

CITY OF LUVERNE
LUVERNE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

BARBARA J. BERGHORST
FINANCE DIRECTOR

City of Luverne, Minnesota
 Comprehensive Annual Financial Report
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May 18, 2018

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, 2017.

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, 2017, 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, 2017, 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 4,688. 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 35 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 122.

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. Rock County Implement made a \$4.1 million major addition and renovation to their implement dealership. Top Notch Car Wash started construction on a new car wash operation valued at \$250,000. In the downtown area an existing building, now the Mall on Main, was renovated at a cost of \$178,000 for three retail businesses and Rock County Eye Clinic purchased an adjacent building and invested \$220,000 in the space to expand their business operation. Residential development in 2017 included the construction of four single family homes, three twin homes and one triplex.

In June 2017 it was announced that Tru Shrimp, owned by Minnesota-based Ralco, would construct a \$50 million bio-secure shrimp production harbor. Once built it is expected to generate an estimated \$23 million annually in economic activity and provide employment directly and indirectly for 124 people. In November 2017 it was announced that an \$11 million shrimp hatchery would also be constructed in Luverne. This facility is expected to produce 20,000 pounds of shrimp per day of various sizes which is more than 50 percent of the nation's current aquaculture shrimp production.

Several local investors of property on Main Street participated in the façade improvement program offered by the Luverne Economic Development Authority, including Tyana's Boutique, Print Express and Rock County Historical Society. Quality Printing purchased a larger building to accommodate an expansion in their business operation and the EDA provided a \$25,000 GAP loan to help facilitate the expansion. The EDA also provided a \$50,000 forgivable loan to Luverne Brew Partners dba "Take 16 Brewing Co." to assist with the renovation of a portion of their building to provide a handicapped accessible Tap Room that will create two additional jobs and provide an additional destination for tourists and residents. The Luverne Economic Development Authority focuses its efforts on attracting businesses whose workforce and activities complement existing businesses and our local agricultural economy.

Long-term financial planning. The City Electric department is completing plans to construct a 22 MW substation in 2018, at a cost of \$3.4 million, near the Industrial Park on the west side of Luverne to meet future electric needs of the community for the next forty to fifty years. Plans are also underway to extend roads, water and sewer, at an estimated cost of \$2.57 million, through the Industrial Park in 2018 to allow access to a site selected by tru Shrimp for construction of a shrimp harbor and hatchery. The City was awarded a \$1.982 million BDPI grant to assist in financing the improvements. These improvements also provide access and utilities to other sites in the Industrial Park which allows for additional Industrial development.

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 \$19,984,616.

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 102 - 104.

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, 2016. 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

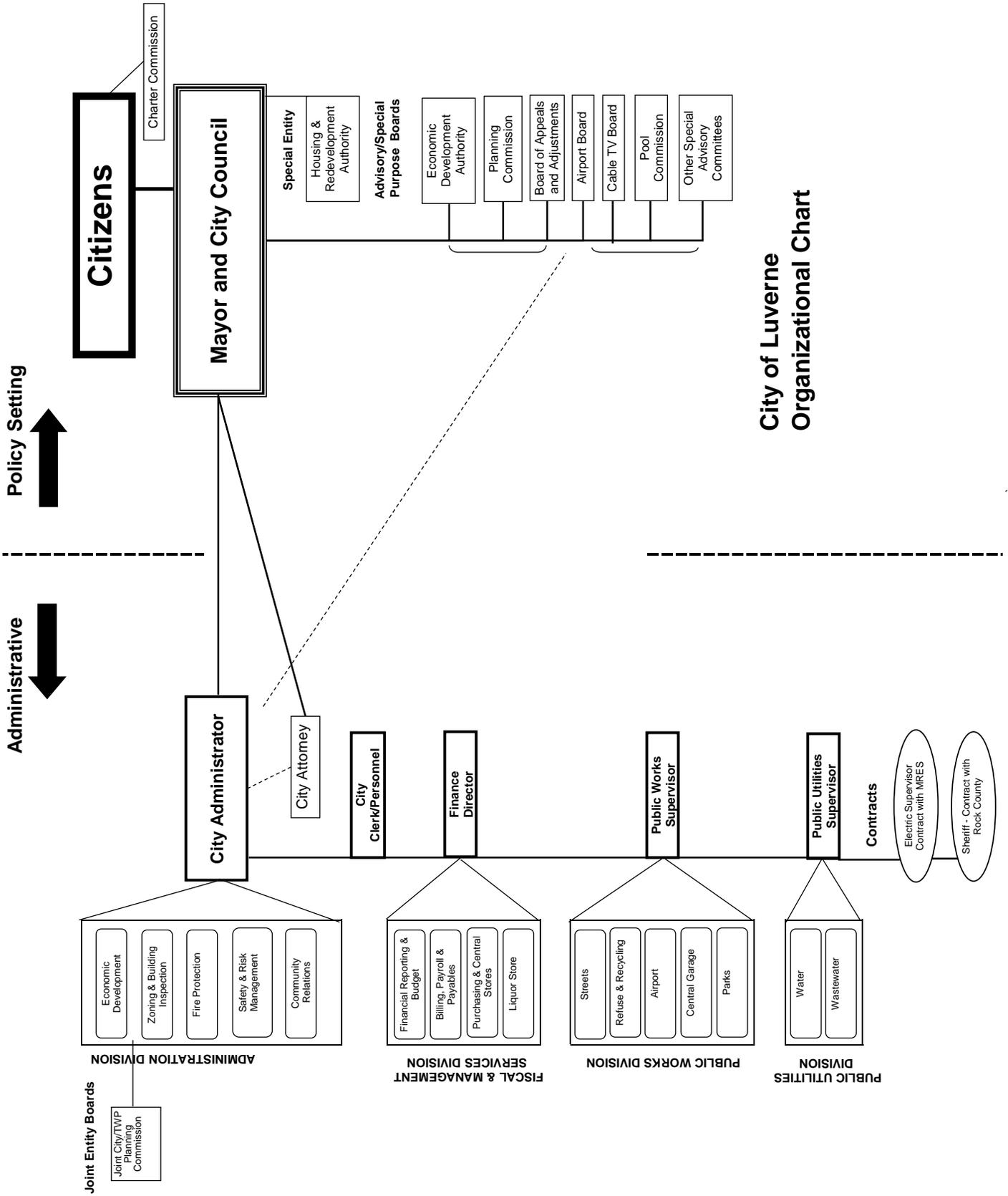
**City of Luverne
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO



**City of Luverne
Organizational Chart**

City of Luverne, Minnesota

List of Elected and Appointed Officials

For the Year Ended December 31, 2017

Mayor - City Council

Patrick T. Baustian
Caroline Thorson
Lori Hallstrom
Dan Nath
Kevin Aaker

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

City Administrator

John M. Call

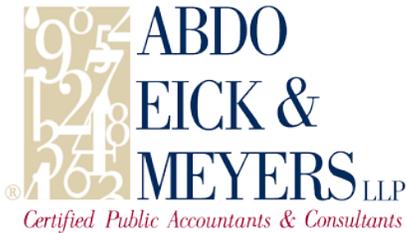
Finance Director

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed unmodified opinions on the respective proprietary fund financial statements in our report dated May 24, 2017. 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, 2016, 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 15 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 108 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

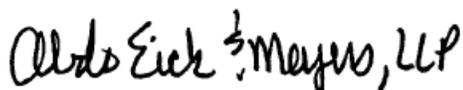
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for the purposes of 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.

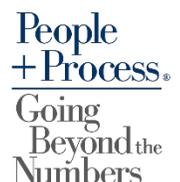
The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2018, 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 18, 2018


People
+ Process
Going
Beyond the
Numbers

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, 2017. 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 5 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 \$50,575,172 (*net position*). Of this amount, \$18,464,993 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,676,306 compared to an increase of \$603,811 in the prior year. This consistency with the prior year is mainly attributable to increased operating revenues and decreased operating expenses in business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,102,530, an increase of \$107,483 in comparison with the prior year. The fund balance in debt service funds decreased by \$68,762. The fund balance in the General fund decreased by \$301,565, primarily due to acquisition of blighted property for future redevelopment. The fund balance in other governmental funds increased by \$477,810 primarily as a result of transfers in to the Luverne Loop fund for future trail expansion. Approximately 6.8 percent of this total amount, \$280,134, 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 - \$771,293, 2) restricted - \$702,461, 3) committed - \$932,918, or 4) assigned - \$1,415,724 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

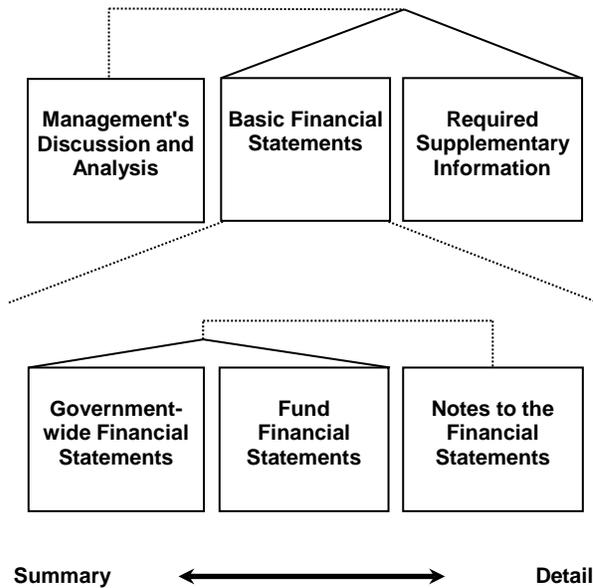


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 27 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 numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund (considered one fund for financial reporting) and the Sharkee's - Mert TIF Project fund, 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 31 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 36 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 56 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 57 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 108 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 114 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 \$50,575,172 at the close of the most recent fiscal year.

A large portion of the City's net position (61.2 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets									
Current and other assets	\$ 5,151,728	\$ 5,172,635	\$ (20,907)	\$ 18,438,754	\$18,586,170	\$ (147,416)	\$ 1,615,076	\$ 1,582,556	\$ 32,520
Capital assets	14,941,249	15,119,834	(178,585)	22,236,304	21,427,240	809,064	1,954,124	2,047,812	(93,688)
Total Assets	20,092,977	20,292,469	(199,492)	40,675,058	40,013,410	661,648	3,569,200	3,630,368	(61,168)
Deferred outflows of resources	308,260	470,153	(161,893)	252,811	412,414	(159,603)	16,797	27,623	(10,826)
Liabilities									
Long-term liabilities outstanding	2,792,047	3,334,973	(542,926)	6,515,710	7,222,305	(706,595)	74,277	85,878	(11,601)
Other liabilities	151,053	429,778	(278,725)	836,279	1,064,727	(228,448)	43,044	184,321	(141,277)
Total Liabilities	2,943,100	3,764,751	(821,651)	7,351,989	8,287,032	(935,043)	117,321	270,199	(152,878)
Deferred inflows of resources	240,722	109,415	131,307	218,123	128,382	89,741	14,492	8,599	5,893
Net Position									
Net investment in capital assets	13,471,402	13,271,546	199,856	17,486,209	16,305,902	1,180,307	1,954,124	1,947,249	6,875
Restricted	489,542	525,969	(36,427)	663,026	646,362	16,664	510,965	502,109	8,856
Unrestricted	3,256,471	3,090,941	165,530	15,208,522	15,058,146	150,376	989,095	929,835	59,260
Total Net Position	\$ 17,217,415	\$ 16,888,456	\$ 328,959	\$ 33,357,757	\$32,010,410	\$1,347,347	\$ 3,454,184	\$ 3,379,193	\$ 74,991

An additional portion of the City's net position (2.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (36.5 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 \$1,347,347 in net position reported in connection with the City's business-type activities. Charges for services/sales for business-type activities increased by \$963,317 or 7.6 percent. This increase is primarily related to an increase in electric consumption and rate increases of 13.1% for water and 4.8% for sewer.

Governmental activities. Governmental activities increased the City's net position by \$328,959 during the year, accounting for 19.6 percent of the total growth in the City's net position. Key elements of the various increases and decreases are as follows:

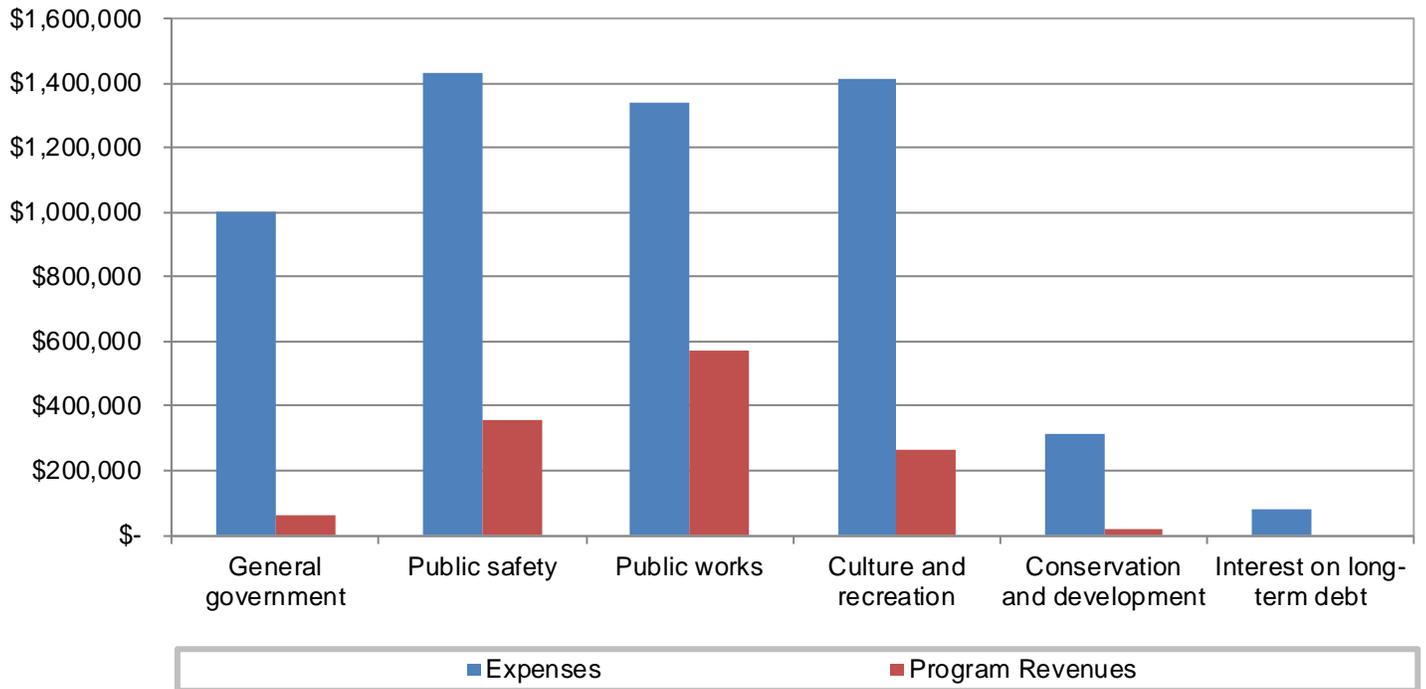
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues									
Program Revenues									
Charges for services	\$ 903,840	\$ 924,876	\$ (21,036)	\$ 13,948,592	\$ 12,985,275	\$ 963,317	\$ 229,521	\$ 166,670	\$ 62,851
Operating grants and contributions	125,039	84,938	40,101	271	3,072	(2,801)	9,669	189,709	(180,040)
Capital grants and contributions	247,806	250,817	(3,011)	-	17,077	(17,077)	-	-	-
General Revenues									
Property taxes/ tax increments	1,735,435	1,651,925	83,510	39,985	40,384	(399)	3,185	3,013	172
Other taxes	463,977	472,291	(8,314)	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,395,559	1,389,617	5,942	-	-	-	235,000	225,000	10,000
Unrestricted									
Investment earnings	84,982	117,254	(32,272)	116,210	208,532	(92,322)	10,834	23,250	(12,416)
Other	-	-	-	69	72	(3)	-	-	-
Gain on sale of capital assets	114,046	52,874	61,172	3,900	4,500	(600)	35,750	3,750	32,000
Total Revenues	5,070,684	4,944,592	126,092	14,109,027	13,258,912	850,115	523,959	611,392	(87,433)
Expenses									
General government	1,001,089	822,399	178,690	-	-	-	-	-	-
Public safety	1,433,581	1,383,689	49,892	-	-	-	-	-	-
Public works	1,339,809	1,493,996	(154,187)	-	-	-	-	-	-
Culture and recreation	1,414,610	1,395,743	18,867	-	-	-	-	-	-
Conservation and development	312,278	168,604	143,674	-	-	-	-	-	-
Interest on long-term debt	81,451	61,752	19,699	-	-	-	-	-	-
Water	-	-	-	1,406,116	1,443,922	(37,806)	-	-	-
Sewer	-	-	-	1,181,106	1,222,964	(41,858)	-	-	-
Refuse and recycling	-	-	-	482,629	426,934	55,695	-	-	-
Electric	-	-	-	7,486,480	7,832,218	(345,738)	-	-	-
Storm sewer	-	-	-	102,129	84,515	17,614	-	-	-
Liquor	-	-	-	1,262,127	1,262,957	(830)	-	-	-
Economic development	-	-	-	-	-	-	448,968	582,652	(133,684)
Total Expenses	5,582,818	5,326,183	256,635	11,920,587	12,273,510	(352,923)	448,968	582,652	(133,684)
Increase in Net Position									
Before Transfers	(512,134)	(381,591)	(130,543)	2,188,440	985,402	1,203,038	74,991	28,740	46,251
Transfers	841,093	455,000	386,093	(841,093)	(455,000)	(386,093)	-	-	-
Change in Net Position	328,959	73,409	255,550	1,347,347	530,402	816,945	74,991	28,740	46,251
Net Position, January 1	16,888,456	16,815,047	73,409	32,010,410	31,480,008	530,402	3,379,193	3,350,453	28,740
Net Position, December 31	\$ 17,217,415	\$ 16,888,456	\$ 328,959	\$ 33,357,757	\$ 32,010,410	\$ 1,347,347	\$ 3,454,184	\$ 3,379,193	\$ 74,991

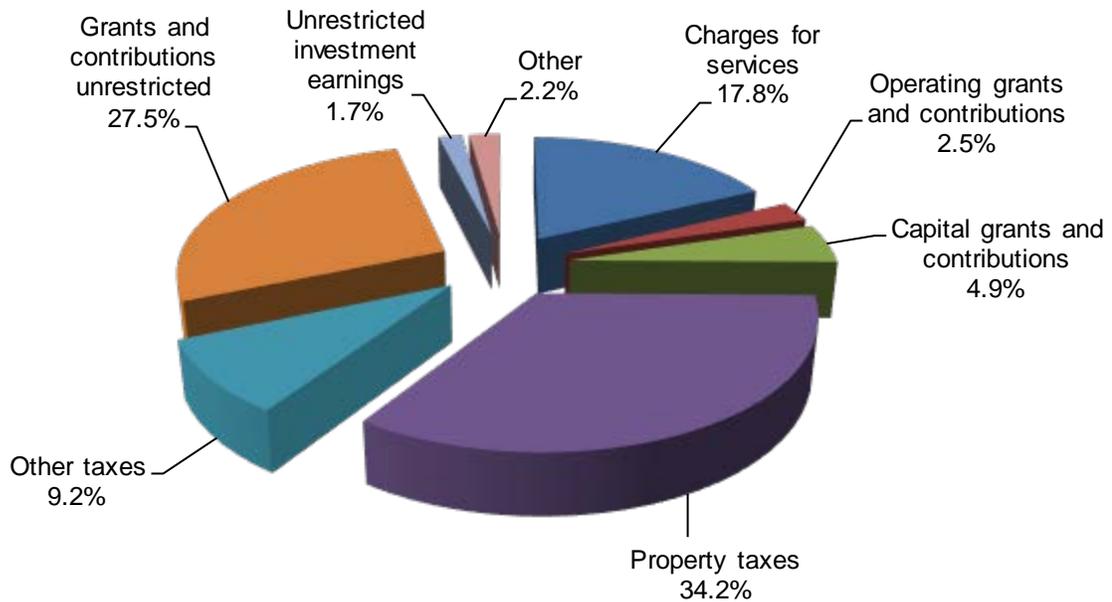
Property tax levies increased by \$83,770 (5.1 percent) during the year.

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

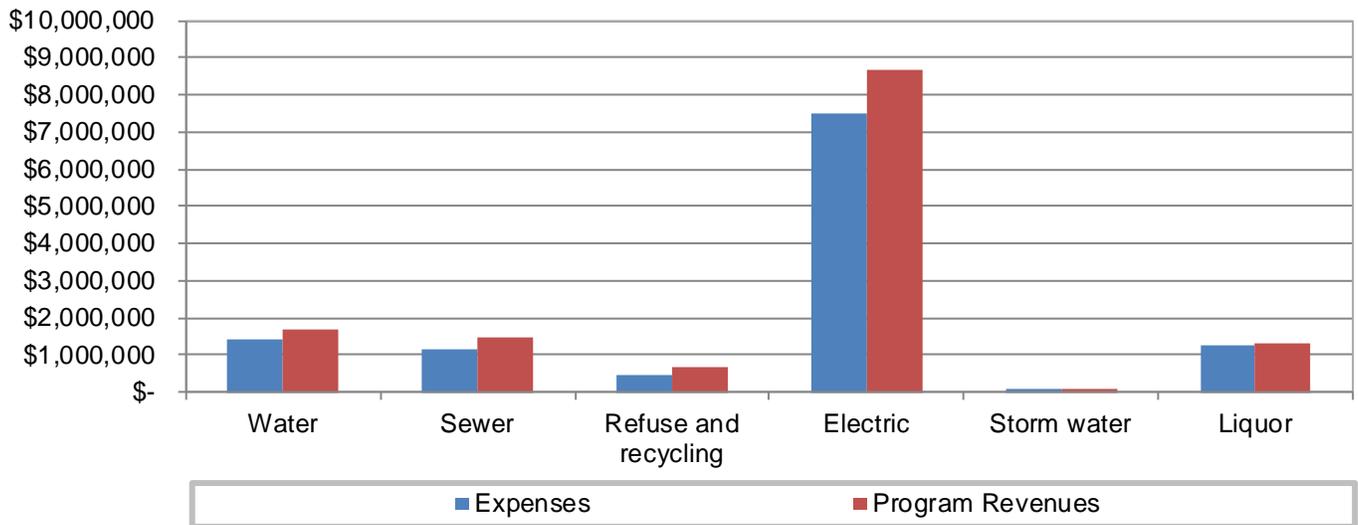


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

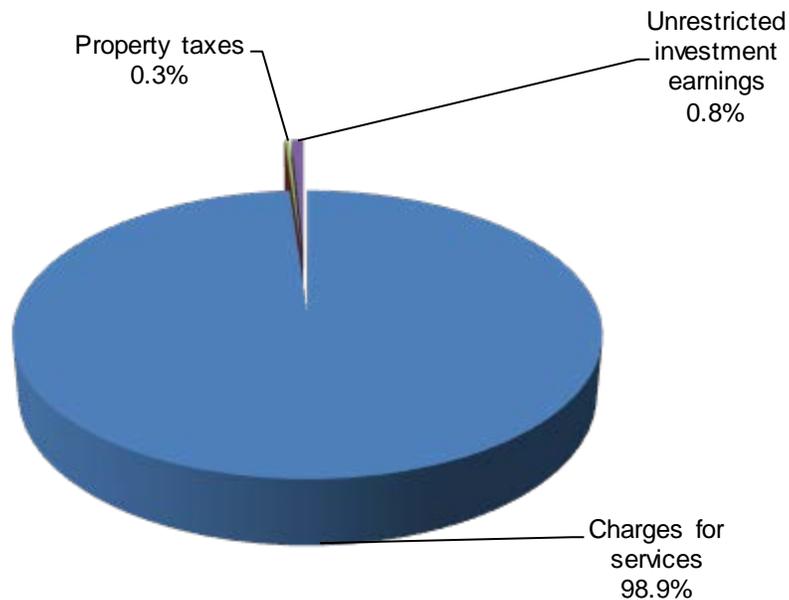
Business-type activities. Business-type activities increased the City's net position by \$1,347,347, accounting for 80.4 percent of the total growth in the City's net position. This is greater than the previous year's increase of \$530,402. Key elements of this increase are as follows:

- Operating revenue for business-type activities increased by \$947,942 while operating expenses decreased by \$314,297. Utility revenue increased primarily due to increased consumption of electric and water as well as a water rate increase of 13.1% and an increase of 4.8% for sewer rates. In addition Refuse fund revenue increased by \$49,440 over the prior year.
- Transfers from proprietary funds to other funds increased by \$155,000 in 2017 and a one-time transfer of \$200,000 was made from the Data Processing internal service fund to the Luverne Loop capital project fund as well as a transfer of \$31,093 to the General fund as a loan for the acquisition of PEG access 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 \$809,533, while total fund balance reached \$2,488,296. 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 21.5 percent of total General fund expenditures, while total fund balance represents 66.2 percent of that same amount.

