



Annual Financial Report

City of Le Center

Le Center, Minnesota

For the year ended December 31, 2021



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INTRODUCTORY SECTION

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Le Center, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Josh Fredrickson	Mayor	12/31/22
Christian Harmeyer	Council	12/31/24
Jennifer Weiers	Council	12/31/22
Nathan Hintz	Council	12/31/22
Collin Scott	Council	12/31/24

APPOINTED

Christopher Collins	City Administrator
Debbie Kopet	Deputy Clerk
Tara Nusbaum	Secretary

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FINANCIAL SECTION
CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Le Center, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Center, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 72 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and 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 has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, 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.



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Mankato, Minnesota
March 24, 2022



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Management's Discussion and Analysis

As management of the City of Le Center, Minnesota, (the City), 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, 2021.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,133,998 (net position). Of this amount \$2,036,122 (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 \$1,232,373. The majority of this increase attributable to capital grants as well as a decrease in streets and highways expenses.
- As of the close in the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,393,342, a decrease of \$2,032,076 in comparison with the prior year. Approximately 37.5 percent of the total amount, \$1,274,149, 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) restricted (\$1,500,418), 2) committed (\$482,576) 3) assigned (\$117,500) or 3) nonspendable (\$18,699).

Overview of the Financial Statements

This discussion and analysis is 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, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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.

**Figure 1
Required Components of the
City's Annual Financial Report**

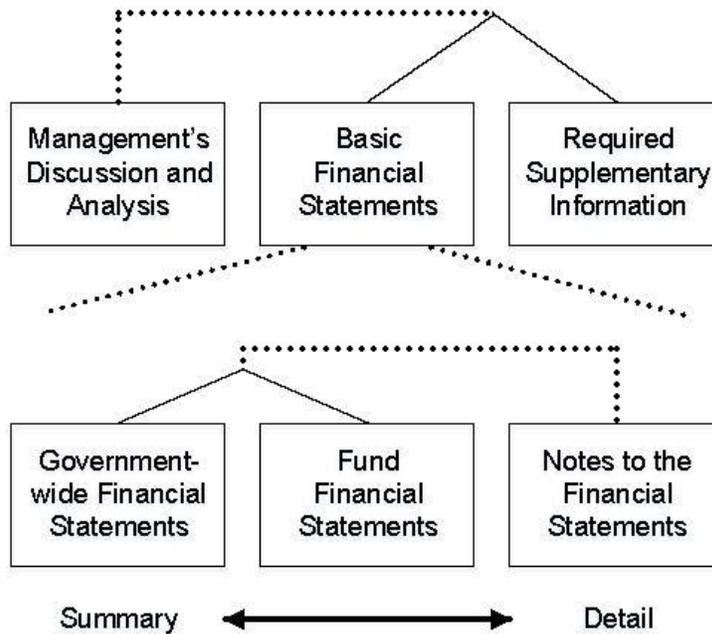


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 Fund Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference between the two 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 unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*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, streets and highway, culture and recreation and economic development. The business-type activities of the City include water utility, sewer utility, refuse and a municipal 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 (EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 31 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 governments, 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 twelve individual governmental funds, six of which are Debt Service funds which are considered one fund for reporting purposes. 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 funds, and the 2020 Street Project fund, all of which are considered to be major funds. Data from the other nonmajor 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 or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *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 utility, sewer utility, municipal liquor, and refuse.

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 each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 80 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 outflow of resources exceeded liabilities and deferred inflow of resources by \$9,133,998 at the close of the most recent fiscal year.

A large portion of the City's net position (51.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery 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 Le Center's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Current and Other Assets	\$ 5,025,803	\$ 6,270,552	\$ (1,244,749)	\$ 1,073,570	\$ 1,291,872	\$ (218,302)
Capital Assets	8,547,299	7,339,223	1,208,076	8,223,755	7,648,964	574,791
Total Assets	<u>13,573,102</u>	<u>13,609,775</u>	<u>(36,673)</u>	<u>9,297,325</u>	<u>8,940,836</u>	<u>356,489</u>
Deferred Outflows of Resources						
Pension resources	414,172	180,782	233,390	125,233	25,195	100,038
Long-term Liabilities Outstanding	8,077,803	8,835,525	(757,722)	4,858,419	5,337,670	(479,251)
Other Liabilities	510,581	283,272	227,309	74,816	131,343	(56,527)
Total Liabilities	<u>8,588,384</u>	<u>9,118,797</u>	<u>(530,413)</u>	<u>4,933,235</u>	<u>5,469,013</u>	<u>(535,778)</u>
Deferred Inflows of Resources						
Pension resources	590,463	254,303	336,160	163,752	12,850	150,902
Net Investment in Capital Assets	1,114,235	1,550,661	(436,426)	3,561,106	2,676,034	885,072
Restricted	2,422,535	1,801,731	620,804	-	-	-
Unrestricted	1,271,657	1,065,065	206,592	764,465	808,134	(43,669)
Total Net Position	<u>\$ 4,808,427</u>	<u>\$ 4,417,457</u>	<u>\$ 390,970</u>	<u>\$ 4,325,571</u>	<u>\$ 3,484,168</u>	<u>\$ 841,403</u>

An additional portion of the City's net assets (26.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (22.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities increased the City's net position by \$390,970. Key elements of this increase are as follows:

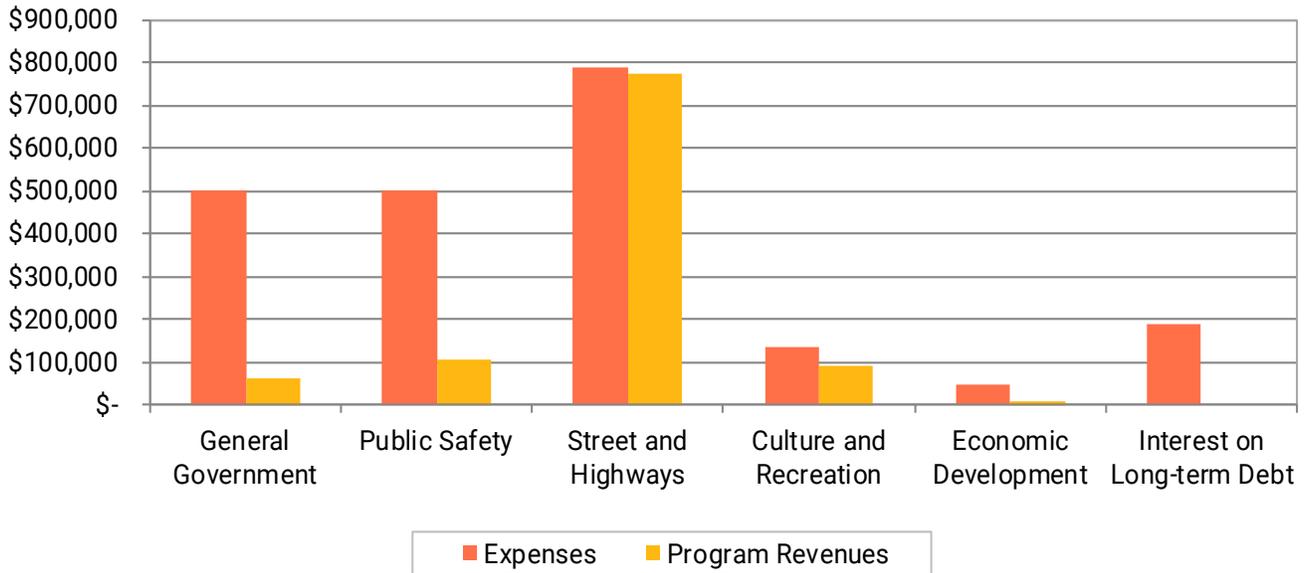
City of Le Center's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 46,447	\$ 46,725	\$ (278)	\$ 2,453,439	\$ 2,352,399	\$ 101,040
Operating grants and contributions	234,658	363,047	(128,389)	434	5,227	(4,793)
Capital grants and contributions	757,391	30,012	727,379	-	-	-
General revenues						
Property taxes/tax increments	1,138,286	1,133,786	4,500	-	-	-
Grants and contributions not restricted to specific programs	936,246	879,028	57,218	-	-	-
Unrestricted investment earnings	7,900	9,741	(1,841)	540	1,115	(575)
Gain on sale of fixed assets	82,306	-	82,306	530	-	530
Other	1,654	3,397	(1,743)	-	-	-
Total Revenues	3,204,888	2,465,736	739,152	2,454,943	2,358,741	96,202
Expenses						
General government	498,524	603,042	(104,518)	-	-	-
Public safety	498,705	541,576	(42,871)	-	-	-
Streets and highways	790,496	772,200	18,296	-	-	-
Culture and recreation	134,763	135,527	(764)	-	-	-
Economic development	48,367	33,523	14,844	-	-	-
Interest on long-term debt	187,102	249,992	(62,890)	-	-	-
Water utility	-	-	-	474,311	486,528	(12,217)
Sewer utility	-	-	-	562,611	590,292	(27,681)
Refuse and recycling	-	-	-	182,819	173,049	9,770
Municipal liquor store	-	-	-	1,049,760	1,048,567	1,193
Total Expenses	2,157,957	2,335,860	(177,903)	2,269,501	2,298,436	(28,935)
Increase (Decrease) in Net Position Before Transfers	1,046,931	129,876	917,055	185,442	60,305	125,137
Transfers	(655,961)	(532,687)	(123,274)	655,961	532,687	123,274
Change in Net Position	390,970	(402,811)	793,781	841,403	592,992	248,411
Net Position - January 1	4,417,457	4,820,268	(402,811)	3,484,168	2,891,176	592,992
Net Position - December 31	\$ 4,808,427	\$ 4,417,457	\$ 390,970	\$ 4,325,571	\$ 3,484,168	\$ 841,403

