

**CITY OF LANESBORO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**



CITY OF LANESBORO, MINNESOTA

FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

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**CITY OF LANESBORO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2015**

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**CITY OF LANESBORO, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2015**

|                  |                               |
|------------------|-------------------------------|
| Robin Krom       | Mayor                         |
| Tom Smith        | Council member                |
| Thomas Dybing    | Council member                |
| Autumn Johnson   | Council member                |
| Jason Resseman   | Council member                |
| David Todd       | City Administrator (Resigned) |
| Michele Peterson | City Administrator            |

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**CITY OF LANESBORO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
**City of Lanesboro, Minnesota**

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lanesboro, Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lanesboro, Minnesota as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund and the major special revenues funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 5 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 14 and the required supplemental information as listed in the Table of Contents 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.

#### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2014, from which such partial information was derived.

We have previously audited the City's 2014 financial statements and our report dated June 23, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lanesboro, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Other Matters (continued)**

*Other Information (continued)*

The combining and individual nonmajor fund financial statements and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 May 25, 2016, on our consideration of the City of Lanesboro, Minnesota, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Lanesboro, Minnesota, Minnesota's internal control over financial reporting and compliance.

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
May 25, 2016

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## CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lanesboro, Minnesota, we offer readers of the City of Lanesboro, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Lanesboro, Minnesota for the fiscal year ended December 31, 2015.

**New Accounting Pronouncement.** The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These Statements established accounting and financial reporting standards for pensions.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Lanesboro, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$6,470,259 (*net position*). Of this amount, \$585,327 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$1,501,693.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$785,504. Approximately \$569,649 of this total amount, or 73% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$319,705 or 48% of total general fund expenditures.
- The City of Lanesboro, Minnesota increased total outstanding debt obligations by \$1,339,739 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Lanesboro, Minnesota's basic financial statements. The City of Lanesboro, Minnesota's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

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

## CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The *statement of net position* presents information on all of the City of Lanesboro, Minnesota'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 of Lanesboro 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Lanesboro, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lanesboro, Minnesota include general government, public safety, public works, culture and recreation and economic development. The business-type activities of the City of Lanesboro, Minnesota include the utilities commission fund. The government-wide financial statements can be found on pages 15-17 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 of Lanesboro, Minnesota, 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 of Lanesboro, Minnesota can be divided into two categories: governmental funds and proprietary 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 financial 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 of 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 of Lanesboro, Minnesota maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the fire fund, the ambulance fund, the 2008A GO Bond debt service fund, and the Small City Grant fund all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.



## CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lanesboro, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 24-26) and the special revenue funds (page 27 - 29) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary funds.** The City of Lanesboro, Minnesota maintains one type of proprietary funds – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lanesboro, Minnesota uses enterprise funds to account for its utilities commission fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utilities commission which is considered to be a major fund of the City of Lanesboro, Minnesota.

The proprietary fund financial statements can be found on pages 30-33 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 on pages 34-56 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 58-61 of this report.

### IMPORTANT REMINDERS

**Infrastructure Assets.** When the City of Lanesboro, Minnesota implemented GASB Statement #34 for the year ended December 31, 2004, the City elected to record infrastructure assets prospectively, rather than retroactively for general government activities. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City over the years but have never been recorded. Nonetheless, the City of Lanesboro, Minnesota has reserves in the capital project funds and an ongoing program for repairs, reconditioning, and replacement of these assets with annual funding sources continually earmarked for these specific purposes. All 2004 and future acquisitions of infrastructure assets have and will be recorded under the new reporting model.

**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 of Lanesboro, Minnesota, assets exceeded liabilities by \$6,470,259 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (85%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lanesboro, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lanesboro, Minnesota'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.

|                                   | <b>City of Lanesboro, Minnesota's Net Position</b> |                     |                          |                     |                     |                     |
|-----------------------------------|--|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                   | Governmental Activities                            |                     | Business-Type Activities |                     | Totals              |                     |
|                                   | 2015   | 2014                | 2015                     | 2014                | 2015                | 2014                |
| Current and other assets          | \$ 929,524   | \$ 944,550          | \$ 1,131,987             | \$ 785,874          | \$ 2,061,511        | \$ 1,730,424        |
| Capital assets                    | 2,740,916  | 2,915,154           | 6,751,876                | 3,514,219           | 9,492,792           | \$ 6,429,373        |
| Total assets                      | <u>3,670,440</u>                                   | <u>3,859,704</u>    | <u>7,883,863</u>         | <u>4,300,093</u>    | <u>11,554,303</u>   | <u>8,159,797</u>    |
| Deferred outflows of resources    | 25,931   |                     | 16,051                   |                     | 41,982              |                     |
| Long-term liabilities outstanding | 1,178,987  | 1,052,072           | 3,124,493                | 1,573,195           | 4,303,480           | 2,625,267           |
| Other liabilities                 | 77,751   | 107,851             | 704,717                  | 143,476             | 782,468             | 251,327             |
| Total liabilities                 | <u>1,256,738</u>                                   | <u>1,159,923</u>    | <u>3,829,210</u>         | <u>1,716,671</u>    | <u>5,085,948</u>    | <u>2,876,594</u>    |
| Deferred inflows of resources     | 23,003   |                     | 17,075                   |                     | 40,078              |                     |
| Net position:                     |  |                     |                          |                     |                     |                     |
| Net investment in capital assets  | 1,767,716  | 1,863,082           | 3,757,655                | 1,941,024           | 5,525,371           | 3,804,106           |
| Restricted for debt               | 138,645  | 123,074             | 220,916                  | 103,000             | 359,561             | 226,074             |
| Unrestricted                      | 510,269  | 713,625             | 75,058                   | 539,398             | 585,327             | 1,253,023           |
| Total net position                | <u>\$ 2,416,630</u>                                | <u>\$ 2,699,781</u> | <u>\$ 4,053,629</u>      | <u>\$ 2,583,422</u> | <u>\$ 6,470,259</u> | <u>\$ 5,283,203</u> |

The balance of *unrestricted net position* (\$585,327) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental activities.** Governmental activities decreased the City of Lanesboro, Minnesota's net position by \$89,659.

**Business-type activities.** Business-type activities increased the City of Lanesboro, Minnesota's net position by \$1,591,352.

A condensed version of the Statement of Activities follows:

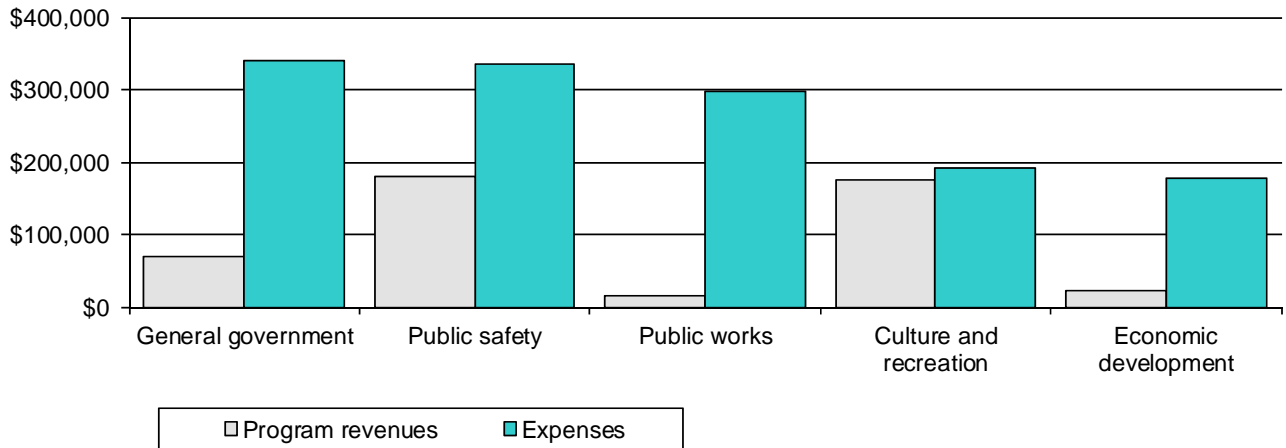
**City of Lanesboro, Minnesota's Change in Net Position**

