

CITY OF LUVERNE
LUVERNE, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

BARBARA J. BERGHORST
FINANCE DIRECTOR

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Luverne, Minnesota
 Comprehensive Annual Financial Report
 Table of Contents
 For the Year Ended December 31, 2018

	Page No.
Introductory Section	
Letter of Transmittal	5
GFOA Certificate of Achievement	9
Organizational Chart	10
List of Elected and Appointed Officials	11
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	33
Reconciliation of the Balance Sheet to the Statement of Net Position	34
Statement of Revenues, Expenditures and Changes in Fund Balances	35
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	36
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	37
Proprietary Funds	
Statement of Net Position	38
Statement of Revenues, Expenses and Changes in Net Position	42
Statement of Cash Flows	44
Fiduciary Funds	
Statement of Fiduciary Net Position	48
Notes to the Financial Statements	49
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	96
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	96
Notes to the Required Supplementary Information - General Employees Retirement Fund	96
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	97
Schedule of Employer's Fire Relief Association Contributions	98
Schedule of Employer's Funding Progress for Other Post-Employment Benefit Plan	98
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Airport Special Revenue Fund	109
Swimming Pool Special Revenue Fund	110
Nonmajor Proprietary Funds	
Combining Statement of Net Position	112
Combining Statement of Revenues, Expenses and Changes in Net Position	114
Combining Statement of Cash Flows	115
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances	118

City of Luverne, Minnesota
 Comprehensive Annual Financial Report
 Table of Contents (Continued)
 For the Year Ended December 31, 2018

		<u>Page No.</u>
Combining and Individual Fund Statements and Schedules (Continued)		
Debt Service Funds		
Combining Balance Sheet		124
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances		126
Internal Service Funds		
Combining Statement of Net Position		130
Combining Statement of Revenues, Expenses and Changes in Net Position		132
Combining Statement of Cash Flows		134
Agency Funds		
Statement of Changes in Assets and Liabilities		138
Summary Financial Report		
Revenues and Expenditures for General Operations - Governmental Funds		139
 Statistical Section (Unaudited)		
	<u>Table</u>	<u>Page No.</u>
Financial Trends		
Net Position by Component	1	142
Changes in Net Position	2	144
Governmental Activities Tax Revenues by Source	3	149
Fund Balances of Governmental Funds	4	150
Changes in Fund Balances of Governmental Funds	5	152
General Governmental Tax Revenues by Source	6	155
Revenue Capacity		
Estimated Market Value and Tax Capacity Value of Taxable Property	7	156
Property Tax Rates - Direct and Overlapping Governments	8	158
Principal Property Taxpayers	9	160
Property Tax Levies and Collections	10	163
Debt Capacity		
Ratios of Outstanding Debt by Type	11	164
Ratios of General Bonded Debt Outstanding	12	166
Computation of Direct and Overlapping Debt	13	167
Legal Debt Margin Information	14	168
Pledged-Revenue Coverage - Utility Revenue Bonds	15A	170
Pledged-Revenue Coverage - Other Bonds and Equipment Certificates	15B	171
Demographic and Economic Information		
Demographic and Economic Statistics	16	172
Principal Employers	17	173
Operating Information		
Full-time Equivalent City Government Employees by Function	18	174
Operating Indicators by Function	19	176
Capital Asset Statistics by Function	20	178
 Other Required Reports		
Independent Auditor's Report on		
Minnesota Legal Compliance		181
Independent Auditor's Report on Internal		
Control Over Financial Reporting and on		
Compliance and Other Matters Based on an		
Audit of Financial Statements Performed in		
Accordance with <i>Government Auditing Standards</i>		182



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

May 9, 2019

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, 2018.

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, 2018, 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, 2018, 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 4,706. 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 37 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General fund, with appropriated annual budgets, this comparison is presented in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual of this report which starts on page 118.

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. In 2018, 242 building permits were issued for projects totaling \$6,967,000. Residential development in 2018 included the construction of seven single family homes and four twin homes.

In June 2018 it was announced that Premium Iowa Pork (PIP) purchased the Gold 'N Plump chicken processing plant. They plan to hire up to 325 full time employees and process up to 4,400 head of antibiotic free hogs per day. They are currently in the process of making over \$30 million of improvements to the plant. The City entered into a cost sharing agreement with PIP where they will pay \$6,700,000 toward necessary wastewater treatment plant improvements with the City funding the remaining cost, estimated to be \$6,000,000, for improvements that provide for improved treatment and increased capacity for city residents and businesses.

The Luverne Economic Development Authority focuses its efforts on attracting businesses whose workforce and activities complement existing businesses and our local agricultural economy. A \$21,000 façade loan was made to a local Main Street business to improve the exterior of their building within the guidelines of the program.

Long-term financial planning. The City Electric Utility issued \$4,875,000 in bonds to construct a 22 MW substation 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. Construction of a road as well as water and sewer at an estimated cost of \$2.57, through the Industrial Park in 2018 is nearly complete. The City was awarded a \$1.982 million BDPI grant to assist in financing the improvements. These improvements also provide access and utilities to all sites in the Industrial Park which allows for future 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 \$23,352,203.

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 75. The City implemented GASB 75 in the fiscal year 2018 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 89 - 90.

The Finance Department updated the Internal Control and Accounting Policies and Procedures manual in 2018. 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, 2017. 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

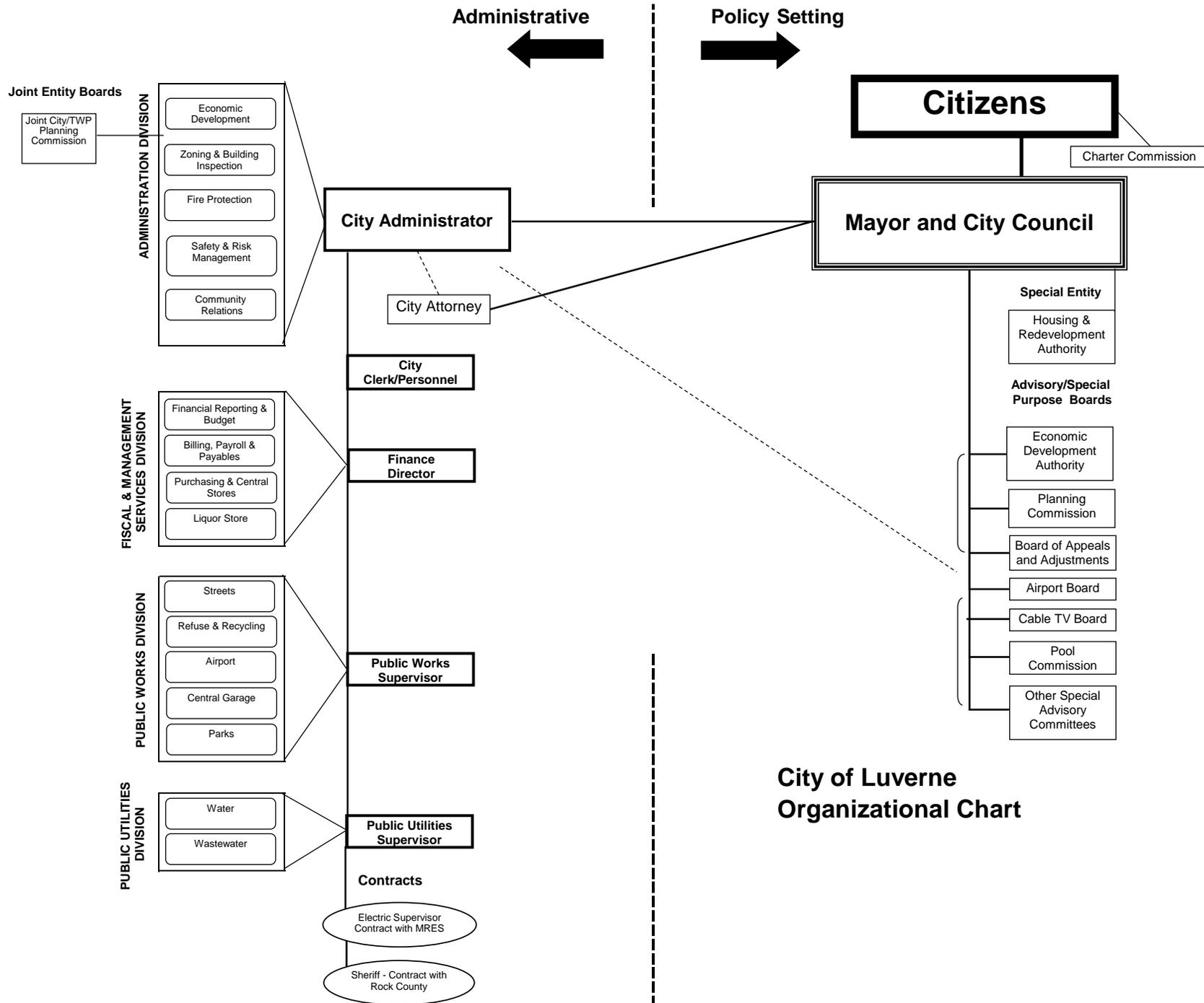
**City of Luverne
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

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, 2018

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

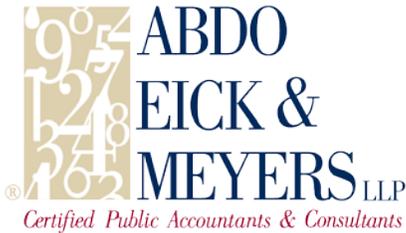
Finance Director

Barbara J. Berghorst

City Clerk

Jessica Mead

THIS PAGE IS LEFT
BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Luverne, Minnesota (the City), as of and for the year ended December 31, 2018, 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, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 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 96 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

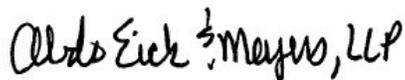
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for the purposes of 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 9, 2019, 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 solely 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 effectiveness of the City's 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 9, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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, 2018. 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 \$52,096,355 (net position). Of this amount, \$17,184,865 (*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 \$1,561,910 compared to an increase of \$1,676,306 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 \$5,145,343, an increase of \$1,042,813 in comparison with the prior year. The fund balance in debt service funds decreased by \$92,085. The fund balance in the General fund increased by \$291,316. One of the primary reasons for this increase are intergovernmental revenue exceeding budget by \$77,957 due to unexpected FEMA and State flood aid. Capital expenditures were also under appropriations due to conservation and development land purchases not coming to fruition during the year. The fund balance in other governmental funds increased by \$1,099,057 primarily as a result of transfers in of \$793,964 to the Community Development fund for future improvements to roads and infrastructure in the Industrial Park area and BDPI grant proceeds of \$850,576 in the Street/Sidewalk Improvement fund. Approximately 1.9 percent of this total amount, \$96,516, 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 - \$1,015,969, 2) restricted - \$1,205,678, 3) committed - \$1,343,115, or 4) assigned - \$1,484,065 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

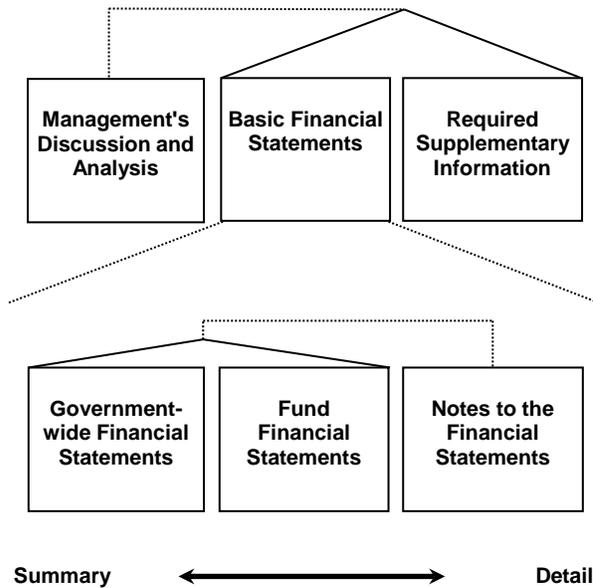


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 29 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 33 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric and liquor operations, all of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 48 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 59 of this report.

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 106 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 112 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 \$52,096,355 at the close of the most recent fiscal year.

A large portion of the City's net position (63.8 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Luverne's Summary of Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	(Restated)		Increase	(Restated)		Increase			Increase
	2018	2017	(Decrease)	2018	2017	(Decrease)	2018	2017	(Decrease)
Assets									
Current and other assets	\$ 6,559,406	\$ 5,151,728	\$ 1,407,678	\$ 20,386,850	\$ 18,438,754	\$ 1,948,096	\$ 1,816,436	\$ 1,615,076	\$ 201,360
Capital assets	14,829,728	14,941,249	(111,521)	25,684,420	22,236,304	3,448,116	1,748,283	1,954,124	(205,841)
Total Assets	<u>21,389,134</u>	<u>20,092,977</u>	<u>1,296,157</u>	<u>46,071,270</u>	<u>40,675,058</u>	<u>5,396,212</u>	<u>3,564,719</u>	<u>3,569,200</u>	<u>(4,481)</u>
Deferred Outflows of Resources	219,706	308,260	(88,554)	158,818	252,811	(93,993)	10,427	16,797	(6,370)
Liabilities									
Long-term liabilities outstanding	2,285,930	2,792,047	(506,117)	10,904,668	6,515,710	4,388,958	68,557	74,277	(5,720)
Other liabilities	359,711	167,075	192,636	1,655,936	860,984	794,952	21,658	44,825	(23,167)
Total Liabilities	<u>2,645,641</u>	<u>2,959,122</u>	<u>(313,481)</u>	<u>12,560,604</u>	<u>7,376,694</u>	<u>5,183,910</u>	<u>90,215</u>	<u>119,102</u>	<u>(28,887)</u>
Deferred Inflows of Resources	316,138	240,722	75,416	220,190	218,123	2,067	14,447	14,492	(45)
Net Position									
Net investment in capital assets	13,719,023	13,471,402	247,621	19,519,840	17,475,746	2,044,094	1,748,283	1,954,124	(205,841)
Restricted	1,024,091	489,542	534,549	648,536	663,026	(14,490)	605,508	510,965	94,543
Unrestricted	<u>3,903,947</u>	<u>3,240,449</u>	<u>663,498</u>	<u>13,280,918</u>	<u>15,194,280</u>	<u>(1,913,362)</u>	<u>1,116,693</u>	<u>987,314</u>	<u>129,379</u>
Total Net Position	<u>\$ 18,647,061</u>	<u>\$ 17,201,393</u>	<u>\$ 1,445,668</u>	<u>\$ 33,449,294</u>	<u>\$ 33,333,052</u>	<u>\$ 116,242</u>	<u>\$ 3,470,484</u>	<u>\$ 3,452,403</u>	<u>\$ 18,081</u>

An additional portion of the City's net position (3.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (33.0 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase of \$116,242 in net position reported in connection with the City's business-type activities. Charges for services/sales for business-type activities decreased by \$1,579,013 or 12.3 percent. This decrease is primarily related to Gold 'N Plump ceasing operations on December 28, 2017 resulting in a reduction of utility usage and related revenue, to the Electric, Water and Sewer operations as well as a one-time insurance payment to the Electric fund in 2017 in the amount of \$759,276.

Governmental activities. Governmental activities increased the City's net position by \$1,445,668 during the year, accounting for 92.6 percent of the total growth in the City's net position. Key elements of the various increases and decreases are as follows:

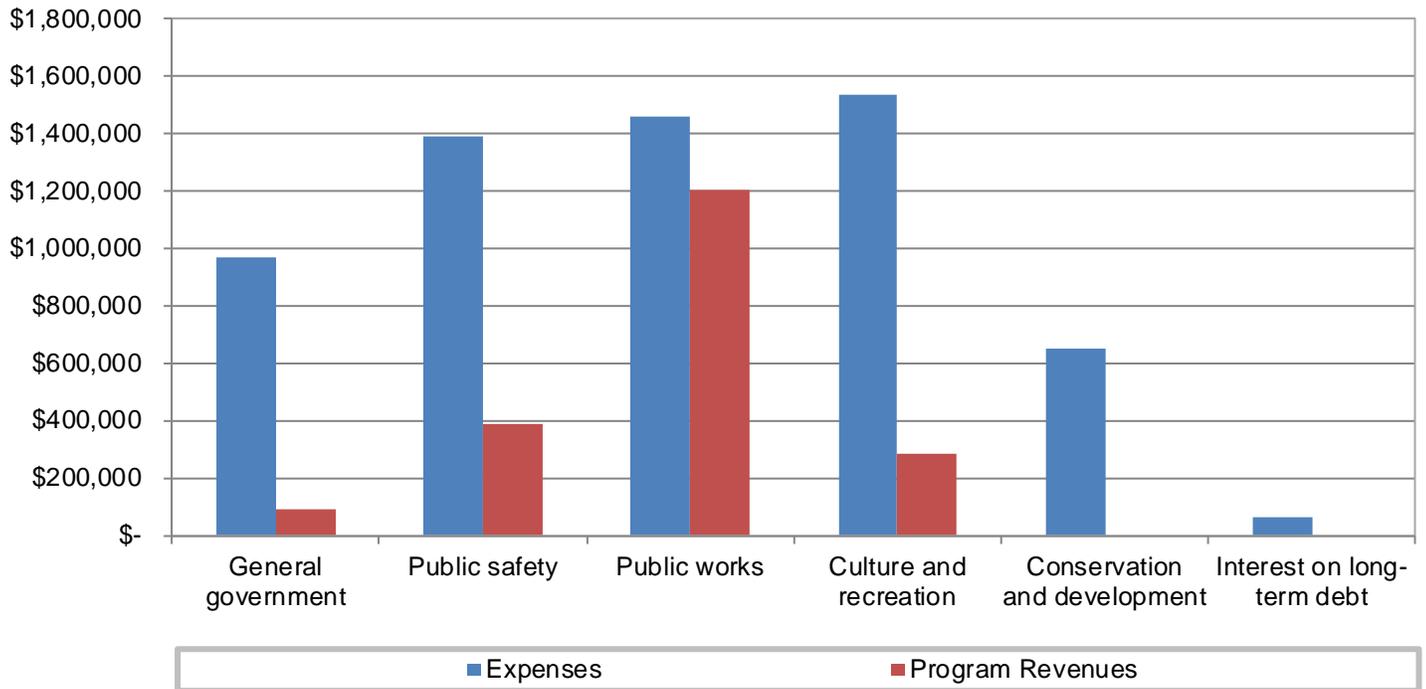
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
		(Restated)	Increase		(Restated)	Increase			Increase
	2018	2017	(Decrease)	2018	2017	(Decrease)	2018	2017	(Decrease)
Revenues									
Program Revenues									
Charges for services	\$ 912,163	\$ 903,840	\$ 8,323	\$ 12,369,579	\$ 13,948,592	\$ (1,579,013)	\$ 199,653	\$ 229,521	\$ (29,868)
Operating grants and contributions	144,156	125,039	19,117	4,719	271	4,448	22,396	9,669	12,727
Capital grants and contributions	904,218	247,806	656,412	757,615	-	757,615	-	-	-
General Revenues									
Property taxes/									
tax increments	1,885,753	1,735,435	150,318	363	39,985	(39,622)	3,288	3,185	103
Other taxes	459,694	463,977	(4,283)	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,436,861	1,395,559	41,302	-	-	-	215,000	235,000	(20,000)
Unrestricted									
Investment earnings	95,243	84,982	10,261	75,484	116,210	(40,726)	8,264	10,834	(2,570)
Other	40,150	-	40,150	-	69	(69)	-	-	-
Gain on sale of capital assets	30,132	114,046	(83,914)	-	3,900	(3,900)	-	35,750	(35,750)
Total Revenues	5,908,370	5,070,684	837,686	13,207,760	14,109,027	(901,267)	448,601	523,959	(75,358)
Expenses									
General government	966,837	1,001,089	(34,252)	-	-	-	-	-	-
Public safety	1,387,118	1,433,581	(46,463)	-	-	-	-	-	-
Public works	1,457,767	1,339,809	117,958	-	-	-	-	-	-
Culture and recreation	1,536,124	1,414,610	121,514	-	-	-	-	-	-
Conservation and development	651,244	312,278	338,966	-	-	-	-	-	-
Interest on long-term debt	63,612	81,451	(17,839)	-	-	-	-	-	-
Water	-	-	-	1,440,472	1,406,116	34,356	-	-	-
Sewer	-	-	-	1,413,540	1,181,106	232,434	-	-	-
Refuse and recycling	-	-	-	496,640	482,629	14,011	-	-	-
Electric	-	-	-	6,757,425	7,486,480	(729,055)	-	-	-
Storm sewer	-	-	-	112,272	102,129	10,143	-	-	-
Liquor	-	-	-	1,271,169	1,262,127	9,042	-	-	-
Economic development	-	-	-	-	-	-	430,520	448,968	(18,448)
Total Expenses	6,062,702	5,582,818	479,884	11,491,518	11,920,587	(429,069)	430,520	448,968	(18,448)
Increase in Net Position									
Before Transfers	(154,332)	(512,134)	357,802	1,716,242	2,188,440	(472,198)	18,081	74,991	(56,910)
Transfers	1,600,000	841,093	758,907	(1,600,000)	(841,093)	(758,907)	-	-	-
Change in Net Position	1,445,668	328,959	1,116,709	116,242	1,347,347	(1,231,105)	18,081	74,991	(56,910)
Net Position, January 1, as Restated (Note 10)	17,201,393	16,872,434	328,959	33,333,052	31,985,705	1,347,347	3,452,403	3,377,412	74,991
Net Position, December 31	\$ 18,647,061	\$ 17,201,393	\$ 1,445,668	\$ 33,449,294	\$ 33,333,052	\$ 116,242	\$ 3,470,484	\$ 3,452,403	\$ 18,081

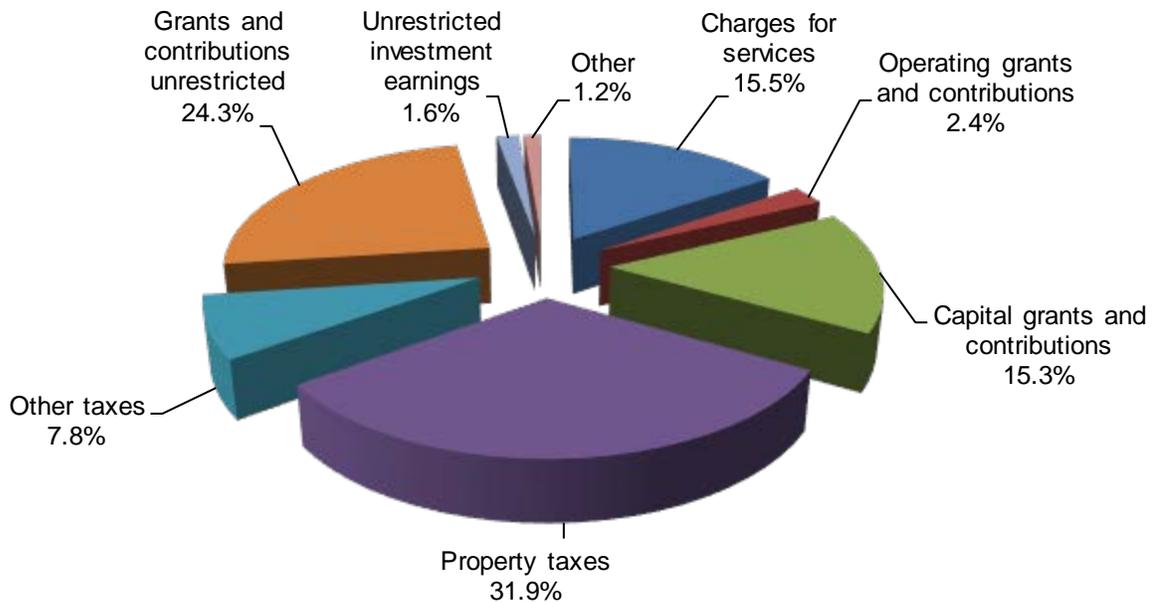
Property tax levies increased by \$98,435 (2.4 percent) during the year.