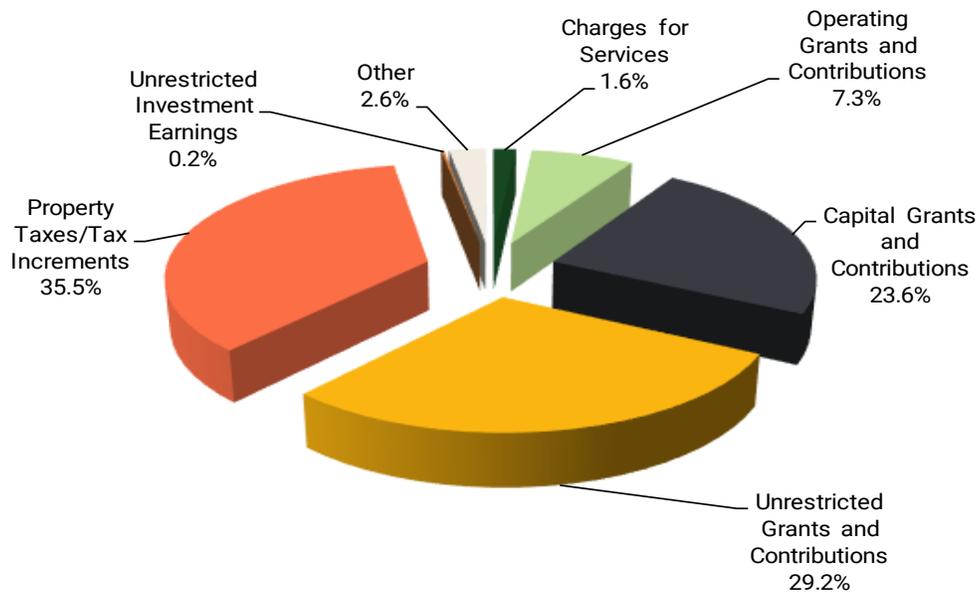
General government expenses decreased by \$104,518 and capital grants and contributions increased by \$727,379. Business-type activities charges for services increased by \$101,040 due largely to increased municipal liquor store revenues. The Governmental operating grants and contributions decreased by \$128,389 due to decreased grants and contributions received for Public Safety in 2021.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

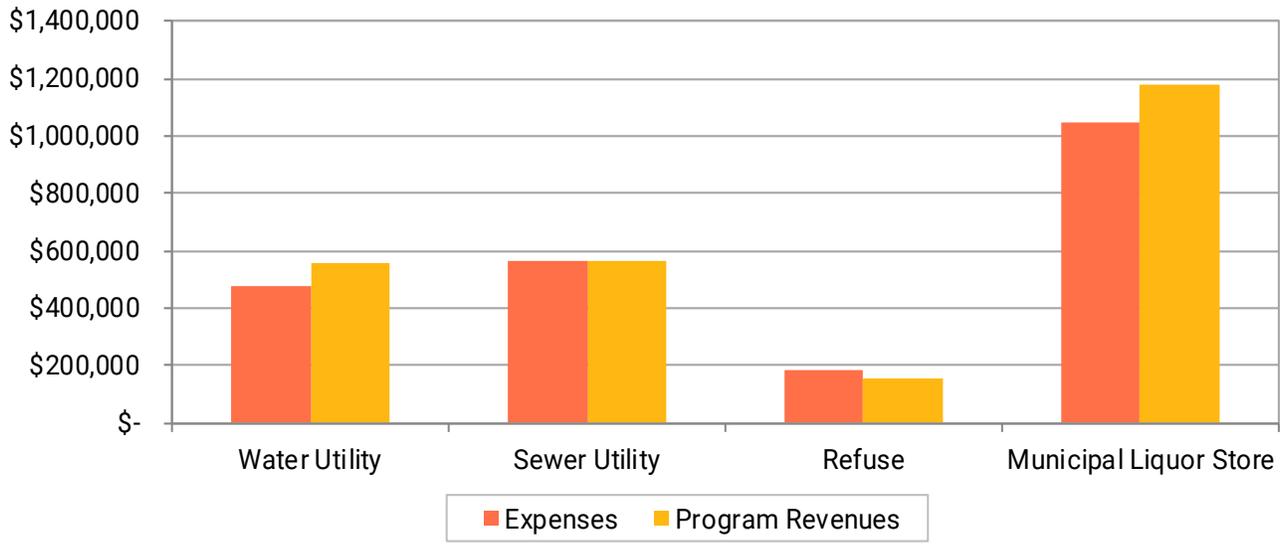


Revenues by Source - Governmental Activities

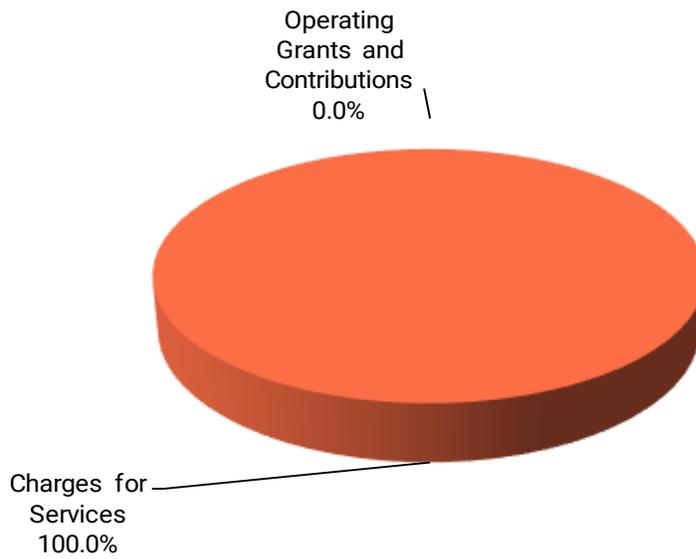


Business-Type Activities. Business-type activities increased the City's net position by \$841,403.

Expenses and Program Revenues - Business-type Activities



Revenues 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, the fund balance of the General fund was \$1,274,524, which was unassigned. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 74.0 percent of fund expenditures.

The fund balance of the City's General fund increased by \$128,091 during the current fiscal year. The key factor in this increase was increased revenues mainly related to taxes and assessments and charges for services.

Debt Service fund has a total fund balance of \$1,170,974, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$17,355. This relates to taxes and assessment collections exceeding debt service payments.

The *2020 Street Project fund* has a total fund balance of \$184,868, all of which is restricted from capital projects. The net decrease in fund balance during the current year was \$2,230,720. This relates to the spend down of bond proceeds from project costs.

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 enterprise funds at the end of the year amounted to \$764,465. The total increase in net position for the funds was \$841,403. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$200,442 and expenditures came in under budget by \$22,414.

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, 2021, amounts to \$16,771,054 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 11.9 percent (a 16.5 percent increase for governmental activities and a 7.5 percent increase for business-type activities).

Major capital asset event during the current fiscal year included the following:

- The City had project costs of \$2,231,759 related to the 2020 Street Project.
- The City spent \$171,023 on a new refuse truck.
- The City spent \$41,182 on new pumps.
- The City spent \$32,390 on sewer and water equipment.
- The City spent \$32,377 on a new scoreboard.

Additional information on the City's capital assets can be found in Note 3C starting on pages 55 of this report.

City of Le Center's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 332,459	\$ 332,459	\$ -	\$ 248,521	\$ 248,521	\$ -
Construction in Progress	2,903,067	1,377,269	1,525,798	1,255,178	549,217	705,961
Buildings and Improvements	38,375	41,407	(3,032)	301,017	330,294	(29,277)
Systems and Infrastructure	5,039,844	5,352,433	(312,589)	5,982,909	6,229,285	(246,376)
Equipment and Machinery	233,554	235,655	(2,101)	436,130	291,647	144,483
Total	\$ 8,547,299	\$ 7,339,223	\$ 1,208,076	\$ 8,223,755	\$ 7,648,964	\$ 574,791

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,093,984, which included general obligation improvement bonds and general obligation revenue bonds. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Le Center's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
G.O. Special Assessment Bonds	\$ 7,345,716	\$ 7,891,206	\$ (545,490)	\$ 4,438,570	\$ 4,947,080	\$ (508,510)
G.O. Revenue Bonds	-	-	-	64,887	73,616	(8,729)
Capital Lease Payable	99,509	129,744	(30,235)	145,302	-	145,302
Total	\$ 7,445,225	\$ 8,020,950	\$ (575,725)	\$ 4,648,759	\$ 5,020,696	\$ (371,937)

The City's total debt decreased by \$947,662 (7.3 percent) during the current fiscal year. This decrease related to the regular annual repayment of bonds and capital leases.

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. The current debt limitation for the City is \$4,532,412. The City currently has no general obligation debt subject to this limit.

Additional information on the City's long-term debt can be found in Note 3F starting on page 58 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Le Sueur County is currently 4.3 percent, which is an decrease from a rate of 6.1 percent a year ago. This does not compare favorably to the State's average unemployment rate of 3.1 percent. The national average rate of 3.9 percent.
- Property valuations within the City remain strong.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2022 fiscal year.

Property taxes will increase in 2022 by approximately 2 percent to meet operational needs and future planning.

