The council's own reserve policy. This is the policy Vote Yes says the council "ignored."

RESOLUTION NO. 48-23

A RESOLUTION COMMITTING CERTAIN CITY FUND BALANCES BY ESTABLISHING A RESERVE POLICY FOR CERTAIN FUNDS

WHEREAS, it is necessary and prudent that the City establish an updated fund balance policy;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LUVERNE, MINNESOTA, as follows:

1. That the following policy and methods of calculating the amounts are hereby adopted and the Finance Director is directed to cause the designation of such amounts on the financial records of the City:

A. General Fund. The Unassigned Fund Balance shall be 35 percent to 50 percent of General Fund operating revenues for minimum cash flow purposes.

B. The Governmental Accounting Standards Board's Statement #54 definition of special revenue funds states that special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects; and,

The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund and comprise a substantial portion of the fund's revenues. Investment earnings and transfers from other funds do not meet the definition of a specific revenue source and Council action is required to formalize the commitment of the specific revenue sources to specified purposes.

Now, therefore, be it resolved by the City Council of the City of Luverne that effective January 1, 2023 the specific revenue source of each special revenue fund and the specific purposes for which they are restricted or committed are as follows:

Fund	Specific Revenue Sources	Committed For
Childcare (208)	Grants, Donations, Transfer from General Fund	Childcare facility and operations
Airport (209)	State Aid, Fuel Sales, Hangar Rent, and Property Rental	Airport operations, maintenance and improvements
Pool & Fitness Center (210)	User fees, physical therapy contract and concession revenue	Pool & Fitness operations, maintenance and improvements
Economic Development Revolving (220)	Principal and interest payments from the loan to the BIS Building project (EDA fund 663)	Activities to promote Economic Development
Community Development (280)	Property Rental (Marty Mayes property)	Activities to promote Community Development

C. Debt Service Funds. Interest earnings of all debt service funds shall be assigned and used for the payment of debt service of the fund until the debt is retired.

D. Capital Project Funds. 100 percent of the assets in all Capital Project Funds are assigned for use for the purpose of each fund.

E. Enterprise Funds. In order to maintain stable rates and provide reliable services it is appropriate to have financial buffers in the form of reserves to mitigate sudden and unforeseen changes in costs or operational performance changes and to provide for rate stabilization. There are three utility funds, Electric, Water and Sewer. Bond covenants require restricted reserves for debt service. In addition, operating reserves are necessary and the minimum and target levels for these reserves shall be determined based on 12 months operating expense & transfers and cash paid capital improvement and equipment. Target reserves are 20% above the minimum.

1. Electric Fund. Minimum and target reserve is $7,000,000 to $10,000,000.

2. Water Fund. Minimum and target reserve is $2,500,000 to $3,000,000.

3. Sewer Fund. Minimum and target reserve is $2,900,000 to $3,400,000.

4. Liquor Fund. Cash assets in an amount equal to 90 days sales (based on a 360 day year) for cash flow purposes, plus $5,000 for emergency purposes shall be intended for said purposes.

F. Internal Service Funds.

1. Property/Casualty Fund. The fund balance or $250,000, whichever is less, shall be intended for uninsured losses.

2. Workers' Compensation Fund. The fund balance or $150,000, whichever is less, shall be intended for additional premium expense.

3. Data Processing Fund. The fund balance or $250,000, whichever is less, shall be intended for data processing/technology expense.

2. After adoption of the budget or at any other time that the financial plans of the City dictate so as to prudently require the designation of assets in any fund to accomplish City goals, the City Administrator is hereby directed and authorized to designate any assets of any fund for purposes he deems appropriate and in accordance with plans of the City.

ADOPTED BY THE CITY COUNCIL OF LUVERNE, MINNESOTA, this 12th day of December, 2023.

_____

Patrick T. Baustian, Mayor

ATTEST: _____

Jill Wolf, City Administrator

Reserves are described as "financial buffers." Nowhere does the policy say a reserve must be held as cash.

The number at issue: a $7 million minimum and $10 million target for the electric fund.

Source: cityofluverne.legistar1.com · Matter 48-23 · attachment 6f2a926c…docx

M.2. **48-23** PROPOSED RESOLUTION
A RESOLUTION COMMITTING CERTAIN CITY FUND BALANCES BY ESTABLISHING A RESERVE POLICY FOR CERTAIN FUNDS

Resolution 48-23, the reserve policy, on the council agenda.

This resolution sets the unassigned fund balance at a minimum of 35 to 50 percent of General Fund Operating revenues for minimum cash flow purposes. This resolution sets the purpose and use of the many fund accounts that the City uses to operate in accordance with general accounting standards and the State Code. The resolution also sets the other fund balances such as minimum and target reserves for Enterprise and Internal Service Funds.

A motion was made by Council Member Thorson, seconded by Council Member Aaker, that this Resolution be adopted. The motion carried by a unanimous vote.

Adopted unanimously (Thorson moved, Aaker seconded).

M.3. **49-23** PROPOSED RESOLUTION
A RESOLUTION APPROVING THE FISCAL YEAR 2024 BUDGET

As per State Law, the City Charter, and consistent with the completed City Budget Hearing, this resolution approves the 2024 City Budget and the five-year capital improvement plan. The City Administrator is also authorized and directed to increase the City's 2024 pay and classification plan by 3.5%, effective January 1, 2024.

A motion was made by Council Member Thorson, seconded by Council Member Viessman, that this Resolution be adopted. The motion carried by a unanimous vote.

N. ADJOURNMENT

A motion was made by Council Member Aaker, seconded by Council Member Nath, to adjourn the meeting at 6:56 p.m. The motion carried unanimously.