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

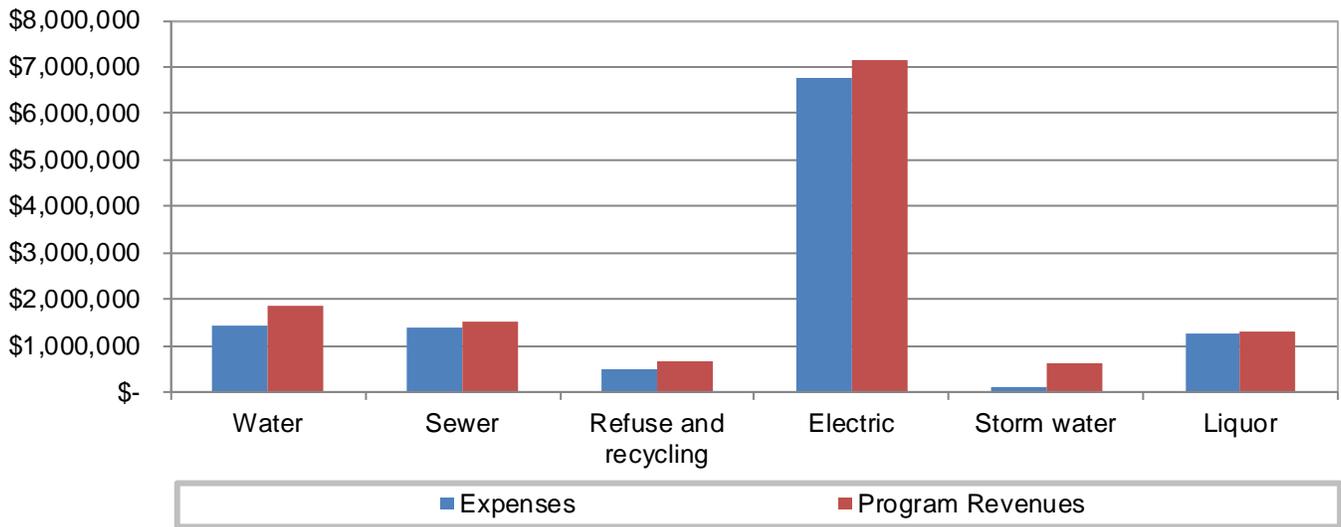


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

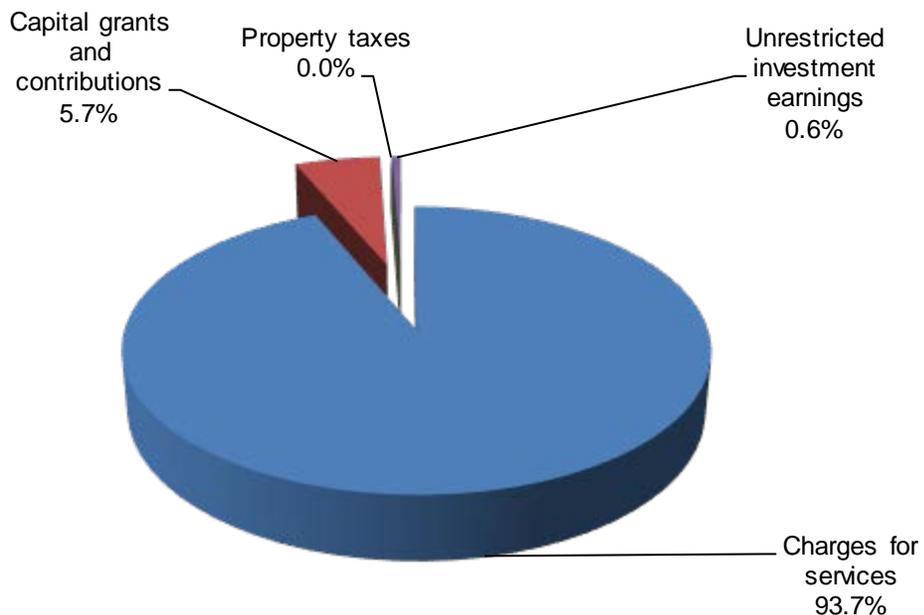
Business-type activities. Business-type activities increased the City's net position by \$116,242, accounting for 7.4 percent of the total growth in the City's net position. This is less than the previous year's increase of \$1,347,347. Key elements of this increase are as follows:

- Operating revenue for business-type activities decreased by \$1,568,952 while operating expenses decreased by \$393,747. Utility revenue decreased primarily due to Gold 'N Plump ceasing operations on December 28, 2017 resulting in a reduction of utility usage and related revenue, to the Electric, Water and Sewer operations as well as a one-time insurance payment to the Electric fund in 2017 in the amount of \$759,276. Operating expenses decreased primarily due to a reduction in purchased power costs.
- Transfers from proprietary funds to other funds increased by \$940,000 in 2018 with a one-time transfer of \$390,000 from Electric to the General fund for acquisition of blighted property for future development as well as \$550,000 in transfers from proprietary funds to the Community Development fund for improvements in the Industrial Park area.

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 \$843,947, while total fund balance reached \$2,779,612. 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 22.7 percent of total General fund expenditures, while total fund balance represents 74.7 percent of that same amount.

The fund balance of the City's General fund increased by \$291,316 during the current fiscal year. The key factors in this are unexpected FEMA and State flood aid and decreased property purchases to remove blight throughout the City.

The *Debt Service fund* has a total fund balance of \$610,376, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$92,085 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 \$536,988 an increase in the deficit of \$255,475. This 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 \$945,490. 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 \$2,797,279. Unrestricted net position of the Electric fund at the end of year amounted to \$7,704,488. Those for the Liquor Store operation amounted to \$453,996. The total growth in net position for all enterprise funds was \$177,404.

General Fund Budgetary Highlights

The final amended budget for the General fund was an \$558,000 increase in appropriations to allow for general government building land and building expenditures (\$50,000), land acquisition related costs (\$385,000), an increase in the contract with the Luverne Area Chamber for costs related to the Governor's Pheasant Opener (\$15,000) and an increase in allowed transfers out (\$108,000).

At the close of the year, General fund total expenditures were \$389,989 under the final budget with the primary reason being a portion of the acquired land (\$286,094) being added to the balance sheet as land held for resale rather than as an expenditure. In addition, only \$10,000 of expenditure for governmental building improvements occurred by the end of the year for a budget of \$100,000. Actual revenues exceeded the final budget by \$121,327. The General fund received unbudgeted revenue for State and Federal FEMA related costs incurred in prior years (\$59,745), unbudgeted PEG access fees (\$12,002), additional County street maintenance revenue (\$35,239) and additional lease revenue (\$11,320).

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, 2018, amounts to \$40,514,148 (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 a 1.59 acre parcel for \$170,046 adjacent to an existing 19 acre parcel owned by the City. These two parcels will be developed into a residential subdivision, the Uithoven Addition, that will allow for up to 15 twin homes to be constructed.
- Acquisition of a blighted property on Highway 75 for \$115,000 that was cleared to allow for additional commercial development.
- North Walnut Avenue was extended and water and sewer was extended to the Uithoven Addition at a cost of \$408,000 to provide necessary utilities for future residential development.
- The Industrial Park was improved with the construction of a road and installation of water and sewer. The cost of the improvements total \$2.7 million. A BDPI grant was received from the State of Minnesota for \$1.982 million to help fund the project.
- The street department purchased a 2018 Caterpillar skid loader for \$58,960.
- The park department acquired a 2018 John Deere mower for \$21,140 and a 2018 John Deere Gator for \$14,055.
- The Luverne Area Aquatic and Fitness Center upgraded air conditioning at a cost of \$20,062 and installed an Ultra Violet Disinfection system for the swimming pool for \$30,061.
- The Electric Utility fund issued \$4,875,000 in bonds to construct a new 22 MW Substation to serve the future needs of the community.
- The Electric Utility fund purchased a 2018 Dodge Ram truck for \$69,936 and a 2017 John Deere Compact Excavator for \$54,520.
- The Storm Sewer Utility fund installed a storm water detention basin in the Roundwind Road for \$37,336 to help control storm water during heavy rain events.
- The Sewer Utility fund acquired property for future wastewater treatment facility expansion projects for \$200,077.
- Wayfinding signs to help visitors navigate our community were purchased for \$170,000.

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

	Primary Government						Component Unit Activities		
	Governmental Activities			Business-type Activities			2018	2017	Increase (Decrease)
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)			
Land	\$ 2,835,285	\$ 2,810,689	\$ 24,596	\$ 869,648	\$ 632,235	\$ 237,413	\$ 528,333	\$ 658,750	\$ (130,417)
Buildings	3,882,738	4,177,027	(294,289)	605,487	561,936	43,551	1,218,978	1,293,818	(74,840)
Improvements	5,315,173	5,361,217	(46,044)	19,526,709	20,071,466	(544,757)	-	-	-
Machinery and Equipment	1,994,486	2,366,351	(371,865)	748,939	799,506	(50,567)	972	1,556	(584)
Construction in Progress	802,046	225,965	576,081	3,933,637	171,161	3,762,476	-	-	-
Total	\$ 14,829,728	\$ 14,941,249	\$ (111,521)	\$ 25,684,420	\$ 22,236,304	\$ 3,448,116	\$ 1,748,283	\$ 1,954,124	\$ (205,841)

Additional information on the City's capital assets can be found in Note 3F starting on page 69 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,648,000. 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

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation Bonds	\$ 760,000	\$ 900,000	\$ (140,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	175,000	205,000	(30,000)	-	-	-
G.O. Improvement Bonds	195,000	295,000	(100,000)	-	-	-
Revenue Bonds	-	-	-	4,875,000	-	4,875,000
General Obligation Revenue Bonds	-	-	-	4,550,000	5,090,000	(540,000)
Equipment Certificates	93,000	184,000	(91,000)	-	-	-
Notes/Loans	63,581	91,937	(28,356)	-	-	-
Total	\$ 1,286,581	\$ 1,675,937	\$ (389,356)	\$ 9,425,000	\$ 5,090,000	\$ 4,335,000

The City's total debt increased by \$3,945,644 or 58.3 percent. One factor in this increase was the issuance of \$4,875,000 in Electric Utility Revenue bonds to construction a 22 MW substation. An additional factor affecting total debt was the retirement of existing debt of \$929,356.

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 \$8,320,104. The current legal debt margin is \$7,467,104 which is in net of the City's outstanding general obligation debt and equipment certificates of \$853,000.

Additional information on the City's long-term debt can be found in Note 3G starting on page 72 of this report.

Economic Factors and Next Year's Budgets and Rates

- Premium Iowa Pork (PIP) purchased the Gold 'N Plump chicken processing facility. They plan to hire up to 325 full time employees and process up to 4,400 head of antibiotic free hogs per day after completing over \$30 million in renovations to the plant.
- 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 with the construction of 7 singles family and 4 twin homes. The City's total estimated market valuation increased by 8.15 percent.
- 243 building permits were issued with a valuation of \$6.97 million. Commercial projects include a new equipment building valued at \$500,000 for GEVO, an Ambulance garage valued at \$350,000 for Sanford Hospital and a major remodel at the Minnesota Veteran's Nursing Home valued at \$640,000.

All of these factors were considered in preparing the City's budget for the 2019 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 5,539,339	\$ 16,962,551	\$ 22,501,890	\$ 1,464,769
Receivables (net of allowance for uncollectibles)				
Accrued interest	23,508	45,796	69,304	13,694
Delinquent taxes	16,457	-	16,457	25
Accounts, net	41,738	730,468	772,206	683
Loans/contracts	88,670	283,805	372,475	318,245
Special assessments	4,202	1,927	6,129	-
Intergovernmental	236,846	153,438	390,284	6
Internal balances	(745,601)	745,601	-	-
Due from component unit	15,792	3,326	19,118	-
Inventories	13,763	602,281	616,044	-
Prepaid items	579	7,344	7,923	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	-	850,313	850,313	19,014
Net pension asset	436,960	-	436,960	-
Land held for resale	887,153	-	887,153	-
Capital assets				
Nondepreciable assets	3,637,331	4,803,285	8,440,616	528,333
Depreciable assets, net of accumulated depreciation	11,192,397	20,881,135	32,073,532	1,219,950
Total Assets	<u>21,389,134</u>	<u>46,071,270</u>	<u>67,460,404</u>	<u>3,564,719</u>
Deferred Outflows of Resources				
Deferred pension resources	218,915	157,589	376,504	10,339
Deferred other post-employment benefits	791	1,229	2,020	88
Total Deferred Outflows of Resources	<u>219,706</u>	<u>158,818</u>	<u>378,524</u>	<u>10,427</u>
Liabilities				
Accounts payable	239,205	603,979	843,184	1,348
Contracts payable	70,356	617,591	687,947	-
Retainage payable	20,098	210,417	230,515	-
Due to primary government	-	-	-	19,118
Due to other governments	1,842	38,059	39,901	-
Accrued interest payable	9,147	102,509	111,656	-
Wages and related benefits payable	19,063	19,037	38,100	1,192
Deposits payable	-	64,344	64,344	-
Noncurrent liabilities				
Due within one year	459,667	762,880	1,222,547	6,647
Due in more than one year	1,826,263	10,141,788	11,968,051	61,910
Total Liabilities	<u>2,645,641</u>	<u>12,560,604</u>	<u>15,206,245</u>	<u>90,215</u>
Deferred Inflows of Resources				
Deferred pension resources	316,138	220,190	536,328	14,447
Net Position				
Net investment in capital assets	13,719,023	19,519,840	33,238,863	1,748,283
Restricted				
Debt service	428,789	648,536	1,077,325	-
Capital improvements	595,302	-	595,302	-
Economic development	-	-	-	605,508
Unrestricted	<u>3,903,947</u>	<u>13,280,918</u>	<u>17,184,865</u>	<u>1,116,693</u>
Total Net Position	<u>\$ 18,647,061</u>	<u>\$ 33,449,294</u>	<u>\$ 52,096,355</u>	<u>\$ 3,470,484</u>

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

City of Luverne, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 966,837	\$ 85,879	\$ 4,578	\$ 857
Public safety	1,387,118	321,643	52,432	11,723
Public works	1,457,767	292,366	16,333	891,638
Culture and recreation	1,536,124	212,275	70,813	-
Conservation and development	651,244	-	-	-
Interest and other costs	63,612	-	-	-
Total Governmental Activities	<u>6,062,702</u>	<u>912,163</u>	<u>144,156</u>	<u>904,218</u>
Business-type Activities				
Water	1,440,472	1,732,463	1,202	106,823
Sewer	1,413,540	1,353,887	1,598	174,291
Refuse and recycling	496,640	679,702	547	-
Electric	6,757,425	7,132,623	657	-
Storm sewer	112,272	145,513	25	476,501
Liquor	1,271,169	1,325,391	690	-
Total Business-type Activities	<u>11,491,518</u>	<u>12,369,579</u>	<u>4,719</u>	<u>757,615</u>
Total Primary Government	<u>\$ 17,554,220</u>	<u>\$ 13,281,742</u>	<u>\$ 148,875</u>	<u>\$ 1,661,833</u>
Component Unit				
Luverne Economic Development Authority	<u>\$ 430,520</u>	<u>\$ 199,653</u>	<u>\$ 22,396</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 as Restated (Note 10)

Net Position, December 31

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

Net Revenue (Expense) and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (875,523)		\$ (875,523)	
(1,001,320)		(1,001,320)	
(257,430)		(257,430)	
(1,253,036)		(1,253,036)	
(651,244)		(651,244)	
(63,612)		(63,612)	
<u>(4,102,165)</u>		<u>(4,102,165)</u>	
	\$ 400,016	400,016	
	116,236	116,236	
	183,609	183,609	
	375,855	375,855	
	509,767	509,767	
	54,912	54,912	
	<u>1,640,395</u>	<u>1,640,395</u>	
<u>(4,102,165)</u>	<u>1,640,395</u>	<u>(2,461,770)</u>	
			<u>\$ (208,471)</u>
1,554,554	363	1,554,917	-
263,261	-	263,261	1,975
67,938	-	67,938	1,313
459,694	-	459,694	-
1,436,861	-	1,436,861	215,000
95,243	75,484	170,727	8,264
40,150	-	40,150	-
30,132	-	30,132	-
<u>1,600,000</u>	<u>(1,600,000)</u>	<u>-</u>	<u>-</u>
<u>5,547,833</u>	<u>(1,524,153)</u>	<u>4,023,680</u>	<u>226,552</u>
1,445,668	116,242	1,561,910	18,081
<u>17,201,393</u>	<u>33,333,052</u>	<u>50,534,445</u>	<u>3,452,403</u>
<u>\$ 18,647,061</u>	<u>\$ 33,449,294</u>	<u>\$ 52,096,355</u>	<u>\$ 3,470,484</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Luverne, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

	101	300s	444	Other	Total
	General	Debt Service	Sharkees - Merts TIF Project	Governmental Funds	Governmental Funds
Assets					
Cash and temporary investments	\$ 1,819,647	\$ 608,299	\$ 1,949	\$ 2,577,454	\$ 5,007,349
Receivables (net of allowance for uncollectibles)					
Accrued interest	14,049	1,182	4	7,207	22,442
Delinquent taxes	13,894	2,560	-	3	16,457
Accounts, net	31,814	-	-	9,924	41,738
Loans/contracts	88,670	-	-	-	88,670
Special assessments	4,202	-	-	-	4,202
Intergovernmental	31,267	895	-	204,684	236,846
Due from other funds	230,000	-	-	1,653	231,653
Due from component unit	15,863	-	-	-	15,863
Inventories	2,533	-	-	11,230	13,763
Prepaid items	-	-	-	579	579
Land held for resale	667,094	-	220,059	-	887,153
Total Assets	\$ 2,919,033	\$ 612,936	\$ 222,012	\$ 2,812,734	\$ 6,566,715
Liabilities					
Accounts payable	\$ 44,854	\$ -	\$ -	\$ 193,340	\$ 238,194
Contracts payable	-	-	-	74,298	74,298
Retainage payable	-	-	-	16,156	16,156
Due to other funds	63,146	-	759,000	230,392	1,052,538
Due to other governments	997	-	-	845	1,842
Wages and related benefits payable	12,328	-	-	5,357	17,685
Total Liabilities	121,325	-	759,000	520,388	1,400,713
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	13,894	2,560	-	3	16,457
Special assessments	4,202	-	-	-	4,202
Total Deferred Inflows of Resources	18,096	2,560	-	3	20,659
Fund Balances					
Nonspendable	1,004,160	-	-	11,809	1,015,969
Restricted	-	610,376	-	595,302	1,205,678
Committed	25,000	-	-	1,318,115	1,343,115
Assigned	906,505	-	-	577,560	1,484,065
Unassigned	843,947	-	(536,988)	(210,443)	96,516
Total Fund Balances	2,779,612	610,376	(536,988)	2,292,343	5,145,343
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,919,033	\$ 612,936	\$ 222,012	\$ 2,812,734	\$ 6,566,715

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

City of Luverne, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2018

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

Total Fund Balances - Governmental Funds	\$ 5,145,343
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	14,642,900
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension benefit	436,960
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	(46,496)
Pension liability	(617,122)
Loans payable	(63,581)
Bonds payable	(1,223,000)
Unamortized bond discounts	876
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	16,457
Special assessments receivable	4,202
Governmental funds do not report a liability for accrued interest until due and payable.	(9,147)
Governmental funds do not report long-term amounts related to pensions and postemployment benefits.	
Deferred outflows of pension resources	206,387
Deferred inflows of pension resources	(298,634)
Deferred outflows of other postemployment benefits	690
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>451,226</u>
Total Net Position - Governmental Activities	<u>\$ 18,647,061</u>

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

City of Luverne, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	101	300s	444	Other	Total
	General	Debt Service	Sharkees - Merts TIF Project	Governmental Funds	Governmental Funds
Revenues					
Property and other taxes	\$ 2,014,075	\$ 264,910	\$ -	\$ 8	\$ 2,278,993
Tax increments	-	58,793	-	9,177	67,970
Licenses and permits	81,025	-	-	-	81,025
Intergovernmental	1,551,855	-	-	906,376	2,458,231
Charges for services	397,289	-	-	427,748	825,037
Fines and forfeits	13,828	-	-	-	13,828
Special assessments	857	-	-	-	857
Investment income	66,417	1,814	7	11,052	79,290
Miscellaneous	16,306	-	18,641	30,883	65,830
Total Revenues	4,141,652	325,517	18,648	1,385,244	5,871,061
Expenditures					
Current					
General government	790,765	-	-	3,862	794,627
Public safety	1,254,223	-	-	-	1,254,223
Public works	812,737	-	-	183,879	996,616
Culture and recreation	582,157	-	-	585,874	1,168,031
Conservation and development	245,489	7,592	272,163	69,723	594,967
Capital outlay					
General government	10,000	-	-	32,362	42,362
Public safety	-	-	-	249,195	249,195
Public works	-	-	-	329,192	329,192
Culture and recreation	14,920	-	-	526,565	541,485
Conservation and development	13,095	-	-	8,551	21,646
Debt service					
Principal	-	361,000	-	28,356	389,356
Interest and other costs	-	49,010	1,960	14,578	65,548
Total Expenditures	3,723,386	417,602	274,123	2,032,137	6,447,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	418,266	(92,085)	(255,475)	(646,893)	(576,187)
Other Financing Sources (Uses)					
Sale of capital assets	10,000	-	-	9,000	19,000
Transfers in	605,000	-	-	2,000,914	2,605,914
Transfers out	(741,950)	-	-	(263,964)	(1,005,914)
Total Other Financing Sources (Uses)	(126,950)	-	-	1,745,950	1,619,000
Net Change in Fund Balances	291,316	(92,085)	(255,475)	1,099,057	1,042,813
Fund Balances, January 1	2,488,296	702,461	(281,513)	1,193,286	4,102,530
Fund Balances, December 31	\$ 2,779,612	\$ 610,376	\$ (536,988)	\$ 2,292,343	\$ 5,145,343