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 Administrator/Clerk/Treasurer, City of Le Center, 10 W. Tyrone Street, Le Center, MN 56057.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Le Center, Minnesota
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 3,603,622	\$ 733,375	\$ 4,336,997
Receivables			
Delinquent taxes	13,471	-	13,471
Accounts	-	132,078	132,078
Notes	172,038	-	172,038
Special assessments	1,186,706	-	1,186,706
Intergovernmental	31,267	-	31,267
Inventories	-	198,980	198,980
Prepays	18,699	9,137	27,836
Capital assets			
Nondepreciable land and construction in progress	3,235,526	1,503,699	4,739,225
Depreciable assets (net of accumulated depreciation)	5,311,773	6,720,056	12,031,829
Total Assets	<u>13,573,102</u>	<u>9,297,325</u>	<u>22,870,427</u>
Deferred Outflow of Resources			
Deferred pension resources	<u>414,172</u>	<u>125,233</u>	<u>539,405</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	206,978	33,317	240,295
Due to other governments	87,829	-	87,829
Accrued interest payable	78,297	41,499	119,796
Unearned revenue	137,477	-	137,477
Noncurrent liabilities			
Due within one year			
Longterm liabilities	612,270	549,075	1,161,345
Due in more than one year			
Longterm liabilities	7,126,901	4,132,102	11,259,003
Net pension liability	338,632	177,242	515,874
Total Liabilities	<u>8,588,384</u>	<u>4,933,235</u>	<u>13,521,619</u>
Deferred inflow of resources			
Deferred pension resources	<u>590,463</u>	<u>163,752</u>	<u>754,215</u>
Net Position			
Net investment in capital assets	1,114,235	3,561,106	4,675,341
Restricted for			
Senior center/recreation	100,000	-	100,000
Debt service	2,277,959	-	2,277,959
Small city development	44,576	-	44,576
Unrestricted	<u>1,271,657</u>	<u>764,465</u>	<u>2,036,122</u>
Total Net Position	<u>\$ 4,808,427</u>	<u>\$ 4,325,571</u>	<u>\$ 9,133,998</u>

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

City of Le Center, Minnesota
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 498,524	\$ 38,909	\$ 24,032	\$ -
Public safety	498,705	-	106,889	-
Streets and highways	790,496	-	16,272	757,091
Culture and recreation	134,763	1,075	87,465	300
Economic development	48,367	6,463	-	-
Interest on long-term debt	187,102	-	-	-
Total Governmental Activities	2,157,957	46,447	234,658	757,391
Business-type Activities				
Water utility	474,311	559,242	58	-
Sewer utility	562,611	561,423	155	-
Refuse	182,819	157,451	49	-
Municipal liquor store	1,049,760	1,175,323	172	-
Total Business-type Activities	2,269,501	2,453,439	434	-
Total	\$ 4,427,458	\$ 2,499,886	\$ 235,092	\$ 757,391

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of capital assets
- Transfers
- Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (435,583)	\$ -	\$ (435,583)
(391,816)	-	(391,816)
(17,133)	-	(17,133)
(45,923)	-	(45,923)
(41,904)	-	(41,904)
(187,102)	-	(187,102)
<u>(1,119,461)</u>	<u>-</u>	<u>(1,119,461)</u>
-	84,989	84,989
-	(1,033)	(1,033)
-	(25,319)	(25,319)
-	125,735	125,735
<u>-</u>	<u>184,372</u>	<u>184,372</u>
<u>(1,119,461)</u>	<u>184,372</u>	<u>(935,089)</u>
581,069	-	581,069
557,217	-	557,217
936,246	-	936,246
7,900	540	8,440
1,654	-	1,654
82,306	530	82,836
(655,961)	655,961	-
<u>1,510,431</u>	<u>657,031</u>	<u>2,167,462</u>
390,970	841,403	1,232,373
<u>4,417,457</u>	<u>3,484,168</u>	<u>7,901,625</u>
<u>\$ 4,808,427</u>	<u>\$ 4,325,571</u>	<u>\$ 9,133,998</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Le Center, Minnesota
Balance Sheet
Governmental Funds
December 31, 2021

	300's	430			
	Debt Service	2020 Street	Other		
	Fund	Project	Governmental	Totals	
	General		Funds		
Assets					
Cash and temporary investments	\$ 1,821,406	\$ 1,170,821	\$ 369,703	\$ 241,692	\$ 3,603,622
Receivables					
Delinquent taxes	13,471	-	-	-	13,471
Notes	-	-	-	172,038	172,038
Special assessments					
Delinquent	1,424	434	-	-	1,858
Deferred	-	1,184,848	-	-	1,184,848
Intergovernmental	31,114	153	-	-	31,267
Due from other funds	56,112	-	-	350,000	406,112
Prepaid items	18,699	-	-	-	18,699
	<u>\$ 1,942,226</u>	<u>\$ 2,356,256</u>	<u>\$ 369,703</u>	<u>\$ 763,730</u>	<u>\$ 5,431,915</u>
Liabilities					
Accounts payable	\$ 22,032	\$ -	\$ 184,835	\$ 111	\$ 206,978
Due to other funds	350,000	-	-	56,112	406,112
Due to other governments	-	-	-	87,829	87,829
Unearned revenue	-	-	-	137,477	137,477
Total Liabilities	<u>372,032</u>	<u>-</u>	<u>184,835</u>	<u>281,529</u>	<u>838,396</u>
Deferred Inflows of Resources					
Unavailable revenue - taxes	13,471	-	-	-	13,471
Unavailable revenue - special assessments	1,424	1,185,282	-	-	1,186,706
Total Deferred Inflows of Resources	<u>14,895</u>	<u>1,185,282</u>	<u>-</u>	<u>-</u>	<u>1,200,177</u>
Fund Balances					
Nonspendable for					
Prepaid items	18,699	-	-	-	18,699
Restricted for					
Senior center/recreation	100,000	-	-	-	100,000
Debt service	-	1,170,974	-	-	1,170,974
Small city development	44,576	-	-	-	44,576
Capital projects	-	-	184,868	-	184,868
Committed					
Economic development	-	-	-	482,576	482,576
Assigned for					
Capital improvements	117,500	-	-	-	117,500
Unassigned	1,274,524	-	-	(375)	1,274,149
Total Fund Balances	<u>1,555,299</u>	<u>1,170,974</u>	<u>184,868</u>	<u>482,201</u>	<u>3,393,342</u>
	<u>\$ 1,942,226</u>	<u>\$ 2,356,256</u>	<u>\$ 369,703</u>	<u>\$ 763,730</u>	<u>\$ 5,431,915</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances					

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

City of Le Center, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2021

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

Total Fund Balances - Governmental Funds	\$ 3,393,342
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	8,547,299
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:	
Compensated absences	(121,239)
Bonds payable	(7,345,716)
Bond premiums, net of accumulated amortization	(172,707)
Net pension liability	(338,632)
Capital lease payable	(99,509)
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	414,172
Deferred inflows of pension resources	(590,463)
Long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Delinquent property taxes receivable	13,471
Special assessments receivable	1,186,706
Governmental funds do not report a liability for accrued interest until due and payable.	(78,297)
Total Net Position - Governmental Activities	\$ 4,808,427

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

City of Le Center, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	300's		430	Other Governmental Funds	Totals
	General	Debt Service Fund	2020 Street Project		
Revenues					
Taxes	\$ 596,799	\$ 557,217	\$ -	\$ -	\$ 1,154,016
Special assessments	811	217,568	-	-	218,379
Licenses and permits	36,995	-	-	-	36,995
Intergovernmental	978,398	-	-	-	978,398
Fines and forfeits	47,274	-	-	-	47,274
Investment earnings	5,761	-	1,039	1,100	7,900
Miscellaneous	133,339	-	-	6,463	139,802
Total Revenues	<u>1,799,377</u>	<u>774,785</u>	<u>1,039</u>	<u>7,563</u>	<u>2,582,764</u>
Expenditures					
Current					
General government	494,699	-	-	-	494,699
Public safety	548,754	-	-	-	548,754
Streets and highways	461,869	-	-	-	461,869
Culture and recreation	119,936	-	-	-	119,936
Economic development	-	-	-	36,671	36,671
Capital outlay					
Public safety	12,363	-	-	-	12,363
Streets and highways	7,371	-	2,231,759	-	2,239,130
Culture and recreation	39,810	-	-	-	39,810
Debt service					
Principal	30,235	545,490	-	-	575,725
Interest and other	6,249	211,940	-	-	218,189
Total Expenditures	<u>1,721,286</u>	<u>757,430</u>	<u>2,231,759</u>	<u>36,671</u>	<u>4,747,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>78,091</u>	<u>17,355</u>	<u>(2,230,720)</u>	<u>(29,108)</u>	<u>(2,164,382)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	82,306	82,306
Transfers in	50,000	-	-	-	50,000
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>82,306</u>	<u>132,306</u>
Net Change in Fund Balances	128,091	17,355	(2,230,720)	53,198	(2,032,076)
Fund Balances, January 1	<u>1,427,208</u>	<u>1,153,619</u>	<u>2,415,588</u>	<u>429,003</u>	<u>5,425,418</u>
Fund Balances, December 31	<u>\$ 1,555,299</u>	<u>\$ 1,170,974</u>	<u>\$ 184,868</u>	<u>\$ 482,201</u>	<u>\$ 3,393,342</u>

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

City of Le Center, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2021

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

Net Change in Fund Balances - Governmental Funds	\$ (2,032,076)
<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	2,264,136
Depreciation expense	(350,099)
Contribution of capital assets to enterprise funds	(705,961)
<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	575,725
Premium on bonds issued, net of amortization expense	9,233
<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>	
	21,854
<p>Delinquent property taxes receivable will be collected this year, but is not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.</p>	
	(548)
<p>Long-term pension activity is not reported in governmental funds</p>	
Pension expense	67,964
Pension revenue	1,654
<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>	
Special assessments	538,712
<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>	
Compensated absences	376
Change in Net Position - Governmental Activities	\$ 390,970