|  | Governmental Activities |                     | Business-Type Activities |                     | Totals              |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 2015                    | 2014                | 2015                     | 2014                | 2015                | 2014                |
| Revenue:   |                         |                     |                          |                     |                     |                     |
| Program revenues:  |                         |                     |                          |                     |                     |                     |
| Charges for services   | \$ 236,613              | \$ 254,895          | \$ 1,534,893             | \$ 1,448,653        | \$ 1,771,506        | \$ 1,703,548        |
| Operating grants and contributions                           | 215,395                 | 457,332             |                          |                     | 215,395             | 457,332             |
| Capital grants and contributions                             | 11,693                  | 14,305              | 1,250,240                |                     | 1,261,933           | 14,305              |
| General revenues:  |                         |                     |                          |                     |                     |                     |
| Property taxes   | 510,780                 | 498,297             |                          |                     | 510,780             | 498,297             |
| Sales tax  | 58,418                  | 83,940              |                          |                     | 58,418              | 83,940              |
| Tax increments   | 35,473                  | 34,936              |                          |                     | 35,473              | 34,936              |
| Grants and contributions not restricted to specific programs | 210,821                 | 210,284             |                          |                     | 210,821             | 210,284             |
| Other  | 20,886                  | 6,730               | 73,071                   | 71,614              | 93,957              | 78,344              |
| Total revenues   | <u>1,300,079</u>        | <u>1,560,719</u>    | <u>2,858,204</u>         | <u>1,520,267</u>    | <u>4,158,283</u>    | <u>3,080,986</u>    |
| Expenses:  |                         |                     |                          |                     |                     |                     |
| General government   | 339,146                 | 311,147             |                          |                     | 339,146             | 311,147             |
| Public safety  | 334,610                 | 345,553             |                          |                     | 334,610             | 345,553             |
| Public works   | 297,778                 | 278,093             |                          |                     | 297,778             | 278,093             |
| Parks and recreation   | 192,525                 | 175,048             |                          |                     | 192,525             | 175,048             |
| Economic development   | 177,879                 | 289,046             |                          |                     | 177,879             | 289,046             |
| Interest on long-term debt                                   | 47,800                  | 43,330              |                          |                     | 47,800              | 43,330              |
| Utilities commission   |                         |                     | 1,266,852                | 1,330,147           | 1,266,852           | 1,330,147           |
| Total expenses   | <u>1,389,738</u>        | <u>1,442,217</u>    | <u>1,266,852</u>         | <u>1,330,147</u>    | <u>2,656,590</u>    | <u>2,772,364</u>    |
| Increase (decrease) in net position before transfers         | (89,659)                | 118,502             | 1,591,352                | 190,120             | 1,501,693           | 308,622             |
| Transfers  |                         | 12,906              |                          | (12,906)            |                     |                     |
| Increase (decrease) in net position                          | (89,659)                | 131,408             | 1,591,352                | 177,214             | 1,501,693           | 308,622             |
| Net position, beginning of year, as restated                 | <u>2,506,289</u>        | <u>2,568,373</u>    | <u>2,462,277</u>         | <u>2,406,208</u>    | <u>4,968,566</u>    | <u>4,974,581</u>    |
| Net position, end of year                                    | <u>\$ 2,416,630</u>     | <u>\$ 2,699,781</u> | <u>\$ 4,053,629</u>      | <u>\$ 2,583,422</u> | <u>\$ 6,470,259</u> | <u>\$ 5,283,203</u> |

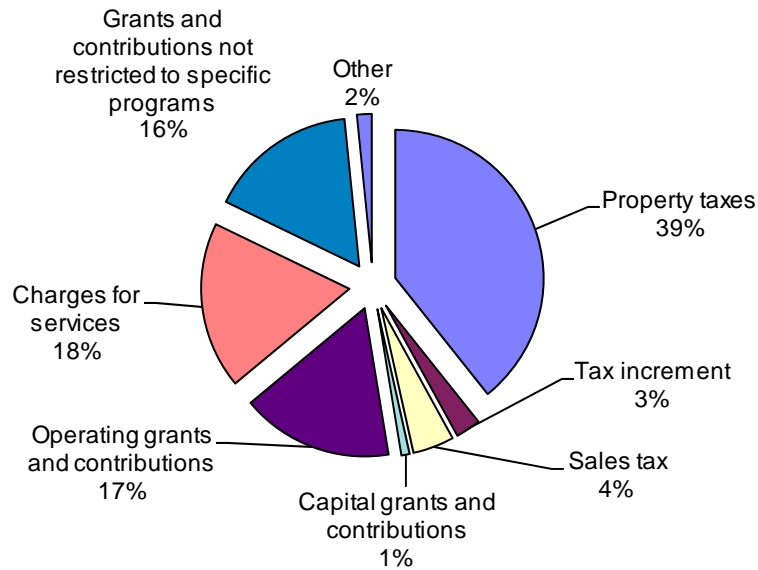
**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**Expenses and Program Revenues - Governmental Activities**



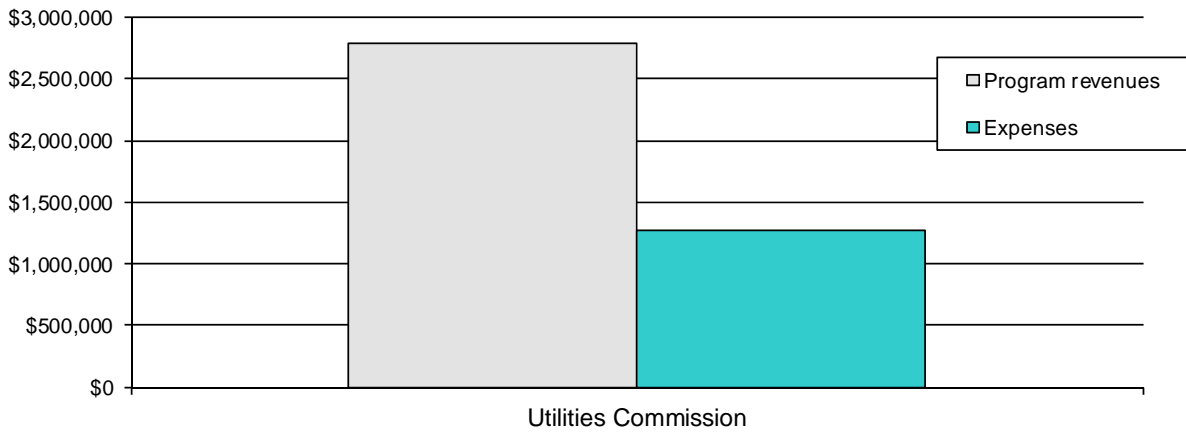
**Revenues by Source - Governmental Activities**