_____

Jessica Mead, City Clerk

_____

Patrick T. Baustian, Mayor

Source: cityofluverne.legistar1.com · 1038_M_City_Council_23-12-12 minutes

C. Debt Service Funds. Interest earnings of all debt service funds shall be assigned and used for the payment of debt service of the fund until the debt is retired.

D. Capital Project Funds. 100 percent of the assets in all Capital Project Funds are assigned for use for the purpose of each fund.

E. Enterprise Funds. In order to maintain stable rates and provide reliable services it is appropriate to have financial buffers in the form of reserves to mitigate sudden and unforeseen changes in costs or operational performance changes and to provide for rate stabilization. There are three utility funds, Electric, Water and Sewer. Bond covenants require restricted reserves for debt service. In addition, operating reserves are necessary and the minimum and target levels for these reserves shall be determined based on 12 months operating expense & transfers and cash paid capital improvement and equipment. Target reserves are 20% above the minimum.

1. Electric Fund. Minimum and target reserve is $7,000,000 to $10,000,000.

2. Water Fund. Minimum and target reserve is $2,500,000 to $3,000,000.

3. Sewer Fund. Minimum and target reserve is $2,900,000 to $3,400,000.

4. Liquor Fund. Cash assets in an amount equal to 90 days sales (based on a 360 day year) for cash flow purposes, plus $5,000 for emergency purposes shall be intended for said purposes.

F. Internal Service Funds.

1. Property/Casualty Fund. The fund balance or $250,000, whichever is less, shall be intended for uninsured losses.

2. Workers' Compensation Fund. The fund balance or $150,000, whichever is less, shall be intended for additional premium expense.

3. Data Processing Fund. The fund balance or $250,000, whichever is less, shall be intended for data processing/technology expense.

2. After adoption of the budget or at any other time that the financial plans of the City dictate so as to prudently require the designation of assets in any fund to accomplish City goals, the City Administrator is hereby directed and authorized to designate any assets of any fund for purposes he deems appropriate and in accordance with plans of the City.

ADOPTED BY THE CITY COUNCIL OF LUVERNE, MINNESOTA, this 10th day of December, 2024.

_____
Patrick T. Baustian, Mayor

ATTEST: _____
Jill Wolf, City Administrator

Re-adopted one year later with the same $7-10 million electric reserve.

Source: cityofluverne.legistar1.com · Matter 36-24 · attachment 746c859e…pdf

M.1. 34-24 PROPOSED RESOLUTION
A RESOLUTION APPROVING THE 2024 COLLECTIBLE 2025 TAX LEVY IN AND FOR THE CITY OF LUVERNE

This proposed resolution approves the 2024 tax levy, which will be collected in 2025 from properties within the City of Luverne. This levy includes contributions to the General Fund Levy, Debt Service Levy, and the TIF Deficit Fund. The budget and the five-year capital improvement plan were collaboratively developed by the City Council and staff during the summer of 2024. The adoption ensures funding aligns with the city's financial and developmental goals.

A motion was made by Council Member Thorson, seconded by Council Member Viessman, that this Resolution be adopted. The motion carried by a unanimous vote.

Discussion followed on advocating for less state daycare restrictions as City Council Members.

M.2. 35-24 PROPOSED RESOLUTION
A RESOLUTION APPROVING THE FISCAL YEAR 2025 BUDGET AND CAPITAL IMPROVEMENT PLAN

As per State Law, the City Charter, existing AFSCME labor agreement, and consistent with the completed City Budget Hearing, this resolution approves the 2025 City Budget and the five-year capital improvement plan. The City Administrator is also authorized and directed to increase the City's 2025 pay and classification plan by 3.50%, effective January 1, 2025.

A motion was made by Council Member Nath, seconded by Council Member Aaker, that this Resolution be adopted. The motion carried by a unanimous vote.

M.3. 36-24 PROPOSED RESOLUTION
A RESOLUTION COMMITTING CERTAIN CITY FUND BALANCES BY ESTABLISHING A RESERVE POLICY FOR CERTAIN FUNDS

This resolution sets the unassigned fund balance at a minimum of 35 to 50 percent of General Fund Operating revenues for minimum cash flow purposes. This resolution also sets the purpose and use of the many fund accounts that the City uses to operate in accordance with general accounting standards and the State Code. The resolution also sets the other fund balances such as minimum and target reserves for Enterprise funds, $250,000 for Property Casualty, $150,000 for the Workers Compensation fund and $250,000 for Data Processing.

A motion was made by Council Member Viessman, seconded by Council Member Thorson, that this Resolution be adopted. The motion carried by a unanimous vote.

Resolution 36-24, the same reserve policy, a year later.

Adopted unanimously (Viessman moved, Thorson seconded).

Source: cityofluverne.legistar1.com · 1137_M_City_Council_24-12-10 minutes

C. Debt Service Funds. Interest earnings of all debt service funds shall be assigned and used for the payment of debt service of the fund until the debt is retired.

D. Capital Project Funds. 100 percent of the assets in all Capital Project Funds are assigned for use for the purpose of each fund.

E. Enterprise Funds. In order to maintain stable rates and provide reliable services it is appropriate to have financial buffers in the form of reserves to mitigate sudden and unforeseen changes in costs or operational performance changes and to provide for rate stabilization. There are three utility funds, Electric, Water and Sewer. Bond covenants require restricted reserves for debt service. In addition, operating reserves are necessary and the minimum and target levels for these reserves shall be determined based on 12 months operating expense & transfers and cash paid capital improvement and equipment. Target reserves are 20% above the minimum.

1. Electric Fund. Minimum and target reserve is $7,000,000 to $10,000,000.

2. Water Fund. Minimum and target reserve is $2,500,000 to $3,000,000.

3. Sewer Fund. Minimum and target reserve is $2,900,000 to $3,400,000.

4. Liquor Fund. Cash assets in an amount equal to 90 days sales (based on a 360 day year) for cash flow purposes, plus $5,000 for emergency purposes shall be intended for said purposes.