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

City of Le Center, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 590,477	\$ 590,477	\$ 596,799	\$ 6,322
Special assessments	-	-	811	811
Licenses and permits	26,000	26,000	36,995	10,995
Intergovernmental	874,858	874,858	978,398	103,540
Fines and forfeits	48,000	48,000	47,274	(726)
Investment earnings	7,000	7,000	5,761	(1,239)
Miscellaneous	52,600	52,600	133,339	80,739
Total Revenues	<u>1,598,935</u>	<u>1,598,935</u>	<u>1,799,377</u>	<u>200,442</u>
Expenditures				
Current				
General government	503,100	503,100	494,699	8,401
Public safety	531,500	531,500	548,754	(17,254)
Streets and highways	463,100	463,100	461,869	1,231
Culture and recreation	149,500	149,500	119,936	29,564
Debt service	-	-	36,484	(36,484)
Capital outlay				
Public safety	16,500	16,500	12,363	4,137
Streets and highways	35,000	35,000	7,371	27,629
Culture and recreation	45,000	45,000	39,810	5,190
Total Expenditures	<u>1,743,700</u>	<u>1,743,700</u>	<u>1,721,286</u>	<u>22,414</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(144,765)	(144,765)	78,091	222,856
Other Financing Sources (Uses)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	(94,765)	(94,765)	128,091	222,856
Fund Balances, January 1	<u>1,427,208</u>	<u>1,427,208</u>	<u>1,427,208</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,332,443</u>	<u>\$ 1,332,443</u>	<u>\$ 1,555,299</u>	<u>\$ 222,856</u>

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

City of Le Center, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities - Business-type Activities - Enterprise Funds				Totals
	601	602	609	Nonmajor 603	
	Water Utility	Sewer Utility	Municipal Liquor Store	Refuse	
Assets					
Current Assets					
Cash and temporary investments	\$ 145,763	\$ 163,013	\$ 289,630	\$ 134,969	\$ 733,375
Receivables					
Accounts receivable	67,931	48,287	-	15,860	132,078
Inventories	-	-	198,980	-	198,980
Prepaid items	1,377	3,192	2,577	1,991	9,137
Total Current Assets	<u>215,071</u>	<u>214,492</u>	<u>491,187</u>	<u>152,820</u>	<u>1,073,570</u>
Noncurrent Assets					
Capital assets, at cost					
Land	24,444	220,000	4,077	-	248,521
Construction in Progress	613,817	641,361	-	-	1,255,178
Buildings and improvements	-	599,101	484,155	-	1,083,256
Systems and infrastructure	6,268,342	5,639,152	-	-	11,907,494
Equipment and machinery	-	-	121,976	-	121,976
Vehicles	347,661	517,270	-	171,023	1,035,954
Less accumulated depreciation	<u>(3,000,271)</u>	<u>(4,042,053)</u>	<u>(383,450)</u>	<u>(2,850)</u>	<u>(7,428,624)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>4,253,993</u>	<u>3,574,831</u>	<u>226,758</u>	<u>168,173</u>	<u>8,223,755</u>
Total Assets	<u>4,469,064</u>	<u>3,789,323</u>	<u>717,945</u>	<u>320,993</u>	<u>9,297,325</u>
Deferred Outflows of Resources					
Deferred pension resources	<u>16,734</u>	<u>44,869</u>	<u>49,538</u>	<u>14,092</u>	<u>125,233</u>
Liabilities					
Current Liabilities					
Accounts payable	7,011	4,774	14,510	7,022	33,317
Accrued interest payable	19,818	21,452	-	229	41,499
Bonds payable - current	276,000	241,678	-	-	517,678
Notes payable - current	-	-	9,264	22,133	31,397
Total Current Liabilities	<u>302,829</u>	<u>267,904</u>	<u>23,774</u>	<u>29,384</u>	<u>623,891</u>
Noncurrent Liabilities					
Notes payable	-	-	55,623	123,169	178,792
Bonds payable, noncurrent	1,998,000	1,955,310	-	-	3,953,310
Net pension liability	23,684	63,502	70,111	19,945	177,242
Total Noncurrent Liabilities	<u>2,021,684</u>	<u>2,018,812</u>	<u>125,734</u>	<u>143,114</u>	<u>4,309,344</u>
Total Liabilities	<u>2,324,513</u>	<u>2,286,716</u>	<u>149,508</u>	<u>172,498</u>	<u>4,933,235</u>
Deferred Inflows of Resources					
Deferred pension resources	<u>21,881</u>	<u>58,669</u>	<u>64,775</u>	<u>18,427</u>	<u>163,752</u>
Net Position					
Net investment in capital assets	1,979,993	1,377,843	180,399	22,871	3,561,106
Unrestricted	<u>159,411</u>	<u>110,964</u>	<u>372,801</u>	<u>121,289</u>	<u>764,465</u>
Total Net Position	<u>\$ 2,139,404</u>	<u>\$ 1,488,807</u>	<u>\$ 553,200</u>	<u>\$ 144,160</u>	<u>\$ 4,325,571</u>

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

City of Le Center, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Business-type Activities - Enterprise Funds				Totals
	601	602	609	Nonmajor 603	
	Water Utility	Sewer Utility	Municipal Liquor Store	Refuse	
Operating Revenues					
Charges for services	\$ 513,681	\$ 561,423	\$ -	\$ 154,326	\$ 1,229,430
Sales	-	-	1,077,777	-	1,077,777
Cost of sales	-	-	(741,601)	-	(741,601)
Total Operating Revenues	<u>513,681</u>	<u>561,423</u>	<u>336,176</u>	<u>154,326</u>	<u>1,565,606</u>
Operating Expenses					
Personal services	41,615	147,262	187,653	54,067	430,597
Purchases	-	33,410	-	-	33,410
Supplies and repairs	54,147	69,110	34,392	20,240	177,889
Other services and charges	68,441	23,275	26,041	96,781	214,538
Insurance	8,386	12,124	9,767	-	30,277
Utilities	64,189	57,800	24,282	-	146,271
Depreciation	185,272	165,875	21,768	2,850	375,765
Total Operating Expenses	<u>422,050</u>	<u>508,856</u>	<u>303,903</u>	<u>173,938</u>	<u>1,408,747</u>
Operating Income (Loss)	<u>91,631</u>	<u>52,567</u>	<u>32,273</u>	<u>(19,612)</u>	<u>156,859</u>
Nonoperating Revenues (Expenses)					
Other income	46,392	155	22,240	3,174	71,961
Investment earnings	-	-	540	-	540
Rental income	-	-	75,478	-	75,478
Amortization of bond premium	-	2,161	-	-	2,161
Gain (loss) on sale of capital asset	-	-	-	530	530
Interest and other expense	(53,034)	(55,916)	(4,256)	(8,881)	(122,087)
Total Nonoperating Revenues (Expenses)	<u>(6,642)</u>	<u>(53,600)</u>	<u>94,002</u>	<u>(5,177)</u>	<u>28,583</u>
Income (Loss) Before Transfers	84,989	(1,033)	126,275	(24,789)	185,442
Capital Contributions from Governmental Funds	346,494	359,467	-	-	705,961
Transfers Out	-	-	(50,000)	-	(50,000)
Change in Net Position	431,483	358,434	76,275	(24,789)	841,403
Net Position, January 1	<u>1,707,921</u>	<u>1,130,373</u>	<u>476,925</u>	<u>168,949</u>	<u>3,484,168</u>
Net Position, December 31	<u>\$ 2,139,404</u>	<u>\$ 1,488,807</u>	<u>\$ 553,200</u>	<u>\$ 144,160</u>	<u>\$ 4,325,571</u>

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

City of Le Center, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Business-type Activities - Enterprise Funds				Totals
	601	602	609	Nonmajor 603	
	Water Utility	Sewer Utility	Municipal Liquor Store	Refuse	
Cash Flows from Operating Activities					
Receipts from customers	\$ 501,089	\$ 554,477	\$ 1,077,777	\$ 152,136	\$ 2,285,479
Payments to suppliers and vendors	(207,466)	(198,231)	(839,633)	(117,048)	(1,362,378)
Payments to and on behalf of employees	(45,963)	(164,141)	(214,988)	(59,794)	(484,886)
Other receipts	46,392	155	97,718	3,174	147,439
Net Cash Provided (Used) by Operating Activities	<u>294,052</u>	<u>192,260</u>	<u>120,874</u>	<u>(21,532)</u>	<u>585,654</u>
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	-	-	(50,000)	-	(50,000)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(16,195)	(110,567)	-	(170,493)	(297,255)
Principal paid on bonds payable	(272,000)	(236,510)	-	-	(508,510)
Interest and fees paid on bonds payable	(54,777)	(57,907)	-	(8,652)	(121,336)
Principal paid on notes payable	-	-	(8,729)	(18,698)	(27,427)
Interest and fees paid on notes payable	-	-	(4,256)	-	(4,256)
Proceeds from notes issued	-	-	-	164,000	164,000
Net Cash Provided (Used) by Capital And Related Financing Activities	<u>(342,972)</u>	<u>(404,984)</u>	<u>(12,985)</u>	<u>(33,843)</u>	<u>(794,784)</u>
Cash Flows from Investing Activities					
Interest received on cash and temporary investments	-	-	540	-	540
Net Increase (Decrease) in Cash and Temporary Investments	<u>(48,920)</u>	<u>(212,724)</u>	<u>58,429</u>	<u>(55,375)</u>	<u>(258,590)</u>
Cash and Temporary Investments, January 1	<u>194,683</u>	<u>375,737</u>	<u>231,201</u>	<u>190,344</u>	<u>991,965</u>
Cash and Temporary Investments, December 31	<u>\$ 145,763</u>	<u>\$ 163,013</u>	<u>\$ 289,630</u>	<u>\$ 134,969</u>	<u>\$ 733,375</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 91,631	\$ 52,567	\$ 32,273	\$ (19,612)	\$ 156,859
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	46,392	155	97,718	3,174	147,439
Depreciation	185,272	165,875	21,768	2,850	375,765
(Increase) decrease in assets					
Accounts receivable	(12,592)	(6,946)	-	(2,190)	(21,728)
Inventories	-	-	(17,840)	-	(17,840)
Prepaid items	(91)	(244)	(220)	(165)	(720)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	(13,517)	(35,736)	(39,603)	(11,182)	(100,038)
Increase (decrease) in liabilities					
Accounts payable	(12,212)	(2,268)	14,510	138	168
Compensated absences payable	-	-	(10,230)	-	(10,230)
Net pension liability	(11,071)	(35,154)	(37,210)	(11,488)	(94,923)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	20,240	54,011	59,708	16,943	150,902
Net Cash Provided (Used) by Operating Activities	<u>\$ 294,052</u>	<u>\$ 192,260</u>	<u>\$ 120,874</u>	<u>\$ (21,532)</u>	<u>\$ 585,654</u>
Schedule of Noncash Capital and Financing Activities					
Trade in value of capitalized asset	\$ -	\$ -	\$ -	\$ 25,447	\$ 25,447
Book value of disposed/traded capital assets	-	-	-	(25,977)	(25,977)
Net capital assets contributed by other funds	346,494	359,467	-	-	705,961
Amortization of bond premium	-	2,161	-	-	2,161