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

City of Luverne, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statements of Activities -
 Governmental Funds
 For the Year Ended December 31, 2018

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

Net Change in Fund Balances - Governmental Funds	\$ 1,042,813
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	1,112,557
Depreciation expense	(1,165,469)
<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	106,061
Gain on trade in of capital assets	(133,429)
<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	389,356
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>	
	2,150
<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	(1,516)
Special assessments	1,595
<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	(4,985)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	104,027
Pension revenue from state contributions	5,466
<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>(12,744)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,445,668</u>

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

City of Luverne, Minnesota
 General Fund
 Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,035,500	\$ 2,035,500	\$ 2,014,075	\$ (21,425)
Licenses and permits	83,650	83,650	81,025	(2,625)
Intergovernmental	1,473,898	1,473,898	1,551,855	77,957
Charges for services	362,950	362,950	397,289	34,339
Fines and forfeits	-	-	13,828	13,828
Special assessments	-	-	857	857
Investment income	58,327	58,327	66,417	8,090
Miscellaneous	6,000	6,000	16,306	10,306
Total Revenues	<u>4,020,325</u>	<u>4,020,325</u>	<u>4,141,652</u>	<u>121,327</u>
Other Financing Sources				
Sale of capital assets	-	108,000	10,000	(98,000)
Transfers in	285,000	605,000	605,000	-
Total Other Financing Sources	<u>285,000</u>	<u>713,000</u>	<u>615,000</u>	<u>(98,000)</u>
Total Revenues and Other Financing Sources	<u>4,305,325</u>	<u>4,733,325</u>	<u>4,756,652</u>	<u>23,327</u>
Expenditures				
General government	750,005	900,005	800,765	99,240
Public safety	1,352,700	1,252,700	1,254,223	(1,523)
Public works	830,750	830,750	812,737	18,013
Culture and recreation	607,920	607,920	597,077	10,843
Conservation and development	122,000	522,000	258,584	263,416
Total Expenditures	<u>3,663,375</u>	<u>4,113,375</u>	<u>3,723,386</u>	<u>389,989</u>
Other Financing Uses				
Transfers out	741,950	849,950	741,950	108,000
Total Expenditures and Other Financing Uses	<u>4,405,325</u>	<u>4,963,325</u>	<u>4,465,336</u>	<u>497,989</u>
Net Change in Fund Balances	(100,000)	(230,000)	291,316	521,316
Fund Balances, January 1	<u>2,488,296</u>	<u>2,488,296</u>	<u>2,488,296</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,388,296</u>	<u>\$ 2,258,296</u>	<u>\$ 2,779,612</u>	<u>\$ 521,316</u>

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

City of Luverne, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
Assets			
Current Assets			
Cash and temporary investments	\$ 1,506,998	\$ 3,174,140	\$ 10,214,128
Receivables (net of allowance for uncollectibles)			
Accrued interest	5,250	10,809	23,564
Accounts, net	109,509	95,428	466,584
Loans	2,588	4,169	4,005
Delinquent special assessments	168	-	-
Intergovernmental	26,602	44,368	-
Due from other funds	-	-	759,000
Inventories	-	-	423,562
Prepaid items	-	-	-
Total Current Assets	1,651,115	3,328,914	11,890,843
Noncurrent Assets			
Restricted assets			
Cash and temporary investments	383,902	217,899	243,502
Special assessments receivable			
Noncurrent	293	334	-
Loans receivable - noncurrent	39,077	39,180	40,945
Capital assets			
Land	102,967	218,528	369,325
Buildings	973,702	409,094	1,428,528
Improvements and infrastructure	12,576,990	9,202,229	18,391,135
Machinery and equipment	368,128	539,716	830,471
Construction in progress	568,987	828,562	1,888,158
Total capital assets	14,590,774	11,198,129	22,907,617
Less accumulated depreciation	(6,368,499)	(6,138,820)	(12,382,598)
Total Capital Assets (Net Of Accumulated Depreciation)	8,222,275	5,059,309	10,525,019
Total Noncurrent Assets	8,645,547	5,316,722	10,809,466
Total Assets	10,296,662	8,645,636	22,700,309
Deferred Outflows of Resources			
Deferred Pension Resources	31,411	41,763	17,168
Deferred other postemployment benefits	249	343	196
Total Deferred Outflows of Resources	31,660	42,106	17,364

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Totals	Service Funds
\$ 462,276	\$ 980,164	\$ 16,337,706	\$ 1,156,835
1,229	2,764	43,616	3,246
-	58,947	730,468	-
-	5,574	16,336	3,982
-	-	168	-
-	82,468	153,438	-
-	-	759,000	62,311
178,719	-	602,281	-
-	-	-	7,344
<u>642,224</u>	<u>1,129,917</u>	<u>18,643,013</u>	<u>1,233,718</u>
-	5,010	850,313	-
-	1,132	1,759	-
-	84,166	203,368	60,119
78,860	99,968	869,648	-
107,064	79,566	2,997,954	226,134
26,721	1,667,078	41,864,153	79,763
82,185	903,925	2,724,425	565,609
-	647,930	3,933,637	-
<u>294,830</u>	<u>3,398,467</u>	<u>52,389,817</u>	<u>871,506</u>
<u>(165,358)</u>	<u>(1,680,631)</u>	<u>(26,735,906)</u>	<u>(654,169)</u>
<u>129,472</u>	<u>1,717,836</u>	<u>25,653,911</u>	<u>217,337</u>
<u>129,472</u>	<u>1,808,144</u>	<u>26,709,351</u>	<u>277,456</u>
<u>771,696</u>	<u>2,938,061</u>	<u>45,352,364</u>	<u>1,511,174</u>
18,036	14,916	123,294	46,823
88	127	1,003	327
<u>18,124</u>	<u>15,043</u>	<u>124,297</u>	<u>47,150</u>

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

City of Luverne, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
Liabilities			
Current Liabilities			
Accounts payable	\$ 64,711	\$ 73,417	\$ 394,595
Contracts payable	110	85,254	514,393
Retainage payable	24,502	32,257	133,148
Due to other funds	196	17	-
Due to other governments	948	-	19,880
Accrued interest payable	40,412	8,959	53,138
Wages and related benefits payable	2,920	5,307	2,897
Compensated absences payable - current	9,963	18,644	14,701
Customer deposits payable	8,990	8,440	40,364
Bonds payable - current	334,500	200,500	150,000
Total Current Liabilities	487,252	432,795	1,323,116
Noncurrent Liabilities			
Compensated absences payable	46,620	81,987	53,946
Other postemployment benefits liability	16,800	23,095	13,200
Bonds payable	3,208,526	850,323	4,866,105
Pension liability	161,998	215,384	88,542
Total Noncurrent Liabilities	3,433,944	1,170,789	5,021,793
Total Liabilities	3,921,196	1,603,584	6,344,909
Deferred Inflows of Resources			
Deferred pension resources	43,890	58,354	23,988
Net Position			
Net investment in capital assets	4,989,249	4,008,486	8,644,288
Restricted for debt service	428,497	220,039	-
Unrestricted	945,490	2,797,279	7,704,488
Total Net Position	\$ 6,363,236	\$ 7,025,804	\$ 16,348,776

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Totals	Service Funds
\$ 47,017	\$ 14,085	\$ 593,825	\$ 11,165
-	17,834	617,591	-
-	20,510	210,417	-
-	-	213	213
12,895	4,336	38,059	-
-	-	102,509	-
2,149	1,867	15,140	5,275
5,783	9,216	58,307	82,884
1,540	5,010	64,344	-
-	-	685,000	-
<u>69,384</u>	<u>72,858</u>	<u>2,385,405</u>	<u>99,537</u>
12,852	31,308	226,713	296,616
5,909	8,449	67,453	22,015
-	-	8,924,954	-
<u>93,008</u>	<u>76,924</u>	<u>635,856</u>	<u>241,477</u>
<u>111,769</u>	<u>116,681</u>	<u>9,854,976</u>	<u>560,108</u>
<u>181,153</u>	<u>189,539</u>	<u>12,240,381</u>	<u>659,645</u>
<u>25,199</u>	<u>20,841</u>	<u>172,272</u>	<u>65,422</u>
129,472	1,717,836	19,489,331	217,337
-	-	648,536	-
<u>453,996</u>	<u>1,024,888</u>	<u>12,926,141</u>	<u>615,920</u>
<u>\$ 583,468</u>	<u>\$ 2,742,724</u>	<u>\$ 33,064,008</u>	<u>\$ 833,257</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds		<u>385,286</u>	
Net Position of Business-type Activities		<u>\$ 33,449,294</u>	

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

City of Luverne, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
Operating Revenues			
Charges for services/sales	\$ 1,706,293	\$ 1,303,937	\$ 6,892,075
Cost of sales	-	-	-
Service income	20,636	48,650	126,976
Other income	1,814	852	113,437
Total Operating Revenues	<u>1,728,743</u>	<u>1,353,439</u>	<u>7,132,488</u>
Operating Expenses			
Personal services	326,437	404,978	238,226
Supplies	133,194	133,515	238,165
Other services and charges	485,443	437,008	1,520,434
Power purchased/delivered	-	-	3,791,531
Depreciation	364,383	352,396	846,831
Pension expense	(8,864)	(6,098)	(1,096)
Total Operating Expenses	<u>1,300,593</u>	<u>1,321,799</u>	<u>6,634,091</u>
Operating Income (Loss)	<u>428,150</u>	<u>31,640</u>	<u>498,397</u>
Nonoperating Revenues (Expenses)			
Property taxes	-	363	-
Investment income	8,455	16,976	36,520
Rental income	3,720	448	135
Pension revenue	1,202	1,598	657
Interest and other costs	(98,690)	(22,250)	(53,138)
Interest on customer deposits	(19)	(18)	(1,029)
Amortization expense	2,102	(856)	7,427
Contributions to component unit	(40,000)	(65,000)	(70,000)
Total Nonoperating Revenues (Expenses)	<u>(123,230)</u>	<u>(68,739)</u>	<u>(79,428)</u>
Income (Loss) Before Capital Contributions and Transfers	304,920	(37,099)	418,969
Transfers Out	(125,000)	(270,000)	(840,000)
Capital Contributions From Component Unit	-	-	-
Capital Grants and Contributions	106,823	174,291	-
Change in Net Position	286,743	(132,808)	(421,031)
Net Position, January 1	<u>6,076,493</u>	<u>7,158,612</u>	<u>16,769,807</u>
Net Position, December 31	<u>\$ 6,363,236</u>	<u>\$ 7,025,804</u>	<u>\$ 16,348,776</u>

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary	Totals	Activities - Internal
Liquor	Funds		Service Funds
\$ 1,325,391	\$ 816,530	\$ 12,044,226	\$ 869,409
(1,002,281)	-	(1,002,281)	-
-	7,180	203,442	-
-	525	116,628	5,308
<u>323,110</u>	<u>824,235</u>	<u>11,362,015</u>	<u>874,717</u>
158,420	155,582	1,283,643	431,751
13,788	68,402	587,064	73,543
90,932	227,658	2,761,475	355,917
-	-	3,791,531	-
7,359	116,707	1,687,676	48,199
(2,294)	(2,967)	(21,319)	(871)
<u>268,205</u>	<u>565,382</u>	<u>10,090,070</u>	<u>908,539</u>
54,905	258,853	1,271,945	(33,822)
-	-	363	-
1,883	5,126	68,960	8,156
-	980	5,283	-
690	572	4,719	1,791
-	(10)	(174,088)	-
-	-	(1,066)	-
-	-	8,673	-
-	(40,000)	(215,000)	-
<u>2,573</u>	<u>(33,332)</u>	<u>(302,156)</u>	<u>9,947</u>
57,478	225,521	969,789	(23,875)
(45,000)	(270,000)	(1,550,000)	(50,000)
-	145,336	145,336	-
-	331,165	612,279	-
12,478	432,022	177,404	(73,875)
<u>570,990</u>	<u>2,310,702</u>	<u>32,886,604</u>	<u>907,132</u>
<u>\$ 583,468</u>	<u>\$ 2,742,724</u>	<u>\$ 33,064,008</u>	<u>\$ 833,257</u>
Change in Net Position as Shown Above		\$ 177,404	
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.		<u>(61,162)</u>	
Change in Net Position of Business-type Activities		<u>\$ 116,242</u>	

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

City of Luverne, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 1,724,675	\$ 1,351,324	\$ 7,844,504
Cash paid to suppliers	(593,626)	(507,182)	(5,698,097)
Cash paid to and on behalf of employees	(347,137)	(407,894)	(230,422)
Other receipts	4,922	2,046	792
Net Cash Provided (Used) by Operating Activities	<u>788,834</u>	<u>438,294</u>	<u>1,916,777</u>
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	(125,000)	(270,000)	(840,000)
Payment to component unit	(40,000)	(65,000)	(70,000)
Loans made	-	-	(1,389)
Loan payments received	8,249	10,650	58,371
(Increase) decrease in due from other funds	13,110	13,110	(229,138)
Increase (decrease) in due to other funds	6	-	-
Property taxes received	-	363	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(143,635)</u>	<u>(310,877)</u>	<u>(1,082,156)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from bonds issued, net of premium	-	-	5,023,532
Acquisition of capital assets	(570,845)	(909,607)	(2,212,924)
Capital grants received	80,221	129,923	-
Payment from component unit	-	-	-
Principal paid on long-term borrowings	(336,500)	(203,500)	-
Interest and fiscal charges paid on long-term borrowings	(101,002)	(23,718)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(928,126)</u>	<u>(1,006,902)</u>	<u>2,810,608</u>
Cash Flows from Investing Activities			
Interest received	<u>7,841</u>	<u>14,269</u>	<u>28,032</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(275,086)	(865,216)	3,673,261
Cash and Cash Equivalents, January 1	<u>2,165,986</u>	<u>4,257,255</u>	<u>6,784,369</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,890,900</u>	<u>\$ 3,392,039</u>	<u>\$ 10,457,630</u>
Cash and Cash Equivalents are Comprised of			
Cash and temporary investments	\$ 1,506,998	\$ 3,174,140	\$ 10,214,128
Restricted assets	-	-	-
Cash and temporary investments	<u>383,902</u>	<u>217,899</u>	<u>243,502</u>
Total Cash and Cash Equivalents	<u>\$ 1,890,900</u>	<u>\$ 3,392,039</u>	<u>\$ 10,457,630</u>

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary	Totals	Activities - Internal
Liquor	Funds		Service Funds
\$ 1,324,281	\$ 819,352	\$ 13,064,136	\$ 873,102
(1,099,620)	(301,594)	(8,200,119)	(425,928)
(158,888)	(154,053)	(1,298,394)	(419,260)
690	1,552	10,002	5,308
66,463	365,257	3,575,625	33,222
(45,000)	(270,000)	(1,550,000)	(50,000)
-	(40,000)	(215,000)	-
-	-	(1,389)	-
-	17,766	95,036	-
-	13,110	(189,808)	6,225
-	-	6	6
-	-	363	-
(45,000)	(279,124)	(1,860,792)	(43,769)
-	-	5,023,532	-
-	(606,388)	(4,299,764)	(9,511)
-	248,697	458,841	-
-	108,000	108,000	-
-	-	(540,000)	-
-	-	(124,720)	-
-	(249,691)	625,889	(9,511)
1,506	4,563	56,211	7,667
22,969	(158,995)	2,396,933	(12,391)
439,307	1,144,169	14,791,086	1,169,226
\$ 462,276	\$ 985,174	\$ 17,188,019	\$ 1,156,835
\$ 462,276	\$ 980,164	\$ 16,337,706	\$ 1,156,835
-	5,010	850,313	-
\$ 462,276	\$ 985,174	\$ 17,188,019	\$ 1,156,835

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

City of Luverne, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	604 Electric
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 428,150	\$ 31,640	\$ 498,397
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	364,383	352,396	846,831
Other income related to operations	4,922	2,046	792
Interest paid on customer deposits	(19)	(18)	(1,029)
(Increase) decrease in assets			
Accounts receivable	(2,557)	(3,304)	715,133
Special assessments receivable	647	2,285	-
Due from other governments	-	1,550	-
Inventories	-	-	(14,772)
Prepaid items	-	-	-
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	20,331	25,438	10,062
Deferred other postemployment benefit resources	(249)	(343)	(196)
Increase (decrease) in liabilities			
Accounts payable	16,504	57,261	(131,961)
Due to other governments	(338)	-	(1,301)
Wages and related benefits payable	152	1,656	825
Deposits payable	(956)	(1,048)	(2,460)
Compensated absences payable	(13,931)	(1,312)	6,693
Other postemployment benefits liability	2,192	3,181	1,578
Pension liability	(29,643)	(33,508)	(12,309)
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(754)	374	494
Total Adjustments	<u>360,684</u>	<u>406,654</u>	<u>1,418,380</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 788,834</u>	<u>\$ 438,294</u>	<u>\$ 1,916,777</u>
Schedule of Noncash Investing, Capital and Financing Activities			
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 35,452
Capital assets acquired on account	24,612	117,511	647,541
Capital assets acquired with grants (due from other governments)	106,823	174,291	-
Capital assets contributed from component unit	-	-	-
Amortization of bond (premium) discount	(2,102)	856	(7,427)

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

Business-type Activities - Enterprise Funds			Governmental
609	Other Proprietary		Activities - Internal
Liquor	Funds	Totals	Service Funds
\$ 54,905	\$ 258,853	\$ 1,271,945	\$ (33,822)
7,359	116,707	1,687,676	48,199
690	1,552	10,002	1,791
-	(10)	(1,076)	-
-	(4,101)	705,171	12,689
-	233	3,165	-
-	-	1,550	-
(23,778)	-	(38,550)	-
-	-	-	(279)
10,889	9,307	76,027	26,844
(88)	(127)	(1,003)	(327)
28,276	(8,742)	(38,662)	2,940
589	251	(799)	-
564	464	3,661	1,508
(420)	(443)	(5,327)	-
643	3,149	(4,758)	539
707	1,010	8,668	2,646
(14,117)	(12,788)	(102,365)	(31,368)
244	(58)	300	1,862
<u>11,558</u>	<u>106,404</u>	<u>2,303,680</u>	<u>67,044</u>
\$ 66,463	\$ 365,257	\$ 3,575,625	\$ 33,222
\$ -	\$ -	\$ 35,452	\$ -
-	38,344	828,008	-
-	-	281,114	-
-	37,336	37,336	-
-	-	(8,673)	-

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

City of Luverne, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Agency Funds
Assets	
Cash and temporary investments	\$ 551
Receivables	
Accrued interest	2
Total Assets	\$ 553
Liabilities	
Amounts held for others	\$ 553

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

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2018:

- Government securities of \$721,296 are valued using quoted market prices (Level 1 inputs)
- Brokered certificates of deposits of \$13,253,188 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, 2018 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - At year end, more than 5 percent of the City's investment portfolio included securities held with Smith Barney.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

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 2018. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the enterprise funds at December 31, 2018 was \$21,000 and the allowance in the Swimming Pool special revenue fund was \$1,300.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statements of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

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.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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 75, at December 31, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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.

The total pension expense for the GERF, PEDCP and Luverne Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERF	PEDCP		
Pension expense	\$ 65,268	\$ 1,472	\$ (10,486)	\$ 56,254

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items, inventories, due from component units and other funds, and long term loans and contracts.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35-50 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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 expenditures by \$450,000.