F. Internal Service Funds.

1. Property/Casualty Fund. The fund balance or $250,000, whichever is less, shall be intended for uninsured losses.

2. Workers' Compensation Fund. The fund balance or $150,000, whichever is less, shall be intended for additional premium expense.

3. Data Processing Fund. The fund balance or $250,000, whichever is less, shall be intended for data processing/technology expense.

2. After adoption of the budget or at any other time that the financial plans of the City dictate so as to prudently require the designation of assets in any fund to accomplish City goals, the City Administrator is hereby directed and authorized to designate any assets of any fund for purposes he deems appropriate and in accordance with plans of the City.

ADOPTED BY THE CITY COUNCIL OF LUVERNE, MINNESOTA, this 16th day of December 2025.

_____
Patrick T. Baustian, Mayor

ATTEST: _____
Jill Wolf, City Administrator

Re-adopted again in 2025, same numbers. This is the policy in force today.

Source: cityofluverne.legistar1.com · Matter 44-25 · attachment 1510f60e…docx

N.2. 42-25 PROPOSED RESOLUTION APPROVING THE 2025 COLLECTIBLE 2026 TAX LEVY IN AND FOR THE CITY OF LUVERNE

This proposed resolution approves the 2025 tax levy, which will be collected in 2026 from properties within the City of Luverne. This levy includes contributions to the General Fund Levy, Debt Service Levy, and tax abatement. The budget and the five-year capital improvement plan were collaboratively developed by the City Council and staff during the summer of 2025. The adoption ensures funding aligns with the city's financial and developmental goals.

A motion was made by Council Member Thorson, seconded by Council Member Aaker, that this Resolution be adopted. The motion carried by a unanimous vote.

N.3. 43-25 PROPOSED RESOLUTION APPROVING THE FISCAL YEAR 2026 BUDGET AND CAPITAL IMPROVEMENT PLAN

As per State Law, the City Charter, current AFSCME labor agreement, and consistent with the completed City Budget Hearing, this resolution approves the 2026 City Budget and the five-year capital improvement plan.

A motion was made by Council Member Nath, seconded by Council Member Kracht, that this Resolution be adopted. The motion carried by a unanimous vote.

N.4. 44-25 PROPOSED RESOLUTION COMMITTING CERTAIN CITY FUND BALANCES BY ESTABLISHING A RESERVE POLICY FOR CERTAIN FUNDS

Resolution 44-25, the reserve policy again.

This resolution sets the unassigned fund balance at a minimum of 35 to 50 percent of General Fund Operating revenues for minimum cash flow purposes. This resolution also sets the purpose and use of the many fund accounts that the City uses to operate in accordance with general accounting standards and the State Code. The resolution also sets the other fund balances such as minimum and target reserves for Enterprise funds, $250,000 for Property Casualty, $150,000 for the Workers Compensation fund and $250,000 for Data Processing.

A motion was made by Council Member Thorson, seconded by Council Member Aaker, that this Resolution be adopted. The motion carried by a unanimous vote.

Adopted unanimously (Thorson moved, Aaker seconded).

Source: cityofluverne.legistar1.com · 1215_M_City_Council_25-12-16 minutes

2024 audited financial report (cover)

CITY OF LUVERNE
LUVERNE, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMER 31, 2024

PREPARED BY:

FINANCE DEPARTMENT

TYLER REISCH
FINANCE DIRECTOR

Independently audited year-end figures for 2024, the first full year under the policy.

Source: cityofluverne.org · Finance · 2024 FINAL Annual Comprehensive Financial Report

2024 audit, p. 47: Statement of Net Position, Proprietary Funds

City of Luverne, Minnesota
Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	602 Sewer	604 Electric	Other Proprietary Funds	Total	
Assets						
Current Assets						
Cash and temporary investments	$ 3,356,745	$ 2,375,633	$ 4,527,791	$ 1,914,121	$ 12,174,290	$ 1,007,409
Restricted assets						
Cash and temporary investments	223,629	302,013	530,954	4,579	1,061,175	-
Receivables (net of allowance for uncollectibles)						
Accrued interest	3,302	2,131	5,033	1,806	12,272	1,651
Delinquent taxes	1,014	1,259	-	-	2,273	-
Accounts, net	105,735	135,562	336,373	86,135	663,805	4,958
Loans	-	-	2,843	-	2,843	-
Current special assessments	7,623	10,019	-	-	17,642	-
Delinquent special assessments	-	-	-	282	282	-
Intergovernmental	-	425	-	-	425	-
Due from other funds	-	-	3,003,903	-	3,003,903	60,558
Inventories	39,645	39,645	992,522	262,029	1,333,841	-
Prepaid items	-	-	-	-	-	105,869
Total Current Assets	3,737,693	2,866,687	9,399,419	2,268,952	18,272,751	1,180,445
Noncurrent Assets						
Special assessments receivable						
Noncurrent	62,682	82,374	-	-	145,056	-
Loans receivable - noncurrent	-	26,012	550,000	-	576,012	-
Capital assets						
Land	102,967	218,528	369,325	178,828	869,648	-
Construction in progress	123,308	108,302	-	-	231,610	-
Buildings	973,702	598,905	1,635,389	326,929	3,534,925	323,346
Improvements and infrastructure	13,977,704	28,079,339	31,446,452	3,597,100	77,100,595	853,637
Machinery and equipment	515,059	680,316	4,508,977	1,014,239	6,718,591	653,198
Total capital assets	15,692,740	29,685,390	37,960,143	5,117,096	88,455,369	1,830,181
Less accumulated depreciation	(8,598,936)	(9,635,445)	(17,976,740)	(2,497,891)	(38,709,012)	(953,246)
Total Capital Assets (Net Of Accumulated Depreciation)	7,093,804	20,049,945	19,983,403	2,619,205	49,746,357	876,935
Total Noncurrent Assets	7,156,486	20,158,331	20,533,403	2,619,205	50,467,425	876,935
Total Assets	10,894,179	23,025,018	29,932,822	4,888,157	68,740,176	2,057,380
Deferred Outflows of Resources						
Deferred pension resources	32,655	17,631	18,522	26,416	95,224	29,696
Deferred other postemployment benefits	595	280	302	473	1,650	434
Total Deferred Outflows of Resources	33,250	17,911	18,824	26,889	96,874	30,130

Column 604 is the electric fund.