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Le Center (the City) operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to 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. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Unit. The Le Center Economic Development Authority (EDA) was created pursuant to Minnesota statutes, 469.090 through 469.108 to encourage the development and redevelopment of certain properties within the City in accordance with policies established by the City Council. The EDA is considered blended because the City has significant influence on the EDA activities, the EDA has five Board members, two of whom are on the City Council and the remaining are appointed by the City Council and there is a financial benefit or burden relationship between the EDA and the City.

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. For the most part, the effect of interfund activity has been removed from these statements. *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.

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 and proprietary funds. 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 financial 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.

The 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 City 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General fund* is the City'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 accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *2020 Street Project fund* for costs associated the with the City's street and utility improvement project starting in 2020.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensure that user charges are sufficient to pay for those costs.

The *Municipal Liquor Store fund* accounts for the costs associated with the City's liquor store and ensures that revenues are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and refuse 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. 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 are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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 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.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. The City annually certifies delinquent utility accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

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 annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the governmental 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."

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 are defined by the City as assets with an initial estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires 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. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. 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.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land Improvements	\$ 10,000
Buildings and Improvements	25,000
Machinery and Equipment	5,000
Infrastructure	50,000
Other Assets	2,500

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Other Improvements	15 - 20
Buildings and Improvements	7 - 40
Infrastructure	15 - 40
Machinery and Equipment	5 - 20
Vehicles	5 - 20
Other Assets	5 - 20

Deferred Outflows of Resources

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

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay a portion of the amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued for 2021 was \$121,239. The General fund is typically used to liquidate governmental compensated absences payable.

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. The recognition of bond premiums and discounts are 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.

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.

The total pension expense for the GERP and PEPFP is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Total All Plans
	GERP	PEPFP	
Pension Expense	\$ 8,054	\$ (29,099)	\$ (21,045)

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position 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 that 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: property taxes and special assessment. 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.

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 City Administrator/Clerk.

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 two months of next year's budgeted expenditures for cash-flow timing needs.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist 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".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 for all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2021, have been compared to the City's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all agencies of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The City council reviews the budget at the regular meeting in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the City Council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year end.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2021:

Fund	Amount
Special Revenue	
Tax Increment - 16 Horizon Place	\$ 375

The above deficits will be eliminated through future revenues or transfers from 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 or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the City's carrying amount of deposits was \$4,329,843 and the bank balance was \$4,494,212. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

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 \$7,154.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Deposits	\$ 4,329,843
Cash on Hand	7,154
	<u>7,154</u>
Total	<u>\$ 4,336,997</u>

B. Notes Receivable

The City has made various economic development loans to businesses. These loans are receivable by the City over three or ten-year periods with interest at 0 percent to 4.5 percent per annum. These loans are secured by collateral. The balance on all loans receivable at December 31, 2021 is \$172,038.

C. Capital Assets

Capital asset activity for the City for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 332,459	\$ -	\$ -	\$ 332,459
Construction in progress	1,377,269	2,231,759	(705,961)	2,903,067
Total Capital Assets Not Being Depreciated	<u>1,709,728</u>	<u>2,231,759</u>	<u>(705,961)</u>	<u>3,235,526</u>
Capital Assets Being Depreciated				
Buildings and improvements	463,510	-	-	463,510
Systems and infrastructure	11,503,720	-	-	11,503,720
Machinery and equipment	1,404,624	32,377	-	1,437,001
Total Capital Assets Being Depreciated	<u>13,371,854</u>	<u>32,377</u>	<u>-</u>	<u>13,404,231</u>
Less Accumulated Depreciation for				
Buildings and improvements	(422,103)	(3,032)	-	(425,135)
Systems and infrastructure	(6,151,287)	(312,589)	-	(6,463,876)
Machinery and equipment	(1,168,969)	(34,478)	-	(1,203,447)
Total Accumulated Depreciation	<u>(7,742,359)</u>	<u>(350,099)</u>	<u>-</u>	<u>(8,092,458)</u>
Total Capital Assets Being Depreciated, Net	<u>5,629,495</u>	<u>(317,722)</u>	<u>-</u>	<u>5,311,773</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,339,223</u>	<u>\$ 1,914,037</u>	<u>\$ (705,961)</u>	<u>\$ 8,547,299</u>

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 248,521	\$ -	\$ -	\$ 248,521
Construction in progress	549,217	705,961	-	1,255,178
Total Capital Assets not being Depreciated	<u>797,738</u>	<u>705,961</u>	<u>-</u>	<u>1,503,699</u>
Capital Assets Being Depreciated				
Buildings and improvements	1,083,256	-	-	1,083,256
Systems and infrastructure	11,866,312	41,182	-	11,907,494
Machinery and equipment	979,964	203,413	(25,447)	1,157,930
Total Capital Assets being Depreciated	<u>13,929,532</u>	<u>244,595</u>	<u>(25,447)</u>	<u>14,148,680</u>
Less Accumulated Depreciation for				
Buildings and improvements	(752,962)	(29,277)	-	(782,239)
Systems and infrastructure	(5,637,027)	(287,558)	-	(5,924,585)
Machinery and equipment	(688,317)	(58,930)	25,447	(721,800)
Total Accumulated Depreciation	<u>(7,078,306)</u>	<u>(375,765)</u>	<u>25,447</u>	<u>(7,428,624)</u>
Total Capital Assets Being Depreciated, Net	<u>6,851,226</u>	<u>(131,170)</u>	<u>-</u>	<u>6,720,056</u>
Business-type Activities Capital Assets, Net	<u>\$ 7,648,964</u>	<u>\$ 574,791</u>	<u>\$ -</u>	<u>\$ 8,223,755</u>

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

Governmental Activities		
General Government		\$ 1,169
Public Safety		10,524
Streets and Highways		318,288
Health and Sanitation		1,293
Culture and Recreation		7,244
Economic development		11,581
Total Depreciation Expense - Governmental Activities		<u>\$ 350,099</u>
Business-Type Activities		
Water Utility		\$ 185,272
Sewer Utility		165,875
Refuse and Recycling		2,850
Municipal Liquor Store		21,768
Total Depreciation Expense - Business-type Activities		<u>\$ 375,765</u>

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers

The purpose of the following advance of \$350,000 was to fund operations of the General Fund. There is no formal plan for repayment of the advance. The interfund receivable of \$375 and \$55,737 was to cover the negative cash in the Tax Increment – 16 Horizon Place and the EDA Revolving funds, respectively. At year end, the balances were as follows:

Receivable Fund	Payable Fund	Amount
Economic Development Authority	General Fund	\$ 350,000
General Fund	Nonmajor governmental	375
General Fund	EDA Revolving	55,737
		\$ 406,112

In the year ended December 31, 2021, the City made the following transfers:

Fund	Transfers in General Fund
Transfer Out	
Business-type	
Municipal Liquor Store	\$ 50,000

The transfer from the Liquor Fund to the General Fund was for operations of the General Fund.

E. Leases

Capital Leases

During 2019, the City entered into a capital lease for a John Deere Street Sweeper. The lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The book value of the Street Sweeper is \$139,200 as of December 31, 2021.

During 2020, the City entered into a capital lease for a police car. The lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The book value of the police car is \$38,471 as of December 31, 2021.