The fund balance of the City's General fund decreased by \$301,565 during the current fiscal year. The key factor in this is the acquisition of blighted property for future redevelopment.

The *Debt Service fund* has a total fund balance of \$702,461, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$68,762 during the current year in the Debt Service fund was primarily due to regularly scheduled principal and interest payments.

The Sharkee's – Merts TIF Project has a total fund balance deficit of \$281,513 a decrease of \$104,921. The decrease is due to site preparation costs which will be paid back with future increments.

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 \$1,128,789. 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 \$3,807,546. Unrestricted net position of the Electric fund at the end of year amounted to \$8,262,400. Those for the Liquor Store operation amounted to \$435,940. The total growth in net position for all enterprise funds was \$1,646,911.

General Fund Budgetary Highlights

The final amended budget for the General fund was an \$866,720 increase in appropriations to allow for the acquisition of blighted property for additional downtown parking and for future redevelopment (\$667,000), soil borings (\$40,000), legal fees for cable television franchise fees (\$30,000), additional engineering costs associated with Industrial Park development (\$45,000), maintenance at the Palace Theater (\$15,000), additional costs for the updated comprehensive plan (\$8,000), contract with the Chamber of Commerce for additional planning and coordination for the 105th anniversary of the City of Luverne (\$35,000), and improvements to the berm along the Rock River (\$26,720).

At the close of the year, General fund total expenditures were \$633,298 less than the final budget while actual revenues exceeded the final budget by \$24,044.

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, 2017, amounts to \$37,177,553 (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 include the following:

- Acquisition of nine blighted properties that were cleared with five for redevelopment and four to use as additional parking in the downtown area.
- The Street department purchased a 2017 John Deere Loader valued at \$170,986, a 2017 John Deere Grader valued at \$243,735 and a 2017 Wausau snow blower valued at \$175,536.
- The Park department acquired a 2017 Caterpillar multi terrain loader valued at \$58,240.
- The Fire department acquired a 2017 Chevy Suburban for \$53,097.
- The Luverne Area Aquatic and Fitness Center upgraded lighting for a cost of \$19,469.
- The City acquired, through eminent domain, property on Highway 75 for \$220,059 that is included in a TIF District for redevelopment.
- The Water department purchased a 2017 GMC pickup for \$26,658.
- The Refuse department purchased a 2017 Leaf Loader for \$55,074.
- The Electric department acquired land at a cost of \$358,000 to serve as the site of a new substation that will be constructed in 2018.
- The Electric department purchased a 2017 Ford Hi-Ranger truck for \$95,529.
- The Storm Sewer department made \$44,000 in improvements to the storm sewer system in various locations in the City.

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

	Primary Government								
	Governmental Activities			Business-type Activities			Component Unit Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 2,810,689	\$ 2,701,539	\$ 109,150	\$ 632,235	\$ 274,235	\$ 358,000	\$ 658,750	\$ 677,016	\$ (18,266)
Buildings	4,177,027	4,478,091	(301,064)	561,936	567,113	(5,177)	1,293,818	1,368,657	(74,839)
Improvements	5,361,217	5,625,663	(264,446)	20,071,466	19,798,305	273,161	-	-	-
Machinery and Equipment	2,366,351	2,119,514	246,837	799,506	787,587	11,919	1,556	2,139	(583)
Construction in Progress	225,965	195,027	30,938	171,161	-	171,161	-	-	-
Total	\$ 14,941,249	\$ 15,119,834	\$ (178,585)	\$ 22,236,304	\$ 21,427,240	\$ 809,064	\$ 1,954,124	\$ 2,047,812	\$ (93,688)

Additional information on the City's capital assets can be found in Note 3F starting on page 78 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,674,000. 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 900,000	\$ 1,040,000	\$ (140,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	205,000	235,000	(30,000)	-	-	-
G.O. Improvement Bonds	295,000	400,000	(105,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	5,090,000	5,605,000	(515,000)
Equipment Certificates	184,000	274,000	(90,000)	-	-	-
Notes/Loans	91,937	135,592	(43,655)	-	-	-
Total	\$ 1,675,937	\$ 2,084,592	\$ (408,655)	\$ 5,090,000	\$ 5,605,000	\$ (515,000)

The City's total debt decreased by \$923,655 or 12.0 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 \$6,305,408 which is in net of the City's outstanding general obligation debt and Equipment Certificates of \$1,084,000.

Additional information on the City's long-term debt can be found in Note 3G starting on page 82 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 2017 and the approved rate increases include a 1.5 percent increase for 2019 and 2020.
- 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 .71 percent.
- Tru Shrimp, owned by Minnesota based Ralco, announced in 2017 that they would invest \$100 million in a Shrimp harbor and hatchery on 60 acres in the City of Luverne Industrial Park. The hatchery will employ 20 people and the harbor will employ 60 people.

All of these factors were considered in preparing the City's budget for the 2018 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.

City of Luverne, Minnesota
Statement of Net Position
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 4,549,661	\$ 14,774,093	\$ 19,323,754	\$ 1,381,749
Receivables (net of allowance for uncollectibles)				
Accrued interest	16,038	32,906	48,944	5,064
Delinquent taxes	17,973	-	17,973	44
Accounts, net	36,069	1,435,639	1,471,708	-
Loans/contracts	94,348	390,141	484,489	202,320
Special assessments	2,607	5,092	7,699	-
Intergovernmental	77,701	1,550	79,251	13
Internal balances	(564,318)	564,318	-	-
Due from component unit	18,434	3,357	21,791	-
Inventories	8,487	563,731	572,218	-
Prepaid items	579	7,065	7,644	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	-	660,862	660,862	25,886
Pension asset	293,090	-	293,090	-
Land held for resale	601,059	-	601,059	-
Capital assets				
Nondepreciable assets	3,036,654	803,396	3,840,050	658,750
Depreciable assets, net of accumulated depreciation	11,904,595	21,432,908	33,337,503	1,295,374
Total Assets	<u>20,092,977</u>	<u>40,675,058</u>	<u>60,768,035</u>	<u>3,569,200</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>308,260</u>	<u>252,811</u>	<u>561,071</u>	<u>16,797</u>
Liabilities				
Accounts payable	118,552	638,465	757,017	20,401
Retainage payable	-	21,868	21,868	-
Due to primary government	-	-	-	21,791
Due to other governments	3,881	38,858	42,739	-
Accrued interest payable	11,297	53,151	64,448	-
Wages and related benefits payable	13,563	14,266	27,829	852
Deposits payable	-	69,671	69,671	-
Unearned revenue	3,760	-	3,760	-
Noncurrent liabilities				
Due within one year	449,760	639,518	1,089,278	3,804
Due in more than one year	2,342,287	5,876,192	8,218,479	70,473
Total Liabilities	<u>2,943,100</u>	<u>7,351,989</u>	<u>10,295,089</u>	<u>117,321</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>240,722</u>	<u>218,123</u>	<u>458,845</u>	<u>14,492</u>
Net Position				
Net investment in capital assets	13,471,402	17,486,209	30,957,611	1,954,124
Restricted				
Debt service	489,542	663,026	1,152,568	-
Economic development	-	-	-	510,965
Unrestricted	<u>3,256,471</u>	<u>15,208,522</u>	<u>18,464,993</u>	<u>989,095</u>
Total Net Position	<u>\$ 17,217,415</u>	<u>\$ 33,357,757</u>	<u>\$ 50,575,172</u>	<u>\$ 3,454,184</u>

City of Luverne, Minnesota
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,001,089	\$ 62,280	\$ 269	\$ 784
Public safety	1,433,581	287,181	47,916	21,723
Public works	1,339,809	311,357	36,229	225,299
Culture and recreation	1,414,610	223,048	40,625	-
Conservation and development	312,278	19,974	-	-
Interest and other costs	81,451	-	-	-
Total Governmental Activities	<u>5,582,818</u>	<u>903,840</u>	<u>125,039</u>	<u>247,806</u>
Business-type Activities				
Water	1,406,116	1,696,853	70	-
Sewer	1,181,106	1,497,248	91	-
Refuse and recycling	482,629	658,072	32	-
Electric	7,486,480	8,675,006	37	-
Storm sewer	102,129	90,791	2	-
Liquor	1,262,127	1,330,622	39	-
Total Business-type Activities	<u>11,920,587</u>	<u>13,948,592</u>	<u>271</u>	<u>-</u>
Total Primary Government	<u>\$ 17,503,405</u>	<u>\$ 14,852,432</u>	<u>\$ 125,310</u>	<u>\$ 247,806</u>
Component Unit				
Luverne Economic Development Authority	<u>\$ 448,968</u>	<u>\$ 229,521</u>	<u>\$ 9,669</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

Net Revenue (Expense) and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (937,756)		\$ (937,756)	
(1,076,761)		(1,076,761)	
(766,924)		(766,924)	
(1,150,937)		(1,150,937)	
(292,304)		(292,304)	
(81,451)		(81,451)	
<u>(4,306,133)</u>		<u>(4,306,133)</u>	
	\$ 290,807	290,807	
	316,233	316,233	
	175,475	175,475	
	1,188,563	1,188,563	
	(11,336)	(11,336)	
	68,534	68,534	
	<u>2,028,276</u>	<u>2,028,276</u>	
<u>(4,306,133)</u>	<u>2,028,276</u>	<u>(2,277,857)</u>	
			<u>\$ (209,778)</u>
1,407,561	39,985	1,447,546	-
270,160	-	270,160	1,995
57,714	-	57,714	1,190
463,977	-	463,977	-
1,395,559	-	1,395,559	235,000
84,982	116,210	201,192	10,834
-	69	69	-
114,046	3,900	117,946	35,750
841,093	(841,093)	-	-
<u>4,635,092</u>	<u>(680,929)</u>	<u>3,954,163</u>	<u>284,769</u>
328,959	1,347,347	1,676,306	74,991
<u>16,888,456</u>	<u>32,010,410</u>	<u>48,898,866</u>	<u>3,379,193</u>
<u>\$ 17,217,415</u>	<u>\$ 33,357,757</u>	<u>\$ 50,575,172</u>	<u>\$ 3,454,184</u>

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City of Luverne, Minnesota
Balance Sheet
Governmental Funds
December 31, 2017

	101	300s	444	Other	Total
	General	Debt Service	Sharkees - Merts TIF Project	Governmental Funds	Governmental Funds
Assets					
Cash and temporary investments	\$ 1,798,103	\$ 699,614	\$ 2,069	\$ 1,524,519	\$ 4,024,305
Receivables (net of allowance for uncollectibles)					
Accrued interest	10,782	1,030	-	3,508	15,320
Delinquent taxes	14,573	3,378	-	22	17,973
Accounts, net	28,253	-	-	7,816	36,069
Loans/contracts	94,348	-	-	-	94,348
Special assessments	2,607	-	-	-	2,607
Intergovernmental	56,680	1,817	-	19,204	77,701
Due from other funds	268,374	-	-	1,036	269,410
Due from component unit	18,505	-	-	-	18,505
Inventories	2,021	-	-	6,466	8,487
Prepaid items	-	-	-	579	579
Land held for resale	381,000	-	220,059	-	601,059
Total Assets	\$ 2,675,246	\$ 705,839	\$ 222,128	\$ 1,563,150	\$ 5,166,363
Liabilities					
Accounts payable	\$ 84,661	\$ -	\$ -	\$ 31,644	\$ 116,305
Due to other funds	69,158	-	503,641	333,925	906,724
Due to other governments	3,167	-	-	714	3,881
Wages and related benefits payable	9,024	-	-	3,559	12,583
Unearned revenue	3,760	-	-	-	3,760
Total Liabilities	169,770	-	503,641	369,842	1,043,253
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	14,573	3,378	-	22	17,973
Special assessments	2,607	-	-	-	2,607
Total Deferred Inflows of Resources	17,180	3,378	-	22	20,580
Fund Balances					
Nonspendable	764,248	-	-	7,045	771,293
Restricted	-	702,461	-	-	702,461
Committed	25,000	-	-	907,918	932,918
Assigned	889,515	-	-	526,209	1,415,724
Unassigned	809,533	-	(281,513)	(247,886)	280,134
Total Fund Balances	2,488,296	702,461	(281,513)	1,193,286	4,102,530
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,675,246	\$ 705,839	\$ 222,128	\$ 1,563,150	\$ 5,166,363

City of Luverne, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2017

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

Total Fund Balances - Governmental Funds	\$ 4,102,530
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	14,723,180
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	293,090
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	(26,847)
Pension liability	(739,762)
Loans payable	(91,937)
Bonds payable	(1,584,000)
Unamortized bond discounts	1,090
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	17,973
Special assessments receivable	2,607
Governmental funds do not report a liability for accrued interest until due and payable.	(11,297)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	288,083
Deferred inflows of pension resources	(223,313)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>466,018</u>
Total Net Position - Governmental Activities	<u><u>\$ 17,217,415</u></u>

City of Luverne, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	101	300s	444	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Sharkees - Merts TIF Project		
Revenues					
Property and other taxes	\$ 1,866,813	\$ 270,111	\$ -	\$ 79	\$ 2,137,003
Tax increments	-	55,433	-	2,266	57,699
Licenses and permits	103,446	-	-	-	103,446
Intergovernmental	1,483,600	-	-	231,816	1,715,416
Charges for services	310,619	-	-	494,359	804,978
Fines and forfeits	13,076	-	-	-	13,076
Special assessments	784	-	-	169	953
Investment income	53,729	2,985	-	10,161	66,875
Miscellaneous	14,817	30,000	-	5,772	50,589
Total Revenues	3,846,884	358,529	-	744,622	4,950,035
Expenditures					
Current					
General government	809,304	-	-	27,305	836,609
Public safety	1,258,731	-	-	-	1,258,731
Public works	738,544	-	-	240,157	978,701
Culture and recreation	567,516	-	-	543,003	1,110,519
Conservation and development	161,260	7,463	87,332	42,647	298,702
Capital outlay					
General government	91,592	-	-	8,439	100,031
Public safety	-	-	-	53,097	53,097
Public works	18,729	-	-	353,771	372,500
Culture and recreation	48,816	-	-	185,717	234,533
Conservation and development	62,500	-	-	-	62,500
Debt service					
Principal	-	365,000	-	43,655	408,655
Interest and other costs	-	54,828	17,589	10,696	83,113
Total Expenditures	3,756,992	427,291	104,921	1,508,487	5,797,691
Excess (Deficiency) of Revenues Over (Under) Expenditures	89,892	(68,762)	(104,921)	(763,865)	(847,656)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	114,046	114,046
Transfers in	316,093	-	-	1,252,550	1,568,643
Transfers out	(707,550)	-	-	(20,000)	(727,550)
Total Other Financing Sources (Uses)	(391,457)	-	-	1,346,596	955,139
Net Change in Fund Balances	(301,565)	(68,762)	(104,921)	582,731	107,483
Fund Balances, January 1	2,789,861	771,223	(176,592)	610,555	3,995,047
Fund Balances, December 31	\$ 2,488,296	\$ 702,461	\$ (281,513)	\$ 1,193,286	\$ 4,102,530

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, 2017

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

Net Change in Fund Balances - Governmental Funds	\$ 107,483
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	846,022
Depreciation expense	(1,185,899)
<p>The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>	
Book value of disposed of capital assets	9,350
Gain on trade in of capital assets	183,526
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	408,655
Amortization of bond discounts	(214)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,876
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	4,710
Special assessments	(457)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Other postemployment benefits expenses	592
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(19,419)
Pension revenue from state contributions	269
<p>Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.</p>	
	<u>(27,535)</u>
Change in Net Position - Governmental Activities	<u>\$ 328,959</u>

City of Luverne, Minnesota
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,862,585	\$ 1,862,585	\$ 1,866,813	\$ 4,228
Licenses and permits	85,600	85,600	103,446	17,846
Intergovernmental	1,484,191	1,510,911	1,483,600	(27,311)
Charges for services	301,480	301,480	310,619	9,139
Fines and forfeits	-	-	13,076	13,076
Special assessments	-	-	784	784
Investment income	59,264	59,264	53,729	(5,535)
Miscellaneous	3,000	3,000	14,817	11,817
Total Revenues	<u>3,796,120</u>	<u>3,822,840</u>	<u>3,846,884</u>	<u>24,044</u>
Other Financing Sources				
Transfers in	<u>285,000</u>	<u>285,000</u>	<u>316,093</u>	<u>31,093</u>
Total Revenues and Other Financing Sources	<u>4,081,120</u>	<u>4,107,840</u>	<u>4,162,977</u>	<u>55,137</u>
Expenditures				
General government	749,855	879,855	900,896	(21,041)
Public safety	1,316,665	1,324,665	1,258,731	65,934
Public works	814,350	814,350	757,273	57,077
Culture and recreation	577,500	577,500	616,332	(38,832)
Conservation and development	65,200	793,920	223,760	570,160
Total Expenditures	<u>3,523,570</u>	<u>4,390,290</u>	<u>3,756,992</u>	<u>633,298</u>
Other Financing Uses				
Transfers out	<u>707,550</u>	<u>707,550</u>	<u>707,550</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>4,231,120</u>	<u>5,097,840</u>	<u>4,464,542</u>	<u>633,298</u>
Net Change in Fund Balances	(150,000)	(990,000)	(301,565)	688,435
Fund Balances, January 1	<u>2,789,861</u>	<u>2,789,861</u>	<u>2,789,861</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,639,861</u>	<u>\$ 1,799,861</u>	<u>\$ 2,488,296</u>	<u>\$ 688,435</u>

City of Luverne, Minnesota
Statements of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	\$ 1,776,815	\$ 2,151,354	\$ 4,033,840	\$ 3,657,143
Receivables (net of allowance for uncollectibles)				
Accrued interest	4,636	4,538	8,102	6,928
Delinquent taxes	-	-	-	4
Accounts, net	106,952	100,142	92,124	100,574
Loans	2,782	2,782	4,990	7,187
Delinquent special assessments	166	1,766	-	-
Intergovernmental	-	-	1,550	837
Due from other funds	13,110	16,069	13,110	16,069
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Total Current Assets	<u>1,904,461</u>	<u>2,276,651</u>	<u>4,153,716</u>	<u>3,788,742</u>
Noncurrent Assets				
Restricted assets				
Cash and temporary investments	<u>389,170</u>	<u>380,651</u>	<u>223,415</u>	<u>209,932</u>
Special assessments receivable				
Noncurrent	<u>942</u>	<u>335</u>	<u>2,619</u>	<u>1,905</u>
Loans receivable - noncurrent	<u>47,132</u>	<u>49,612</u>	<u>49,009</u>	<u>51,135</u>
Capital assets				
Land	102,967	102,967	18,451	18,451
Buildings	973,702	973,702	409,094	409,094
Improvements and infrastructure	12,568,601	11,964,446	9,199,962	9,157,787
Machinery and equipment	360,878	360,321	532,466	511,757
Construction in progress	11,038	-	11,038	-
Total capital assets	<u>14,017,186</u>	<u>13,401,436</u>	<u>10,171,011</u>	<u>10,097,089</u>
Less accumulated depreciation	<u>(6,004,116)</u>	<u>(5,696,772)</u>	<u>(5,786,424)</u>	<u>(5,420,737)</u>
Total Capital Assets (Net Of Accumulated Depreciation)	<u>8,013,070</u>	<u>7,704,664</u>	<u>4,384,587</u>	<u>4,676,352</u>
Total Noncurrent Assets	<u>8,450,314</u>	<u>8,135,262</u>	<u>4,659,630</u>	<u>4,939,324</u>
Total Assets	<u>10,354,775</u>	<u>10,411,913</u>	<u>8,813,346</u>	<u>8,728,066</u>
Deferred Outflows of Resources				
Deferred Pension Resources	<u>51,742</u>	<u>82,302</u>	<u>67,201</u>	<u>108,412</u>

Business-type Activities - Enterprise Funds

604 Electric		609 Liquor		Other Proprietary Funds	
2017	2016	2017	2016	2017	2016
\$ 6,741,545	\$ 7,891,386	\$ 439,307	\$ 405,203	\$ 1,138,716	\$ 1,072,690
15,076	14,688	852	739	2,201	1,878
-	-	-	-	-	-
1,181,717	447,594	-	-	54,846	52,243
48,988	9,742	-	-	5,992	5,992
-	-	-	-	-	-
-	215	-	-	-	-
529,862	233,191	-	-	13,110	16,069
408,790	327,817	154,941	157,074	-	-
-	-	-	-	-	-
<u>8,925,978</u>	<u>8,924,633</u>	<u>595,100</u>	<u>563,016</u>	<u>1,214,865</u>	<u>1,148,872</u>
42,824	46,647	-	-	5,453	5,703
-	-	-	-	1,365	1,057
<u>52,944</u>	<u>63,374</u>	<u>-</u>	<u>-</u>	<u>101,514</u>	<u>106,857</u>
369,325	11,325	78,860	78,860	62,632	62,632
1,335,492	1,294,661	107,064	107,064	79,566	79,566
17,475,495	16,539,474	26,721	26,721	1,666,398	1,625,878
744,444	724,504	82,185	82,185	903,925	848,851
134,744	-	-	-	3,878	-
<u>20,059,500</u>	<u>18,569,964</u>	<u>294,830</u>	<u>294,830</u>	<u>2,716,399</u>	<u>2,616,927</u>
<u>(11,548,115)</u>	<u>(10,922,087)</u>	<u>(157,999)</u>	<u>(150,639)</u>	<u>(1,563,924)</u>	<u>(1,451,032)</u>
<u>8,511,385</u>	<u>7,647,877</u>	<u>136,831</u>	<u>144,191</u>	<u>1,152,475</u>	<u>1,165,895</u>
<u>8,607,153</u>	<u>7,757,898</u>	<u>136,831</u>	<u>144,191</u>	<u>1,260,807</u>	<u>1,279,512</u>
<u>17,533,131</u>	<u>16,682,531</u>	<u>731,931</u>	<u>707,207</u>	<u>2,475,672</u>	<u>2,428,384</u>
<u>27,230</u>	<u>44,912</u>	<u>28,925</u>	<u>49,757</u>	<u>24,223</u>	<u>40,770</u>

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City of Luverne, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2017	2016
	2017	2016		
Assets				
Current Assets				
Cash and temporary investments	\$ 14,130,223	\$ 15,177,776	\$ 1,169,226	\$ 1,436,985
Receivables (net of allowance for uncollectibles)				
Accrued interest	30,867	28,771	2,757	3,063
Delinquent taxes	-	4	-	-
Accounts, net	1,435,639	700,553	-	19
Loans	62,752	25,703	4,280	4,280
Delinquent special assessments	166	1,766	-	-
Intergovernmental	1,550	1,052	-	-
Due from other funds	569,192	281,398	68,536	-
Inventories	563,731	484,891	-	-
Prepaid items	-	-	7,065	6,802
Total Current Assets	16,794,120	16,701,914	1,251,864	1,451,149
Noncurrent Assets				
Restricted assets				
Cash and temporary investments	660,862	642,933	-	-
Special assessments receivable				
Noncurrent	4,926	3,297	-	-
Loans receivable - noncurrent	250,599	270,978	72,510	76,326
Capital assets				
Land	632,235	274,235	-	-
Buildings	2,904,918	2,864,087	226,134	226,134
Improvements and infrastructure	40,937,177	39,314,306	79,763	79,763
Machinery and equipment	2,623,898	2,527,618	545,635	603,146
Construction in progress	160,698	-	10,463	-
Total capital assets	47,258,926	44,980,246	861,995	909,043
Less accumulated depreciation	(25,060,578)	(23,641,267)	(605,970)	(571,129)
Total Capital Assets (Net Of Accumulated Depreciation)	22,198,348	21,338,979	256,025	337,914
Total Noncurrent Assets	23,114,735	22,256,187	328,535	414,240
Total Assets	39,908,855	38,958,101	1,580,399	1,865,389
Deferred Outflows of Resources				
Deferred Pension Resources	199,321	326,153	73,667	120,113

City of Luverne, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts payable	\$ 48,207	\$ 45,511	\$ 16,156	\$ 18,727
Contracts payable	-	13,438	-	13,520
Retainage payable	21,868	-	-	-
Due to other funds	190	-	17	-
Due to other governments	1,286	1,126	-	-
Accrued interest payable	42,724	44,737	10,427	11,581
Wages and related benefits payable	2,768	2,661	3,651	3,324
Compensated absences payable - current	23,377	15,139	26,813	19,657
Customer deposits payable	9,946	9,664	9,488	9,601
Bonds payable - current	336,500	326,250	203,500	188,750
Total Current Liabilities	<u>486,866</u>	<u>458,526</u>	<u>270,052</u>	<u>265,160</u>
Noncurrent Liabilities				
Compensated absences payable	47,137	54,381	75,130	79,151
Other postemployment benefits liability	9,607	8,065	13,097	11,312
Bonds payable	3,545,128	3,883,727	1,049,967	1,252,611
Pension liability	191,641	228,799	248,892	301,380
Total Noncurrent Liabilities	<u>3,793,513</u>	<u>4,174,972</u>	<u>1,387,086</u>	<u>1,644,454</u>
Total Liabilities	<u>4,280,379</u>	<u>4,633,498</u>	<u>1,657,138</u>	<u>1,909,614</u>
Deferred Inflows of Resources				
Deferred pension resources	44,644	25,621	57,980	33,748
Net Position				
Net investment in capital assets	4,516,442	4,024,687	3,131,120	3,234,991
Restricted for debt service	436,263	431,203	226,763	215,159
Unrestricted	1,128,789	1,379,206	3,807,546	3,442,966
Total Net Position	<u>\$ 6,081,494</u>	<u>\$ 5,835,096</u>	<u>\$ 7,165,429</u>	<u>\$ 6,893,116</u>