Cash at year end: $4.53 million. Counting cash alone, that is below the $7 million minimum. This is the number Vote Yes is relying on.

$3.0 million the electric fund has lent to other city funds. The audit lists it as an asset of the electric fund. Cash + loans = $7.53 million, above the minimum.

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

Source: cityofluverne.org · Finance · 2024 FINAL Annual Comprehensive Financial Report

2024 audit, p. 48: Statement of Net Position (continued)

City of Luverne, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	**602** Sewer	**604** Electric	Other Proprietary Funds	Total	
Liabilities						
Current Liabilities						
Accounts payable	$ 55,103	$ 25,603	$ 505,285	$ 32,661	$ 618,652	$ 21,833
Due to other funds	-	992,903	-	-	992,903	-
Due to other governments	4,025	-	32,050	24,891	60,966	-
Accrued interest payable	9,888	9,669	38,436	-	57,993	-
Wages and related benefits payable	17,653	8,639	9,921	13,174	49,387	14,483
Customer deposits payable	5,741	5,344	22,518	4,579	38,182	-
Compensated absences payable - current	34,902	20,033	21,767	23,371	100,073	114,494
Other postemployment benefits liability - current	952	447	482	756	2,637	694
Bonds payable - current	208,000	287,000	470,000	-	965,000	-
Total Current Liabilities	336,264	1,349,638	1,100,459	99,432	2,885,793	151,504
Noncurrent Liabilities						
Compensated absences payable - noncurrent	63,980	42,525	39,320	41,051	186,876	310,075
Bonds payable - noncurrent	1,712,856	6,813,078	14,389,531	-	22,915,465	-
Net pension liability	157,586	80,548	87,714	125,310	451,158	141,199
Other postemployment benefits liability	12,332	5,789	6,248	9,814	34,183	8,993
Total Noncurrent Liabilities	1,946,754	6,941,940	14,522,813	176,175	23,587,682	460,267
Total Liabilities	2,283,018	8,291,578	15,623,272	275,607	26,473,475	611,771
Deferred Inflows of Resources						
Deferred pension resources	112,326	57,783	62,656	89,495	322,260	100,816
Net Position						
Net investment in capital assets	5,172,948	12,949,867	5,123,872	2,619,205	25,865,892	876,935
Restricted for debt service	208,000	287,000	-	-	495,000	-
Unrestricted	3,151,137	1,456,701	9,141,846	1,930,739	15,680,423	497,988
Total Net Position	$ 8,532,085	$ 14,693,568	$ 14,265,718	$ 4,549,944	42,041,315	$ 1,374,923
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					216,428	
Net Position of Business-type Activities					$ 42,257,743	

Unrestricted net position, the auditor's own figure for what the fund has free and clear: $9.14 million, above the $7 million minimum.

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

Source: cityofluverne.org · Finance · 2024 FINAL Annual Comprehensive Financial Report

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2024 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 203,249
Enterprise		
Electric	Sharkees - Merts TIF Project	2,011,000
	Sewer	992,903
Internal Service		
Data Processing	General	60,558
Total		$ 3,267,710

Of the General fund outstanding balance, a loan from General to the Ramage/Sasker TIF fund 445 of $150,000 is for blight removal and redevelopment that will be repaid with future tax increment revenue. The remaining balance relates to eliminating cash deficits in other funds. The Electric fund has loaned $2,011,000 to the Sharkees - Merts TIF project to cover costs associated with property acquisition and blight removal and will be repaid with future tax increment revenue. The Electric fund also loaned $992,903 to the Sewer fund to cover change orders made to two sewer improvement projects. This loan will be paid back over 10 years at a rate of 0.5%. The Data Processing fund loan to the General fund for the acquisition of PEG access channel equipment had a balance at year-end of $60,558.

The following transfers were made in 2024:

	Transfers in			
Fund	General	Childcare Facility	Nonmajor Governmental	Total
Transfers Out				
General	$ -	$ 158,000	$ 1,278,045	$ 1,436,045
Nonmajor governmental	-	1,530,000	20,000	1,550,000
Water enterprise	55,000	-	280,000	335,000
Sewer enterprise	55,000	-	100,000	155,000
Electric enterprise	95,000	43,370	485,960	624,330
Nonmajor enterprise	100,000	-	320,000	420,000
Internal service	-	50,000	100,000	150,000
Total Transfers Out	$ 305,000	$ 1,781,370	$ 2,584,005	$ 4,670,375

All 2024 transfers were budgeted with the exception of one. There was one unbudgeted transfer to move funds out of a capital project fund and into the Childcare Facility fund, where project expeditures are captured.

2024 audit, p. 71: note on loans between city funds

Loan to the Sharkees-Merts TIF project: $2.01 million.

Loan to the sewer fund: $992,903.

Both loans are repaid to the electric fund: the sewer loan on a fixed 10-year schedule, the TIF loan from future tax increment.