During 2020, the City entered into a capital lease for a Freightliner Truck with Garbage Equipment with an inception date of November 3, 2021. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The book value of the Garbage Truck is \$168,173 as of December 31, 2021.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021 is as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Garbage Truck	\$ 164,000	3.59 %	11/3/2021	12/15/27	\$ 145,302
Street Sweeper	177,000	4.55	03/29/19	04/15/25	88,373
Police Vehicle	33,450	6.15	11/06/20	11/06/22	11,136
Total Capital Leases					<u>\$ 244,811</u>

Annual requirement to maturity for the capital lease payable is as follows:

Year Ending December 31,	Capital Leases		
	Governmental Activities		
	Principal	Interest	Total
2022	\$ 31,778	\$ 4,706	\$ 36,484
2023	21,580	3,082	24,662
2024	22,562	2,100	24,662
2025	23,589	1,073	24,662
Total	<u>\$ 99,509</u>	<u>\$ 10,961</u>	<u>\$ 110,470</u>

Year Ending December 31,	Capital Leases		
	Business Activities		
	Principal	Interest	Total
2022	\$ 22,133	\$ 5,216	\$ 27,349
2023	22,928	4,422	27,350
2024	23,751	3,599	27,350
2025	24,603	2,746	27,349
2026	25,486	1,863	27,349
2027	26,401	947	27,348
Total	<u>\$ 145,302</u>	<u>\$ 18,793</u>	<u>\$ 164,095</u>

F. Long-term Debt

General Obligation Bonds

The City 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. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Refunding Bonds of 2010C	\$ 1,895,000	2.00 - 3.35 %	11/09/10	02/01/26	\$ 760,000
G.O. Improvement Refunding Bonds of 2014B	2,605,000	0.60 - 3.10	10/14/14	02/01/28	1,515,000
G.O. Improvement Bonds of 2016A	645,330	2.00 - 3.00	07/12/16	02/01/37	545,716
G.O. Improvement Refunding Bonds of 2017A	520,000	1.45 - 3.00	08/10/17	02/01/31	435,000
G.O. Improvement Bonds of 2020A	4,260,000	2.00 - 3.00	06/01/20	02/01/41	<u>4,090,000</u>
 Total General Obligation Improvement Bonds					<u><u>\$ 7,345,716</u></u>

Annual requirement to maturity for general obligation improvement bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2022	\$ 543,322	\$ 173,894	\$ 717,216
2023	551,098	160,266	711,364
2024	573,817	145,773	719,590
2025	581,477	130,373	711,850
2026	604,078	113,991	718,069
2027 - 2031	1,987,187	366,986	2,354,173
2032 - 2036	1,262,262	199,000	1,461,262
2037 - 2041	<u>1,242,475</u>	<u>64,457</u>	<u>1,306,932</u>
 Total	<u><u>\$ 7,345,716</u></u>	<u><u>\$ 1,354,740</u></u>	<u><u>\$ 8,700,456</u></u>

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The following bond was issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2004 PFA Loan	\$ 2,595,136	1.98 %	08/10/04	08/20/24	\$ 475,286
2006 PFA Loan	3,470,601	1.82	08/11/06	08/20/26	1,017,000
2007 PFA Loan	511,861	1.65	08/14/07	08/20/27	187,000
G.O. Improvement Bonds of 2016A	2,009,670	2.00 - 3.00	07/12/16	02/01/37	1,689,284
G.O. Improvement Refunding Bonds of 2017A	1,190,000	1.45 - 3.13	08/10/17	02/01/38	<u>1,070,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$ 4,438,570</u></u>

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

	Water	Sewer	Refuse
Revenues	\$ 513,681	\$ 561,423	\$ 159,974
Principal and interest	326,777	294,417	8,652
Percentage of Revenues	63.6%	52.4%	5.4%

Annual requirement to maturity for the general obligation revenue bond is as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2022	\$ 517,678	\$ 102,732	\$ 620,410
2023	532,902	92,485	625,387
2024	536,469	81,953	618,422
2025	386,523	71,164	457,687
2026	393,922	63,303	457,225
2027 - 2031	850,813	232,634	1,083,447
2032 - 2036	937,738	113,909	1,051,647
2037 - 2038	282,525	7,241	289,766
 Total	 <u><u>\$ 4,438,570</u></u>	 <u><u>\$ 765,421</u></u>	 <u><u>\$ 5,203,991</u></u>

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Notes Payable

The City signed a \$150,000 note payable for the acquisition of additional storage space for the municipal liquor store. The note has been split into a taxable portion and a tax exempt portion. The taxable portion has a stated interest rate of 5% and is payable in monthly installments of principal and interest. The tax exempt portion has a stated interest rate of 3.25% and is payable in monthly installments of principal and interest. On June 1, 2020, the interest rate for both the taxable portion and the tax exempt portion will be reset. The taxable portion's rate shall then be based on a rate of 1.5% over the interest rate for the 10 Year United States Treasury Bond; the rate shall never be less than 5% or more than 9%. The tax exempt portion's rate shall be based on a rate per annum equal to a 2027 maturity of the Municipal Market Data Index (MMD) for a non-rated general obligation bond; the rate shall never be less than 3.25% or more than 5.25%. The note is secured by the value of the building.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Building Loan	\$ 150,000	3.25 - 9.00 %	06/01/10	12/31/27	<u>\$ 64,887</u>

Annual requirement to maturity for the notes payable is as follows:

Year Ending December 31,	Notes Payable		
	Business-type Activities		
	Principal	Interest	Total
2022	\$ 9,264	\$ 3,651	\$ 12,915
2023	9,833	3,082	12,915
2024	10,438	2,476	12,914
2025	11,083	1,832	12,915
2026	11,769	1,145	12,914
2027	12,500	413	12,913
Total	<u>\$ 64,887</u>	<u>\$ 12,599</u>	<u>\$ 77,486</u>

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 7,891,206	\$ -	\$ (545,490)	\$ 7,345,716	\$ 543,322
Bond premiums	181,940	-	(9,233)	172,707	-
Total Bonds Payable	8,073,146	-	(554,723)	7,518,423	543,322
Capital Lease Payable	129,744	-	(30,235)	99,509	31,778
Compensated Absences Payable	121,615	39,619	(39,995)	121,239	37,170
Governmental Activities Long-term Liabilities	<u>\$ 8,324,505</u>	<u>\$ 39,619</u>	<u>\$ (624,953)</u>	<u>\$ 7,739,171</u>	<u>\$ 612,270</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 4,947,080	\$ -	\$ (508,510)	\$ 4,438,570	\$ 517,678
Bond premiums	34,579	-	(2,161)	32,418	-
Total Bonds Payable	4,981,659	-	(510,671)	4,470,988	517,678
Notes payable	73,616	-	(8,729)	64,887	9,264
Capital Lease Payable	-	164,000	(18,698)	145,302	22,133
Compensated Absences Payable	10,230	894	(11,124)	-	-
Business-type Activities Long-term Liabilities	<u>\$ 5,065,505</u>	<u>\$ 164,894</u>	<u>\$ (549,222)</u>	<u>\$ 4,681,177</u>	<u>\$ 549,075</u>

Note 4: Defined Benefit Pension Plan - 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 Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state 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.

General Employee Plan Benefits

General Employees Plan 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 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. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated 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.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, 2021, 2020 and 2019 were \$47,092, \$46,395 and \$45,751, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

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

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$43,450, \$41,718 and \$38,346, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$371,529 or its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$11,263. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0087 percent which was a 0.0001 percent increase from its proportion measured as of June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$ 371,529
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	11,263
Total	\$ 382,792

For the year ended December 31, 2021, the City recognized pension expense of \$7,145 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$909 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,230	\$ 11,355
Changes in Actuarial Assumptions	226,848	8,094
Net Difference Between Projected and Actual Earnings on Plan Investments	-	322,251
Changes in Proportion	6,100	1,557
Contributions paid to PERA Subsequent to the Measurement Date	27,333	-
Total	\$ 262,511	\$ 343,257

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

The \$27,333 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (14,626)
2023	(2,652)
2024	(3,039)
2025	(87,762)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$144,345 for its proportionate share of the Police and Fire Fund's PEPFF's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0187 percent which was a 0.0016 percent decrease from its proportionate share measured as of June 30, 2020.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized negative pension expense of \$30,278 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City an recognized an additional \$1,179 for the year ended December 31, 2021, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund. In addition, the City recognized an additional \$1,179 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$2,741 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

At December 31, 2021, the City reported its proportionate share of Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 30,349	\$ 475
Changes in Actuarial Assumptions	218,294	98,579
Net Difference Between Projected and Actual Earnings on Plan Investments	-	274,559
Changes in Proportion	1,836	37,345
Contributions Paid to PERA Subsequent to the Measurement Date	26,415	-
Total	\$ 276,894	\$ 410,958

The \$26,415 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (120,864)
2021	(24,355)
2022	(26,287)
2023	(35,417)
2024	46,444

E. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50%

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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 Equity	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	16.5	5.30
Total	100.00 %	

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 7.50 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 General Employees Fund and the Police and Fire Fund were 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 one percentage point lower or one 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%)
	General Employees Fund	\$ 826,343	\$ 371,529
Police and Fire Fund	533,317	144,345	47,721

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: 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City’s coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City’s management is not aware of any incurred but not reported claims.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Le Center, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Other Information

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2021, the City is under the legal debt margin.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2021 was \$905,434 for LGA. This accounted for 50.3 percent of General fund revenues.

Note 6: COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City’s financial condition, liquidity, and future results of its revenue collections is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LE CENTER
LE SUEUR COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - General Employees 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
6/30/2021	0.0087 %	\$ 371,529	\$ 11,263	\$ 382,792	\$ 570,215	65.2 %	87.0 %
6/30/2020	0.0086	515,609	15,962	531,571	612,645	86.8	79.0
6/30/2019	0.0085	469,946	14,499	484,445	598,624	80.9	80.2
6/30/2018	0.0086	477,092	15,681	492,773	557,057	88.5	79.5
6/30/2017	0.0083	529,867	6,624	536,491	269,195	199.3	75.9
6/30/2016	0.0084	682,038	8,898	690,936	524,786	131.7	68.9
6/30/2015	0.0085	440,517	-	440,517	511,088	86.2	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 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)
12/31/2021	\$ 47,092	\$ 47,092	\$ -	\$ 627,893	7.50 %
12/31/2020	46,395	46,395	-	618,598	7.50
12/31/2019	45,751	45,751	-	610,019	7.50
12/31/2018	43,123	43,123	-	574,967	7.50
12/31/2017	40,554	40,554	-	540,724	7.50
12/31/2016	39,359	39,359	-	524,786	7.50
12/31/2015	38,332	38,332	-	511,088	7.50

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

City of Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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.