Business-type Activities - Enterprise Funds

604		609		Other Proprietary Funds	
Electric		Liquor			
2017	2016	2017	2016	2017	2016
\$ 526,556	\$ 736,093	\$ 18,741	\$ 22,108	\$ 22,827	\$ 11,957
-	-	-	-	-	14,007
-	-	-	-	-	-
-	-	-	-	-	-
21,181	20,032	12,306	13,507	4,085	3,895
-	-	-	-	-	-
2,072	1,971	1,585	1,533	1,403	1,286
12,842	15,067	6,547	4,197	9,453	8,869
42,824	46,647	1,960	1,605	5,453	5,703
-	-	-	-	-	-
<u>605,475</u>	<u>819,810</u>	<u>41,139</u>	<u>42,950</u>	<u>43,221</u>	<u>45,717</u>
49,112	41,982	11,445	11,991	27,922	25,996
7,644	7,108	3,421	3,182	4,893	4,550
-	-	-	-	-	-
100,851	124,853	107,125	138,319	89,712	113,338
<u>157,607</u>	<u>173,943</u>	<u>121,991</u>	<u>153,492</u>	<u>122,527</u>	<u>143,884</u>
763,082	993,753	163,130	196,442	165,748	189,601
23,494	13,981	24,955	15,489	20,899	12,691
8,511,385	7,647,877	136,831	144,191	1,152,475	1,165,895
-	-	-	-	-	-
<u>8,262,400</u>	<u>8,071,832</u>	<u>435,940</u>	<u>400,842</u>	<u>1,160,773</u>	<u>1,100,967</u>
<u>\$ 16,773,785</u>	<u>\$ 15,719,709</u>	<u>\$ 572,771</u>	<u>\$ 545,033</u>	<u>\$ 2,313,248</u>	<u>\$ 2,266,862</u>

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City of Luverne, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2017	2016
	2017	2016		
Liabilities				
Current Liabilities				
Accounts payable	\$ 632,487	\$ 834,396	\$ 8,225	\$ 8,984
Contracts payable	-	40,965	-	-
Retainage payable	21,868	-	-	-
Due to other funds	207	-	207	-
Due to other governments	38,858	38,560	-	-
Accrued interest payable	53,151	56,318	-	-
Wages and related benefits payable	11,479	10,775	3,767	3,442
Compensated absences payable - current	79,032	62,929	80,890	78,651
Customer deposits payable	69,671	73,220	-	-
Bonds payable - current	540,000	515,000	-	-
Total Current Liabilities	<u>1,446,753</u>	<u>1,632,163</u>	<u>93,089</u>	<u>91,077</u>
Noncurrent Liabilities				
Compensated absences payable	210,746	213,501	298,071	270,465
Other postemployment benefits liability	38,662	34,217	12,739	11,855
Bonds payable	4,595,095	5,136,338	-	-
Pension liability	738,221	906,689	272,845	333,906
Total Noncurrent Liabilities	<u>5,582,724</u>	<u>6,290,745</u>	<u>583,655</u>	<u>616,226</u>
Total Liabilities	<u>7,029,477</u>	<u>7,922,908</u>	<u>676,744</u>	<u>707,303</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>171,972</u>	<u>101,530</u>	<u>63,560</u>	<u>37,390</u>
Net Position				
Net investment in capital assets	17,448,253	16,217,641	256,025	337,914
Restricted for debt service	663,026	646,362	-	-
Unrestricted	<u>14,795,448</u>	<u>14,395,813</u>	<u>657,737</u>	<u>902,895</u>
Total Net Position	32,906,727	31,259,816	<u>\$ 913,762</u>	<u>\$ 1,240,809</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>451,030</u>	<u>750,594</u>		
Net Position of Business-type Activities	<u>\$ 33,357,757</u>	<u>\$ 32,010,410</u>		

City of Luverne, Minnesota
 Statements of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2017	2016	2017	2016
Operating Revenues				
Charges for services/sales	\$ 1,655,243	\$ 1,436,994	\$ 1,450,932	\$ 1,337,749
Cost of sales	-	-	-	-
Service income	22,425	20,045	44,388	39,146
Other income	14,972	3,011	1,480	3,045
Total Operating Revenues	<u>1,692,640</u>	<u>1,460,050</u>	<u>1,496,800</u>	<u>1,379,940</u>
Operating Expenses				
Personal services	292,673	254,400	384,115	368,942
Supplies	92,893	182,227	87,920	78,916
Other services and charges	510,120	491,994	237,865	237,802
Power purchased/delivered	-	-	-	-
Depreciation	342,645	321,219	354,179	341,720
Pension expense	12,495	12,046	13,046	18,989
Total Operating Expenses	<u>1,250,826</u>	<u>1,261,886</u>	<u>1,077,125</u>	<u>1,046,369</u>
Operating Income (Loss)	<u>441,814</u>	<u>198,164</u>	<u>419,675</u>	<u>333,571</u>
Nonoperating Revenues (Expenses)				
Property taxes	-	-	39,985	40,384
Federal grants and aids	-	-	-	-
State grants and aids	-	-	-	(305)
Investment income	13,822	30,273	23,856	46,058
Rental income	4,213	1,890	448	448
Gain (loss) on disposition of assets	3,900	4,500	-	-
Pension revenue	70	889	91	1,171
Interest and other costs	(104,510)	(108,802)	(25,876)	(28,400)
Economic development loan forgiveness	-	-	-	(73,000)
Interest on customer deposits	(10)	(7)	(10)	(7)
Amortization expense	2,099	2,099	(856)	(856)
Contributions to component unit	(40,000)	(65,000)	(65,000)	(65,000)
Total Nonoperating Revenues (Expenses)	<u>(120,416)</u>	<u>(134,158)</u>	<u>(27,362)</u>	<u>(79,507)</u>
Income (Loss) Before Capital Contributions and Transfers	321,398	64,006	392,313	254,064
Transfers Out	(75,000)	(80,000)	(120,000)	(80,000)
Capital Grants and Contributions	-	-	-	-
Change in Net Position	246,398	(15,994)	272,313	174,064
Net Position, January 1	<u>5,835,096</u>	<u>5,851,090</u>	<u>6,893,116</u>	<u>6,719,052</u>
Net Position, December 31	<u>\$ 6,081,494</u>	<u>\$ 5,835,096</u>	<u>\$ 7,165,429</u>	<u>\$ 6,893,116</u>

Business-type Activities - Enterprise Funds

604 Electric		609 Liquor		Other Proprietary Funds	
2017	2016	2017	2016	2017	2016
\$ 7,694,200	\$ 7,888,078	\$ 1,330,622	\$ 1,340,720	\$ 730,561	\$ 679,374
-	-	(995,582)	(993,158)	-	-
125,725	122,117	-	-	6,701	6,422
843,365	93,481	-	-	367	433
<u>8,663,290</u>	<u>8,103,676</u>	<u>335,040</u>	<u>347,562</u>	<u>737,629</u>	<u>686,229</u>
222,931	208,439	154,727	152,273	145,370	137,456
284,797	211,449	20,155	21,095	50,345	28,042
1,390,442	1,478,859	83,422	82,074	224,959	192,398
4,655,893	5,066,605	-	-	-	-
799,037	765,840	7,360	6,404	112,892	115,094
3,230	10,639	(857)	7,652	1,163	5,540
<u>7,356,330</u>	<u>7,741,831</u>	<u>264,807</u>	<u>269,498</u>	<u>534,729</u>	<u>478,530</u>
<u>1,306,960</u>	<u>361,845</u>	<u>70,233</u>	<u>78,064</u>	<u>202,900</u>	<u>207,699</u>
-	-	-	-	-	-
-	(147)	-	-	-	-
-	-	-	-	-	-
61,633	98,369	2,466	4,884	7,228	13,016
11,716	-	-	-	11,234	12,322
(745)	-	-	-	-	-
37	485	39	538	34	441
-	-	-	-	(10)	(13)
-	-	-	-	-	-
(525)	(333)	-	-	-	-
-	-	-	-	-	-
(90,000)	(70,000)	-	-	(40,000)	(25,000)
<u>(17,884)</u>	<u>28,374</u>	<u>2,505</u>	<u>5,422</u>	<u>(21,514)</u>	<u>766</u>
1,289,076	390,219	72,738	83,486	181,386	208,465
(235,000)	(150,000)	(45,000)	(45,000)	(135,000)	(100,000)
-	-	-	-	-	17,077
1,054,076	240,219	27,738	38,486	46,386	125,542
<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>
<u>\$ 16,773,785</u>	<u>\$ 15,719,709</u>	<u>\$ 572,771</u>	<u>\$ 545,033</u>	<u>\$ 2,313,248</u>	<u>\$ 2,266,862</u>

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City of Luverne, Minnesota
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total		2017	2016
	2017	2016		
Operating Revenues				
Charges for services/sales	\$ 12,861,558	\$ 12,682,915	\$ 778,103	\$ 740,588
Cost of sales	(995,582)	(993,158)	-	-
Service income	199,239	187,730	-	-
Other income	860,184	99,970	11,550	56,104
Total Operating Revenues	<u>12,925,399</u>	<u>11,977,457</u>	<u>789,653</u>	<u>796,692</u>
Operating Expenses				
Personal services	1,199,816	1,121,510	391,820	368,748
Supplies	536,110	521,729	97,510	73,569
Other services and charges	2,446,808	2,483,127	325,381	325,605
Power purchased/delivered	4,655,893	5,066,605	-	-
Depreciation	1,616,113	1,550,277	68,627	56,640
Pension expense	29,077	54,866	11,654	28,776
Total Operating Expenses	<u>10,483,817</u>	<u>10,798,114</u>	<u>894,992</u>	<u>853,338</u>
Operating Income (Loss)	<u>2,441,582</u>	<u>1,179,343</u>	<u>(105,339)</u>	<u>(56,646)</u>
Nonoperating Revenues (Expenses)				
Property taxes	39,985	40,384	-	-
Federal grants and aids	-	(147)	-	-
State grants and aids	-	(305)	-	-
Investment income	109,005	192,600	9,286	20,570
Rental income	27,611	14,660	-	-
Gain (loss) on disposition of assets	3,155	4,500	-	-
Pension revenue	271	3,524	99	1,298
Interest and other costs	(130,396)	(137,215)	-	-
Economic development loan forgiveness	-	(73,000)	-	-
Interest on customer deposits	(545)	(347)	-	-
Amortization expense	1,243	1,243	-	-
Contributions to component unit	(235,000)	(225,000)	-	-
Total Nonoperating Revenues (Expenses)	<u>(184,671)</u>	<u>(179,103)</u>	<u>9,385</u>	<u>21,868</u>
Income (Loss) Before Capital Contributions and Transfers	2,256,911	1,000,240	(95,954)	(34,778)
Transfers Out	(610,000)	(455,000)	(231,093)	-
Capital Grants and Contributions	-	17,077	-	-
Change in Net Position	1,646,911	562,317	(327,047)	(34,778)
Net Position, January 1	<u>31,259,816</u>	<u>30,697,499</u>	<u>1,240,809</u>	<u>1,275,587</u>
Net Position, December 31	<u>\$ 32,906,727</u>	<u>\$ 31,259,816</u>	<u>\$ 913,762</u>	<u>\$ 1,240,809</u>
Change in Net Position as Shown Above	\$ 1,646,911	\$ 562,317		
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.	<u>(299,564)</u>	<u>(31,915)</u>		
Change in Net Position of Business-type Activities	<u>\$ 1,347,347</u>	<u>\$ 530,402</u>		

City of Luverne, Minnesota
Statements of Cash Flows (Continued on the Following Pages)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 1,687,035	\$ 1,448,582	\$ 1,503,619	\$ 1,377,096
Cash paid to suppliers	(612,662)	(663,640)	(341,412)	(329,995)
Cash paid to and on behalf of employees	(277,535)	(248,440)	(365,822)	(326,498)
Other receipts	4,283	2,779	539	1,619
Net Cash Provided (Used) by Operating Activities	<u>801,121</u>	<u>539,281</u>	<u>796,924</u>	<u>722,222</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(75,000)	(80,000)	(120,000)	(80,000)
Payment to component unit	(40,000)	(65,000)	(65,000)	(65,000)
Loans made	-	-	(2,473)	(3,223)
Loan payments received	2,479	11,648	6,796	18,322
(Increase) decrease in due from other funds	2,959	3,699	2,959	3,699
Increase (decrease) in due to other funds	190	-	17	(43)
State aids received (adjusted)	-	-	-	(305)
Property taxes received	-	-	39,989	40,393
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(109,372)</u>	<u>(129,653)</u>	<u>(137,712)</u>	<u>(86,157)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(642,620)	(102,464)	(75,934)	(94,537)
Capital grants received	-	-	-	-
Proceeds from sale of capital assets	3,900	4,500	-	-
Principal paid on long-term borrowings	(326,250)	(323,250)	(188,750)	(191,750)
Interest and fiscal charges paid on long-term borrowings	(106,523)	(110,605)	(27,030)	(29,366)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,071,493)</u>	<u>(531,819)</u>	<u>(291,714)</u>	<u>(315,653)</u>
Cash Flows from Investing Activities				
Interest received	<u>13,724</u>	<u>31,721</u>	<u>22,682</u>	<u>50,620</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(366,020)	(90,470)	390,180	371,032
Cash and Cash Equivalents, January 1	<u>2,532,005</u>	<u>2,622,475</u>	<u>3,867,075</u>	<u>3,496,043</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,165,985</u>	<u>\$ 2,532,005</u>	<u>\$ 4,257,255</u>	<u>\$ 3,867,075</u>

Business-type Activities - Enterprise Funds

604 Electric		609 Liquor		Other Proprietary Funds	
2017	2016	2017	2016	2017	2016
\$ 7,925,522	\$ 7,988,468	\$ 1,330,938	\$ 1,340,383	\$ 734,434	\$ 683,515
(6,486,768)	(6,560,056)	(1,100,737)	(1,112,745)	(265,417)	(225,833)
(214,159)	(195,675)	(153,489)	(140,827)	(141,237)	(130,074)
11,753	485	39	538	11,268	12,763
<u>1,236,348</u>	<u>1,233,222</u>	<u>76,751</u>	<u>87,349</u>	<u>339,048</u>	<u>340,371</u>
(235,000)	(150,000)	(45,000)	(45,000)	(135,000)	(100,000)
(90,000)	(70,000)	-	-	(40,000)	(25,000)
(41,403)	(9,084)	-	-	-	-
12,587	18,189	-	-	5,343	25,089
(296,671)	(193,655)	-	-	2,959	3,699
-	-	-	-	-	-
-	(147)	-	-	-	-
-	-	-	-	-	-
<u>(650,487)</u>	<u>(404,697)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(166,698)</u>	<u>(96,212)</u>
(1,800,770)	(307,697)	-	(6,362)	(113,479)	(100,852)
-	-	-	-	-	17,077
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(1,800,770)</u>	<u>(307,697)</u>	<u>-</u>	<u>(6,362)</u>	<u>(113,479)</u>	<u>(83,775)</u>
61,245	96,340	2,353	4,839	6,905	13,032
(1,153,664)	617,168	34,104	40,826	65,776	173,416
<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>
<u>\$ 6,784,369</u>	<u>\$ 7,938,033</u>	<u>\$ 439,307</u>	<u>\$ 405,203</u>	<u>\$ 1,144,169</u>	<u>\$ 1,078,393</u>

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City of Luverne, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total			
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 13,181,548	\$ 12,838,044	\$ 808,632	\$ 777,453
Cash paid to suppliers	(8,806,996)	(8,892,269)	(435,567)	(465,388)
Cash paid to and on behalf of employees	(1,152,242)	(1,041,514)	(375,806)	(331,354)
Other receipts	27,882	18,184	11,550	56,104
Net Cash Provided (Used) by Operating Activities	<u>3,250,192</u>	<u>2,922,445</u>	<u>8,809</u>	<u>36,815</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(610,000)	(455,000)	(199,999)	-
Payment to component unit	(235,000)	(225,000)	-	-
Loans made	(43,876)	(12,307)	-	-
Loan payments received	27,205	73,248	-	-
(Increase) decrease in due from other funds	(287,794)	(182,558)	(68,536)	86
Increase (decrease) in due to other funds	207	(43)	207	-
State aids received (adjusted)	-	(452)	-	-
Property taxes received	39,989	40,393	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,109,269)</u>	<u>(761,719)</u>	<u>(268,328)</u>	<u>86</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(2,632,803)	(611,912)	(17,832)	(140,203)
Capital grants received	-	17,077	-	-
Proceeds from sale of capital assets	3,900	4,500	-	-
Principal paid on long-term borrowings	(515,000)	(515,000)	-	-
Interest and fiscal charges paid on long-term borrowings	(133,553)	(139,971)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,277,456)</u>	<u>(1,245,306)</u>	<u>(17,832)</u>	<u>(140,203)</u>
Cash Flows from Investing Activities				
Interest received	<u>106,909</u>	<u>196,552</u>	<u>9,592</u>	<u>20,695</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,029,624)	1,111,972	(267,759)	(82,607)
Cash and Cash Equivalents, January 1	<u>15,820,709</u>	<u>14,708,737</u>	<u>1,436,985</u>	<u>1,519,592</u>
Cash and Cash Equivalents, December 31	<u>\$ 14,791,085</u>	<u>\$ 15,820,709</u>	<u>\$ 1,169,226</u>	<u>\$ 1,436,985</u>

City of Luverne, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601 Water		602 Sewer	
	2017	2016	2017	2016
Cash and Cash Equivalents are Comprised of				
Cash and temporary investments	\$ 1,776,815	\$ 2,151,354	\$ 4,033,840	\$ 3,657,143
Restricted assets				
Cash and temporary investments	389,170	380,651	223,415	209,932
Total Cash and Cash Equivalents	\$ 2,165,985	\$ 2,532,005	\$ 4,257,255	\$ 3,867,075
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities				
Operating income (loss)	\$ 441,814	\$ 198,164	\$ 419,675	\$ 333,571
Adjustments to reconcile operating income (loss) to net cash				
provided (used) by operating activities				
Depreciation	342,645	321,219	354,179	341,720
Other income related to operations	4,283	2,779	539	1,619
Interest paid on customer deposits	(10)	(7)	(10)	(7)
(Increase) decrease in assets				
Accounts receivable	(6,810)	(11,700)	8,450	(1,528)
Special assessments receivable	993	1,061	(714)	(828)
Due from other governments	-	-	(713)	593
Inventories	-	-	-	-
Prepaid items	-	-	-	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	30,560	(64,151)	41,211	(84,854)
Increase (decrease) in liabilities				
Accounts payable	2,696	22,557	(2,571)	5,719
Due to other governments	160	77	-	-
Wages and related benefits payable	107	1,009	327	1,104
Deposits payable	282	60	(113)	90
Compensated absences payable	994	(8,575)	3,135	20,871
Other postemployment benefits liability	1,542	1,480	1,785	1,480
Pension liability	(37,158)	75,345	(52,488)	102,223
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	19,023	(37)	24,232	449
Total Adjustments	359,307	341,117	377,249	388,651
Net Cash Provided (Used) by Operating Activities	\$ 801,121	\$ 539,281	\$ 796,924	\$ 722,222
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	21,868	13,438	-	13,520
Loans written off	-	-	-	73,000
Special assessments levied	-	-	714	828
Amortization of bond (premium) discount	(2,099)	(2,099)	856	856

Business-type Activities - Enterprise Funds

604 Electric		609 Liquor		Other Proprietary Funds	
2017	2016	2017	2016	2017	2016
\$ 6,741,545	\$ 7,891,386	\$ 439,307	\$ 405,203	\$ 1,138,716	\$ 1,072,690
42,824	46,647	-	-	5,453	5,703
<u>\$ 6,784,369</u>	<u>\$ 7,938,033</u>	<u>\$ 439,307</u>	<u>\$ 405,203</u>	<u>\$ 1,144,169</u>	<u>\$ 1,078,393</u>
\$ 1,306,960	\$ 361,845	\$ 70,233	\$ 78,064	\$ 202,900	\$ 207,699
799,037	765,840	7,360	6,404	112,892	115,094
11,753	485	39	538	11,268	12,763
(525)	(333)	-	-	(10)	(13)
(734,123)	(113,402)	-	-	(2,603)	(2,552)
-	-	-	-	(308)	284
215	(68)	-	-	-	-
(80,973)	51,659	2,133	1,893	-	-
-	-	-	-	-	-
17,682	(35,465)	20,832	(38,824)	16,547	(31,730)
(72,057)	156,088	(3,367)	(11,066)	10,870	363
1,149	82	(1,201)	407	190	(203)
101	693	52	461	117	475
(3,823)	(1,253)	355	201	(250)	(5)
4,905	1,434	1,804	3,334	2,510	1,750
536	(2)	239	(1)	343	(383)
(24,002)	44,991	(31,194)	45,901	(23,626)	36,916
9,513	628	9,466	37	8,208	(87)
<u>(70,612)</u>	<u>871,377</u>	<u>6,518</u>	<u>9,285</u>	<u>136,148</u>	<u>132,672</u>
<u>\$ 1,236,348</u>	<u>\$ 1,233,222</u>	<u>\$ 76,751</u>	<u>\$ 87,349</u>	<u>\$ 339,048</u>	<u>\$ 340,371</u>
\$ -	\$ 1,660	\$ -	\$ -	\$ -	\$ -
-	137,480	-	-	-	14,007
-	-	-	-	-	-
-	-	-	-	335	35
-	-	-	-	-	-

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City of Luverne, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Funds	
	Total			
	2017	2016	2017	2016
Cash and Cash Equivalents are Comprised of				
Cash and temporary investments	\$ 14,130,223	\$ 15,177,776	\$ 1,169,226	\$ 1,436,985
Restricted assets				
Cash and temporary investments	660,862	642,933	-	-
Total Cash and Cash Equivalents	\$ 14,791,085	\$ 15,820,709	\$ 1,169,226	\$ 1,436,985
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 2,441,582	\$ 1,179,343	\$ (105,339)	\$ (56,646)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	1,616,113	1,550,277	68,627	56,640
Other income related to operations	27,882	18,184	99	1,298
Interest paid on customer deposits	(555)	(360)	-	-
(Increase) decrease in assets				
Accounts receivable	(735,086)	(129,182)	3,835	18,048
Special assessments receivable	(29)	517	-	-
Due from other governments	(498)	525	-	-
Inventories	(78,840)	53,552	-	-
Prepaid items	-	-	(263)	(248)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	126,832	(255,024)	46,446	(94,886)
Increase (decrease) in liabilities				
Accounts payable	(64,429)	173,661	(759)	(37,190)
Due to other governments	298	363	-	-
Wages and related benefits payable	704	3,742	325	1,180
Deposits payable	(3,549)	(907)	-	-
Compensated absences payable	13,348	18,814	29,845	25,876
Other postemployment benefits liability	4,445	2,574	884	379
Pension liability	(168,468)	305,376	(61,061)	120,633
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	70,442	990	26,170	1,731
Total Adjustments	808,610	1,743,102	114,148	93,461
Net Cash Provided (Used) by Operating Activities	\$ 3,250,192	\$ 2,922,445	\$ 8,809	\$ 36,815
Schedule of Noncash Investing, Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ -	\$ 4,974	\$ 31,094	\$ -
Capital assets acquired on account	21,868	178,445	-	-
Loans written off	-	73,000	-	-
Special assessments levied	1,049	863	-	-
Amortization of bond (premium) discount	(1,243)	(1,243)	-	-

City of Luverne, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	<u>Agency Funds</u>
Assets	
Cash and temporary investments	\$ 549
Receivables	
Accrued interest	<u>1</u>
 Total Assets	 <u>\$ 550</u>
Liabilities	
Amounts held in trust for others	<u>\$ 550</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Luverne, Minnesota (the City) was incorporated in 1877. The City operates under a Home Rule Charter as defined by Minnesota statutes which provides for a Mayor-Council form of government. The Council appoints the City Administrator who is responsible for the proper administration of all affairs relating to the operation of the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The discretely presented component unit is reported in a separate column in the government-wide (see note below for description) financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Economic Development Authority (EDA) was created to carry out housing and economic development activities within the City. The governing board is appointed by the City Council. The EDA's operations are partially funded by an 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. 61, 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.

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.

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.

This *Sharkees - Merts TIF Project 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.

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.

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, 2017

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, 2017:

- Government securities of \$718,210 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposits of \$13,191,614 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, 2017 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, 2017

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 2017. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the enterprise funds at December 31, 2017 was \$23,000 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.

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.

Land Held for Resale

Land is acquired by the City for subsequent resale for development purposes. Land held for resale is reported as an asset at fair value in the fund that acquired it.