Source: cityofluverne.org · Finance · 2024 FINAL Annual Comprehensive Financial Report

City of Luverne, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	**602** Sewer	**604** Electric	Other Proprietary Funds	Total	
Operating Revenues						
Charges for services/sales	$ 2,202,849	$ 2,207,271	$ 8,105,152	$ 3,068,537	$ 15,583,809	$ 978,475
Cost of sales	-	-	-	(1,356,394)	(1,356,394)	-
Service income	17,211	38,001	583,455	7,744	646,411	-
Other income	12,084	3,600	105,887	19,135	140,706	300,093
Total Operating Revenues	2,232,144	2,248,872	8,794,494	1,739,022	15,014,532	1,278,568
Operating Expenses						
Personal services	529,701	258,660	287,599	424,632	1,500,592	463,571
Supplies	172,335	188,999	396,953	118,395	876,682	75,699
Other services and charges	704,537	341,292	1,772,181	354,353	3,172,363	723,173
Power purchased/delivered	-	-	3,639,955	-	3,639,955	-
Depreciation	448,980	1,102,514	1,325,469	214,915	3,091,878	103,378
Total Operating Expenses	1,855,553	1,891,465	7,422,157	1,112,295	12,281,470	1,365,821
Operating Income	376,591	357,407	1,372,337	626,727	2,733,062	(87,253)
Nonoperating Revenues (Expenses)						
Investment income	143,982	92,956	225,061	78,835	540,834	79,447
Gain on disposition of assets	-	-	31,151	-	31,151	-
Interest and other costs	(26,796)	(190,004)	(475,792)	-	(692,592)	-
Amortization revenue	4,731	7,777	24,204	-	36,712	-
Contributions to component unit	(60,000)	(60,000)	(80,000)	(15,450)	(215,450)	-
Total Nonoperating Revenues (Expenses)	61,917	(149,271)	(275,376)	63,385	(299,345)	79,447
Income Before Capital Contributions and Transfers	438,508	208,136	1,096,961	690,112	2,433,717	(7,806)
Transfers Out	(335,000)	(155,000)	(624,330)	(420,000)	(1,534,330)	(150,000)
Special assessments	4,951	6,468	-	2,166	13,585	-
Change in Net Position	108,459	59,604	472,631	272,278	912,972	(157,806)
Net Position, January 1	8,423,626	14,633,964	13,793,087	4,277,666	41,128,343	1,532,729
Net Position, December 31	$ 8,532,085	$ 14,693,568	$ 14,265,718	$ 4,549,944	$ 42,041,315	$ 1,374,923

Changes in Net Position as Shown Above	$ 912,972
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	(164,665)
Changes in Net Position and Business-type Activities	$ 748,307

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

2024 audit, p. 50: Statement of Revenues, Expenses and Changes in Net Position

Transfers out of the electric fund in 2024: $624,330.

Source: cityofluverne.org · Finance · 2024 FINAL Annual Comprehensive Financial Report

2025 audited financial report (cover)

CITY OF LUVERNE
LUVERNE, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025

Independently audited year-end figures for 2025.

PREPARED BY:

FINANCE DEPARTMENT

TYLER REISCH
FINANCE DIRECTOR

Source: cityofluverne.org · Finance · 2025 Annual Comprehensive Financial Report

2025 audit, p. 45: Statement of Net Position, Proprietary Funds

City of Luverne, Minnesota

Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	**602** Sewer	**604** Electric	Other Proprietary Funds	Total	
Assets						
Current Assets						
Cash and temporary investments	$ 3,803,077	$ 2,730,814	$ 5,193,030	$ 2,096,633	$ 13,823,554	$ 1,284,032
Restricted assets						
Cash and temporary investments	226,851	305,436	537,320	5,565	1,075,172	-
Receivables (net of allowance for uncollectible)						
Accrued interest	2,862	2,159	4,692	1,492	11,205	939
Delinquent taxes	942	1,170	-	-	2,112	-
Accounts, net	250,752	323,975	1,137,178	218,372	1,930,277	5,713
Loans	-	-	2,236	-	2,236	-
Current special assessments	7,928	10,419	-	-	18,347	-
Delinquent special assessments	4,734	7,900	-	1,513	14,147	-
Intergovernmental	-	298	-	-	298	-
Inventories	39,645	39,645	1,431,308	243,791	1,754,389	-
Prepaid items	-	-	-	-	-	22,091
Total Current Assets	4,336,791	3,421,816	8,305,764	2,567,366	18,631,737	1,312,775
Noncurrent Assets						
Special assessments receivable						
Noncurrent	54,753	71,956	-	-	126,709	-
Loans receivable - noncurrent	-	33,297	550,000	-	583,297	-
Advance to other funds	-	-	3,278,956	320,000	3,598,956	60,002
Capital assets						
Land	102,967	218,528	369,325	178,828	869,648	-
Construction in progress	123,309	208,275	-	-	331,584	-
Buildings	973,702	598,905	1,635,389	326,929	3,534,925	323,346
Improvements and infrastructure	13,977,704	28,079,340	31,546,015	3,597,100	77,200,159	853,637
Machinery and equipment	774,946	921,116	4,513,080	1,014,239	7,223,381	653,198
Total capital assets	15,952,628	30,026,164	38,063,809	5,117,096	89,159,697	1,830,181
Less accumulated depreciation	(9,058,793)	(10,625,603)	(19,235,645)	(2,723,270)	(41,643,311)	(1,051,060)
Total Capital Assets (Net Of Accumulated Depreciation)	6,893,835	19,400,561	18,828,164	2,393,826	47,516,386	779,121
Total Noncurrent Assets	6,948,588	19,505,814	22,657,120	2,713,826	51,825,348	839,123
Total Assets	11,285,379	22,927,630	30,962,884	5,281,192	70,457,085	2,151,898
Deferred Outflows of Resources						
Deferred pension resources	38,071	21,126	21,680	30,874	111,751	33,855
Deferred other postemployment benefits	1,002	476	436	792	2,706	619
Total Deferred Outflows of Resources	39,073	21,602	22,116	31,666	114,457	34,474

Column 604 is the electric fund.

