

CITY OF LUVERNE
LUVERNE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

BARBARA J. BERGHORST
FINANCE DIRECTOR

CITY OF LUVERNE, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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May 24, 2017

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, 2016.

The report consists of management's 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, 2016, 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, 2016, 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 and 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 Schedules 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 building was constructed for Koczowski Insurance in 2016. Gold 'N Plump Poultry, LLC invested \$1.6 million dollars of improvements to their building and created 10 new full-time jobs. The building owned by the Luverne Economic Development Authority and occupied by Continental Western Insurance was remodeled in 2016. Several local investors of property on Main Street participated in the façade improvement program offered by the Luverne Economic Development Authority, including Quality Printing, Schomacker Flooring & Appliance and Atlas/Redeemed Remnants. 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 Lewis and Clark project for the City of Luverne, 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 was completed in December 2015 providing local residents with water from the Missouri River in early 2016. 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 \$21,571,399.

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 Statements on pages 99 - 101.

The Finance Department updated the Internal Control and Accounting Policies and Procedures manual in 2016. 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, 2015. The City has received this prestigious award since 1994. 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**

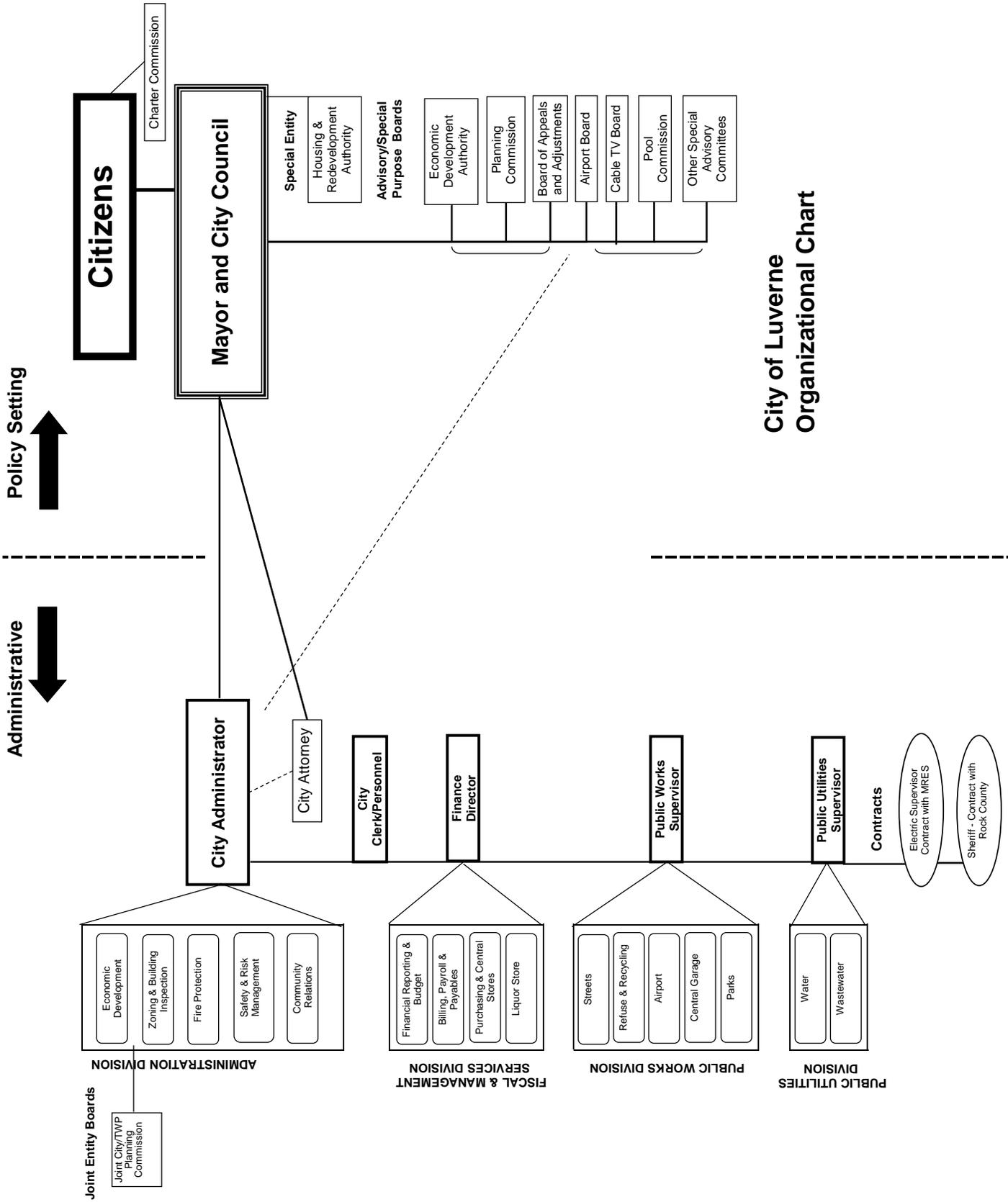
Presented to

**City of Luverne
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



**City of Luverne
Organizational Chart**

CITY OF LUVERNE, MINNESOTA

List of Elected and Appointed Officials

For the Year Ended December 31, 2016

Mayor - City Council

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

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

City Administrator

John M. Call

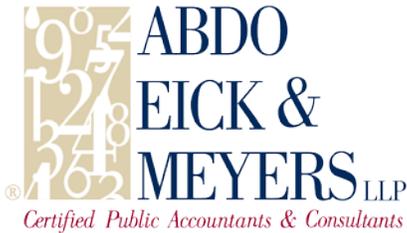
Finance Director

Barbara J. Berghorst

City Clerk

Jessica Mead

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Luverne, Minnesota (the City), as of and for the year ended December 31, 2016, 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified opinions on the respective proprietary fund financial statements in our report dated May 17, 2016. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 Schedules 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 24, 2017, 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
Mankato, Minnesota
May 24, 2017

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 3 of this report.

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

Financial Highlights

- The assets 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 \$48,898,866 (*net position*). Of this amount, \$18,219,087 (*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 \$603,811 compared to an increase of \$1,106,888 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 \$3,995,047, a decrease of \$841,084 in comparison with the prior year. This decrease is a result of fund balance used for improvements to the Luverne Loop (\$303,919), two new TIF projects financed internally (\$280,000), improvements to the Carnegie Cultural Center (\$147,746) and acquisition of blighted property (\$256,500). Approximately 24.4 percent of this total amount, \$975,922, 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 - \$414,513, 2) restricted - \$771,223, 3) committed - \$594,692, or 4) assigned - \$1,238,697 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

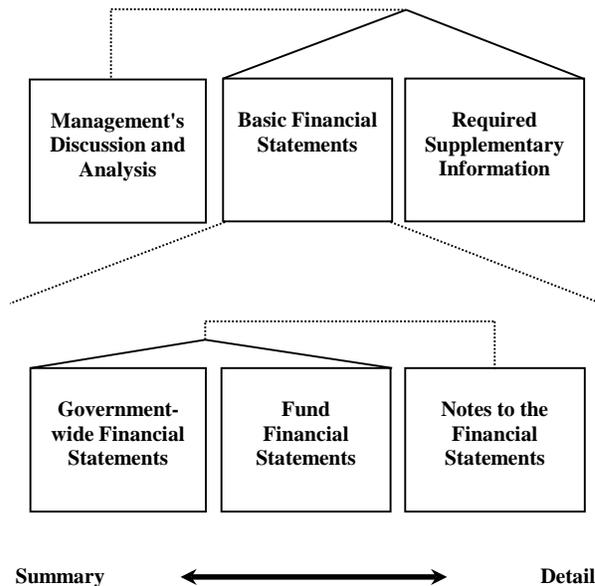


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 23 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 54 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 55 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Luverne’s share of net pension liabilities for defined benefit plans and schedules of contributions and schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. The required supplementary information can be found on page 104 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 110 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48,898,866 at the close of the most recent fiscal year.

A large portion of the City’s net position (60.3 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	\$ 5,172,635	\$ 5,990,361	\$ (817,726)	\$ 18,586,170	\$ 17,438,628	\$ 1,147,542	\$ 1,582,556	\$ 1,594,143	\$ (11,587)
Capital assets	15,119,834	14,545,662	574,172	21,427,240	22,282,709	(855,469)	2,047,812	1,995,040	52,772
Total assets	20,292,469	20,536,023	(243,554)	40,013,410	39,721,337	292,073	3,630,368	3,589,183	41,185
Deferred outflows of resources	470,153	122,789	347,364	412,414	89,166	323,248	27,623	5,778	21,845
Long-term liabilities outstanding	3,334,973	3,409,897	(74,924)	7,222,305	7,318,463	(96,158)	85,878	56,166	29,712
Other liabilities	429,778	323,712	106,066	1,064,727	885,996	178,731	184,321	180,175	4,146
Total liabilities	3,764,751	3,733,609	31,142	8,287,032	8,204,459	82,573	270,199	236,341	33,858
Deferred inflows of resources	109,415	110,156	(741)	128,382	126,036	2,346	8,599	8,167	432
Net position									
Net investment in capital assets	13,271,546	12,307,033	964,513	16,235,902	16,645,128	(409,226)	1,947,249	1,862,245	85,004
Restricted	525,969	550,208	(24,239)	646,362	653,486	(7,124)	502,109	516,229	(14,120)
Unrestricted	3,090,941	3,957,806	(866,865)	15,128,146	14,181,394	946,752	929,835	971,979	(42,144)
Total net position	\$ 16,888,456	\$ 16,815,047	\$ 73,409	\$ 32,010,410	\$ 31,480,008	\$ 530,402	\$ 3,379,193	\$ 3,350,453	\$ 28,740

An additional portion of the City’s net position (2.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (37.3 percent) may be used to meet the City’s ongoing obligations to citizens and creditors.

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

There was an increase of \$530,402 in net position reported in connection with the City’s business-type activities. Charges for services/sales for business-type activities increased by \$842,968 or 7.1 percent. This increase is primarily related to an increase in electric and water consumption and rate increases of 4.1% for water and 2.4% for electric. In addition, the Liquor Store operations had nearly a \$27,700 increase in sales and the Refuse operations had a \$31,600 increase in revenue.

Governmental activities. Governmental activities increased the City's net position by \$73,409 during the year, accounting for 12.2 percent of the total growth in the City's net position. Key elements of the various increases and decreases are as follows:

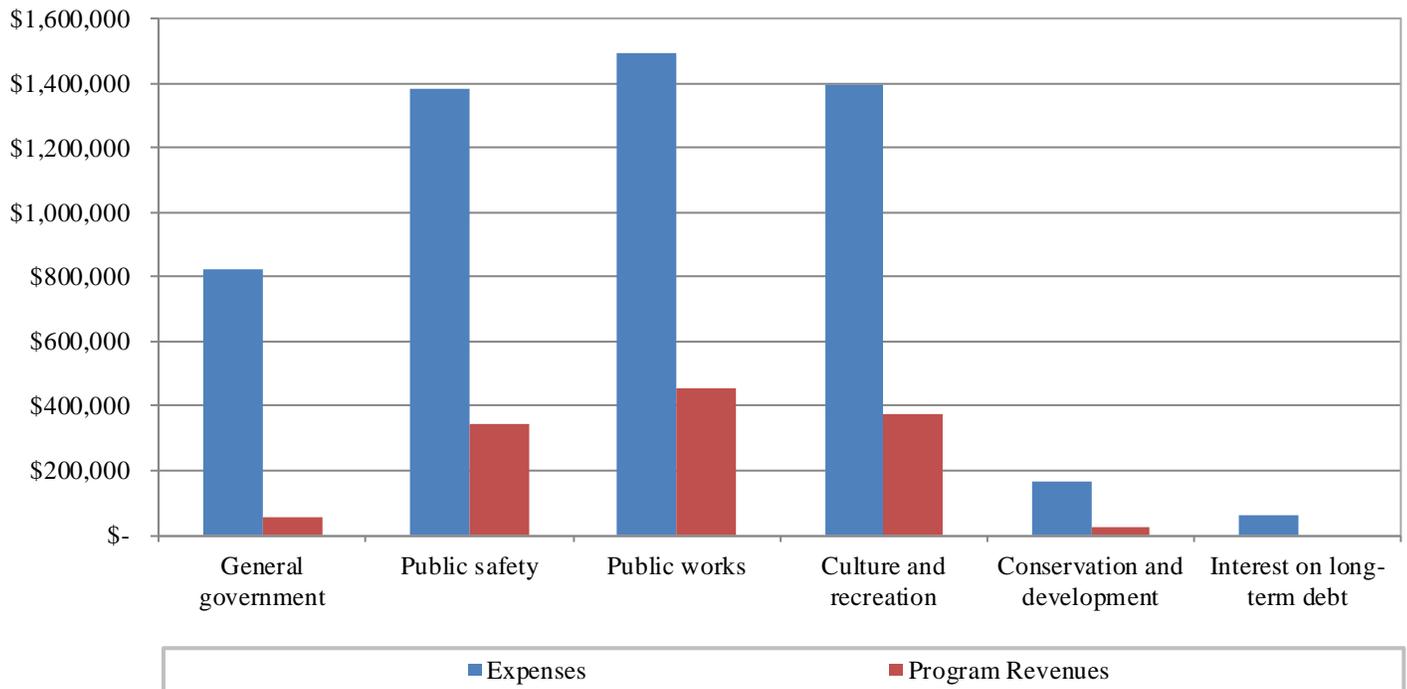
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues									
Program revenues									
Charges for services	\$ 924,876	\$ 886,439	\$ 38,437	\$ 12,985,275	\$ 12,142,307	\$ 842,968	\$ 166,670	\$ 134,978	\$ 31,692
Operating grants and contributions	84,938	63,292	21,646	3,072	-	3,072	189,709	105,286	84,423
Capital grants and contributions	250,817	256,705	(5,888)	17,077	-	17,077	-	-	-
General revenues									
Property taxes/ tax increments	1,651,925	1,534,991	116,934	40,384	49,956	(9,572)	3,013	2,987	26
Other taxes	472,291	426,010	46,281	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,389,617	1,443,086	(53,469)	-	-	-	225,000	200,000	25,000
Unrestricted									
Investment earnings	117,254	119,826	(2,572)	208,532	210,178	(1,646)	23,250	22,625	625
Other	-	-	-	72	-	72	-	-	-
Gain on sale of capital assets	52,874	-	52,874	4,500	3,250	1,250	3,750	33,750	(30,000)
Total revenues	4,944,592	4,730,349	214,243	13,258,912	12,405,691	853,221	611,392	499,626	111,766
Expenses									
General government	822,399	740,424	81,975	-	-	-	-	-	-
Public safety	1,383,689	1,340,427	43,262	-	-	-	-	-	-
Public works	1,493,996	1,413,265	80,731	-	-	-	-	-	-
Culture and recreation	1,395,743	1,240,431	155,312	-	-	-	-	-	-
Conservation and development	168,604	178,251	(9,647)	-	-	-	-	-	-
Interest on long-term debt	61,752	39,290	22,462	-	-	-	-	-	-
Water	-	-	-	1,443,922	1,191,766	252,156	-	-	-
Sewer	-	-	-	1,222,964	1,083,254	139,710	-	-	-
Refuse and recycling	-	-	-	426,934	432,952	(6,018)	-	-	-
Electric	-	-	-	7,832,218	7,037,621	794,597	-	-	-
Storm sewer	-	-	-	84,515	76,623	7,892	-	-	-
Liquor	-	-	-	1,262,957	1,254,848	8,109	-	-	-
Economic development	-	-	-	-	-	-	582,652	417,710	164,942
Total expenses	5,326,183	4,952,088	374,095	12,273,510	11,077,064	1,196,446	582,652	417,710	164,942
Increase in net position									
before transfers	(381,591)	(221,739)	(159,852)	985,402	1,328,627	(343,225)	28,740	81,916	(53,176)
Transfers	455,000	953,000	(498,000)	(455,000)	(953,000)	498,000	-	-	-
Change in net position	73,409	731,261	(657,852)	530,402	375,627	154,775	28,740	81,916	(53,176)
Net position, January 1	16,815,047	16,083,786	731,261	31,480,008	31,104,381	375,627	3,350,453	3,268,537	81,916
Net position, December 31	\$ 16,888,456	\$ 16,815,047	\$ 73,409	\$ 32,010,410	\$ 31,480,008	\$ 530,402	\$ 3,379,193	\$ 3,350,453	\$ 28,740

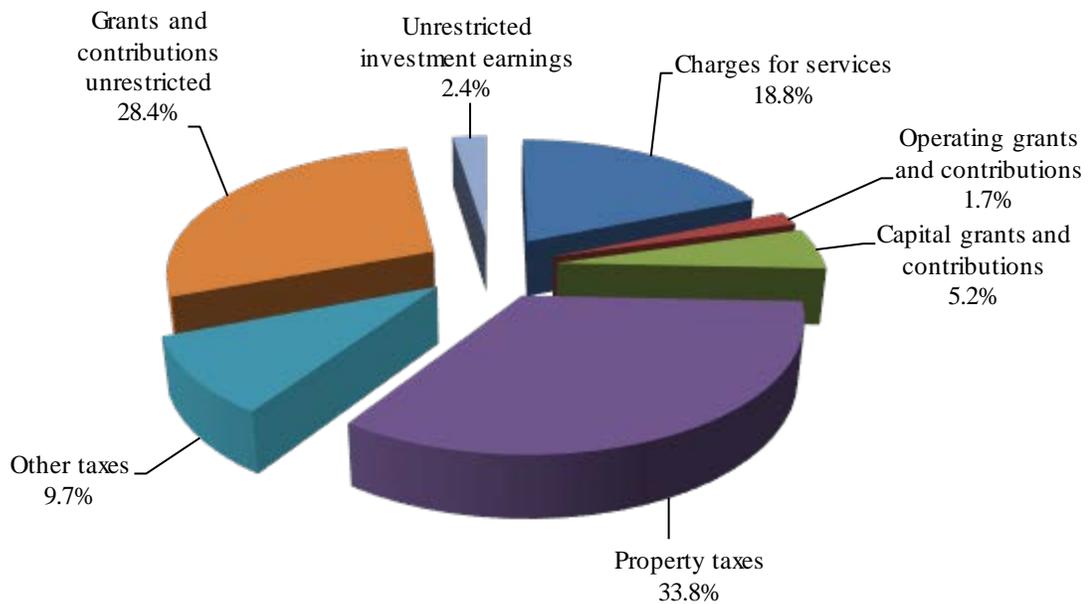
Property tax levies increased by \$78,433 (9.9 percent) during the year.

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

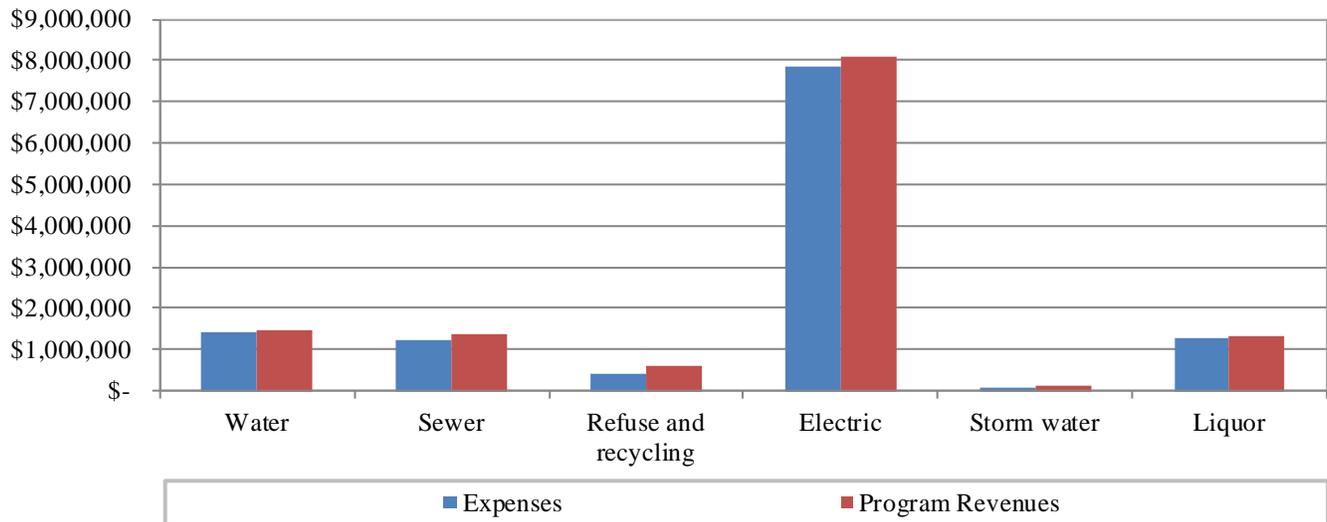


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

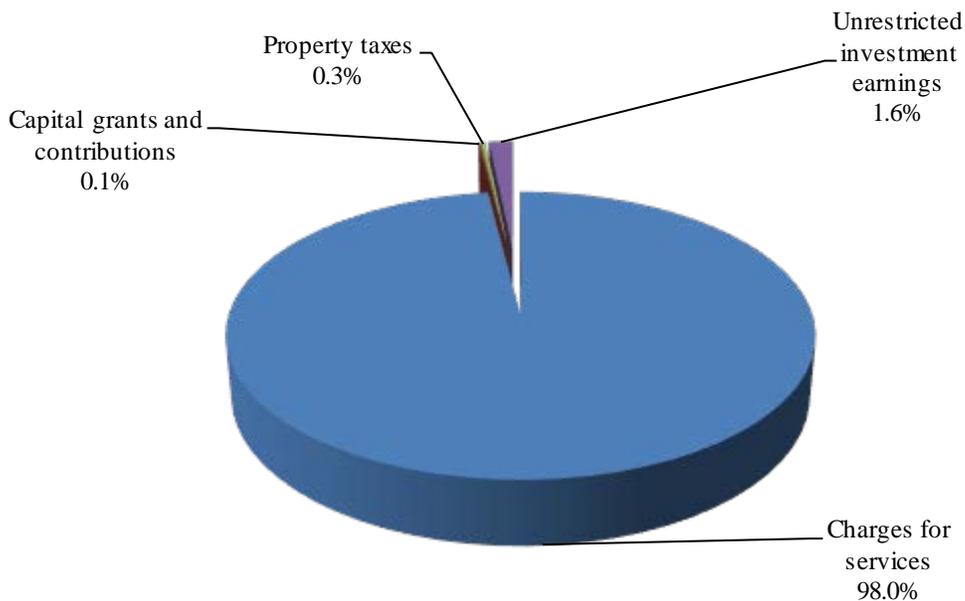
Business-type activities. Business-type activities increased the City’s net position by \$530,402, accounting for 87.8 percent of the total growth in the City’s net position. This is greater than the previous year’s increase of \$375,627. Key elements of this increase are as follows:

- Operating revenue for business-type activities increased by \$837,507 while operating expenses increased by \$1,175,695. Utility revenue increased primarily due to increased consumption of electric and water as well as an electric rate increase of 2.4% and a water rate increase of 4.1%. In addition Liquor Store sales increased by \$27,675 over the prior year.
- Transfers in 2016 included one-time transfers from Electric (\$150,000), Water (\$80,000) and Sewer (\$80,000) for capital acquisition of equipment.

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 \$1,494,640, while total fund balance reached \$2,789,861. 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 41.9 percent of total General fund expenditures, while total fund balance represents 78.3 percent of that same amount.