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 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, 2017

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 statements 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.

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. The General fund is typically used to liquidate the governmental net pension liability.

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 statements 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.

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.

Note 2: Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. In June of each year, all department of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds a public hearing and a final budget is prepared and adopted prior to the end of December.

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

The appropriated budget for the General fund is prepared by fund and function (e.g., public safety). The appropriated budgets are prepared by fund for the Airport and Swimming Pool special revenue funds. Transfers of appropriations between departments and funds require the approval of the City Council. The City amended its General fund budget during the year resulting in increasing its revenues by \$26,720 and expenditures by \$866,720.

B. Deficit Fund Equity

For the year ended December 31, 2017 the following funds had a fund equity deficit as follows:

Fund	Amount
Major	
Capital projects	
Sharkees - Merts TIF Project	\$ 281,513
Nonmajor	
Special revenue	
Community Development	21,252
Capital projects	
Barck Avenue TIF Project	81,552
Ramage - Saker TIF Project	145,082
Internal service	
Data Processing	63,479

The deficit in the Sharkees - Merts TIF project fund will be funded with future tax increments. The Community Development fund deficit will be funded with property rental payments to be received in 2018. The Barck Avenue TIF Project and the Ramage - Saker TIF project fund deficits will be funded with future tax increments. The Data Processing fund deficit will be funded with future charges to other funds.

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 \$7,192,948, including \$549 reported in fiduciary funds. The bank balance was \$5,411,862. 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's trust department in the City's name of \$3,911,862. The primary government and component unit's deposits and investments are pooled.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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, 2017, 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	\$ 23,413			
Mainstreet Securities Money Funds	N/A	under 6 months	26,071			
Total Pooled Investments at Amortized Costs			<u>49,484</u>			
Non-Pooled Investments at Amortized Costs						
Minnwest Bank	N/A	under 6 months	237,139			
Minnwest Bank (Com Dev Grant)	N/A	under 6 months	80			
First Farmers & Merchants Bank (Com Dev Grant)	N/A	under 6 months	1,425			
Total Non-Pooled Investments at Amortized Costs			<u>238,644</u>			
Non-Pooled Investments at Fair Value						
Government Securities	AAA/AA+	more than 3 years	222,845	\$ 222,845	\$ -	\$ -
Government Securities	AA+	more than 3 years	495,365	495,365	-	-
Broker Certificates of Deposit	N/A	under 6 months	785,764	-	785,764	-
Broker Certificates of Deposit	N/A	6 months to 1 year	1,324,285	-	1,324,285	-
Broker Certificates of Deposit	N/A	1 to 3 years	4,724,750	-	4,724,750	-
Broker Certificates of Deposit	N/A	more than 3 years	6,356,815	-	6,356,815	-
Total Non-Pooled Investments at Fair Value			<u>13,909,824</u>	<u>718,210</u>	<u>13,191,614</u>	<u>-</u>
Total Investments			<u>\$ 14,197,952</u>	<u>\$ 718,210</u>	<u>\$ 13,191,614</u>	<u>\$ -</u>

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

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

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

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 5,784,764	\$ 1,407,635	\$ 549	\$ 7,192,948
Cash on Hand	1,900	-	-	1,900
Investments	14,197,952	-	-	14,197,952
Total	<u>\$ 19,984,616</u>	<u>\$ 1,407,635</u>	<u>\$ 549</u>	<u>\$ 21,392,800</u>
Cash and Temporary Investments	\$ 19,323,754	\$ 1,381,749	\$ 549	\$ 20,706,052
Restricted Assets	660,862	25,886	-	686,748
Total	<u>\$ 19,984,616</u>	<u>\$ 1,407,635</u>	<u>\$ 549</u>	<u>\$ 21,392,800</u>

The balances of the restricted asset accounts are as follows:

Restricted Purpose	Primary Government					Component Unit
	Water	Sewer	Electric	Other Proprietary Funds	Total	EDA
Accrued Interest Payable	\$ 42,724	\$ 10,427	\$ -	\$ -	\$ 53,151	\$ -
Current Portion of Bonds/Notes Payable	336,500	203,500	-	-	540,000	-
Customer Deposits Payable	9,946	9,488	42,824	5,453	67,711	-
Other	-	-	-	-	-	25,886
Total	<u>\$ 389,170</u>	<u>\$ 223,415</u>	<u>\$ 42,824</u>	<u>\$ 5,453</u>	<u>\$ 660,862</u>	<u>\$ 25,886</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

B. Receivables

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

	General	Debt Service	Nonmajor Governmental	Water
Receivables				
Interest	\$ 10,782	\$ 1,030	\$ 3,508	\$ 4,636
Taxes	14,573	3,378	22	-
Accounts	28,253	-	9,116	107,952
Loans/contracts	94,348	-	-	2,782
Special assessments	2,607	-	-	1,108
Intergovernmental	56,680	1,817	19,204	-
Gross receivables	<u>207,243</u>	<u>6,225</u>	<u>31,850</u>	<u>116,478</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(1,300)</u>	<u>(1,000)</u>
Net Total Receivables	<u><u>\$ 207,243</u></u>	<u><u>\$ 6,225</u></u>	<u><u>\$ 30,550</u></u>	<u><u>\$ 115,478</u></u>
		Sewer	Electric	Liquor
Receivables				
Interest		\$ 8,102	\$ 15,076	\$ 852
Accounts		93,124	1,201,717	-
Loans/contracts		4,990	299,587	-
Special assessments		2,619	-	-
Intergovernmental		1,550	-	-
Gross receivables		<u>110,385</u>	<u>1,516,380</u>	<u>852</u>
Less allowance for uncollectibles		<u>(1,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Total Receivables		<u><u>\$ 109,385</u></u>	<u><u>\$1,496,380</u></u>	<u><u>\$ 852</u></u>
		Nonmajor Enterprise	Internal Service	Total
Receivables				
Interest		\$ 2,201	\$ 2,757	\$ 48,944
Taxes		-	-	17,973
Accounts		55,846	-	1,496,008
Loans/contracts		5,992	76,790	484,489
Special assessments		1,365	-	7,699
Intergovernmental		-	-	79,251
Gross receivables		<u>65,404</u>	<u>79,547</u>	<u>2,134,364</u>
Less allowance for uncollectibles		<u>(1,000)</u>	<u>-</u>	<u>(24,300)</u>
Net Total Receivables		<u><u>\$ 64,404</u></u>	<u><u>\$ 79,547</u></u>	<u><u>\$2,110,064</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

C. Loans/Contracts Receivable

Loans/contract receivable at December 31, 2017 are comprised of the following:

<p>The City's General fund made a loan to the Luverne Convention & Visitors Bureau on July 17, 2013 in the amount of \$15,000 at an interest rate of 1.00 percent to assist with the financing of a digital sign. Monthly payments in the amount of 129.75 are due on the 1st of each month beginning August 1, 2013 with the final payment due on April 1, 2023.</p>	\$ 7,888
<p>The City's General fund made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	49,914
<p>The City's General fund made a loan to the Blue Mound Area Theatre on September 24, 2012 in the amount of \$52,000 at a 3.00 percent interest rate for improvements to the Shaw Drug building. Monthly payments in the amount of \$366.06 are due monthly beginning December 13, 2012 with final payment due on July 13, 2027.</p>	<u>36,546</u>
<p>Total governmental funds loans/contracts receivable</p>	<u>94,348</u>
<p>The Water utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	49,914
<p>The Sewer utility made a loan to the Luverne Hockey Club, Inc. on October 8, 2012 in an amount not to exceed \$97,500 at an interest rate of 1.00 percent to assist with the financing of an addition to the Blue Mound Ice Arena. Semi-annual payments are due beginning December 1, 2012 with final payment due on June 1, 2042.</p>	49,914
<p>The Sewer utility made a zero percent loan to a customer on December 31, 2017 in the amount of \$2,472.95 for the purpose of providing financing for the repair of a sanitary sewer service line. Payments in the amount of \$103.04 are due on the 8th of each month, beginning February 8, 2018 with final payment due January 8, 2020.</p>	2,473
<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>	49,914
<p>The Electric utility made a zero percent loan on November 8, 2017 to Agri Energy in the amount of \$40,548.97 for electrical improvements. Payments in the amount of \$3,379.00 are due on the 8th of each month with final payment due December 8, 2018.</p>	40,549
<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>	1,167
<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>	1,065
<p>The Electric utility has extended loans to eligible employees for computer purchases to increase their skill level in their jobs.</p>	1,749

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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>	\$ 1,612
<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>	3,334
<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>	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>	1,583
<p>The Electric utility made a zero percent loan on November 10, 2014 to the Eagles Club #3403 in the amount of \$4,135.01 as an incentive to promote energy efficient lighting. Payments in the amount of \$68.92 are due on the 8th of the month beginning in January 2015 with final payment due December 8, 2019.</p>	1,654
<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>	76,790
<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>107,506</u>
<p>Total business-type funds loans receivable</p>	<u>390,141</u>
<p>Total primary government loans/contracts receivable</p>	<u>484,489</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>	4,500
<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>	3,760

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

<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>	\$ 5,631
<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>	4,010
<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>	7,660
<p>The Economic Development Authority made a 5.0% loan in the amount of \$50,000 to Luverne Brew Partners to assist in financing project costs to construct a Tap Room and for the creation of additional jobs. The loan will be forgiven two years after the creation and retention of two additional jobs.</p>	50,000
<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>	7,839
<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>	3,926
<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>	7,839
<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>	8,853
<p>The Economic Development Authority made a loan to Mark & Amy VanEssen, dba Tyana's, in the amount of \$11,600.00 at an interest rate of 2.00 percent for façade improvements to their building. Payment in the amount of \$148.47 is due on the 15th of the month with final payment due December 1, 2025.</p>	11,620
<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>	3,122
<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>	6,069
<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>	5,741

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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>	\$ 514
<p>The Economic Development Authority made a loan to the Rock County Historical Society in the amount of \$21,000.00 at an interest rate of 2.00 percent for façade improvements to their building. Payment in the amount of \$368.37 is due on the 15th of the month with final payment due July 15, 2022.</p>	19,344
<p>The Economic Development Authority made a loan to David & Julie Haugom, dba Print Express, in the amount of \$9,775.00 at an interest rate of 2.00 percent for façade improvements to their building. Payment in the amount of \$125,11 is due on the 15th of the month with final payment due December 15, 2024.</p>	9,775
<p>The Economic Development Authority made a loan to Opitz Properties LLC in the amon of \$25,000 at an interest rate of 2.00 percent as a GAP loan to assist with the cost of renovating a larger building they acquired for expansion of their business operations. Payment in the amount of \$230.21 is due on the 15th of the month with final payment due on December 15, 2027.</p>	25,000
<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>7,117</u>
<p style="padding-left: 40px;">Total component unit loans receivable</p>	<u>202,320</u>
<p style="padding-left: 40px;">Total loans/contract receivable</p>	<u>\$ 686,809</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 268,374
Nonmajor governmental	General	622
	Water	190
	Sewer	17
	Data Processing	207
Enterprise		
Water	Nonmajor governmental	13,110
Sewer	Nonmajor governmental	13,110
Electric	Nonmajor governmental	26,221
Electric	Sharkees - Merts TIF Project	503,641
Nonmajor enterprise	Community Development	13,110
Internal service		
Data Processing	General	68,536
Total		\$ 907,138

Of the General fund outstanding balance, \$88,483 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 a loan from General to the Ramage/Sasker TIF fund 445 of \$156,948 is for blight removal and redevelopment that will be repaid with future tax increment revenue. The Electric fund has loaned \$503,641 to the Sharkees - Merts TIF project to cover costs associated with property acquisition and blight removal and will be repaid with future tax increment revenue. The Data Processing fund loaned the General fund \$68,536 for the acquisition of PEG access channel equipment and the loan will be repaid with future General fund PEG access fees. Various funds will pay the city share of pool and fitness memberships for city employees (\$1,418) to the Pool (a non-major governmental fund). The remaining outstanding balance of \$88,495 between funds is from loans made to the Community Development fund for acquisition of land for the industrial park. Semi-annual payments are made when land rent is received.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

The following transfers were made in 2017:

Fund	Transfers in		
	General	Nonmajor Governmental	Total
Transfers Out			
General	\$ -	\$ 707,550	\$ 707,550
Nonmajor governmental	-	20,000	20,000
Water enterprise	55,000	20,000	75,000
Sewer enterprise	55,000	65,000	120,000
Electric enterprise	70,000	165,000	235,000
Liquor enterprise	45,000	-	45,000
Nonmajor enterprise	60,000	75,000	135,000
Internal service	31,093	200,000	231,093
Total Transfers Out	<u>\$ 316,093</u>	<u>\$ 1,252,550</u>	<u>\$ 1,568,643</u>

The General fund transfer to the Airport fund (\$20,000) and Swimming Pool fund (\$367,550) are annual transfers. The General fund transfer to the Capital Equipment Replacement fund (\$150,000), and City Offices/Government Buildings Capital Project (\$35,000) are transfers for future capital purchases and improvements. The transfer from the General fund to the Ice Arena Capital Projects fund (\$10,000) was for future capital improvements. The transfer from the General fund to the Street/Sidewalk Improvement Capital Projects fund (\$20,000) was for future capital improvements. The transfer from the General fund to the Luverne Loop fund (\$105,000) 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 (\$70,000), 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 \$35,000, the \$100,000 transfer from Electric fund, the \$10,000 transfer from Water fund, the \$25,000 transfer from Sewer fund, and the \$200,000 transfer from the Data Processing 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) (\$40,000), the Electric fund (\$65,000) the Water fund (\$10,000) and the Sewer fund (\$40,000) were transfers for equipment purchases.

The transfer to the General fund from the Data Processing fund (\$31,093) was to transfer equipment purchased in the prior year to the General fund.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

E. Restricted Assets

The composition of restricted assets of enterprise funds at December 31, 2017 are cash and investments offset by the following liability accounts:

Customer Deposits - Water Fund	\$ 9,946
Customer Deposits - Sewer Fund	9,488
Customer Deposits - Electric Fund	42,824
Customer Deposits - Other Proprietary Funds	5,453
Accrued Interest Payable - Water Fund	42,724
Accrued Interest Payable - Sewer Fund	10,427
Current Portion of Bonds - Water Fund	336,500
Current Portion of Bonds - Sewer Fund	<u>203,500</u>
 Total Restricted Assets	 <u><u>\$ 660,862</u></u>

F. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,701,539	\$ 118,500	\$ (9,350)	\$ 2,810,689
Construction in progress	<u>195,027</u>	<u>30,938</u>	<u>-</u>	<u>225,965</u>
Total Capital Assets not being Depreciated	<u>2,896,566</u>	<u>149,438</u>	<u>(9,350)</u>	<u>3,036,654</u>
Capital Assets Being Depreciated				
Buildings	9,020,895	-	-	9,020,895
Improvements and infrastructure	15,696,936	199,523	-	15,896,459
Machinery and equipment	<u>6,022,606</u>	<u>699,287</u>	<u>(108,034)</u>	<u>6,613,859</u>
Total Capital Assets being Depreciated	<u>30,740,437</u>	<u>898,810</u>	<u>(108,034)</u>	<u>31,531,213</u>
Less Accumulated Depreciation For				
Buildings	(4,542,804)	(301,064)	-	(4,843,868)
Improvements and infrastructure	(10,071,273)	(463,969)	-	(10,535,242)
Machinery and equipment	<u>(3,903,092)</u>	<u>(452,450)</u>	<u>108,034</u>	<u>(4,247,508)</u>
Total Accumulated Depreciation	<u>(18,517,169)</u>	<u>(1,217,483)</u>	<u>108,034</u>	<u>(19,626,618)</u>
Total Capital Assets being Depreciated, Net	<u>12,223,268</u>	<u>(318,673)</u>	<u>-</u>	<u>11,904,595</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 15,119,834</u></u>	<u><u>\$ (169,235)</u></u>	<u><u>\$ (9,350)</u></u>	<u><u>\$ 14,941,249</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 274,235	\$ 358,000	\$ -	\$ 632,235
Construction in progress	-	171,161	-	171,161
Total Capital Assets not being Depreciated	<u>274,235</u>	<u>529,161</u>	<u>-</u>	<u>803,396</u>
Capital Assets being Depreciated				
Buildings	2,923,788	40,829	-	2,964,617
Improvements and infrastructure	39,314,306	1,694,268	(71,395)	40,937,179
Machinery and equipment	2,975,669	229,055	(190,285)	3,014,439
Total Capital Assets being Depreciated	<u>45,213,763</u>	<u>1,964,152</u>	<u>(261,680)</u>	<u>46,916,235</u>
Less Accumulated Depreciation for				
Buildings	(2,356,675)	(46,006)	-	(2,402,681)
Improvements and infrastructure	(19,516,001)	(1,421,107)	71,395	(20,865,713)
Machinery and equipment	(2,188,082)	(186,043)	159,192	(2,214,933)
Total Accumulated Depreciation	<u>(24,060,758)</u>	<u>(1,653,156)</u>	<u>230,587</u>	<u>(25,483,327)</u>
Total Capital Assets being Depreciated, Net	<u>21,153,005</u>	<u>310,996</u>	<u>(31,093)</u>	<u>21,432,908</u>
Business-type Activities Capital Assets, Net	<u>\$ 21,427,240</u>	<u>\$ 840,157</u>	<u>\$ (31,093)</u>	<u>\$ 22,236,304</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 150,566
Public safety	198,362
Public works, including depreciation of general infrastructure assets	522,972
Culture and recreation	304,773
Conservation and development	9,226
Central Garage internal service	<u>31,584</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,217,483</u></u>
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Business-type Activities

Water	\$ 342,645
Sewer	354,179
Refuse and recycling	42,214
Electric	799,037
Storm sewer	70,678
Liquor	7,360
Central Store internal service	2,781
Data Processing internal service	<u>34,262</u>

Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,653,156</u></u>
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Construction Commitments

The City has one active construction project as of December 31, 2017. The project includes the rehabilitation and lighting of the south elevated water storage tower. At year end the City's commitments with contractors are as follows:

Project	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Utility Service Company, Inc.	<u><u>\$ 415,489</u></u>	<u><u>\$ 21,868</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Units

Capital asset activity for the EDA for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 677,016	\$ -	\$ (18,266)	\$ 658,750
Capital Assets Being Depreciated				
Buildings	2,524,456	-	-	2,524,456
Machinery and equipment	5,835	-	-	5,835
Total Capital Assets being Depreciated	<u>2,530,291</u>	<u>-</u>	<u>-</u>	<u>2,530,291</u>
Less Accumulated Depreciation For				
Buildings	(1,155,799)	(74,839)	-	(1,230,638)
Machinery and equipment	(3,696)	(583)	-	(4,279)
Total Accumulated Depreciation	<u>(1,159,495)</u>	<u>(75,422)</u>	<u>-</u>	<u>(1,234,917)</u>
 Total Capital Assets being Depreciated, Net	 <u>1,370,796</u>	 <u>(75,422)</u>	 <u>-</u>	 <u>1,295,374</u>
 EDA Capital Assets, Net	 <u><u>\$2,047,812</u></u>	 <u><u>\$ (75,422)</u></u>	 <u><u>\$ (18,266)</u></u>	 <u><u>\$1,954,124</u></u>

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

Component unit activities	
Housing and economic development	<u><u>\$ 75,422</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 590,000
G.O. Improvement Bonds of 2012A (City reroof)	410,000	0.35 - 2.40	04/01/12	02/01/28	<u>310,000</u>
Total General Obligation Bonds					<u><u>\$ 900,000</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
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	160,000	5,215	165,215
2023 - 2027	150,000	11,768	161,768
2028	<u>30,000</u>	<u>360</u>	<u>30,360</u>
Total	<u><u>\$ 900,000</u></u>	<u><u>\$ 59,498</u></u>	<u><u>\$ 959,498</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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.

<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. Tax Increment Refunding Bonds of 2010A (Pamida)	\$ 375,000	0.60 - 3.00 %	11/01/10	02/01/23	<u>\$ 205,000</u>

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

<u>Year Ending December 31</u>	G.O. Tax Increment Bonds Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	35,000	1,575	36,575
2023	35,000	525	35,525
Total	<u>\$ 205,000</u>	<u>\$ 17,955</u>	<u>\$ 222,955</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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>\$ 295,000</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>
2018	\$ 100,000	\$ 3,105	\$ 103,105
2019	100,000	1,955	101,955
2020	<u>95,000</u>	<u>665</u>	<u>95,665</u>
Total	<u>\$ 295,000</u>	<u>\$ 5,725</u>	<u>\$ 300,725</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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>\$ 184,000</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>
2018	\$ 91,000	\$ 3,041	\$ 94,041
2019	93,000	1,027	94,027
Total	<u>\$ 184,000</u>	<u>\$ 4,068</u>	<u>\$ 188,068</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 685,000
G.O. Improvement Bonds of 2012A (Refunding-Water & Sewer)	2,035,000	0.35 - 2.40	04/01/12	02/01/28	1,535,000
G.O. Improvement Bonds of 2012A (Refunding-Water)	675,000	0.35 - 2.40	04/01/12	02/01/28	385,000
G.O. Water Revenue Bonds of 2014A	2,715,000	2.00 - 3.75	04/01/14	02/01/35	<u>2,485,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$5,090,000</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
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	345,000	87,733	432,733
2023 - 2027	1,375,000	336,423	1,711,423
2028 - 2032	910,000	164,173	1,074,173
2033 - 2035	490,000	27,748	517,748
 Total	 <u>\$ 5,090,000</u>	 <u>\$ 1,049,746</u>	 <u>\$ 6,139,746</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	\$1,692,640	\$1,496,800
Principal and interest	432,773	215,780
Percentage of revenues	25.6%	14.4%

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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.