Cash: $5.19 million, up $665,239 from 2024. Cash alone is still below $7 million.

Loans to other city funds: $3.28 million. Cash + loans = $8.47 million, above the minimum.

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

Source: cityofluverne.org · Finance · 2025 Annual Comprehensive Financial Report

City of Luverne, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	**602** Sewer	**604** Electric	Other Proprietary Funds	Total	
Liabilities						
Current Liabilities						
Accounts payable	$ 5,695	$ 16,829	$ 653,978	$ 39,612	$ 716,114	$ 21,949
Due to other governments	8,012	-	80,607	32,485	121,104	-
Accrued interest payable	8,759	8,750	37,086	-	54,595	-
Wages and related benefits payable	24,210	12,969	11,498	16,065	64,742	18,158
Customer deposits payable	5,092	4,686	20,234	5,565	35,577	-
Compensated absences payable - current	28,711	15,845	23,774	28,649	96,979	121,300
Other postemployment benefits liability - current	1,236	587	538	977	3,338	763
Bonds payable - current	213,000	292,000	480,000	-	985,000	-
Total Current Liabilities	294,715	351,666	1,307,715	123,353	2,077,449	162,170
Noncurrent Liabilities						
Advance from other funds	-	870,946	-	-	870,946	-
Compensated absences payable - noncurrent	53,841	31,233	42,411	44,797	172,282	348,527
Bonds payable - noncurrent	1,495,124	6,513,302	13,885,327	-	21,893,753	-
Net pension liability	144,479	77,038	81,111	115,652	418,280	126,948
Other postemployment benefits liability	13,084	6,218	5,700	10,344	35,346	8,079
Total Noncurrent Liabilities	1,706,528	7,498,737	14,014,549	170,793	23,390,607	483,554
Total Liabilities	2,001,243	7,850,403	15,322,264	294,146	25,468,056	645,724
Deferred Inflows of Resources						
Deferred pension resources	95,334	51,283	53,687	76,529	276,833	83,990
Net Position						
Net investment in capital assets	5,185,711	12,595,259	4,462,837	2,393,826	24,637,633	779,121
Restricted for debt service	213,000	292,000	-	-	505,000	-
Unrestricted	3,829,164	2,160,287	11,146,212	2,548,357	19,684,020	677,537
Total Net Position	$ 9,227,875	$ 15,047,546	$ 15,609,049	$ 4,942,183	44,826,653	$ 1,456,658
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					240,347	
Net Position of Business-type Activities					$ 45,067,000	

Unrestricted net position: $11.15 million. Above the $10 million target.

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

Source: cityofluverne.org · Finance · 2025 Annual Comprehensive Financial Report

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

The composition of amounts due to/from other funds as of December 31, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General	Luverne Family Housing TIF	$ 3,048

The outstanding balances reflect interfund borrowing to eliminate deficit cash balances.

The composition of advances between funds as of December 31, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General	Childcare Facility	$ 278,000
	Nonmajor Governmental	150,000
Enterprise		
Electric	Sharkees - Merts TIF Project	2,408,010
	Sewer	870,946
Nonmajor enterprise	Nonmajor Governmental	320,000
Internal Service		
Data Processing	General	60,002
Total		$ 4,086,958

Of the General fund outstanding balance, a loan from General to the Ramage/Sasker TIF fund 445 of $150,000 is for blight removal and redevelopment that will be repaid with future tax increment revenue. The remaining balance relates to a loan to the Childcare Facility fund which will be paid back as donations are received. The Electric fund has loaned $2,408,010 to the Sharkees - Merts TIF project to cover costs associated with property acquisition and blight removal and will be repaid with future tax increment revenue. The Electric fund also loaned $870,946 to the Sewer fund to cover change orders made to two sewer improvement projects. This loan will be paid back over 10 years at a rate of 0.5%. The Refuse fund loaned the Rural fire equipment fund $320,000 to cover the cash deficit that was created when the pumper truck was purchased. The Data Processing fund loan to the General fund for the acquisition of PEG access channel equipment had a balance at year-end of $60,002.

The following transfers were made in 2025:

	Transfers in					
Fund	General	Childcare Facility	Sharkees - Merts TIF Project	Nonmajor Governmental	Water	Total
Transfers Out						
General	$ -	$ 300,000	$ -	$ 873,374	$ -	$ 1,173,374
Nonmajor governmental	-	-	185,782	36,573	-	222,355
Water enterprise	55,000	-	-	30,000	-	85,000
Sewer enterprise	55,000	-	-	40,000	-	95,000
Electric enterprise	-	-	-	261,675	-	261,675
Nonmajor enterprise	200,000	-	-	120,000	179,658	499,658
Total Transfers Out	$ 310,000	$ 300,000	$ 185,782	$ 1,361,622	$ 179,658	$ 2,337,062

2025 audit, p. 70: note on loans between city funds

TIF loan: $2.41 million, up from $2,011,000 a year earlier.

Sewer loan: $870,946, being paid down on schedule.