The fund balance of the City's General fund decreased by \$226,244 during the current fiscal year. Key factors in this decline are as follows:

- This stable level of growth is due to total revenues being \$117,127 more than budgeted and expenditures being \$108,129 less than budgeted. The City budgeted \$451,500 to be used from reserves for the acquisition of blighted property, replacement of heating and air conditioning at the Palace Theater and improvements to the Carnegie Cultural Center. The General fund budgets conservatively for revenue with adequate amounts being budgeted for expenditures.

The *Debt Service fund* has a total fund balance of \$771,223, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$36,207 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 \$1,449,206. 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 \$3,442,966. Unrestricted net position of the Electric fund at the end of year amounted to \$8,071,832. Those for the Liquor Store operation amounted to \$400,842. The total growth in net position for all enterprise funds was \$562,317.

General Fund Budgetary Highlights

The final amended budget for the General fund was an \$431,500 increase in appropriations to allow for the acquisition of blighted property, replacement of heating and air conditioning at the Palace Theater and improvements to the Carnegie Cultural Center.

At the close of the year, General fund total expenditures were \$108,129 less than the final budget while actual revenues exceeded the final budget by \$117,127.

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, 2016, amounts to \$36,547,074 (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 washer and dryer for \$25,036.
- Five parcels with blighted structures were purchased for \$89,650.
- Property for future residential development was purchased for \$160,000
- The Sharkees parcel with a blighted commercial structure was purchased for \$160,000 and is part of Tax Increment District No. 23.
- The Ramage property with a blighted structure was purchased for \$40,000 and the Culligan property with a blighted structure was purchased for \$56,500 and the two parcels are part of Tax Increment District No. 24.
- Improvements were made at the Carnegie Cultural Center in the amount of \$147,746 and is being leased by Luverne Street Music.
- Improvements in the amount of \$142,746 were made to the Power Plant.
- The Water and Sewer utility purchased a 2016 GMC pickup for \$61,272.
- PEG Access equipment for the local cable channel was purchased for \$63,530.
- Electric distribution system upgrades were made in the amount of \$201,416.
- The Storm Sewer utility invested \$62,535 in flood mitigation improvements.
- New heating and air conditioning equipment was installed at the Palace Theater for \$25,085.
- Phase I of the Luverne Loop was constructed at a cost of \$483,085.
- A shelter and sidewalk was installed at Rotary Park at a cost of \$31,025.
- A new Welcome to Luverne sign was installed at the Four Corners at a cost of \$29,639.
- A shelter was constructed at Redbird Field at a cost of \$28,083.

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

	Primary Government								
	Governmental Activities			Business-type Activities			Component Unit Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 2,701,539	\$ 2,249,389	\$ 452,150	\$ 274,235	\$ 274,235	\$ -	\$ 677,016	\$ 728,086	\$ (51,070)
Buildings	4,478,091	4,625,824	(147,733)	567,113	469,860	97,253	1,368,657	1,264,231	104,426
Improvements	5,625,663	4,810,460	815,203	19,798,305	18,688,412	1,109,893	-	-	-
Machinery and equipment	2,119,514	2,203,430	(83,916)	787,587	798,284	(10,697)	2,139	2,723	(584)
Construction in progress	195,027	656,559	(461,532)	-	2,051,918	(2,051,918)	-	-	-
Total	\$ 15,119,834	\$ 14,545,662	\$ 574,172	\$ 21,427,240	\$ 22,282,709	\$ (855,469)	\$ 2,047,812	\$ 1,995,040	\$ 52,772

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,554,000. 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 1,040,000	\$ 1,175,000	\$ (135,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	235,000	260,000	(25,000)	-	-	-
G.O. improvement bonds	400,000	510,000	(110,000)	-	-	-
General obligation revenue bonds	-	-	-	5,605,000	6,120,000	(515,000)
Equipment certificates	274,000	375,000	(101,000)	-	-	-
Notes/loans	135,592	180,147	(44,555)	-	-	-
Total	\$ 2,084,592	\$ 2,500,147	\$ (415,555)	\$ 5,605,000	\$ 6,120,000	\$ (515,000)

The City's total debt decreased by \$930,555 or 10.8 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 \$6,075,408 which is in net of the City's outstanding general obligation debt and Equipment Certificates of \$1,314,000.

Additional information on the City's long-term debt can be found in Note 3G starting on page 80 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City continues to budget revenue conservatively and continues to budget expenditures appropriately. Technology is being used to bring additional efficiencies to the operations of the City.
- An electric rate study was conducted in 2014 and the approved rate increases include a 2.4 percent increase for 2016 and a 2.4 percent increase for 2017.
- A rate study for water and sewer was conducted in 2016 and the approved rates increases include an average 15 percent increase in annual water rates for 2017-2019 and an average 5 percent annual increase for sewer rates in 2017-2019.
- 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 3.35 percent.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

Requests for Information

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

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CITY OF LUVERNE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 4,801,801	\$ 16,126,665	\$ 20,928,466	\$ 1,368,625
Receivables (net of allowance for uncollectibles)				
Accrued interest	16,548	31,132	47,680	3,161
Delinquent taxes	13,263	4	13,267	37
Accounts, net	22,851	700,572	723,423	-
Loans/contracts	110,680	377,287	487,967	156,083
Special assessments	3,064	5,063	8,127	-
Intergovernmental	96,992	1,052	98,044	25,685
Internal balances	(206,357)	206,357	-	-
Due from component unit	121,482	3,412	124,894	-
Inventories	7,803	484,891	492,694	-
Prepaid items	1,684	6,802	8,486	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	-	642,933	642,933	28,965
Pension asset	182,824	-	182,824	-
Capital assets				
Nondepreciable assets	2,896,566	274,235	3,170,801	677,016
Depreciable assets, net of accumulated depreciation	12,223,268	21,153,005	33,376,273	1,370,796
TOTAL ASSETS	20,292,469	40,013,410	60,305,879	3,630,368
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	470,153	412,414	882,567	27,623
LIABILITIES				
Accounts payable	156,384	842,404	998,788	46,617
Contracts payable	102,179	40,965	143,144	-
Retainage payable	135,341	-	135,341	-
Due to primary government	-	-	-	124,894
Due to other governments	1,403	38,560	39,963	-
Accrued interest payable	13,173	56,318	69,491	-
Wages and related benefits payable	12,716	13,260	25,976	810
Deposits payable	-	73,220	73,220	2,000
Unearned revenue	8,582	-	8,582	10,000
Noncurrent liabilities				
Due within one year	472,704	592,531	1,065,235	3,492
Due in more than one year	2,862,269	6,629,774	9,492,043	82,386
TOTAL LIABILITIES	3,764,751	8,287,032	12,051,783	270,199
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	109,415	128,382	237,797	8,599
NET POSITION				
Net investment in capital assets	13,271,546	16,235,902	29,507,448	1,947,249
Restricted				
Debt service	525,969	646,362	1,172,331	-
Economic development	-	-	-	502,109
Unrestricted	3,090,941	15,128,146	18,219,087	929,835
TOTAL NET POSITION	\$ 16,888,456	\$ 32,010,410	\$ 48,898,866	\$ 3,379,193

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 822,399	\$ 47,927	\$ 3,432	\$ 3,940
Public safety	1,383,689	275,960	45,859	22,773
Public works	1,493,996	341,565	36,855	74,104
Culture and recreation	1,395,743	234,982	(1,208)	150,000
Conservation and development	168,604	24,442	-	-
Interest and other costs	61,752	-	-	-
Total governmental activities	<u>5,326,183</u>	<u>924,876</u>	<u>84,938</u>	<u>250,817</u>
Business-type activities				
Water	1,443,922	1,461,940	889	-
Sewer	1,222,964	1,380,388	866	-
Refuse and recycling	426,934	609,330	422	-
Electric	7,832,218	8,103,676	338	-
Storm sewer	84,515	89,221	19	17,077
Liquor	1,262,957	1,340,720	538	-
Total business-type activities	<u>12,273,510</u>	<u>12,985,275</u>	<u>3,072</u>	<u>17,077</u>
Total primary government	<u>\$ 17,599,693</u>	<u>\$ 13,910,151</u>	<u>\$ 88,010</u>	<u>\$ 267,894</u>
Component unit				
Luverne Economic Development Authority	<u>\$ 582,652</u>	<u>\$ 166,670</u>	<u>\$ 189,709</u>	<u>\$ -</u>

General revenues
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Tax increments
 Franchise and other taxes
 Grants and contributions not restricted to programs
 Unrestricted investment earnings
 Other
 Gain on sale of capital assets
 Transfers

 Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net Revenue (Expense) and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (767,100)		\$ (767,100)	
(1,039,097)		(1,039,097)	
(1,041,472)		(1,041,472)	
(1,011,969)		(1,011,969)	
(144,162)		(144,162)	
(61,752)		(61,752)	
<u>(4,065,552)</u>		<u>(4,065,552)</u>	
	\$ 18,907	18,907	
	158,290	158,290	
	182,818	182,818	
	271,796	271,796	
	21,802	21,802	
	78,301	78,301	
	<u>731,914</u>	<u>731,914</u>	
<u>(4,065,552)</u>	<u>731,914</u>	<u>(3,333,638)</u>	
			<u>\$ (226,273)</u>
1,280,684	40,384	1,321,068	-
316,673	-	316,673	1,992
54,568	-	54,568	1,021
472,291	-	472,291	-
1,389,617	-	1,389,617	225,000
117,254	208,532	325,786	23,250
-	72	72	-
52,874	4,500	57,374	3,750
455,000	(455,000)	-	-
<u>4,138,961</u>	<u>(201,512)</u>	<u>3,937,449</u>	<u>255,013</u>
73,409	530,402	603,811	28,740
<u>16,815,047</u>	<u>31,480,008</u>	<u>48,295,055</u>	<u>3,350,453</u>
<u>\$ 16,888,456</u>	<u>\$ 32,010,410</u>	<u>\$ 48,898,866</u>	<u>\$ 3,379,193</u>

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

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CITY OF LUVERNE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	101	300s	Other Governmental Funds	Total Governmental Funds
	General	Debt Service		
ASSETS				
Cash and temporary investments	\$ 2,380,859	\$ 769,803	\$ 1,163,043	\$ 4,313,705
Receivables (net of allowance for uncollectibles)				
Accrued interest	11,711	1,057	3,078	15,846
Delinquent taxes	10,244	2,919	100	13,263
Accounts, net	16,556	-	6,295	22,851
Loans/contracts	110,680	-	-	110,680
Special assessments	3,064	-	-	3,064
Intergovernmental	44,456	363	52,173	96,992
Due from other funds	273,353	-	100,000	373,353
Due from component unit	20,993	-	100,563	121,556
Inventories, at cost	1,367	-	6,436	7,803
Prepaid items	1,057	-	627	1,684
TOTAL ASSETS	<u>\$ 2,874,340</u>	<u>\$ 774,142</u>	<u>\$ 1,432,315</u>	<u>\$ 5,080,797</u>
LIABILITIES				
Accounts payable	\$ 53,705	\$ -	\$ 101,703	\$ 155,408
Contracts payable	-	-	102,179	102,179
Retainage payable	-	-	135,341	135,341
Due to other funds	-	-	654,751	654,751
Due to other governments	648	-	755	1,403
Wages and related benefits payable	8,236	-	3,523	11,759
Unearned revenue	8,582	-	-	8,582
TOTAL LIABILITIES	<u>71,171</u>	<u>-</u>	<u>998,252</u>	<u>1,069,423</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	10,244	2,919	100	13,263
Special assessments	3,064	-	-	3,064
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,308</u>	<u>2,919</u>	<u>100</u>	<u>16,327</u>
FUND BALANCES				
Nonspendable	407,450	-	7,063	414,513
Restricted	-	771,223	-	771,223
Committed	25,000	-	569,692	594,692
Assigned	862,771	-	375,926	1,238,697
Unassigned	1,494,640	-	(518,718)	975,922
TOTAL FUND BALANCES	<u>2,789,861</u>	<u>771,223</u>	<u>433,963</u>	<u>3,995,047</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,874,340</u>	<u>\$ 774,142</u>	<u>\$ 1,432,315</u>	<u>\$ 5,080,797</u>

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, 2016

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

Total fund balances - governmental funds	\$	3,995,047
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.		14,870,181
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		(27,439)
Pension liability		(883,000)
Loans payable		(135,592)
Bonds payable		(1,949,000)
Unamortized bond discounts		1,304
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes receivable		13,263
Special assessments receivable		3,064
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.		182,824
Governmental funds do not report a liability for accrued interest until due and payable.		(13,173)
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources		436,301
Deferred inflows of pension resources		(98,877)
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.		493,553
Total net position - governmental activities	\$	16,888,456

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, 2016

	101	300s	Other Governmental Funds	Total Governmental Funds
	General	Debt Service		
REVENUES				
Property and other taxes	\$ 1,756,074	\$ 318,954	\$ (35)	\$ 2,074,993
Tax increments	-	54,571	-	54,571
Licenses and permits	102,415	-	-	102,415
Intergovernmental	1,433,780	-	261,083	1,694,863
Charges for services	327,784	-	487,710	815,494
Special assessments	1,440	-	-	1,440
Investment income	66,933	6,984	20,334	94,251
Miscellaneous	18,321	-	32,314	50,635
TOTAL REVENUES	3,706,747	380,509	801,406	4,888,662
EXPENDITURES				
Current				
General government	654,346	-	4,118	658,464
Public safety	1,202,036	-	-	1,202,036
Public works	745,642	-	290,385	1,036,027
Culture and recreation	625,216	-	525,006	1,150,222
Conservation and development	66,050	7,629	33,699	107,378
Capital outlay				
General government	9,750	-	173,610	183,360
Public safety	42,240	-	10,885	53,125
Public works	-	-	20,346	20,346
Culture and recreation	25,085	-	852,401	877,486
Conservation and development	181,000	-	289,500	470,500
Debt service				
Principal	13,000	358,000	44,555	415,555
Interest and other costs	276	51,087	11,758	63,121
TOTAL EXPENDITURES	3,564,641	416,716	2,256,263	6,237,620
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	142,106	(36,207)	(1,454,857)	(1,348,958)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	52,874	52,874
Transfers in	265,000	-	843,350	1,108,350
Transfers out	(633,350)	-	(20,000)	(653,350)
TOTAL OTHER FINANCING SOURCES (USES)	(368,350)	-	876,224	507,874
NET CHANGE IN FUND BALANCES	(226,244)	(36,207)	(578,633)	(841,084)
FUND BALANCES, JANUARY 1	3,016,105	807,430	1,012,596	4,836,131
FUND BALANCES, DECEMBER 31	\$ 2,789,861	\$ 771,223	\$ 433,963	\$ 3,995,047

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, 2016

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

Net change in fund balances - governmental funds \$ (841,084)

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	1,637,408
Depreciation expense	(1,050,578)

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

Book value of disposed of capital assets	(54,000)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	415,555
Amortization of bond discounts	(214)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

1,583

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	(5,348)
Special assessments	(124)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Other postemployment benefits expenses	(1,888)
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Long-term pension activity is not reported in governmental funds.

Pension expense	(28,793)
Pension revenue from state contributions	3,890

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

(2,998)

Change in net position - governmental activities	<u><u>\$ 73,409</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,721,621	\$ 1,721,621	\$ 1,756,074	\$ 34,453
Licenses and permits	85,600	85,600	102,415	16,815
Intergovernmental	1,426,218	1,426,218	1,433,780	7,562
Charges for services	296,480	296,480	327,784	31,304
Special assessments	-	-	1,440	1,440
Investment income	56,701	56,701	66,933	10,232
Miscellaneous	3,000	3,000	18,321	15,321
TOTAL REVENUES	3,589,620	3,589,620	3,706,747	117,127
OTHER FINANCING SOURCES				
Transfers in	265,000	265,000	265,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,854,620	3,854,620	3,971,747	117,127
EXPENDITURES				
General government	615,855	795,855	664,096	131,759
Public safety	1,235,535	1,276,035	1,244,276	31,759
Public works	748,850	748,850	745,642	3,208
Culture and recreation	561,550	591,550	650,301	(58,751)
Conservation and development	66,200	247,200	247,050	150
Debt service	13,280	13,280	13,276	4
TOTAL EXPENDITURES	3,241,270	3,672,770	3,564,641	108,129
OTHER FINANCING USES				
Transfers out	633,350	633,350	633,350	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,874,620	4,306,120	4,197,991	108,129
NET CHANGE IN FUND BALANCES	(20,000)	(451,500)	(226,244)	225,256
FUND BALANCES, JANUARY 1	3,016,105	3,016,105	3,016,105	-
FUND BALANCES, DECEMBER 31	\$ 2,996,105	\$ 2,564,605	\$ 2,789,861	\$ 225,256

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 2,151,354	\$ 2,243,081	\$ 3,657,143	\$ 3,282,235
Receivables (net of allowance for uncollectibles)				
Accrued interest	4,538	5,986	6,928	11,490
Delinquent taxes	-	-	4	13
Accounts, net	100,142	88,442	100,574	99,046
Loans	2,782	2,373	7,187	8,830
Delinquent special assessments	1,766	2,119	-	-
Intergovernmental	-	-	837	1,430
Due from other funds	16,069	19,768	16,069	19,768
Inventories, at cost	-	-	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	2,276,651	2,361,769	3,788,742	3,422,812
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	380,651	379,394	209,932	213,808
Special assessments receivable				
Noncurrent	335	1,043	1,905	1,077
Loans receivable - noncurrent	49,612	61,669	51,135	137,591
Capital assets				
Land	102,967	102,967	18,451	18,451
Buildings	973,702	973,702	409,094	409,094
Improvements and infrastructure	11,964,446	10,868,380	9,157,787	8,888,723
Machinery and equipment	360,321	344,886	511,757	487,500
Construction in progress	-	1,092,739	-	223,764
Total capital assets	13,401,436	13,382,674	10,097,089	10,027,532
Less accumulated depreciation	(5,696,772)	(5,391,005)	(5,420,737)	(5,085,647)
Total capital assets (net of accumulated depreciation)	7,704,664	7,991,669	4,676,352	4,941,885
TOTAL NONCURRENT ASSETS	8,135,262	8,433,775	4,939,324	5,294,361
TOTAL ASSETS	10,411,913	10,795,544	8,728,066	8,717,173
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	82,302	18,151	108,412	23,558

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2016	2015	2016	2015	2016	2015
\$ 7,891,386	\$ 7,272,965	\$ 405,203	\$ 364,377	\$ 1,072,690	\$ 899,269
14,688	12,659	739	694	1,878	1,894
-	-	-	-	-	-
447,594	334,192	-	-	52,243	49,691
9,742	9,064	-	-	5,992	5,112
-	-	-	-	-	-
215	147	-	-	-	-
233,191	39,536	-	-	16,069	19,768
327,817	379,476	157,074	158,967	-	-
-	-	-	-	-	-
<u>8,924,633</u>	<u>8,048,039</u>	<u>563,016</u>	<u>524,038</u>	<u>1,148,872</u>	<u>975,734</u>
46,647	47,900	-	-	5,703	5,708
-	-	-	-	1,057	1,341
<u>63,374</u>	<u>73,157</u>	<u>-</u>	<u>-</u>	<u>106,857</u>	<u>132,826</u>
11,325	11,325	78,860	78,860	62,632	62,632
1,294,661	1,151,915	107,064	107,064	79,566	79,566
16,539,474	15,735,875	26,721	20,359	1,625,878	1,339,721
724,504	692,394	82,185	82,185	848,851	848,851
-	539,905	-	-	-	195,510
18,569,964	18,131,414	294,830	288,468	2,616,927	2,526,280
<u>(10,922,087)</u>	<u>(10,162,874)</u>	<u>(150,639)</u>	<u>(144,235)</u>	<u>(1,451,032)</u>	<u>(1,335,938)</u>
<u>7,647,877</u>	<u>7,968,540</u>	<u>144,191</u>	<u>144,233</u>	<u>1,165,895</u>	<u>1,190,342</u>
<u>7,757,898</u>	<u>8,089,597</u>	<u>144,191</u>	<u>144,233</u>	<u>1,279,512</u>	<u>1,330,217</u>
<u>16,682,531</u>	<u>16,137,636</u>	<u>707,207</u>	<u>668,271</u>	<u>2,428,384</u>	<u>2,305,951</u>
<u>44,912</u>	<u>9,447</u>	<u>49,757</u>	<u>10,933</u>	<u>40,770</u>	<u>9,040</u>

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2016	2015
	2016	2015		
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 15,177,776	\$ 14,061,927	\$ 1,436,985	\$ 1,519,592
Receivables (net of allowance for uncollectibles)				
Accrued interest	28,771	32,723	3,063	3,188
Delinquent taxes	4	13	-	-
Accounts, net	700,553	571,371	19	146
Loans	25,703	25,379	4,280	3,651
Delinquent special assessments	1,766	2,119	-	-
Intergovernmental	1,052	1,577	-	-
Due from other funds	281,398	98,840	-	86
Inventories, at cost	484,891	538,443	-	-
Prepaid items	-	-	6,802	6,554
TOTAL CURRENT ASSETS	16,701,914	15,332,392	1,451,149	1,533,217
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	642,933	646,810	-	-
Special assessments receivable				
Noncurrent	3,297	3,461	-	-
Loans receivable - noncurrent	270,978	405,243	76,326	94,876
Capital assets				
Land	274,235	274,235	-	-
Buildings	2,864,087	2,721,341	226,134	226,134
Improvements and infrastructure	39,314,306	36,853,058	79,763	79,763
Machinery and equipment	2,527,618	2,455,816	603,146	462,943
Construction in progress	-	2,051,918	-	-
Total capital assets	44,980,246	44,356,368	909,043	768,840
Less accumulated depreciation	(23,641,267)	(22,119,699)	(571,129)	(514,489)
Total capital assets (net of accumulated depreciation)	21,338,979	22,236,669	337,914	254,351
TOTAL NONCURRENT ASSETS	22,256,187	23,292,183	414,240	349,227
TOTAL ASSETS	38,958,101	38,624,575	1,865,389	1,882,444
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	326,153	71,129	120,113	25,227

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2016	2015	2016	2015
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 45,511	\$ 22,954	\$ 18,727	\$ 13,008
Contracts payable	13,438	62,783	13,520	19,673
Retainage payable	-	18,905	-	12,197
Due to other funds	-	-	-	43
Due to other governments	1,126	1,049	-	-
Accrued interest payable	44,737	46,540	11,581	12,547
Wages and related benefits payable	2,661	1,652	3,324	2,220
Compensated absences payable - current	15,139	15,457	19,657	17,903
Customer deposits payable	9,664	9,604	9,601	9,511
Bonds payable - current	326,250	323,250	188,750	191,750
TOTAL CURRENT LIABILITIES	458,526	502,194	265,160	278,852
NONCURRENT LIABILITIES				
Compensated absences payable	54,381	62,638	79,151	60,034
Other postemployment benefits liability	8,065	6,585	11,312	9,832
Bonds payable	3,883,727	4,212,076	1,252,611	1,440,505
Pension liability	228,799	153,454	301,380	199,157
TOTAL NONCURRENT LIABILITIES	4,174,972	4,434,753	1,644,454	1,709,528
TOTAL LIABILITIES	4,633,498	4,936,947	1,909,614	1,988,380
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	25,621	25,658	33,748	33,299
NET POSITION				
Net investment in capital assets	3,954,687	3,986,343	3,234,991	3,309,630
Restricted for debt service	431,203	432,782	215,159	220,704
Unrestricted	1,449,206	1,431,965	3,442,966	3,188,718
TOTAL NET POSITION	\$ 5,835,096	\$ 5,851,090	\$ 6,893,116	\$ 6,719,052