B. Deficit Fund Equity

For the year ended December 31, 2018 the following funds had a fund equity deficit as follows:

Fund	Amount
Major	
Capital projects	
Sharkees - Merts TIF Project	\$ 536,988
Nonmajor	
Capital projects	
Barck Avenue TIF Project	70,398
Ramage - Saker TIF Project	140,045
Internal service	
Data Processing	94,978

The deficit in the Sharkees - Merts TIF project fund will be funded with future tax increments. 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 \$10,608,137, including \$551 reported in fiduciary funds. The bank balance was \$11,035,793. All bank balances in excess of those covered by federal depository insurance of \$1,230,298 were collateralized with securities held by the pledging financial institutions's trust department in the City's name of \$9,805,495. The primary government and component unit's deposits and investments are pooled.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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, 2018, 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						
RBC Wealth Mangment MM	N/A	under 6 months	\$ 25,993			
Non-Pooled Investments at Amortized Costs						
Minnwest Bank	N/A	under 6 months	224,518			
Minnwest Bank (Com Dev Grant)	N/A	under 6 months	81			
First Farmers & Merchants Bank (Com Dev Grant)	N/A	under 6 months	1,426			
Total Non-Pooled Investments at Amortized Costs			<u>226,025</u>			
Non-Pooled Investments at Fair Value						
Government Securities	AAA/AA+	more than 3 years	224,096	\$ 224,096	\$ -	\$ -
Government Securities	AA+	more than 3 years	497,200	497,200	-	-
Broker Certificates of Deposit	N/A	under 6 months	1,248,832	-	1,248,832	-
Broker Certificates of Deposit	N/A	6 months to 1 year	636,837	-	636,837	-
Broker Certificates of Deposit	N/A	1 to 3 years	5,239,592	-	5,239,592	-
Broker Certificates of Deposit	N/A	more than 3 years	6,127,926	-	6,127,926	-
Total Non-Pooled Investments at Fair Value			<u>13,974,483</u>	<u>721,296</u>	<u>13,253,188</u>	<u>-</u>
Total Investments			<u>\$ 14,226,500</u>	<u>\$ 721,296</u>	<u>\$ 13,253,188</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, 2018

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	\$ 9,123,803	\$ 1,483,783	\$ 551	\$ 10,608,137
Cash on Hand	1,900	-	-	1,900
Investments	14,226,500	-	-	14,226,500
Total	<u>\$ 23,352,203</u>	<u>\$ 1,483,783</u>	<u>\$ 551</u>	<u>\$ 24,836,537</u>
Cash and Temporary Investments	\$ 22,501,890	\$ 1,464,769	\$ 551	\$ 23,967,210
Restricted Assets	850,313	19,014	-	869,327
Total	<u>\$ 23,352,203</u>	<u>\$ 1,483,783</u>	<u>\$ 551</u>	<u>\$ 24,836,537</u>

The balances of the restricted asset accounts are as follows:

Restricted Purpose	Primary Government				Total	Component Unit
	Water	Sewer	Electric	Other Proprietary Funds		EDA
Accrued Interest Payable	\$ 40,412	\$ 8,959	\$ 53,138	\$ -	\$ 102,509	\$ -
Current Portion of Bonds/Notes Payable	334,500	200,500	150,000	-	685,000	-
Customer Deposits Payable	8,990	8,440	40,364	5,010	62,804	-
Other	-	-	-	-	-	19,014
Total	<u>\$ 383,902</u>	<u>\$ 217,899</u>	<u>\$ 243,502</u>	<u>\$ 5,010</u>	<u>\$ 850,313</u>	<u>\$ 19,014</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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	\$ 14,049	\$ 1,182	\$ 7,207	\$ 5,250
Taxes	13,894	2,560	3	-
Accounts	31,814	-	11,224	110,509
Loans/contracts	88,670	-	-	2,588
Special assessments	4,202	-	-	461
Intergovernmental	31,267	895	204,684	26,602
Gross receivables	<u>183,896</u>	<u>4,637</u>	<u>223,118</u>	<u>145,410</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(1,300)</u>	<u>(1,000)</u>
Net Total Receivables	<u>\$ 183,896</u>	<u>\$ 4,637</u>	<u>\$ 221,818</u>	<u>\$ 144,410</u>
	Sharkees - Merts TIF Project	Sewer	Electric	Liquor
Receivables				
Interest	\$ 4	\$ 10,809	\$ 23,564	\$ 1,229
Accounts	-	96,428	484,584	-
Loans/contracts	-	4,169	207,373	-
Special assessments	-	334	-	-
Intergovernmental	-	44,368	-	-
Gross receivables	<u>4</u>	<u>156,108</u>	<u>715,521</u>	<u>1,229</u>
Less allowance for uncollectibles	<u>-</u>	<u>(1,000)</u>	<u>(18,000)</u>	<u>-</u>
Net Total Receivables	<u>\$ 4</u>	<u>\$ 155,108</u>	<u>\$ 697,521</u>	<u>\$ 1,229</u>
		Nonmajor Enterprise	Internal Service	Total
Receivables				
Interest		\$ 2,764	\$ 3,246	\$ 69,304
Taxes		-	-	16,457
Accounts		59,947	-	794,506
Loans/contracts		5,574	64,101	372,475
Special assessments		1,132	-	6,129
Intergovernmental		82,468	-	390,284
Gross receivables		<u>151,885</u>	<u>67,347</u>	<u>1,649,155</u>
Less allowance for uncollectibles		<u>(1,000)</u>	<u>-</u>	<u>(22,300)</u>
Net Total Receivables		<u>\$ 150,885</u>	<u>\$ 67,347</u>	<u>\$ 1,626,855</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Loans/Contracts Receivable

Loans/contract receivable at December 31, 2018 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>	\$ 6,785
<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>	41,665
<p>The City General fund made a loan to the Luverne Area Chamber on August 22, 2018 in the amount of \$7,015.92 at an interest rate of 1.00 percent to assist with financing a bike storage building. Monthly payments in the amount of \$500.00 are due monthly with final payment due March 1, 2020.</p>	7,016
<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>33,204</u>
<p style="padding-left: 40px;">Total governmental funds loans/contracts receivable</p>	<u>88,670</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>	41,665
<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>	41,665
<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>	1,236
<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>	41,665
<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>	83
<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>	76
<p>The Electric utility has extended loans to eligible employees for computer purchases to increase their skill level in their jobs.</p>	1,868

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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 8 th of each month, beginning July 8, 2016 with final payment due June 8, 2019.	\$ 448
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 8 th of each month, beginning in August 2014 with final payment due July 8, 2019.	500
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 8 th of the month beginning in January 2015 with final payment due December 8, 2019.	758
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.	64,100
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.	<u>89,741</u>
Total business-type funds loans receivable	<u>283,805</u>
Total primary government loans/contracts receivable	<u>372,475</u>
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.	10,000
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 1 st of each month beginning September 9, 2009, with final payment due on November 1, 2021.	3,400
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 15 th of each month beginning March 15, 2014 with final payment due on February 15, 2021.	2,598

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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>	<p>\$ 3,737</p>
<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>	<p>50,000</p>
<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>	<p>4,750</p>
<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>	<p>2,379</p>
<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>	<p>4,750</p>
<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>	<p>5,784</p>
<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>	<p>6,026</p>
<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>	<p>2,314</p>
<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>	<p>4,401</p>
<p>The Economic Development Authority made a loan to Kevin Aaker in the amount of \$21,000 at an interest rate of 2.00 percent for façade improvements to their building. Payment in the amount of \$368.37 is due monthly beginning August 15, 2018 with final payment due July 15, 2023.</p>	<p>19,344</p>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

The Economic Development Authority made a loan to tru Shrimp on July 12, 2018 in the amount of \$149,000 at an interest rate of 7.00 percent for improvements to the proposed development site. Payment is due on June 1, 2019.	\$ 149,000
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 15 th of the month with final payment due July 15, 2022.	15,273
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 15 th of the month with final payment due December 15, 2024.	6,961
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 15 th of the month with final payment due on December 15, 2027.	22,736
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 15 th of May and November beginning May 15, 2013 with final payment due on November 15, 2020.	<u>4,792</u>
Total component unit loans receivable	<u>318,245</u>
Total loans/contract receivable	<u>\$ 690,720</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 230,000
Nonmajor governmental	General	835
	Water	196
	Sewer	17
	Data Processing	213
	Nonmajor governmental	392
Enterprise Electric	Sharkees - Merts TIF Project	759,000
Internal service Data Processing	General	<u>62,311</u>
Total		<u><u>\$1,052,964</u></u>

Of the General fund outstanding balance, \$80,000 is a loan to the Barck TIF District fund 443 for a loan to cover costs associated with blight removal. The loan will be repaid with future tax increment revenue. In addition a loan from General to the Ramage/Sasker TIF fund 445 of \$150,000 is for blight removal and redevelopment that will be repaid with future tax increment revenue. The Electric fund has loaned \$759,000 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 loan to the General fund for the acquisition of PEG access channel equipment had a balance at year-end of \$62,311. Various funds will pay the city share of pool and fitness memberships for city employees (\$1,461) to the Pool (a non-major governmental fund).

The following transfers were made in 2018:

<u>Fund</u>	<u>Transfers in</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers Out			
General	\$ -	\$ 741,950	\$ 741,950
Nonmajor governmental	-	263,964	263,964
Water enterprise	55,000	70,000	125,000
Sewer enterprise	55,000	215,000	270,000
Electric enterprise	390,000	450,000	840,000
Liquor enterprise	45,000	-	45,000
Nonmajor enterprise	60,000	210,000	270,000
Internal service	-	50,000	50,000
Total Transfers Out	<u>\$ 605,000</u>	<u>\$ 2,000,914</u>	<u>\$ 2,605,914</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

The General fund transfer to the Airport fund (\$20,000) and Swimming Pool fund (\$404,950) 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 (\$12,000) 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 (\$100,000) is to provide matching funds for grants received to complete a trail around the City.

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

Transfer from the Economic Development fund (a non-major fund) of \$243,964 to the Community Development fund (a non-major fund) is to accumulate funds for future development.

The Water fund (\$55,000), Sewer fund (\$55,000), Electric fund (\$390,000), 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 \$50,000 transfer from the Central Store fund all were made to the Luverne Loop Capital Project fund (a non-major fund) to provide financing for a trail to be constructed around the City.

The transfer to the Capital Equipment Replacement fund from the Refuse fund (a non-major fund) (\$25,000), the Electric fund (\$150,000) the Water fund (\$10,000) and the Sewer fund (\$40,000) were transfers for equipment purchases.

The transfer to the Community Development fund from the Water fund (\$50,000), the Sewer fund (\$150,000), the Refuse fund (a non-major fund) (\$150,000), and the Electric fund (\$200,000) were one-time transfers for improvements in the Industrial Park area.

E. Restricted Assets

The composition of restricted assets of enterprise funds at December 31, 2018 are cash and investments offset by the following liability accounts:

Customer Deposits - Water Fund	\$ 8,990
Customer Deposits - Sewer Fund	8,440
Customer Deposits - Electric Fund	40,364
Customer Deposits - Other Proprietary Funds	5,010
Accrued Interest Payable - Water Fund	40,412
Accrued Interest Payable - Sewer Fund	8,959
Accrued Interest Payable - Electric Fund	53,138
Current Portion of Bonds - Water Fund	334,500
Current Portion of Bonds - Sewer Fund	200,500
Current Portion of Bonds - Electric Fund	<u>150,000</u>
 Total Restricted Assets	 <u><u>\$ 850,313</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

F. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,810,689	\$ 83,096	\$ (58,500)	\$ 2,835,285
Construction in progress	225,965	969,543	(393,462)	802,046
Total Capital Assets not Being Depreciated	<u>3,036,654</u>	<u>1,052,639</u>	<u>(451,962)</u>	<u>3,637,331</u>
Capital Assets Being Depreciated				
Buildings	9,020,895	6,440	-	9,027,335
Improvements and infrastructure	15,896,459	362,263	-	16,258,722
Machinery and equipment	6,613,859	163,370	(58,240)	6,718,989
Total Capital Assets Being Depreciated	<u>31,531,213</u>	<u>532,073</u>	<u>(58,240)</u>	<u>32,005,046</u>
Less Accumulated Depreciation for				
Buildings	(4,843,868)	(300,729)	-	(5,144,597)
Improvements and infrastructure	(10,535,242)	(408,307)	-	(10,943,549)
Machinery and equipment	(4,247,508)	(487,674)	10,679	(4,724,503)
Total Accumulated Depreciation	<u>(19,626,618)</u>	<u>(1,196,710)</u>	<u>10,679</u>	<u>(20,812,649)</u>
Total Capital Assets Being Depreciated, Net	<u>11,904,595</u>	<u>(664,637)</u>	<u>(47,561)</u>	<u>11,192,397</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,941,249</u>	<u>\$ 388,002</u>	<u>\$ (499,523)</u>	<u>\$ 14,829,728</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 632,235	\$ 237,413	\$ -	\$ 869,648
Construction in progress	171,161	3,847,594	(85,118)	3,933,637
Total Capital Assets not Being Depreciated	<u>803,396</u>	<u>4,085,007</u>	<u>(85,118)</u>	<u>4,803,285</u>
Capital Assets Being Depreciated				
Buildings	2,964,617	93,036	-	3,057,653
Improvements and infrastructure	40,937,179	1,034,976	-	41,972,155
Machinery and equipment	3,014,439	60,301	(47,800)	3,026,940
Total Capital Assets Being Depreciated	<u>46,916,235</u>	<u>1,188,313</u>	<u>(47,800)</u>	<u>48,056,748</u>
Less Accumulated Depreciation for				
Buildings	(2,402,681)	(49,485)	-	(2,452,166)
Improvements and infrastructure	(20,865,713)	(1,579,733)	-	(22,445,446)
Machinery and equipment	(2,214,933)	(75,416)	12,348	(2,278,001)
Total Accumulated Depreciation	<u>(25,483,327)</u>	<u>(1,704,634)</u>	<u>12,348</u>	<u>(27,175,613)</u>
Total Capital Assets Being Depreciated, Net	<u>21,432,908</u>	<u>(516,321)</u>	<u>(35,452)</u>	<u>20,881,135</u>
Business-type Activities Capital Assets, Net	<u>\$ 22,236,304</u>	<u>\$ 3,568,686</u>	<u>\$ (120,570)</u>	<u>\$ 25,684,420</u>

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

Governmental Activities		
General government		\$ 149,153
Public safety		196,866
Public works, including depreciation of general infrastructure assets		472,446
Culture and recreation		337,778
Conservation and development		9,226
Central Garage internal service		31,241
Total Depreciation Expense - Governmental Activities		<u>\$ 1,196,710</u>
Business-type Activities		
Water		\$ 364,383
Sewer		352,396
Refuse and recycling		44,510
Electric		846,831
Storm sewer		72,197
Liquor		7,359
Central Store internal service		2,781
Data Processing internal service		14,177
Total Depreciation Expense - Business-type Activities		<u>\$ 1,704,634</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has four active construction projects as of December 31, 2018. Walnut Avenue improvements provide access and utilities to additional residential lots, the Industrial Park project includes a new road, water, sewer and storm sewer improvements with proceeds from a BDPI grant in the amount of \$1,982,000 providing funding for a majority of the improvement costs. The 22 MW South Substation project will provide for the future electric needs of the community. The Luverne Loop is an on-going project with various improvements made as grant funding is secured. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Walnut Avenue Expansion	\$ 291,655	\$ 66,648
Industrial Park Project	1,019,746	1,495,771
South Substation Project	1,664,385	949,199
Luverne Loop Phase II	304,122	451,484
Total	\$3,279,908	\$2,963,102

Discretely Presented Component Units

Capital asset activity for the EDA for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 658,750	\$ -	\$ (130,417)	\$ 528,333
Capital Assets Being Depreciated				
Buildings	2,524,456	-	-	2,524,456
Machinery and equipment	5,835	-	-	5,835
Total Capital Assets Being Depreciated	2,530,291	-	-	2,530,291
Less Accumulated Depreciation For				
Buildings	(1,230,638)	(74,840)	-	(1,305,478)
Machinery and equipment	(4,279)	(584)	-	(4,863)
Total Accumulated Depreciation	(1,234,917)	(75,424)	-	(1,310,341)
Total Capital Assets Being Depreciated, Net	1,295,374	(75,424)	-	1,219,950
EDA Capital Assets, Net	\$1,954,124	\$ (75,424)	\$ (130,417)	\$1,748,283

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

Component unit activities	
Housing and economic development	<u>\$ 75,424</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

G. Long-term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$10,194,000.

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	\$ 475,000
G.O. Improvement Bonds of 2012A (City reroof)	410,000	0.35 - 2.40	04/01/12	02/01/28	<u>285,000</u>
Total General Obligation Bonds					<u><u>\$ 760,000</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
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	150,000	11,768	161,768
2024 - 2028	<u>30,000</u>	<u>360</u>	<u>30,360</u>
Total	<u><u>\$ 760,000</u></u>	<u><u>\$ 46,308</u></u>	<u><u>\$ 806,308</u></u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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>\$ 175,000</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>
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>\$ 175,000</u>	<u>\$ 12,775</u>	<u>\$ 187,775</u>

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>\$ 195,000</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>
2019	\$ 100,000	\$ 1,955	\$ 101,955
2020	95,000	665	95,665
Total	<u>\$ 195,000</u>	<u>\$ 2,620</u>	<u>\$ 197,620</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

G.O. Equipment Certificates

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2013A	\$ 444,000	2.19 %	07/30/13	02/01/19	<u>\$ 93,000</u>

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

Year Ending December 31	G.O. Equipment Certificates Governmental Activities		
	Principal	Interest	Total
2019	<u>\$ 93,000</u>	<u>\$ 1,027</u>	<u>\$ 94,027</u>

General Obligation Revenue Bonds

The following revenue bonds were issued to finance capital improvements to the water and sewer utilities. The bonds are payable from future revenues pledged from the Water and Sewer utility funds and are backed by the full faith and credit of the City.

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	\$ 465,000
G.O. Improvement Bonds of 2012A (Refunding-Water & Sewer)	2,035,000	0.35 - 2.40	04/01/12	02/01/28	1,405,000
G.O. Improvement Bonds of 2012A (Refunding-Water)	675,000	0.35 - 2.40	04/01/12	02/01/28	310,000
G.O. Water Revenue Bonds of 2014A	2,715,000	2.00 - 3.75	04/01/14	02/01/35	<u>2,370,000</u>
Total G.O. Revenue Bonds					<u>\$4,550,000</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	\$1,728,743	\$1,353,439
Principal and interest	437,502	227,218
Percentage of revenues	25.3%	16.8%

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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
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	265,000	80,850	345,850
2024 - 2028	1,410,000	300,301	1,710,301
2029 - 2033	770,000	134,818	904,818
2034 - 2035	330,000	12,375	342,375
Total	<u>\$ 4,550,000</u>	<u>\$ 926,720</u>	<u>\$ 5,476,720</u>

Revenue Bonds

The following revenue bonds were issued to finance capital improvements to the electric utilities. They will be retired from net revenues of this fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Electric Revenue Bonds of 2018A	\$ 4,875,000	2.00 - 4.00 %	09/27/18	12/01/38	<u>\$ 4,875,000</u>

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending December 31	Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2019	\$ 150,000	\$ 201,363	\$ 351,363
2020	185,000	167,969	352,969
2021	190,000	164,084	354,084
2022	190,000	159,809	349,809
2023	195,000	155,249	350,249
2024 - 2028	1,085,000	678,381	1,763,381
2029 - 2033	1,310,000	454,012	1,764,012
2034 - 2038	1,570,000	189,695	1,759,695
Total	<u>\$ 4,875,000</u>	<u>\$ 2,170,562</u>	<u>\$ 7,045,562</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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	\$ 20,727
2010 Hangar Note	143,486	-	12/31/10	12/31/21	<u>42,854</u>
Total Notes					<u>\$ 63,581</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>
2019	\$ 28,356	\$ -	\$ 28,356
2020	21,122	-	21,122
2021	<u>14,103</u>	<u>-</u>	<u>14,103</u>
Total	<u>\$ 63,581</u>	<u>\$ -</u>	<u>\$ 63,581</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 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	\$ 900,000	\$ -	\$ (140,000)	\$ 760,000	\$ 140,000
General obligation tax increment bonds	205,000	-	(30,000)	175,000	35,000
General obligation improvement bonds	295,000	-	(100,000)	195,000	100,000
General obligation equipment certificates	184,000	-	(91,000)	93,000	93,000
Bond discounts	(1,090)	-	214	(876)	-
Total Bonds Payable	<u>1,582,910</u>	<u>-</u>	<u>(360,786)</u>	<u>1,222,124</u>	<u>368,000</u>
Notes Payable	91,937	-	(28,356)	63,581	28,356
Compensated Absences Payable	271,925	78,508	(85,229)	265,204	63,311
Other Postemployment Benefits Liability	40,821	12,470	-	53,291	-
Pension Liability GERF	814,493	12	(132,775)	681,730	-
Governmental Activity Long-term Liabilities	<u>\$ 2,802,086</u>	<u>\$ 90,990</u>	<u>\$ (607,146)</u>	<u>\$ 2,285,930</u>	<u>\$ 459,667</u>
Business-type Activities					
Bonds Payable					
Revenue bonds	\$ -	\$ 4,875,000	\$ -	\$ 4,875,000	\$ 150,000
General obligation revenue bonds	5,090,000	-	(540,000)	4,550,000	535,000
Bond discounts	(2,970)	-	1,425	(1,545)	-
Bond premium	48,065	148,532	(10,098)	186,499	-
Total Bonds Payable	<u>5,135,095</u>	<u>5,023,532</u>	<u>(548,673)</u>	<u>9,609,954</u>	<u>685,000</u>
Compensated Absences Payable	396,814	99,164	(96,662)	399,316	77,880
Other Postemployment Benefits Liability	58,786	23,887	-	82,673	-
Pension Liability GERF	936,335	16,136	(139,746)	812,725	-
Business-type Activity Long-term Liabilities	<u>\$ 6,527,030</u>	<u>\$ 5,162,719</u>	<u>\$ (785,081)</u>	<u>\$ 10,904,668</u>	<u>\$ 762,880</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit					
Economic Development Authority					
Compensated Absences Payable	\$ 8,646	\$ 6,836	\$ (6,156)	\$ 9,326	\$ 6,647
Other Postemployment Benefits Liability	5,202	706	-	5,908	-
Pension Liability GERF	62,210	216	(9,103)	53,323	-
Component Unit Long-term Liabilities	<u>\$ 76,058</u>	<u>\$ 7,758</u>	<u>\$ (15,259)</u>	<u>\$ 68,557</u>	<u>\$ 6,647</u>

Long-term debt payable at December 31, 2018 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. \$ 475,000

\$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. 285,000

Total 760,000

General Obligation Tax Increment Bonds:

\$500,000 2002 General Obligation TIF Refunding Bond (Pamida Project) varying principal amounts of \$10,000 to \$40,000 due annually through 2-1-2023 at an interest rate of 2.25 percent to 5.00 percent. 175,000

General Obligation Improvement Bonds

\$620,000 General Obligation Improvement Bonds of 2012A (Refunding 2007A), \$95,000 to \$110,000 due annually through 2-1-2020 at an interest rate of 0.45 percent to 1.40 percent. 195,000

General Obligation Equipment Certificates:

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

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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.	\$ 20,727
\$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>42,854</u>
Total	<u>63,581</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.	465,000
\$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.	1,405,000
\$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.	310,000
\$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>2,370,000</u>
Total	<u>4,550,000</u>

Revenue Bonds:

\$4,875,000, 2018 Revenue Bonds (Electric) due annually through 12-1-2038 at an interest rate of 2.00 percent to 4.00 percent.	<u>4,875,000</u>
Total Long-term Debt	<u>\$10,711,581</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.	\$ 15,863
Amount due to Internal Service fund	<u>3,255</u>
Total due to primary government	<u>\$ 19,118</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

H. Components of Fund Balance

At December 31, 2018, 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	\$ 88,670	\$ -	\$ -	\$ -	\$ 88,670
Due from other funds	230,000	-	-	-	230,000
Due from component unit	15,863	-	-	-	15,863
Inventories	2,533	-	-	11,230	13,763
Prepaid items	-	-	-	579	579
Land held for resale	667,094	-	-	-	667,094
Total Nonspendable	<u>\$ 1,004,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,809</u>	<u>\$ 1,015,969</u>
Restricted					
Debt service	\$ -	\$ 610,376	\$ -	\$ -	\$ 610,376
Capital improvements	-	-	-	595,302	595,302
Total restricted	<u>\$ -</u>	<u>\$ 610,376</u>	<u>\$ -</u>	<u>\$ 595,302</u>	<u>\$ 1,205,678</u>
Committed					
Historical society	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Airport operations	-	-	-	152,788	152,788
Swimming pool	-	-	-	41,741	41,741
Community development	-	-	-	757,754	757,754
Capital improvements	-	-	-	365,832	365,832
Total Committed	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,318,115</u>	<u>\$ 1,343,115</u>
Assigned					
LEC contract	\$ 866,505	\$ -	\$ -	\$ -	\$ 866,505
Fire pension contract	40,000	-	-	-	40,000
Capital improvements	-	-	-	279,997	279,997
Capital equipment	-	-	-	297,563	297,563
Total Assigned	<u>\$ 906,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,560</u>	<u>\$ 1,484,065</u>
Unassigned	<u>\$ 843,947</u>	<u>\$ -</u>	<u>\$ (536,988)</u>	<u>\$ (210,443)</u>	<u>\$ 96,516</u>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

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	(325,000)	(28,495)	-	-
Outstanding at December 31, 2018	<u>\$ 175,000</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, 2018		<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4: 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$143,574, \$136,239 and \$128,050, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City of Luverne reported a liability of \$1,494,455 for its proportionate share of the GERF's net pension liability of which the LEDA's portion was calculated at \$53,323. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$49,237. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City of Luverne's proportionate share was 0.0279 percent which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2017. The LEDA's proportionate share was calculated at 0.0009 percent at both June 30, 2018 and June 30, 2017.