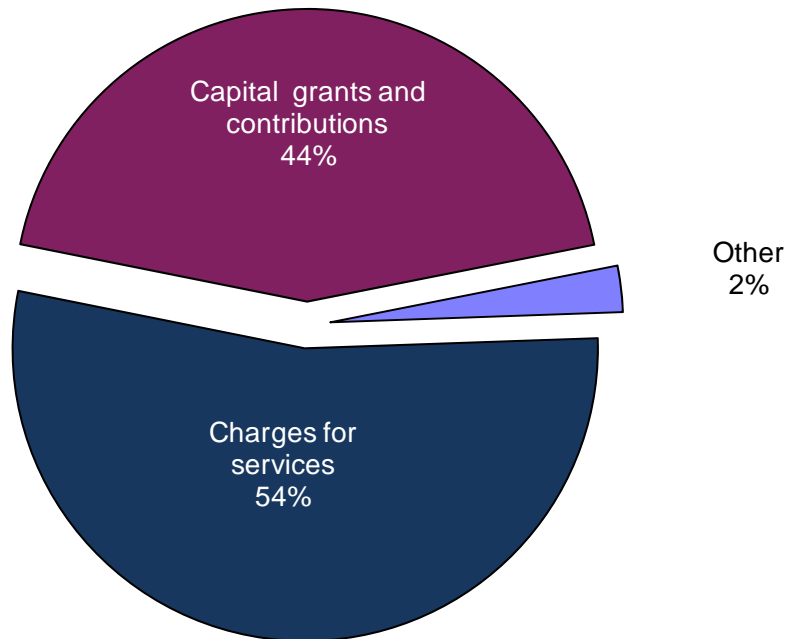
**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



# CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

## FUND BASIS FINANCIAL ANALYSIS

As noted earlier, the City of Lanesboro, Minnesota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Lanesboro, Minnesota'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 of Lanesboro, Minnesota's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

As of the end of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$785,504, an increase of \$28,687. Approximately \$569,649 of this total amount, or 73%, constitutes *unassigned and assigned fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted or nonspendable* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period or 2) to repay debt.

The general fund is the chief operating fund of the City of Lanesboro, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$319,705. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48% of total general fund expenditures.

The general fund's total fund balance increased by \$54,802 during the current fiscal year primarily due to fiscal responsibility as well greater than expected state aids and contributions.

The fire fund increased its fund balance by \$22,874 for the year, and ended the year with a fund balance of \$69,677.

**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Proprietary funds.** The City of Lanesboro, Minnesota's proprietary funds statements found on pages 30-33 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary fund of the Utilities Commission is \$75,058.

Further information regarding utility operations can be found in the utility commissions separate financial report.

**General Fund Budgetary Highlights**

The City approved the 2015 general fund budget anticipating minimal change in general fund reserves.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lanesboro, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$9,492,792 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, vehicles, roads, and bridges, and production and distribution systems. The total increase in the City of Lanesboro, Minnesota's reported investment in capital assets for the current fiscal year was \$3,063,419, or 47.6%.

**City of Lanesboro, Minnesota's Capital Assets**

(net of depreciation)

|                             | Governmental Activities |              | Business-Type Activities |              | Totals       |              |
|-----------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|                             | 2015                    | 2014         | 2015                     | 2014         | 2015         | 2014         |
| Land                        | \$ 264,500              | \$ 264,500   | \$ 13,686                | \$ 13,686    | \$ 278,186   | \$ 278,186   |
| Dam                         |                         |              | 300,400                  | 224,931      | 300,400      | 211,053      |
| Buildings and improvements  | 682,473                 | 757,313      | 4,456,101                | 330,613      | 5,138,574    | 1,024,839    |
| Infrastructure              | 1,275,374               | 1,315,828    |                          |              | 1,275,374    | 1,373,704    |
| Machinery and equipment     | 518,569                 | 500,604      | 24,695                   | 17,834       | 543,264      | 590,296      |
| Production and distribution |                         |              | 1,956,994                | 2,134,035    | 1,956,994    | 2,105,255    |
| Work in progress            |                         |              |                          | 205,375      |              | 846,040      |
| Total                       | \$ 2,740,916            | \$ 2,838,245 | \$ 6,751,876             | \$ 2,926,474 | \$ 9,492,792 | \$ 6,429,373 |

Additional information on the City of Lanesboro, Minnesota's capital assets can be found in Note 3B on pages 44-45 of this report.

**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Long-term debt.** At the end of the current fiscal year, the City of Lanesboro, Minnesota had \$3,986,911 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

**City of Lanesboro, Minnesota's Outstanding Debt**  
General Obligation and Revenue Bonds and Notes Payable

|                          | Governmental Activities |                     | Business-Type Activities |                     | Totals              |                     |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                          | 2015                    | 2014                | 2015                     | 2014                | 2015                | 2014                |
| General obligation bonds | \$ 984,000              | \$ 1,064,000        | \$                       | \$                  | \$ 984,000          | \$ 1,064,000        |
| General obligation       |                         |                     |                          |                     |                     |                     |
| revenue bonds            |                         |                     | 776,711                  | 927,431             | 776,711             | 927,431             |
| Loans                    |                         |                     | 2,226,200                | 655,741             | 2,226,200           | 655,741             |
| Total                    | <u>\$ 984,000</u>       | <u>\$ 1,064,000</u> | <u>\$ 3,002,911</u>      | <u>\$ 1,583,172</u> | <u>\$ 3,986,911</u> | <u>\$ 2,647,172</u> |

The City of Lanesboro, Minnesota's total bonds and notes payable increased by \$1,339,739 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3D, beginning on page 47.

**Economic Factors and Next Year's Budgets and Rates**

- The City is continuing to look for funding sources to rehabilitate and repair the 1868 Lanesboro Stone Dam. With committed funding sources from the DNR in the amount of \$950,000 with a 50/50 cost share. However, with a 2016 price tag of \$3.6 Million the City is seeking to be placed on the 2016 Capital Improvement Bonding Bill seeking the remainder of the funds to complete the 1868 Lanesboro Dam Project. In lieu of Bond money from the State level, the City will have to look at other means for financing this project.



**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates (Continued)**

- With the implementation of the .5% sales tax legislation that was approved in 2011, the City intends to continue building reserves in order to address much needed infrastructure improvements. The City is faced with aging infrastructure and will be revisiting the City's Capital Improvement Plan, in order to ensure it properly addresses the current infrastructure needs.
- The City will continue to rely upon fees for services to fund various departments. Fees were increased for the Ambulance Department and Camping during 2015 in order to help build reserves for upcoming projects. Fees for services are also collected for the Fire Department.

All of these factors were considered in preparing the City of Lanesboro, Minnesota's budget for the 2015 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lanesboro, Minnesota'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 information should be addressed to the City Administrator, Lanesboro Community Memorial Center, 202 Parkway Ave. S, Lanesboro, MN 55949.