<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>
2009 Hangar Note	\$ 136,552	- %	12/31/09	12/31/19	\$ 34,707
2010 Hangar Note	143,486	-	12/31/10	12/31/21	<u>57,230</u>
Total Notes					<u>\$ 91,937</u>

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

<u>Year Ending December 31</u>	Notes		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 28,356	\$ -	\$ 28,356
2019	28,356	-	28,356
2020	21,122	-	21,122
2021	<u>14,103</u>	<u>-</u>	<u>14,103</u>
Total	<u>\$ 91,937</u>	<u>\$ -</u>	<u>\$ 91,937</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 1,040,000	\$ -	\$ (140,000)	\$ 900,000	\$ 140,000
General obligation tax increment bonds	235,000	-	(30,000)	205,000	30,000
General obligation improvement bonds	400,000	-	(105,000)	295,000	100,000
General obligation equipment certificates	274,000	-	(90,000)	184,000	91,000
Bond discounts	(1,304)	-	214	(1,090)	-
Total Bonds Payable	<u>1,947,696</u>	<u>-</u>	<u>(364,786)</u>	<u>1,582,910</u>	<u>361,000</u>
Notes Payable	135,592	-	(43,655)	91,937	28,356
Compensated Absences Payable	243,481	73,241	(44,797)	271,925	60,404
Other Postemployment Benefits Liability	31,098	2,297	(2,613)	30,782	-
Pension Liability GERF	<u>977,106</u>	<u>12,217</u>	<u>(174,830)</u>	<u>814,493</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>\$ 3,334,973</u>	<u>\$ 87,755</u>	<u>\$ (630,681)</u>	<u>\$ 2,792,047</u>	<u>\$ 449,760</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 5,605,000	\$ -	\$ (515,000)	\$ 5,090,000	\$ 540,000
Bond discounts	(4,397)	-	1,427	(2,970)	-
Bond premium	50,735	-	(2,670)	48,065	-
Total Bonds Payable	<u>5,651,338</u>	<u>-</u>	<u>(516,243)</u>	<u>5,135,095</u>	<u>540,000</u>
Compensated Absences Payable	382,065	82,375	(67,626)	396,814	99,518
Other Postemployment Benefits Liability	42,413	3,542	1,511	47,466	-
Pension Liability GERF	<u>1,146,489</u>	<u>5,077</u>	<u>(215,231)</u>	<u>936,335</u>	<u>-</u>
Business-type Activity Long-term Liabilities	<u>\$ 7,222,305</u>	<u>\$ 90,994</u>	<u>\$ (797,589)</u>	<u>\$ 6,515,710</u>	<u>\$ 639,518</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 5,905	\$ 6,270	\$ (3,529)	\$ 8,646	\$ 3,804
Other Postemployment Benefits Liability	3,182	295	(56)	3,421	-
Pension Liability GERF	<u>76,791</u>	<u>1</u>	<u>(14,582)</u>	<u>62,210</u>	<u>-</u>
Component Unit Long-term Liabilities	<u>\$ 85,878</u>	<u>\$ 6,566</u>	<u>\$ (18,167)</u>	<u>\$ 74,277</u>	<u>\$ 3,804</u>

Long-term debt payable at December 31, 2017 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.	\$ 590,000
\$410,000 General Obligation Bonds of 2012A (City re-roof), \$25,000 to \$30,000 due annually through 2-1-2028 at an interest rate of .35 percent to 2.40 percent.	<u>310,000</u>
Total	<u>900,000</u>

General Obligation Tax Increment Bonds:

\$500,000 2002 General Obligation TIF Refunding Bond (Pamida Project) varying principal amounts of \$10,000 to \$40,000 due annually through 2-1-2023 at an interest rate of 2.25 percent to 5.00 percent.	<u>205,000</u>
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General Obligation Improvement Bonds

\$620,000 General Obligation Improvement Bonds of 2012A (Refunding 2007A), \$95,000 to \$110,000 due annually through 2-1-2020 at an interest rate of 0.45 percent to 1.40 percent.	<u>295,000</u>
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General Obligation Equipment Certificates:

\$444,000 General Obligation Equipment Certificates, Series 2013A made on July 30, 2013 for the purpose of financing the acquisition of a fire pumper truck. Varying principal amounts of \$82,000 to \$93,000 due annually through 2-1-2019 at an interest rate of 2.19 percent.	<u>186,000</u>
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City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Notes Payable - Airport:

\$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.	\$ 34,707
\$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>57,230</u>
Total	<u>91,937</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.	685,000
\$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.	1,535,000
\$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.	385,000
\$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>2,485,000</u>
Total	<u>5,090,000</u>
Total Long-term Debt	<u>\$ 6,767,937</u>

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

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.	\$ 18,505
Amount due to Internal Service fund	<u>3,286</u>
Total due to primary government	<u>\$ 21,791</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

H. Components of Fund Balance

At December 31, 2017, 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	Sharkees - Merts TIF Project	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Loans/contracts	\$ 94,348	\$ -	\$ -	\$ -	\$ 94,348
Due from other funds	268,374	-	-	-	268,374
Due from component unit	18,505	-	-	-	18,505
Inventories	2,021	-	-	6,466	8,487
Prepaid items	-	-	-	579	579
Land held for resale	381,000	-	-	-	381,000
Total Nonspendable	<u>\$ 764,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,045</u>	<u>\$ 771,293</u>
Restricted					
Debt service	<u>\$ -</u>	<u>\$ 702,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702,461</u>
Committed					
Historical society	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Airport operations	-	-	-	167,307	167,307
Economic development	-	-	-	304,950	304,950
Swimming pool	-	-	-	21,098	21,098
Capital improvements	-	-	-	414,563	414,563
Total Committed	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 907,918</u>	<u>\$ 932,918</u>
Assigned					
LEC contract	\$ 849,515	\$ -	\$ -	\$ -	\$ 849,515
Fire pension contract	40,000	-	-	-	40,000
Capital improvements	-	-	-	239,931	239,931
Capital equipment	-	-	-	286,278	286,278
Total Assigned	<u>\$ 889,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,209</u>	<u>\$ 1,415,724</u>
Unassigned	<u>\$ 809,533</u>	<u>\$ -</u>	<u>\$ (281,513)</u>	<u>\$ (247,886)</u>	<u>\$ 280,134</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	25,264	1,692	8,393	29,712
Captured - Retained	<u>\$ 24,938</u>	<u>\$ 1,230</u>	<u>\$ 8,295</u>	<u>\$ 26,315</u>
Total General Obligation Tax Increment				
Bonds and Notes issued	\$ 500,000	\$ 47,000	\$ -	\$ -
Amounts redeemed	(295,000)	(28,495)	-	-
Outstanding at December 31, 2017	<u>\$ 205,000</u>	<u>\$ 18,505</u>	<u>\$ -</u>	<u>\$ -</u>
		Barck TIF District	Sharkee's Mert's TIF District	Ramage 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		\$ 794	\$ 5,220	\$ 1,461
Current		3,317	5,220	1,461
Captured - Retained		<u>\$ 2,523</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Obligation Tax Increment				
Bonds and Notes issued		\$ 80,000	\$ -	\$ -
Amounts redeemed		-	-	-
Outstanding at December 31, 2017		<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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, 2017 or December 31, 2016 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
2017	\$ -	\$ -	\$ -	\$ -
2016	-	13,430	(13,430)	-
2015	-	182,089	(182,089)	-

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.

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, 2017 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.

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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$136,239, \$128,050 and \$131,757, 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, 2017, the City of Luverne reported a liability of \$1,813,038 for its proportionate share of the GERF's net pension liability of which the LEDA's portion was calculated at \$62,210. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$22,837. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of Luverne's proportionate share was 0.0284 percent which was a decrease of 0.0013 percent from its proportion measured as of June 30, 2016. The LEDA's proportionate share was calculated at 0.0009 percent at both June 30, 2017 and June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$227,006 for its proportionate share of GERF's pension expense of which the LEDA's portion was calculated at \$6,810. In addition, the City recognized an additional \$660 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF, of which the LEDA's portion was calculated at \$20.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Other Information (Continued)

At December 31, 2017, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 57,732	\$ 110,345	\$ 2,051	\$ 3,920
Changes in Actuarial Assumptions	290,883	175,520	10,336	6,237
Net Difference Between Projected and Actual Earnings on Plan Investments	-	79,543	-	2,826
Changes in Proportion	57,410	42,455	2,040	1,509
Contributions to GERF Subsequent to the Measurement Date	66,697	-	2,370	-
Total	\$ 472,722	\$ 407,863	\$ 16,797	\$ 14,492

Deferred outflows of resources totaling \$69,067 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit
2018	\$ (16,861)	\$ (599)
2019	104,275	3,705
2020	(14,934)	(531)
2021	(74,318)	(2,640)

e. Actuarial Assumptions

The total pension liability in the June 30, 2017 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 disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

f. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent, a reduction from the 7.50 percent used in 2016. 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:

h. Pension Plan Fiduciary Net Position

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF			
Primary government	\$ 2,715,664	\$ 1,750,828	\$ 960,934
Component unit	96,492	62,210	34,143

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, 2017

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.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. 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. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2017, 2016 and 2015 were \$1,429, \$1,045 and \$1,086, 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	
\$ 1,429	\$ 1,429	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, 2017

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 \$44,401 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2016, 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, 2016 were \$44,401. 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, 2017, the City reported a net pension liability (asset) of (\$293,090) for the plan. The net pension liability (asset) was measured as of December 31, 2016. 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, 2016. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2016	\$ 709,866	\$ 892,690	\$ (182,824)
Changes For the Year			
Service cost	26,616	-	26,616
Interest on pension liability (asset)	34,367	-	34,367
Contributions (employer)	(58,265)	65,667	(123,932)
Contributions (State)	-	44,401	(44,401)
Changes of assumptions	84	-	84
Benefit payments	(98,280)	(98,280)	-
Administrative expenses	-	3,000	(3,000)
Total Net Changes	(95,478)	14,788	(110,266)
Ending Balance December 31, 2016	\$ 614,388	\$ 907,478	\$ (293,090)

For the year ended December 31, 2016 the City recognized pension expense of (\$28,963).

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Other Information (Continued)

At December 31, 2017, 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
Differences Between Expected and Actual Experience	\$ -	\$ 50,982
Changes in Actuarial Assumptions Net Difference Between Projected and Actual Earnings on Plan Investments	73	-
Contributions to Plan Subsequent to the Measurement Date	37,859	-
	50,417	-
Total	\$ 88,349	\$ 50,982

Deferred outflows of resources totaling \$50,417 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, 2018. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2018	\$ 6,834
2019	6,834
2020	6,835
2021	(11,733)
2022	(7,272)
Thereafter	(14,548)

e. Actuarial Assumptions

The total pension liability at December 31, 2016 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 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Other Information (Continued)

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

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

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:

	<u>1 Percent Decrease (4.00%)</u>	<u>Current (5.00%)</u>	<u>1 Percent Increase (6.00%)</u>
Defined Benefit Plan	\$ (261,171)	\$ (293,090)	\$ (323,122)

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.

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 2017 was \$1,382,570 respectively which accounted for 36 percent of General fund revenues.

E. Electric Transmission Assets

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

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 2017, the City (including component unit) contributed \$1,158 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, 2017

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	\$ 7,140	\$ 362	\$ 7,502
Interest on Net OPEB Obligation	2,920	148	3,068
Adjustment to Annual Required Contribution	(4,221)	(215)	(4,436)
Annual OPEB cost (expense)	<u>5,839</u>	<u>295</u>	<u>6,134</u>
Contributions Made	<u>(1,102)</u>	<u>(56)</u>	<u>(1,158)</u>
Increase in Net OPEB Obligation	4,737	239	4,976
Net OPEB Obligation - Beginning of Year	<u>73,511</u>	<u>3,182</u>	<u>76,693</u>
Net OPEB Obligation - End of Year	<u>\$ 78,248</u>	<u>\$ 3,421</u>	<u>\$ 81,669</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 2017 and the previous two years follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 6,134	18.9 %	\$ 81,669
12/31/16	5,923	18.3	76,693
12/31/15	5,677	-	71,853

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.

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, 2017 was 30 years.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 6: Tax Abatements

As of December 31, 2017, 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, 2017 was as follows:

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

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REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Luverne, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

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-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0284 %	\$ 1,813,038	\$ 22,837	\$1,835,875	\$ 1,832,763	100.2 %	75.9 %
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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 136,239	\$ 136,239	\$ -	\$ 1,816,520	7.5 %
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.

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Luverne, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2017

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability			
Service cost	\$ 26,616	\$ 26,479	\$ 25,841
Interest	34,367	33,165	32,796
Differences between expected and actual experience	(58,265)	-	-
Changes of assumptions	84	-	-
Benefit payments	(98,280)	-	(84,000)
Net Change in Total Pension Liability	<u>(95,478)</u>	<u>59,644</u>	<u>(25,363)</u>
Total Pension Liability - January 1	<u>709,866</u>	<u>650,222</u>	<u>675,585</u>
Total Pension Liability - December 31 (A)	<u><u>\$ 614,388</u></u>	<u><u>\$ 709,866</u></u>	<u><u>\$ 650,222</u></u>
Plan Fiduciary Net Position			
Contributions - State	44,401	44,859	41,894
Contributions - employer	-	-	2,931
Projected investment return	65,667	(46,974)	34,529
Other	3,000	-	2,000
Benefit payments, including refunds of employee contributions	(98,280)	-	(84,000)
Net Change in Plan Fiduciary Net Position	<u>14,788</u>	<u>(2,115)</u>	<u>(2,646)</u>
Plan Fiduciary Net Position - January 1	<u>892,690</u>	<u>894,805</u>	<u>897,451</u>
Plan Fiduciary Net Position - December 31 (B)	<u><u>\$ 907,478</u></u>	<u><u>\$ 892,690</u></u>	<u><u>\$ 894,805</u></u>
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	<u><u>\$ (293,090)</u></u>	<u><u>\$ (182,824)</u></u>	<u><u>\$ (244,583)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	147.70%	125.75%	137.62%
Covered-Employee Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A

Notes to Schedule:

Benefit changes. None in 2016, None in 2015.

Changes of assumptions.

2016

The mortality assumption was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006). The mortality improvement scale was changed from Scale AA to Scale MP-2016.

2015

None

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, 2017

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/16	\$ 44,401	\$ 44,401	\$ -
12/31/15	44,859	44,859	-
12/31/14	44,825	44,825	-

Schedule of Employer's Funding Progress for the Postemployment Benefit Plan

Actuarial Valuation Date	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.

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, 2017

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
Assets				
Cash and temporary investments	\$ 157,825	\$ 30,037	\$ 304,452	\$ 67,123
Receivables (net of allowance for uncollectibles)				
Accrued interest	314	403	498	119
Accounts, net	2,570	5,246	-	-
Delinquent taxes	-	-	-	-
Intergovernmental	10,256	2,435	-	-
Due from other funds	-	1,036	-	-
Inventories	6,466	-	-	-
Prepaid items	-	579	-	-
Total Assets	\$ 177,431	\$ 39,736	\$ 304,950	\$ 67,242
Liabilities				
Accounts payable	\$ 3,658	\$ 13,786	\$ -	\$ -
Due to other funds	-	-	-	88,494
Due to other governments	-	714	-	-
Wages and related benefits payable	-	3,559	-	-
Total Liabilities	3,658	18,059	-	88,494
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	-	-	-	-
Fund Balances				
Nonspendable	6,466	579	-	-
Committed	167,307	21,098	304,950	-
Assigned	-	-	-	-
Unassigned	-	-	-	(21,252)
Total Fund Balances	173,773	21,677	304,950	(21,252)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 177,431	\$ 39,736	\$ 304,950	\$ 67,242

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
\$ 30,555	\$ 146,659	\$ 285,564	\$ 20,850	\$ 41,017	\$ 342,022	\$ 6,915
64	255	714	21	94	743	16
-	-	-	-	-	-	-
-	22	-	-	-	-	-
-	-	-	6,513	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 30,619</u>	<u>\$ 146,936</u>	<u>\$ 286,278</u>	<u>\$ 27,384</u>	<u>\$ 41,111</u>	<u>\$ 342,765</u>	<u>\$ 6,931</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,200	\$ -
-	-	-	-	-	-	88,483
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	14,200	88,483
-	22	-	-	-	-	-
-	-	-	-	-	-	-
-	12,704	-	-	2,000	326,413	-
30,619	134,210	286,278	27,384	39,111	2,152	-
-	-	-	-	-	-	(81,552)
<u>30,619</u>	<u>146,914</u>	<u>286,278</u>	<u>27,384</u>	<u>41,111</u>	<u>328,565</u>	<u>(81,552)</u>
<u>\$ 30,619</u>	<u>\$ 146,936</u>	<u>\$ 286,278</u>	<u>\$ 27,384</u>	<u>\$ 41,111</u>	<u>\$ 342,765</u>	<u>\$ 6,931</u>

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City of Luverne, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
December 31, 2017

	Capital Projects			Total Nonmajor Governmental Funds
	445 Ramage Saker TIF Project	451 MN West/ Gov Buildings Project	479 Pool Capital Improvement	
Assets				
Cash and temporary investments	\$ 11,817	\$ 6,160	\$ 73,523	\$ 1,524,519
Receivables (net of allowance for uncollectibles)				
Accrued interest	49	64	154	3,508
Accounts, net	-	-	-	7,816
Delinquent taxes	-	-	-	22
Intergovernmental	-	-	-	19,204
Due from other funds	-	-	-	1,036
Inventories	-	-	-	6,466
Prepaid items	-	-	-	579
Total Assets	\$ 11,866	\$ 6,224	\$ 73,677	\$ 1,563,150
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 31,644
Due to other funds	156,948	-	-	333,925
Due to other governments	-	-	-	714
Wages and related benefits payable	-	-	-	3,559
Total Liabilities	156,948	-	-	369,842
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	-	-	-	22
Fund Balances				
Nonspendable	-	-	-	7,045
Committed	-	-	73,446	907,918
Assigned	-	6,224	231	526,209
Unassigned	(145,082)	-	-	(247,886)
Total Fund Balances	(145,082)	6,224	73,677	1,193,286
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,866	\$ 6,224	\$ 73,677	\$ 1,563,150

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, 2017

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
Revenues				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Intergovernmental				
Federal	11,594	-	-	-
State	36,229	-	-	-
Charges for services	224,030	221,632	-	19,974
Special assessments	-	-	-	-
Investment income	914	1,167	1,441	344
Miscellaneous	1,553	866	3,353	-
Total Revenues	274,320	223,665	4,794	20,318
Expenditures				
Current				
General government	-	-	-	-
Public works	235,842	-	-	-
Culture and recreation	-	543,003	-	-
Conservation and development	-	-	-	8,622
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	4,916	-	-	-
Culture and recreation	-	35,988	-	-
Debt service				
Principal	43,655	-	-	-
Interest and other costs	-	-	-	-
Total Expenditures	284,413	578,991	-	8,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,093)	(355,326)	4,794	11,696
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	15,046
Transfers in	20,000	367,550	-	-
Transfers out	-	(20,000)	-	-
Total Other Financing Sources (Uses)	20,000	347,550	-	15,046
Net Change in Fund Balances	9,907	(7,776)	4,794	26,742
Fund Balances, January 1	163,866	29,453	300,156	(47,994)
Fund Balances, December 31	\$ 173,773	\$ 21,677	\$ 304,950	\$ (21,252)

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
\$ -	\$ 79	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,266
-	-	-	-	-	-	-
-	183,993	-	-	-	-	-
-	-	-	28,723	-	-	-
-	169	-	-	-	-	-
185	739	2,067	62	273	2,152	47
-	-	-	-	-	-	-
<u>185</u>	<u>184,980</u>	<u>2,067</u>	<u>28,785</u>	<u>273</u>	<u>2,152</u>	<u>2,313</u>
-	-	-	-	-	-	-
-	4,315	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	53,097	-	-	-	-
-	-	348,855	-	-	-	-
-	96,004	6,354	-	7,148	40,223	-
-	-	-	-	-	-	-
-	-	-	120	-	-	4,481
<u>-</u>	<u>100,319</u>	<u>408,306</u>	<u>120</u>	<u>7,148</u>	<u>40,223</u>	<u>4,481</u>
<u>185</u>	<u>84,661</u>	<u>(406,239)</u>	<u>28,665</u>	<u>(6,875)</u>	<u>(38,071)</u>	<u>(2,168)</u>
-	-	99,000	-	-	-	-
-	20,000	305,000	-	10,000	475,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>20,000</u>	<u>404,000</u>	<u>-</u>	<u>10,000</u>	<u>475,000</u>	<u>-</u>
185	104,661	(2,239)	28,665	3,125	436,929	(2,168)
30,434	42,253	288,517	(1,281)	37,986	(108,364)	(79,384)
<u>\$ 30,619</u>	<u>\$ 146,914</u>	<u>\$ 286,278</u>	<u>\$ 27,384</u>	<u>\$ 41,111</u>	<u>\$ 328,565</u>	<u>\$ (81,552)</u>

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City of Luverne, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017

	Capital Projects			Total Nonmajor Governmental Funds
	445	451	479	
	Ramage Saker TIF Project	MN West/ Gov Buildings Project	Pool Capital Improvement	
Revenues				
Property and other taxes	\$ -	\$ -	\$ -	\$ 79
Tax increments	-	-	-	2,266
Intergovernmental				
Federal	-	-	-	11,594
State	-	-	-	220,222
Charges for services	-	-	-	494,359
Special assessments	-	-	-	169
Investment income	141	184	445	10,161
Miscellaneous	-	-	-	5,772
Total Revenues	<u>141</u>	<u>184</u>	<u>445</u>	<u>744,622</u>
Expenditures				
Current				
General government	-	27,305	-	27,305
Public works	-	-	-	240,157
Culture and recreation	-	-	-	543,003
Conservation and development	34,025	-	-	42,647
Capital outlay				
General government	-	8,439	-	8,439
Public safety	-	-	-	53,097
Public works	-	-	-	353,771
Culture and recreation	-	-	-	185,717
Debt service				
Principal	-	-	-	43,655
Interest and other costs	6,095	-	-	10,696
Total Expenditures	<u>40,120</u>	<u>35,744</u>	<u>-</u>	<u>1,508,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(39,979)</u>	<u>(35,560)</u>	<u>445</u>	<u>(763,865)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	114,046
Transfers in	-	35,000	20,000	1,252,550
Transfers out	-	-	-	(20,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>35,000</u>	<u>20,000</u>	<u>1,346,596</u>
Net Change in Fund Balances	(39,979)	(560)	20,445	582,731
Fund Balances, January 1	<u>(105,103)</u>	<u>6,784</u>	<u>53,232</u>	<u>610,555</u>
Fund Balances, December 31	<u>\$ (145,082)</u>	<u>\$ 6,224</u>	<u>\$ 73,677</u>	<u>\$ 1,193,286</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Federal	\$ 65,000	\$ 65,000	\$ 11,594	\$ (53,406)
State	27,014	27,014	36,229	9,215
Charges for services	267,993	267,993	224,030	(43,963)
Investment income	1,000	1,000	914	(86)
Miscellaneous	-	-	1,553	1,553
Total Revenues	<u>361,007</u>	<u>361,007</u>	<u>274,320</u>	<u>(86,687)</u>
Other Financing Sources				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>381,007</u>	<u>381,007</u>	<u>294,320</u>	<u>(86,687)</u>
Expenditures				
Public works				
Airport				
Supplies	169,800	169,800	123,817	45,983
Other services and charges	78,100	78,100	112,025	(33,925)
Capital outlay	65,000	65,000	4,916	60,084
Debt service				
Principal	44,556	44,556	43,655	901
Total Expenditures	<u>357,456</u>	<u>357,456</u>	<u>284,413</u>	<u>73,043</u>
Net Change in Fund Balances	23,551	23,551	9,907	(13,644)
Fund Balances, January 1	<u>163,866</u>	<u>163,866</u>	<u>163,866</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 187,417</u>	<u>\$ 187,417</u>	<u>\$ 173,773</u>	<u>\$ (13,644)</u>

City of Luverne, Minnesota
Swimming Pool Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 212,500	\$ 212,500	\$ 221,632	\$ 9,132
Investment income	1,800	1,800	1,167	(633)
Miscellaneous	200	200	866	666
Total Revenues	<u>214,500</u>	<u>214,500</u>	<u>223,665</u>	<u>9,165</u>
Other Financing Sources				
Transfers in	<u>367,550</u>	<u>367,550</u>	<u>367,550</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>582,050</u>	<u>582,050</u>	<u>591,215</u>	<u>9,165</u>
Expenditures				
Culture and recreation				
Swimming pool				
Personal services	355,500	355,500	354,722	778
Supplies	81,000	81,000	89,962	(8,962)
Other services and charges	103,550	103,550	98,319	5,231
Capital outlay	22,000	43,000	35,988	7,012
Total Expenditures	<u>562,050</u>	<u>583,050</u>	<u>578,991</u>	<u>4,059</u>
Other Financing Uses				
Transfers out	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>582,050</u>	<u>603,050</u>	<u>598,991</u>	<u>4,059</u>
Net Change in Fund Balances	-	(21,000)	(7,776)	13,224
Fund Balances, January 1	<u>29,453</u>	<u>29,453</u>	<u>29,453</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 29,453</u>	<u>\$ 8,453</u>	<u>\$ 21,677</u>	<u>\$ 13,224</u>

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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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	\$ 736,994	\$ 661,091	\$ 238,399	\$ 249,243
Receivables (net of allowance for uncollectibles)				
Accrued interest	1,346	1,105	514	452
Accounts, net	49,370	47,964	5,476	4,279
Loans	5,992	5,992	-	-
Due from other funds	13,110	16,069	-	-
Total Current Assets	<u>806,812</u>	<u>732,221</u>	<u>244,389</u>	<u>253,974</u>
Noncurrent Assets				
Restricted assets				
Cash and temporary investments	5,453	5,703	-	-
Special assessments receivable - noncurrent	1,300	965	65	92
Loans receivable - noncurrent	101,514	106,857	-	-
Capital assets				
Land	62,632	62,632	-	-
Construction in progress	-	-	3,878	-
Buildings	79,566	79,566	-	-
Improvements	18,872	18,872	1,647,526	1,607,006
Machinery and equipment	824,010	768,936	79,915	79,915
Total Capital Assets	<u>985,080</u>	<u>930,006</u>	<u>1,731,319</u>	<u>1,686,921</u>
Less accumulated depreciation	(652,280)	(610,066)	(911,644)	(840,966)
Total capital assets (net of accumulated depreciation)	<u>332,800</u>	<u>319,940</u>	<u>819,675</u>	<u>845,955</u>
Total Noncurrent Assets	<u>441,067</u>	<u>433,465</u>	<u>819,740</u>	<u>846,047</u>
Total Assets	<u>1,247,879</u>	<u>1,165,686</u>	<u>1,064,129</u>	<u>1,100,021</u>
Deferred Outflows of Resources				
Deferred pension resources	23,171	39,034	1,052	1,736

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2017	2016	2017	2016
\$ 163,323	\$ 162,356	\$ 1,138,716	\$ 1,072,690
341	321	2,201	1,878
-	-	54,846	52,243
-	-	5,992	5,992
-	-	13,110	16,069
<u>163,664</u>	<u>162,677</u>	<u>1,214,865</u>	<u>1,148,872</u>
-	-	5,453	5,703
-	-	1,365	1,057
-	-	101,514	106,857
-	-	62,632	62,632
-	-	3,878	-
-	-	79,566	79,566
-	-	1,666,398	1,625,878
-	-	903,925	848,851
-	-	2,716,399	2,616,927
-	-	(1,563,924)	(1,451,032)
-	-	1,152,475	1,165,895
-	-	1,260,807	1,279,512
<u>163,664</u>	<u>162,677</u>	<u>2,475,672</u>	<u>2,428,384</u>
-	-	24,223	40,770