	Primary Government	Component Unit
City's proportionate share of the net pension liability	\$ 1,494,455	\$ 53,323
State of Minnesota's proportionate share of the net pension liability associated with the City	47,541	1,696
Total	\$ 1,541,996	\$ 55,019

For the year ended December 31, 2018, the City recognized pension expense of \$65,268 for its proportionate share of GERF's pension expense of which the LEDA's portion was calculated at \$1,958. In addition, the City recognized an additional \$11,482 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF, of which the LEDA's portion was calculated at \$344.

At December 31, 2018, 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	\$ 39,656	\$ 40,481	\$ 1,415	\$ 1,446
Changes in Actuarial Assumptions	142,582	167,918	5,087	5,991
Net Difference Between Projected and Actual Earnings on Plan Investments	-	158,476	-	5,654
Changes in Proportion	38,268	38,015	1,365	1,356
Contributions to GERF Subsequent to the Measurement Date	69,272	-	2,472	-
Total	\$ 289,778	\$ 404,890	\$ 10,339	\$ 14,447

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$71,744 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit
2019	\$ 48,601	\$ 1,734
2020	(70,590)	(2,519)
2021	(131,203)	(4,681)
2022	(31,192)	(1,114)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 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 debilitants 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 1.25 percent per year for GERP and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERP plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds	20.00	0.75
Alternative Assets	25.00	5.90
Cash	2.00	-
Total	100.00 %	

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5 percent. 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 GERP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF		
Primary government	\$ 2,428,681	\$ 1,494,455	\$ 723,278
Component unit	86,656	53,323	25,807

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: 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. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. 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 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2018, 2017 and 2016 were \$1,472, \$1,429 and \$1,045, 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	
\$ 1,472	\$ 1,472	5.00%	5.00%	5.00%

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: 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 \$2,200 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 \$2,200 for each full year of active service less four percent for each full year of service less than 20 years.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$45,417 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2017, 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, 2017 were \$45,417. 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, 2018, the City reported a net pension asset of \$436,960 for the plan. The net pension asset was measured as of December 31, 2017. 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)
	<u> </u>	<u> </u>	<u> </u>
Beginning Balance January 1, 2018	\$ 614,388	\$ 907,478	\$ (293,090)
Changes for the Year			
Service cost	22,055	-	22,055
Interest on pension liability (asset)	31,822	-	31,822
Contributions (City)	-	5,000	(5,000)
Contributions (employer)	-	139,769	(139,769)
Contributions (State)	-	45,417	(45,417)
Other Additions	-	7,561	(7,561)
Total Net Changes	<u>53,877</u>	<u>197,747</u>	<u>(143,870)</u>
Ending Balance December 31, 2018	<u>\$ 668,265</u>	<u>\$ 1,105,225</u>	<u>\$ (436,960)</u>

For the year ended December 31, 2017 the City recognized negative pension expense of \$11,374.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

**Note 6: Defined Benefit Pension Plans - Luverne Volunteer Firemen’s Relief Association
(Continued)**

At December 31, 2018, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows	Deferred Inflows
Differences Between Expected and Actual Experience	\$ -	\$ 43,699
Changes in Actuarial Assumptions	62	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	50,604
Contributions to Plan Subsequent to the Measurement Date	49,529	-
Total	\$ 49,591	\$ 94,303

Deferred outflows of resources totaling \$49,529 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, 2019. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2019	\$ (11,755)
2020	(11,754)
2021	(30,322)
2022	(25,862)
2023	(7,274)
Thereafter	(7,274)

E. Actuarial Assumptions

The total pension liability at December 31, 2017 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of age 53 and 20 Years of Service	N/A
Salary Increases	N/A
Cost of Living Increases	N/A
Investment Rate of Return	5.00%

There were no changes in actuarial assumptions in 2017.

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, 2018

**Note 6: Defined Benefit Pension Plans - Luverne Volunteer Firemen’s Relief Association
(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 asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension 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	\$ (406,817)	\$ (436,960)	\$ (465,389)

H. Pension Plan Fidcuairy Net Position

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

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Postemployment Benefits Other Than Pensions

In 2018, the City implemented the requirements of GASB No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

A. Plan Description

The City operates a single-employer retiree benefit plan that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each bargaining period.

At December 31, 2018, the following employees were covered by the benefit terms:

Active Plan Members	26
Total Plan Members	26

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended December 31, 2018, the City's average contribution rate was 7.80 percent of covered-employee payroll. For the year 2018, the City contributed \$2,108 to the Plan.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$141,872 was measured as of December 31, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2017.

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.31%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	3.31%
Inflation Rate	2.75%

The discount rate used to measure the total OPEB liability was 3.31 percent.

Mortality rates were based on the RP-2014 headcount-weighted table adjust to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

The actuarial assumptions used in the December 31, 2017 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	\$ 124,178
Changes for the Year:	
Service cost	7,638
Interset	5,022
Benefit payments	5,034
Net Changes	17,694
Balances at December 31, 2018	\$ 141,872

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.81% to 3.31% based on updated 20-year municipal bond rates.

Since the prior measurement date, the following benefit terms changed:

- A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan valuation.
- Mortality rates were updated from the 2000 United States Life Tables to the RP-2014 headcount-weighted tables to reflect recently-published mortality rates. This change was made due to updated valuation methods.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

1 Percent Decrease (2.31%)	Current (3.31%)	1 Percent Decrease (4.31%)
\$ 152,377	\$ 141,872	\$ 131,957

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.80 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.80 percent increasing to 7.80 percent) than the current discount rate:

1 Percent Decrease (5.8% decreasing to 3.4%)	Healthcare Cost Trend Rates (6.8% decreasing to 4.4%)	1 Percent Increase (7.8% decreasing to 5.4%)
\$ 127,956	\$ 141,872	\$ 158,157

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$15,589. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to OPEB Subsequent to the Measurement Date	\$ 2,108	\$ -
Total	\$ 2,108	\$ -

Deferred outflows of resources totaling \$2,108 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 8: 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, 2018 or December 31, 2017 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
2018	\$ -	\$ 3,509	\$ (3,509)	\$ -
2017	-	-	-	-
2016	-	13,430	(13,430)	-

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

The City has established an Internal Service fund, called Worker's Compensation Insurance fund. This fund was set up to account for and finance the City's additional premium costs or return premium. The City uses the regular premium option and uses the fund to account for any additional premiums and premium refunds.

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

B. Commitments and Contingencies

The City of Luverne is under contract with Missouri Basin Municipal Power Agency (MBMPA), whereby the City has agreed to purchase and receive from the agency supplemental electrical power and energy to provide electrical service to the community. This contract was amended on 1-26-2016 to provide power until 1-1-2057.

The City of Luverne is under contract with Western Area Power Administration (WAPA) for firm electric service from the United States Department of Energy, Western Area Power Administration (about 60 percent of total needs). This contract was amended on 5-28-2013 to provide power until 12-31-2050.

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

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 8: Other Information (Continued)

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 \$100,000.

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. 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 2018 was \$1,422,198 respectively which accounted for 34 percent of General fund revenues.

Note 9: Tax Abatements

As of December 31, 2018, 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, 2018 was as follows:

	<u>City Tax Rate (Year of Establishment)</u>	<u>District Tax Capacity</u>	<u>Amount of Taxes Abated This 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>

City of Luverne, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 10: Change in Accounting Principle

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental activities	<u>\$ 17,217,415</u>	<u>\$ (16,022)</u>	<u>\$ 17,201,393</u>
Business-type activities	<u>\$ 33,357,757</u>	<u>\$ (24,705)</u>	<u>\$ 33,333,052</u>
Business-type activities			
Water	\$ 6,081,494	\$ (5,001)	\$ 6,076,493
Sewer	7,165,429	(6,817)	7,158,612
Electric	16,773,785	(3,978)	16,769,807
Liquor	572,771	(1,781)	570,990
Refuse and Recycling	1,092,860	(2,457)	1,090,403
Storm Sewer	1,056,724	(89)	1,056,635
Lewis and Clark Reserve	163,664	(90)	163,664
Internal service funds			
Central Store	165,731	(888)	164,843
Property and Casualty Insurance	418,417	-	418,417
Data Processing	(63,479)	(3,694)	(67,173)
Interfund eliminations	<u>(69,639)</u>	<u>-</u>	<u>(69,639)</u>
Total business-type activities	<u>\$ 33,357,757</u>	<u>\$ (24,705)</u>	<u>\$ 33,333,052</u>
Component Unit	<u>\$ 3,454,184</u>	<u>\$ (1,781)</u>	<u>\$ 3,452,403</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Luverne, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

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 Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0279 %	\$ 1,547,778	\$ 49,237	\$1,597,015	\$ 1,878,630	85.0 %	79.5 %
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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 143,574	\$ 143,574	\$ -	\$ 1,914,319	7.5 %
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

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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, 2018

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability				
Service cost	\$ 22,055	\$ 26,616	\$ 26,479	\$ 25,841
Interest	31,822	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>53,877</u>	<u>(95,478)</u>	<u>59,644</u>	<u>(25,363)</u>
Total Pension Liability - January 1	<u>614,388</u>	<u>709,866</u>	<u>650,222</u>	<u>675,585</u>
Total Pension Liability - December 31 (A)	<u>\$ 668,265</u>	<u>\$ 614,388</u>	<u>\$ 709,866</u>	<u>\$ 650,222</u>
Plan Fiduciary Net Position				
Contributions - State	45,417	44,401	44,859	41,894
Contributions - employer	5,000	-	-	2,931
Projected investment return	139,769	65,667	(46,974)	34,529
Other	7,561	3,000	-	2,000
Benefit payments, including refunds of employee contributions	-	(98,280)	-	(84,000)
Net Change in Plan Fiduciary Net Position	<u>197,747</u>	<u>14,788</u>	<u>(2,115)</u>	<u>(2,646)</u>
Plan Fiduciary Net Position - January 1	<u>907,478</u>	<u>892,690</u>	<u>894,805</u>	<u>897,451</u>
Plan Fiduciary Net Position - December 31 (B)	<u>\$ 1,105,225</u>	<u>\$ 907,478</u>	<u>\$ 892,690</u>	<u>\$ 894,805</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	<u>\$ (436,960)</u>	<u>\$ (293,090)</u>	<u>\$ (182,824)</u>	<u>\$ (244,583)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	165.39%	147.70%	125.75%	137.62%
Covered-Employee Payroll	N/A	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	N/A

Notes to Schedule:

Benefit changes. None in 2018

Changes of assumptions.

2018

None in 2018.

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, 2018

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/17	\$ 45,417	\$ 45,417	\$ -
12/31/16	44,401	44,401	-
12/31/15	44,859	44,859	-

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	2018
Total OPEB liability	
Service cost	\$ 7,638
Interest	5,022
Changes in assumptions	5,034
Net change in total OPEB liability	17,694
Total OPEB liability - beginning	124,178
Total OPEB liability - ending	<u>\$ 141,872</u>
Covered - employee payroll	\$ 1,808,394
City's total OPEB liability as a percentage of covered employee payroll	7.85 %

Benefit changes:

In 2017, the following benefit changes occurred:

Principals with 20 or more years of service at retirement no longer have post-retirement benefit increases. The district contribution is frozen at the time of retirement.

The annual district contribution for the Payroll/HR/Finance Officer increased from \$2,400 to the full single premium plus VEBA contribution.

A subsidy was added for the Administrative Assistant/Student Management System Coordinator that is the same as the Payroll/HR/Finance Officer.

Changes in assumptions:

In 2017, the following assumptions changes:

The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality table was updated from RP 2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

The discount rate was changed from 5.50% to 3.40%.

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

Nonmajor Governmental Funds Special Revenue Funds

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

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

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

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Nonmajor Governmental Funds Capital Projects Funds

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

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

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

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

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

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

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

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, 2018

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
Assets				
Cash and temporary investments	\$ 150,678	\$ 48,670	\$ -	\$ 756,233
Receivables (net of allowance for uncollectibles)				
Accrued interest	396	578	-	1,521
Accounts, net	3,453	6,471	-	-
Delinquent taxes	-	-	-	-
Intergovernmental	-	784	-	-
Due from other funds	-	1,653	-	-
Inventories	11,230	-	-	-
Prepaid items	-	579	-	-
	<u>165,757</u>	<u>58,735</u>	<u>-</u>	<u>757,754</u>
Total Assets	\$ 165,757	\$ 58,735	\$ -	\$ 757,754
Liabilities				
Accounts payable	\$ 1,739	\$ 9,821	\$ -	\$ -
Contracts payable	-	-	-	-
Retainage payable	-	-	-	-
Due to other funds	-	392	-	-
Due to other governments	-	845	-	-
Wages and related benefits payable	-	5,357	-	-
	<u>1,739</u>	<u>16,415</u>	<u>-</u>	<u>-</u>
Total Liabilities	1,739	16,415	-	-
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	11,230	579	-	-
Restricted	-	-	-	-
Committed	152,788	41,741	-	757,754
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>164,018</u>	<u>42,320</u>	<u>-</u>	<u>757,754</u>
Total Fund Balances	164,018	42,320	-	757,754
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ 165,757</u>	<u>\$ 58,735</u>	<u>\$ -</u>	<u>\$ 757,754</u>

Capital Projects

401	402	405	408	410	415	443
Parking Lot	Street/ Sidewalk Improvement	Capital Equipment Replacement	Rural Fire Tanker	Ice Arena Capital Improvement	Luverne Loop Project	Barck Avenue TIF Project
\$ 30,665	\$ 618,035	\$ 388,577	\$ 42,108	\$ 49,596	\$ 428,201	\$ 9,580
88	698	1,491	100	150	1,933	22
-	-	-	-	-	-	-
-	3	-	-	-	-	-
-	201,074	-	2,826	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 30,753</u>	<u>\$ 819,810</u>	<u>\$ 390,068</u>	<u>\$ 45,034</u>	<u>\$ 49,746</u>	<u>\$ 430,134</u>	<u>\$ 9,602</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,780	\$ -
-	40,356	-	-	-	33,942	-
-	16,156	-	-	-	-	-
-	-	-	-	-	-	80,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>56,512</u>	-	-	-	<u>215,722</u>	<u>80,000</u>
-	3	-	-	-	-	-
-	-	-	-	-	-	-
-	595,302	-	-	-	-	-
-	13,775	92,505	-	10,405	209,296	-
30,753	154,218	297,563	45,034	39,341	5,116	-
-	-	-	-	-	-	(70,398)
<u>30,753</u>	<u>763,295</u>	<u>390,068</u>	<u>45,034</u>	<u>49,746</u>	<u>214,412</u>	<u>(70,398)</u>
<u>\$ 30,753</u>	<u>\$ 819,810</u>	<u>\$ 390,068</u>	<u>\$ 45,034</u>	<u>\$ 49,746</u>	<u>\$ 430,134</u>	<u>\$ 9,602</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Luverne, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
December 31, 2018

	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	\$ 9,923	\$ 5,027	\$ 40,161	\$ 2,577,454
Receivables (net of allowance for uncollectibles)				
Accrued interest	32	50	148	7,207
Accounts, net	-	-	-	9,924
Delinquent taxes	-	-	-	3
Intergovernmental	-	-	-	204,684
Due from other funds	-	-	-	1,653
Inventories	-	-	-	11,230
Prepaid items	-	-	-	579
Total Assets	\$ 9,955	\$ 5,077	\$ 40,309	\$ 2,812,734
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 193,340
Contracts payable	-	-	-	74,298
Retainage payable	-	-	-	16,156
Due to other funds	150,000	-	-	230,392
Due to other governments	-	-	-	845
Wages and related benefits payable	-	-	-	5,357
Total Liabilities	150,000	-	-	520,388
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	-	-	-	3
Fund Balances				
Nonspendable	-	-	-	11,809
Restricted	-	-	-	595,302
Committed	-	-	39,851	1,318,115
Assigned	-	5,077	458	577,560
Unassigned	(140,045)	-	-	(210,443)
Total Fund Balances	(140,045)	5,077	40,309	2,292,343
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,955	\$ 5,077	\$ 40,309	\$ 2,812,734

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, 2018

	Special Revenue			
	209	210	220	280
	Airport	Swimming Pool	Economic Development Revolving Loan	Community Development
Revenues				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Intergovernmental				
Federal	1,967	-	-	-
State	16,333	-	-	-
County	-	-	-	-
Charges for services	198,142	212,111	-	-
Investment income	609	887	-	2,330
Miscellaneous	1,847	7,527	-	-
Total Revenues	218,898	220,525	-	2,330
Expenditures				
Current				
General government	-	-	-	-
Public works	183,744	-	-	-
Culture and recreation	-	578,170	-	-
Conservation and development	-	-	60,986	8,737
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	36,553	-	-	-
Culture and recreation	-	6,662	-	-
Conservation and development	-	-	-	8,551
Debt service				
Principal	28,356	-	-	-
Interest and other costs	-	-	-	-
Total Expenditures	248,653	584,832	60,986	17,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,755)	(364,307)	(60,986)	(14,958)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	20,000	404,950	-	793,964
Transfers out	-	(20,000)	(243,964)	-
Total Other Financing Sources (Uses)	20,000	384,950	(243,964)	793,964
Net Change in Fund Balances	(9,755)	20,643	(304,950)	779,006
Fund Balances, January 1	173,773	21,677	304,950	(21,252)
Fund Balances, December 31	\$ 164,018	\$ 42,320	\$ -	\$ 757,754

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
\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	9,177
-	-	-	-	-	-	-
-	850,576	-	-	-	-	-
-	37,500	-	-	-	-	-
-	-	-	17,495	-	-	-
134	1,071	2,285	155	230	2,964	34
-	-	-	-	-	-	8,264
<u>134</u>	<u>889,155</u>	<u>2,285</u>	<u>17,650</u>	<u>230</u>	<u>2,964</u>	<u>17,475</u>
-	-	-	-	-	-	-
-	135	-	-	-	-	-
-	-	-	-	-	7,704	-
-	-	-	-	-	-	-
-	-	249,195	-	-	-	-
-	292,639	-	-	-	-	-
-	-	33,300	-	3,595	429,413	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,321
<u>-</u>	<u>292,774</u>	<u>282,495</u>	<u>-</u>	<u>3,595</u>	<u>437,117</u>	<u>6,321</u>
<u>134</u>	<u>596,381</u>	<u>(280,210)</u>	<u>17,650</u>	<u>(3,365)</u>	<u>(434,153)</u>	<u>11,154</u>
-	-	9,000	-	-	-	-
-	20,000	375,000	-	12,000	320,000	-
-	-	-	-	-	-	-
<u>-</u>	<u>20,000</u>	<u>384,000</u>	<u>-</u>	<u>12,000</u>	<u>320,000</u>	<u>-</u>
134	616,381	103,790	17,650	8,635	(114,153)	11,154
30,619	146,914	286,278	27,384	41,111	328,565	(81,552)
<u>\$ 30,753</u>	<u>\$ 763,295</u>	<u>\$ 390,068</u>	<u>\$ 45,034</u>	<u>\$ 49,746</u>	<u>\$ 214,412</u>	<u>\$ (70,398)</u>

City of Luverne, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 For the Year Ended December 31, 2018

	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	\$ -	\$ -	\$ -	\$ 8
Tax increments	-	-	-	9,177
Intergovernmental				
Federal	-	-	-	1,967
State	-	-	-	866,909
County	-	-	-	37,500
Charges for services	-	-	-	427,748
Investment income	49	77	227	11,052
Miscellaneous	13,245	-	-	30,883
Total Revenues	13,294	77	227	1,385,244
Expenditures				
Current				
General government	-	3,862	-	3,862
Public works	-	-	-	183,879
Culture and recreation	-	-	-	585,874
Conservation and development	-	-	-	69,723
Capital outlay				
General government	-	32,362	-	32,362
Public safety	-	-	-	249,195
Public works	-	-	-	329,192
Culture and recreation	-	-	53,595	526,565
Conservation and development	-	-	-	8,551
Debt service				
Principal	-	-	-	28,356
Interest and other costs	8,257	-	-	14,578
Total Expenditures	8,257	36,224	53,595	2,032,137
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,037	(36,147)	(53,368)	(646,893)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	9,000
Transfers in	-	35,000	20,000	2,000,914
Transfers out	-	-	-	(263,964)
Total Other Financing Sources (Uses)	-	35,000	20,000	1,745,950
Net Change in Fund Balances	5,037	(1,147)	(33,368)	1,099,057
Fund Balances, January 1	(145,082)	6,224	73,677	1,193,286
Fund Balances, December 31	<u>\$ (140,045)</u>	<u>\$ 5,077</u>	<u>\$ 40,309</u>	<u>\$ 2,292,343</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Federal	\$ 450,000	\$ 450,000	\$ 1,967	\$ (448,033)
State	52,014	52,014	16,333	(35,681)
Charges for services	217,965	217,965	198,142	(19,823)
Investment income	1,000	1,000	609	(391)
Miscellaneous	-	-	1,847	1,847
Total Revenues	<u>720,979</u>	<u>720,979</u>	<u>218,898</u>	<u>(502,081)</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>740,979</u>	<u>740,979</u>	<u>238,898</u>	<u>(502,081)</u>
Expenditures				
Public works				
Airport				
Supplies	117,900	117,900	93,914	23,986
Other services and charges	88,850	88,850	89,830	(980)
Capital outlay	500,000	500,000	36,553	463,447
Debt service				
Principal	<u>28,356</u>	<u>28,356</u>	<u>28,356</u>	<u>-</u>
Total Expenditures	<u>735,106</u>	<u>735,106</u>	<u>248,653</u>	<u>486,453</u>
Net Change in Fund Balances	5,873	5,873	(9,755)	(15,628)
Fund Balances, January 1	<u>173,773</u>	<u>173,773</u>	<u>173,773</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 179,646</u>	<u>\$ 179,646</u>	<u>\$ 164,018</u>	<u>\$ (15,628)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 222,400	\$ 222,400	\$ 212,111	\$ (10,289)
Investment income	2,000	2,000	887	(1,113)
Miscellaneous	300	300	7,527	7,227
Total Revenues	<u>224,700</u>	<u>224,700</u>	<u>220,525</u>	<u>(4,175)</u>
Other Financing Sources				
Transfers in	404,950	404,950	404,950	-
Total Revenues and Other Financing Sources	<u>629,650</u>	<u>629,650</u>	<u>625,475</u>	<u>(4,175)</u>
Expenditures				
Culture and recreation				
Swimming pool				
Personal services	396,000	396,000	372,121	23,879
Supplies	91,000	91,000	99,445	(8,445)
Other services and charges	112,650	112,650	106,604	6,046
Capital outlay	10,000	10,000	6,662	3,338
Total Expenditures	<u>609,650</u>	<u>609,650</u>	<u>584,832</u>	<u>24,818</u>
Other Financing Uses				
Transfers out	20,000	20,000	20,000	-
Total Expenditures and Other Financing Uses	<u>629,650</u>	<u>629,650</u>	<u>604,832</u>	<u>24,818</u>
Net Change in Fund Balances	-	-	20,643	20,643
Fund Balances, January 1	<u>21,677</u>	<u>21,677</u>	<u>21,677</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 21,677</u></u>	<u><u>\$ 21,677</u></u>	<u><u>\$ 42,320</u></u>	<u><u>\$ 20,643</u></u>