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**CITY OF LANESBORO, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**CITY OF LANESBORO, MINNESOTA**  
**STATEMENT OF NET POSITION**

December 31, 2015

With Comparative Totals for December 31, 2014

|  | Governmental<br>Activities | Business-Type<br>Activities | Totals              |                     |
|--|----------------------------|-----------------------------|---------------------|---------------------|
|  |                            |                             | 2015                | 2014                |
| <b>ASSETS</b>  |                            |                             |                     |                     |
| Cash and investments                                 | \$ 680,256                 | \$ 1,019,004                | \$ 1,699,260        | \$ 1,350,851        |
| Receivables (net of allowance<br>for uncollectibles) | 201,314                    | 117,790                     | 319,104             | 330,535             |
| Internal balances                                    | 40,015                     | (40,015)                    |                     |                     |
| Inventory  |                            | 33,010                      | 33,010              | 39,446              |
| Prepaid expenses                                     | 7,939                      | 2,198                       | 10,137              | 9,592               |
| Capital assets:                                      |                            |                             |                     |                     |
| Nondepreciable                                       | 264,500                    | 13,686                      | 278,186             | 1,124,226           |
| Depreciable, net                                     | 2,476,416                  | 6,738,190                   | 9,214,606           | 5,305,147           |
| Total Assets   | <u>3,670,440</u>           | <u>7,883,863</u>            | <u>11,554,303</u>   | <u>8,159,797</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                            |                             |                     |                     |
| Deferred outflows from pension activity              | <u>25,931</u>              | <u>16,051</u>               | <u>41,982</u>       |                     |
| <b>LIABILITIES</b>                                   |                            |                             |                     |                     |
| Accounts payable                                     | 22,194                     | 632,241                     | 654,435             | 133,956             |
| Accrued liabilities                                  | 8,223                      | 16,900                      | 25,123              | 17,593              |
| Deposits payable                                     |                            | 19,954                      | 19,954              | 19,918              |
| Accrued interest payable                             | 15,674                     |                             | 15,674              | 16,809              |
| Compensated absences                                 | 31,660                     | 35,622                      | 67,282              | 63,051              |
| Noncurrent liabilities:                              |                            |                             |                     |                     |
| Due within one year                                  | 93,000                     | 251,297                     | 344,297             | 230,720             |
| Due in more than one year                            | 880,200                    | 2,742,924                   | 3,623,124           | 2,394,547           |
| Net pension liability                                | 205,787                    | 130,272                     | 336,059             |                     |
| Total Liabilities                                    | <u>1,256,738</u>           | <u>3,829,210</u>            | <u>5,085,948</u>    | <u>2,876,594</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                            |                             |                     |                     |
| Deferred inflows from pension activity               | <u>23,003</u>              | <u>17,075</u>               | <u>40,078</u>       |                     |
| <b>NET POSITION</b>                                  |                            |                             |                     |                     |
| Net investment in<br>capital assets                  | 1,767,716                  | 3,757,655                   | 5,525,371           | 3,804,106           |
| Restricted for debt                                  | 138,645                    | 220,916                     | 359,561             | 226,074             |
| Unrestricted   | 510,269                    | 75,058                      | 585,327             | 1,253,023           |
| Total Net Position                                   | <u>\$ 2,416,630</u>        | <u>\$ 4,053,629</u>         | <u>\$ 6,470,259</u> | <u>\$ 5,283,203</u> |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA  
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014

| <u>Functions/Programs</u>        | <u>Expenses</u>     | <u>Program Revenues</u>         |   |   |
|----------------------------------|---------------------|---------------------------------|---|---|
|                                  |                     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |
| <b>Governmental activities:</b>  |                     |                                 |   |   |
| General government               | \$ 339,146          | \$ 23,495                       | \$ 45,839   | \$  |
| Public safety                    | 334,610             | 69,065                          | 111,749   |   |
| Public works                     | 297,778             | 3,397                           |   | 11,693  |
| Culture and recreation           | 192,525             | 140,656                         | 35,768  |   |
| Economic development             | 177,879             |                                 | 22,039  |   |
| Interest on long-term debt       | 47,800              |                                 |   |   |
| Total governmental activities    | <u>1,389,738</u>    | <u>236,613</u>                  | <u>215,395</u>                                    | <u>11,693</u>                                   |
| <b>Business-Type activities:</b> |                     |                                 |   |   |
| Utilities commission             | <u>1,266,852</u>    | <u>1,534,893</u>                |   | <u>1,250,240</u>                                |
| Total                            | <u>\$ 2,656,590</u> | <u>\$ 1,771,506</u>             | <u>\$ 215,395</u>                                 | <u>\$ 1,261,933</u>                             |

General revenues:

- General property taxes
- Tax increments
- Sales tax
- Grants and contributions not restricted to specific programs
- Interest earnings
- Miscellaneous
- Total general revenues and transfers

Change in net position

Net position - beginning, as originally stated

Restatement (Note 5)

Net position - beginning, as restated

Net position - ending

Net (Expense) Revenue  
and Changes in Net Position

| Governmental<br>Activities | Business-Type<br>Activities | Totals              |                     |
|----------------------------|-----------------------------|---------------------|---------------------|
|                            |                             | 2015                | 2014                |
| \$ (269,812)               | \$                          | \$ (269,812)        | \$ (230,091)        |
| (153,796)                  |                             | (153,796)           | (139,825)           |
| (282,688)                  |                             | (282,688)           | (260,784)           |
| (16,101)                   |                             | (16,101)            | 20,339              |
| (155,840)                  |                             | (155,840)           | (61,994)            |
| (47,800)                   |                             | (47,800)            | (43,330)            |
| <u>(926,037)</u>           |                             | <u>(926,037)</u>    | <u>(715,685)</u>    |
|                            | 1,518,281                   | 1,518,281           | 118,506             |
| <u>(926,037)</u>           | <u>1,518,281</u>            | <u>592,244</u>      | <u>(597,179)</u>    |
| 510,780                    |                             | 510,780             | 498,297             |
| 35,473                     |                             | 35,473              | 34,936              |
| 58,418                     |                             | 58,418              | 83,940              |
| 210,821                    |                             | 210,821             | 210,284             |
| 491                        | 585                         | 1,076               | 1,289               |
| 20,395                     | 72,486                      | 92,881              | 77,055              |
| <u>836,378</u>             | <u>73,071</u>               | <u>909,449</u>      | <u>905,801</u>      |
| <u>(89,659)</u>            | <u>1,591,352</u>            | <u>1,501,693</u>    | <u>308,622</u>      |
| 2,699,781                  | 2,583,422                   | 5,283,203           |                     |
| <u>(193,492)</u>           | <u>(121,145)</u>            | <u>(314,637)</u>    |                     |
| <u>2,506,289</u>           | <u>2,462,277</u>            | <u>4,968,566</u>    | <u>4,974,581</u>    |
| <u>\$ 2,416,630</u>        | <u>\$ 4,053,629</u>         | <u>\$ 6,470,259</u> | <u>\$ 5,283,203</u> |

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**CITY OF LANESBORO, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**CITY OF LANESBORO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2015  
With Comparative Totals for December 31, 2014

|  | 100<br>General    | 220<br>Fire<br>Fund | 230<br>Ambulance<br>Fund | 302<br>2008A<br>GO Bond<br>Fund |
|--|-------------------|---------------------|--------------------------|---------------------------------|
| <b>ASSETS</b>  |                   |                     |                          |                                 |
| Cash and investments   | \$ 291,457        | \$ 25,445           | \$ 125,289               | \$ 84,230                       |
| Accounts receivable  | 2,459             | 47,275              | 26,063                   |                                 |
| Due from other governmental units  | 7,359             |                     |                          | 1,326                           |
| Taxes receivable delinquent  | 8,514             | 827                 | 671                      | 104                             |
| Special assessments receivable   | 1,512             |                     |                          | 100,458                         |
| Due from other funds   | 40,015            |                     |                          |                                 |
| Prepaid expenses   | 7,939             |                     |                          |                                 |
| <b>TOTAL ASSETS</b>  | <b>\$ 359,255</b> | <b>\$ 73,547</b>    | <b>\$ 152,023</b>        | <b>\$ 186,118</b>               |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>       |                   |                     |                          |                                 |
| <b>Liabilities:</b>  |                   |                     |                          |                                 |
| Accounts payable   | \$ 13,754         | \$ 3,043            | \$ 1,266                 | \$                              |
| Accrued liabilities  | 7,831             |                     |                          |                                 |
| Due to other funds   |                   |                     |                          |                                 |
| Total Liabilities  | 21,585            | 3,043               | 1,266                    |                                 |
| <b>Deferred Inflows of Resources</b>                                     |                   |                     |                          |                                 |
| Unavailable revenue:   |                   |                     |                          |                                 |
| Property taxes   | 8,514             | 827                 | 671                      | 104                             |
| Special assessments  | 1,512             |                     |                          | 100,458                         |
| Total Deferred Inflows of Resources                                      | 10,026            | 827                 | 671                      | 100,562                         |
| <b>Fund Balance:</b>   |                   |                     |                          |                                 |
| Nonspendable   | 7,939             |                     |                          |                                 |
| Restricted:  |                   |                     |                          |                                 |
| Contributors   |                   |                     |                          |                                 |
| Grantors   |                   |                     |                          |                                 |
| Regulators   |                   |                     |                          |                                 |
| Debt service   |                   |                     |                          | 85,556                          |
| Assigned   |                   | 69,677              | 150,086                  |                                 |
| Unassigned   | 319,705           |                     |                          |                                 |
| Total Fund Balance   | 327,644           | 69,677              | 150,086                  | 85,556                          |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b> | <b>\$ 359,255</b> | <b>\$ 73,547</b>    | <b>\$ 152,023</b>        | <b>\$ 186,118</b>               |