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2016	2015	2016	2015	2016	2015
\$ 736,093	\$ 442,525	\$ 22,108	\$ 33,174	\$ 11,957	\$ 11,594
-	-	-	-	14,007	24,212
-	-	-	-	-	-
-	-	-	-	-	-
20,032	19,950	13,507	13,100	3,895	4,098
-	-	-	-	-	-
1,971	1,278	1,533	1,072	1,286	811
15,067	10,037	4,197	4,053	8,869	6,865
46,647	47,900	1,605	1,404	5,703	5,708
-	-	-	-	-	-
<u>819,810</u>	<u>521,690</u>	<u>42,950</u>	<u>52,803</u>	<u>45,717</u>	<u>53,288</u>
41,982	45,578	11,991	8,801	25,996	26,250
7,108	7,110	3,182	3,183	4,550	4,933
-	-	-	-	-	-
<u>124,853</u>	<u>79,862</u>	<u>138,319</u>	<u>92,418</u>	<u>113,338</u>	<u>76,422</u>
<u>173,943</u>	<u>132,550</u>	<u>153,492</u>	<u>104,402</u>	<u>143,884</u>	<u>107,605</u>
<u>993,753</u>	<u>654,240</u>	<u>196,442</u>	<u>157,205</u>	<u>189,601</u>	<u>160,893</u>
13,981	13,353	15,489	15,452	12,691	12,778
7,647,877	7,968,540	144,191	144,233	1,165,895	1,190,342
-	-	-	-	-	-
<u>8,071,832</u>	<u>7,510,950</u>	<u>400,842</u>	<u>362,314</u>	<u>1,100,967</u>	<u>950,978</u>
<u>\$ 15,719,709</u>	<u>\$ 15,479,490</u>	<u>\$ 545,033</u>	<u>\$ 506,547</u>	<u>\$ 2,266,862</u>	<u>\$ 2,141,320</u>

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2016	2015
	2016	2015		
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 834,396	\$ 523,255	\$ 8,984	\$ 46,174
Contracts payable	40,965	106,668	-	-
Retainage payable	-	31,102	-	-
Due to other funds	-	43	-	-
Due to other governments	38,560	38,197	-	-
Accrued interest payable	56,318	59,087	-	-
Wages and related benefits payable	10,775	7,033	3,442	2,262
Compensated absences payable - current	62,929	54,315	78,651	71,134
Customer deposits payable	73,220	74,127	-	-
Bonds payable - current	515,000	515,000	-	-
TOTAL CURRENT LIABILITIES	1,632,163	1,408,827	91,077	119,570
NONCURRENT LIABILITIES				
Compensated absences payable	213,501	203,301	270,465	252,106
Other postemployment benefits liability	34,217	31,643	11,855	11,476
Bonds payable	5,136,338	5,652,581	-	-
Pension liability	906,689	601,313	333,906	213,273
TOTAL NONCURRENT LIABILITIES	6,290,745	6,488,838	616,226	476,855
TOTAL LIABILITIES	7,922,908	7,897,665	707,303	596,425
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	101,530	100,540	37,390	35,659
NET POSITION				
Net investment in capital assets	16,147,641	16,599,088	337,914	254,351
Restricted for debt service	646,362	653,486	-	-
Unrestricted	14,465,813	13,444,925	902,895	1,021,236
TOTAL NET POSITION	31,259,816	30,697,499	\$ 1,240,809	\$ 1,275,587
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	750,594	782,509		
Net position of business-type activities	\$ 32,010,410	\$ 31,480,008		

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services/sales	\$ 1,436,994	\$ 1,349,515	\$ 1,337,749	\$ 1,295,183
Cost of sales	-	-	-	-
Service income	20,045	14,556	39,146	29,699
Pension revenue	889	-	1,171	-
Other income	3,011	773	3,045	886
TOTAL OPERATING REVENUES	1,460,939	1,364,844	1,381,111	1,325,768
OPERATING EXPENSES				
Personal services	254,400	262,613	368,942	343,546
Supplies	182,227	168,082	78,916	110,013
Other services and charges	491,994	278,529	237,802	205,545
Power purchased/delivered	-	-	-	-
Depreciation	321,219	278,854	341,720	307,854
Pension expense	12,046	2,703	18,989	2,289
TOTAL OPERATING EXPENSES	1,261,886	990,781	1,046,369	969,247
OPERATING INCOME (LOSS)	199,053	374,063	334,742	356,521
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	40,384	49,956
Federal grants and aids	-	-	-	-
State grants and aids	-	-	(305)	-
Investment income	30,273	41,565	46,058	46,975
Rental income	1,890	1,497	448	448
Gain (loss) on disposition of assets	4,500	-	-	-
Interest and other costs	(108,802)	(117,424)	(28,400)	(31,633)
Economic development loan forgiveness	-	-	(73,000)	-
Interest on customer deposits	(7)	(1)	(7)	(1)
Amortization expense	2,099	(571)	(856)	(856)
Contributions to component unit	(65,000)	(60,000)	(65,000)	(60,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(135,047)	(134,934)	(80,678)	4,889
INCOME (LOSS) BEFORE TRANSFERS	64,006	239,129	254,064	361,410
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	(80,000)	(160,000)	(80,000)	(165,000)
CAPITAL GRANTS AND CONTRIBUTIONS	-	-	-	-
CHANGE IN NET POSITION	(15,994)	79,129	174,064	196,410
NET POSITION, JANUARY 1	5,851,090	5,771,961	6,719,052	6,522,642
NET POSITION, DECEMBER 31	\$ 5,835,096	\$ 5,851,090	\$ 6,893,116	\$ 6,719,052

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2016	2015	2016	2015	2016	2015
\$ 7,888,078	\$ 7,210,419	\$ 1,340,720	\$ 1,313,045	\$ 679,374	\$ 647,033
-	-	(993,158)	(984,039)	-	-
122,117	119,268	-	-	6,422	6,175
485	-	538	-	441	-
93,481	139,610	-	675	433	676
<u>8,104,161</u>	<u>7,469,297</u>	<u>348,100</u>	<u>329,681</u>	<u>686,670</u>	<u>653,884</u>
208,439	206,735	152,273	151,334	137,456	140,230
211,449	369,084	21,095	18,484	28,042	51,095
1,478,859	1,320,880	82,074	89,112	192,398	182,658
5,066,605	4,300,162	-	-	-	-
765,840	730,944	6,404	6,087	115,094	111,955
10,639	(2,078)	7,652	(5,533)	5,540	(8,758)
<u>7,741,831</u>	<u>6,925,727</u>	<u>269,498</u>	<u>259,484</u>	<u>478,530</u>	<u>477,180</u>
<u>362,330</u>	<u>543,570</u>	<u>78,602</u>	<u>70,197</u>	<u>208,140</u>	<u>176,704</u>
-	-	-	-	-	-
(147)	-	-	-	-	-
-	-	-	-	-	-
98,369	85,921	4,884	4,777	13,016	13,851
-	-	-	-	12,322	12,849
-	3,250	-	-	-	-
-	-	-	-	(13)	(10)
(333)	(66)	-	-	-	-
-	-	-	-	-	-
(70,000)	(60,000)	-	-	(25,000)	(20,000)
<u>27,889</u>	<u>29,105</u>	<u>4,884</u>	<u>4,777</u>	<u>325</u>	<u>6,690</u>
390,219	572,675	83,486	74,974	208,465	183,394
-	-	-	-	-	-
(150,000)	(445,000)	(45,000)	(45,000)	(100,000)	(138,000)
-	-	-	-	17,077	-
240,219	127,675	38,486	29,974	125,542	45,394
<u>15,479,490</u>	<u>15,351,815</u>	<u>506,547</u>	<u>476,573</u>	<u>2,141,320</u>	<u>2,095,926</u>
<u>\$ 15,719,709</u>	<u>\$ 15,479,490</u>	<u>\$ 545,033</u>	<u>\$ 506,547</u>	<u>\$ 2,266,862</u>	<u>\$ 2,141,320</u>

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2016	2015
	2016	2015		
OPERATING REVENUES				
Charges for services/sales	\$ 12,682,915	\$ 11,815,195	\$ 740,588	\$ 695,418
Cost of sales	(993,158)	(984,039)	-	-
Service income	187,730	169,698	-	-
Pension revenue	3,524	-	1,298	-
Other income	99,970	142,620	56,104	57,279
TOTAL OPERATING REVENUES	11,980,981	11,143,474	797,990	752,697
OPERATING EXPENSES				
Personal services	1,121,510	1,104,458	368,748	350,656
Supplies	521,729	716,758	73,569	65,353
Other services and charges	2,483,127	2,076,724	325,605	513,270
Power purchased/delivered	5,066,605	4,300,162	-	-
Depreciation	1,550,277	1,435,694	56,640	39,634
Pension expense	54,866	(11,377)	28,776	(8,474)
TOTAL OPERATING EXPENSES	10,798,114	9,622,419	853,338	960,439
OPERATING INCOME (LOSS)	1,182,867	1,521,055	(55,348)	(207,742)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	40,384	49,956	-	-
Federal grants and aids	(147)	-	-	-
State grants and aids	(305)	-	-	-
Investment income	192,600	193,089	20,570	22,755
Rental income	14,660	14,794	-	-
Gain (loss) on disposition of assets	4,500	3,250	-	-
Interest and other costs	(137,215)	(149,067)	-	-
Economic development loan forgiveness	(73,000)	-	-	-
Interest on customer deposits	(347)	(68)	-	-
Amortization expense	1,243	(1,427)	-	-
Contributions to component unit	(225,000)	(200,000)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(182,627)	(89,473)	20,570	22,755
INCOME (LOSS) BEFORE TRANSFERS	1,000,240	1,431,582	(34,778)	(184,987)
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	(455,000)	(953,000)	-	-
CAPITAL GRANTS AND CONTRIBUTIONS	17,077	-	-	-
CHANGE IN NET POSITION	562,317	478,582	(34,778)	(184,987)
NET POSITION, JANUARY 1	30,697,499	30,218,917	1,275,587	1,460,574
NET POSITION, DECEMBER 31	\$ 31,259,816	\$ 30,697,499	\$ 1,240,809	\$ 1,275,587
Change in net position as shown above	\$ 562,317	\$ 478,582		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(31,915)	(102,955)		
Change in net position of business-type activities	<u>\$ 530,402</u>	<u>\$ 375,627</u>		

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,449,471	\$ 1,367,552	\$ 1,378,267	\$ 1,320,637
Cash paid to suppliers	(663,640)	(448,344)	(329,995)	(321,958)
Cash paid to and on behalf of employees	(248,440)	(257,372)	(326,498)	(342,078)
Other receipts	1,890	1,497	448	448
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	539,281	663,333	722,222	657,049
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(80,000)	(160,000)	(80,000)	(165,000)
Payment to component unit	(65,000)	(60,000)	(65,000)	(60,000)
Loans made	-	-	(3,223)	(11,904)
Loan payments received	11,648	7,945	18,322	17,432
(Increase) decrease in due from other funds	3,699	3,551	3,699	3,551
Increase (decrease) in due to other funds	-	(14)	(43)	43
Federal aids received (adjusted)	-	-	-	-
State aids received (adjusted)	-	-	(305)	-
Property taxes received	-	-	40,393	50,008
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(129,653)	(208,518)	(86,157)	(165,870)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(102,464)	(1,351,731)	(94,537)	(335,126)
Capital grants received	-	-	-	-
Proceeds from sale of capital assets	4,500	-	-	-
Principal paid on long-term borrowings	(323,250)	(215,250)	(191,750)	(194,750)
Interest and fiscal charges paid on long-term borrowings	(110,605)	(141,664)	(29,366)	(31,841)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(531,819)	(1,708,645)	(315,653)	(561,717)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	31,721	45,285	50,620	44,193
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,470)	(1,208,545)	371,032	(26,345)
CASH AND CASH EQUIVALENTS, JANUARY 1	2,622,475	3,831,020	3,496,043	3,522,388
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,532,005	\$ 2,622,475	\$ 3,867,075	\$ 3,496,043

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2016	2015	2016	2015	2016	2015
\$ 7,988,953	\$ 7,571,248	\$ 1,340,921	\$ 1,313,772	\$ 683,956	\$ 652,659
(6,560,056)	(6,015,125)	(1,112,745)	(1,100,066)	(225,833)	(222,025)
(195,675)	(207,331)	(140,827)	(158,683)	(130,074)	(148,862)
-	-	-	-	12,322	12,849
<u>1,233,222</u>	<u>1,348,792</u>	<u>87,349</u>	<u>55,023</u>	<u>340,371</u>	<u>294,621</u>
(150,000)	(445,000)	(45,000)	(45,000)	(100,000)	(138,000)
(70,000)	(60,000)	-	-	(25,000)	(20,000)
(9,084)	(4,127)	-	-	-	-
18,189	20,021	-	-	25,089	17,111
(193,655)	7,102	-	-	3,699	3,551
-	-	-	-	-	-
(147)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(404,697)</u>	<u>(482,004)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(96,212)</u>	<u>(137,338)</u>
(307,697)	(462,911)	(6,362)	(70,520)	(100,852)	(274,681)
-	-	-	-	17,077	-
-	3,250	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(307,697)</u>	<u>(459,661)</u>	<u>(6,362)</u>	<u>(70,520)</u>	<u>(83,775)</u>	<u>(274,681)</u>
<u>96,340</u>	<u>85,593</u>	<u>4,839</u>	<u>4,820</u>	<u>13,032</u>	<u>13,598</u>
617,168	492,720	40,826	(55,677)	173,416	(103,800)
<u>7,320,865</u>	<u>6,828,145</u>	<u>364,377</u>	<u>420,054</u>	<u>904,977</u>	<u>1,008,777</u>
<u>\$ 7,938,033</u>	<u>\$ 7,320,865</u>	<u>\$ 405,203</u>	<u>\$ 364,377</u>	<u>\$ 1,078,393</u>	<u>\$ 904,977</u>

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total			
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 12,841,568	\$ 12,225,868	\$ 777,453	\$ 688,743
Cash paid to suppliers	(8,892,269)	(8,107,518)	(465,388)	(527,315)
Cash paid to and on behalf of employees	(1,041,514)	(1,114,326)	(331,354)	(362,598)
Other receipts	14,660	14,794	56,104	57,279
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,922,445	3,018,818	36,815	(143,891)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(455,000)	(953,000)	-	-
Payment to component unit	(225,000)	(200,000)	-	-
Loans made	(12,307)	(16,031)	-	-
Loan payments received	73,248	62,509	-	-
(Increase) decrease in due from other funds	(182,558)	17,755	86	(86)
Increase (decrease) in due to other funds	(43)	29	-	-
Federal aids received (adjusted)	(147)	-	-	-
State aids received (adjusted)	(305)	-	-	-
Property taxes received	40,393	50,008	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(761,719)	(1,038,730)	86	(86)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(611,912)	(2,494,969)	(140,203)	(127,743)
Capital grants received	17,077	-	-	-
Proceeds from sale of capital assets	4,500	3,250	-	-
Principal paid on long-term borrowings	(515,000)	(410,000)	-	-
Interest and fiscal charges paid on long-term borrowings	(139,971)	(173,505)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,245,306)	(3,075,224)	(140,203)	(127,743)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	196,552	193,489	20,695	23,143
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,111,972	(901,647)	(82,607)	(248,577)
CASH AND CASH EQUIVALENTS, JANUARY 1	14,708,737	15,610,384	1,519,592	1,768,169
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 15,820,709	\$ 14,708,737	\$ 1,436,985	\$ 1,519,592

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

CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2016	2015	2016	2015
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 2,151,354	\$ 2,243,081	\$ 3,657,143	\$ 3,282,235
Restricted assets				
Cash and temporary investments	380,651	379,394	209,932	213,808
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,532,005	\$ 2,622,475	\$ 3,867,075	\$ 3,496,043
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 199,053	\$ 374,063	\$ 334,742	\$ 356,521
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	321,219	278,854	341,720	307,854
Other income related to operations	1,890	1,497	448	448
Interest paid on customer deposits	(7)	(1)	(7)	(1)
(Increase) decrease in assets				
Accounts receivable	(11,700)	2,854	(1,528)	(6,097)
Special assessments receivable	1,061	(705)	(828)	816
Due from other governments	-	-	593	(290)
Inventories	-	13,088	-	-
Prepaid items	-	-	-	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(64,151)	4,875	(84,854)	6,503
Increase (decrease) in liabilities				
Accounts payable	22,557	(12,049)	5,719	(4,110)
Due to other governments	77	(68)	-	-
Wages and related benefits payable	1,009	(6,760)	1,104	(8,666)
Deposits payable	60	559	90	440
Compensated absences payable	(8,575)	8,386	20,871	7,551
Other postemployment benefits liability	1,480	912	1,480	294
Pension liability	75,345	10,733	102,223	12,832
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(37)	(12,905)	449	(17,046)
Total adjustments	340,228	289,270	387,480	300,528
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 539,281	\$ 663,333	\$ 722,222	\$ 657,049
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed/traded of capital assets	\$ 1,657	\$ -	\$ 1,657	\$ -
Capital assets acquired on account	13,438	81,688	13,520	31,870
Loans written off	-	-	73,000	-
Special assessments levied	-	705	828	-
Amortization of bond (premium) discount	(2,099)	571	856	856

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

Business-type Activities - Enterprise Funds

604		609		Other Proprietary	
Electric		Liquor		Funds	
2016	2015	2016	2015	2016	2015
\$ 7,891,386	\$ 7,272,965	\$ 405,203	\$ 364,377	\$ 1,072,690	\$ 899,269
46,647	47,900	-	-	5,703	5,708
<u>\$ 7,938,033</u>	<u>\$ 7,320,865</u>	<u>\$ 405,203</u>	<u>\$ 364,377</u>	<u>\$ 1,078,393</u>	<u>\$ 904,977</u>
\$ 362,330	\$ 543,570	\$ 78,602	\$ 70,197	\$ 208,140	\$ 176,704
765,840	730,944	6,404	6,087	115,094	111,955
-	-	-	-	12,322	12,849
(333)	(66)	-	-	(13)	(10)
(113,402)	101,342	-	-	(2,552)	(1,490)
-	-	-	-	284	42
(68)	-	-	-	-	-
51,659	94,883	1,893	(12,688)	-	1,371
-	-	-	-	-	-
(35,465)	3,043	(38,824)	3,976	(31,730)	3,897
156,088	(121,701)	(11,066)	(1,983)	363	1,011
82	(193)	407	707	(203)	598
693	(5,365)	461	(4,656)	475	(3,706)
(1,253)	609	201	52	(5)	223
1,434	6,356	3,334	2,620	1,750	3,726
(2)	491	(1)	220	(383)	106
44,991	2,444	45,901	8	36,916	(3,766)
628	(7,565)	37	(9,517)	(87)	(8,889)
870,892	805,222	8,747	(15,174)	132,231	117,917
<u>\$ 1,233,222</u>	<u>\$ 1,348,792</u>	<u>\$ 87,349</u>	<u>\$ 55,023</u>	<u>\$ 340,371</u>	<u>\$ 294,621</u>
\$ 1,660	\$ -	\$ -	\$ -	\$ -	\$ -
137,480	-	-	-	14,007	24,212
-	-	-	-	-	-
-	-	-	-	35	206
-	-	-	-	-	-

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

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CITY OF LUVERNE, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total			
	2016	2015	2016	2015
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 15,177,776	\$ 14,061,927	\$ 1,436,985	\$ 1,519,592
Restricted assets				
Cash and temporary investments	642,933	646,810	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 15,820,709	\$ 14,708,737	\$ 1,436,985	\$ 1,519,592
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,182,867	\$ 1,521,055	\$ (55,348)	\$ (207,742)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	1,550,277	1,435,694	56,640	39,634
Other income related to operations	14,660	14,794	-	-
Interest paid on customer deposits	(360)	(78)	-	-
(Increase) decrease in assets				
Accounts receivable	(129,182)	96,609	18,048	12,450
Special assessments receivable	517	153	-	-
Due from other governments	525	(290)	-	-
Inventories	53,552	96,654	-	-
Prepaid items	-	-	(248)	(234)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(255,024)	22,294	(94,886)	8,555
Increase (decrease) in liabilities				
Accounts payable	173,661	(138,832)	(37,190)	43,068
Due to other governments	363	1,044	-	-
Wages and related benefits payable	3,742	(29,153)	1,180	(9,735)
Deposits payable	(907)	1,883	-	-
Compensated absences payable	18,814	28,639	25,876	(13,531)
Other postemployment benefits liability	2,574	2,023	379	673
Pension liability	305,376	22,251	120,633	3,887
Deferred pension resources	990	(55,922)	1,731	(20,916)
Total adjustments	1,739,578	1,497,763	92,163	63,851
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,922,445	\$ 3,018,818	\$ 36,815	\$ (143,891)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed/traded of capital assets	\$ 4,974	\$ -	\$ -	\$ -
Capital assets acquired on account	178,445	137,770	-	-
Loans written off	73,000	-	-	-
Special assessments levied	863	911	-	-
Amortization of bond (premium) discount	(1,243)	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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 546
Receivables	
Accrued interest	<u>1</u>
TOTAL ASSETS	<u><u>\$ 547</u></u>
LIABILITIES	
Amounts held in trust for others	<u><u>\$ 547</u></u>

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

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 a 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, 2016

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, 2016

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, 2016

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 statements of cash flows.

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

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2016:

- Government securities of \$720,338 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposits of \$16,371,134 are valued using a matrix pricing model (Level 2 inputs)

Investment policy

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, 2016 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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- *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.

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 2016. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the enterprise funds at December 31, 2016 was \$63,200 and the allowance in the Swimming Pool special revenue fund was \$1,300.

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, 2016

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 acquisition 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, 2016

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 net 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, 2016

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 net 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, 2016

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".

Comparative data/reclassifications

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

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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 \$431,500.