City of Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

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 Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability – Police and Fire 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
6/30/2021	0.0187 %	\$ 144,345	\$ 6,476	\$ 150,821	\$ 220,501	65.5 %	93.7 %
6/30/2020	0.0203	267,576	-	267,576	229,739	116.5	87.2
6/30/2019	0.0215	228,889	-	228,889	227,181	100.8	89.3
6/30/2018	0.0223	237,695	-	237,695	235,077	101.1	88.8
6/30/2017	0.0220	297,026	-	297,026	106,905	277.8	85.4
6/30/2016	0.0230	923,030	-	923,030	224,827	410.6	63.9
6/30/2015	0.0220	249,971	-	249,971	215,520	116.0	86.6

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

Schedule of Employer's PERA Contributions – Police and Fire 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)
12/31/2021	\$ 43,450	\$ 43,450	\$ -	\$ 245,478	17.70 %
12/31/2020	41,718	41,718	-	246,124	16.95
12/31/2019	38,346	38,346	-	226,229	16.95
12/31/2018	37,430	37,430	-	231,049	16.20
12/31/2017	37,291	37,291	-	230,190	16.20
12/31/2016	36,422	36,422	-	224,827	16.20
12/31/2015	34,914	34,914	-	215,520	16.20

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

City of Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information – Police and Fire Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 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 5.6 percent. 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 2037 and 2.5 percent per year thereafter.

City of Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information – Police and Fire Fund (Continued)

Changes in Plan Provisions

2021 – There were no changes in plan provisions since the previous valuation.

2020 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 – There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Le Center, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	211	228	209	217	Total
	COVID	EDA Revolving	Tax Increment - 9 Country Neighbors	Tax Increment - 16 Horizon Place	Nonmajor Funds
Assets					
Cash and temporary investments	\$ 137,477	\$ -	\$ 104,215	\$ -	\$ 241,692
Due from other funds	-	350,000	-	-	350,000
Notes receivable	-	172,038	-	-	172,038
Total Assets	\$ 137,477	\$ 522,038	\$ 104,215	\$ -	\$ 763,730
Liabilities					
Accounts payable	\$ -	\$ 111	\$ -	\$ -	\$ 111
Due to other funds	-	55,737	-	375	56,112
Due to other governments	-	-	87,829	-	87,829
Unearned revenue	137,477	-	-	-	137,477
Total Liabilities	137,477	55,848	87,829	375	281,529
Fund Balances					
Comitted					
Economic development	-	466,190	16,386	-	482,576
Unassigned	-	-	-	(375)	(375)
Total Fund Balances	-	466,190	16,386	(375)	482,201
Total Liabilities and Fund Balances	\$ 137,477	\$ 522,038	\$ 104,215	\$ -	\$ 763,730

City of Le Center, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	211	228	209 Tax Increment - 9 Country Neighbors	217 Tax Increment - 16 Horizon Place	Total Nonmajor Funds
	COVID	EDA Revolving			
Revenues					
Investment earnings	\$ -	\$ 1,100	\$ -	\$ -	\$ 1,100
Miscellaneous					
Rents and project receipts	-	4,800	-	-	4,800
Loan payments received	-	1,663	-	-	1,663
Total Revenues	<u>-</u>	<u>7,563</u>	<u>-</u>	<u>-</u>	<u>7,563</u>
Expenditures					
Current					
Economic development	-	36,671	-	-	36,671
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(29,108)	-	-	(29,108)
Other Financing Sources					
Sale of capital assets	-	82,306	-	-	82,306
Net Change in Fund Balances	-	53,198	-	-	53,198
Fund Balances, January 1	<u>-</u>	<u>412,992</u>	<u>16,386</u>	<u>(375)</u>	<u>429,003</u>
Fund Balances, December 31	<u><u>\$ -</u></u>	<u><u>\$ 466,190</u></u>	<u><u>\$ 16,386</u></u>	<u><u>\$ (375)</u></u>	<u><u>\$ 482,201</u></u>

City of Le Center, Minnesota
 General Fund
 Comparative Balance Sheets
 December 31, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	\$ 1,821,406	\$ 1,748,446
Receivables		
Delinquent taxes	13,471	14,019
Special assessments - delinquent	1,424	991
Accounts	-	1,334
Intergovernmental	31,114	28,693
Due from other funds	56,112	375
Prepaid items	18,699	17,289
Total Assets	\$ 1,942,226	\$ 1,811,147
Liabilities		
Accounts payable	\$ 22,032	\$ 18,929
Due to other funds	350,000	350,000
Total Liabilities	372,032	368,929
Deferred Inflows of Resources		
Unavailable revenue - property taxes	13,471	14,019
Unavailable revenue - special assessment	1,424	991
Total Deferred Inflows of Resources	14,895	15,010
Fund Balances		
Nonspendable	18,699	17,289
Restricted for senior center/recreation	100,000	100,000
Restricted for small cities assistance	44,576	-
Assigned for capital improvements	117,500	125,977
Unassigned	1,274,524	1,183,942
Total Fund Balances	1,555,299	1,427,208
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,942,226	\$ 1,811,147

City of Le Center, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued on the Following Pages)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 575,477	\$ 575,477	\$ 581,617	\$ 6,140	\$ 510,333
Franchise fees	15,000	15,000	15,182	182	14,530
Total Taxes	<u>590,477</u>	<u>590,477</u>	<u>596,799</u>	<u>6,322</u>	<u>524,863</u>
Special Assessments	-	-	811	811	1,648
Licenses and permits	26,000	26,000	36,995	10,995	56,247
State					
Local government aid	860,858	860,858	905,434	44,576	846,792
Property tax credits and aids	-	-	30	30	-
Fire aid	-	-	29,784	29,784	28,840
Police aid	-	-	27,578	27,578	25,990
Other state aids	-	-	-	-	6,877
Total State	<u>860,858</u>	<u>860,858</u>	<u>962,826</u>	<u>101,968</u>	<u>908,499</u>
County					
Highway aid	14,000	14,000	15,572	1,572	13,354
Total Intergovernmental	<u>874,858</u>	<u>874,858</u>	<u>978,398</u>	<u>103,540</u>	<u>921,853</u>
Charges for services					
General government	-	-	-	-	6
Public safety	-	-	-	-	1,000
Total charges for services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,006</u>
Fines and forfeits	48,000	48,000	47,274	(726)	13,694
Investment earnings	7,000	7,000	5,761	(1,239)	7,340
Miscellaneous					
Rents	52,600	52,600	55,584	2,984	54,215
Contributions and donations	-	-	51,300	51,300	6,370
Refunds and reimbursements	-	-	26,455	26,455	25,116
Total Miscellaneous	<u>52,600</u>	<u>52,600</u>	<u>133,339</u>	<u>80,739</u>	<u>85,701</u>
Total Revenues	<u>1,598,935</u>	<u>1,598,935</u>	<u>1,799,377</u>	<u>200,442</u>	<u>1,612,352</u>

City of Le Center, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Other general government					
Other services	\$ 159,500	\$ 159,500	\$ 143,400	\$ 16,100	\$ 150,145
Mayor and Council					
Personal services	16,500	16,500	15,560	940	17,035
Administration					
Personal services	232,900	232,900	261,832	(28,932)	218,482
Supplies	14,000	14,000	11,818	2,182	14,043
Other services	53,200	53,200	54,130	(930)	70,733
Other charges	27,000	27,000	7,959	19,041	3,262
Total Administration	<u>327,100</u>	<u>327,100</u>	<u>335,739</u>	<u>(8,639)</u>	<u>306,520</u>
Total General Government	<u>503,100</u>	<u>503,100</u>	<u>494,699</u>	<u>8,401</u>	<u>473,700</u>
Public safety					
Police					
Personal services	341,900	341,900	353,672	(11,772)	323,666
Supplies	7,000	7,000	1,825	5,175	4,100
Other services	27,000	27,000	25,147	1,853	19,072
Other charges	39,100	39,100	24,899	14,201	26,311
Total Police	<u>415,000</u>	<u>415,000</u>	<u>405,543</u>	<u>9,457</u>	<u>373,149</u>
Fire					
Personal services	113,500	113,500	143,211	(29,711)	142,267
Emergency management					
Other services	3,000	3,000	-	3,000	-
Total Public Safety	<u>531,500</u>	<u>531,500</u>	<u>548,754</u>	<u>(17,254)</u>	<u>515,416</u>
Streets and highways					
Street maintenance					
Personal services	169,600	169,600	167,492	2,108	149,259
Supplies	253,000	253,000	262,780	(9,780)	259,756
Other services	37,500	37,500	27,574	9,926	27,175
Total Street Maintenance	<u>460,100</u>	<u>460,100</u>	<u>457,846</u>	<u>2,254</u>	<u>436,190</u>