**See Notes to the Financial Statements**

| 405<br>Small<br>City Grant<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |                   |
|------------------------------------|--------------------------------|--------------------------------|-------------------|
|                                    |                                | 2015                           | 2014              |
| \$ 26,517                          | \$ 127,318                     | \$ 680,256                     | \$ 753,927        |
|                                    |                                | 75,797                         | 31,207            |
|                                    | 3,229                          | 11,914                         | 46,901            |
|                                    | 1,517                          | 11,633                         | 12,836            |
|                                    |                                | 101,970                        | 113,508           |
|                                    |                                | 40,015                         | 17,987            |
|                                    |                                | 7,939                          | 7,661             |
| <u>\$ 26,517</u>                   | <u>\$ 132,064</u>              | <u>\$ 929,524</u>              | <u>\$ 984,027</u> |
| \$                                 | \$ 4,131                       | \$ 22,194                      | \$ 57,061         |
|                                    | 392                            | 8,223                          | 4,328             |
|                                    |                                |                                | 39,477            |
|                                    | <u>4,523</u>                   | <u>30,417</u>                  | <u>100,866</u>    |
|                                    | 1,517                          | 11,633                         | 12,836            |
|                                    |                                | 101,970                        | 113,508           |
|                                    | <u>1,517</u>                   | <u>113,603</u>                 | <u>126,344</u>    |
|                                    |                                | 7,939                          | 7,661             |
|                                    | 15,069                         | 15,069                         | 18,121            |
| 26,517                             |                                | 26,517                         | 121,871           |
|                                    | 27,685                         | 27,685                         | 13,547            |
|                                    | 53,089                         | 138,645                        | 123,074           |
|                                    | 30,181                         | 249,944                        | 225,140           |
|                                    |                                | 319,705                        | 247,403           |
| <u>26,517</u>                      | <u>126,024</u>                 | <u>785,504</u>                 | <u>756,817</u>    |
| <u>\$ 26,517</u>                   | <u>\$ 132,064</u>              | <u>\$ 929,524</u>              | <u>\$ 984,027</u> |

**CITY OF LANESBORO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014

|  | 100<br>General    | 220<br>Fire<br>Fund | 230<br>Ambulance<br>Fund | 302<br>2008A<br>GO Bond<br>Fund |
|--|-------------------|---------------------|--------------------------|---------------------------------|
| <b>REVENUES</b>  |                   |                     |                          |                                 |
| Property taxes   | \$ 319,576        | \$ 38,160           | \$ 33,518                | \$ 33,989                       |
| Sales taxes  |                   |                     |                          |                                 |
| Special assessments  | 3,397             |                     |                          | 23,231                          |
| Tax increments   |                   |                     |                          |                                 |
| Licenses and permits   | 11,615            |                     |                          |                                 |
| Fines and forfeits   | 2,770             |                     |                          |                                 |
| Intergovernmental revenues                                   | 229,906           | 35,849              | 23,855                   |                                 |
| Charges for services   | 95,526            | 2,100               | 64,075                   |                                 |
| Interest income  | 180               | 266                 |                          |                                 |
| Donations/miscellaneous                                      | 52,606            | 49,900              | 2,145                    |                                 |
| <b>TOTAL REVENUES</b>  | <b>715,576</b>    | <b>126,275</b>      | <b>123,593</b>           | <b>57,220</b>                   |
| <b>EXPENDITURES</b>  |                   |                     |                          |                                 |
| General government   | 147,515           |                     |                          |                                 |
| Public safety  | 104,043           | 103,401             | 89,348                   |                                 |
| Public works   | 271,184           |                     |                          |                                 |
| Culture and recreation                                       | 148,615           |                     |                          |                                 |
| Economic development   |                   |                     |                          |                                 |
| Unallocated  |                   |                     |                          |                                 |
| <b>Capital Outlay</b>  |                   |                     |                          |                                 |
| <b>Debt Service</b>  |                   |                     |                          |                                 |
| Principal  |                   |                     |                          | 55,000                          |
| Interest and fiscal charges                                  |                   |                     |                          | 28,110                          |
| <b>TOTAL EXPENDITURES</b>                                    | <b>671,357</b>    | <b>103,401</b>      | <b>89,348</b>            | <b>83,110</b>                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 44,219            | 22,874              | 34,245                   | (25,890)                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                     |                          |                                 |
| Transfers in   | 10,583            |                     |                          | 20,000                          |
| Transfers out  |                   |                     | (9,000)                  |                                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>10,583</b>     |                     | <b>(9,000)</b>           | <b>20,000</b>                   |
| Net change in fund balances                                  | 54,802            | 22,874              | 25,245                   | (5,890)                         |
| <b>FUND BALANCES, beginning</b>                              | <b>272,842</b>    | <b>46,803</b>       | <b>124,841</b>           | <b>91,446</b>                   |
| <b>FUND BALANCES, ending</b>                                 | <b>\$ 327,644</b> | <b>\$ 69,677</b>    | <b>\$ 150,086</b>        | <b>\$ 85,556</b>                |

**See Notes to the Financial Statements**

| 405<br>Small<br>City Grant<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |                   |
|------------------------------------|--------------------------------|--------------------------------|-------------------|
|                                    |                                | 2015                           | 2014              |
|                                    |                                |                                |                   |
| \$                                 | \$ 94,029                      | \$ 519,272                     | \$ 508,475        |
|                                    | 58,418                         | 58,418                         | 83,940            |
|                                    |                                | 26,628                         | 17,388            |
|                                    | 35,473                         | 35,473                         | 34,936            |
|                                    |                                | 11,615                         | 11,647            |
|                                    |                                | 2,770                          | 3,803             |
| 19,269                             | 26,859                         | 335,738                        | 512,074           |
|                                    | 43,844                         | 205,545                        | 190,948           |
| 34                                 | 11                             | 491                            | 837               |
| 7,112                              | 13,434                         | 125,197                        | 217,548           |
| <u>26,415</u>                      | <u>272,068</u>                 | <u>1,321,147</u>               | <u>1,581,596</u>  |
|                                    |                                | 147,515                        | 132,626           |
|                                    |                                | 296,792                        | 301,414           |
|                                    |                                | 271,184                        | 244,430           |
| 31,769                             | 136,757                        | 285,372                        | 388,107           |
|                                    | 42,021                         | 73,790                         | 267,754           |
|                                    | 90,000                         | 90,000                         |                   |
|                                    |                                |                                | 164,223           |
|                                    | 32,000                         | 87,000                         | 82,000            |
|                                    | 12,697                         | 40,807                         | 43,253            |
| <u>31,769</u>                      | <u>313,475</u>                 | <u>1,292,460</u>               | <u>1,623,807</u>  |
| <u>(5,354)</u>                     | <u>(41,407)</u>                | <u>28,687</u>                  | <u>(42,211)</u>   |
|                                    | 28,440                         | 59,023                         | 51,906            |
|                                    | (50,023)                       | (59,023)                       | (39,000)          |
|                                    | (21,583)                       |                                | 12,906            |
| (5,354)                            | (62,990)                       | 28,687                         | (29,305)          |
| 31,871                             | 189,014                        | 756,817                        | 786,122           |
| <u>\$ 26,517</u>                   | <u>\$ 126,024</u>              | <u>\$ 785,504</u>              | <u>\$ 756,817</u> |