B. Excess of expenditures over appropriations

For the year ended December 31, 2016, excess expenditures over appropriations for the Swimming Pool special revenue funds are as follows:

Fund/Department	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Swimming Pool	\$ 489,150	\$ 533,721	\$ 44,571

Excess expenditures in the 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, 2016, the following funds had a fund equity deficits as follows:

Fund	Amount
Nonmajor	
Special revenue	
Community Development	\$ 47,994
Capital projects	
Rural Fire Tanker	1,281
Luverne Loop Project	108,364
Barck Avenue TIF Project	79,384
Sharkees - Merts TIF Project	176,592
Ramage - Saker TIF Project	105,103

The Community Development fund deficit will be funded with property rental payments to be received in 2017. 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, the Sharkees-Merts TIF project and the Ramage-Saker TIF project fund deficits will be funded with future tax increments. The Luverne Loop project deficit will be funded with transfers and grant proceeds in 2017.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 \$5,581,188, including \$546 reported in fiduciary funds. The bank balance was \$9,396,309. All bank balances in excess of those covered by federal depository insurance of \$1,500,000 were collateralized with securities held by the pledging financial institutions' trust department in the City's name of \$7,896,309. The primary government and component unit's deposits and investments are pooled.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled investments at amortized costs						
Smith Barney Money Funds	N/A	under 6 months	\$ 39,254			
Mainstreet Securities Money Funds	N/A	under 6 months	23,935			
Total pooled investments at amortized costs			63,189			
Non-pooled investments at amortized costs						
Minnwest Bank	N/A	under 6 months	230,302			
Minnwest Bank (Com Dev Grant)	N/A	under 6 months	376			
First Farmers & Merchants Bank (Com Dev Grant)	N/A	under 6 months	1,108			
Total non-pooled investments at amortized costs			231,786			
Non-pooled investments at fair value						
Government Securities	AAA/AA+	more than 3 years	221,558	\$ 221,558	\$ -	\$ -
Government Securities	AA+	more than 3 years	498,780	498,780	-	-
Broker Certificates of Deposit	N/A	under 6 months	1,945,962	-	1,945,962	-
Broker Certificates of Deposit	N/A	6 months to 1 year	1,148,731	-	1,148,731	-
Broker Certificates of Deposit	N/A	1 to 3 years	4,981,980	-	4,981,980	-
Broker Certificates of Deposit	N/A	more than 3 years	8,294,461	-	8,294,461	-
Total non-pooled investments at fair value			17,091,472	720,338	16,371,134	-
Total investments			\$ 17,386,447	\$ 720,338	\$ 16,371,134	\$ -

(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, 2016

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	\$ 4,183,052	\$ 1,397,590	\$ 546	\$ 5,581,188
Cash on hand	1,900	-	-	1,900
Investments	17,386,447	-	-	17,386,447
Total	\$ 21,571,399	\$ 1,397,590	\$ 546	\$ 22,969,535
Cash and cash investments	\$ 20,928,466	\$ 1,368,625	\$ 546	\$ 22,297,637
Restricted assets	642,933	28,965	-	671,898
Total	\$ 21,571,399	\$ 1,397,590	\$ 546	\$ 22,969,535

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	\$ 44,737	\$ 11,581	\$ -	\$ -	\$ 56,318	\$ -
Current portion of bonds/notes payable	326,250	188,750	-	-	515,000	-
Customer deposits payable	9,664	9,601	46,647	5,703	71,615	-
Other	-	-	-	-	-	28,965
Total	\$ 380,651	\$ 209,932	\$ 46,647	\$ 5,703	\$ 642,933	\$ 28,965

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water</u>
Receivables				
Interest	\$ 11,711	\$ 1,057	\$ 3,078	\$ 4,538
Taxes	10,244	2,919	100	-
Accounts	16,556	-	7,595	108,142
Loans/contracts	110,680	-	-	2,782
Special assessments	3,064	-	-	2,101
Intergovernmental	44,456	363	52,173	-
Gross receivables	<u>196,711</u>	<u>4,339</u>	<u>62,946</u>	<u>117,563</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(1,300)</u>	<u>(8,000)</u>
Net total receivables	<u><u>\$ 196,711</u></u>	<u><u>\$ 4,339</u></u>	<u><u>\$ 61,646</u></u>	<u><u>\$ 109,563</u></u>
		<u>Sewer</u>	<u>Electric</u>	<u>Liquor</u>
Receivables				
Interest		\$ 6,928	\$ 14,688	\$ 739
Taxes		4	-	-
Accounts		107,074	491,594	-
Loans/contracts		7,187	280,720	-
Special assessments		1,905	-	-
Intergovernmental		837	215	-
Gross receivables		<u>123,935</u>	<u>787,217</u>	<u>739</u>
Less allowance for uncollectibles		<u>(6,500)</u>	<u>(44,000)</u>	<u>-</u>
Net total receivables		<u><u>\$ 117,435</u></u>	<u><u>\$ 743,217</u></u>	<u><u>\$ 739</u></u>
		<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Receivables				
Interest		\$ 1,878	\$ 3,063	\$ 47,680
Taxes		-	-	13,267
Accounts		56,943	19	787,923
Loans/contracts		5,992	80,606	487,967
Special assessments		1,057	-	8,127
Intergovernmental		-	-	98,044
Gross receivables		<u>65,870</u>	<u>83,688</u>	<u>1,443,008</u>
Less allowance for uncollectibles		<u>(4,700)</u>	<u>-</u>	<u>(64,500)</u>
Net total receivables		<u><u>\$ 61,170</u></u>	<u><u>\$ 83,688</u></u>	<u><u>\$ 1,378,508</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Loans/contracts receivable

Loans/contract receivable at December 31, 2016, are comprised of the following:

The City General fund made a loan to the Luverne Convention & Visitors Bureau on July 17, 2013 in the amount of \$15,000 at an interest rate of 1.00 percent to assist with the financing of a digital sign. Monthly payments in the amount of 129.75 are due on the 1st of each month beginning August 1, 2013 with the final payment due on April 1, 2023. \$ 9,901

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. 52,394

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. 8,595

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. 39,790

Total governmental funds loans/contracts receivable 110,680

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. 52,394

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. 52,394

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 8th of each month, beginning June 8, 2015 with final payment due May 8, 2017. 500

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 8th of each month, beginning October 8, 2015 with final payment due May 8, 2017. 1,638

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

<p>The Sewer utility made a zero percent loan to a customer on May 19, 2016 in the amount of \$3,223.00 for the purpose of providing financing for the repair of a sanitary sewer service line. Payments in the amount of \$89.53 are due on the 8th of each month, beginning July 8, 2016 with final payment due June 8, 2019.</p>	\$ 2,596
<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>	1,193
<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>	52,394
<p>The Electric utility made a zero percent loan on November 7, 2016 to a utility customer in the amount of \$227.00 as assistance toward a utility deposit with final payment due December 8, 2017.</p>	227
<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>	2,167
<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>	1,977
<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>	2,068
<p>The Electric utility has extended loans to eligible employees for computer purchases to increase their skill level in their jobs.</p>	2,969
<p>The Electric utility made a zero percent loan on April 18,2016 to Jim Bartels Rentals 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 May 2016 with final payment due March 8, 2021.</p>	4,334
<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>	2,583

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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>	\$ 2,481
<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>	80,606
<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>112,849</u>
<p>Total business-type funds loans receivable</p>	<u>377,287</u>
<p>Total primary government loans/contracts receivable</p>	<u>487,967</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 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>	11,400
<p>The Economic Development Authority made a forgivable loan on October 10, 2016 to Gold 'N Plump Poultry, LLC in the amount of \$17,000 for job creation. If, at the end of 12 months, 10 new jobs have been created and retained the loan will be forgiven.</p>	17,000
<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>	4,899
<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>	7,487
<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>	5,386
<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 monthly beginning June 15, 2015 with final payment due May 15, 2020.</p>	10,724

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>	\$ 2,878
<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>	10,867
<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>	5,443
<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>	10,867
<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>	11,860
<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>	19,200
<p>The Economic Development Authority made a loan to Schomacker's Flooring & Appliance in the amount of \$4,100 at an interest rate of 2.00 percent for improvements to their building. Payment in the amount of \$71.86 is due monthly beginning October 15, 2016 with final payment due September 15, 2021.</p>	3,847
<p>The Economic Development Authority made a loan to ATLAS of Rock County in the amount of \$7,800.00 at an interest rate of 2.00 percent for façade improvements to their building. Payment in the amount of \$137.17 is due monthly beginning November 15, 2016 with final payment due October 15, 2021.</p>	7,578
<p>The Economic Development Authority made a loan to Quality Printing in the amount of \$7,250.00 at an interest rate of 2.00 percent for façade improvements to their building. Payment in the amount of \$127.10 is due monthly beginning December 15, 2016 with final payment due November 15, 2021.</p>	7,250
<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>9,397</u>
<p>Total component unit loans receivable</p>	<u>156,083</u>
<p>Total loans/contract receivable</p>	<u>\$ 644,050</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental Community Development	\$ 245,232 28,121
Nonmajor governmental	Nonmajor governmental	100,000
Enterprise		
Water	Community Development	16,069
Sewer	Community Development	16,069
Electric	Community Development	233,191
Nonmajor enterprise	Community Development	16,069
Total		\$ 654,751

Of the General fund outstanding balance, \$86,595 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, \$7,783 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. A loan from General to the Ramage/Sasker TIF fund 445 of \$150,854 is for blight removal and redevelopment that will be repaid with future tax increments. In addition, the Luverne Loop Project fund owes the Capital Improvement fund \$100,000 at year end. This will be paid back with future grants. Also, a loan from Electric to the Sharkees/Mert's TIF fund 444 of \$201,052 is for blight removal and redevelopment that will be repaid with future tax increments. The remaining outstanding balances of \$108,467 between funds result from a loan from the General fund and various utility funds to the Community Development fund for land acquisition for an industrial park. Semi-annual payments are made when land rent is received.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The following transfers were made in 2016:

Fund	Transfers in		
	General	Nonmajor Governmental	Total
Transfers out			
General	\$ -	\$ 633,350	\$ 633,350
Nonmajor governmental	-	20,000	20,000
Water enterprise	55,000	25,000	80,000
Sewer enterprise	55,000	25,000	80,000
Electric enterprise	50,000	100,000	150,000
Liquor enterprise	45,000	-	45,000
Nonmajor enterprise	60,000	40,000	100,000
Total transfers out	\$ 265,000	\$ 843,350	\$ 1,108,350

The General fund transfer to the Airport fund (\$25,000) and Swimming Pool fund (\$318,350) are annual transfers. The General fund transfer to the Capital Equipment Replacement fund (\$150,000), and City Offices/Government Buildings Capital Project (\$20,000) are transfers for future capital purchases and improvements. The transfer from the General fund to the Ice Arena Capital Projects fund (\$8,000) was for future capital improvements. The transfer from the General fund to the Street/Sidewalk Improvement Capital Projects fund (\$12,000) 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.

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 (\$55,000), Sewer fund (\$55,000), Electric fund (\$50,000), Refuse and Recycling fund (\$45,000), Storm Sewer fund (\$15,000) 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) (\$25,000), the Electric fund (\$25,000) the Water fund (\$10,000) and the Sewer fund (\$10,000) were transfers for equipment purchases.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Restricted assets

The composition of restricted assets of enterprise funds at December 31, 2016, are cash and investments offset by the following liability accounts:

Customer deposits - Water fund	\$ 9,664
Customer deposits - Sewer fund	9,601
Customer deposits - Electric fund	46,647
Customer deposits - Other proprietary funds	5,703
Accrued interest payable - Water fund	44,737
Accrued interest payable - Sewer fund	11,581
Current portion of bonds - Water fund	326,250
Current portion of bonds - Sewer fund	<u>188,750</u>
 Total restricted assets	 <u><u>\$ 642,933</u></u>

F. Capital assets

Primary government

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,249,389	\$ 506,150	\$ (54,000)	\$ 2,701,539
Construction in progress	<u>656,559</u>	<u>144,516</u>	<u>(606,048)</u>	<u>195,027</u>
Total capital assets not being depreciated	<u>2,905,948</u>	<u>650,666</u>	<u>(660,048)</u>	<u>2,896,566</u>
Capital assets being depreciated				
Buildings	8,873,316	293,725	(146,146)	9,020,895
Improvements and infrastructure	14,463,539	1,233,397	-	15,696,936
Machinery and equipment	<u>5,850,229</u>	<u>172,377</u>	<u>-</u>	<u>6,022,606</u>
Total capital assets being depreciated	<u>29,187,084</u>	<u>1,699,499</u>	<u>(146,146)</u>	<u>30,740,437</u>
Less accumulated depreciation for				
Buildings	(4,247,492)	(400,412)	105,100	(4,542,804)
Improvements and infrastructure	(9,653,079)	(418,194)	-	(10,071,273)
Machinery and equipment	<u>(3,646,799)</u>	<u>(256,293)</u>	<u>-</u>	<u>(3,903,092)</u>
Total accumulated depreciation	<u>(17,547,370)</u>	<u>(1,074,899)</u>	<u>105,100</u>	<u>(18,517,169)</u>
Total capital assets being depreciated, net	<u>11,639,714</u>	<u>624,600</u>	<u>(41,046)</u>	<u>12,223,268</u>
Governmental activities capital assets, net	<u><u>\$ 14,545,662</u></u>	<u><u>\$ 1,275,266</u></u>	<u><u>\$ (701,094)</u></u>	<u><u>\$ 15,119,834</u></u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 274,235	\$ -	\$ -	\$ 274,235
Construction in progress	<u>2,051,918</u>	<u>-</u>	<u>(2,051,918)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,326,153</u>	<u>-</u>	<u>(2,051,918)</u>	<u>274,235</u>
Capital assets being depreciated				
Buildings	2,781,042	176,429	(33,683)	2,923,788
Improvements and infrastructure	36,853,058	2,461,248	-	39,314,306
Machinery and equipment	<u>2,829,327</u>	<u>146,342</u>	<u>-</u>	<u>2,975,669</u>
Total capital assets being depreciated	<u>42,463,427</u>	<u>2,784,019</u>	<u>(33,683)</u>	<u>45,213,763</u>
Less accumulated depreciation for				
Buildings	(2,311,182)	(74,202)	28,709	(2,356,675)
Improvements and infrastructure	(18,164,646)	(1,351,355)	-	(19,516,001)
Machinery and equipment	<u>(2,031,043)</u>	<u>(157,039)</u>	<u>-</u>	<u>(2,188,082)</u>
Total accumulated depreciation	<u>(22,506,871)</u>	<u>(1,582,596)</u>	<u>28,709</u>	<u>(24,060,758)</u>
Total capital assets being depreciated, net	<u>19,956,556</u>	<u>1,201,423</u>	<u>(4,974)</u>	<u>21,153,005</u>
Business-type activities capital assets, net	<u>\$ 22,282,709</u>	<u>\$ 1,201,423</u>	<u>\$ (2,056,892)</u>	<u>\$ 21,427,240</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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	186,320
Public works, including depreciation of general infrastructure assets	459,892
Culture and recreation	251,484
Conservation and development	9,226
Central Garage internal service	<u>24,321</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,074,899</u></u>
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Business-type activities

Water	\$ 321,219
Sewer	341,720
Refuse and recycling	49,667
Electric	765,840
Storm sewer	65,427
Liquor	6,404
Central Store internal service	3,824
Data Processing internal service	<u>28,495</u>

Total depreciation expense - business-type activities	<u><u>\$ 1,582,596</u></u>
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Construction commitments

The City has one active construction projects as of December 31, 2016. The project includes water, sewer, storm sewer and sidewalk improvements on South Highway 75. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
South Highway 75 Improvement Project	<u>\$ 2,571,473</u>	<u>\$ 278,484</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component units

Capital asset activity for the EDA for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 728,086	\$ -	\$ (51,070)	\$ 677,016
Capital assets being depreciated				
Buildings	2,353,726	170,730	-	2,524,456
Machinery and equipment	5,835	-	-	5,835
Total capital assets being depreciated	<u>2,359,561</u>	<u>170,730</u>	<u>-</u>	<u>2,530,291</u>
Less accumulated depreciation for				
Buildings	(1,089,495)	(66,304)	-	(1,155,799)
Machinery and equipment	(3,112)	(584)	-	(3,696)
Total accumulated depreciation	<u>(1,092,607)</u>	<u>(66,888)</u>	<u>-</u>	<u>(1,159,495)</u>
Total capital assets being depreciated, net	<u>1,266,954</u>	<u>103,842</u>	<u>-</u>	<u>1,370,796</u>
EDA capital assets, net	<u>\$ 1,995,040</u>	<u>\$ 103,842</u>	<u>\$ (51,070)</u>	<u>\$ 2,047,812</u>

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

Component unit activities	
Housing and economic development	<u>\$ 66,888</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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 \$9,456,000.

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	\$ 705,000
G.O. Improvement Bonds of 2012A (City reroof)	410,000	0.35 - 2.40	04/01/12	02/01/28	<u>335,000</u>
Total General Obligation Bonds					<u><u>\$ 1,040,000</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
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	140,000	7,660	147,660
2022 - 2026	280,000	15,918	295,918
2027 - 2028	<u>60,000</u>	<u>1,425</u>	<u>61,425</u>
Total	<u><u>\$ 1,040,000</u></u>	<u><u>\$ 73,983</u></u>	<u><u>\$ 1,113,983</u></u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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>\$ 235,000</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
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	35,000	2,625	37,625
2022 - 2023	70,000	2,100	72,100
Total	<u>\$ 235,000</u>	<u>\$ 23,728</u>	<u>\$ 258,728</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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>\$ 400,000</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>
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>\$ 400,000</u>	<u>\$ 9,775</u>	<u>\$ 409,775</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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.

<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. Equipment Certificates of 2013A	\$ 444,000	2.19 %	07/30/13	02/01/19	<u>\$ 274,000</u>

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

<u>Year Ending December 31</u>	G.O. Equipment Certificates Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,000	\$ 5,023	\$ 95,023
2018	91,000	3,041	94,041
2019	93,000	1,027	94,027
Total	<u>\$ 274,000</u>	<u>\$ 9,091</u>	<u>\$ 283,091</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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	\$ 885,000
G.O. Improvement Bonds of 2012A (Refunding-Water & Sewer)	2,035,000	0.35 - 2.40	04/01/12	02/01/28	1,660,000
G.O. Improvement Bonds of 2012A (Refunding-Water)	675,000	0.35 - 2.40	04/01/12	02/01/28	460,000
G.O. Water Revenue Bonds of 2014A	2,715,000	2.00 - 3.75	04/01/14	02/01/35	<u>2,600,000</u>
 Total G.O. Revenue Bonds					<u><u>\$ 5,605,000</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
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	330,000	94,273	424,273
2022 - 2026	1,430,000	371,210	1,801,210
2027 - 2031	1,040,000	195,742	1,235,742
2032 - 2035	<u>650,000</u>	<u>49,125</u>	<u>699,125</u>
 Total	<u><u>\$ 5,605,000</u></u>	<u><u>\$ 1,181,109</u></u>	<u><u>\$ 6,786,109</u></u>

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

	Water	Sewer
Revenues	\$ 1,460,939	\$ 1,381,111
Principal and interest	433,855	221,116
Percentage of revenues	29.7%	16.0%

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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	\$ 15,299
2009 Hangar Note	136,552	-	12/31/09	12/31/19	48,686
2010 Hangar Note	143,486	-	12/31/10	12/31/21	71,607
Total Notes					<u>\$ 135,592</u>

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

Year Ending December 31	Notes Governmental Activities		
	Principal	Interest	Total
2017	\$ 43,655	\$ -	\$ 43,655
2018	28,356	-	28,356
2019	28,356	-	28,356
2020	21,122	-	21,122
2021	14,103	-	14,103
Total	<u>\$ 135,592</u>	<u>\$ -</u>	<u>\$ 135,592</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 1,175,000	\$ -	\$ (135,000)	\$ 1,040,000	\$ 140,000
General obligation tax increment bonds	260,000	-	(25,000)	235,000	30,000
General obligation improvement bonds	510,000	-	(110,000)	400,000	105,000
General obligation equipment certificates	375,000	-	(101,000)	274,000	90,000
Bond discounts	(1,518)	-	214	(1,304)	-
Total bonds payable	2,318,482	-	(370,786)	1,947,696	365,000
Notes payable	180,147	-	(44,555)	135,592	43,655
Compensated absences payable	223,236	67,509	(47,264)	243,481	64,049
Other postemployment benefits liability	29,211	2,344	(457)	31,098	-
Pension liability GERF	658,821	392,616	(74,331)	977,106	-
Governmental activity long-term liabilities	<u>\$ 3,409,897</u>	<u>\$ 462,469</u>	<u>\$ (537,393)</u>	<u>\$ 3,334,973</u>	<u>\$ 472,704</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 6,120,000	\$ -	\$ (515,000)	\$ 5,605,000	\$ 515,000
Bond discounts	(5,824)	-	1,427	(4,397)	-
Bond premium	53,405	-	(2,670)	50,735	-
Total bonds payable	6,167,581	-	(516,243)	5,651,338	515,000
Compensated absences payable	357,620	96,288	(71,843)	382,065	77,531
Other postemployment benefits liability	39,459	3,579	(625)	42,413	-
Pension liability GERF	753,803	462,721	(70,035)	1,146,489	-
Business-type activity long-term liabilities	<u>\$ 7,318,463</u>	<u>\$ 562,588</u>	<u>\$ (658,746)</u>	<u>\$ 7,222,305</u>	<u>\$ 592,531</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component Unit					
Economic Development Authority					
Compensated absences payable	\$ 4,137	\$ 5,260	\$ (3,492)	\$ 5,905	\$ 3,492
Other postemployment benefits liability	3,183	-	(1)	3,182	-
Pension liability GERF	<u>48,846</u>	<u>32,166</u>	<u>(4,221)</u>	<u>76,791</u>	<u>-</u>
Component Unit long-term liabilities	<u>\$ 56,166</u>	<u>\$ 37,426</u>	<u>\$ (7,714)</u>	<u>\$ 85,878</u>	<u>\$ 3,492</u>

Long-term debt payable at December 31, 2016, 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. \$ 705,000

\$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. 335,000

Total 1,040,000

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. 235,000

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. 400,000

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. 274,000

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.	\$ 15,299
\$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.	48,686
\$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>71,607</u>
Total	<u>135,592</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.	885,000
\$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.	1,660,000
\$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.	460,000
\$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>2,600,000</u>
Total	<u>5,605,000</u>
Total Long-term Debt	<u>\$ 7,689,592</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.	\$ 100,563
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.	20,993
Amount due to Internal Service fund	<u>3,338</u>
Total due to primary government	<u>\$ 124,894</u>

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

H. Components of fund balance

At December 31, 2016, 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	\$ 110,680	\$ -	\$ -	\$ 110,680
Due from other funds	273,353	-	-	273,353
Due from component unit	20,993	-	-	20,993
Inventories	1,367	-	6,436	7,803
Prepaid items	1,057	-	627	1,684
Total nonspendable	\$ 407,450	\$ -	\$ 7,063	\$ 414,513
Restricted				
Debt service	\$ -	\$ 771,223	\$ -	\$ 771,223
Committed				
Historical society	\$ 25,000	\$ -	\$ -	\$ 25,000
Airport operations	-	-	157,430	157,430
Economic development	-	-	300,156	300,156
Swimming pool	-	-	28,826	28,826
Capital improvements	-	-	83,280	83,280
Total committed	\$ 25,000	\$ -	\$ 569,692	\$ 594,692
Assigned				
LEC contract	\$ 824,771	\$ -	\$ -	\$ 824,771
Fire pension contract	38,000	-	-	38,000
Capital improvements	-	-	87,409	87,409
Capital equipment	-	-	288,517	288,517
Total assigned	\$ 862,771	\$ -	\$ 375,926	\$ 1,238,697
Unassigned	\$ 1,494,640	\$ -	\$ (518,718)	\$ 975,922

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 3,397
Current	25,196	1,535	8,393	29,496
Captured - Retained	<u>\$ 24,870</u>	<u>\$ 1,073</u>	<u>\$ 8,295</u>	<u>\$ 26,099</u>
Total General Obligation Tax Increment				
Bonds and Notes issued	\$ 500,000	\$ 47,000	\$ -	\$ -
Amounts redeemed	(265,000)	(26,007)	-	-
Outstanding at December 31, 2016	<u>\$ 235,000</u>	<u>\$ 20,993</u>	<u>\$ -</u>	<u>\$ -</u>
		Barck TIF District	Mert's TIF District	Culligan TIF District
Authorizing Law		M.S. 469	M.S. 469	M.S. 469
Type of District		Redevelopment	Redevelopment	Redevelopment
Year Established		2015	2016	2016
Duration of District		25 years	25 years	25 years
Tax Capacity				
Original		\$ 657	\$ 5,220	\$ 1,461
Current		3,317	5,220	1,461
Captured - Retained		<u>\$ 2,660</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Obligation Tax Increment				
Bonds and Notes issued		\$ 80,000	\$ -	\$ -
Amounts redeemed		-	-	-
Outstanding at December 31, 2016		<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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, 2016 or December 31, 2015 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
2016	\$ -	\$ 13,430	\$ (13,430)	\$ -
2015	-	182,089	(182,089)	-
2014	-	17,006	(17,006)	-

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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

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. The final payment was made as of December 31, 2016 for payments totaling \$100,000.

The City of Luverne, at the November 10, 2014 meeting of the City Council, approved a donation of \$25,000 per year for six years to the Rock County Historical Society to provide a portion of the necessary funding for renovation of their building. The first payment will be made in 2015 with the final payment due in 2020. Total payments made to date are \$50,000.