City of Le Center, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Street lighting					
Other services	\$ 3,000	\$ 3,000	\$ 4,023	\$ (1,023)	\$ 3,185
Total Streets and Highways	<u>463,100</u>	<u>463,100</u>	<u>461,869</u>	<u>1,231</u>	<u>439,375</u>
Culture and recreation					
Parks and recreation					
Personal services	77,300	77,300	72,368	4,932	47,884
Supplies	46,300	46,300	27,950	18,350	34,114
Other services	25,900	25,900	19,618	6,282	16,484
Total Parks and Recreation	<u>149,500</u>	<u>149,500</u>	<u>119,936</u>	<u>29,564</u>	<u>98,482</u>
Total Current	<u>1,647,200</u>	<u>1,647,200</u>	<u>1,625,258</u>	<u>21,942</u>	<u>1,526,973</u>
Capital outlay					
Public safety	16,500	16,500	12,363	4,137	60,590
Streets and highways	35,000	35,000	7,371	27,629	999
Culture and recreation	45,000	45,000	39,810	5,190	64,779
Total Capital Outlay	<u>96,500</u>	<u>96,500</u>	<u>59,544</u>	<u>36,956</u>	<u>126,368</u>
Debt service					
Principal	-	-	30,235	(30,235)	30,706
Interest and other	-	-	6,249	(6,249)	5,779
Total Debt Service	<u>-</u>	<u>-</u>	<u>36,484</u>	<u>(36,484)</u>	<u>36,485</u>
Total Expenditures	<u>1,743,700</u>	<u>1,743,700</u>	<u>1,721,286</u>	<u>22,414</u>	<u>1,689,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(144,765)</u>	<u>(144,765)</u>	<u>78,091</u>	<u>222,856</u>	<u>(77,474)</u>
Other Financing Sources (Uses)					
Lease issued	-	-	-	-	33,450
Transfers in	50,000	50,000	50,000	-	16,530
Net Change in Fund Balances	(94,765)	(94,765)	128,091	222,856	(27,494)
Fund Balances, January 1	<u>1,427,208</u>	<u>1,427,208</u>	<u>1,427,208</u>	<u>-</u>	<u>1,454,702</u>
Fund Balances, December 31	<u>\$ 1,332,443</u>	<u>\$ 1,332,443</u>	<u>\$ 1,555,299</u>	<u>\$ 222,856</u>	<u>\$ 1,427,208</u>

City of Le Center, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2021

	307	324	325
	Tax Increment - 7 Royal American	2010C G.O. Improvement Refunding Bonds	2016A G.O. Improvement Bonds
	<hr/>	<hr/>	<hr/>
Assets			
Cash and temporary investments	\$ 339,101	\$ 87,007	\$ 329,092
Receivables			
Special assessments			
Delinquent	-	128	-
Deferred	-	32,511	268,955
Intergovernmental	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 339,101</u>	<u>\$ 119,646</u>	<u>\$ 598,047</u>
Deferred Inflows of Resources			
Unavailable revenues	\$ -	\$ 32,639	\$ 268,955
Fund Balances			
Restricted for debt service	<u>339,101</u>	<u>87,007</u>	<u>329,092</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 339,101</u>	<u>\$ 119,646</u>	<u>\$ 598,047</u>

326	329	330	
2014B G.O. Improvement Refunding Bonds	2017A G.O. Improvement Refunding Bonds	2020A G.O. Improvement Bonds	Totals
\$ 31,409	\$ 120,149	\$ 264,063	\$ 1,170,821
306	-	-	434
147,226	113,081	623,075	1,184,848
153	-	-	153
<u>\$ 179,094</u>	<u>\$ 233,230</u>	<u>\$ 887,138</u>	<u>\$ 2,356,256</u>
\$ 147,532	\$ 113,081	\$ 623,075	\$ 1,185,282
<u>31,562</u>	<u>120,149</u>	<u>264,063</u>	<u>1,170,974</u>
<u>\$ 179,094</u>	<u>\$ 233,230</u>	<u>\$ 887,138</u>	<u>\$ 2,356,256</u>

City of Le Center, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2021

	307	324	325
	Tax Increment - 7 Royal American	2010C G.O. Improvement Refunding Bonds	2016A G.O. Improvement Bonds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes			
Property taxes	\$ -	\$ 150,375	\$ 1,500
Special assessments	-	10,807	41,949
Total Revenues	<u>-</u>	<u>161,182</u>	<u>43,449</u>
Expenditures			
Debt service			
Principal	-	140,000	30,490
Interest and other	-	27,516	14,535
Total Expenditures	<u>-</u>	<u>167,516</u>	<u>45,025</u>
Net Change in Fund Balances	-	(6,334)	(1,576)
Fund Balances, January 1	<u>339,101</u>	<u>93,341</u>	<u>330,668</u>
Fund Balances, December 31	<u>\$ 339,101</u>	<u>\$ 87,007</u>	<u>\$ 329,092</u>

326	329	330	
2014B G.O. Improvement Refunding Bonds	2017A G.O. Improvement Refunding Bonds	2020A G.O. Improvement Bonds	Totals
\$ 177,890	\$ 34,396	\$ 193,056	\$ 557,217
42,210	15,643	106,959	217,568
<u>220,100</u>	<u>50,039</u>	<u>300,015</u>	<u>774,785</u>
170,000	35,000	170,000	545,490
42,888	11,049	115,952	211,940
<u>212,888</u>	<u>46,049</u>	<u>285,952</u>	<u>757,430</u>
7,212	3,990	14,063	17,355
<u>24,350</u>	<u>116,159</u>	<u>250,000</u>	<u>1,153,619</u>
<u>\$ 31,562</u>	<u>\$ 120,149</u>	<u>\$ 264,063</u>	<u>\$ 1,170,974</u>

City of Le Center, Minnesota
 Summary Financial Report
 Revenues and Expenditures for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2021 and 2020

	Total 2021	Total 2020	Percent Increase (Decrease)
Revenues			
Taxes	\$ 1,154,016	\$ 1,152,387	0.14 %
Special assessments	218,379	118,579	84.16
Licenses and permits	36,995	56,247	(34.23)
Intergovernmental	978,398	1,109,818	(11.84)
Charges for services	-	1,006	(100.00)
Fines and forfeits	47,274	13,694	245.22
Investment earnings	7,900	9,741	(18.90)
Miscellaneous	139,802	93,805	49.03
	<u>\$ 2,582,764</u>	<u>\$ 2,555,277</u>	1.08 %
Total Revenues			
Per Capita	1,026	995	3.08 %
Expenditures			
Current			
General government	\$ 494,699	\$ 489,401	1.08 %
Public safety	548,754	530,376	3.47
Streets and highways	461,869	439,375	5.12
Culture and recreation	119,936	113,728	5.46
Economic development	36,671	22,403	63.69
Capital outlay			
General government	-	125,477	(100.00)
Public safety	12,363	64,143	(80.73)
Streets and highways	2,239,130	1,859,712	20.40
Culture and recreation	39,810	77,807	(48.83)
Debt service			
Principal	575,725	403,310	42.75
Interest and other charges	218,189	195,395	11.67
	<u>\$ 4,747,146</u>	<u>\$ 4,321,127</u>	9.86 %
Total Expenditures			
Per Capita	1,886	1,683	12.04 %
Total Long-term Indebtedness	\$ 7,445,225	\$ 8,020,950	(7.18) %
Per Capita	2,958	3,125	(5.33)
General Fund Balance - December 31	\$ 1,555,299	\$ 1,427,208	8.97 %
Per Capita	618	556	11.14

The purpose of this report is to provide a summary of financial information concerning the City of Le Center to interested citizens. The complete financial statements may be examined at City Hall, 10 Tyrone Street West, Le Center, Minnesota. Questions about this report should be directed to City Hall at (507) 357-4450.

OTHER REQUIRED REPORTS

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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**INDEPENDENT AUDITOR’S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Le Center, 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, each major fund, and the aggregate remaining fund information of the City of Le Center, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 24, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that City of Le Center failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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
Mankato, Minnesota
March 24, 2022

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 Le Center, 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, each major fund, and the aggregate remaining fund information of the City of Le Center, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2022.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on 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 financial statements. 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*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
Mankato, Minnesota
March 24, 2022

City of Le Center, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts, utility billing and investments and found the City to have limited segregation of duties in these areas as noted below.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and misstatement.

Internal Control Over Payroll

<i>Cause:</i>	The Deputy Clerk controls and maintains the check stock, sets up employee records, posts activity to the general ledger, prepares payroll tax returns, and maintains the payroll records.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. We recommend that in addition to approving payroll disbursements and wage rates, the Council review amounts earned and accrued for compensated absences on an annual basis to compensate for control deficiencies with respect to payroll accruals. Additional controls might include review of payroll registers, earnings records, payroll reports, etc.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Internal Control Over Cash Disbursements

<i>Cause:</i>	The Deputy Clerk has control over the check stock, sets up and maintains vendors, prepares checks, enters transactions into the accounting system, and also opens mail and mails checks to vendors.
	While we recognize staff is not large enough to eliminate this deficiency, we recommend that an individual separate from the Deputy Clerk review cancelled checks received with bank statement and investigate items such as: voided checks, inconsistencies in check sequence, possible alterations, and unusual payees. It is important that the Council is aware of this condition and monitor all financial information. We also recommend an individual other than the Deputy Clerk open mail and mail checks to vendors.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

City of Le Center, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Segregation of Duties

Internal Control Over Cash Receipts

Cause: The Deputy Clerk sets up and maintains customers, maintains receipts journal, posts to the general ledger, maintains accounts receivable records, and also opens mail, prepares deposits, and receives and endorses checks.

Recommendation: We recommend that an individual separate from the Deputy Clerk open mail and prepare the deposit as well as receive and endorse checks.. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Internal Control Over Utility Billing

Cause: The Deputy Clerk approves new accounts, sets up customers and rates in the billing systems, generates statements, enters readings, prepares the deposit, and reconciles the utility subledger with the general ledger.

Recommendation: We recommend that an individual, separate from the Deputy Clerk as the Clerk-Administrator, prepare deposits and review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

City of Le Center, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Segregation of Duties (Continued)

Internal Control Over Investment Transactions

Cause: As a result of the number of staff, the Clerk-Administrator receives investment statements in the mail, initiates investment transactions, maintains investment subledger and spreadsheet and reconciles investment accounts.

Recommendation: It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

City of Le Center, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-002	Financial Report Preparation
<i>Condition:</i>	As in prior years, we were requested to assist in drafting the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.
<i>Updated Progress from Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.