**CITY OF LANESBORO, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS  
December 31, 2015**

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

|  |    |                         |
|--|----|-------------------------|
| Total governmental fund balances (pages 18 and 19)   | \$ | 785,504                 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                  |    |                         |
| Governmental funds - capital assets  | \$ | 5,788,966               |
| Less: Accumulated depreciation   |    | <u>(3,048,050)</u>      |
|  |    | 2,740,916               |
| Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.          |    |                         |
| Delinquent property taxes  | \$ | 11,633                  |
| Deferred and delinquent special assessments  |    | <u>101,970</u>          |
|  |    | 113,603                 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |    |                         |
| Bonds and capital lease payable  | \$ | (973,200)               |
| Net pension liability  |    | (202,859)               |
| Compensated absences   |    | (31,660)                |
| Accrued interest   |    | <u>(15,674)</u>         |
|  |    | <u>(1,223,393)</u>      |
| Net position of governmental activities (page 15)  | \$ | <u><u>2,416,630</u></u> |

**CITY OF LANESBORO, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015**

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

|   |                  |                        |
|---|------------------|------------------------|
| Net change in fund balances - total governmental funds (pages 20 and 21)  | \$               | 28,687                 |
| <p>Governmental funds reported capital outlays as expenditures.<br/> However, in the statement of activities the cost of those assets<br/> is allocated over their estimated useful lives and reported as<br/> depreciation expense.</p>  |                  |                        |
| Capital outlay  | \$ 28,500        |                        |
| Depreciation expense  | <u>(202,738)</u> | (174,238)              |
| <p>Revenues in the statement of activities do not provide current<br/> financial resources are not reported as revenues in the funds.</p>   |                  |                        |
|   |                  | (12,741)               |
| <p>Some expenses reported in the statement of activities do not<br/> require the use of current financial resources and, therefore,<br/> are not reported as expenditures in governmental funds.</p>  |                  |                        |
| Change in compensated absences  |                  | (2,007)                |
| <p>Bond proceeds provide current financial resources to governmental<br/> funds, but issuing debt increases long-term liabilities in the<br/> statement of net position. Repayment of bond principal is an<br/> expenditure in the governmental funds, but the repayment<br/> reduces long-term liabilities in the statement of net position.</p> |                  |                        |
| Principal retirement on long-term debt  | \$ 80,000        |                        |
| Change in net pension liability   | (9,367)          |                        |
| Amortization of bond discount   | (1,128)          |                        |
| Change in accrued interest  | <u>1,135</u>     | <u>70,640</u>          |
| Change in net position of governmental activities (pages 16 and 17)   | \$               | <u><u>(89,659)</u></u> |

**CITY OF LANESBORO, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2015

With Comparative Totals for the Year Ended December 31, 2014

|                                   | Budgeted Amounts  |                   | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2014<br>Actual<br>Amounts |
|-----------------------------------|-------------------|-------------------|---------------------------|---|---------------------------|
|                                   | Original          | Final             |                           |   |                           |
| <b>REVENUES</b>                   |                   |                   |                           |   |                           |
| <b>Property Tax Levy</b>          |                   |                   |                           |   |                           |
| Property tax collected            | \$ 309,677        | \$ 309,677        | \$ 319,576                | \$ 9,899  | \$ 318,203                |
| <b>Special Assessments</b>        | 3,500             | 3,500             | 3,397                     | (103)   | 3,083                     |
| <b>Licenses and Permits</b>       | 10,850            | 10,850            | 11,615                    | 765   | 11,647                    |
| <b>Intergovernmental Revenues</b> |                   |                   |                           |   |                           |
| Local government aid              | 210,821           | 210,821           | 210,821                   |   | 210,284                   |
| Market value credit               |                   |                   | 1,038                     | 1,038   | 620                       |
| Other                             | 1,365             | 1,365             | 18,047                    | 16,682  | 1,365                     |
| Total Intergovernmental Revenues  | 212,186           | 212,186           | 229,906                   | 17,720  | 212,269                   |
| <b>Fines and Forfeits</b>         |                   |                   |                           |   |                           |
| Court fines and other             | 3,000             | 3,000             | 2,770                     | (230)   | 3,803                     |
| <b>Interest Income</b>            | 200               | 200               | 180                       | (20)  | 333                       |
| <b>Charges for Services</b>       |                   |                   |                           |   |                           |
| Park and recreation               | 67,500            | 67,500            | 95,526                    | 28,026  | 82,940                    |
| <b>Miscellaneous Revenues</b>     |                   |                   |                           |   |                           |
| Cable franchise fees              | 10,000            | 10,000            | 10,522                    | 522   | 8,825                     |
| Contributions and donations       |                   |                   | 20,903                    | 20,903  | 33,534                    |
| Rhubarb Fest/Farmers Market       |                   |                   | 3,719                     | 3,719   | 3,405                     |
| Other                             | 18,500            | 18,500            | 17,462                    | (1,038)   | 59,943                    |
| Total Miscellaneous Revenues      | 28,500            | 28,500            | 52,606                    | 24,106  | 105,707                   |
| <b>TOTAL REVENUES</b>             | <b>\$ 635,413</b> | <b>\$ 635,413</b> | <b>\$ 715,576</b>         | <b>\$ 80,163</b>  | <b>\$ 737,985</b>         |