City of Luverne, Minnesota
 Nonmajor Proprietary Funds
 Combining Statements of Net Position (Continued)
 December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts payable	\$ 21,673	\$ 11,780	\$ 1,154	\$ 177
Contract payable	-	-	-	14,007
Due to other governments	4,085	3,895	-	-
Wages and related benefits payable	1,351	1,235	52	51
Compensated absences payable - current	9,055	8,540	398	329
Customer deposits payable	5,453	5,703	-	-
Total Current Liabilities	<u>41,617</u>	<u>31,153</u>	<u>1,604</u>	<u>14,564</u>
Noncurrent Liabilities				
Compensated absences payable	26,042	24,137	1,880	1,859
Other postemployment benefits liability	4,722	4,391	171	159
Pension liability	85,817	108,513	3,895	4,825
Total Noncurrent Liabilities	<u>116,581</u>	<u>137,041</u>	<u>5,946</u>	<u>6,843</u>
Total Liabilities	<u>158,198</u>	<u>168,194</u>	<u>7,550</u>	<u>21,407</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>19,992</u>	<u>12,151</u>	<u>907</u>	<u>540</u>
Net Position				
Investment in capital assets	332,800	319,940	819,675	845,955
Unrestricted	<u>760,060</u>	<u>704,435</u>	<u>237,049</u>	<u>233,855</u>
Total Net Position	<u>\$ 1,092,860</u>	<u>\$ 1,024,375</u>	<u>\$ 1,056,724</u>	<u>\$ 1,079,810</u>

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2017	2016	2017	2016
\$ -	\$ -	\$ 22,827	11,957
-	-	-	14,007
-	-	4,085	3,895
-	-	1,403	1,286
-	-	9,453	8,869
-	-	5,453	5,703
-	-	43,221	45,717
-	-	27,922	25,996
-	-	4,893	4,550
-	-	89,712	113,338
-	-	122,527	143,884
-	-	165,748	189,601
-	-	20,899	12,691
-	-	1,152,475	1,165,895
163,664	162,677	1,160,773	1,100,967
<u>\$ 163,664</u>	<u>\$ 162,677</u>	<u>\$ 2,313,248</u>	<u>\$ 2,266,862</u>

City of Luverne, Minnesota
 Nonmajor Proprietary Funds
 Combining Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2017	2016	2017	2016
Operating Revenues				
Charges for services/sales	\$ 640,183	\$ 590,556	\$ 90,378	\$ 88,818
Service income	6,288	6,019	413	403
Other income	367	433	-	-
Total Operating Revenues	<u>646,838</u>	<u>597,008</u>	<u>90,791</u>	<u>89,221</u>
Operating Expenses				
Personal services	139,515	132,003	5,855	5,453
Supplies	48,817	26,078	1,528	1,964
Other services and charges	202,773	181,867	22,186	10,531
Depreciation	42,214	49,667	70,678	65,427
Pension expense	1,040	5,175	123	365
Total Operating Expenses	<u>434,359</u>	<u>394,790</u>	<u>100,370</u>	<u>83,740</u>
Operating Income (Loss)	<u>212,479</u>	<u>202,218</u>	<u>(9,579)</u>	<u>5,481</u>
Nonoperating Revenues (Expenses)				
Investment income	4,750	7,913	1,491	2,984
Rental income	11,234	12,322	-	-
Interest and other costs	(10)	(13)	-	-
Pension revenue	32	422	2	19
Contributions to component unit	(40,000)	(25,000)	-	-
Total Nonoperating Revenues (Expenses)	<u>(23,994)</u>	<u>(4,356)</u>	<u>1,493</u>	<u>3,003</u>
Income (Loss) Before Capital Contributions and Transfers	188,485	197,862	(8,086)	8,484
Transfers Out	(120,000)	(85,000)	(15,000)	(15,000)
Capital Grants and Contributions	-	-	-	17,077
Change in Net Position	68,485	112,862	(23,086)	10,561
Net Position, January 1	<u>1,024,375</u>	<u>911,513</u>	<u>1,079,810</u>	<u>1,069,249</u>
Net Position, December 31	<u>\$ 1,092,860</u>	<u>\$ 1,024,375</u>	<u>\$ 1,056,724</u>	<u>\$ 1,079,810</u>

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2017	2016	2017	2016
\$ -	\$ -	\$ 730,561	\$ 679,374
-	-	6,701	6,422
-	-	367	433
-	-	<u>737,629</u>	<u>686,229</u>
-	-	145,370	137,456
-	-	50,345	28,042
-	-	224,959	192,398
-	-	112,892	115,094
-	-	1,163	5,540
-	-	<u>534,729</u>	<u>478,530</u>
-	-	<u>202,900</u>	<u>207,699</u>
987	2,119	7,228	13,016
-	-	11,234	12,322
-	-	(10)	(13)
-	-	34	441
-	-	<u>(40,000)</u>	<u>(25,000)</u>
<u>987</u>	<u>2,119</u>	<u>(21,514)</u>	<u>766</u>
987	2,119	181,386	208,465
-	-	(135,000)	(100,000)
-	-	-	17,077
987	2,119	46,386	125,542
<u>162,677</u>	<u>160,558</u>	<u>2,266,862</u>	<u>2,141,320</u>
<u>\$ 163,664</u>	<u>\$ 162,677</u>	<u>\$ 2,313,248</u>	<u>\$ 2,266,862</u>

City of Luverne, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Cash Flows (Continued on the Following Pages)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 644,815	\$ 594,310	\$ 89,619	\$ 89,205
Cash paid to suppliers	(242,557)	(213,096)	(22,860)	(12,737)
Cash paid to and on behalf of employees	(135,608)	(125,036)	(5,629)	(5,038)
Other receipts	11,266	12,744	2	19
Net Cash Provided (Used) by Operating Activities	<u>277,916</u>	<u>268,922</u>	<u>61,132</u>	<u>71,449</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(120,000)	(85,000)	(15,000)	(15,000)
Payment to component unit	(40,000)	(25,000)	-	-
Loan payments received	5,343	25,089	-	-
(Increase) decrease in due from other funds	2,959	3,699	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(151,698)</u>	<u>(81,212)</u>	<u>(15,000)</u>	<u>(15,000)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(55,074)	-	(58,405)	(100,852)
Capital grants received	-	-	-	17,077
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(55,074)</u>	<u>-</u>	<u>(58,405)</u>	<u>(83,775)</u>
Cash Flows from Investing Activities				
Interest received	<u>4,509</u>	<u>7,609</u>	<u>1,429</u>	<u>3,327</u>
Net Increase (Decrease) in Cash and Cash Equivalents	75,653	195,319	(10,844)	(23,999)
Cash and Cash Equivalents, January 1	<u>666,794</u>	<u>471,475</u>	<u>249,243</u>	<u>273,242</u>
Cash and Cash Equivalents, December 31	<u>\$ 742,447</u>	<u>\$ 666,794</u>	<u>\$ 238,399</u>	<u>\$ 249,243</u>
Cash and Cash Equivalents are Comprised of				
Cash and temporary investments	\$ 736,994	\$ 661,091	\$ 238,399	\$ 249,243
Restricted assets				
Cash and temporary investments	<u>5,453</u>	<u>5,703</u>	<u>-</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 742,447</u>	<u>\$ 666,794</u>	<u>\$ 238,399</u>	<u>\$ 249,243</u>

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2017	2016	2017	2016
\$ -	\$ -	\$ 734,434	\$ 683,515
-	-	(265,417)	(225,833)
-	-	(141,237)	(130,074)
-	-	11,268	12,763
-	-	339,048	340,371
-	-	(135,000)	(100,000)
-	-	(40,000)	(25,000)
-	-	5,343	25,089
-	-	2,959	3,699
-	-	(166,698)	(96,212)
-	-	(113,479)	(100,852)
-	-	-	17,077
-	-	(113,479)	(83,775)
967	2,096	6,905	13,032
967	2,096	65,776	173,416
162,356	160,260	1,078,393	904,977
<u>\$ 163,323</u>	<u>\$ 162,356</u>	<u>\$ 1,144,169</u>	<u>\$ 1,078,393</u>
\$ 163,323	\$ 162,356	\$ 1,138,716	\$ 1,072,690
-	-	5,453	5,703
<u>\$ 163,323</u>	<u>\$ 162,356</u>	<u>\$ 1,144,169</u>	<u>\$ 1,078,393</u>

City of Luverne, Minnesota
Combining Statements of Cash Flows (Continued)
Nonmajor Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	603		606	
	Refuse and Recycling		Storm Sewer	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 212,479	\$ 202,218	\$ (9,579)	\$ 5,481
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	42,214	49,667	70,678	65,427
Other income related to operations	11,266	12,744	2	19
Interest paid on customer deposits	(10)	(13)	-	-
(Increase) decrease in assets				
Accounts receivable	(1,406)	(2,590)	(1,197)	38
Special assessments receivable	(335)	319	27	(35)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	15,863	(30,364)	684	(1,366)
Increase (decrease) in liabilities				
Accounts payable	9,893	240	977	123
Due to other governments	190	(203)	-	-
Wages and related benefits payable	116	457	1	18
Deposits payable	(250)	(5)	-	-
Compensated absences payable	2,420	1,718	90	32
Other postemployment benefits liability	331	(383)	12	-
Pension liability	(22,696)	35,221	(930)	1,695
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	7,841	(104)	367	17
Total Adjustments	<u>65,437</u>	<u>66,704</u>	<u>70,711</u>	<u>65,968</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 277,916</u>	<u>\$ 268,922</u>	<u>\$ 61,132</u>	<u>\$ 71,449</u>
Schedule of Noncash Investing, Capital and Financing Activities				
Capital assets acquired on account	\$ -	\$ -	\$ -	\$ 14,007
Special assessments levied	335	-	-	35

Business-type Activities - Enterprise Funds

611			
Lewis and Clark Reserve		Totals	
2017	2016	2017	2016
\$ -	\$ -	\$ 202,900	\$ 207,699
-	-	112,892	115,094
-	-	11,268	12,763
-	-	(10)	(13)
-	-	(2,603)	(2,552)
-	-	(308)	284
-	-	16,547	(31,730)
-	-	10,870	363
-	-	190	(203)
-	-	117	475
-	-	(250)	(5)
-	-	2,510	1,750
-	-	343	(383)
-	-	(23,626)	36,916
-	-	8,208	(87)
-	-	136,148	132,672
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,048</u>	<u>\$ 340,371</u>
\$ -	\$ -	\$ -	\$ 14,007
-	-	335	35

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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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
General property tax	\$ 1,410,585	\$ 1,410,585	\$ 1,401,870	\$ (8,715)	\$ 1,283,651
Hotel/motel tax	2,000	2,000	2,756	756	2,791
Franchise tax	450,000	450,000	461,221	11,221	469,500
Penalties	-	-	966	966	132
Total taxes	<u>1,862,585</u>	<u>1,862,585</u>	<u>1,866,813</u>	<u>4,228</u>	<u>1,756,074</u>
Licenses and permits					
Business	18,300	18,300	16,463	(1,837)	16,553
Nonbusiness	67,300	67,300	86,983	19,683	85,862
Total licenses and permits	<u>85,600</u>	<u>85,600</u>	<u>103,446</u>	<u>17,846</u>	<u>102,415</u>
Intergovernmental revenues					
Federal					
FEMA grant	-	-	-	-	(17,615)
State					
Local government aid	1,382,576	1,382,576	1,382,570	(6)	1,379,639
Agricultural market value credit	415	415	415	-	379
Other State aids	101,200	127,920	98,115	(29,805)	64,199
Total state	<u>1,484,191</u>	<u>1,510,911</u>	<u>1,481,100</u>	<u>(29,811)</u>	<u>1,444,217</u>
Local					
Other local grant	-	-	2,500	2,500	7,178
Total intergovernmental revenues	<u>1,484,191</u>	<u>1,510,911</u>	<u>1,483,600</u>	<u>(27,311)</u>	<u>1,433,780</u>
Charges for services					
General government	48,980	48,980	58,976	9,996	43,519
Public safety	114,000	114,000	110,964	(3,036)	112,182
Highways and streets	138,500	138,500	140,479	1,979	170,627
Culture and recreation	-	-	-	-	801
Other	-	-	200	200	655
Total charges for services	<u>301,480</u>	<u>301,480</u>	<u>310,619</u>	<u>9,139</u>	<u>327,784</u>
Fines and forfeits					
Court fines	-	-	13,076	13,076	-
Special assessments	-	-	784	784	1,440
Investment income	59,264	59,264	53,729	(5,535)	66,933
Miscellaneous					
Other	3,000	3,000	14,817	11,817	18,321
Total Revenues	<u>3,796,120</u>	<u>3,822,840</u>	<u>3,846,884</u>	<u>24,044</u>	<u>3,706,747</u>
Other Financing Sources					
Transfers in	285,000	285,000	316,093	31,093	265,000
Total Revenues and Other Financing Sources	<u>4,081,120</u>	<u>4,107,840</u>	<u>4,162,977</u>	<u>55,137</u>	<u>3,971,747</u>

City of Luverne, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Council					
Personal services	\$ 55,350	\$ 55,350	\$ 54,439	\$ 911	\$ 37,647
Supplies	1,000	1,000	1,204	(204)	1,052
Other services and charges	2,150	2,150	3,444	(1,294)	1,911
Total council	<u>58,500</u>	<u>58,500</u>	<u>59,087</u>	<u>(587)</u>	<u>40,610</u>
Administration					
Personal services	171,000	171,000	142,422	28,578	131,987
Supplies	5,500	5,500	1,858	3,642	1,950
Other services and charges	67,740	112,740	137,170	(24,430)	64,560
Total administration	<u>244,240</u>	<u>289,240</u>	<u>281,450</u>	<u>7,790</u>	<u>198,497</u>
Elections					
Personal services	-	-	-	-	7,947
Supplies	-	-	-	-	463
Other services and charges	-	-	-	-	220
Total elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,630</u>
Financial administration					
Other services and charges	95,000	95,000	95,000	-	84,000
Law					
Supplies	200	200	-	200	-
Other services and charges	37,900	67,900	68,079	(179)	80,411
Total law	<u>38,100</u>	<u>68,100</u>	<u>68,079</u>	<u>21</u>	<u>80,411</u>
Other general government					
Personal services	49,965	49,965	41,212	8,753	39,974
Supplies	21,050	36,050	61,108	(25,058)	35,511
Other services and charges	143,000	183,000	203,368	(20,368)	166,713
Total other general government	<u>214,015</u>	<u>269,015</u>	<u>305,688</u>	<u>(36,673)</u>	<u>242,198</u>
Total general government	<u>649,855</u>	<u>779,855</u>	<u>809,304</u>	<u>(29,449)</u>	<u>654,346</u>
Public safety					
Police					
Other services and charges	838,771	838,771	837,847	924	808,600
Fire					
Personal services	72,500	72,500	69,027	3,473	55,820
Supplies	71,500	71,500	85,094	(13,594)	80,967
Other services and charges	88,600	88,600	124,210	(35,610)	91,031
Total fire	<u>232,600</u>	<u>232,600</u>	<u>278,331</u>	<u>(45,731)</u>	<u>227,818</u>

City of Luverne, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Building/planning/zoning/safety					
Personal services	\$ 93,359	\$ 93,359	\$ 92,001	\$ 1,358	\$ 86,520
Supplies	2,350	2,350	654	1,696	783
Other services and charges	10,450	18,450	13,555	4,895	49,402
Total building/planning/zoning/safety	<u>106,159</u>	<u>114,159</u>	<u>106,210</u>	<u>7,949</u>	<u>136,705</u>
Civil defense					
Supplies	1,500	1,500	1,351	149	8,628
Other services and charges	1,600	1,600	1,760	(160)	1,521
Total civil defense	<u>3,100</u>	<u>3,100</u>	<u>3,111</u>	<u>(11)</u>	<u>10,149</u>
Emergency management services					
Personal services	<u>12,085</u>	<u>12,085</u>	<u>10,230</u>	<u>1,855</u>	<u>9,614</u>
Animal control					
Supplies	2,700	2,700	2,599	101	242
Other services and charges	<u>8,450</u>	<u>8,450</u>	<u>8,246</u>	<u>204</u>	<u>8,343</u>
Total animal control	<u>11,150</u>	<u>11,150</u>	<u>10,845</u>	<u>305</u>	<u>8,585</u>
Insect control					
Supplies	10,500	10,500	11,041	(541)	4
Other services and charges	<u>2,300</u>	<u>2,300</u>	<u>1,116</u>	<u>1,184</u>	<u>561</u>
Total insect control	<u>12,800</u>	<u>12,800</u>	<u>12,157</u>	<u>643</u>	<u>565</u>
Total public safety	<u>1,216,665</u>	<u>1,224,665</u>	<u>1,258,731</u>	<u>(34,066)</u>	<u>1,202,036</u>
Public works					
Personal services	327,100	327,100	321,819	5,281	293,458
Supplies	185,100	185,100	134,595	50,505	196,572
Other services and charges	<u>302,150</u>	<u>302,150</u>	<u>282,130</u>	<u>20,020</u>	<u>255,612</u>
Total public works	<u>814,350</u>	<u>814,350</u>	<u>738,544</u>	<u>75,806</u>	<u>745,642</u>
Culture and recreation					
Personal services	291,600	291,600	293,571	(1,971)	290,552
Supplies	116,500	116,500	112,205	4,295	125,447
Other services and charges	<u>166,400</u>	<u>166,400</u>	<u>161,740</u>	<u>4,660</u>	<u>209,217</u>
Total culture and recreation	<u>574,500</u>	<u>574,500</u>	<u>567,516</u>	<u>6,984</u>	<u>625,216</u>

City of Luverne, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Conservation and development					
Supplies	\$ 20,200	\$ 20,200	\$ 15,512	\$ 4,688	\$ 19,305
Other services and charges	45,000	80,000	145,748	(65,748)	46,745
Total conservation and development	<u>65,200</u>	<u>100,200</u>	<u>161,260</u>	<u>(61,060)</u>	<u>66,050</u>
Total current	<u>3,320,570</u>	<u>3,493,570</u>	<u>3,535,355</u>	<u>(41,785)</u>	<u>3,293,290</u>
Capital outlay					
General government	100,000	100,000	91,592	8,408	9,750
Public safety	100,000	100,000	-	100,000	42,240
Streets and highways	-	-	18,729	(18,729)	-
Culture and recreation	3,000	3,000	48,816	(45,816)	25,085
Conservation and development	-	693,720	62,500	631,220	181,000
Total capital outlay	<u>203,000</u>	<u>896,720</u>	<u>221,637</u>	<u>675,083</u>	<u>258,075</u>
Debt service					
Principal	-	-	-	-	13,000
Interest and other costs	-	-	-	-	276
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,276</u>
Total Expenditures	3,523,570	4,390,290	3,756,992	633,298	3,564,641
Other Financing Uses					
Transfers out	<u>707,550</u>	<u>707,550</u>	<u>707,550</u>	<u>-</u>	<u>633,350</u>
Total Expenditures and Other Financing Uses	<u>4,231,120</u>	<u>5,097,840</u>	<u>4,464,542</u>	<u>633,298</u>	<u>4,197,991</u>
Net Change in Fund Balances	(150,000)	(990,000)	(301,565)	688,435	(226,244)
Fund Balances, January 1	<u>2,789,861</u>	<u>2,789,861</u>	<u>2,789,861</u>	<u>-</u>	<u>3,016,105</u>
Fund Balances, December 31	<u>\$ 2,639,861</u>	<u>\$ 1,799,861</u>	<u>\$ 2,488,296</u>	<u>\$ 688,435</u>	<u>\$ 2,789,861</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, 2017

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
Assets			
Cash and temporary investments	\$ 61,830	\$ 2,193	\$ 171,756
Receivables (net of allowance for uncollectibles)			
Accrued interest	87	-	188
Delinquent taxes	72	-	1,004
Intergovernmental	60	-	867
	<u>62,049</u>	<u>2,193</u>	<u>173,815</u>
Total Assets	<u>\$ 62,049</u>	<u>\$ 2,193</u>	<u>\$ 173,815</u>
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	\$ 72	\$ -	\$ 1,004
Fund Balances			
Restricted			
Debt service	<u>61,977</u>	<u>2,193</u>	<u>172,811</u>
	<u>62,049</u>	<u>2,193</u>	<u>173,815</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 62,049</u>	<u>\$ 2,193</u>	<u>\$ 173,815</u>

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 304,821	\$ 36,025	\$ 112,935	\$ 10,054	\$ 699,614
617	34	104	-	1,030
968	292	1,042	-	3,378
6	216	668	-	1,817
<u>\$ 306,412</u>	<u>\$ 36,567</u>	<u>\$ 114,749</u>	<u>\$ 10,054</u>	<u>\$ 705,839</u>
\$ 968	\$ 292	\$ 1,042	\$ -	\$ 3,378
<u>305,444</u>	<u>36,275</u>	<u>113,707</u>	<u>10,054</u>	<u>702,461</u>
<u>\$ 306,412</u>	<u>\$ 36,567</u>	<u>\$ 114,749</u>	<u>\$ 10,054</u>	<u>\$ 705,839</u>

City of Luverne, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2017

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
Revenues			
Taxes			
Property taxes	\$ 8,989	\$ -	\$ 129,214
Tax increments	23,858	7,936	-
Investment income	253	-	545
Miscellaneous			
Contributions and donations	-	-	-
Total Revenues	<u>33,100</u>	<u>7,936</u>	<u>129,759</u>
Expenditures			
Current			
Conservation and development			
Other services and charges	-	7,463	-
Debt service			
Principal	30,000	-	115,000
Interest and other costs	6,928	990	8,708
Total Expenditures	<u>36,928</u>	<u>8,453</u>	<u>123,708</u>
Net Change in Fund Balances	(3,828)	(517)	6,051
Fund Balances, January 1	<u>65,805</u>	<u>2,710</u>	<u>166,760</u>
Fund Balances, December 31	<u>\$ 61,977</u>	<u>\$ 2,193</u>	<u>\$ 172,811</u>

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 198	\$ 32,139	\$ 99,571	\$ -	\$ 270,111
-	-	-	23,639	55,433
1,786	100	300	1	2,985
30,000	-	-	-	30,000
<u>31,984</u>	<u>32,239</u>	<u>99,871</u>	<u>23,640</u>	<u>358,529</u>
-	-	-	-	7,463
105,000	25,000	90,000	-	365,000
4,050	5,778	5,023	23,351	54,828
<u>109,050</u>	<u>30,778</u>	<u>95,023</u>	<u>23,351</u>	<u>427,291</u>
(77,066)	1,461	4,848	289	(68,762)
<u>382,510</u>	<u>34,814</u>	<u>108,859</u>	<u>9,765</u>	<u>771,223</u>
<u>\$ 305,444</u>	<u>\$ 36,275</u>	<u>\$ 113,707</u>	<u>\$ 10,054</u>	<u>\$ 702,461</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, 2017 and 2016

	701		702	
	Central Garage		Central Store	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	\$ 74,216	\$ 64,180	\$ 196,861	\$ 218,852
Receivables (net of allowance for uncollectibles)				
Accrued interest	306	312	471	467
Accounts, net	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total Current Assets	74,522	64,492	197,332	219,319
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	155,095	146,997	146,997
Construction in progress	-	-	-	-
Total capital assets	401,291	401,291	206,698	206,698
Less accumulated depreciation	(183,222)	(151,638)	(196,426)	(193,645)
Total Capital Assets	218,069	249,653	10,272	13,053
Total Noncurrent Assets	218,069	249,653	10,272	13,053
Total Assets	292,591	314,145	207,604	232,372
Deferred Outflows of Resources				
Deferred pension resources	20,177	33,852	6,923	11,565
Liabilities				
Current Liabilities				
Accounts payable	2,247	976	-	-
Due to other funds	-	-	-	-
Wages and related benefits payable	980	957	336	322
Compensated absences payable - current	6,405	5,103	2,592	2,106
Total Current Liabilities	9,632	7,036	2,928	2,428
Noncurrent Liabilities				
Compensated absences payable (net of current portion)	11,254	10,806	12,547	12,823
Other postemployment benefits liability	3,935	3,659	1,706	1,591
Pension liability	74,731	94,106	25,642	32,150
Total Noncurrent Liabilities	89,920	108,571	39,895	46,564
Total Liabilities	99,552	115,607	42,823	48,992
Deferred Inflows of Resources				
Deferred pension resources	17,409	10,538	5,973	3,600
Net Position				
Investment in capital assets	218,069	249,653	10,272	13,053
Unrestricted	(22,262)	(27,801)	155,459	178,292
Total Net Position	\$ 195,807	\$ 221,852	\$ 165,731	\$ 191,345

703		704		705	
Workers' Comp Insurance		Property and Casualty Insurance		Data Processing	
2017	2016	2017	2016	2017	2016
\$ 196,874	\$ 196,344	\$ 340,803	\$ 318,271	\$ 106,206	\$ 411,766
412	390	824	647	744	1,247
-	-	-	-	-	19
-	-	4,280	4,280	-	-
-	-	-	-	68,536	-
-	-	-	-	7,065	6,802
<u>197,286</u>	<u>196,734</u>	<u>345,907</u>	<u>323,198</u>	<u>182,551</u>	<u>419,834</u>
-	-	72,510	76,326	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	243,543	301,054
-	-	-	-	10,463	-
-	-	-	-	<u>254,006</u>	<u>301,054</u>
-	-	-	-	(226,322)	(225,846)
-	-	-	-	27,684	75,208
-	-	72,510	76,326	27,684	75,208
<u>197,286</u>	<u>196,734</u>	<u>418,417</u>	<u>399,524</u>	<u>210,235</u>	<u>495,042</u>
-	-	-	-	46,567	74,696
-	-	-	(649)	5,978	8,657
-	-	-	-	207	-
-	-	-	-	2,451	2,163
-	-	-	-	17,894	12,496
-	-	-	(649)	<u>26,530</u>	<u>23,316</u>
-	-	-	-	74,003	78,210
-	-	-	-	7,098	6,605
-	-	-	-	172,472	207,650
-	-	-	-	<u>253,573</u>	<u>292,465</u>
-	-	-	(649)	280,103	315,781
-	-	-	-	40,178	23,252
-	-	-	-	27,684	75,208
<u>197,286</u>	<u>196,734</u>	<u>418,417</u>	<u>400,173</u>	<u>(91,163)</u>	<u>155,497</u>
<u>\$ 197,286</u>	<u>\$ 196,734</u>	<u>\$ 418,417</u>	<u>\$ 400,173</u>	<u>\$ (63,479)</u>	<u>\$ 230,705</u>