Nonmajor Proprietary Funds

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

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

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

City of Luverne, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2018

	Business-type Activities - Enterprise Funds			Totals
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
Assets				
Current Assets				
Cash and temporary investments	\$ 738,592	\$ 77,658	\$ 163,914	\$ 980,164
Receivables (net of allowance for uncollectibles)				
Accrued interest	1,857	438	469	2,764
Accounts, net	50,750	8,197	-	58,947
Loans	5,574	-	-	5,574
Intergovernmental	-	82,468	-	82,468
Total Current Assets	<u>796,773</u>	<u>168,761</u>	<u>164,383</u>	<u>1,129,917</u>
Noncurrent Assets				
Restricted assets				
Cash and temporary investments	5,010	-	-	5,010
Special assessments receivable - noncurrent	1,077	55	-	1,132
Loans receivable - noncurrent	84,166	-	-	84,166
Capital assets				
Land	62,632	37,336	-	99,968
Construction in progress	-	647,930	-	647,930
Buildings	79,566	-	-	79,566
Improvements	18,872	1,648,206	-	1,667,078
Machinery and equipment	824,010	79,915	-	903,925
Total capital assets	985,080	2,413,387	-	3,398,467
Less accumulated depreciation	(696,790)	(983,841)	-	(1,680,631)
Total capital assets (net of accumulated depreciation)	<u>288,290</u>	<u>1,429,546</u>	<u>-</u>	<u>1,717,836</u>
Total Noncurrent Assets	<u>378,543</u>	<u>1,429,601</u>	<u>-</u>	<u>1,808,144</u>
Total Assets	<u>1,175,316</u>	<u>1,598,362</u>	<u>164,383</u>	<u>2,938,061</u>
Deferred Outflows of Resources				
Deferred pension resources	14,279	637	-	14,916
Deferred other postemployment benefit resources	121	6	-	127
Total Deferred Outflows of Resources	<u>14,400</u>	<u>643</u>	<u>-</u>	<u>15,043</u>

City of Luverne, Minnesota
 Nonmajor Proprietary Funds
 Combining Statements of Net Position
 December 31, 2018

Business-type Activities - Enterprise Funds

	603	606	611	
	Refuse and Recycling	Storm Sewer	Lewis and Clark Reserve	Totals
Liabilities				
Current Liabilities				
Accounts payable	\$ 12,602	\$ 1,483	\$ -	\$ 14,085
Contract payable	-	17,834	-	17,834
Retainage payable	-	20,510	-	20,510
Due to other governments	4,336	-	-	4,336
Wages and related benefits payable	1,795	72	-	1,867
Compensated absences payable - current	8,864	352	-	9,216
Customer deposits payable	5,010	-	-	5,010
Total Current Liabilities	<u>32,607</u>	<u>40,251</u>	<u>-</u>	<u>72,858</u>
Noncurrent Liabilities				
Compensated absences payable	29,277	2,031	-	31,308
Other postemployment benefits liability	8,154	295	-	8,449
Pension liability	73,638	3,286	-	76,924
Total Noncurrent Liabilities	<u>111,069</u>	<u>5,612</u>	<u>-</u>	<u>116,681</u>
Total Liabilities	<u>143,676</u>	<u>45,863</u>	<u>-</u>	<u>189,539</u>
Deferred Inflows of Resources				
Deferred pension resources	19,951	890	-	20,841
Net Position				
Investment in capital assets	288,290	1,429,546	-	1,717,836
Unrestricted	737,799	122,706	164,383	1,024,888
Total Net Position	<u>\$ 1,026,089</u>	<u>\$ 1,552,252</u>	<u>\$ 164,383</u>	<u>\$ 2,742,724</u>

City of Luverne, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			Totals
	603 Refuse and Recycling	606 Storm Sewer	611 Lewis and Clark Reserve	
Operating Revenues				
Charges for services/sales	\$ 671,553	\$ 144,977	\$ -	\$ 816,530
Service income	6,644	536	-	7,180
Other income	525	-	-	525
Total Operating Revenues	<u>678,722</u>	<u>145,513</u>	<u>-</u>	<u>824,235</u>
Operating Expenses				
Personal services	149,400	6,182	-	155,582
Supplies	52,830	15,572	-	68,402
Other services and charges	209,326	18,332	-	227,658
Depreciation	44,510	72,197	-	116,707
Pension expense	(2,781)	(186)	-	(2,967)
Total Operating Expenses	<u>453,285</u>	<u>112,097</u>	<u>-</u>	<u>565,382</u>
Operating Income (Loss)	<u>225,437</u>	<u>33,416</u>	<u>-</u>	<u>258,853</u>
Nonoperating Revenues (Expenses)				
Investment income	3,732	675	719	5,126
Rental income	980	-	-	980
Interest and other costs	(10)	-	-	(10)
Pension revenue	547	25	-	572
Contributions to component unit	(40,000)	-	-	(40,000)
Total Nonoperating Revenues (Expenses)	<u>(34,751)</u>	<u>700</u>	<u>719</u>	<u>(33,332)</u>
Income (Loss) Before Capital Contributions and Transfers	190,686	34,116	719	225,521
Transfers Out	(255,000)	(15,000)	-	(270,000)
Capital Grants and Contributions	-	331,165	-	331,165
Capital Contributions from Component Unit	-	145,336	-	145,336
Change in Net Position	(64,314)	495,617	719	432,022
Net Position, January 1 as Restated	<u>1,090,403</u>	<u>1,056,635</u>	<u>163,664</u>	<u>2,310,702</u>
Net Position, December 31	<u>\$ 1,026,089</u>	<u>\$ 1,552,252</u>	<u>\$ 164,383</u>	<u>\$ 2,742,724</u>

City of Luverne, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows (Continued on the Following Pages)
For the Year Ended December 31, 2018

Business-type Activities - Enterprise Funds

	603	606	611	
	Refuse and Recycling	Storm Sewer	Lewis and Clark Reserve	Totals
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 676,575	\$ 142,777	\$ -	\$ 819,352
Cash paid to suppliers	(268,205)	(33,389)	-	(301,594)
Cash paid to and on behalf of employees	(147,839)	(6,214)	-	(154,053)
Other receipts	1,527	25	-	1,552
Net Cash Provided (Used) by Operating Activities	<u>262,058</u>	<u>103,199</u>	<u>-</u>	<u>365,257</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(255,000)	(15,000)	-	(270,000)
Payment to component unit	(40,000)	-	-	(40,000)
Loan payments received	17,766	-	-	17,766
(Increase) decrease in due from other funds	13,110	-	-	13,110
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(264,124)</u>	<u>(15,000)</u>	<u>-</u>	<u>(279,124)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(606,388)	-	(606,388)
Capital grants received	-	248,697	-	248,697
Payment from EDA	-	108,000	-	108,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(249,691)</u>	<u>-</u>	<u>(249,691)</u>
Cash Flows from Investing Activities				
Interest received	<u>3,221</u>	<u>751</u>	<u>591</u>	<u>4,563</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,155	(160,741)	591	(158,995)
Cash and Cash Equivalents, January 1	<u>742,447</u>	<u>238,399</u>	<u>163,323</u>	<u>1,144,169</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 743,602</u></u>	<u><u>\$ 77,658</u></u>	<u><u>\$ 163,914</u></u>	<u><u>\$ 985,174</u></u>
Cash and Cash Equivalents are Comprised of				
Cash and temporary investments	\$ 738,592	\$ 77,658	\$ 163,914	\$ 980,164
Restricted assets				
Cash and temporary investments	<u>5,010</u>	<u>-</u>	<u>-</u>	<u>5,010</u>
Total Cash and Cash Equivalents	<u><u>\$ 743,602</u></u>	<u><u>\$ 77,658</u></u>	<u><u>\$ 163,914</u></u>	<u><u>\$ 985,174</u></u>

City of Luverne, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

Business-type Activities - Enterprise Funds

	603	606	611	
	Refuse and Recycling	Storm Sewer	Lewis and Clark Reserve	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 225,437	\$ 33,416	\$ -	\$ 258,853
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	44,510	72,197	-	116,707
Other income related to operations	1,527	25	-	1,552
Interest paid on customer deposits	(10)	-	-	(10)
(Increase) decrease in assets				
Accounts receivable	(1,380)	(2,721)	-	(4,101)
Special assessments receivable	223	10	-	233
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	8,892	415	-	9,307
Deferred other postemployment benefit resources	(121)	(6)	-	(127)
Increase (decrease) in liabilities				
Accounts payable	(9,071)	329	-	(8,742)
Due to other governments	251	-	-	251
Wages and related benefits payable	444	20	-	464
Deposits payable	(443)	-	-	(443)
Compensated absences payable	3,044	105	-	3,149
Other postemployment benefits liability	975	35	-	1,010
Pension liability	(12,179)	(609)	-	(12,788)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(41)	(17)	-	(58)
Total Adjustments	<u>36,621</u>	<u>69,783</u>	<u>-</u>	<u>106,404</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 262,058</u>	<u>\$ 103,199</u>	<u>\$ -</u>	<u>\$ 365,257</u>
Schedule of Noncash Investing, Capital and Financing Activities				
Capital assets acquired on account	\$ -	\$ 38,344	\$ -	\$ 38,344
Capital assets contributed from component unit	-	37,336	-	37,336

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
General property tax	\$ 1,558,000	\$ 1,558,000	\$ 1,554,008	\$ (3,992)	\$ 1,401,870
Hotel/motel tax	2,500	2,500	2,438	(62)	2,756
Franchise tax	475,000	475,000	457,256	(17,744)	461,221
Penalties	-	-	373	373	966
Total taxes	<u>2,035,500</u>	<u>2,035,500</u>	<u>2,014,075</u>	<u>(21,425)</u>	<u>1,866,813</u>
Licenses and permits					
Business	16,250	16,250	16,313	63	16,463
Nonbusiness	67,400	67,400	64,712	(2,688)	86,983
Total licenses and permits	<u>83,650</u>	<u>83,650</u>	<u>81,025</u>	<u>(2,625)</u>	<u>103,446</u>
Intergovernmental revenues					
Federal					
FEMA grant	-	-	44,768	44,768	-
State					
Local government aid	1,422,198	1,422,198	1,422,198	-	1,382,570
Agricultural market value credit	-	-	340	340	415
Other State aids	51,700	51,700	82,534	30,834	98,115
Total state	<u>1,473,898</u>	<u>1,473,898</u>	<u>1,505,072</u>	<u>31,174</u>	<u>1,481,100</u>
Local					
Other local grant	-	-	2,015	2,015	2,500
Total intergovernmental revenues	<u>1,473,898</u>	<u>1,473,898</u>	<u>1,551,855</u>	<u>77,957</u>	<u>1,483,600</u>
Charges for services					
General government	64,950	64,950	82,622	17,672	58,976
Public safety	138,500	138,500	139,280	780	110,964
Highways and streets	159,500	159,500	175,035	15,535	140,479
Other	-	-	352	352	200
Total charges for services	<u>362,950</u>	<u>362,950</u>	<u>397,289</u>	<u>34,339</u>	<u>310,619</u>
Fines and forfeits					
Court fines	-	-	13,828	13,828	13,076
Special assessments	-	-	857	857	784
Investment income	58,327	58,327	66,417	8,090	53,729
Miscellaneous					
Other	6,000	6,000	16,306	10,306	14,817
Total Revenues	<u>4,020,325</u>	<u>4,020,325</u>	<u>4,141,652</u>	<u>121,327</u>	<u>3,846,884</u>
Other Financing Sources					
Sale of capital assets	-	108,000	10,000	(98,000)	-
Transfers in	285,000	605,000	605,000	-	316,093
Total Other Financing Sources	<u>285,000</u>	<u>713,000</u>	<u>615,000</u>	<u>(98,000)</u>	<u>316,093</u>
Total Revenues and Other Financing Sources	<u>4,305,325</u>	<u>4,733,325</u>	<u>4,756,652</u>	<u>23,327</u>	<u>4,162,977</u>

City of Luverne, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Council					
Personal services	\$ 56,350	\$ 56,350	\$ 55,344	\$ 1,006	\$ 54,439
Supplies	1,500	1,500	793	707	1,204
Other services and charges	2,150	2,150	3,487	(1,337)	3,444
Total council	<u>60,000</u>	<u>60,000</u>	<u>59,624</u>	<u>376</u>	<u>59,087</u>
Administration					
Personal services	174,200	174,200	152,227	21,973	142,422
Supplies	5,500	5,500	6,423	(923)	1,858
Other services and charges	83,440	83,440	104,468	(21,028)	137,170
Total administration	<u>263,140</u>	<u>263,140</u>	<u>263,118</u>	<u>22</u>	<u>281,450</u>
Elections					
Personal services	10,100	10,100	6,474	3,626	-
Supplies	500	500	153	347	-
Other services and charges	500	500	124	376	-
Total elections	<u>11,100</u>	<u>11,100</u>	<u>6,751</u>	<u>4,349</u>	<u>-</u>
Financial administration					
Other services and charges	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>95,000</u>
Law					
Supplies	200	200	-	200	-
Other services and charges	53,900	53,900	53,658	242	68,079
Total law	<u>54,100</u>	<u>54,100</u>	<u>53,658</u>	<u>442</u>	<u>68,079</u>
Other general government					
Personal services	50,215	50,215	43,117	7,098	41,212
Supplies	29,550	29,550	52,306	(22,756)	61,108
Other services and charges	171,900	186,900	202,191	(15,291)	203,368
Total other general government	<u>251,665</u>	<u>266,665</u>	<u>297,614</u>	<u>(30,949)</u>	<u>305,688</u>
Total general government	<u>750,005</u>	<u>765,005</u>	<u>790,765</u>	<u>(25,760)</u>	<u>809,304</u>
Public safety					
Police					
Other services and charges	<u>849,515</u>	<u>849,515</u>	<u>863,343</u>	<u>(13,828)</u>	<u>837,847</u>
Fire					
Personal services	81,600	81,600	72,030	9,570	69,027
Supplies	72,100	72,100	71,331	769	85,094
Other services and charges	101,600	101,600	104,237	(2,637)	124,210
Total fire	<u>255,300</u>	<u>255,300</u>	<u>247,598</u>	<u>7,702</u>	<u>278,331</u>

City of Luverne, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Building/planning/zoning/safety					
Personal services	\$ 98,550	\$ 98,550	\$ 96,701	\$ 1,849	\$ 92,001
Supplies	1,650	1,650	1,916	(266)	654
Other services and charges	10,000	10,000	10,274	(274)	13,555
Total building/planning/zoning/safety	<u>110,200</u>	<u>110,200</u>	<u>108,891</u>	<u>1,309</u>	<u>106,210</u>
Civil defense					
Supplies	1,500	1,500	1,476	24	1,351
Other services and charges	2,250	2,250	2,131	119	1,760
Total civil defense	<u>3,750</u>	<u>3,750</u>	<u>3,607</u>	<u>143</u>	<u>3,111</u>
Emergency management services					
Personal services	<u>13,385</u>	<u>13,385</u>	<u>10,756</u>	<u>2,629</u>	<u>10,230</u>
Animal control					
Supplies	700	700	704	(4)	2,599
Other services and charges	9,550	9,550	9,068	482	8,246
Total animal control	<u>10,250</u>	<u>10,250</u>	<u>9,772</u>	<u>478</u>	<u>10,845</u>
Insect control					
Supplies	7,700	7,700	9,426	(1,726)	11,041
Other services and charges	2,600	2,600	830	1,770	1,116
Total insect control	<u>10,300</u>	<u>10,300</u>	<u>10,256</u>	<u>44</u>	<u>12,157</u>
Total public safety	<u>1,252,700</u>	<u>1,252,700</u>	<u>1,254,223</u>	<u>(1,523)</u>	<u>1,258,731</u>
Public works					
Personal services	340,900	340,900	323,862	17,038	321,819
Supplies	188,100	188,100	184,063	4,037	134,595
Other services and charges	301,750	301,750	304,812	(3,062)	282,130
Total public works	<u>830,750</u>	<u>830,750</u>	<u>812,737</u>	<u>18,013</u>	<u>738,544</u>
Culture and recreation					
Personal services	318,100	318,100	303,977	14,123	293,571
Supplies	110,000	110,000	104,278	5,722	112,205
Other services and charges	179,820	179,820	173,902	5,918	161,740
Total culture and recreation	<u>607,920</u>	<u>607,920</u>	<u>582,157</u>	<u>25,763</u>	<u>567,516</u>

City of Luverne, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Conservation and development					
Supplies	\$ 20,000	\$ 20,000	\$ 22,206	\$ (2,206)	\$ 15,512
Other services and charges	102,000	182,000	223,283	(41,283)	145,748
Total conservation and development	<u>122,000</u>	<u>202,000</u>	<u>245,489</u>	<u>(43,489)</u>	<u>161,260</u>
Total current	<u>3,563,375</u>	<u>3,658,375</u>	<u>3,685,371</u>	<u>(26,996)</u>	<u>3,535,355</u>
Capital outlay					
General government	-	135,000	10,000	125,000	91,592
Public safety	100,000	-	-	-	-
Streets and highways	-	-	-	-	18,729
Culture and recreation	-	-	14,920	(14,920)	48,816
Conservation and development	-	320,000	13,095	306,905	62,500
Total capital outlay	<u>100,000</u>	<u>455,000</u>	<u>38,015</u>	<u>416,985</u>	<u>221,637</u>
Total Expenditures	<u>3,663,375</u>	<u>4,113,375</u>	<u>3,723,386</u>	<u>389,989</u>	<u>3,756,992</u>
Other Financing Uses					
Transfers out	<u>741,950</u>	<u>849,950</u>	<u>741,950</u>	<u>108,000</u>	<u>707,550</u>
Total Expenditures and Other Financing Uses	<u>4,405,325</u>	<u>4,963,325</u>	<u>4,465,336</u>	<u>497,989</u>	<u>4,464,542</u>
Net Change in Fund Balances	(100,000)	(230,000)	291,316	521,316	(301,565)
Fund Balances, January 1	<u>2,488,296</u>	<u>2,488,296</u>	<u>2,488,296</u>	<u>-</u>	<u>2,789,861</u>
Fund Balances, December 31	<u>\$ 2,388,296</u>	<u>\$ 2,258,296</u>	<u>\$ 2,779,612</u>	<u>\$ 521,316</u>	<u>\$ 2,488,296</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Debt Service Funds

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

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

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

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

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

Pumper Fire Engine Fund: This fund accounts for principal and interest payment on a general obligation equipment certificate of \$444,000 issued in 2013. Revenue for such payments is derived from a general property tax levy.

