136,730
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	155,794	7,476	781,545
District balance (deficiency)	(644,815)	5,387	16	650,218
Transfers to other districts	-	(896)	-	(896)
Funds remaining (deficient)	\$ (644,815)	\$ 4,491	\$ 16	\$ 649,322

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, 2015

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	-	-	75,000
Total uses of funds	<u>1,025,000</u>	<u>-</u>	<u>-</u>	<u>1,025,000</u>
Funds remaining (deficient)	<u>\$ (270,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,000</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY



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, 2015, 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 17, 2016.

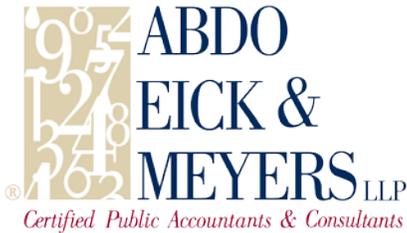
The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, 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 Cities*. 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 17, 2016



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, 2015, 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 17, 2016.

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 17, 2016