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City of Luverne, Minnesota
Internal Service Funds
Combining Statements of Net Position (Continued)
December 31, 2017 and 2016

	706		Total	
	Vacation/Sick			
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	\$ 254,266	\$ 227,572	\$ 1,169,226	\$ 1,436,985
Receivables (net of allowance for uncollectibles)				
Accrued interest	-	-	2,757	3,063
Accounts, net	-	-	-	19
Loans	-	-	4,280	4,280
Due from other funds	-	-	68,536	-
Prepaid items	-	-	7,065	6,802
Total Current Assets	<u>254,266</u>	<u>227,572</u>	<u>1,251,864</u>	<u>1,451,149</u>
Noncurrent Assets				
Loans receivable - noncurrent	-	-	72,510	76,326
Capital assets				
Buildings	-	-	226,134	226,134
Improvements	-	-	79,763	79,763
Machinery and equipment	-	-	545,635	603,146
Construction in progress	-	-	10,463	-
Total capital assets	<u>-</u>	<u>-</u>	<u>861,995</u>	<u>909,043</u>
Less accumulated depreciation	-	-	(605,970)	(571,129)
Total Capital Assets	<u>-</u>	<u>-</u>	<u>256,025</u>	<u>337,914</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>328,535</u>	<u>414,240</u>
Total Assets	<u>254,266</u>	<u>227,572</u>	<u>1,580,399</u>	<u>1,865,389</u>
Deferred Outflows of Resources				
Deferred pension resources	-	-	73,667	120,113
Liabilities				
Current Liabilities				
Accounts payable	-	-	8,225	8,984
Due to other funds	-	-	207	-
Wages and related benefits payable	-	-	3,767	3,442
Compensated absences payable - current	53,999	58,946	80,890	78,651
Total Current Liabilities	<u>53,999</u>	<u>58,946</u>	<u>93,089</u>	<u>91,077</u>
Noncurrent Liabilities				
Compensated absences payable (net of current portion)	200,267	168,626	298,071	270,465
Other postemployment benefits liability	-	-	12,739	11,855
Pension liability	-	-	272,845	333,906
Total Noncurrent Liabilities	<u>200,267</u>	<u>168,626</u>	<u>583,655</u>	<u>616,226</u>
Total Liabilities	<u>254,266</u>	<u>227,572</u>	<u>676,744</u>	<u>707,303</u>
Deferred Inflows of Resources				
Deferred pension resources	-	-	63,560	37,390
Net Position				
Investment in capital assets	-	-	256,025	337,914
Unrestricted	-	-	657,737	902,895
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 913,762</u>	<u>\$ 1,240,809</u>

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, 2017 and 2016

	701		702	
	Central Garage		Central Store	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	\$ 175,220	\$ 168,400	\$ 55,325	\$ 50,100
Other income	-	-	-	-
Total Operating Revenues	<u>175,220</u>	<u>168,400</u>	<u>55,325</u>	<u>50,100</u>
Operating Expenses				
Personal services	111,785	105,964	39,369	37,364
Supplies	39,388	34,336	31,034	-
Other services and charges	18,225	16,511	8,610	8,681
Depreciation	31,584	24,321	2,781	3,824
Pension expense	1,198	7,402	516	2,156
Total Operating Expenses	<u>202,180</u>	<u>188,534</u>	<u>82,310</u>	<u>52,025</u>
Operating Income (Loss)	<u>(26,960)</u>	<u>(20,134)</u>	<u>(26,985)</u>	<u>(1,925)</u>
Nonoperating Revenues (Expenses)				
Investment income	888	2,060	1,362	3,086
Pension revenue	27	366	9	125
Total Nonoperating Revenues (Expenses)	<u>915</u>	<u>2,426</u>	<u>1,371</u>	<u>3,211</u>
Income (Loss) Before Transfers	(26,045)	(17,708)	(25,614)	1,286
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(26,045)	(17,708)	(25,614)	1,286
Net Position, January	<u>221,852</u>	<u>239,560</u>	<u>191,345</u>	<u>190,059</u>
Net Position, December 31	<u>\$ 195,807</u>	<u>\$ 221,852</u>	<u>\$ 165,731</u>	<u>\$ 191,345</u>

703		704		705	
Workers' Comp Insurance		Property and Casualty Insurance		Data Processing	
2017	2016	2017	2016	2017	2016
\$ -	\$ -	\$ 133,408	\$ 137,088	\$ 414,150	\$ 385,000
-	-	11,402	55,804	148	300
-	-	144,810	192,892	414,298	385,300
-	-	-	-	240,666	225,420
-	-	-	-	27,088	39,233
641	3,638	129,564	145,423	168,341	151,352
-	-	-	-	34,262	28,495
-	-	-	-	9,940	19,218
641	3,638	129,564	145,423	480,297	463,718
(641)	(3,638)	15,246	47,469	(65,999)	(78,418)
1,193	2,578	2,998	4,718	2,845	8,128
-	-	-	-	63	807
1,193	2,578	2,998	4,718	2,908	8,935
552	(1,060)	18,244	52,187	(63,091)	(69,483)
-	-	-	-	(231,093)	-
552	(1,060)	18,244	52,187	(294,184)	(69,483)
196,734	197,794	400,173	347,986	230,705	300,188
\$ 197,286	\$ 196,734	\$ 418,417	\$ 400,173	\$ (63,479)	\$ 230,705

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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, 2017 and 2016

	Total	
	2017	2016
Operating Revenues		
Charges for services	\$ 778,103	\$ 740,588
Other income	11,550	56,104
Total Operating Revenues	789,653	796,692
Operating Expenses		
Personal services	391,820	368,748
Supplies	97,510	73,569
Other services and charges	325,381	325,605
Depreciation	68,627	56,640
Pension expense	11,654	28,776
Total Operating Expenses	894,992	853,338
Operating Income (Loss)	(105,339)	(56,646)
Nonoperating Revenues (Expenses)		
Investment income	9,286	20,570
Pension revenue	99	1,298
Total Nonoperating Revenues (Expenses)	9,385	21,868
Income (Loss) Before Transfers	(95,954)	(34,778)
Transfers Out	(231,093)	-
Change in Net Position	(327,047)	(34,778)
Net Position, January	1,240,809	1,275,587
Net Position, December 31	\$ 913,762	\$ 1,240,809

City of Luverne, Minnesota
Internal Service Funds
Combining Statements of Cash Flows (Continued on the Following Pages)
For the Years Ended December 31, 2017 and 2016

	701		702	
	Central Garage		Central Store	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Cash received (paid) from interfund services provided	\$ 175,220	\$ 168,400	\$ 55,325	\$ 50,100
Cash paid to suppliers	(57,540)	(58,526)	(40,160)	(10,837)
Cash paid to and on behalf of employees	(108,538)	(96,834)	(38,514)	(34,635)
Other receipts	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>9,142</u>	<u>13,040</u>	<u>(23,349)</u>	<u>4,628</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(65,663)	-	-
Cash Flows from Investing Activities				
Interest received	<u>894</u>	<u>2,203</u>	<u>1,358</u>	<u>3,044</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,036	(50,420)	(21,991)	7,672
Cash and Cash Equivalents, January 1	<u>64,180</u>	<u>114,600</u>	<u>218,852</u>	<u>211,180</u>
Cash and Cash Equivalents, December 31	<u>\$ 74,216</u>	<u>\$ 64,180</u>	<u>\$ 196,861</u>	<u>\$ 218,852</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (26,960)	\$ (20,134)	\$ (26,985)	\$ (1,925)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	31,584	24,321	2,781	3,824
Other income related to operations	27	366	9	125
(Increase) decrease in assets				
Accounts receivable	-	-	-	-
Prepaid items	-	-	-	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	13,675	(26,662)	4,642	(9,067)
Increase (decrease) in liabilities				
Accounts payable	1,271	(277)	-	-
Wages and related benefits payable	23	301	14	112
Compensated absences payable	1,750	1,428	210	461
Other postemployment benefits liability	276	(1)	115	-
Pension liability	(19,375)	33,323	(6,508)	11,029
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	6,871	375	2,373	69
Total Adjustments	<u>36,102</u>	<u>33,174</u>	<u>3,636</u>	<u>6,553</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,142</u>	<u>\$ 13,040</u>	<u>\$ (23,349)</u>	<u>\$ 4,628</u>
Schedule of Noncash Investing, Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ -	\$ -

703		704		705	
Workers' Comp Insurance		Property and Casualty Insurance		Data Processing	
2017	2016	2017	2016	2017	2016
\$ -	\$ -	\$ 137,224	\$ 155,009	\$ 414,169	\$ 385,127
(641)	(3,638)	(128,915)	(188,810)	(208,311)	(203,577)
-	-	-	-	(228,754)	(199,885)
-	-	11,402	55,804	148	300
(641)	(3,638)	19,711	22,003	(22,748)	(18,035)
-	-	-	-	(199,999)	-
-	-	-	-	(68,536)	86
-	-	-	-	207	-
-	-	-	-	(268,328)	86
-	-	-	-	(17,832)	(74,540)
1,171	2,557	2,821	4,764	3,348	8,127
530	(1,081)	22,532	26,767	(305,560)	(84,362)
196,344	197,425	318,271	291,504	411,766	496,128
\$ 196,874	\$ 196,344	\$ 340,803	\$ 318,271	\$ 106,206	\$ 411,766
\$ (641)	\$ (3,638)	\$ 15,246	\$ 47,469	\$ (65,999)	\$ (78,418)
-	-	-	-	34,262	28,495
-	-	-	-	63	807
-	-	3,816	17,921	19	127
-	-	-	-	(263)	(248)
-	-	-	-	28,129	(59,157)
-	-	649	(43,387)	(2,679)	6,474
-	-	-	-	288	767
-	-	-	-	1,191	5,170
-	-	-	-	493	380
-	-	-	-	(35,178)	76,281
-	-	-	-	16,926	1,287
-	-	4,465	(25,466)	43,251	60,383
\$ (641)	\$ (3,638)	\$ 19,711	\$ 22,003	\$ (22,748)	\$ (18,035)
\$ -	\$ -	\$ -	\$ -	\$ 31,094	\$ -

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City of Luverne, Minnesota
Internal Service Funds
Combining Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	706		Total	
	Vacation/Sick		2017	2016
	2017	2016		
Cash Flows from Operating Activities				
Cash received (paid) from interfund services provided	\$ 26,694	\$ 18,817	\$ 808,632	\$ 777,453
Cash paid to suppliers	-	-	(435,567)	(465,388)
Cash paid to and on behalf of employees	-	-	(375,806)	(331,354)
Other receipts	-	-	11,550	56,104
Net Cash Provided (Used) by Operating Activities	<u>26,694</u>	<u>18,817</u>	<u>8,809</u>	<u>36,815</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	-	-	(199,999)	-
(Increase) decrease in due from other funds	-	-	(68,536)	86
Increase (decrease) in due to other funds	-	-	207	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(268,328)</u>	<u>86</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(17,832)	(140,203)
Cash Flows from Investing Activities				
Interest received	-	-	9,592	20,695
Net Increase (Decrease) in Cash and Cash Equivalents	26,694	18,817	(267,759)	(82,607)
Cash and Cash Equivalents, January 1	<u>227,572</u>	<u>208,755</u>	<u>1,436,985</u>	<u>1,519,592</u>
Cash and Cash Equivalents, December 31	<u>\$ 254,266</u>	<u>\$ 227,572</u>	<u>\$ 1,169,226</u>	<u>\$ 1,436,985</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ -	\$ -	\$ (105,339)	\$ (56,646)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	68,627	56,640
Other income related to operations	-	-	99	1,298
(Increase) decrease in assets				
Accounts receivable	-	-	3,835	18,048
Prepaid items	-	-	(263)	(248)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	-	-	46,446	(94,886)
Increase (decrease) in liabilities				
Accounts payable	-	-	(759)	(37,190)
Wages and related benefits payable	-	-	325	1,180
Compensated absences payable	26,694	18,817	29,845	25,876
Other postemployment benefits liability	-	-	884	379
Pension liability	-	-	(61,061)	120,633
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	-	-	26,170	1,731
Total Adjustments	<u>26,694</u>	<u>18,817</u>	<u>114,148</u>	<u>93,461</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 26,694</u>	<u>\$ 18,817</u>	<u>\$ 8,809</u>	<u>\$ 36,815</u>
Schedule of Noncash Investing, Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 31,094	\$ -

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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, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Lewis and Clark				
Assets				
Cash and temporary investments	\$ 546	\$ 9,594,745	\$ 9,594,742	\$ 549
Receivables				
Accrued interest	1	1	1	1
Total Assets	<u>\$ 547</u>	<u>\$ 9,594,746</u>	<u>\$ 9,594,743</u>	<u>\$ 550</u>
Liabilities				
Amounts held for others	<u>\$ 547</u>	<u>\$ 9,594,746</u>	<u>\$ 9,594,743</u>	<u>\$ 550</u>

City of Luverne, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2017 and 2016

	Total 2017	Total 2016	Percent Increase (Decrease)
Revenues			
Taxes	\$ 2,194,702	\$ 2,129,564	3.06 %
Special assessments	953	1,440	(33.82)
Licenses and permits	103,446	102,415	1.01
Intergovernmental	1,715,416	1,694,863	1.21
Charges for services	804,978	815,494	(1.29)
Fines and forfeits	13,076	-	N/A
Investment earnings	66,875	94,251	(29.05)
Miscellaneous	50,589	50,635	(0.09)
Total Revenues	\$ 4,950,035	\$ 4,888,662	1.26 %
Per Capita	\$ 1,056	\$ 1,039	1.67 %
Expenditures			
Current			
General government	\$ 836,609	\$ 658,464	27.05 %
Public safety	1,258,731	1,202,036	4.72
Public works	978,701	1,036,027	(5.53)
Culture and recreation	1,110,519	1,150,222	(3.45)
Conservation and development	298,702	107,378	178.18
Capital outlay			
General government	100,031	183,360	(45.45)
Public safety	53,097	53,125	(0.05)
Public works	372,500	20,346	1,730.83
Culture and recreation	234,533	877,486	(73.27)
Conservation and development	62,500	470,500	(86.72)
Debt service			
Principal	408,655	415,555	(1.66)
Interest and other costs	83,113	63,121	31.67
Total Expenditures	\$ 5,797,691	\$ 6,237,620	(7.05) %
Per Capita	\$ 1,237	\$ 1,325	(6.68) %
Total Long-term Indebtedness	\$ 1,675,937	\$ 2,084,592	(19.60) %
Per Capita	358	443	(19.28)
General Fund Balance - December 31	\$ 2,488,296	\$ 2,789,861	(10.81) %
Per Capita	531	593	(10.45)

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

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STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

City of Luverne, Minnesota
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Governmental Activities				
Net investment in capital assets	\$ 13,471,402	\$ 13,271,546	\$ 12,307,033	\$ 11,182,230
Restricted	489,542	525,969	550,208	567,138
Unrestricted	3,256,471	3,090,941	3,957,806	4,727,475
Total Governmental Activities Net Position	<u>17,217,415</u>	<u>16,888,456</u>	<u>16,815,047</u>	<u>16,476,843</u>
Business-type Activities				
Net investment in capital assets	17,486,209	16,235,902	16,740,004	15,422,740
Restricted	663,026	646,362	653,486	581,148
Unrestricted	15,208,522	15,128,146	14,086,518	15,908,264
Total Business-type Activities Net Position	<u>33,357,757</u>	<u>32,010,410</u>	<u>31,480,008</u>	<u>31,912,152</u>
Primary Government				
Net investment in capital assets	30,957,611	29,507,448	29,047,037	26,604,970
Restricted	1,152,568	1,172,331	1,203,694	1,148,286
Unrestricted	18,464,993	18,219,087	18,044,324	20,635,739
Total Primary Government Net Position	<u>\$ 50,575,172</u>	<u>\$ 48,898,866</u>	<u>\$ 48,295,055</u>	<u>\$ 48,388,995</u>

Table 1

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 11,065,650	\$ 9,974,182	\$ 9,126,886	\$ 9,512,985	\$ 9,054,791	\$ 7,046,069
587,971	628,498	529,057	238,855	303,330	-
4,487,164	4,602,307	4,531,553	4,255,703	4,188,264	3,830,245
<u>16,140,785</u>	<u>15,204,987</u>	<u>14,187,496</u>	<u>14,007,543</u>	<u>13,546,385</u>	<u>10,876,314</u>
14,733,982	14,204,393	13,721,426	13,334,878	13,836,826	13,567,002
458,951	347,944	304,281	360,405	330,653	327,878
15,769,947	16,134,235	15,178,390	14,030,207	12,459,832	12,017,572
<u>30,962,880</u>	<u>30,686,572</u>	<u>29,204,097</u>	<u>27,725,490</u>	<u>26,627,311</u>	<u>25,912,452</u>
25,799,632	24,178,575	22,848,312	22,847,863	22,891,617	20,613,071
1,046,922	976,442	833,338	599,260	633,983	327,878
20,257,111	20,736,542	19,709,943	18,285,910	16,648,096	15,847,817
<u>\$ 47,103,665</u>	<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>

City of Luverne, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Expenses				
Governmental Activities				
General government	\$ 1,001,089	\$ 822,399	\$ 740,424	\$ 694,390
Public safety	1,433,581	1,383,689	1,340,427	1,264,489
Public works	1,339,809	1,493,996	1,413,265	1,378,361
Culture and recreation	1,414,610	1,395,743	1,240,431	1,508,418
Conservation and development	312,278	168,604	178,251	103,906
Interest on long-term debt	81,451	61,752	39,290	50,251
Total Governmental Activities Expenses	<u>5,582,818</u>	<u>5,326,183</u>	<u>4,952,088</u>	<u>4,999,815</u>
Business-type Activities				
Water	1,406,116	1,443,922	1,191,766	1,107,274
Sewer	1,181,106	1,222,964	1,083,254	1,017,470
Refuse and recycling	482,629	426,934	432,952	399,265
Electric	7,486,480	7,832,218	7,037,621	6,899,422
Storm sewer	102,129	84,515	76,623	82,267
Liquor	1,262,127	1,262,957	1,254,848	1,185,261
Total Business-type Activities Expenses	<u>11,920,587</u>	<u>12,273,510</u>	<u>11,077,064</u>	<u>10,690,959</u>
Total Primary Government Expenses	<u><u>\$17,503,405</u></u>	<u><u>\$17,599,693</u></u>	<u><u>\$16,029,152</u></u>	<u><u>\$15,690,774</u></u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 62,280	\$ 47,927	\$ 47,489	\$ 63,052
Public safety	287,181	275,960	244,720	282,266
Public works/streets	311,357	341,565	354,595	354,203
Culture and recreation	223,048	234,982	215,718	205,624
Conservation and development	19,974	24,442	23,917	28,534
Operating grants and contributions	125,039	84,938	63,292	389,345
Capital grants and contributions	247,806	250,817	256,705	62,178
Total Governmental Activities	<u>1,276,685</u>	<u>1,260,631</u>	<u>1,206,436</u>	<u>1,385,202</u>
Program Revenues	<u>1,276,685</u>	<u>1,260,631</u>	<u>1,206,436</u>	<u>1,385,202</u>
Business-type Activities				
Charges for services				
Water	1,696,853	1,461,940	1,366,341	1,237,390
Sewer	1,497,248	1,380,388	1,326,216	1,256,889
Refuse and recycling	658,072	609,330	578,251	554,170
Electric	8,675,006	8,103,676	7,469,297	7,445,013
Storm sewer	90,791	89,221	88,482	87,815
Liquor	1,330,622	1,340,720	1,313,720	1,249,159
Operating grants and contributions	271	3,072	-	21,780
Capital grants and contributions	-	17,077	-	-
Total Business-type Activities	<u>13,948,863</u>	<u>13,005,424</u>	<u>12,142,307</u>	<u>11,852,216</u>
Program Revenues	<u>13,948,863</u>	<u>13,005,424</u>	<u>12,142,307</u>	<u>11,852,216</u>
Total Primary Government	<u><u>\$15,225,548</u></u>	<u><u>\$14,266,055</u></u>	<u><u>\$13,348,743</u></u>	<u><u>\$13,237,418</u></u>

Table 2

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 700,138	\$ 635,951	\$ 637,217	\$ 621,043	\$ 636,689	\$ 634,193
1,114,561	1,166,584	1,121,294	1,157,952	1,068,857	1,078,790
1,470,237	1,263,739	1,255,146	1,221,999	1,092,130	1,047,566
1,117,074	932,997	901,766	879,739	934,358	1,575,747
94,351	86,198	318,480	90,220	59,119	289,590
81,184	159,403	122,743	156,189	203,159	234,153
<u>4,577,545</u>	<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>
1,021,691	949,208	834,782	988,222	1,855,956	1,721,554
1,048,553	875,392	835,648	897,768	878,326	871,325
415,337	437,194	420,554	417,189	392,343	543,640
6,080,534	5,769,226	5,923,359	5,962,493	5,550,824	5,071,016
75,106	76,250	82,298	79,293	60,026	77,398
1,112,630	1,077,729	1,016,858	987,460	965,470	908,574
<u>9,753,851</u>	<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>\$14,331,396</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>
\$ 62,121	\$ 47,492	\$ 51,817	\$ 54,073	\$ 38,069	\$ 26,265
232,798	384,318	263,000	260,206	237,608	246,744
373,403	316,630	321,368	244,489	153,865	175,655
177,144	196,480	216,383	227,713	224,637	229,545
31,043	24,442	24,442	17,854	17,657	14,613
164,929	35,506	34,568	38,862	39,290	712,075
743,378	781,163	226,957	564,245	1,980,096	1,470,636
<u>1,784,816</u>	<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>
1,067,966	1,227,239	1,250,747	1,204,587	1,160,826	1,110,832
1,220,933	1,263,396	1,212,028	1,135,984	1,072,722	954,163
540,006	543,122	541,011	516,125	500,956	486,419
6,577,653	6,318,544	6,415,879	6,356,768	6,067,045	6,157,909
87,094	87,038	86,745	86,861	88,809	88,914
1,178,689	1,186,644	1,103,616	1,064,495	1,029,748	972,412
72,654	-	-	-	-	-
360	150,540	7,882	7,580	366,994	777
<u>10,745,355</u>	<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>\$12,530,171</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>

City of Luverne, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Program Revenues (Continued)				
Net (Expense)/Revenue				
Governmental activities	\$ (4,306,133)	\$ (4,065,552)	\$ (3,745,652)	\$ (3,614,613)
Business-type activities	2,028,276	731,914	1,065,243	1,161,257
Total Primary Government Net Expense	<u>\$ (2,277,857)</u>	<u>\$ (3,333,638)</u>	<u>\$ (2,680,409)</u>	<u>\$ (2,453,356)</u>
General Revenues and Other				
Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes, levied for general purposes	\$ 1,407,561	\$ 1,280,684	\$ 1,196,242	\$ 1,056,987
Property taxes, levied for debt service	270,160	316,673	308,832	380,489
Tax increments	57,714	54,568	29,917	33,976
Franchise and other taxes	463,977	472,291	426,010	440,570
Grants and contributions not restricted to specific programs	1,395,559	1,389,617	1,443,086	1,383,294
Unrestricted investment earnings	84,982	117,254	119,826	125,689
Other	-	-	-	1,921
Gain on sale of capital assets	114,046	52,874	-	12,745
Transfers	841,093	455,000	953,000	515,000
Total Governmental Activities	<u>4,635,092</u>	<u>4,138,961</u>	<u>4,476,913</u>	<u>3,950,671</u>
Business-type Activities				
Taxes				
Property taxes, levied for debt service	39,985	40,384	49,956	50,007
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings (loss)	116,210	208,532	210,178	253,008
Other	69	72	-	-
Gain on sale of capital assets	3,900	4,500	3,250	-
Transfers	(841,093)	(455,000)	(953,000)	(515,000)
Total Business-type Activities	<u>(680,929)</u>	<u>(201,512)</u>	<u>(689,616)</u>	<u>(211,985)</u>
Total Primary Government	<u>\$ 3,954,163</u>	<u>\$ 3,937,449</u>	<u>\$ 3,787,297</u>	<u>\$ 3,738,686</u>
Changes in Net Position				
Governmental activities	\$ 328,959	\$ 73,409	\$ 731,261	\$ 336,058
Business-type activities	1,347,347	530,402	375,627	949,272
Total Primary Government	<u>\$ 1,676,306</u>	<u>\$ 603,811</u>	<u>\$ 1,106,888</u>	<u>\$ 1,285,330</u>