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

City of Luverne, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2018

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
Assets			
Cash and temporary investments	\$ 55,781	\$ 2,545	\$ 178,494
Receivables (net of allowance for uncollectibles)			
Accrued interest	107	-	278
Delinquent taxes	40	-	708
Intergovernmental	16	-	440
	<u>55,944</u>	<u>2,545</u>	<u>179,920</u>
Total Assets	<u>\$ 55,944</u>	<u>\$ 2,545</u>	<u>\$ 179,920</u>
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	\$ 40	\$ -	\$ 708
Fund Balances			
Restricted			
Debt service	<u>55,904</u>	<u>2,545</u>	<u>179,212</u>
	<u>55,944</u>	<u>2,545</u>	<u>179,920</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 55,944</u>	<u>\$ 2,545</u>	<u>\$ 179,920</u>

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ 202,649	\$ 37,718	\$ 119,579	\$ 11,533	\$ 608,299
581	52	159	5	1,182
692	209	911	-	2,560
-	110	329	-	895
<u>\$ 203,922</u>	<u>\$ 38,089</u>	<u>\$ 120,978</u>	<u>\$ 11,538</u>	<u>\$ 612,936</u>
\$ 692	\$ 209	\$ 911	\$ -	\$ 2,560
<u>203,230</u>	<u>37,880</u>	<u>120,067</u>	<u>11,538</u>	<u>610,376</u>
<u>\$ 203,922</u>	<u>\$ 38,089</u>	<u>\$ 120,978</u>	<u>\$ 11,538</u>	<u>\$ 612,936</u>

City of Luverne, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	338 Pamida TIF	343 Luverne Family Housing TIF	321 Fire Hall/ MN West
Revenues			
Taxes			
Property taxes	\$ 4,064	\$ -	\$ 128,618
Tax increments	26,034	8,934	-
Investment income	164	-	427
Total Revenues	<u>30,262</u>	<u>8,934</u>	<u>129,045</u>
Expenditures			
Current			
Conservation and development			
Other services and charges	-	7,592	-
Debt service			
Principal	30,000	-	115,000
Interest and other costs	6,335	990	7,644
Total Expenditures	<u>36,335</u>	<u>8,582</u>	<u>122,644</u>
Net Change in Fund Balances	(6,073)	352	6,401
Fund Balances, January 1	<u>61,977</u>	<u>2,193</u>	<u>172,811</u>
Fund Balances, December 31	<u>\$ 55,904</u>	<u>\$ 2,545</u>	<u>\$ 179,212</u>

342 Manfred Heights	322 City Office Roof	323 Pumper Fire Engine	344 Ford TIF District No. 21	Total
\$ -	\$ 32,070	\$ 100,158	\$ -	\$ 264,910
-	-	-	23,825	58,793
891	81	243	8	1,814
<u>891</u>	<u>32,151</u>	<u>100,401</u>	<u>23,833</u>	<u>325,517</u>
-	-	-	-	7,592
100,000	25,000	91,000	-	361,000
3,105	5,546	3,041	22,349	49,010
<u>103,105</u>	<u>30,546</u>	<u>94,041</u>	<u>22,349</u>	<u>417,602</u>
(102,214)	1,605	6,360	1,484	(92,085)
<u>305,444</u>	<u>36,275</u>	<u>113,707</u>	<u>10,054</u>	<u>702,461</u>
<u>\$ 203,230</u>	<u>\$ 37,880</u>	<u>\$ 120,067</u>	<u>\$ 11,538</u>	<u>\$ 610,376</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Internal Service Funds

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

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

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

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

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

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

City of Luverne, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2018

	701	702
	Central Garage	Central Store
	<u> </u>	<u> </u>
Assets		
Current Assets		
Cash and temporary investments	\$ 89,133	\$ 156,266
Receivables (net of allowance for uncollectibles)		
Accrued interest	500	501
Loans	-	-
Due from other funds	-	-
Prepaid items	-	-
Total Current Assets	<u>89,633</u>	<u>156,767</u>
Noncurrent Assets		
Loans receivable - noncurrent	<u>-</u>	<u>-</u>
Capital assets		
Buildings	166,433	59,701
Improvements	79,763	-
Machinery and equipment	155,095	146,997
Total capital assets	<u>401,291</u>	<u>206,698</u>
Less accumulated depreciation	<u>(214,463)</u>	<u>(199,207)</u>
Total capital assets	<u>186,828</u>	<u>7,491</u>
Total Noncurrent Assets	<u>186,828</u>	<u>7,491</u>
Total Assets	<u>276,461</u>	<u>164,258</u>
Deferred Outflows of Resources		
Deferred pension resources	12,528	4,189
Deferred other postemployment benefits	101	44
Total Deferred Outflows of Resources	<u>12,629</u>	<u>4,233</u>
Liabilities		
Current Liabilities		
Accounts payable	1,011	-
Due to other funds	-	-
Wages and related benefits payable	1,378	463
Compensated absences payable - current	6,261	2,153
Total Current Liabilities	<u>8,650</u>	<u>2,616</u>
Noncurrent Liabilities		
Compensated absences payable (net of current portion)	13,673	13,712
Other postemployment benefits liability	6,795	2,954
Pension liability	64,608	21,604
Total Noncurrent Liabilities	<u>85,076</u>	<u>38,270</u>
Total Liabilities	<u>93,726</u>	<u>40,886</u>
Deferred Inflows of Resources		
Deferred pension resources	<u>17,504</u>	<u>5,853</u>
Net Position		
Investment in capital assets	186,828	7,491
Unrestricted	<u>(8,968)</u>	<u>114,261</u>
Total Net Position	<u>\$ 177,860</u>	<u>\$ 121,752</u>

703 Workers' Comp Insurance	704 Property and Casualty Insurance	705 Data Processing	706 Vacation/Sick	Totals
\$ 197,587	\$ 367,278	\$ 101,301	\$ 245,270	\$ 1,156,835
566	1,166	513	-	3,246
-	3,982	-	-	3,982
-	-	62,311	-	62,311
-	-	7,344	-	7,344
<u>198,153</u>	<u>372,426</u>	<u>171,469</u>	<u>245,270</u>	<u>1,233,718</u>
-	60,119	-	-	60,119
-	-	-	-	226,134
-	-	-	-	79,763
-	-	263,517	-	565,609
-	-	263,517	-	871,506
-	-	(240,499)	-	(654,169)
-	-	23,018	-	217,337
-	60,119	23,018	-	277,456
<u>198,153</u>	<u>432,545</u>	<u>194,487</u>	<u>245,270</u>	<u>1,511,174</u>
-	-	30,106	-	46,823
-	-	182	-	327
-	-	30,288	-	47,150
-	2,075	8,079	-	11,165
-	-	213	-	213
-	-	3,434	-	5,275
-	-	17,420	57,050	82,884
-	2,075	29,146	57,050	99,537
-	-	81,011	188,220	296,616
-	-	12,266	-	22,015
-	-	155,265	-	241,477
-	-	248,542	188,220	560,108
-	2,075	277,688	245,270	659,645
-	-	42,065	-	65,422
-	-	23,018	-	217,337
<u>198,153</u>	<u>430,470</u>	<u>(117,996)</u>	<u>-</u>	<u>615,920</u>
<u>\$ 198,153</u>	<u>\$ 430,470</u>	<u>\$ (94,978)</u>	<u>\$ -</u>	<u>\$ 833,257</u>

City of Luverne, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	701	702
	Central Garage	Central Store
	<u> </u>	<u> </u>
Operating Revenues		
Charges for services	\$ 201,820	\$ 60,175
Other income	-	-
Total Operating Revenues	<u>201,820</u>	<u>60,175</u>
 Operating Expenses		
Personal services	119,717	41,585
Supplies	48,746	-
Other services and charges	21,159	11,092
Depreciation	31,241	2,781
Pension expense	(1,900)	(1,264)
Total Operating Expenses	<u>218,963</u>	<u>54,194</u>
 Operating Income (Loss)	<u>(17,143)</u>	<u>5,981</u>
 Nonoperating Revenues (Expenses)		
Investment income	765	768
Pension revenue	479	160
Total Nonoperating Revenues (Expenses)	<u>1,244</u>	<u>928</u>
 Income (Loss) Before Transfers	(15,899)	6,909
 Transfers Out	<u>-</u>	<u>(50,000)</u>
 Change in Net Position	(15,899)	(43,091)
 Net Position, January 1 as Restated	193,759	164,843
 Prior Period Restatement	<u>(2,048)</u>	<u>(888)</u>
 Net Position, December 31	<u>\$ 177,860</u>	<u>\$ 121,752</u>

703 Workers' Comp Insurance	704 Property and Casualty Insurance	705 Data Processing	706 Vacation/Sick	Totals
\$ -	\$ 136,414	\$ 471,000	\$ -	\$ 869,409
-	5,176	132	-	5,308
-	141,590	471,132	-	874,717
-	-	270,449	-	431,751
-	-	24,797	-	73,543
-	131,951	191,715	-	355,917
-	-	14,177	-	48,199
-	-	2,293	-	(871)
-	131,951	503,431	-	908,539
-	9,639	(32,299)	-	(33,822)
867	2,414	3,342	-	8,156
-	-	1,152	-	1,791
867	2,414	4,494	-	9,947
867	12,053	(27,805)	-	(23,875)
-	-	-	-	(50,000)
867	12,053	(27,805)	-	(73,875)
197,286	418,417	(67,173)	-	907,132
-	-	(3,694)	-	(6,630)
<u>\$ 198,153</u>	<u>\$ 430,470</u>	<u>\$ (94,978)</u>	<u>\$ -</u>	<u>\$ 833,257</u>

City of Luverne, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2018

	701 Central Garage	702 Central Store
Cash Flows from Operating Activities		
Cash received (paid) from interfund services provided	\$ 201,820	\$ 60,175
Cash paid to suppliers	(69,241)	(9,828)
Cash paid to and on behalf of employees	(118,233)	(41,680)
Other receipts	-	-
Net Cash Provided (Used) by Operating Activities	<u>14,346</u>	<u>8,667</u>
Cash Flows from Noncapital Financing Activities		
Transfers to other funds	-	(50,000)
(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>(50,000)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	-	-
Cash Flows from Investing Activities		
Interest received	<u>571</u>	<u>738</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,917	(40,595)
Cash and Cash Equivalents, January 1	<u>74,216</u>	<u>196,861</u>
Cash and Cash Equivalents, December 31	<u>\$ 89,133</u>	<u>\$ 156,266</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	<u>\$ (17,143)</u>	<u>\$ 5,981</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	31,241	2,781
Other income related to operations	479	160
(Increase) decrease in assets		
Accounts receivable	-	-
Prepaid items	-	-
(Increase) decrease in deferred outflows of resources		
Deferred pension resources	7,649	2,734
Deferred other postemployment benefits	(101)	(44)
Increase (decrease) in liabilities		
Accounts payable	(1,236)	-
Wages and related benefits payable	398	127
Compensated absences payable	2,275	726
Other postemployment benefits liability	812	360
Pension liability	(10,123)	(4,038)
Increase (decrease) in deferred inflows of resources		
Deferred pension resources	95	(120)
Total Adjustments	<u>31,489</u>	<u>2,686</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,346</u>	<u>\$ 8,667</u>

703 Workers' Comp Insurance	704 Property and Casualty Insurance	705 Data Processing	706 Vacation/Sick	Total
\$ -	\$ 149,103	\$ 471,000	\$ (8,996)	\$ 873,102
-	(129,876)	(216,983)	-	(425,928)
-	-	(259,347)	-	(419,260)
-	5,176	132	-	5,308
-	24,403	(5,198)	(8,996)	33,222
-	-	-	-	(50,000)
-	-	6,225	-	6,225
-	-	6	-	6
-	-	6,231	-	(43,769)
-	-	(9,511)	-	(9,511)
713	2,072	3,573	-	7,667
713	26,475	(4,905)	(8,996)	(12,391)
196,874	340,803	106,206	254,266	1,169,226
<u>\$ 197,587</u>	<u>\$ 367,278</u>	<u>\$ 101,301</u>	<u>\$ 245,270</u>	<u>\$ 1,156,835</u>
\$ -	\$ 9,639	\$ (32,299)	\$ -	\$ (33,822)
-	-	14,177	-	48,199
-	-	1,152	-	1,791
-	12,689	-	-	12,689
-	-	(279)	-	(279)
-	-	16,461	-	26,844
-	-	(182)	-	(327)
-	2,075	2,101	-	2,940
-	-	983	-	1,508
-	-	6,534	(8,996)	539
-	-	1,474	-	2,646
-	-	(17,207)	-	(31,368)
-	-	1,887	-	1,862
-	14,764	27,101	(8,996)	67,044
<u>\$ -</u>	<u>\$ 24,403</u>	<u>\$ (5,198)</u>	<u>\$ (8,996)</u>	<u>\$ 33,222</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Agency Funds

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

City of Luverne, Minnesota
Agency Funds
Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Lewis and Clark				
Assets				
Cash and temporary investments	\$ 549	\$ 4,031,821	\$ 4,031,819	\$ 551
Receivables				
Accrued interest	1	1	-	2
Total Assets	\$ 550	\$ 4,031,822	\$ 4,031,819	\$ 553
Liabilities				
Amounts held for others	\$ 550	\$ 4,031,822	\$ 4,031,819	\$ 553

City of Luverne, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2018 and 2017

	Total 2018	Total 2017	Percent Increase (Decrease)
Revenues			
Taxes	\$ 2,346,963	\$ 2,194,702	6.94 %
Special assessments	857	953	(10.07)
Licenses and permits	81,025	103,446	(21.67)
Intergovernmental	2,458,231	1,715,416	43.30
Charges for services	825,037	804,978	2.49
Fines and forfeits	13,828	13,076	5.75
Investment earnings	79,290	66,875	18.56
Miscellaneous	65,830	50,589	30.13
Total Revenues	\$ 5,871,061	\$ 4,950,035	18.61 %
Per Capita	\$ 1,248	\$ 1,056	18.15 %
Expenditures			
Current			
General government	\$ 794,627	\$ 836,609	(5.02) %
Public safety	1,254,223	1,258,731	(0.36)
Public works	996,616	978,701	1.83
Culture and recreation	1,168,031	1,110,519	5.18
Conservation and development	594,967	298,702	99.18
Capital outlay			
General government	42,362	100,031	(57.65)
Public safety	249,195	53,097	369.32
Public works	329,192	372,500	(11.63)
Culture and recreation	541,485	234,533	130.88
Conservation and development	21,646	62,500	(65.37)
Debt service			
Principal	389,356	408,655	(4.72)
Interest and other costs	65,548	83,113	(21.13)
Total Expenditures	\$ 6,447,248	\$ 5,797,691	11.20 %
Per Capita	\$ 1,370	\$ 1,237	10.78 %
Total Long-term Indebtedness	\$ 1,286,581	\$ 1,675,937	(23.23) %
Per Capita	273	358	(23.53)
General Fund Balance - December 31	\$ 2,779,612	\$ 2,488,296	11.71 %
Per Capita	591	531	11.28

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year			
	2018	2017	2016	2015
Governmental Activities				
Net investment in capital assets	\$ 13,719,023	\$ 13,471,402	\$ 13,271,546	\$ 12,307,033
Restricted	1,024,091	489,542	525,969	550,208
Unrestricted	3,903,947	3,256,471	3,090,941	3,957,806
Total Governmental Activities Net Position	<u>18,647,061</u>	<u>17,217,415</u>	<u>16,888,456</u>	<u>16,815,047</u>
Business-type Activities				
Net investment in capital assets	19,519,840	17,486,209	16,235,902	16,740,004
Restricted	648,536	663,026	646,362	653,486
Unrestricted	13,280,918	15,208,522	15,128,146	14,086,518
Total Business-type Activities Net Position	<u>33,449,294</u>	<u>33,357,757</u>	<u>32,010,410</u>	<u>31,480,008</u>
Primary Government				
Net investment in capital assets	33,238,863	30,957,611	29,507,448	29,047,037
Restricted	1,672,627	1,152,568	1,172,331	1,203,694
Unrestricted	17,184,865	18,464,993	18,219,087	18,044,324
Total Primary Government Net Position	<u>\$ 52,096,355</u>	<u>\$ 50,575,172</u>	<u>\$ 48,898,866</u>	<u>\$ 48,295,055</u>

Table 1

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 11,182,230	\$ 11,065,650	\$ 9,974,182	\$ 9,126,886	\$ 9,512,985	\$ 9,054,791
567,138	587,971	628,498	529,057	238,855	303,330
4,727,475	4,487,164	4,602,307	4,531,553	4,255,703	4,188,264
<u>16,476,843</u>	<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>
15,422,740	14,733,982	14,204,393	13,721,426	13,334,878	13,836,826
581,148	458,951	347,944	304,281	360,405	330,653
15,908,264	15,769,947	16,134,235	15,178,390	14,030,207	12,459,832
<u>31,912,152</u>	<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>
26,604,970	25,799,632	24,178,575	22,848,312	22,847,863	22,891,617
1,148,286	1,046,922	976,442	833,338	599,260	633,983
<u>20,635,739</u>	<u>20,257,111</u>	<u>20,736,542</u>	<u>19,709,943</u>	<u>18,285,910</u>	<u>16,648,096</u>
<u>\$ 48,388,995</u>	<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>

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

	Fiscal Year			
	2018	2017	2016	2015
Expenses				
Governmental Activities				
General government	\$ 966,837	\$ 1,001,089	\$ 822,399	\$ 740,424
Public safety	1,387,118	1,433,581	1,383,689	1,340,427
Public works	1,457,767	1,339,809	1,493,996	1,413,265
Culture and recreation	1,536,124	1,414,610	1,395,743	1,240,431
Conservation and development	651,244	312,278	168,604	178,251
Interest on long-term debt	63,612	81,451	61,752	39,290
Total Governmental Activities Expenses	<u>6,062,702</u>	<u>5,582,818</u>	<u>5,326,183</u>	<u>4,952,088</u>
Business-type Activities				
Water	1,440,472	1,406,116	1,443,922	1,191,766
Sewer	1,413,540	1,181,106	1,222,964	1,083,254
Refuse and recycling	496,640	482,629	426,934	432,952
Electric	6,757,425	7,486,480	7,832,218	7,037,621
Storm sewer	112,272	102,129	84,515	76,623
Liquor	1,271,169	1,262,127	1,262,957	1,254,848
Total Business-type Activities Expenses	<u>11,491,518</u>	<u>11,920,587</u>	<u>12,273,510</u>	<u>11,077,064</u>
Total Primary Government Expenses	<u>\$17,554,220</u>	<u>\$17,503,405</u>	<u>\$17,599,693</u>	<u>\$16,029,152</u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 85,879	\$ 62,280	\$ 47,927	\$ 47,489
Public safety	321,643	287,181	275,960	244,720
Public works/streets	292,366	311,357	341,565	354,595
Culture and recreation	212,275	223,048	234,982	215,718
Conservation and development	-	19,974	24,442	23,917
Operating grants and contributions	144,156	125,039	84,938	63,292
Capital grants and contributions	904,218	247,806	250,817	256,705
Total Governmental Activities Program Revenues	<u>1,960,537</u>	<u>1,276,685</u>	<u>1,260,631</u>	<u>1,206,436</u>
Business-type Activities				
Charges for services				
Water	1,732,463	1,696,853	1,461,940	1,366,341
Sewer	1,353,887	1,497,248	1,380,388	1,326,216
Refuse and recycling	679,702	658,072	609,330	578,251
Electric	7,132,623	8,675,006	8,103,676	7,469,297
Storm sewer	145,513	90,791	89,221	88,482
Liquor	1,325,391	1,330,622	1,340,720	1,313,720
Operating grants and contributions	4,719	271	3,072	-
Capital grants and contributions	757,615	-	17,077	-
Total Business-type Activities Program Revenues	<u>13,131,913</u>	<u>13,948,863</u>	<u>13,005,424</u>	<u>12,142,307</u>
Total Primary Government Program Revenues	<u>\$15,092,450</u>	<u>\$15,225,548</u>	<u>\$14,266,055</u>	<u>\$13,348,743</u>

Table 2

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 694,390	\$ 700,138	\$ 635,951	\$ 637,217	\$ 621,043	\$ 636,689
1,264,489	1,114,561	1,166,584	1,121,294	1,157,952	1,068,857
1,378,361	1,470,237	1,263,739	1,255,146	1,221,999	1,092,130
1,508,418	1,117,074	932,997	901,766	879,739	934,358
103,906	94,351	86,198	318,480	90,220	59,119
50,251	81,184	159,403	122,743	156,189	203,159
<u>4,999,815</u>	<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>
1,107,274	1,021,691	949,208	834,782	988,222	1,855,956
1,017,470	1,048,553	875,392	835,648	897,768	878,326
399,265	415,337	437,194	420,554	417,189	392,343
6,899,422	6,080,534	5,769,226	5,923,359	5,962,493	5,550,824
82,267	75,106	76,250	82,298	79,293	60,026
1,185,261	1,112,630	1,077,729	1,016,858	987,460	965,470
<u>10,690,959</u>	<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>\$15,690,774</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>
\$ 63,052	\$ 62,121	\$ 47,492	\$ 51,817	\$ 54,073	\$ 38,069
282,266	232,798	384,318	263,000	260,206	237,608
354,203	373,403	316,630	321,368	244,489	153,865
205,624	177,144	196,480	216,383	227,713	224,637
28,534	31,043	24,442	24,442	17,854	17,657
389,345	164,929	35,506	34,568	38,862	39,290
62,178	743,378	781,163	226,957	564,245	1,980,096
<u>1,385,202</u>	<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>
1,237,390	1,067,966	1,227,239	1,250,747	1,204,587	1,160,826
1,256,889	1,220,933	1,263,396	1,212,028	1,135,984	1,072,722
554,170	540,006	543,122	541,011	516,125	500,956
7,445,013	6,577,653	6,318,544	6,415,879	6,356,768	6,067,045
87,815	87,094	87,038	86,745	86,861	88,809
1,249,159	1,178,689	1,186,644	1,103,616	1,064,495	1,029,748
21,780	72,654	-	-	-	-
-	360	150,540	7,882	7,580	366,994
<u>11,852,216</u>	<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>\$13,237,418</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>

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

	Fiscal Year			
	2018	2017	2016	2015
Program Revenues (Continued)				
Net (Expense)/Revenue				
Governmental activities	\$ (4,102,165)	\$ (4,306,133)	\$ (4,065,552)	\$ (3,745,652)
Business-type activities	1,640,395	2,028,276	731,914	1,065,243
Total Primary Government Net Expense	<u>\$ (2,461,770)</u>	<u>\$ (2,277,857)</u>	<u>\$ (3,333,638)</u>	<u>\$ (2,680,409)</u>
General Revenues and Other				
Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes, levied for general purposes	\$ 1,554,554	\$ 1,407,561	\$ 1,280,684	\$ 1,196,242
Property taxes, levied for debt service	263,261	270,160	316,673	308,832
Tax increments	67,938	57,714	54,568	29,917
Franchise and other taxes	459,694	463,977	472,291	426,010
Grants and contributions not restricted to specific programs	1,436,861	1,395,559	1,389,617	1,443,086
Unrestricted investment earnings	95,243	84,982	117,254	119,826
Other	40,150	-	-	-
Gain on sale of capital assets	30,132	114,046	52,874	-
Transfers	1,600,000	841,093	455,000	953,000
Total Governmental Activities	<u>5,547,833</u>	<u>4,635,092</u>	<u>4,138,961</u>	<u>4,476,913</u>
Business-type Activities				
Taxes				
Property taxes, levied for debt service	363	39,985	40,384	49,956
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings (loss)	75,484	116,210	208,532	210,178
Other	-	69	72	-
Gain on sale of capital assets	-	3,900	4,500	3,250
Transfers	(1,600,000)	(841,093)	(455,000)	(953,000)
Total Business-type Activities	<u>(1,524,153)</u>	<u>(680,929)</u>	<u>(201,512)</u>	<u>(689,616)</u>
Total Primary Government	<u>\$ 4,023,680</u>	<u>\$ 3,954,163</u>	<u>\$ 3,937,449</u>	<u>\$ 3,787,297</u>
Changes in Net Position				
Governmental activities	\$ 1,445,668	\$ 328,959	\$ 73,409	\$ 731,261
Business-type activities	116,242	1,347,347	530,402	375,627
Total Primary Government	<u>\$ 1,561,910</u>	<u>\$ 1,676,306</u>	<u>\$ 603,811</u>	<u>\$ 1,106,888</u>

Table 2 (continued)