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.

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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

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.

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 2016. 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 2016. The City's contributions to the GERP for the years ending December 31, 2016, 2015 and 2014 were \$128,050, \$131,757 and \$116,263, 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, 2016, the City of Luverne reported a liability of \$2,200,386 for its proportionate share of the GERP's net pension liability of which the LEDA's portion was calculated at \$76,791. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$34,543. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Luverne's proportionate share was 0.0271 percent which was a decrease of 0.0011 percent from its proportion measured as of June 30, 2015. The LEDA's proportionate share was calculated at 0.0009 percent at both June 30, 2016 and June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$250,906 for its proportionate share of GERP's pension expense of which the LEDA's portion was calculated at \$8,756. In addition, the City recognized an additional \$8,552 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERP, of which the LEDA's portion was calculated at \$298.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

At December 31, 2016, the City reported its proportionate share of GERS'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	\$ 6,432	\$ 167,625	\$ 232	\$ 6,061
Changes in actuarial assumptions	457,205	-	16,533	-
Net difference between projected and actual earnings on plan investments	232,428	-	8,405	-
Changes in proportion	-	70,172	-	2,538
Contributions to GERS subsequent to the measurement date	67,832	-	2,453	-
Total	\$ 763,897	\$ 237,797	\$ 27,623	\$ 8,599

Deferred outflows of resources totaling \$70,285 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit
2017	\$ 120,472	\$ 4,357
2018	70,013	2,532
2019	191,075	6,910
2020	76,708	2,772

e. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2015

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

f. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan 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 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 (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF			
Primary government	\$ 3,016,131	\$ 2,123,595	\$ 1,388,383
Component unit	109,069	76,791	50,207

h. Pension plan fiduciary net position

Detailed information about each 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.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

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.

The City's contributions to the PEDCP for the years ended December 31, 2016, 2015 and 2014 were \$1,045, \$1,086 and \$1,046, 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	
\$ 1,045	\$ 1,045	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.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

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, 2015, 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, 2015 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).

d. Pension costs

At December 31, 2016, the City reported a net pension liability (asset) of (\$182,824) for the plan. The net pension liability (asset) was measured as of December 31, 2015. 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, 2015.

For the year ended December 31, 2016, the City recognized pension expense of (\$32,807).

At December 31, 2016, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 74,269	\$ -
Contributions to plan subsequent to the measurement date	44,401	-
Total	\$ 118,670	\$ -

Deferred outflows of resources totaling \$44,401 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. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2017	\$ 18,567
2018	18,567
2019	18,567
2020	18,568

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

e. Actuarial assumptions

The total pension liability at December 31, 2015 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	

There were no changes in actuarial assumptions in 2015.

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 %	

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:

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

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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: OTHER INFORMATION - CONTINUED

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 2016 was \$1,379,639 respectively which accounted for 37 percent of General fund revenues.

E. Electric transmission assets

The City has received a request from Missouri River Energy Services to separately identify transmission plant assets. As a member of Missouri River Energy Services interested in signing a Transmission Service Agreement (T-1) and Member Transmission Lease agreement (MTL) in the future we found it beneficial to disclose the value of these assets. The total facility gross plant included in the Electric Utility capital assets is \$426,027. This amount is included with the electric utility assets on the statement of net position for Proprietary funds.

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 2016, the City (including component unit) contributed \$1,082 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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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	\$ 7,204	\$ -	\$ 7,204
Interest on net OPEB obligation	2,874	-	2,874
Adjustment to annual required contribution	(4,155)	-	(4,155)
Annual OPEB cost (expense)	5,923	-	5,923
Contributions made	(1,082)	(1)	(1,083)
Increase in net OPEB obligation	4,841	(1)	4,840
Net OPEB obligation - beginning of year	68,670	3,183	71,853
Net OPEB obligation - end of year	<u>\$ 73,511</u>	<u>\$ 3,182</u>	<u>\$ 76,693</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the previous two years follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	\$ 5,923	18.3 %	\$ 76,693
12/31/15	5,677	-	71,853
12/31/14	11,703	44.2	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.

CITY OF LUVERNE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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.

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, 2016 was 30 years.

CITY OF LUVERNE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 6: TAX ABATEMENTS

As of December 31, 2016, the City has two agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement on May 12, 1997 with a developer in which the developer incurred costs for construction of subdivision to induce the expansion of affordable housing in the community. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$300,000 over the life of the agreement plus non-compounded interest at 6 percent. The agreement was negotiated under state law (Minnesota Statute 469.174-469.176) and has an expiration date of December 31, 2022. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on November 5, 2013 with a developer in which the developer incurred costs for construction of an approximately 13,000 square foot building. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$400,000 over the life of the agreement plus non-compounded interest at 3 percent. The agreement was negotiated under state law (Minnesota Statute 469.174, Subd. 10) and has an expiration date of December 31, 2041. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2016, was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated the fiscal year
Tax Increment Districts (PAYGO)			
TIF 21 - Ford	63.367%	\$ 26,099	\$ 16,538
TIF 18 - Luverne Family Housing	24.261%	8,295	2,012
Total			\$ 18,550

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016

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
06/30/16	0.0271 %	\$ 2,200,386	\$ 34,543	\$ 2,234,929	\$ 1,680,925	133.0 %	68.9 %
06/30/15	0.0282	1,461,470	-	1,461,470	1,658,255	88.1	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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)	
12/31/16	\$ 128,050	\$ 128,050	\$ -	\$ 1,707,336	7.5 %	
12/31/15	131,757	131,757	-	1,756,757	7.5	

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016	2015
Total pension liability		
Service cost	\$ 26,479	\$ 25,841
Interest	33,165	32,796
Benefit payments	-	(84,000)
Net change in total pension liability	59,644	(25,363)
Total pension liability - January 1	650,222	675,585
Total pension liability - December 31 (a)	\$ 709,866	\$ 650,222
Plan fiduciary net position		
Contributions - State	44,859	41,894
Contributions - employer	-	2,931
Projected investment return	(46,974)	34,529
Other	-	2,000
Benefit payments, including refunds of employee contributions	-	(84,000)
Net change in plan fiduciary net position	(2,115)	(2,646)
Plan fiduciary net position - January 1	894,805	897,451
Plan fiduciary net position - December 31 (b)	\$ 892,690	\$ 894,805
Fire Relief's net pension liability (asset) - December 31 (a-b)	\$ (182,824)	\$ (244,583)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	125.75%	137.62%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

Benefit changes. None in 2015.

Changes of assumptions. None in 2015.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF LUVERNE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)
	(a)	(b)	(a-b)
12/31/16 *	\$ -	\$ -	\$ -
12/31/15	44,859	44,859	-
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 Accrued Liability - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/15	\$ -	\$ 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.

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Nonmajor Governmental Funds Capital Projects Funds

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

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

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

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

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.

Sharkees- Merts Tax Increment Capital Project Fund: This fund was created to account for expenditures related to the elimination of blight on two parcels on Highway 75. Future tax increments will be used to reimburse the City for land acquisition and demolition costs.

Remage - Shasker Tax Increment Capital Project Fund: This fund was created to account for expenditures related to the elimination of blight on two parcels on Highway 75. 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, 2016

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
ASSETS				
Cash and temporary investments	\$ 158,505	\$ 35,477	\$ 199,234	\$ 60,301
Receivables (net of allowance for uncollectibles)				
Accrued interest	201	353	359	172
Accounts, net	1,169	5,126	-	-
Delinquent taxes	-	-	-	-
Intergovernmental	-	1,431	-	-
Due from component unit	-	-	100,563	-
Inventories	6,436	-	-	-
Prepaid items	-	627	-	-
TOTAL ASSETS	\$ 166,311	\$ 43,014	\$ 300,156	\$ 60,473
LIABILITIES				
Accounts payable	\$ 2,445	\$ 9,283	\$ -	\$ -
Contracts payable	-	-	-	-
Retainage payable	-	-	-	-
Due to other funds	-	-	-	108,467
Due to other governments	-	755	-	-
Wages and related benefits payable	-	3,523	-	-
TOTAL LIABILITIES	2,445	13,561	-	108,467
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	-	-	-	-
FUND BALANCES				
Nonspendable	6,436	627	-	-
Committed	157,430	28,826	300,156	-
Assigned	-	-	-	-
Unassigned	-	-	-	(47,994)
TOTAL FUND BALANCES	163,866	29,453	300,156	(47,994)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 166,311	\$ 43,014	\$ 300,156	\$ 60,473

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
\$ 30,327	\$ 234,536	\$ 250,228	\$ 490	\$ 37,911	\$ 3,395	\$ 7,195
107	498	789	9	75	236	16
-	-	-	-	-	-	-
-	100	-	-	-	-	-
-	44,739	-	6,003	-	-	-
-	-	100,000	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 30,434</u>	<u>\$ 279,873</u>	<u>\$ 351,017</u>	<u>\$ 6,502</u>	<u>\$ 37,986</u>	<u>\$ 3,631</u>	<u>\$ 7,211</u>
\$ -	\$ -	\$ 62,500	\$ -	\$ -	\$ 11,995	\$ -
-	102,179	-	-	-	-	-
-	135,341	-	-	-	-	-
-	-	-	7,783	-	100,000	86,595
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	237,520	62,500	7,783	-	111,995	86,595
-	100	-	-	-	-	-
-	-	-	-	-	-	-
-	30,288	-	-	-	-	-
30,434	11,965	288,517	-	37,986	-	-
-	-	-	(1,281)	-	(108,364)	(79,384)
<u>30,434</u>	<u>42,253</u>	<u>288,517</u>	<u>(1,281)</u>	<u>37,986</u>	<u>(108,364)</u>	<u>(79,384)</u>
<u>\$ 30,434</u>	<u>\$ 279,873</u>	<u>\$ 351,017</u>	<u>\$ 6,502</u>	<u>\$ 37,986</u>	<u>\$ 3,631</u>	<u>\$ 7,211</u>

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CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	Capital Projects				Total Nonmajor Governmental Funds
	444	445	451	479	
	Sharkees - Merts TIF Project	Ramage Saker TIF Project	MN West/ Gov Buildings Project	Pool Capital Improvement	
ASSETS					
Cash and temporary investments	\$ 39,940	\$ 45,743	\$ 6,634	\$ 53,127	\$ 1,163,043
Receivables (net of allowance for uncollectibles)					
Accrued interest	-	8	150	105	3,078
Accounts, net	-	-	-	-	6,295
Delinquent taxes	-	-	-	-	100
Intergovernmental	-	-	-	-	52,173
Due from other funds	-	-	-	-	100,000
Due from component unit	-	-	-	-	100,563
Inventories	-	-	-	-	6,436
Prepaid items	-	-	-	-	627
TOTAL ASSETS	\$ 39,940	\$ 45,751	\$ 6,784	\$ 53,232	\$ 1,432,315
LIABILITIES					
Accounts payable	\$ 15,480	\$ -	\$ -	\$ -	\$ 101,703
Contracts payable	-	-	-	-	102,179
Retainage payable	-	-	-	-	135,341
Due to other funds	201,052	150,854	-	-	654,751
Due to other governments	-	-	-	-	755
Wages and related benefits payable	-	-	-	-	3,523
TOTAL LIABILITIES	216,532	150,854	-	-	998,252
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Taxes	-	-	-	-	100
FUND BALANCES					
Nonspendable	-	-	-	-	7,063
Committed	-	-	-	52,992	569,692
Assigned	-	-	6,784	240	375,926
Unassigned	(176,592)	(105,103)	-	-	(518,718)
TOTAL FUND BALANCES	(176,592)	(105,103)	6,784	53,232	433,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 39,940	\$ 45,751	\$ 6,784	\$ 53,232	\$ 1,432,315

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, 2016

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	591	-	-	-
State	36,855	-	-	-
Charges for services	223,719	232,593	\$ -	-
Investment income	1,327	2,335	2,372	1,135
Miscellaneous	1,601	363	5,908	24,442
TOTAL REVENUES	264,093	235,291	8,280	25,577
EXPENDITURES				
Current				
General government	-	-	-	-
Public works	229,731	-	-	-
Culture and recreation	-	525,006	-	-
Conservation and development	-	-	-	8,359
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	8,715	-	-
Conservation and development	-	-	-	35,000
Debt service				
Principal	44,555	-	-	-
Interest and other costs	-	-	-	-
TOTAL EXPENDITURES	274,286	533,721	-	43,359
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,193)	(298,430)	8,280	(17,782)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	10,000
Transfers in	25,000	318,350	-	-
Transfers out	-	(20,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	298,350	-	10,000
NET CHANGE IN FUND BALANCES	14,807	(80)	8,280	(7,782)
FUND BALANCES, JANUARY 1	149,059	29,533	291,876	(40,212)
FUND BALANCES, DECEMBER 31	<u>\$ 163,866</u>	<u>\$ 29,453</u>	<u>\$ 300,156</u>	<u>\$ (47,994)</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
\$ -	\$ (35)	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	73,637	-	-	-	150,000	-
-	-	-	31,223	-	175	-
706	3,289	5,212	60	495	1,557	108
-	-	-	-	-	-	-
706	76,891	5,212	31,283	495	151,732	108
-	-	-	-	-	-	-
-	60,654	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
26,031	-	-	-	-	-	-
-	-	10,885	-	-	-	-
-	12,983	7,363	-	-	-	-
-	-	168,245	-	(210)	675,651	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,297	-	-	8,555
26,031	73,637	186,493	1,297	(210)	675,651	8,555
(25,325)	3,254	(181,281)	29,986	705	(523,919)	(8,447)
-	-	42,874	-	-	-	-
-	12,000	220,000	-	8,000	220,000	-
-	-	-	-	-	-	-
-	12,000	262,874	-	8,000	220,000	-
(25,325)	15,254	81,593	29,986	8,705	(303,919)	(8,447)
55,759	26,999	206,924	(31,267)	29,281	195,555	(70,937)
\$ 30,434	\$ 42,253	\$ 288,517	\$ (1,281)	\$ 37,986	\$ (108,364)	\$ (79,384)

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CITY OF LUVERNE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Capital Projects				Total Nonmajor Governmental Funds
	444	445	451	479	
	Sharkees - Merts TIF Project	Ramage Sasker TIF Project	MN West/ Gov Buildings Project	Pool Capital Improvement	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ (35)
Intergovernmental					
Federal	-	-	-	-	591
State	-	-	-	-	260,492
Charges for services	-	-	-	-	487,710
Investment income	-	51	993	694	20,334
Miscellaneous	-	-	-	-	32,314
TOTAL REVENUES	-	51	993	694	801,406
EXPENDITURES					
Current					
General government	-	-	4,118	-	4,118
Public works	-	-	-	-	290,385
Culture and recreation	-	-	-	-	525,006
Conservation and development	16,540	8,800	-	-	33,699
Capital outlay					
General government	-	-	147,579	-	173,610
Public safety	-	-	-	-	10,885
Public works	-	-	-	-	20,346
Culture and recreation	-	-	-	-	852,401
Conservation and development	159,000	95,500	-	-	289,500
Debt service					
Principal	-	-	-	-	44,555
Interest and other costs	1,052	854	-	-	11,758
TOTAL EXPENDITURES	176,592	105,154	151,697	-	2,256,263
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(176,592)	(105,103)	(150,704)	694	(1,454,857)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	52,874
Transfers in	-	-	20,000	20,000	843,350
Transfers out	-	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	20,000	20,000	876,224
NET CHANGE IN FUND BALANCES	(176,592)	(105,103)	(130,704)	20,694	(578,633)
FUND BALANCES, JANUARY 1	-	-	137,488	32,538	1,012,596
FUND BALANCES, DECEMBER 31	<u>\$ (176,592)</u>	<u>\$ (105,103)</u>	<u>\$ 6,784</u>	<u>\$ 53,232</u>	<u>\$ 433,963</u>

CITY OF LUVERNE, MINNESOTA
AIRPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Federal	\$ -	\$ -	\$ 591	\$ 591
State	9,963	9,963	36,855	26,892
Charges for services	252,593	252,593	223,719	(28,874)
Investment income	1,000	1,000	1,327	327
Miscellaneous	-	-	1,601	1,601
TOTAL REVENUES	263,556	263,556	264,093	537
OTHER FINANCING SOURCES				
Transfers in	25,000	25,000	25,000	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	288,556	288,556	289,093	537
EXPENDITURES				
Public works				
Airport				
Supplies	169,800	169,800	122,557	47,243
Other services and charges	74,200	74,200	85,534	(11,334)
Capital outlay	-	-	21,640	(21,640)
Debt service				
Principal	44,556	44,556	44,555	1
TOTAL EXPENDITURES	288,556	288,556	274,286	14,270
NET CHANGE IN FUND BALANCES	-	-	14,807	14,807
FUND BALANCES, JANUARY 1	149,059	149,059	149,059	-
FUND BALANCES, DECEMBER 31	\$ 149,059	\$ 149,059	\$ 163,866	\$ 14,807

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 188,800	\$ 188,800	\$ 232,593	\$ 43,793
Investment income	1,800	1,800	2,335	535
Miscellaneous	200	200	363	163
TOTAL REVENUES	190,800	190,800	235,291	44,491
OTHER FINANCING SOURCES				
Transfers in	318,350	318,350	318,350	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	509,150	509,150	553,641	44,491
EXPENDITURES				
Culture and recreation				
Swimming pool				
Personal services	303,400	303,400	334,620	(31,220)
Supplies	65,800	65,800	88,797	(22,997)
Other services and charges	103,950	103,950	101,589	2,361
Capital outlay	16,000	16,000	8,715	7,285
TOTAL EXPENDITURES	489,150	489,150	533,721	(44,571)
OTHER FINANCING USES				
Transfers out	20,000	20,000	20,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	509,150	509,150	553,721	(44,571)
NET CHANGE IN FUND BALANCES	-	-	(80)	(80)
FUND BALANCES, JANUARY 1	29,533	29,533	29,533	-
FUND BALANCES, DECEMBER 31	\$ 29,533	\$ 29,533	\$ 29,453	\$ (80)

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Nonmajor Proprietary Funds

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

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

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

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 661,091	\$ 465,767	\$ 249,243	\$ 273,242
Receivables (net of allowance for uncollectibles)				
Accrued interest	1,105	801	452	795
Accounts, net	47,964	45,374	4,279	4,317
Loans	5,992	5,112	-	-
Due from other funds	16,069	19,768	-	-
TOTAL CURRENT ASSETS	732,221	536,822	253,974	278,354
NONCURRENT ASSETS				
Restricted assets				
Cash and temporary investments	5,703	5,708	-	-
Special assessments receivable - noncurrent	965	1,284	92	57
Loans receivable - noncurrent	106,857	132,826	-	-
Capital assets				
Land	62,632	62,632	-	-
Construction in progress	-	-	-	195,510
Buildings	79,566	79,566	-	-
Improvements	18,872	18,872	1,607,006	1,320,849
Machinery and equipment	768,936	768,936	79,915	79,915
Total capital assets	930,006	930,006	1,686,921	1,596,274
Less accumulated depreciation	(610,066)	(560,399)	(840,966)	(775,539)
Total capital assets (net of accumulated depreciation)	319,940	369,607	845,955	820,735
TOTAL NONCURRENT ASSETS	433,465	509,425	846,047	820,792
TOTAL ASSETS	1,165,686	1,046,247	1,100,021	1,099,146
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	39,034	8,670	1,736	370

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2016	2015	2016	2015
\$ 162,356	\$ 160,260	\$ 1,072,690	\$ 899,269
321	298	1,878	1,894
-	-	52,243	49,691
-	-	5,992	5,112
-	-	16,069	19,768
<u>162,677</u>	<u>160,558</u>	<u>1,148,872</u>	<u>975,734</u>
-	-	5,703	5,708
-	-	1,057	1,341
-	-	106,857	132,826
-	-	62,632	62,632
-	-	-	195,510
-	-	79,566	79,566
-	-	1,625,878	1,339,721
-	-	848,851	848,851
-	-	2,616,927	2,526,280
-	-	(1,451,032)	(1,335,938)
-	-	1,165,895	1,190,342
-	-	1,279,512	1,330,217
<u>162,677</u>	<u>160,558</u>	<u>2,428,384</u>	<u>2,305,951</u>
-	-	40,770	9,040

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION - CONTINUED
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2016	2015	2016	2015
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 11,780	\$ 11,540	\$ 177	\$ 54
Contract payable	-	-	14,007	24,212
Due to other governments	3,895	4,098	-	-
Wages and related benefits payable	1,235	778	51	33
Compensated absences payable - current	8,540	6,603	329	262
Customer deposits payable	5,703	5,708	-	-
TOTAL CURRENT LIABILITIES	31,153	28,727	14,564	24,561
NONCURRENT LIABILITIES				
Compensated absences payable	24,137	24,356	1,859	1,894
Other postemployment benefits liability	4,391	4,774	159	159
Pension liability	108,513	73,292	4,825	3,130
TOTAL NONCURRENT LIABILITIES	137,041	102,422	6,843	5,183
TOTAL LIABILITIES	168,194	131,149	21,407	29,744
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	12,151	12,255	540	523
NET POSITION				
Investment in capital assets	319,940	369,607	845,955	820,735
Unrestricted	704,435	541,906	233,855	248,514
TOTAL NET POSITION	\$ 1,024,375	\$ 911,513	\$ 1,079,810	\$ 1,069,249

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2016	2015	2016	2015
\$ -	\$ -	\$ 11,957	11,594
-	-	14,007	24,212
-	-	3,895	4,098
-	-	1,286	811
-	-	8,869	6,865
-	-	5,703	5,708
-	-	45,717	53,288
-	-	25,996	26,250
-	-	4,550	4,933
-	-	113,338	76,422
-	-	143,884	107,605
-	-	189,601	160,893
-	-	12,691	12,778
-	-	1,165,895	1,190,342
162,677	160,558	1,100,967	950,978
<u>\$ 162,677</u>	<u>\$ 160,558</u>	<u>\$ 2,266,862</u>	<u>\$ 2,141,320</u>

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Business-type Activities - Enterprise Funds

	603		606	
	Refuse and Recycling		Storm Sewer	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services/sales	\$ 590,556	\$ 558,938	\$ 88,818	\$ 88,095
Service income	6,019	5,788	403	387
Pension revenue	422	-	19	-
Other income	433	676	-	-
TOTAL OPERATING REVENUES	597,430	565,402	89,240	88,482
OPERATING EXPENSES				
Personal services	132,003	134,914	5,453	5,316
Supplies	26,078	47,673	1,964	3,422
Other services and charges	181,867	172,880	10,531	9,778
Depreciation	49,667	55,102	65,427	56,853
Pension expense	5,175	(8,705)	365	(53)
TOTAL OPERATING EXPENSES	394,790	401,864	83,740	75,316
OPERATING INCOME (LOSS)	202,640	163,538	5,500	13,166
NONOPERATING REVENUES (EXPENSES)				
Investment income	7,913	6,332	2,984	5,467
Rental income	12,322	12,849	-	-
Interest and other costs	(13)	(10)	-	-
Contributions to component unit	(25,000)	(20,000)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,778)	(829)	2,984	5,467
INCOME (LOSS) BEFORE TRANSFERS	197,862	162,709	8,484	18,633
TRANSFERS OUT	(85,000)	(125,000)	(15,000)	(13,000)
CAPITAL GRANTS AND CONTRIBUTIONS	-	-	17,077	-
CHANGE IN NET POSITION	112,862	37,709	10,561	5,633
NET POSITION, JANUARY 1	911,513	873,804	1,069,249	1,063,616
NET POSITION, DECEMBER 31	\$ 1,024,375	\$ 911,513	\$ 1,079,810	\$ 1,069,249