Source: cityofluverne.org · Finance · 2025 Annual Comprehensive Financial Report

2025 audit, p. 48: Statement of Revenues, Expenses and Changes in Net Position

City of Luverne, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	**602** Sewer	**604** Electric	Other Proprietary Funds	Total	
Operating Revenues						
Charges for services/sales	$ 2,287,671	$ 2,350,427	$ 8,763,068	$ 3,147,625	$ 16,548,791	$ 1,035,990
Cost of sales	-	-	-	(1,359,965)	(1,359,965)	-
Service income	19,787	36,810	610,677	7,512	674,786	-
Other income	5,588	-	46,015	17,204	68,807	293,364
Total Operating Revenues	2,313,046	2,387,237	9,419,760	1,812,376	15,932,419	1,329,354
Operating Expenses						
Personal services	593,903	312,047	299,568	457,227	1,662,745	453,463
Supplies	182,234	243,593	473,401	130,143	1,029,371	63,649
Other services and charges	652,504	418,816	2,137,298	446,476	3,655,094	679,224
Power purchased/delivered	-	-	3,994,894	-	3,994,894	-
Depreciation	469,607	1,031,905	1,284,093	225,379	3,010,984	97,814
Total Operating Expenses	1,898,248	2,006,361	8,189,254	1,259,225	13,353,088	1,294,150
Operating Income	414,798	380,876	1,230,506	553,151	2,579,331	35,204
Nonoperating Revenues (Expenses)						
State grants and aids	-	-	-	183,794	183,794	-
Investment income	129,449	98,922	219,958	70,100	518,429	46,531
Gain on disposition of assets	(5,250)	7,661	10,737	-	13,148	-
Interest and other costs	(23,904)	(170,988)	(462,616)	-	(657,508)	-
Amortization revenue	4,732	7,776	24,204	-	36,712	-
Contributions to component unit	(60,000)	(60,000)	(80,000)	(15,450)	(215,450)	-
Total Nonoperating Revenues (Expenses)	45,027	(116,629)	(287,717)	238,444	(120,875)	46,531
Income Before Capital Contributions and Transfers	459,825	264,247	942,789	791,595	2,458,456	81,735
Transfers In	179,658	-	-	-	179,658	-
Transfers Out	(85,000)	(95,000)	(261,675)	(499,658)	(941,333)	-
Capital contributions - special assessments	7,598	11,665	-	1,826	21,089	-
Change in Net Position	562,081	180,912	681,114	293,763	1,717,870	81,735
Net Position, January 1, as Previously Reported	8,532,085	14,693,568	14,265,718	4,549,944	42,041,315	1,374,923
Error correction (Note 10)	133,709	173,066	662,217	98,476	1,067,468	-
Net Position, January 1, as Restated	8,665,794	14,866,634	14,927,935	4,648,420	43,108,783	1,374,923
Net Position, December 31	$ 9,227,875	$ 15,047,546	$ 15,609,049	$ 4,942,183	$ 44,826,653	$ 1,456,658

Changes in Net Position as Shown Above	$ 1,717,870
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	23,919
Changes in Net Position and Business-type Activities	$ 1,741,789

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

Transfers out in 2025: $261,675, down $362,655 from 2024.

Source: cityofluverne.org · Finance · 2025 Annual Comprehensive Financial Report

provision of Municipal Services with the objective that all electric customers within the City limits are served by the City's municipal electric utility. If extraordinary circumstances temporarily prevent such service, any other utility may serve within the City only pursuant to a limited franchise granted by the City Council, upon the recommendation of the Commission. For water, wastewater, or other utility services where the Commission determines, in consultation with the City Council, that the City's utility cannot adequately or economically serve a property at retail, the City Council may, upon the Commission's request, grant a limited franchise to an alternate supplier. The Commission shall oversee service standards, rate and fee structures, and customer policies for all residential premises within the City limits. The City Council shall retain authority to enter into, approve, or renew contracts or franchises , but shall do so after receiving a recommendation from the Commission, and any such contracts or franchises shall be consistent with the Commission's duly adopted policies and rates or fees for those services.

(c) Abolition of Commission. The Commission, having been established by this Charter, may be abolished only by a subsequent amendment to this Charter. Unless otherwise provided in such an amendment, upon abolition of the Commission the supervisory and management authority allocated to the Commission under this chapter, including with respect to Municipal Services and the utilities governed by Chapter 11, shall revert to the City Council under Chapter 11 and the City's general municipal powers.

Section 2. Organization of the Commission.

(a) Number and Composition. The Commission shall consist of five (5) members, composed as follows:

1. Three (3) members shall be residents of the City of Luverne, elected at-large by the voters of the City.
2. One (1) member shall be the City Administrator or the City Council may appoint one of its own members to serve instead of the City Administrator.
3. One (1) member shall be a representative of a large-volume utility customer, who shall be appointed by the City Council and is not required to be a resident of the City.

One of the five seats is reserved for a large-volume customer, appointed by the council, and need not live in Luverne.

(b) Elected Members: Terms and Elections. The three elected members shall serve staggered four-year terms. Elections for these seats shall be held during the City's regular municipal election. The terms of elected members shall commence on the first business day of January following the election.

Source: cityofluverne.legistar1.com · attachment 8c1548b2… (amendment filed with petition)

(c) Appointed Members: Terms. The City Council representative shall be appointed annually by the Council to serve a one-year term concurrent with their Council service. The large-volume user representative shall be appointed by the City Council to serve a three-year term.

(d) Qualifications.

1. All elected members of the Commission must be registered voters of the City of Luverne and must remain residents and customers of the City's monthly municipal services billing, including the City's municipal utility services (electric, water, and wastewater) owned and operated by the City pursuant to Charter Chapter 11, throughout their term.
2. The appointed large-volume user representative shall be an owner, officer, or designated senior manager of a non-residential, non-governmental utility customer that is within the top twenty-five accounts (25) of all utility customers during the most recent calendar year as measured by annual gross revenue paid to the utility, or that meets other similar criteria as may be established by ordinance.
3. No member of the Commission, other than the sitting City Administrator or City Council member, shall be an employee of the City of Luverne.

That member must be an owner, officer, or senior manager of one of the 25 biggest non-residential accounts. That person owes duties to their company.

(e) Vacancies. A vacancy in an elected seat shall be filled by appointment by the City Council until the next regular city election, at which time a person shall be elected to fill the unexpired portion of the term. A vacancy in an appointed seat shall be filled by appointment by the City Council for the remainder of the unexpired term.