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ (3,614,613)	\$ (2,792,729)	\$ (2,458,841)	\$ (3,218,111)	\$ (2,719,700)	\$ (1,303,090)
1,161,257	991,504	1,591,524	1,504,409	1,039,975	584,155
<u>\$ (2,453,356)</u>	<u>\$ (1,801,225)</u>	<u>\$ (867,317)</u>	<u>\$ (1,713,702)</u>	<u>\$ (1,679,725)</u>	<u>\$ (718,935)</u>
\$ 1,056,987	\$ 1,056,683	\$ 906,331	\$ 743,688	\$ 630,953	\$ 527,783
380,489	326,215	406,876	316,141	297,383	264,863
33,976	32,424	34,335	34,107	54,927	582,235
440,570	372,560	405,670	388,611	386,493	385,254
1,383,294	1,264,952	1,280,652	1,420,670	1,310,452	1,726,083
125,689	33,647	143,948	162,832	193,500	212,134
1,921	46	-	15	150	20
12,745	-	-	-	-	-
515,000	642,000	337,000	332,000	307,000	274,789
<u>3,950,671</u>	<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>
50,007	25,131	24,976	21,276	20,793	41,077
-	-	1,500	4,225	4,508	8,748
253,008	(99,048)	236,262	280,084	329,144	355,025
-	721	809	613	754	643
-	-	1,000	-	10,005	-
<u>(515,000)</u>	<u>(642,000)</u>	<u>(337,000)</u>	<u>(332,000)</u>	<u>(307,000)</u>	<u>(274,789)</u>
<u>(211,985)</u>	<u>(715,196)</u>	<u>(72,453)</u>	<u>(25,802)</u>	<u>58,204</u>	<u>130,704</u>
<u>\$ 3,738,686</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>
\$ 336,058	\$ 935,798	\$ 1,055,971	\$ 179,953	\$ 461,158	\$ 2,670,071
949,272	276,308	1,519,071	1,478,607	1,098,179	714,859
<u>\$ 1,285,330</u>	<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>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Luverne, Minnesota
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Hotel/motel Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service				
2018	\$ 1,554,554	\$ 263,261	\$ 67,938	\$ 2,438	\$ 457,256	\$ 2,345,447
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

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 1,004,160	\$ 764,248	\$ 407,450	\$ 403,441	\$ 434,528
Restricted (Reserved 2009 - 2010)	-	-	-	13,276	11,510
Committed	25,000	25,000	25,000	25,000	25,000
Assigned	906,505	889,515	862,771	841,600	837,965
Unassigned (Unreserved 2009 - 2010)	<u>843,947</u>	<u>809,533</u>	<u>1,494,640</u>	<u>1,732,788</u>	<u>1,528,220</u>
Total General Fund	<u>\$ 2,779,612</u>	<u>\$ 2,488,296</u>	<u>\$ 2,789,861</u>	<u>\$ 3,016,105</u>	<u>\$ 2,837,223</u>
All Other Governmental Funds					
Nonspendable	\$ 11,809	\$ 7,045	\$ 7,063	\$ 11,534	\$ 12,992
Restricted (Reserved 2009 - 2010)	1,205,678	702,461	771,223	807,430	853,040
Committed	1,318,115	907,918	569,692	747,782	894,112
Assigned	577,560	526,209	375,926	395,696	565,094
Unassigned (Unreserved 2009 - 2010)	<u>(747,431)</u>	<u>(529,399)</u>	<u>(518,718)</u>	<u>(142,416)</u>	<u>(101,310)</u>
Total All Other Governmental Funds	<u>\$ 2,365,731</u>	<u>\$ 1,614,234</u>	<u>\$ 1,205,186</u>	<u>\$ 1,820,026</u>	<u>\$ 2,223,928</u>

Table 4

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

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues					
Taxes	\$ 2,278,993	\$ 2,137,003	\$ 2,074,993	\$ 1,927,656	\$ 1,878,388
Tax increments	67,970	57,699	54,571	29,906	34,090
Licenses and permits	81,025	103,446	102,415	81,861	115,962
Intergovernmental revenue	2,458,231	1,715,416	1,694,863	1,737,431	1,806,070
Charges for services	825,037	804,978	815,494	797,945	685,052
Fines and forfeits	13,828	13,076	-	-	-
Special assessments	857	953	1,440	3,290	5,570
Investment income	79,290	66,875	94,251	99,033	98,943
Miscellaneous	65,830	50,589	50,635	46,083	180,484
Total Revenues	<u>5,871,061</u>	<u>4,950,035</u>	<u>4,888,662</u>	<u>4,723,205</u>	<u>4,804,559</u>
Expenditures					
General government	794,627	836,609	658,464	566,236	543,492
Public safety	1,254,223	1,258,731	1,202,036	1,198,483	1,140,298
Public works	996,616	978,701	1,036,027	1,094,617	1,038,500
Culture and recreation	1,168,031	1,110,519	1,150,222	1,031,291	1,259,812
Conservation and development	594,967	298,702	107,378	101,837	94,172
Capital outlay	1,183,880	822,661	1,604,817	1,460,786	909,258
Debt service					
Principal	389,356	408,655	415,555	407,556	320,556
Interest and other costs	65,548	83,113	63,121	40,419	58,172
Total Expenditures	<u>6,447,248</u>	<u>5,797,691</u>	<u>6,237,620</u>	<u>5,901,225</u>	<u>5,364,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(576,187)</u>	<u>(847,656)</u>	<u>(1,348,958)</u>	<u>(1,178,020)</u>	<u>(559,701)</u>
Other Financing Sources (Uses)					
Sale of capital assets	19,000	114,046	52,874	-	12,745
Transfers in	2,605,914	1,568,643	1,108,350	1,560,000	1,515,730
Debt issued	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	(600,000)
Discount on debt issued	-	-	-	-	-
Transfers out	(1,005,914)	(727,550)	(653,350)	(607,000)	(1,000,730)
Total Other Financing Sources (Uses)	<u>1,619,000</u>	<u>955,139</u>	<u>507,874</u>	<u>953,000</u>	<u>(72,255)</u>
Net Change in Fund Balances	<u>\$ 1,042,813</u>	<u>\$ 107,483</u>	<u>\$ (841,084)</u>	<u>\$ (225,020)</u>	<u>\$ (631,956)</u>
Debt Service As a Percentage of Noncapital Expenditures	8.52%	9.93%	10.41%	10.57%	8.60%

Table 5

Fiscal Year				
2013	2012	2011	2010	2009
\$ 1,747,314	\$ 1,732,568	\$ 1,443,061	\$ 1,314,969	\$ 1,172,406
32,324	36,878	33,921	55,063	580,734
60,107	190,435	90,228	86,731	74,615
1,786,108	1,267,456	1,530,290	1,856,285	2,896,500
683,794	674,013	679,870	646,568	519,666
-	-	-	125	-
12,344	36,450	78,422	92,247	90,642
12,440	125,033	140,776	170,990	186,006
181,096	945,409	305,198	109,113	447,415
<u>4,515,527</u>	<u>5,008,242</u>	<u>4,301,766</u>	<u>4,332,091</u>	<u>5,967,984</u>
567,495	544,639	506,873	492,799	506,956
1,061,326	1,095,648	1,049,164	1,081,976	999,236
1,138,848	857,251	812,308	757,228	853,957
897,318	774,622	779,066	690,957	755,843
84,617	76,464	316,435	89,471	58,321
1,346,191	1,740,549	302,717	1,095,426	1,719,849
484,556	476,592	287,059	839,212	643,208
104,979	140,829	117,222	190,205	208,482
<u>5,685,330</u>	<u>5,706,594</u>	<u>4,170,844</u>	<u>5,237,274</u>	<u>5,745,852</u>
<u>(1,169,803)</u>	<u>(698,352)</u>	<u>130,922</u>	<u>(905,183)</u>	<u>222,132</u>
-	-	-	-	-
1,124,052	770,391	694,250	1,265,757	837,407
444,000	2,065,000	23,384	758,106	136,552
(1,010,000)	-	-	(775,000)	-
-	-	-	(4,445)	-
<u>(482,052)</u>	<u>(433,391)</u>	<u>(362,250)</u>	<u>(958,757)</u>	<u>(550,407)</u>
<u>76,000</u>	<u>2,402,000</u>	<u>355,384</u>	<u>285,661</u>	<u>423,552</u>
<u>\$ (1,093,803)</u>	<u>\$ 1,703,648</u>	<u>\$ 486,306</u>	<u>\$ (619,522)</u>	<u>\$ 645,684</u>
13.75%	15.51%	10.38%	24.56%	21.88%

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Luverne, Minnesota
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Lodging Tax	Franchise Tax	Total
2018	\$ 1,819,299	\$ 67,970	\$ 2,438	\$ 457,256	\$ 2,346,963
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

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		
2018	\$ 202,242,800	\$ 72,643,900	\$ 274,886,700	\$ 2,450,100
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

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
\$ 277,336,800	63.422	\$ 2,935,401	1.06 %
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

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
2018	54.346	9.076	63.422	20.179	1.225	21.404
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

Source: Rock County Auditor/Treasurer

Table 8

Overlapping Rates				
Independent School District No. 2184				
Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Total Direct and Overlapping Rates
5.543	13.894	19.437	0.149	104.412
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

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

Taxpayer	Type of Business	2018		
		Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Agri-Energy, LLC	Ethanol production	\$ 243,785	1	8.2 %
Grandstay (Luverne Hotel Partners, LLC)	Hotel	54,578	2	1.9
Good Samaritan Society - Oak Apartments	Congregate care facility	37,408	3	1.3
Midwest Fire (Rock River Properties, LLC)	Fire truck manufacturer	35,202	4	1.2
Sanford Hospital - Luverne	Hospital	31,506	5	1.1
RCT Properties - Luverne	Groceries	31,299	6	1.1
Luverne Economic Development Authority	Commercial property	31,023	7	1.1
Herman Motors	Auto sales	29,918	8	1.0
Luverne Body Shop	Auto Body Repair	27,455	9	0.9
Shopko Hometown	Retail	26,330	10	0.9
Eagle Broadcasting, Inc	Communications	-	-	-
Glen's Food Center	Groceries	-	-	-
Pamida	Retail	-	-	-
Total Card, Inc	Credit Card Processing	-	-	-
SWMN Farmer's Elevator	Grain Elevator	-	-	-
	Total	<u>\$ 548,504</u>		<u>18.7 %</u>

Source: Rock County Assessor

Table 9

2009		
Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
\$ 101,360	1	4.6 %
-	-	-
34,600	2	1.5
33,346	3	1.4
30,550	5	1.3
28,538	6	1.2
-	-	-
-	-	-
-	-	-
-	-	-
33,064	4	1.4
27,400	7	1.2
23,986	8	1.0
19,250	9	0.8
18,083	10	0.8
<u>\$ 350,177</u>		<u>15.2 %</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Luverne, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 1,815,828	\$ 1,802,504	99.3 %	\$ -	\$ 1,802,504	99.3 %
2017	1,717,393	1,702,726	99.1	12,448	1,715,174	99.9
2016	1,633,623	1,623,984	99.4	9,036	1,633,020	100.0
2015	1,555,190	1,539,732	99.0	15,615	1,555,347	100.0
2014	1,484,357	1,475,215	99.4	8,808	1,484,023	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	3,035	1,348,740	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

(1) Includes market rate homestead credit unallotment of \$85,904.
Source: Finance Department, City of Luverne

City of Luverne, Minnesota
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	G.O. Improvement Bonds	G.O. Tax Increment Bonds	G.O. Equipment Certificates	Capital Leases and Notes
2018	\$ 760,000	\$ 195,000	\$ 175,000	\$ 93,000	\$ 63,581
2017	900,000	295,000	205,000	184,000	91,937
2016	1,040,000	400,000	233,696	274,000	135,591
2015	1,175,000	510,000	258,482	375,000	180,147
2014	1,310,000	620,000	283,268	468,000	224,703
2013	1,445,000	1,320,000	313,054	479,000	269,259
2012	2,620,000	1,548,651	342,839	45,000	313,815
2011	1,340,000	1,150,000	382,500	55,000	362,907
2010	1,490,000	1,235,000	387,500	65,000	376,582
2009	1,635,000	1,475,000	942,500	74,000	283,688

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

Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
G.O. Revenue Bonds	Revenue Bonds			
\$ 4,550,000	\$ 4,875,000	\$ 10,711,581	N/A %	\$ 2,276
5,090,000	-	6,765,937	2.96	1,438
5,651,337	-	7,734,624	3.50	1,650
6,167,581	-	8,666,210	3.69	1,841
6,576,154	-	9,482,125	4.27	2,016
4,201,322	-	8,027,635	3.55	1,704
5,114,895	-	9,985,200	4.28	2,120
2,660,000	-	5,950,407	2.74	1,261
4,735,000	-	8,289,082	4.33	1,747
3,060,000	-	7,470,188	4.39	1,631

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
2018	\$ 853,000	\$ 217,092	\$ 635,908	0.22 %	\$ 135
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

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, 2018

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>\$ 6,161,581</u>	100.00 %	<u>\$ 6,161,581</u>
Overlapping debt			
Rock County	8,601,235	11.18	961,618
Independent School District #2184	<u>30,270,000</u>	20.66	<u>6,253,782</u>
Total Overlapping Debt	<u>38,871,235</u>		<u>7,215,400</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 45,032,816</u></u>		 <u><u>\$ 13,376,981</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Limit	\$ 8,320,104	\$ 7,691,301	\$ 7,637,142	\$ 7,389,408
Total Net Debt Applicable to Limit	<u>853,000</u>	<u>1,084,000</u>	<u>1,314,000</u>	<u>1,550,000</u>
Legal Debt Margin	<u>\$ 7,467,104</u>	<u>\$ 6,607,301</u>	<u>\$ 6,323,142</u>	<u>\$ 5,839,408</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	10.25%	14.09%	17.21%	20.98%

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 7,233,201	\$ 6,903,957	\$ 6,741,432	\$ 6,589,104	\$ 6,470,442	\$ 6,082,623
<u>1,778,000</u>	<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>\$ 5,455,201</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>
24.58%	27.87%	39.53%	21.17%	24.03%	28.10%

Legal Debt Margin Calculation for Fiscal Year 2018

Estimated Market Value (2017/2018)	\$ 277,336,800
A) Debt Limit 3.0% of estimated market value	8,320,104
Total Bonded Debt	<u>10,648,000</u>
B) Deductions	
General obligation improvement bonds	195,000
General obligation tax increment bonds	175,000
General obligation revenue bonds	4,550,000
Revenue bonds	<u>4,875,000</u>
Total Deductions	<u>9,795,000</u>
Net Debt applicable to debt limit	
General obligation debt	760,000
General obligation equipment certificates	<u>93,000</u>
Total Net Debt applicable to debt limit	<u>853,000</u>
Legal Debt Margin	<u>\$ 7,467,104</u>
Percent of Debt Margin not used	89.75%

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	
2018	\$ 3,114,944	\$ 1,905,613	\$ 1,209,331	\$ 540,000	\$ 123,026	\$ 663,026	1.82
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

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 C
- (2) Does not include depreciation.
- (3) Includes Water and Sewer and Electric.

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	
2018	\$ 323,703	\$ 1,814	\$ 325,517	\$ 361,000	\$ 49,010	\$ 410,010	0.79
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

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
2018	4,706	N/A	N/A	38.2	38.4 %	1,238	2.2 %
2017	4,706	228,288,060	48,510	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

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

	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Independent School District No. 2184	226	1	10.16 %	215	1	9.08 %
Sanford Hospital - Luverne	218	2	9.80	203	2	8.58
Minnesota Veterans Home	193	3	8.67	175	4	7.39
Mary Jane Brown Good Samaritan Home	101	4	4.54	120	5	5.07
Rock County	100	5	4.49	116	6	4.90
City of Luverne	96	6	4.31	105	8	4.44
Papik Motors	55	7	2.47	45	10	1.90
Continental Western Group	46	8	2.07	109	7	4.60
Total Card Inc	41	9	1.84	-	-	-
Berkley Information Services	40	10	1.80	-	-	-
Gold 'N Plump	-	-	-	200	3	8.45
Sanford Clinic Luverne	-	-	-	51	9	2.15
Total	1,116		50.15 %	1,339		56.56 %

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				
	2018	2017	2016	2015	2014
General Government	2.52	2.21	2.53	2.70	2.61
Public Safety					
Fire					
Firefighters and officers	2.30	2.18	1.69	1.44	2.28
Building official	1.00	1.00	1.00	1.79	1.12
Streets and Highways	4.19	4.20	3.94	3.62	4.00
Sanitation	1.42	1.40	1.42	1.57	1.67
Culture and Recreation					
Parks	4.33	4.48	4.70	3.82	3.86
Swimming pool	8.40	8.22	8.28	8.26	8.01
Housing and Economic Development	1.00	1.00	1.00	1.04	1.00
Water	3.51	3.47	3.31	3.60	3.30
Sewer	4.65	4.57	4.44	4.77	4.50
Electric	2.23	2.23	2.23	2.28	2.24
Liquor - Off Sale	2.79	2.66	2.69	3.00	2.91
Central Garage	1.18	1.16	1.18	1.23	1.20
Central Store	0.50	0.50	0.50	0.52	0.50
Data Processing	2.70	2.32	2.08	2.04	1.98
Total	42.72	41.60	40.99	41.68	41.18

Source: Finance Department

Table 18

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

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

Function	Fiscal Year				
	2018	2017	2016	2015	2014
Police					
Physical arrests	73	150	72	54	111
Parking violations	-	7	-	-	-
Traffic violations	62	96	63	94	123
Fire					
Number of calls answered	42	66	68	69	86
Building/zoning					
Permits issued	243	245	257	239	190
Inspections	685	798	642	689	722
Sanitation					
Refuse collected annually	1,945	1,799	1,637	1,563	1,450
Recyclables collected annually	3,044	301	338	416	416
Airport					
Aviation fuel sales (gallons)	9,814	17,252	19,100	19,003	16,176
Jet fuel (gallons)	14,915	21,255	19,053	27,248	17,061
Culture and Recreation					
Pool and fitness center					
Attendance	79,019	80,712	82,402	78,845	75,375
Memberships	703	677	717	633	824
Water					
Average daily consumption	661,165	754,762	757,454	689,825	756,436
Wastewater					
Average daily sewage treatment	1,289,000	1,105,000	1,306,000	867,500	941,000
Electric					
Kilowatt hours sold	77,117,734	83,334,619	89,171,456	80,979,831	85,733,095
Liquor					
Annual sales	\$ 1,325,444	\$ 1,330,622	\$ 1,340,720	\$ 1,319,620	\$ 1,252,183

Sources: Various government departments

Table 19

Fiscal Year				
2013	2012	2011	2010	2009
91	68	140	168	107
2	-	52	27	43
187	46	191	257	93
75	84	92	89	59
211	245	241	242	228
812	1,082	1,124	1,103	1,135
1,351	1,273	1,458	1,483	1,560
416	338	312	312	312
17,997	16,978	16,183	15,789	10,120
24,443	13,284	18,632	11,867	-
68,374	76,043	78,296	79,218	81,867
849	800	917	968	1,300
739,627	673,306	900,218	984,170	1,053,119
827,000	913,000	1,337,000	1,162,917	942,000
68,828,422	73,454,715	76,389,496	77,318,682	74,411,632
\$ 1,175,086	\$ 1,182,830	\$ 1,097,579	\$ 1,058,949	\$ 1,025,544

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

Function	Fiscal Year				
	2018	2017	2016	2015	2014
Public Safety					
Fire					
Stations	1	1	1	1	1
Part-time paid	37	41	40	37	35
Hydrants	236	222	222	222	222
I.S.O. Rating	4	4	4	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	742	734	719	715
Signalized intersections	2	2	2	2	2
Parks division					
Neighborhood parks	14	14	14	13	13
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	2	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	2,063	2,058	2,032	2,039	2,040
Average daily consumption	661,165	754,762	757,454	689,825	648,782
Total gallons sold	194,463,750	229,186,500	226,670,250	219,878,250	209,151,000
Total gallons pumped	241,414,295	275,488,306	276,470,951	251,786,260	236,156,828
Storage capacity	3,050,000	3,050,000	3,050,000	3,050,000	2,700,000
Miles of water main	36	35	35	35	35
Municipal water treatment					
Type of treatment					
Users	2,028	2,018	2,002	2,005	2,002
Average daily use	1,289,000	1,105,000	1,306,000	867,000	941,000
Peak demand	2,517,000	1,539,000	2,221,000	1,285,000	6,617,000
Maximum design capacity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total volume	471,347,000	403,517,000	478,441,000	316,581,000	343,458,000
Miles of sanitary sewer	36	35	35	35	35
Storm Drains:					
Miles of storm sewer	11	11	11	11	11
Parking system					
Off-street parking lots	3	3	3	2	2
Employees					
Full-time	29	29	29	28	29
Part-time	67	64	57	56	51
Volunteer Firemen	37	41	40	37	34
Election judges	23	-	30	-	20
Total employees	156	134	156	121	134

Source: City of Luverne Financial Records.

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

Table 20

Fiscal Year					
2013	2012	2011	2010	2009	
1	1	1	1	1	1
37	36	36	37	35	
222	222	222	222	221	
5	5	5	5	5	
43	43	43	43	43	
95	95	95	95	95	
4.99	4.99	4.99	4.99	4.99	
715	715	715	715	715	
2	2	2	2	2	
12	12	12	12	12	
20	20	20	20	20	
2	2	2	2	2	
60	60	60	60	60	
1	1	1	1	1	
2	2	2	2	2	
1	1	1	1	1	
1	1	1	1	1	
3	3	3	3	3	
1	1	1	1	1	
2	2	2	2	2	
3	3	3	3	3	
2,035	2,027	2,016	2,019	2,026	
739,627	673,306	900,218	984,170	1,053,119	
172,229,250	220,937,250	245,908,500	277,651,250	282,381,000	
269,599,000	246,430,043	328,579,720	359,222,119	384,388,552	
2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	
35	35	35	35	35	
1,998	1,992	1,990	1,989	1,996	
827,000	913,000	1,337,000	1,162,917	942,000	
1,593,000	1,309,000	3,315,000	2,413,000	1,419,000	
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
302,670,000	334,096,000	488,573,000	425,067,000	343,402,000	
35	35	35	35	35	
11.1	11.1	11.1	11.1	11.1	
2	2	2	2	2	
28	27	26	28	29	
44	44	38	46	41	
37	36	36	37	35	
-	29	-	32	-	
109	136	100	143	105	

THIS PAGE IS LEFT
BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Luverne, Minnesota (the City) as of and for the year ended December 31, 2018, 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 9, 2019.

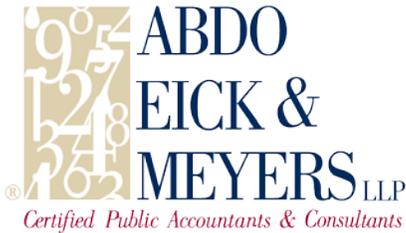
The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements,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

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

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 9, 2019



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, 2018, 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 9, 2019.

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.

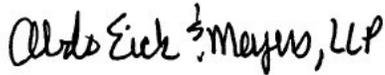
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 9, 2019