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2016	2015	2016	2015
\$ -	\$ -	\$ 679,374	\$ 647,033
-	-	6,422	6,175
-	-	441	-
-	-	433	676
-	-	686,670	653,884
-	-	137,456	140,230
-	-	28,042	51,095
-	-	192,398	182,658
-	-	115,094	111,955
-	-	5,540	(8,758)
-	-	478,530	477,180
-	-	208,140	176,704
2,119	2,052	13,016	13,851
-	-	12,322	12,849
-	-	(13)	(10)
-	-	(25,000)	(20,000)
2,119	2,052	325	6,690
2,119	2,052	208,465	183,394
-	-	(100,000)	(138,000)
-	-	17,077	-
2,119	2,052	125,542	45,394
160,558	158,506	2,141,320	2,095,926
<u>\$ 162,677</u>	<u>\$ 160,558</u>	<u>\$ 2,266,862</u>	<u>\$ 2,141,320</u>

CITY OF LUVERNE, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 594,732	\$ 563,764	\$ 89,224	\$ 88,895
Cash paid to suppliers	(213,096)	(210,172)	(12,737)	(11,853)
Cash paid to and on behalf of employees	(125,036)	(143,491)	(5,038)	(5,371)
Other receipts	12,322	12,849	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>268,922</u>	<u>222,950</u>	<u>71,449</u>	<u>71,671</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(85,000)	(125,000)	(15,000)	(13,000)
Payment to component unit	(25,000)	(20,000)	-	-
Loan payments received	25,089	17,111	-	-
(Increase) decrease in due from other funds	3,699	3,551	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(81,212)</u>	<u>(124,338)</u>	<u>(15,000)</u>	<u>(13,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(10,486)	(100,852)	(264,195)
Capital grants received	-	-	17,077	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(10,486)</u>	<u>(83,775)</u>	<u>(264,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	7,609	5,976	3,327	5,554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,319	94,102	(23,999)	(199,970)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>471,475</u>	<u>377,373</u>	<u>273,242</u>	<u>473,212</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 666,794</u></u>	<u><u>\$ 471,475</u></u>	<u><u>\$ 249,243</u></u>	<u><u>\$ 273,242</u></u>
CASH AND CASH EQUIVALENTS ARE COMPRISED OF				
Cash and temporary investments	\$ 661,091	\$ 465,767	\$ 249,243	\$ 273,242
Restricted assets				
Cash and temporary investments	5,703	5,708	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 666,794</u></u>	<u><u>\$ 471,475</u></u>	<u><u>\$ 249,243</u></u>	<u><u>\$ 273,242</u></u>

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2016	2015	2016	2015
\$ -	\$ -	\$ 683,956	\$ 652,659
-	-	(225,833)	(222,025)
-	-	(130,074)	(148,862)
-	-	12,322	12,849
-	-	340,371	294,621
-	-	(100,000)	(138,000)
-	-	(25,000)	(20,000)
-	-	25,089	17,111
-	-	3,699	3,551
-	-	(96,212)	(137,338)
-	-	(100,852)	(274,681)
-	-	17,077	-
-	-	(83,775)	(274,681)
2,096	2,068	13,032	13,598
2,096	2,068	173,416	(103,800)
160,260	158,192	904,977	1,008,777
<u>\$ 162,356</u>	<u>\$ 160,260</u>	<u>\$ 1,078,393</u>	<u>\$ 904,977</u>
\$ 162,356	\$ 160,260	\$ 1,072,690	\$ 899,269
-	-	5,703	5,708
<u>\$ 162,356</u>	<u>\$ 160,260</u>	<u>\$ 1,078,393</u>	<u>\$ 904,977</u>

CITY OF LUVERNE, MINNESOTA
 COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 202,640	\$ 163,538	\$ 5,500	\$ 13,166
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	49,667	55,102	65,427	56,853
Other income related to operations	12,322	12,849	-	-
Interest paid on customer deposits	(13)	(10)	-	-
(Increase) decrease in assets				
Accounts receivable	(2,590)	(1,655)	38	165
Special assessments receivable	319	(206)	(35)	248
Inventories	-	-	-	1,371
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(30,364)	3,782	(1,366)	115
Increase (decrease) in liabilities				
Accounts payable	240	1,088	123	(77)
Due to other governments	(203)	598	-	-
Wages and related benefits payable	457	(3,573)	18	(133)
Deposits payable	(5)	223	-	-
Compensated absences payable	1,718	3,606	32	120
Other postemployment benefits liability	(383)	95	-	11
Pension liability	35,221	(3,888)	1,695	122
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(104)	(8,599)	17	(290)
Total adjustments	66,282	59,412	65,949	58,505
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 268,922	\$ 222,950	\$ 71,449	\$ 71,671
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired on account	\$ -	\$ -	\$ 14,007	\$ 24,212
Special assessments levied	-	206	35	-

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2016	2015	2016	2015
\$ -	\$ -	\$ 208,140	\$ 176,704
-	-	115,094	111,955
-	-	12,322	12,849
-	-	(13)	(10)
-	-	(2,552)	(1,490)
-	-	284	42
-	-	-	1,371
-	-	(31,730)	3,897
-	-	363	1,011
-	-	(203)	598
-	-	475	(3,706)
-	-	(5)	223
-	-	1,750	3,726
-	-	(383)	106
-	-	36,916	(3,766)
-	-	(87)	(8,889)
-	-	132,231	117,917
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,371</u>	<u>\$ 294,621</u>
\$ -	\$ -	\$ 14,007	24,212
-	-	35	\$ 206

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The General Fund

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

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
REVENUES					
Taxes					
General property tax	\$ 1,279,621	\$ 1,279,621	\$ 1,283,651	\$ 4,030	\$ 1,191,008
Hotel/motel tax	2,000	2,000	2,791	791	2,804
Franchise tax	440,000	440,000	469,500	29,500	423,206
Penalties	-	-	132	132	1,670
Total taxes	1,721,621	1,721,621	1,756,074	34,453	1,618,688
Licenses and permits					
Business	18,300	18,300	16,553	(1,747)	19,513
Nonbusiness	67,300	67,300	85,862	18,562	62,348
Total licenses and permits	85,600	85,600	102,415	16,815	81,861
Intergovernmental revenues					
Federal					
FEMA grant	-	-	(17,615)	(17,615)	(6,436)
State					
Local government aid	1,379,639	1,379,639	1,379,639	-	1,373,641
Agricultural market value credit	379	379	379	-	408
Other State aids	46,200	46,200	64,199	17,999	111,751
Total State	1,426,218	1,426,218	1,444,217	17,999	1,485,800
Local					
Other local grant	-	-	7,178	7,178	-
Total intergovernmental revenues	1,426,218	1,426,218	1,433,780	7,562	1,479,364
Charges for services					
General government	45,480	45,480	43,519	(1,961)	39,473
Public safety	114,000	114,000	112,182	(1,818)	105,697
Highways and streets	137,000	137,000	170,627	33,627	148,947
Culture and recreation	-	-	801	801	-
Other	-	-	655	655	3,537
Total charges for services	296,480	296,480	327,784	31,304	297,654
Special assessments	-	-	1,440	1,440	1,217
Investment income	56,701	56,701	66,933	10,232	64,376
Miscellaneous					
Other	3,000	3,000	18,321	15,321	13,474
TOTAL REVENUES	3,589,620	3,589,620	3,706,747	117,127	3,556,634
OTHER FINANCING SOURCES					
Transfers in	265,000	265,000	265,000	-	243,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	3,854,620	3,854,620	3,971,747	117,127	3,799,634

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES					
Current					
General government					
Council					
Personal services	\$ 39,350	\$ 39,350	\$ 37,647	\$ 1,703	\$ 38,850
Supplies	1,000	1,000	1,052	(52)	101
Other services and charges	2,150	2,150	1,911	239	2,125
Total Council	42,500	42,500	40,610	1,890	41,076
Administration					
Personal services	155,200	155,200	131,987	23,213	139,631
Supplies	5,500	5,500	1,950	3,550	2,715
Other services and charges	49,640	49,640	64,560	(14,920)	50,959
Total administration	210,340	210,340	198,497	11,843	193,305
Elections					
Personal services	9,200	9,200	7,947	1,253	-
Supplies	1,000	1,000	463	537	-
Other services and charges	200	200	220	(20)	-
Total elections	10,400	10,400	8,630	1,770	-
Financial administration					
Other services and charges	84,000	84,000	84,000	-	84,000
Law					
Supplies	200	200	-	200	-
Other services and charges	35,900	75,900	80,411	(4,511)	54,740
Total law	36,100	76,100	80,411	(4,311)	54,740
Other general government					
Personal services	45,965	45,965	39,974	5,991	43,918
Supplies	18,550	18,550	35,511	(16,961)	21,509
Other services and charges	148,000	148,000	166,713	(18,713)	117,868
Total other general government	212,515	212,515	242,198	(29,683)	183,295
Total general government	595,855	635,855	654,346	(18,491)	556,416
Public safety					
Police					
Other services and charges	808,600	808,600	808,600	-	810,048
Fire					
Personal services	71,000	71,000	55,820	15,180	43,907
Supplies	76,000	76,000	80,967	(4,967)	73,929
Other services and charges	79,100	91,100	91,031	69	89,897
Total fire	226,100	238,100	227,818	10,282	207,733

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety - continued					
Building/planning/zoning/safety					
Personal services	\$ 98,950	\$ 98,950	\$ 86,520	\$ 12,430	\$ 134,504
Supplies	2,350	2,350	783	1,567	1,963
Other services and charges	60,100	60,100	49,402	10,698	10,464
Total building/planning/zoning/safety	161,400	161,400	136,705	24,695	146,931
Civil defense					
Supplies	6,500	10,000	8,628	1,372	-
Other services and charges	1,600	1,600	1,521	79	1,417
Total civil defense	8,100	11,600	10,149	1,451	1,417
Emergency management services					
Personal services	9,385	9,385	9,614	(229)	12,362
Animal control					
Supplies	700	700	242	458	398
Other services and charges	8,450	8,450	8,343	107	8,154
Total animal control	9,150	9,150	8,585	565	8,552
Insect control					
Supplies	10,500	10,500	4	10,496	10,780
Other services and charges	2,300	2,300	561	1,739	660
Total insect control	12,800	12,800	565	12,235	11,440
Total public safety	1,235,535	1,251,035	1,202,036	48,999	1,198,483
Public works					
Personal services	291,100	291,100	293,458	(2,358)	258,555
Supplies	180,100	180,100	196,572	(16,472)	154,409
Other services and charges	277,650	277,650	255,612	22,038	249,962
Total public works	748,850	748,850	745,642	3,208	662,926
Culture and recreation					
Personal services	248,600	288,250	290,552	(2,302)	233,124
Supplies	84,000	114,000	125,447	(11,447)	92,936
Other services and charges	228,950	189,300	209,217	(19,917)	173,479
Total culture and recreation	561,550	591,550	625,216	(33,666)	499,539

CITY OF LUVERNE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Conservation and development					
Supplies	\$ 21,200	\$ 21,200	\$ 19,305	\$ 1,895	\$ 17,779
Other services and charges	45,000	45,000	46,745	(1,745)	64,322
Total conservation and development	66,200	66,200	66,050	150	82,101
Total current	3,207,990	3,293,490	3,293,290	200	2,999,465
Capital outlay					
General government	20,000	160,000	9,750	150,250	-
Public safety	-	25,000	42,240	(17,240)	-
Culture and recreation	-	-	25,085	(25,085)	-
Conservation and development	-	181,000	181,000	-	22,500
Total capital outlay	20,000	366,000	258,075	107,925	22,500
Debt service					
Principal	13,000	13,000	13,000	-	11,000
Interest and other costs	280	280	276	4	787
Total debt service	13,280	13,280	13,276	4	11,787
TOTAL EXPENDITURES	3,241,270	3,672,770	3,564,641	108,129	3,033,752
OTHER FINANCING USES					
Transfers out	633,350	633,350	633,350	-	587,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,874,620	4,306,120	4,197,991	108,129	3,620,752
NET CHANGE IN FUND BALANCES	(20,000)	(451,500)	(226,244)	225,256	178,882
FUND BALANCES, JANUARY 1	3,016,105	3,016,105	3,016,105	-	2,837,223
FUND BALANCES, DECEMBER 31	<u>\$ 2,996,105</u>	<u>\$ 2,564,605</u>	<u>\$ 2,789,861</u>	<u>\$ 225,256</u>	<u>\$ 3,016,105</u>

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Debt Service Funds

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

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

Fire 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, 2016

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
ASSETS			
Cash and temporary investments	\$ 65,714	\$ 2,709	\$ 166,448
Receivables (net of allowance for uncollectibles)			
Accrued interest	82	1	163
Delinquent taxes	57	-	976
Intergovernmental	9	-	149
TOTAL ASSETS	\$ 65,862	\$ 2,710	\$ 167,736
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	\$ 57	\$ -	\$ 976
FUND BALANCES			
Restricted			
Debt service	65,805	2,710	166,760
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 65,862	\$ 2,710	\$ 167,736

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 381,761	\$ 34,748	\$ 108,658	\$ 9,765	\$ 769,803
697	29	85	-	1,057
885	264	737	-	2,919
52	37	116	-	363
<u>\$ 383,395</u>	<u>\$ 35,078</u>	<u>\$ 109,596</u>	<u>\$ 9,765</u>	<u>\$ 774,142</u>
\$ 885	\$ 264	\$ 737	\$ -	\$ 2,919
<u>382,510</u>	<u>34,814</u>	<u>108,859</u>	<u>9,765</u>	<u>771,223</u>
<u>\$ 383,395</u>	<u>\$ 35,078</u>	<u>\$ 109,596</u>	<u>\$ 9,765</u>	<u>\$ 774,142</u>

CITY OF LUVERNE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
REVENUES			
Taxes			
Property taxes	\$ 8,038	\$ -	\$ 131,291
Tax increments	23,339	7,785	-
Investment income	543	7	1,073
TOTAL REVENUES	<u>31,920</u>	<u>7,792</u>	<u>132,364</u>
EXPENDITURES			
Current			
Conservation and development			
Other services and charges	-	7,629	-
Debt service			
Principal	25,000	-	110,000
Interest and other costs	8,204	1,960	9,498
TOTAL EXPENDITURES	<u>33,204</u>	<u>9,589</u>	<u>119,498</u>
NET CHANGE IN FUND BALANCES	(1,284)	(1,797)	12,866
FUND BALANCES, JANUARY 1	<u>67,089</u>	<u>4,507</u>	<u>153,894</u>
FUND BALANCES, DECEMBER 31	<u>\$ 65,805</u>	<u>\$ 2,710</u>	<u>\$ 166,760</u>

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 45,340	\$ 32,690	\$ 101,595	\$ -	\$ 318,954
-	-	-	23,447	54,571
4,603	191	566	1	6,984
49,943	32,881	102,161	23,448	380,509
-	-	-	-	7,629
110,000	25,000	88,000	-	358,000
4,800	5,953	6,989	13,683	51,087
114,800	30,953	94,989	13,683	416,716
(64,857)	1,928	7,172	9,765	(36,207)
447,367	32,886	101,687	-	807,430
<u>\$ 382,510</u>	<u>\$ 34,814</u>	<u>\$ 108,859</u>	<u>\$ 9,765</u>	<u>\$ 771,223</u>

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Internal Service Funds

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

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

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

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

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

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

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2016 AND 2015

	701		702	
	Central Garage		Central Store	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 64,180	\$ 114,600	\$ 218,852	\$ 211,180
Receivables (net of allowance for uncollectibles)				
Accrued interest	312	455	467	425
Accounts, net	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	64,492	115,055	219,319	211,605
NONCURRENT ASSETS				
Loans receivable - noncurrent	-	-	-	-
Capital assets				
Buildings	166,433	166,433	59,701	59,701
Improvements	79,763	79,763	-	-
Machinery and equipment	155,095	89,432	146,997	146,997
Total capital assets	401,291	335,628	206,698	206,698
Less accumulated depreciation	(151,638)	(127,317)	(193,645)	(189,821)
TOTAL NONCURRENT ASSETS	249,653	208,311	13,053	16,877
TOTAL ASSETS	314,145	323,366	232,372	228,482
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	33,852	7,190	11,565	2,498
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	976	1,253	-	-
Wages and related benefits payable	957	656	322	210
Compensated absences payable - current	5,103	4,768	2,106	2,248
TOTAL CURRENT LIABILITIES	7,036	6,677	2,428	2,458
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	10,806	9,713	12,823	12,220
Other postemployment benefits liability	3,659	3,660	1,591	1,591
Pension liability	94,106	60,783	32,150	21,121
TOTAL NONCURRENT LIABILITIES	108,571	74,156	46,564	34,932
TOTAL LIABILITIES	115,607	80,833	48,992	37,390
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	10,538	10,163	3,600	3,531
NET POSITION				
Investment in capital assets	249,653	208,311	13,053	16,877
Unrestricted	(27,801)	31,249	178,292	173,182
TOTAL NET POSITION	\$ 221,852	\$ 239,560	\$ 191,345	\$ 190,059

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2016	2015	2016	2015	2016	2015
\$ 196,344	\$ 197,425	\$ 318,271	\$ 291,504	\$ 411,766	\$ 496,128
390	369	647	693	1,247	1,246
-	-	-	-	19	146
-	-	4,280	3,651	-	-
-	-	-	-	-	86
-	-	-	-	6,802	6,554
<u>196,734</u>	<u>197,794</u>	<u>323,198</u>	<u>295,848</u>	<u>419,834</u>	<u>504,160</u>
-	-	76,326	94,876	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	301,054	226,514
-	-	-	-	301,054	226,514
-	-	-	-	(225,846)	(197,351)
-	-	76,326	94,876	75,208	29,163
<u>196,734</u>	<u>197,794</u>	<u>399,524</u>	<u>390,724</u>	<u>495,042</u>	<u>533,323</u>
-	-	-	-	74,696	15,539
-	-	(649)	42,738	8,657	2,183
-	-	-	-	2,163	1,396
-	-	-	-	12,496	13,867
-	-	(649)	42,738	23,316	17,446
-	-	-	-	78,210	71,669
-	-	-	-	6,605	6,225
-	-	-	-	207,650	131,369
-	-	-	-	292,465	209,263
-	-	(649)	42,738	315,781	226,709
-	-	-	-	23,252	21,965
-	-	-	-	75,208	29,163
<u>196,734</u>	<u>197,794</u>	<u>400,173</u>	<u>347,986</u>	<u>155,497</u>	<u>271,025</u>
<u>\$ 196,734</u>	<u>\$ 197,794</u>	<u>\$ 400,173</u>	<u>\$ 347,986</u>	<u>\$ 230,705</u>	<u>\$ 300,188</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION - CONTINUED
DECEMBER 31, 2016 AND 2015

	706		Total	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 227,572	\$ 208,755	\$ 1,436,985	\$ 1,519,592
Receivables (net of allowance for uncollectibles)				
Accrued interest	-	-	3,063	3,188
Accounts, net	-	-	19	146
Loans	-	-	4,280	3,651
Due from other funds	-	-	-	86
Prepaid items	-	-	6,802	6,554
TOTAL CURRENT ASSETS	227,572	208,755	1,451,149	1,533,217
NONCURRENT ASSETS				
Loans receivable - noncurrent	-	-	76,326	94,876
Capital assets				
Buildings	-	-	226,134	226,134
Improvements	-	-	79,763	79,763
Machinery and equipment	-	-	603,146	462,943
Total capital assets	-	-	909,043	768,840
Less accumulated depreciation	-	-	(571,129)	(514,489)
TOTAL NONCURRENT ASSETS	-	-	414,240	349,227
TOTAL ASSETS	227,572	208,755	1,865,389	1,882,444
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	-	-	120,113	25,227
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	-	8,984	46,174
Wages and related benefits payable	-	-	3,442	2,262
Compensated absences payable - current	58,946	50,251	78,651	71,134
TOTAL CURRENT LIABILITIES	58,946	50,251	91,077	119,570
NONCURRENT LIABILITIES				
Compensated absences payable (net of current portion)	168,626	158,504	270,465	252,106
Other postemployment benefits liability	-	-	11,855	11,476
Pension liability	-	-	333,906	213,273
TOTAL NONCURRENT LIABILITIES	168,626	158,504	616,226	476,855
TOTAL LIABILITIES	227,572	208,755	707,303	596,425
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	-	-	37,390	35,659
NET POSITION				
Investment in capital assets	-	-	337,914	254,351
Unrestricted	-	-	902,895	1,021,236
TOTAL NET POSITION	\$ -	\$ -	\$ 1,240,809	\$ 1,275,587

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	701		702	
	Central Garage		Central Store	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services	\$ 168,400	\$ 158,870	\$ 50,100	\$ 46,575
Pension revenue	366	-	125	-
Other income	-	-	-	-
TOTAL OPERATING REVENUES	168,766	158,870	50,225	46,575
OPERATING EXPENSES				
Personal services	105,964	102,668	37,364	36,897
Supplies	34,336	31,959	-	-
Other services and charges	16,511	15,696	8,681	8,754
Depreciation	24,321	12,778	3,824	3,918
Pension expense	7,402	(2,753)	2,156	(492)
TOTAL OPERATING EXPENSES	188,534	160,348	52,025	49,077
OPERATING INCOME (LOSS)	(19,768)	(1,478)	(1,800)	(2,502)
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,060	3,128	3,086	2,925
CHANGE IN NET POSITION	(17,708)	1,650	1,286	423
NET POSITION, JANUARY	239,560	237,910	190,059	189,636
NET POSITION, DECEMBER 31	\$ 221,852	\$ 239,560	\$ 191,345	\$ 190,059

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2016	2015	2016	2015	2016	2015
\$ -	\$ -	\$ 137,088	\$ 137,473	\$ 385,000	\$ 352,500
-	-	-	-	807	-
-	-	55,804	57,279	300	-
-	-	192,892	194,752	386,107	352,500
-	-	-	-	225,420	211,091
-	-	-	-	39,233	33,394
3,638	2,474	145,423	315,486	151,352	170,860
-	-	-	-	28,495	22,938
-	-	-	-	19,218	(5,229)
3,638	2,474	145,423	315,486	463,718	433,054
(3,638)	(2,474)	47,469	(120,734)	(77,611)	(80,554)
2,578	2,538	4,718	5,352	8,128	8,812
(1,060)	64	52,187	(115,382)	(69,483)	(71,742)
197,794	197,730	347,986	463,368	300,188	371,930
<u>\$ 196,734</u>	<u>\$ 197,794</u>	<u>\$ 400,173</u>	<u>\$ 347,986</u>	<u>\$ 230,705</u>	<u>\$ 300,188</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total	
	2016	2015
OPERATING REVENUES		
Charges for services	\$ 740,588	\$ 695,418
Pension revenue	1,298	-
Other income	56,104	57,279
TOTAL OPERATING REVENUES	797,990	752,697
OPERATING EXPENSES		
Personal services	368,748	350,656
Supplies	73,569	65,353
Other services and charges	325,605	513,270
Depreciation	56,640	39,634
Pension expense	28,776	(8,474)
TOTAL OPERATING EXPENSES	853,338	960,439
OPERATING INCOME (LOSS)	(55,348)	(207,742)
NONOPERATING REVENUES (EXPENSES)		
Investment income	20,570	22,755
CHANGE IN NET POSITION	(34,778)	(184,987)
NET POSITION, JANUARY	1,275,587	1,460,574
NET POSITION, DECEMBER 31	\$ 1,240,809	\$ 1,275,587

CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	701 Central Garage		702 Central Store	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received (paid) from interfund services provided	\$ 168,400	\$ 158,870	\$ 50,100	\$ 46,575
Cash paid to suppliers	(58,526)	(44,738)	(10,837)	(8,262)
Cash paid to and on behalf of employees	(96,834)	(106,865)	(34,635)	(37,548)
Other receipts	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,040	7,267	4,628	765
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	(65,663)	(113,576)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,203	3,220	3,044	2,942
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,420)	(103,089)	7,672	3,707
CASH AND CASH EQUIVALENTS, JANUARY 1	114,600	217,689	211,180	207,473
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 64,180	\$ 114,600	\$ 218,852	\$ 211,180
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (19,768)	\$ (1,478)	\$ (1,800)	\$ (2,502)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	24,321	12,778	3,824	3,918
(Increase) decrease in assets				
Accounts receivable	-	-	-	-
Prepaid items	-	-	-	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(26,662)	2,487	(9,067)	797
Increase (decrease) in liabilities				
Accounts payable	(277)	164	-	-
Wages and related benefits payable	301	(2,934)	112	(919)
Compensated absences payable	1,428	1,237	461	650
Other postemployment benefits liability	(1)	253	-	110
Pension liability	33,323	803	11,029	698
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	375	(6,043)	69	(1,987)
Total adjustments	32,808	8,745	6,428	3,267
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 13,040	\$ 7,267	\$ 4,628	\$ 765

703		704		705	
Worker's Comp Insurance		Property and Casualty Insurance		Data Processing	
2016	2015	2016	2015	2016	2015
\$ -	\$ -	\$ 155,009	\$ 149,695	\$ 385,127	\$ 352,728
(3,638)	(2,474)	(188,810)	(273,487)	(203,577)	(198,354)
-	-	-	-	(199,885)	(218,185)
-	-	55,804	57,279	300	-
(3,638)	(2,474)	22,003	(66,513)	(18,035)	(63,811)
-	-	-	-	86	(86)
-	-	-	-	(74,540)	(14,167)
2,557	2,560	4,764	5,435	8,127	8,986
(1,081)	86	26,767	(61,078)	(84,362)	(69,078)
197,425	197,339	291,504	352,582	496,128	565,206
<u>\$ 196,344</u>	<u>\$ 197,425</u>	<u>\$ 318,271</u>	<u>\$ 291,504</u>	<u>\$ 411,766</u>	<u>\$ 496,128</u>
\$ (3,638)	\$ (2,474)	\$ 47,469	\$ (120,734)	\$ (77,611)	\$ (80,554)
-	-	-	-	28,495	22,938
-	-	17,921	12,222	127	228
-	-	-	-	(248)	(234)
-	-	-	-	(59,157)	5,271
-	-	(43,387)	41,999	6,474	905
-	-	-	-	767	(5,882)
-	-	-	-	5,170	3,707
-	-	-	-	380	310
-	-	-	-	76,281	2,386
-	-	-	-	1,287	(12,886)
-	-	(25,466)	54,221	59,576	16,743
<u>\$ (3,638)</u>	<u>\$ (2,474)</u>	<u>\$ 22,003</u>	<u>\$ (66,513)</u>	<u>\$ (18,035)</u>	<u>\$ (63,811)</u>

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CITY OF LUVERNE, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	706		Total	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received (paid) from interfund services provided	\$ 18,817	\$ (19,125)	\$ 777,453	\$ 688,743
Cash paid to suppliers	-	-	(465,388)	(527,315)
Cash paid to and on behalf of employees	-	-	(331,354)	(362,598)
Other receipts	-	-	56,104	57,279
	<u>18,817</u>	<u>(19,125)</u>	<u>36,815</u>	<u>(143,891)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	18,817	(19,125)	36,815	(143,891)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	-	86	(86)
	<u>-</u>	<u>-</u>	<u>86</u>	<u>(86)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(140,203)	(127,743)
	<u>-</u>	<u>-</u>	<u>(140,203)</u>	<u>(127,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	-	20,695	23,143
	<u>-</u>	<u>-</u>	<u>20,695</u>	<u>23,143</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,817	(19,125)	(82,607)	(248,577)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>208,755</u>	<u>227,880</u>	<u>1,519,592</u>	<u>1,768,169</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 227,572</u>	<u>\$ 208,755</u>	<u>\$ 1,436,985</u>	<u>\$ 1,519,592</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ -	\$ (55,348)	\$ (207,742)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	56,640	39,634
(Increase) decrease in assets				
Accounts receivable	-	-	18,048	12,450
Prepaid items	-	-	(248)	(234)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	-	-	(94,886)	8,555
Increase (decrease) in liabilities				
Accounts payable	-	-	(37,190)	43,068
Wages and related benefits payable	-	-	1,180	(9,735)
Compensated absences payable	18,817	(19,125)	25,876	(13,531)
Other postemployment benefits liability	-	-	379	673
Pension liability	-	-	120,633	3,887
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	-	-	1,731	(20,916)
	<u>-</u>	<u>-</u>	<u>92,163</u>	<u>63,851</u>
Total adjustments	18,817	(19,125)	92,163	63,851
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 18,817</u>	<u>\$ (19,125)</u>	<u>\$ 36,815</u>	<u>\$ (143,891)</u>

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Agency Funds

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

CITY OF LUVERNE, MINNESOTA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Lewis and Clark				
ASSETS				
Cash and investments	\$ 539	\$ 9,706,568	\$ 9,706,561	\$ 546
Receivables				
Accrued interest	1	1	1	1
TOTAL ASSETS	<u>\$ 540</u>	<u>\$ 9,706,569</u>	<u>\$ 9,706,562</u>	<u>\$ 547</u>
LIABILITIES				
Amounts held for others	<u>\$ 540</u>	<u>\$ 9,706,569</u>	<u>\$ 9,706,562</u>	<u>\$ 547</u>

CITY OF LUVERNE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total 2016	Total 2015	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 2,129,564	\$ 1,957,562	8.79 %
Special assessments	1,440	3,290	(56.23)
Licenses and permits	102,415	81,861	25.11
Intergovernmental	1,694,863	1,737,431	(2.45)
Charges for services	815,494	797,945	2.20
Investment earnings	94,251	99,033	(4.83)
Miscellaneous	50,635	46,083	9.88
TOTAL REVENUES	\$ 4,888,662	\$ 4,723,205	3.50 %
Per Capita	\$ 1,039	\$ 1,004	3.44 %
EXPENDITURES			
Current			
General government	\$ 658,464	\$ 566,236	16.29 %
Public safety	1,202,036	1,198,483	0.30
Public works	1,036,027	1,094,617	(5.35)
Culture and recreation	1,150,222	1,031,291	11.53
Conservation and development	107,378	101,837	5.44
Capital outlay			
General government	183,360	-	N/A
Public safety	53,125	559,176	(90.50)
Public works	20,346	500,496	(95.93)
Culture and recreation	877,486	299,534	192.95
Conservation and development	470,500	101,580	363.18
Debt service			
Principal	415,555	407,556	1.96
Interest and other costs	63,121	40,419	56.17
TOTAL EXPENDITURES	\$ 6,237,620	\$ 5,901,225	5.70 %
Per Capita	\$ 1,325	\$ 1,255	5.63 %
Total Long-term Indebtedness	\$ 2,084,592	\$ 2,500,147	(16.62) %
Per Capita	443	531	(16.67)
General Fund Balance - December 31	\$ 2,789,861	\$ 3,016,105	(7.50) %
Per Capita	593	641	(7.56)

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

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STATISTICAL SECTION - (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year			
	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	\$ 13,271,546	\$ 12,307,033	\$ 11,182,230	\$ 11,065,650
Restricted	525,969	550,208	567,138	587,971
Unrestricted	<u>3,090,941</u>	<u>3,957,806</u>	<u>4,727,475</u>	<u>4,487,164</u>
Total governmental activities net position	<u>16,888,456</u>	<u>16,815,047</u>	<u>16,476,843</u>	<u>16,140,785</u>
Business-type activities				
Net investment in capital assets	16,235,902	16,740,004	15,422,740	14,733,982
Restricted	646,362	653,486	581,148	458,951
Unrestricted	<u>15,128,146</u>	<u>14,086,518</u>	<u>15,908,264</u>	<u>15,769,947</u>
Total business-type activities net position	<u>32,010,410</u>	<u>31,480,008</u>	<u>31,912,152</u>	<u>30,962,880</u>
Primary government				
Net investment in capital assets	29,507,448	29,047,037	26,604,970	25,799,632
Restricted	1,172,331	1,203,694	1,148,286	1,046,922
Unrestricted	<u>18,219,087</u>	<u>18,044,324</u>	<u>20,635,739</u>	<u>20,257,111</u>
Total primary government net position	<u>\$ 48,898,866</u>	<u>\$ 48,295,055</u>	<u>\$ 48,388,995</u>	<u>\$ 47,103,665</u>

Table 1

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 9,974,182	\$ 9,126,886	\$ 9,512,985	\$ 9,054,791	\$ 7,046,069	\$ 5,856,980
628,498	529,057	238,855	303,330	-	-
4,602,307	4,531,553	4,255,703	4,188,264	3,830,245	3,951,808
15,204,987	14,187,496	14,007,543	13,546,385	10,876,314	9,808,788
14,204,393	13,721,426	13,334,878	13,836,826	13,567,002	13,901,572
347,944	304,281	360,405	330,653	327,878	329,838
16,134,235	15,178,390	14,030,207	12,459,832	12,017,572	10,907,412
30,686,572	29,204,097	27,725,490	26,627,311	25,912,452	25,138,822
24,178,575	22,848,312	22,847,863	22,891,617	20,613,071	19,758,552
976,442	833,338	599,260	633,983	327,878	329,838
20,736,542	19,709,943	18,285,910	16,648,096	15,847,817	14,859,220
<u>\$ 45,891,559</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>

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

	Fiscal Year			
	2016	2015	2014	2013
EXPENSES				
Governmental activities				
General government	\$ 822,399	\$ 740,424	\$ 694,390	\$ 700,138
Public safety	1,383,689	1,340,427	1,264,489	1,114,561
Public works	1,493,996	1,413,265	1,378,361	1,470,237
Culture and recreation	1,395,743	1,240,431	1,508,418	1,117,074
Conservation and development	168,604	178,251	103,906	94,351
Interest on long-term debt	61,752	39,290	50,251	81,184
Total governmental activities expenses	5,326,183	4,952,088	4,999,815	4,577,545
Business-type activities				
Water	1,443,922	1,191,766	1,107,274	1,021,691
Sewer	1,222,964	1,083,254	1,017,470	1,048,553
Refuse and recycling	426,934	432,952	399,265	415,337
Electric	7,832,218	7,037,621	6,899,422	6,080,534
Storm sewer	84,515	76,623	82,267	75,106
Liquor	1,262,957	1,254,848	1,185,261	1,112,630
Total business-type activities expenses	12,273,510	11,077,064	10,690,959	9,753,851
Total primary government expenses	\$ 17,599,693	\$ 16,029,152	\$ 15,690,774	\$ 14,331,396
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	\$ 47,927	\$ 47,489	\$ 63,052	\$ 62,121
Public safety	275,960	244,720	282,266	232,798
Public works/streets	341,565	354,595	354,203	373,403
Culture and recreation	234,982	215,718	205,624	177,144
Conservation and development	24,442	23,917	28,534	31,043
Operating grants and contributions	84,938	63,292	389,345	164,929
Capital grants and contributions	250,817	256,705	62,178	743,378
Total governmental activities program revenues	1,260,631	1,206,436	1,385,202	1,784,816
Business-type activities				
Charges for services				
Water	1,461,940	1,366,341	1,237,390	1,067,966
Sewer	1,380,388	1,326,216	1,256,889	1,220,933
Refuse and recycling	609,330	578,251	554,170	540,006
Electric	8,103,676	7,469,297	7,445,013	6,577,653
Storm sewer	89,221	88,482	87,815	87,094
Liquor	1,340,720	1,313,720	1,249,159	1,178,689
Operating grants and contributions	3,072	-	21,780	72,654
Capital grants and contributions	17,077	-	-	360
Total business-type activities program revenues	13,005,424	12,142,307	11,852,216	10,745,355
Total primary government program revenues	\$ 14,266,055	\$ 13,348,743	\$ 13,237,418	\$ 12,530,171

Table 2

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 635,951	\$ 637,217	\$ 621,043	\$ 636,689	\$ 634,193	\$ 294,379
1,166,584	1,121,294	1,157,952	1,068,857	1,078,790	1,032,340
1,263,739	1,255,146	1,221,999	1,092,130	1,047,566	1,321,735
932,997	901,766	879,739	934,358	1,575,747	1,135,804
86,198	318,480	90,220	59,119	289,590	627,427
159,403	122,743	156,189	203,159	234,153	219,301
<u>4,244,872</u>	<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>
949,208	834,782	988,222	1,855,956	1,721,554	857,826
875,392	835,648	897,768	878,326	871,325	813,265
437,194	420,554	417,189	392,343	543,640	392,639
5,769,226	5,923,359	5,962,493	5,550,824	5,071,016	4,944,833
76,250	82,298	79,293	60,026	77,398	61,746
1,077,729	1,016,858	987,460	965,470	908,574	815,535
<u>9,184,999</u>	<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>\$ 13,429,871</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>
\$ 47,492	\$ 51,817	\$ 54,073	\$ 38,069	\$ 26,265	\$ 7,173
384,318	263,000	260,206	237,608	246,744	250,049
316,630	321,368	244,489	153,865	175,655	132,862
196,480	216,383	227,713	224,637	229,545	229,665
24,442	24,442	17,854	17,657	14,613	-
35,506	34,568	38,862	39,290	712,075	229,941
781,163	226,957	564,245	1,980,096	1,470,636	202,179
<u>1,786,031</u>	<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>
1,227,239	1,250,747	1,204,587	1,160,826	1,110,832	1,103,663
1,263,396	1,212,028	1,135,984	1,072,722	954,163	889,890
543,122	541,011	516,125	500,956	486,419	457,880
6,318,544	6,415,879	6,356,768	6,067,045	6,157,909	5,575,623
87,038	86,745	86,861	88,809	88,914	84,065
1,186,644	1,103,616	1,064,495	1,029,748	972,412	882,122
-	-	-	-	-	-
150,540	7,882	7,580	366,994	777	2,849
<u>10,776,523</u>	<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>\$ 12,562,554</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>

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

	Fiscal Year			
	2016	2015	2014	2013
PROGRAM REVENUES - CONTINUED				
Net (expense)/revenue				
Governmental activities	\$ (4,065,552)	\$ (3,745,652)	\$ (3,614,613)	\$ (2,792,729)
Business-type activities	731,914	1,065,243	1,161,257	991,504
Total primary government net expense	<u>\$ (3,333,638)</u>	<u>\$ (2,680,409)</u>	<u>\$ (2,453,356)</u>	<u>\$ (1,801,225)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 1,280,684	\$ 1,196,242	\$ 1,056,987	\$ 1,056,683
Property taxes, levied for debt service	316,673	308,832	380,489	326,215
Tax increments	54,568	29,917	33,976	32,424
Franchise and other taxes	472,291	426,010	440,570	372,560
Grants and contributions not restricted to specific programs	1,389,617	1,443,086	1,383,294	1,264,952
Unrestricted investment earnings	117,254	119,826	125,689	33,647
Other	-	-	1,921	46
Gain on sale of capital assets	52,874	-	12,745	-
Transfers	455,000	953,000	515,000	642,000
Total governmental activities	<u>4,138,961</u>	<u>4,476,913</u>	<u>3,950,671</u>	<u>3,728,527</u>
Business-type activities				
Taxes				
Property taxes, levied for debt service	40,384	49,956	50,007	25,131
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings (loss)	208,532	210,178	253,008	(99,048)
Other	72	-	-	721
Gain on sale of capital assets	4,500	3,250	-	-
Transfers	(455,000)	(953,000)	(515,000)	(642,000)
Total business-type activities	<u>(201,512)</u>	<u>(689,616)</u>	<u>(211,985)</u>	<u>(715,196)</u>
Total primary government	<u>\$ 3,937,449</u>	<u>\$ 3,787,297</u>	<u>\$ 3,738,686</u>	<u>\$ 3,013,331</u>
CHANGES IN NET POSITION				
Governmental activities	\$ 73,409	\$ 731,261	\$ 336,058	\$ 935,798
Business-type activities	530,402	375,627	949,272	276,308
Total primary government	<u>\$ 603,811</u>	<u>\$ 1,106,888</u>	<u>\$ 1,285,330</u>	<u>\$ 1,212,106</u>

Table 2 (continued)

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ (2,458,841)	\$ (3,218,111)	\$ (2,719,700)	\$ (1,303,090)	\$ (1,984,506)	\$ (3,579,117)
1,591,524	1,504,409	1,039,975	584,155	577,919	1,110,248
<u>\$ (867,317)</u>	<u>\$ (1,713,702)</u>	<u>\$ (1,679,725)</u>	<u>\$ (718,935)</u>	<u>\$ (1,406,587)</u>	<u>\$ (2,468,869)</u>
\$ 906,331	\$ 743,688	\$ 630,953	\$ 527,783	\$ 476,338	\$ 549,975
406,876	316,141	297,383	264,863	257,244	190,364
34,335	34,107	54,927	582,235	83,523	298,583
405,670	388,611	386,493	385,254	368,586	331,415
1,280,652	1,420,670	1,310,452	1,726,083	1,347,398	1,512,055
143,948	162,832	193,500	212,134	253,153	324,057
-	15	150	20	40	-
-	-	-	-	1,750	8,900
337,000	332,000	307,000	274,789	264,000	313,935
<u>3,514,812</u>	<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>
24,976	21,276	20,793	41,077	41,115	40,519
1,500	4,225	4,508	8,748	9,070	9,654
236,262	280,084	329,144	355,025	391,504	509,217
809	613	754	643	450	324
1,000	-	10,005	-	17,572	500
(337,000)	(332,000)	(307,000)	(274,789)	(264,000)	(313,935)
<u>(72,453)</u>	<u>(25,802)</u>	<u>58,204</u>	<u>130,704</u>	<u>195,711</u>	<u>246,279</u>
<u>\$ 3,442,359</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>
\$ 1,055,971	\$ 179,953	\$ 461,158	\$ 2,670,071	\$ 1,067,526	\$ (49,833)
1,519,071	1,478,607	1,098,179	714,859	773,630	1,356,527
<u>\$ 2,575,042</u>	<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>

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

Table 3

Fiscal Year	Property Taxes		Tax Increments	Hotel/motel Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service				
2016	\$ 1,280,684	\$ 316,673	\$ 54,568	\$ 2,791	\$ 469,500	\$ 2,124,216
2015	1,196,242	308,832	29,917	2,804	423,206	1,961,001
2014	1,056,987	380,489	33,976	2,466	438,104	1,912,022
2013	1,056,683	326,215	32,424	2,267	370,293	1,787,882
2012	906,331	406,876	34,335	1,675	403,995	1,753,212
2011	743,688	316,141	34,107	887	387,724	1,482,547
2010	630,953	297,383	54,927	1,382	385,111	1,369,756
2009	527,783	264,863	582,235	1,411	383,843	1,760,135
2008	476,338	257,244	83,523	1,516	367,070	1,185,691
2007	549,975	190,364	298,583	1,102	330,313	1,370,337

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General fund					
Nonspendable	\$ 407,450	\$ 403,441	\$ 434,528	\$ 684,954	\$ 562,938
Restricted (Reserved 2007 - 2010)	-	13,276	11,510	11,744	12,475
Committed	25,000	25,000	25,000	-	-
Assigned	862,771	841,600	837,965	1,089,532	1,092,661
Unassigned (Unreserved 2007 - 2010)	<u>1,494,640</u>	<u>1,732,788</u>	<u>1,528,220</u>	<u>901,811</u>	<u>970,948</u>
Total General fund	<u>\$ 2,789,861</u>	<u>\$ 3,016,105</u>	<u>\$ 2,837,223</u>	<u>\$ 2,688,041</u>	<u>\$ 2,639,022</u>
All other governmental funds					
Nonspendable	\$ 7,063	\$ 11,534	\$ 12,992	\$ 14,251	\$ 15,703
Restricted (Reserved 2007 - 2010)	771,223	807,430	853,040	1,738,030	2,702,629
Committed	569,692	747,782	894,112	591,396	588,008
Assigned	375,926	395,696	565,094	820,198	954,094
Unassigned (Unreserved 2007 - 2010)	<u>(518,718)</u>	<u>(142,416)</u>	<u>(101,310)</u>	<u>(158,809)</u>	<u>(112,546)</u>
Total all other governmental funds	<u>\$ 1,205,186</u>	<u>\$ 1,820,026</u>	<u>\$ 2,223,928</u>	<u>\$ 3,005,066</u>	<u>\$ 4,147,888</u>

Table 4

Fiscal Year				
2011	2010	2009	2008	2007
\$ 369,411	\$ -	\$ -	\$ -	\$ -
12,475	98,993	111,289	124,158	115,834
-	-	-	-	-
1,198,528	-	-	-	-
823,652	2,045,119	1,807,922	1,719,558	1,647,475
<u>\$ 2,404,066</u>	<u>\$ 2,144,112</u>	<u>\$ 1,919,211</u>	<u>\$ 1,843,716</u>	<u>\$ 1,763,309</u>
\$ 10,600	\$ -	\$ -	\$ -	\$ -
1,040,741	2,744,408	3,309,341	2,804,471	4,173,832
593,502	-	-	-	-
1,175,513	-	-	-	-
(141,160)	(291,564)	(12,074)	(77,393)	(89,529)
<u>\$ 2,679,196</u>	<u>\$ 2,452,844</u>	<u>\$ 3,297,267</u>	<u>\$ 2,727,078</u>	<u>\$ 4,084,303</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
REVENUES					
Taxes	\$ 2,074,993	\$ 1,927,656	\$ 1,878,388	\$ 1,747,314	\$ 1,732,568
Tax increments	54,571	29,906	34,090	32,324	36,878
Licenses and permits	102,415	81,861	115,962	60,107	190,435
Intergovernmental revenue	1,694,863	1,737,431	1,806,070	1,786,108	1,267,456
Charges for services	815,494	797,945	685,052	683,794	674,013
Fines and forfeits	-	-	-	-	-
Special assessments	1,440	3,290	5,570	12,344	36,450
Investment income	94,251	99,033	98,943	12,440	125,033
Miscellaneous	50,635	46,083	180,484	181,096	945,409
TOTAL REVENUES	4,888,662	4,723,205	4,804,559	4,515,527	5,008,242
EXPENDITURES					
General government	658,464	566,236	543,492	567,495	544,639
Public safety	1,202,036	1,198,483	1,140,298	1,061,326	1,095,648
Public works	1,036,027	1,094,617	1,038,500	1,138,848	857,251
Culture and recreation	1,150,222	1,031,291	1,259,812	897,318	774,622
Conservation and development	107,378	101,837	94,172	84,617	76,464
Capital outlay	1,604,817	1,460,786	909,258	1,346,191	1,740,549
Debt service					
Principal	415,555	407,556	320,556	484,556	476,592
Interest and other costs	63,121	40,419	58,172	104,979	140,829
TOTAL EXPENDITURES	6,237,620	5,901,225	5,364,260	5,685,330	5,706,594
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,348,958)	(1,178,020)	(559,701)	(1,169,803)	(698,352)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	52,874	-	12,745	-	-
Transfers in	1,108,350	1,560,000	1,515,730	1,124,052	770,391
Debt issued	-	-	-	444,000	2,065,000
Payment to refunded bonds escrow agent	-	-	(600,000)	(1,010,000)	-
Discount on debt issued	-	-	-	-	-
Transfers out	(653,350)	(607,000)	(1,000,730)	(482,052)	(433,391)
TOTAL OTHER FINANCING SOURCES (USES)	507,874	953,000	(72,255)	76,000	2,402,000
NET CHANGE IN FUND BALANCES	\$ (841,084)	\$ (225,020)	\$ (631,956)	\$ (1,093,803)	\$ 1,703,648
Debt service as a percentage of noncapital expenditures	10.41%	10.57%	8.60%	13.75%	15.51%