Table 2 (continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ (2,792,729)	\$ (2,458,841)	\$ (3,218,111)	\$ (2,719,700)	\$ (1,303,090)	\$ (1,984,506)
991,504	1,591,524	1,504,409	1,039,975	584,155	577,919
<u>\$ (1,801,225)</u>	<u>\$ (867,317)</u>	<u>\$ (1,713,702)</u>	<u>\$ (1,679,725)</u>	<u>\$ (718,935)</u>	<u>\$ (1,406,587)</u>
\$ 1,056,683	\$ 906,331	\$ 743,688	\$ 630,953	\$ 527,783	\$ 476,338
326,215	406,876	316,141	297,383	264,863	257,244
32,424	34,335	34,107	54,927	582,235	83,523
372,560	405,670	388,611	386,493	385,254	368,586
1,264,952	1,280,652	1,420,670	1,310,452	1,726,083	1,347,398
33,647	143,948	162,832	193,500	212,134	253,153
46	-	15	150	20	40
-	-	-	-	-	1,750
642,000	337,000	332,000	307,000	274,789	264,000
<u>3,728,527</u>	<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>
25,131	24,976	21,276	20,793	41,077	41,115
-	1,500	4,225	4,508	8,748	9,070
(99,048)	236,262	280,084	329,144	355,025	391,504
721	809	613	754	643	450
-	1,000	-	10,005	-	17,572
<u>(642,000)</u>	<u>(337,000)</u>	<u>(332,000)</u>	<u>(307,000)</u>	<u>(274,789)</u>	<u>(264,000)</u>
<u>(715,196)</u>	<u>(72,453)</u>	<u>(25,802)</u>	<u>58,204</u>	<u>130,704</u>	<u>195,711</u>
<u>\$ 3,013,331</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>
\$ 935,798	\$ 1,055,971	\$ 179,953	\$ 461,158	\$ 2,670,071	\$ 1,067,526
276,308	1,519,071	1,478,607	1,098,179	714,859	773,630
<u>\$ 1,212,106</u>	<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>

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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				
2017	\$ 1,407,561	\$ 270,160	\$ 57,714	\$ 2,756	\$ 461,221	\$ 2,199,412
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

City of Luverne, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 764,248	\$ 407,450	\$ 403,441	\$ 434,528	\$ 684,954
Restricted (Reserved 2008 - 2010)	-	-	13,276	11,510	11,744
Committed	25,000	25,000	25,000	25,000	-
Assigned	889,515	862,771	841,600	837,965	1,089,532
Unassigned (Unreserved 2008 - 2010)	809,533	1,494,640	1,732,788	1,528,220	901,811
Total General Fund	<u>\$ 2,488,296</u>	<u>\$ 2,789,861</u>	<u>\$ 3,016,105</u>	<u>\$ 2,837,223</u>	<u>\$ 2,688,041</u>
All Other Governmental Funds					
Nonspendable	\$ 7,045	\$ 7,063	\$ 11,534	\$ 12,992	\$ 14,251
Restricted (Reserved 2008 - 2010)	702,461	771,223	807,430	853,040	1,738,030
Committed	907,918	569,692	747,782	894,112	591,396
Assigned	526,209	375,926	395,696	565,094	820,198
Unassigned (Unreserved 2008 - 2010)	(529,399)	(518,718)	(142,416)	(101,310)	(158,809)
Total All Other Governmental Funds	<u>\$ 1,614,234</u>	<u>\$ 1,205,186</u>	<u>\$ 1,820,026</u>	<u>\$ 2,223,928</u>	<u>\$ 3,005,066</u>

Table 4

Fiscal Year				
2012	2011	2010	2009	2008
\$ 562,938	\$ 369,411	\$ -	\$ -	\$ -
12,475	12,475	98,993	111,289	124,158
-	-	-	-	-
1,092,661	1,198,528	-	-	-
970,948	823,652	2,045,119	1,807,922	1,719,558
<u>\$ 2,639,022</u>	<u>\$ 2,404,066</u>	<u>\$ 2,144,112</u>	<u>\$ 1,919,211</u>	<u>\$ 1,843,716</u>
\$ 15,703	\$ 10,600	\$ -	\$ -	\$ -
2,702,629	1,040,741	2,744,408	3,309,341	2,804,471
588,008	593,502	-	-	-
954,094	1,175,513	-	-	-
(112,546)	(141,160)	(291,564)	(12,074)	(77,393)
<u>\$ 4,147,888</u>	<u>\$ 2,679,196</u>	<u>\$ 2,452,844</u>	<u>\$ 3,297,267</u>	<u>\$ 2,727,078</u>

City of Luverne, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenues					
Taxes	\$ 2,137,003	\$ 2,074,993	\$ 1,927,656	\$ 1,878,388	\$ 1,747,314
Tax increments	57,699	54,571	29,906	34,090	32,324
Licenses and permits	103,446	102,415	81,861	115,962	60,107
Intergovernmental revenue	1,715,416	1,694,863	1,737,431	1,806,070	1,786,108
Charges for services	804,978	815,494	797,945	685,052	683,794
Fines and forfeits	13,076	-	-	-	-
Special assessments	953	1,440	3,290	5,570	12,344
Investment income	66,875	94,251	99,033	98,943	12,440
Miscellaneous	50,589	50,635	46,083	180,484	181,096
Total Revenues	<u>4,950,035</u>	<u>4,888,662</u>	<u>4,723,205</u>	<u>4,804,559</u>	<u>4,515,527</u>
Expenditures					
General government	836,609	658,464	566,236	543,492	567,495
Public safety	1,258,731	1,202,036	1,198,483	1,140,298	1,061,326
Public works	978,701	1,036,027	1,094,617	1,038,500	1,138,848
Culture and recreation	1,110,519	1,150,222	1,031,291	1,259,812	897,318
Conservation and development	298,702	107,378	101,837	94,172	84,617
Capital outlay	822,661	1,604,817	1,460,786	909,258	1,346,191
Debt service					
Principal	408,655	415,555	407,556	320,556	484,556
Interest and other costs	83,113	63,121	40,419	58,172	104,979
Total Expenditures	<u>5,797,691</u>	<u>6,237,620</u>	<u>5,901,225</u>	<u>5,364,260</u>	<u>5,685,330</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(847,656)</u>	<u>(1,348,958)</u>	<u>(1,178,020)</u>	<u>(559,701)</u>	<u>(1,169,803)</u>
Other Financing Sources (Uses)					
Sale of capital assets	114,046	52,874	-	12,745	-
Transfers in	1,568,643	1,108,350	1,560,000	1,515,730	1,124,052
Debt issued	-	-	-	-	444,000
Payment to refunded bonds escrow agent	-	-	-	(600,000)	(1,010,000)
Discount on debt issued	-	-	-	-	-
Transfers out	(727,550)	(653,350)	(607,000)	(1,000,730)	(482,052)
Total Other Financing Sources (Uses)	<u>955,139</u>	<u>507,874</u>	<u>953,000</u>	<u>(72,255)</u>	<u>76,000</u>
Net Change in Fund Balances	<u>\$ 107,483</u>	<u>\$ (841,084)</u>	<u>\$ (225,020)</u>	<u>\$ (631,956)</u>	<u>\$ (1,093,803)</u>
Debt Service As a Percentage of Noncapital Expenditures	9.93%	10.41%	10.57%	8.60%	13.75%

Table 5

Fiscal Year				
2012	2011	2010	2009	2008
\$ 1,732,568	\$ 1,443,061	\$ 1,314,969	\$ 1,172,406	\$ 1,100,367
36,878	33,921	55,063	580,734	82,339
190,435	90,228	86,731	74,615	83,811
1,267,456	1,530,290	1,856,285	2,896,500	3,026,344
674,013	679,870	646,568	519,666	547,458
-	-	125	-	3,998
36,450	78,422	92,247	90,642	120,824
125,033	140,776	170,990	186,006	223,953
945,409	305,198	109,113	447,415	99,652
<u>5,008,242</u>	<u>4,301,766</u>	<u>4,332,091</u>	<u>5,967,984</u>	<u>5,288,746</u>
544,639	506,873	492,799	506,956	524,751
1,095,648	1,049,164	1,081,976	999,236	1,004,243
857,251	812,308	757,228	853,957	929,518
774,622	779,066	690,957	755,843	973,238
76,464	316,435	89,471	58,321	158,537
1,740,549	302,717	1,095,426	1,719,849	2,468,972
476,592	287,059	839,212	643,208	554,123
140,829	117,222	190,205	208,482	217,932
<u>5,706,594</u>	<u>4,170,844</u>	<u>5,237,274</u>	<u>5,745,852</u>	<u>6,831,314</u>
<u>(698,352)</u>	<u>130,922</u>	<u>(905,183)</u>	<u>222,132</u>	<u>(1,542,568)</u>
-	-	-	-	1,750
770,391	694,250	1,265,757	837,407	579,780
2,065,000	23,384	758,106	136,552	-
-	-	(775,000)	-	-
-	-	(4,445)	-	-
<u>(433,391)</u>	<u>(362,250)</u>	<u>(958,757)</u>	<u>(550,407)</u>	<u>(315,780)</u>
<u>2,402,000</u>	<u>355,384</u>	<u>285,661</u>	<u>423,552</u>	<u>265,750</u>
<u>\$ 1,703,648</u>	<u>\$ 486,306</u>	<u>\$ (619,522)</u>	<u>\$ 645,684</u>	<u>\$ (1,276,818)</u>
15.51%	10.38%	24.56%	21.88%	18.15%

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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
2017	\$ 1,673,026	\$ 57,699	\$ 2,756	\$ 461,221	\$ 2,194,702
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

City of Luverne, Minnesota
 Estimated Market Value and Tax Capacity Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year Ended December 31	Real Property		Total Real Property	Personal Property
	Residential Property	Commercial Property		
2017	\$185,268,600	\$ 68,738,100	\$ 254,006,700	\$ 2,370,000
2016	184,205,400	68,062,100	252,267,500	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

Source: Rock County Assessor

Table 7

Total Estimated Market Value	Total Direct Tax Rate	Tax Capacity Value	Tax Capacity Value as a Percentage of Estimated Actual Value
\$ 256,376,700	65.700	\$ 2,677,361	1.04 %
254,571,400	62.804	2,668,442	1.05
246,313,600	61.747	2,559,719	1.04
241,106,700	60.862	2,478,201	1.03
230,131,900	63.367	2,274,052	0.99
224,714,400	62.705	2,195,236	0.98
219,636,800	52.095	2,509,154	1.14
215,681,400	47.736	2,465,847	1.14
202,754,100	45.697	2,304,913	1.14
193,414,900	44.548	2,193,676	1.13

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
2017	54.169	11.531	65.700	18.359	1.246	19.605
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

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
4.732	5.847	10.579	0.130	96.014
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

City of Luverne, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2017		
		Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Agri-Energy, LLC	Ethanol production	\$ 243,785	1	9.1 %
Grandstay (Luverne Hotel Partners, LLC)	Hotel	54,578	2	2.0
Good Samaritan Society - Oak Apartments	Congregate care facility	35,674	4	1.3
Midwest Fire (Rock River Properties, LLC)	Fire truck manufacturer	35,202	3	1.3
Luverne Economic Development Authority	Commercial property	31,796	7	1.2
Sanford Hospital - Luverne	Hospital	31,506	6	1.2
RCT Properties - Luverne	Groceries	31,299	5	1.2
Herman Motors	Auto sales	29,918	8	1.1
Shopko Hometown	Retail	26,330	9	1.0
Luverne Body Shop	Auto Body Repair	25,786	10	1.0
Eagle Broadcasting, Inc	Communications	-	-	-
Total Card, Inc.	Credit card processing	-	-	-
SWMN Farmers Coop	Grain elevator	-	-	-
Luverne Townhome Rental Properties LLC	Apartment Buildings	-	-	-
Total		<u>\$ 545,874</u>		<u>20.4 %</u>

Source: Rock County Assessor

Table 9

2008		
<u>Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity Value</u>
\$ 96,370	1	4.3 %
-	-	-
34,600	2	1.6
-	-	-
28,538	5	1.3
30,528	4	1.4
27,822	6	1.3
-	-	-
23,986	7	1.1
-	-	-
32,572	3	1.5
19,250	8	0.9
16,133	10	0.7
<u>15,822</u>	9	<u>0.7</u>
<u>\$ 325,621</u>		<u>14.8 %</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
2017	\$ 1,717,393	\$ 1,702,726	99.1 %	\$ -	\$ 1,702,726	99.1 %
2016	1,633,623	1,623,984	99.4	7,058	1,631,042	99.8
2015	1,555,190	1,539,732	99.0	15,394	1,555,126	100.0
2014	1,484,357	1,475,215	99.4	8,753	1,483,968	100.0
2013	1,414,586	1,404,941	99.3	9,486	1,414,427	100.0
2012	1,348,740	1,345,705	99.8	2,878	1,348,583	100.0
2011	1,284,454	1,267,946 ⁽¹⁾	98.7	16,508	1,284,454	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

(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
2017	\$ 900,000	\$ 295,000	\$ 205,000	\$ 184,000	\$ 91,937	\$ 5,090,000
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

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
\$	6,765,937	N/A %	\$	1,443
	7,734,624	3.50		1,650
	8,666,210	3.69		1,841
	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

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
2017	\$ 1,084,000	\$ 322,793	\$ 761,207	0.28 %	\$ 162
2016	1,314,000	310,433	1,003,567	0.38	214
2015	1,550,000	288,467	1,261,533	0.49	268
2014	1,778,000	270,433	1,507,567	0.61	320
2013	1,924,000	189,607	1,734,393	0.76	368
2012	2,665,000	1,239,959	1,425,041	0.65	303
2011	1,395,000	223,822	1,171,178	0.47	248
2010	1,555,000	200,207	1,354,793	0.55	286
2009	1,709,000	183,491	1,525,509	0.66	333
2008	1,853,000	166,775	1,686,225	0.77	367

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, 2017

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>\$ 1,675,937</u>	100.00 %	<u>\$ 1,675,937</u>
Overlapping debt			
Rock County	9,543,800	9.64	920,022
Independent School District #2184	<u>8,365,000</u>	18.11	<u>1,514,902</u>
Total Overlapping Debt	<u>17,908,800</u>		<u>2,434,924</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 19,584,737</u></u>		 <u><u>\$ 4,110,861</u></u>

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

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

City of Luverne, Minnesota
 Legal Debt Margin Information
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Limit	\$ 7,691,301	\$ 7,637,142	\$ 7,389,408	\$ 7,233,201
Total Net Debt Applicable to Limit	<u>1,084,000</u>	<u>1,314,000</u>	<u>1,550,000</u>	<u>1,778,000</u>
Legal Debt Margin	<u>\$ 6,607,301</u>	<u>\$ 6,323,142</u>	<u>\$ 5,839,408</u>	<u>\$ 5,455,201</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	14.09%	17.21%	20.98%	24.58%

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 6,903,957	\$ 6,741,432	\$ 6,589,104	\$ 6,470,442	\$ 6,082,623	\$ 5,802,447
<u>1,924,000</u>	<u>2,665,000</u>	<u>1,395,000</u>	<u>1,555,000</u>	<u>1,709,000</u>	<u>1,853,000</u>
<u>\$ 4,979,957</u>	<u>\$ 4,076,432</u>	<u>\$ 5,194,104</u>	<u>\$ 4,915,442</u>	<u>\$ 4,373,623</u>	<u>\$ 3,949,447</u>
27.87%	39.53%	21.17%	24.03%	28.10%	31.93%

Legal Debt Margin Calculation for Fiscal Year 2017

Estimated Market Value (2016/2017)	\$ 256,376,700
A) Debt Limit 3.0% of estimated market value	7,691,301
Total Bonded Debt	<u>6,674,000</u>
B) Deductions	
General obligation improvement bonds	295,000
General obligation tax increment bonds	205,000
General obligation revenue bonds	<u>5,090,000</u>
Total Deductions	<u>5,590,000</u>
Net Debt applicable to debt limit	
General obligation debt	900,000
General obligation equipment certificates	<u>184,000</u>
Total Net Debt applicable to debt limit	<u>1,084,000</u>
Legal Debt Margin	<u>\$ 6,607,301</u>
Percent of Debt Margin not used	85.91%

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	
2017	\$ 3,271,925	\$ 1,631,127	\$ 1,640,798	\$ 515,000	\$ 131,363	\$ 646,363	2.54
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

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	
2017	\$ 325,544	\$ 2,985	\$ 328,529	\$ 365,000	\$ 54,828	\$ 419,828	0.78
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

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
2017	4,688	N/A	N/A	40.9	35.2 %	1,238	2.1 %
2016	4,688	220,763,007	46,901	42.9	33.2	1,250	2.4
2015	4,707	235,166,427	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

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

	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Independent School District No. 2184	224	1	9.72 %	215	1	9.08 %
Sanford Hospital - Luverne	220	2	9.54	203	2	8.58
Minnesota Veterans Home	191	3	8.29	175	3	7.39
Mary Jane Brown Good Samaritan Home	101	4	4.38	120	5	5.07
Rock County	100	5	4.34	105	8	4.44
City of Luverne	88	6	3.82	106	7	4.48
Continental Western Group	61	7	2.65	109	6	4.60
Papik Motors	56	8	2.43	45	10	1.90
Total Card Inc	45	9	1.95	-	-	-
Berkley Information Services	39	10	1.69	38	-	1.61
Gold 'N Plump	-	-	-	200	4	8.45
Sanford Clinic Luverne	-	-	-	73	9	3.08
Total	1,125		48.81 %	1,389		58.68 %

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				
	2017	2016	2015	2014	2013
General Government	2.21	2.53	2.70	2.61	2.92
Public Safety					
Fire					
Firefighters and officers	2.18	1.69	1.44	2.28	1.81
Building official	1.00	1.00	1.79	1.12	1.00
Streets and Highways	4.20	3.94	3.62	4.00	3.67
Sanitation	1.40	1.42	1.57	1.67	2.01
Culture and Recreation					
Parks	4.48	4.70	3.82	3.86	3.28
Library	-	-	-	-	-
Swimming pool	8.22	8.28	8.26	8.01	6.34
Housing and Economic Development	1.00	1.00	1.04	1.00	1.00
Water	3.47	3.31	3.60	3.30	3.36
Sewer	4.57	4.44	4.77	4.50	4.49
Electric	2.23	2.23	2.28	2.24	2.38
Liquor - Off Sale	2.66	2.69	3.00	2.91	2.92
Central Garage	1.16	1.18	1.23	1.20	1.20
Central Store	0.50	0.50	0.52	0.50	0.11
Data Processing	2.32	2.08	2.04	1.98	1.58
Total	41.60	40.99	41.68	41.18	38.07

Source: Finance Department

Table 18

Full-time Equivalent Employees as of December 31				
2012	2011	2010	2009	2008
3.23	2.81	3.14	2.83	3.95
2.47	2.09	2.76	1.85	2.26
1.00	1.00	1.00	1.00	1.00
3.05	3.10	3.27	3.29	3.44
2.93	2.90	2.90	2.73	2.84
3.05	3.05	3.25	3.37	3.18
-	-	-	-	3.12
7.02	6.75	6.31	6.35	6.47
0.77	0.84	1.00	0.52	0.82
3.10	3.13	3.18	3.49	3.40
4.26	4.28	4.35	3.56	3.77
2.77	2.57	2.57	2.77	2.57
2.82	2.46	2.49	2.44	2.33
0.99	1.16	1.16	0.95	1.01
0.50	0.50	0.50	0.50	0.50
2.66	2.96	2.62	2.61	2.58
<u>40.62</u>	<u>39.60</u>	<u>40.50</u>	<u>38.26</u>	<u>43.24</u>

City of Luverne, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Physical arrests	150	72	54	111	91
Parking violations	7	-	-	-	2
Traffic violations	96	63	94	123	187
Fire					
Number of calls answered	66	68	69	86	75
Building/zoning					
Permits issued	245	257	239	190	211
Inspections	798	642	689	722	812
Sanitation					
Refuse collected annually	1,799	1,637	1,563	1,450	1,351
Recyclables collected annually	301	338	416	416	416
Airport					
Aviation fuel sales (gallons)	17,252	19,100	19,003	16,176	17,997
Jet fuel (gallons)	21,255	19,053	27,248	17,061	24,443
Culture and Recreation					
Library circulation	-	-	-	-	-
Pool and fitness center					
Attendance	80,712	82,402	78,845	75,375	68,374
Memberships	677	717	633	824	849
Water					
Average daily consumption	754,762	757,454	689,825	756,436	739,627
Wastewater					
Average daily sewage treatment	1,105,000	1,306,000	867,500	941,000	827,000
Electric					
Kilowatt hours sold	83,334,619	89,171,456	80,979,831	85,733,095	68,828,422
Liquor					
Annual sales	\$ 1,330,622	\$ 1,340,720	\$ 1,319,620	\$ 1,252,183	\$ 1,175,086

Sources: Various government departments

Table 19

Fiscal Year					
2012	2011	2010	2009	2008	
68	140	168	107	137	
-	52	27	43	144	
46	191	257	93	201	
84	92	89	59	86	
245	241	242	228	211	
1,082	1,124	1,103	1,135	1,300	
1,273	1,458	1,483	1,560	1,526	
338	312	312	312	312	
16,978	16,183	15,789	10,120	7,770	
13,284	18,632	11,867	-	-	
-	-	-	-	99,004	
76,043	78,296	79,218	81,867	82,556	
800	917	968	1,300	1,142	
673,306	900,218	984,170	1,053,119	1,110,155	
913,000	1,337,000	1,162,917	942,000	1,137,000	
73,454,715	76,389,496	77,318,682	74,411,632	74,785,319	
\$ 1,182,830	\$ 1,097,579	\$ 1,058,949	\$ 1,025,544	\$ 968,556	

City of Luverne, Minnesota
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Public Safety					
Fire					
Stations	1	1	1	1	1
Part-time paid	41	40	37	35	37
Hydrants	222	222	222	222	222
I.S.O. Rating	4	4	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	742	734	719	715	715
Signalized intersections	2	2	2	2	2
Parks division					
Neighborhood parks	14	14	13	13	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	2,058	2,032	2,039	2,040	2,035
Average daily consumption	754,762	757,454	689,825	648,782	739,627
Total gallons sold	229,186,500	226,670,250	219,878,250	209,151,000	172,229,250
Total gallons pumped	275,488,306	276,470,951	251,786,260	236,156,828	269,599,000
Storage capacity	3,050,000	3,050,000	3,050,000	2,700,000	2,700,000
Miles of water main	35	35	35	35	35
Municipal water treatment					
Type of treatment					
Users	2,018	2,002	2,005	2,002	1,998
Average daily use	1,105,000	1,306,000	867,000	941,000	827,000
Peak demand	1,539,000	2,221,000	1,285,000	6,617,000	1,593,000
Maximum design capacity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total volume	403,517,000	478,441,000	316,581,000	343,458,000	302,670,000
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	3	2	2	2
Employees					
Full-time	29	29	28	29	28
Part-time	64	57	56	51	44
Volunteer Firemen	41	40	37	34	37
Election judges	-	30	-	20	-
Total employees	134	156	121	134	109

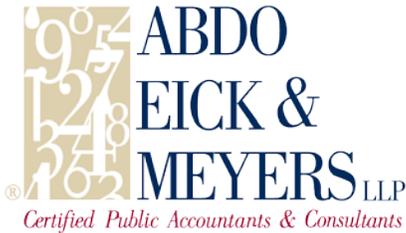
Source: City of Luverne Financial Records.

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

Table 20

Fiscal Year					
2012	2011	2010	2009	2008	
1	1	1	1	1	1
36	36	37	35	38	38
222	222	222	221	215	215
5	5	5	5	5	5
43	43	43	43	43	43
95	95	95	95	95	95
4.99	4.99	4.99	4.99	4.99	4.99
715	715	715	715	709	709
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
2,027	2,016	2,019	2,026	2,019	2,019
673,306	900,218	984,170	1,053,119	1,110,155	1,110,155
220,937,250	245,908,500	277,651,250	282,381,000	273,746,750	273,746,750
246,430,043	328,579,720	359,222,119	384,388,552	405,206,416	405,206,416
2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
35	35	35	35	35	35
1,992	1,990	1,989	1,996	1,988	1,988
913,000	1,337,000	1,162,917	942,000	1,137,000	1,137,000
1,309,000	3,315,000	2,413,000	1,419,000	1,782,000	1,782,000
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
334,096,000	488,573,000	425,067,000	343,402,000	416,314,000	416,314,000
35	35	35	35	35	35
11.1	11.1	11.1	11.1	11.1	11.1
2	2	2	2	2	2
27	26	28	29	30	30
44	38	46	41	44	44
36	36	37	35	38	38
29	-	32	-	32	32
136	100	143	105	144	144

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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, 2017, 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 18, 2018.

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 18, 2018

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, 2017, 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 18, 2018.

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.

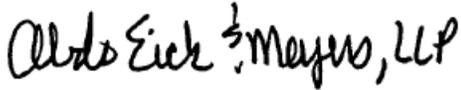
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 18, 2018