**See Notes to the Financial Statements**



**CITY OF LANESBORO, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014

|                                 | Budgeted Amounts |                | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2014<br>Actual<br>Amounts |
|---------------------------------|------------------|----------------|---------------------------|---|---------------------------|
|                                 | Original         | Final          |                           |   |                           |
| <b>EXPENDITURES</b>             |                  |                |                           |   |                           |
| <b>General Government</b>       |                  |                |                           |   |                           |
| Clerk/deputy clerk salaries     | \$ 88,161        | \$ 88,161      | \$ 33,827                 | \$ 54,334   | \$ 34,268                 |
| PERA and social security        | 12,394           | 12,394         | 7,529                     | 4,865   | 7,401                     |
| Office supplies/small equipment | 4,750            | 4,750          | 3,286                     | 1,464   | 3,566                     |
| Employee benefits               | 17,537           | 17,537         | 7,260                     | 10,277  | 8,438                     |
| Elections                       | 7,500            | 7,500          |                           | 7,500   | 1,474                     |
| Postage                         | 2,000            | 2,000          | 2,771                     | (771)   | 1,964                     |
| Telephone                       | 4,000            | 4,000          | 3,422                     | 578   | 3,746                     |
| Insurance                       | 18,250           | 18,250         | 10,263                    | 7,987   | 9,453                     |
| Publishing and printing         | 500              | 500            | 789                       | (289)   | 954                       |
| Assessor                        | 2,500            | 2,500          | 2,324                     | 176   | 2,362                     |
| Professional fees               | 29,700           | 29,700         | 34,090                    | (4,390)   | 39,431                    |
| Other general expenses          | 6,850            | 6,850          | 36,354                    | (29,504)  | 13,969                    |
| Mayor and council               | 7,000            | 7,000          | 5,600                     | 1,400   | 5,600                     |
| Capital outlay                  | 1,500            | 1,500          |                           | 1,500   |                           |
| Total General Government        | <u>202,642</u>   | <u>202,642</u> | <u>147,515</u>            | <u>55,127</u>   | <u>132,626</u>            |
| <b>Public Safety</b>            |                  |                |                           |   |                           |
| Contracted services             | \$ 104,043       | \$ 104,043     | \$ 104,043                | \$  | \$ 101,670                |
| <b>Public Works</b>             |                  |                |                           |   |                           |
| <b>Street Department</b>        |                  |                |                           |   |                           |
| Salaries                        | \$ 60,780        | \$ 60,780      | \$ 73,140                 | \$ (12,360)   | \$ 78,961                 |
| PERA and social security        | 13,600           | 13,600         | 12,365                    | 1,235   | 13,051                    |
| Employee benefits               | 18,595           | 18,595         | 19,368                    | (773)   | 20,790                    |
| Gas and oil                     | 8,500            | 8,500          | 5,065                     | 3,435   | 8,439                     |
| Supplies/small equipment        | 7,200            | 7,200          | 6,957                     | 243   | 5,577                     |
| Repairs and maintenance         | 17,000           | 17,000         | 37,817                    | (20,817)  | 27,181                    |
| Utilities                       | 6,800            | 6,800          | 8,466                     | (1,666)   | 5,469                     |
| Professional services           | 750              | 750            | 2,596                     | (1,846)   | 9,987                     |
| Seal coating                    | 4,000            | 4,000          | 985                       | 3,015   | 913                       |
| Other                           | 14,900           | 14,900         | 16,445                    | (1,545)   | 12,216                    |
| Capital outlay                  | 61,493           | 61,493         | 73,144                    | (11,651)  | 61,846                    |
| Total Street Department         | <u>213,618</u>   | <u>213,618</u> | <u>256,348</u>            | <u>(42,730)</u>   | <u>244,430</u>            |
| <b>Street Lights</b>            | <u>23,000</u>    | <u>23,000</u>  | <u>14,836</u>             | <u>8,164</u>  |                           |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014

|  | Budgeted Amounts  |                   | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) | 2014<br>Actual<br>Amounts |
|--|-------------------|-------------------|---------------------------|---|---------------------------|
|  | Original          | Final             |                           |   |                           |
| <b>EXPENDITURES (continued)</b>                              |                   |                   |                           |   |                           |
| <b>Culture and Recreation</b>                                |                   |                   |                           |   |                           |
| Salaries   | \$ 48,738         | \$ 48,738         | \$ 37,803                 | \$ 10,935   | \$ 25,172                 |
| PERA and social security                                     | 2,900             | 2,900             | 5,727                     | (2,827)   | 3,746                     |
| Office supplies/small equipment                              | 5,750             | 5,750             | 7,865                     | (2,115)   | 11,691                    |
| Employee benefits  | 1,250             | 1,250             | 183                       | 1,067   | 2,518                     |
| Telephone  | 1,100             | 1,100             | 1,186                     | (86)  | 1,235                     |
| Insurance  | 2,600             | 2,600             | 4,461                     | (1,861)   | 1,772                     |
| Professional fees  | 750               | 750               | 1,328                     | (578)   | 1,260                     |
| Other  | 15,950            | 15,950            | 21,897                    | (5,947)   | 18,476                    |
| Utilities  | 30,000            | 30,000            | 38,017                    | (8,017)   | 39,058                    |
| Repairs and maintenance                                      | 23,000            | 23,000            | 13,550                    | 9,450   | 37,643                    |
| Capital outlay   | 10,000            | 10,000            |                           | 10,000  | 102,613                   |
| Lanesboro Museum   | 5,000             | 5,000             | 5,000                     |   | 5,000                     |
| Community Education  | 5,500             | 5,500             | 5,500                     |   | 5,500                     |
| Rhubarb Fest/Farmers Market                                  | 4,500             | 4,500             | 6,098                     | (1,598)   | 3,399                     |
| Total Culture and Recreation                                 | <u>157,038</u>    | <u>157,038</u>    | <u>148,615</u>            | <u>8,423</u>  | <u>259,083</u>            |
| <b>TOTAL EXPENDITURES</b>                                    | <u>700,341</u>    | <u>700,341</u>    | <u>671,357</u>            | <u>28,984</u>   | <u>737,809</u>            |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(64,928)</u>   | <u>(64,928)</u>   | <u>44,219</u>             | <u>109,147</u>  | <u>176</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                   |                           |   |                           |
| Transfers in   | 58,341            | 58,341            | 10,583                    | (47,758)  | 13,765                    |
| Transfers out  |                   |                   |                           |   | (4,765)                   |
| Total Other Financing Sources (Uses)                         | <u>58,341</u>     | <u>58,341</u>     | <u>10,583</u>             | <u>(47,758)</u>   | <u>9,000</u>              |
| Net change in fund balances                                  | (6,587)           | (6,587)           | 54,802                    | 61,389  | 9,176                     |
| <b>FUND BALANCES, beginning</b>                              | <u>272,842</u>    | <u>272,842</u>    | <u>272,842</u>            |   | <u>263,666</u>            |
| <b>FUND BALANCES, ending</b>                                 | <u>\$ 266,255</u> | <u>\$ 266,255</u> | <u>\$ 327,644</u>         | <u>\$ 61,389</u>  | <u>\$ 272,842</u>         |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**FIRE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014

|                                 | Budgeted Amounts |                  | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2014<br>Actual<br>Amounts |
|---------------------------------|------------------|------------------|---------------------------|---|---------------------------|
|                                 | Original         | Final            |                           |   |                           |
| <b>REVENUES</b>                 |                  |                  |                           |   |                           |
| Property taxes                  | \$ 38,106        | \$ 38,106        | \$ 38,160                 | \$ 54   | \$ 44,875                 |
| Intergovernmental               | 22,000           | 22,000           | 35,849                    | 13,849  | 27,878                    |
| Charges for services            | 3,000            | 3,000            | 2,100                     | (900)   | 2,600                     |
| Interest income                 |                  |                  | 266                       | 266   | 396                       |
| Donations/miscellaneous         | 10,000           | 10,000           | 49,900                    | 39,900  | 29,600                    |
| <b>TOTAL REVENUES</b>           | <b>73,106</b>    | <b>73,106</b>    | <b>126,275</b>            | <b>53,169</b>   | <b>105,349</b>            |
| <b>EXPENDITURES</b>             |                  |                  |                           |   |                           |
| Salaries                        | 13,000           | 13,000           | 17,710                    | (4,710)   | 12,015                    |
| PERA and social security        | 806              | 806              | 858                       | (52)  | 919                       |
| Employee benefits               | 4,200            | 4,200            | 6,695                     | (2,495)   | 5,222                     |
| Fire relief contributions       | 13,500           | 13,500           | 20,849                    | (7,349)   | 19,378                    |
| Supplies/small equipment        | 5,100            | 5,100            | 28,029                    | (22,929)  | 23,932                    |
| Repairs and maintenance         | 3,000            | 3,000            | 8,633                     | (5,633)   | 2,958                     |
| Training                        | 2,000            | 2,000            | 1,640                     | 360   | 527                       |
| Telephone                       | 1,000            | 1,000            | 1,314                     | (314)   | 997                       |
| Utilities                       | 8,000            | 8,000            | 5,497                     | 2,503   | 8,125                     |
| Capital outlay                  | 18,000           | 18,000           |                           | 18,000  | 7,270                     |
| Miscellaneous                   | 7,300            | 7,300            | 12,176                    | (4,876)   | 4,674                     |
| <b>TOTAL EXPENDITURES</b>       | <b>75,906</b>    | <b>75,906</b>    | <b>103,401</b>            | <b>(27,495)</b>   | <b>86,017</b>             |
| Net change in fund balances     | (2,800)          | (2,800)          | 22,874                    | 25,674  | 19,332                    |
| <b>FUND BALANCES, beginning</b> | <b>46,803</b>    | <b>46,803</b>    | <b>46,803</b>             |   | <b>27,471</b>             |
| <b>FUND BALANCES, ending</b>    | <b>\$ 44,003</b> | <b>\$ 44,003</b> | <b>\$ 69,677</b>          | <b>\$ 25,674</b>  | <b>\$ 46,803</b>          |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2015