(f) Removal. Any commissioner may be removed by the City Council for misfeasance, malfeasance, or nonfeasance in office, following a public hearing. Any commissioner who is absent from three (3) consecutive regular meetings without being excused by the Commission Chair prior to the meeting shall be deemed to have committed nonfeasance, and the Commission may recommend removal to the City Council.

(g) Officers. At its first meeting each year, the Commission shall elect from its membership a Chair, Vice-Chair, and Secretary to serve one-year terms. No person shall be elected Chair who has not completed at least one year of service as a member of the Commission, except that this requirement shall not apply during the first year of the Commission's operation.

(h) Compensation. Commissioners shall receive compensation in an amount to be set by the City Council, not to exceed the compensation received by a City Council member for their regular duties. All such compensation shall be paid exclusively from the revenues of the Luverne Public Utilities. The member of the Commission who is

Source: cityofluverne.legistar1.com · attachment 8c1548b2…
(amendment filed with petition)

employment, benefits, personal policies and other terms of employment. Existing personal policies of the City shall continue until legally modified by the Commission. Any existing union contracts governing former City employees but now assigned to the Commission shall continue until expiration. The Commission and City Council shall mutually coordinate with each other and unless there be a legal and valid business reason to not do so, both shall utilize the City's employee health insurance, workers compensation, general property, casualty, liability, errors and omissions, and other insurances and mutual safety programs and other employee benefits including but not limited to pay equity and comparable worth laws, unless otherwise agreed upon by the Commission and the City Council.

(d) Rates. Notwithstanding Section 11.02 of this Charter, upon the creation of the Commission the authority to fix rates, fares, and prices for the City's municipal electric, water, and wastewater utilities that is referenced in Section 11.02 shall, for those utilities, be exercised by the Commission as provided in this Chapter, rather than directly by the City Council. The Commission shall establish fair, reasonable, and compensatory rates for all such utility services, which shall be uniform for customers within the same class. Rates must be sufficient to cover all costs of operation, maintenance, depreciation, debt service, capital improvements, and establishment of reasonable reserves, as well as any authorized payments to the City's General Fund or other Funds. In addition, the Commission shall establish and periodically review fees, charges, and other rates that are billed by the City to residents on their regular monthly statement, in amounts that are fair, reasonable, and sufficient to fund the full cost of providing those services and any related reserves. Nothing in this subsection affects the authority of the City Council under Section 11.02 with respect to any other municipal utility not placed under the Commission's jurisdiction by this Charter or by ordinance adopted pursuant to this Charter, or the Council's authority under this Charter and state law with respect to any other municipal service not expressly placed under the Commission's jurisdiction.

(e) Expenditures and Procurement. No funds of the Municipal Services under the Commission's jurisdiction shall be expended except upon the authorization of the Commission, consistent with this Charter, including Chapter 11 for municipal utilities, and applicable state law. All claims and expenditures shall be properly documented and approved in accordance with procurement policies adopted by the Commission, which shall be consistent with public purchasing laws and any generally applicable City procurement policies.

(f) Bonding and Debt. Subject to the approval of the City Council and consistent with this Charter, including Chapter 11 as it relates to municipal utilities, and applicable state law, the Commission may recommend the issuance of revenue bonds and other

The only reserve language in the amendment: "reasonable reserves." No dollar floor and no definition, compared with the council policy's $7-10 million.

Source: cityofluverne.legistar1.com · attachment 8c1548b2… (amendment filed with petition)

indebtedness as authorized under Minnesota law to finance improvements, extensions, and acquisitions for the Municipal Services under its jurisdiction.

(g) Policies and Regulations. The Commission shall establish written policies to govern its operations and the provision of Municipal Services, including customer service rules, billing and termination procedures, operational regulations, and other processes necessary for the effective management of the municipal electric, water, and wastewater utilities under its jurisdiction.

(h) Accounting and Financial Reports. The funds and accounts for each Municipal Service under the Commission's jurisdiction, including each utility division (e.g., electric, water, wastewater), shall be maintained and accounted for separately in accordance with Generally Accepted Accounting Principles (GAAP) and applicable governmental accounting standards. Annual financial reports shall be prepared for each such Municipal Service, shall be incorporated into the City's comprehensive annual audit, and the final audited statements shall be provided to the City Council and made available for public inspection. The financial accounting, payroll, etc. will be handled on a contractual basis with the City's Finance Department. The terms of the agreement for financial accounting services shall be negotiated by the Commission Chair, Commission General Manager, Mayor, and City Administrator.

(i) Payments to General Fund. The Commission shall negotiate with the City Council to establish an agreement for payments in lieu of taxes or other transfers from the revenues of the Municipal Services under the Commission's jurisdiction to the City's General Fund or any other Fund. Any such agreement shall be based on a transparent formula, be reviewed periodically, be approved by both the Commission and the City Council, and shall comply with all applicable provisions of this Charter and Minnesota law.

Transfers to the city: a negotiated "transparent formula," but no cap and no level set.

(j) Investment of Funds. Surplus funds of the Municipal Services (including the City's municipal electric, water, and wastewater utilities not required for immediate disbursement shall be invested in accordance with Minnesota Statutes and the City's investment policy. All investments shall be managed in coordination with the City's Finance Department to maintain consolidated banking and investment services where prudent, and in compliance with all applicable provisions of this Charter and Minnesota law.

(k) Consistency with Chapter 11 and Disposition of Utilities. All powers and duties conferred on the Commission by this Section 3 are intended to implement and allocate, on behalf of the City, the powers relating to public utilities (including the City's municipal electric, water, and wastewater utilities) contained in Chapter 11 of this Charter. Nothing in this chapter authorizes the Commission or the City Council to lease

Source: cityofluverne.legistar1.com · attachment 8c1548b2… (amendment filed with petition)