Table 5

		Fiscal Year							
		2011	2010	2009	2008	2007			
\$	1,443,061	\$	1,314,969	\$	1,172,406	\$	1,100,367	\$	1,069,838
	33,921		55,063		580,734		82,339		298,583
	90,228		86,731		74,615		83,811		93,379
	1,530,290		1,856,285		2,896,500		3,026,344		1,880,230
	679,870		646,568		519,666		547,458		498,282
	-		125		-		3,998		4,231
	78,422		92,247		90,642		120,824		122,951
	140,776		170,990		186,006		223,953		291,435
	305,198		109,113		447,415		99,652		71,675
	<u>4,301,766</u>		<u>4,332,091</u>		<u>5,967,984</u>		<u>5,288,746</u>		<u>4,330,604</u>
	506,873		492,799		506,956		524,751		532,040
	1,049,164		1,081,976		999,236		1,004,243		919,894
	812,308		757,228		853,957		929,518		705,603
	779,066		690,957		755,843		973,238		953,373
	316,435		89,471		58,321		158,537		291,330
	302,717		1,095,426		1,719,849		2,468,972		1,561,826
	287,059		839,212		643,208		554,123		437,419
	117,222		190,205		208,482		217,932		238,748
	<u>4,170,844</u>		<u>5,237,274</u>		<u>5,745,852</u>		<u>6,831,314</u>		<u>5,640,233</u>
	<u>130,922</u>		<u>(905,183)</u>		<u>222,132</u>		<u>(1,542,568)</u>		<u>(1,309,629)</u>
	-		-		-		1,750		95,800
	694,250		1,265,757		837,407		579,780		756,449
	23,384		758,106		136,552		-		996,498
	-		(775,000)		-		-		-
	-		(4,445)		-		-		(6,728)
	<u>(362,250)</u>		<u>(958,757)</u>		<u>(550,407)</u>		<u>(315,780)</u>		<u>(460,449)</u>
	<u>355,384</u>		<u>285,661</u>		<u>423,552</u>		<u>265,750</u>		<u>1,381,570</u>
\$	<u>486,306</u>	\$	<u>(619,522)</u>	\$	<u>645,684</u>	\$	<u>(1,276,818)</u>	\$	<u>71,941</u>
	10.38%		24.56%		21.88%		18.15%		15.95%

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

Table 6

Fiscal Year	Property Tax	Tax Increments	Lodging Tax	Franchise Tax	Total
2016	\$ 1,602,702	\$ 54,571	\$ 2,791	\$ 469,500	\$ 2,129,564
2015	1,501,646	29,906	2,804	423,206	1,957,562
2014	1,437,818	34,090	2,466	438,104	1,912,478
2013	1,374,754	32,324	2,267	370,293	1,779,638
2012	1,326,898	36,878	1,675	403,995	1,769,446
2011	1,054,450	33,921	887	387,724	1,476,982
2010	928,476	55,063	1,382	385,111	1,370,032
2009	787,152	580,734	1,411	383,843	1,753,140
2008	731,781	82,339	1,516	367,070	1,182,706
2007	738,423	298,583	1,102	330,313	1,368,421

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		
2016	\$ 183,103,200	\$ 68,062,100	\$ 251,165,300	\$ 2,303,900
2015	177,085,400	66,899,100	243,984,500	2,329,100
2014	174,316,900	64,474,900	238,791,800	2,314,900
2013	172,954,500	55,081,900	228,036,400	2,095,500
2012	170,174,100	52,878,800	223,052,900	1,661,500
2011	164,819,700	53,222,700	218,042,400	1,594,400
2010	163,085,500	51,206,100	214,291,600	1,389,800
2009	153,483,600	47,989,700	201,473,300	1,280,800
2008	147,434,000	45,013,700	192,447,700	967,200
2007	140,643,100	43,509,000	184,152,100	942,800

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
\$ 253,469,200	62.804	\$ 2,668,442	1.05 %
246,313,600	61.747	2,559,719	1.04
241,106,700	60.862	2,443,937	1.01
230,131,900	63.367	2,478,201	1.08
224,714,400	62.705	2,237,520	1.00
219,636,800	52.095	2,195,236	1.00
215,681,400	47.736	2,509,154	1.16
202,754,100	45.697	2,465,847	1.22
193,414,900	44.548	2,304,913	1.19
185,094,900	43.652	2,193,676	1.19

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
2016	49.436	13.368	62.804	18.441	1.263	19.704
2015	47.160	14.587	61.747	17.890	1.206	19.096
2014	42.726	18.136	60.862	17.459	1.285	18.744
2013	47.921	15.446	63.367	22.842	1.638	24.480
2012	42.870	19.835	62.705	28.310	0.834	29.144
2011	37.705	14.390	52.095	28.570	0.885	29.455
2010	31.109	16.627	47.736	27.586	0.839	28.425
2009	27.908	17.789	45.697	31.229	0.965	32.194
2008	26.960	17.588	44.548	32.564	1.056	33.620
2007	28.342	15.310	43.652	34.161	1.143	35.304

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
5.002	6.545	11.547	0.130	94.185
3.886	6.743	10.629	0.118	91.590
3.681	7.063	10.744	0.121	90.471
4.014	9.503	13.517	0.155	101.519
4.971	11.031	16.002	0.182	108.033
5.996	11.089	17.085	0.325	98.960
4.654	10.783	15.437	0.324	91.922
5.339	13.299	18.638	0.387	96.916
5.105	14.875	19.980	0.425	98.573
5.325	16.194	21.519	0.464	100.939

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016</u>		
		<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
Agri-Energy, LLC	Ethanol production	\$ 274,789	1	10.3 %
Grandstay (Luverne Hotel Partners, LLC)	Hotel	54,458	2	2.0
Midwest Fire (Rock River Properties, LLC)	Fire truck manufacturer	35,150	3	1.3
Good Samaritan Society - Oak Apartments	Congregate care facility	34,600	4	1.3
RCT Properties - Luverne	Groceries	30,775	5	1.2
Sanford Hospital - Luverne	Hospital	30,550	6	1.1
Luverne Economic Development Authority	Commercial property	29,836	7	1.1
Herman Motors	Auto sales	29,712	8	1.1
Shopko Hometown	Retail	26,308	9	1.0
Papik Motors	Auto sales	25,636	10	1.0
Eagle Broadcasting, Inc	Communications	-	-	-
Total Card, Inc.	Credit card processing	-	-	-
Luverne Townhome Rental Properties LLC	Apartment Buildings	-	-	-
SWMN Farmers Coop	Grain elevator	-	-	-
	Total	<u>\$ 571,814</u>		<u>21.4 %</u>

Source: Rock County Assessor

Table 9

2007		
<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
\$ 93,746	1	4.3 %
-	-	-
-	-	-
34,600	2	1.6
26,460	6	1.2
30,528	4	1.4
27,274	5	1.2
-	-	-
22,778	7	1.0
-	-	-
30,780	3	1.4
19,150	8	0.9
15,822	9	0.7
<u>15,751</u>	10	<u>0.7</u>
<u>\$ 316,889</u>		<u>14.4 %</u>

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

Table 10

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 1,633,623	\$ 1,623,984	99.4 %	\$ -	\$ 1,623,984	99.4 %
2015	1,555,190	1,539,732	99.0	14,285	1,554,017	99.9
2014	1,484,357	1,475,215	99.4	8,150	1,483,365	99.9
2013	1,414,586	1,404,941	99.3	8,912	1,413,853	99.9
2012	1,348,740	1,345,705	99.8	2,481	1,348,186	100.0
2011	1,284,454	1,267,946 ⁽¹⁾	98.7	16,295	1,284,241	100.0
2010	1,144,019	1,132,487	99.0	11,532	1,144,019	100.0
2009	1,016,155	1,002,671	98.7	13,484	1,016,155	100.0
2008	944,746	934,084	98.9	10,662	944,746	100.0
2007	841,545	826,511	98.2	15,034	841,545	100.0

(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
2016	\$ 1,040,000	\$ 400,000	\$ 233,696	\$ 274,000	\$ 135,591	\$ 5,651,337
2015	1,175,000	510,000	258,482	375,000	180,147	6,167,581
2014	1,310,000	620,000	283,268	468,000	224,703	6,576,154
2013	1,445,000	1,320,000	313,054	479,000	269,259	4,201,322
2012	2,620,000	1,548,651	342,839	45,000	313,815	5,114,895
2011	1,340,000	1,150,000	382,500	55,000	362,907	2,660,000
2010	1,490,000	1,235,000	387,500	65,000	376,582	4,735,000
2009	1,635,000	1,475,000	942,500	74,000	283,688	3,060,000
2008	1,770,000	1,910,000	982,500	83,000	171,344	3,260,000
2007	1,900,000	2,105,000	1,182,500	91,000	192,467	3,455,000

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

Table 11

	Total Primary Government	Percentage of Personal Income		Per Capita
\$	7,734,624	N/A %	\$	1,643
	8,666,210	3.69		1,842
	9,482,125	4.27		2,016
	8,027,635	3.55		1,704
	9,985,200	4.28		2,120
	5,950,407	2.74		1,261
	8,289,082	4.33		1,747
	7,470,188	4.39		1,631
	8,176,844	4.62		1,780
	8,925,967	5.96		1,942

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
2016	\$ 1,314,000	\$ 310,433	\$ 1,003,567	0.38 %	\$ 213
2015	1,550,000	288,467	1,261,533	0.49	268
2014	1,778,000	270,433	1,507,567	0.62	320
2013	1,924,000	189,607	1,734,393	0.70	368
2012	2,665,000	1,239,959	1,425,041	0.64	303
2011	1,395,000	223,822	1,171,178	0.53	248
2010	1,555,000	200,207	1,354,793	0.54	286
2009	1,709,000	183,491	1,525,509	0.62	333
2008	1,853,000	166,775	1,686,225	0.73	367
2007	1,991,000	145,042	1,845,958	0.84	402

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, 2016

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>\$ 2,083,287</u>	100.00 %	<u>\$ 2,083,287</u>
Overlapping debt			
Rock County	10,395,738	10.24	1,064,524
Independent School District #2184	<u>1,815,000</u>	18.24	<u>331,056</u>
Total overlapping debt	<u>12,210,738</u>		<u>1,395,580</u>
Total direct and overlapping debt	<u>\$ 14,294,025</u>		<u>\$ 3,478,867</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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt limit	\$ 7,604,076	\$ 7,389,408	\$ 7,233,201	\$ 7,233,201	\$ 6,903,957
Total net debt applicable to limit	<u>1,314,000</u>	<u>1,550,000</u>	<u>1,778,000</u>	<u>1,924,000</u>	<u>2,665,000</u>
Legal debt margin	<u>\$ 6,290,076</u>	<u>\$ 5,839,408</u>	<u>\$ 5,455,201</u>	<u>\$ 5,309,201</u>	<u>\$ 4,238,957</u>
Total net debt applicable to the limit as a percentage of debt limit	17.28%	20.98%	24.58%	26.60%	38.60%

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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 6,741,432	\$ 6,589,104	\$ 6,470,442	\$ 6,082,623	\$ 3,868,298
<u>1,395,000</u>	<u>1,555,000</u>	<u>1,709,000</u>	<u>1,853,000</u>	<u>1,991,000</u>
<u>\$ 5,346,432</u>	<u>\$ 5,034,104</u>	<u>\$ 4,761,442</u>	<u>\$ 4,229,623</u>	<u>\$ 1,877,298</u>
20.69%	23.60%	26.41%	30.46%	51.47%

Legal Debt Margin Calculation for Fiscal Year 2016

Estimated Market Value (2016/2017)	\$ 253,469,200
A) Debt Limit 3.0% of estimated market value	7,604,076
Total Bonded Debt	<u>7,599,033</u>
B) Deductions	
General obligation improvement bonds	400,000
General obligation tax increment bonds	233,696
General obligation revenue bonds	<u>5,651,337</u>
Total Deductions	<u>6,285,033</u>
Net Debt applicable to debt limit	
General obligation debt	1,040,000
General obligation equipment certificates	<u>274,000</u>
Total Net Debt applicable to debt limit	<u>1,314,000</u>
Legal Debt Margin	<u>\$ 6,290,076</u>
Percent of Debt Margin not used	82.72%

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

Table 15A

Year	Utility Revenue Bonds						Coverage
	Gross Revenue ⁽³⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			
				Principal	Interest	Total	
2016	\$ 2,960,798	\$ 1,718,316	\$ 1,242,482	\$ 515,000	\$ 138,486	\$ 653,486	1.90
2015	2,831,053	1,373,320	1,457,733	410,000	171,148	581,148	2.51
2014	2,683,177	1,219,764	1,463,413	395,000	63,951	458,951	3.19
2013	2,266,817	1,364,963	901,854	255,000	92,945	347,945	2.59
2012	2,781,250	1,231,918	1,549,332	245,000	59,280	304,280	5.09
2011	2,618,747	1,158,072	1,460,675	225,000	96,448	321,448	4.54
2010	2,524,189	1,190,867	1,333,322	210,000	120,563	330,563	4.03
2009	2,714,686	1,204,639	1,510,047	200,000	127,877	327,877	4.61
2008	2,302,534	1,123,343	1,179,191	195,000	134,838	329,838	3.58
2007	2,305,965	1,071,943	1,234,022	150,000	131,405	281,405	4.39

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	
2016	\$ 373,525	\$ 6,984	\$ 380,509	\$ 371,000	\$ 51,363	\$ 422,363	0.90
2015	352,801	7,631	360,432	363,000	37,751	400,751	0.90
2014	427,618	10,503	438,121	276,000	54,017	330,017	1.33
2013	369,722	985	370,707	430,000	101,383	531,383	0.70
2012	459,985	110,605	570,590	427,500	101,816	529,316	1.08
2011	415,458	199,590	615,048	427,500	99,511	527,011	1.17
2010	297,971	211,723	509,694	250,000	108,811	358,811	1.42
2009	271,767	740,052	1,011,819	389,000	189,392	578,392	1.75
2008	263,636	262,825	526,461	384,000	205,345	589,345	0.89
2007	297,441	484,654	782,095	533,000	188,839	721,839	1.08

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
2016	4,707	N/A	N/A	42.9	33.2 %	1,250	2.4 %
2015	4,704	235,016,544	49,961	43.8	27.8	1,193	2.2
2014	4,704	222,113,472	47,218	43.6	28	1,195	2.4
2013	4,710	226,249,560	48,036	44.2	28	1,209	3.5
2012	4,709	233,354,495	49,555	41.7	28	1,177	3.9
2011	4,719	217,456,239	46,081	41.7	28	1,216	4.6
2010	4,745	191,223,500	40,300	41.7	19.6	1,191	5.2
2009	4,579	170,059,481	37,139	42.6	19.6	1,187	5.5
2008	4,593	177,014,220	38,540	42.6	19.6	1,193	3.9
2007	4,597	149,807,036	32,588	42.6	19.6	1,195	3.2

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

	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sanford Hospital - Luverne	262	1	11.26 %	190	2	7.47 %
Independent School District No. 2184	217	2	8.58	245	1	9.63
Gold 'N Plump	215	3	8.45	130	4	5.11
Minnesota Veterans Home	189	4	7.39	166	3	6.52
Mary Jane Brown Good Samaritan Home	106	5	5.07	107	5	4.20
Rock County	91	6	4.60	105	7	4.13
City of Luverne	86	7	4.90	106	6	4.17
Continental Western Group	57	8	4.44	104	8	4.09
Papik Motors	54	9	2.15	40	10	1.57
Total Card Inc	53	10	1.90	-	-	-
Sanford Clinic Luverne	-	-	-	50	9	1.96
Total	1,330		58.74 %	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				
	2016	2015	2014	2013	2012
General government	2.53	2.70	2.61	2.92	3.23
Public safety					
Fire					
Firefighters and officers	1.69	1.44	2.28	1.81	2.47
Building official	1.00	1.79	1.12	1.00	1.00
Streets and highways	3.94	3.62	4.00	3.67	3.05
Sanitation	1.42	1.57	1.67	2.01	2.93
Culture and recreation					
Parks	4.70	3.82	3.86	3.28	3.05
Library	-	-	-	-	-
Swimming pool	8.28	8.26	8.01	6.34	7.02
Housing and economic development	1.00	1.04	1.00	1.00	0.77
Water	3.31	3.60	3.30	3.36	3.10
Sewer	4.44	4.77	4.50	4.49	4.26
Electric	2.23	2.28	2.24	2.38	2.77
Liquor - off sale	2.69	3.00	2.91	2.92	2.82
Central garage	1.18	1.23	1.20	1.20	0.99
Central store	0.50	0.52	0.50	0.11	0.50
Data processing	2.08	2.04	1.98	1.58	2.66
Total	40.99	41.68	41.18	38.07	40.62

Source: Finance Department

Table 18

Full-time Equivalent Employees as of December 31					
2011	2010	2009	2008	2007	
2.81	3.14	2.83	3.95	3.53	
2.09	2.76	1.85	2.26	2.26	
1.00	1.00	1.00	1.00	1.01	
3.10	3.27	3.29	3.44	3.45	
2.90	2.90	2.73	2.84	2.89	
3.05	3.25	3.37	3.18	3.54	
-	-	-	3.12	3.34	
6.75	6.31	6.35	6.47	6.78	
0.84	1.00	0.52	0.82	0.70	
3.13	3.18	3.49	3.40	3.13	
4.28	4.35	3.56	3.77	4.26	
2.57	2.57	2.77	2.57	2.68	
2.46	2.49	2.44	2.33	2.47	
1.16	1.16	0.95	1.01	1.02	
0.50	0.50	0.50	0.50	0.51	
2.96	2.62	2.61	2.58	2.58	
<u>39.60</u>	<u>40.50</u>	<u>38.26</u>	<u>43.24</u>	<u>44.15</u>	

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

Function	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Physical arrests	72	54	111	91	68
Parking violations	-	-	-	2	-
Traffic violations	63	94	123	187	46
Fire					
Number of calls answered	68	69	86	75	84
Building/zoning					
Permits issued	257	239	190	211	245
Inspections	642	689	722	812	1,082
Sanitation					
Refuse collected annually	1,637	1,563	1,450	1,351	1,273
Recyclables collected annually	338	416	416	416	338
Airport					
Aviation fuel sales (gallons)	19,100	19,003	16,176	17,997	16,978
Jet fuel (gallons)	19,053	27,248	17,061	24,443	13,284
Culture and recreation					
Library circulation	-	-	-	-	-
Pool and fitness center					
Attendance	82,402	78,845	75,375	68,374	76,043
Memberships	717	633	824	849	800
Water					
Average daily consumption	757,454	689,825	756,436	739,627	673,306
Wastewater					
Average daily sewage treatment	1,306,000	867,500	941,000	827,000	913,000
Electric					
Kilowatt hours sold	89,171,456	80,979,831	85,733,095	68,828,422	73,454,715
Liquor					
Annual sales	\$ 1,345,872	\$ 1,319,620	\$ 1,252,183	\$ 1,175,086	\$ 1,182,830

Sources: Various government departments

Table 19

Fiscal Year				
2011	2010	2009	2008	2007
140	168	107	137	160
52	27	43	144	71
191	257	93	201	142
92	89	59	86	60
241	242	228	211	292
1,124	1,103	1,135	1,300	1,331
1,458	1,483	1,560	1,526	1,496
312	312	312	312	312
16,183	15,789	10,120	7,770	7,877
18,632	11,867	-	-	-
-	-	-	99,004	96,945
78,296	79,218	81,867	82,556	80,513
917	968	1,300	1,142	1,179
900,218	984,170	1,053,119	1,110,155	902,749
1,337,000	1,162,917	942,000	1,137,000	1,099,000
76,389,496	77,318,682	74,411,632	74,785,319	79,688,930
\$ 1,097,579	\$ 1,058,949	\$ 1,025,544	\$ 968,556	\$ 878,367

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

Function	Fiscal Year				
	2016	2015	2014	2013	2012
Public Safety					
Fire					
Stations	1	1	1	1	1
Part-time paid	40	37	35	37	36
Hydrants	222	222	222	222	222
I.S.O. Rating	4	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	734	719	715	715	715
Signalized intersections	2	2	2	2	2
Parks division					
Neighborhood parks	14	13	13	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	2,032	2,039	2,040	2,035	2,027
Average daily consumption	757,454	689,825	648,782	739,627	673,306
Total gallons sold	226,670,250	219,878,250	209,151,000	172,229,250	220,937,250
Total gallons pumped	276,470,951	251,786,260	236,156,828	269,599,000	246,430,043
Storage capacity	3,050,000	3,050,000	2,700,000	2,700,000	2,700,000
Miles of water main	35	35	35	35	35
Municipal water treatment					
Type of treatment					
Users	2,002	2,005	2,002	1,998	1,992
Average daily use	1,306,000	867,000	941,000	827,000	913,000
Peak demand	2,221,000	1,285,000	6,617,000	1,593,000	1,309,000
Maximum design capacity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total volume	478,441,000	316,581,000	343,458,000	302,670,000	334,096,000
Miles of sanitary sewer	35	35	35	35	35
Storm Drains:					
Miles of storm sewer	11	11	11	11	11.1
Parking system					
Off-street parking lots	3	2	2	2	2
Employees					
Full-time	29	28	29	28	27
Part-time	57	56	51	44	44
Volunteer Firemen	40	37	34	37	36
Election judges	30	-	20	-	29
Total employees	156	121	134	109	136

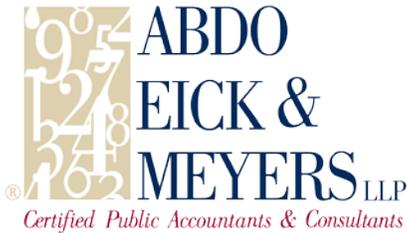
Source: City of Luverne Financial Records.

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

Table 20

Fiscal Year					
2011	2010	2009	2008	2007	
1	1	1	1	1	1
36	37	35	38	36	36
222	222	221	215	220	220
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	709	697	697
2	2	2	2	2	2
12	12	12	12	12	12
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	2,019	2,026	2,019	2,015	2,015
900,218	984,170	1,053,119	1,110,155	902,749	902,749
245,908,500	277,651,250	282,381,000	273,746,750	275,533,250	275,533,250
328,579,720	359,222,119	384,388,552	405,206,416	353,916,660	353,916,660
2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
35	35	35	35	34	34
1,990	1,989	1,996	1,988	1,983	1,983
1,337,000	1,162,917	942,000	1,137,000	1,099,000	1,099,000
3,315,000	2,413,000	1,419,000	1,782,000	1,740,000	1,740,000
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
488,573,000	425,067,000	343,402,000	416,314,000	401,550,000	401,550,000
35	35	35	35	34	34
11.1	11.1	11.1	11.1	11.1	11.1
2	2	2	2	2	2
26	28	29	30	33	33
38	46	41	44	55	55
36	37	35	38	36	36
-	32	-	32	-	-
100	143	105	144	124	124

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Luverne, Minnesota (the City) as of and for the year ended December 31, 2016, 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 24, 2017.

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
Mankato, Minnesota
May 24, 2017



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, 2016, 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 24, 2017.

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
Mankato, Minnesota
May 24, 2017