With Comparative Totals for the Year Ended December 31, 2014

|  | Budgeted Amounts  |                   | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2014<br>Actual<br>Amounts |
|--|-------------------|-------------------|---------------------------|---|---------------------------|
|  | Original          | Final             |                           |   |                           |
| <b>REVENUES</b>  |                   |                   |                           |   |                           |
| Property taxes   | \$ 33,920         | \$ 33,920         | \$ 33,518                 | \$ (402)  | \$ 15,765                 |
| Charges for service  | 55,000            | 55,000            | 64,075                    | 9,075   | 64,535                    |
| Intergovernmental  | 14,500            | 14,500            | 23,855                    | 9,355   | 18,315                    |
| Donations/miscellaneous                                      |                   |                   | 2,145                     | 2,145   | 58,895                    |
| <b>TOTAL REVENUES</b>  | <b>103,420</b>    | <b>103,420</b>    | <b>123,593</b>            | <b>20,173</b>   | <b>157,510</b>            |
| <b>EXPENDITURES</b>  |                   |                   |                           |   |                           |
| Salaries   | 59,320            | 59,320            | 51,687                    | 7,633   | 33,682                    |
| PERA and social security                                     | 3,650             | 3,650             | 4,256                     | (606)   | 4,220                     |
| Employee benefits  | 4,500             | 4,500             | 4,884                     | (384)   | 3,840                     |
| Supplies/small equipment                                     | 4,900             | 4,900             | 4,114                     | 786   | 46,261                    |
| Repairs and maintenance                                      | 1,000             | 1,000             | 499                       | 501   | 1,044                     |
| Fuel and oil   | 2,500             | 2,500             | 1,124                     | 1,376   | 2,192                     |
| Travel and training  | 5,000             | 5,000             | 6,236                     | (1,236)   | 4,572                     |
| Contracted services  | 2,700             | 2,700             | 5,149                     | (2,449)   | 5,710                     |
| Miscellaneous expense  | 10,850            | 10,850            | 11,399                    | (549)   | 12,206                    |
| <b>TOTAL EXPENDITURES</b>                                    | <b>94,420</b>     | <b>94,420</b>     | <b>89,348</b>             | <b>5,072</b>  | <b>113,727</b>            |
| Excess (deficiency) of revenues<br>over (under) expenditures | 9,000             | 9,000             | 34,245                    | 25,245  | 43,783                    |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                    |                   |                   |                           |   |                           |
| Transfers out  | (9,000)           | (9,000)           | (9,000)                   |   | (9,000)                   |
| Net change in fund balances                                  |                   |                   | 25,245                    | 25,245  | 34,783                    |
| <b>FUND BALANCES, beginning</b>                              | <b>124,841</b>    | <b>124,841</b>    | <b>124,841</b>            |   | <b>90,058</b>             |
| <b>FUND BALANCES, ending</b>                                 | <b>\$ 124,841</b> | <b>\$ 124,841</b> | <b>\$ 150,086</b>         | <b>\$ 25,245</b>  | <b>\$ 124,841</b>         |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**SMALL CITY GRANT FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2015

With Comparative Totals for the Year Ended December 31, 2014

|                                 | Budgeted Amounts |                  | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2014<br>Actual<br>Amounts |
|---------------------------------|------------------|------------------|---------------------------|---|---------------------------|
|                                 | Original         | Final            |                           |   |                           |
| <b>REVENUES</b>                 |                  |                  |                           |   |                           |
| Intergovernmental               | \$               | \$               | \$ 19,269                 | \$ 19,269   | \$ 227,052                |
| Donations/miscellaneous         |                  |                  | 7,112                     | 7,112   |                           |
| Interest income                 |                  |                  | 34                        | 34  | 72                        |
| <b>TOTAL REVENUES</b>           |                  |                  | <b>26,415</b>             | <b>26,415</b>   | <b>227,124</b>            |
| <b>EXPENDITURES</b>             |                  |                  |                           |   |                           |
| Capital projects                |                  |                  | 12,500                    | (12,500)  | 22,906                    |
| Professional services           |                  |                  | 19,269                    | (19,269)  | 215,244                   |
| <b>TOTAL EXPENDITURES</b>       |                  |                  | <b>31,769</b>             | <b>(31,769)</b>   | <b>238,150</b>            |
| Net change in fund balances     |                  |                  | (5,354)                   | (5,354)   | (11,026)                  |
| <b>FUND BALANCES, beginning</b> | <u>31,871</u>    | <u>31,871</u>    | <u>31,871</u>             |   | <u>42,897</u>             |
| <b>FUND BALANCES, ending</b>    | <u>\$ 31,871</u> | <u>\$ 31,871</u> | <u>\$ 26,517</u>          | <u>\$ (5,354)</u>   | <u>\$ 31,871</u>          |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Net Position**  
December 31, 2015  
With Comparative Totals as of December 31, 2014

|  | Totals - Utilities Commission |              |
|--|-------------------------------|--------------|
|  | 2015                          | 2014         |
| <b>ASSETS</b>                            |                               |              |
| <b>Current Assets</b>                    |                               |              |
| Cash and investments                     | \$ 1,019,004                  | \$ 596,924   |
| Due from other funds                     |                               | 21,490       |
| Accounts receivable, net                 | 117,790                       | 126,083      |
| Inventory                                | 33,010                        | 39,446       |
| Other receivables/prepaid                | 2,198                         | 1,931        |
| Total Current Assets                     | 1,172,002                     | 785,874      |
| <b>Noncurrent Assets</b>                 |                               |              |
| Capital assets:                          |                               |              |
| Nondepreciable                           | 13,686                        | 859,726      |
| Depreciable                              | 10,866,708                    | 6,570,430    |
| Less: Accumulated depreciation           | 4,128,518                     | 3,915,937    |
| Net capital assets                       | 6,751,876                     | 3,514,219    |
| Total Assets                             | 7,923,878                     | 4,300,093    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    |                               |              |
| Deferred outflows from pension activity  | 16,051                        |              |
| <b>LIABILITIES</b>                       |                               |              |
| <b>Current Liabilities</b>               |                               |              |
| Accounts payable                         | 632,241                       | 76,895       |
| Accrued liabilities                      | 52,522                        | 46,663       |
| Due to other funds                       | 40,015                        |              |
| Customer deposits                        | 19,954                        | 19,918       |
| Current maturities of bonds payable      | 251,297                       | 150,720      |
| Total Current Liabilities                | 996,029                       | 294,196      |
| <b>Noncurrent Liabilities</b>            |                               |              |
| Loans payable                            | 31,188                        | 61,711       |
| Bonds payable                            | 2,720,425                     | 1,370,741    |
| Net pension liability                    | 130,272                       |              |
| Less: bond discount, net of amortization | (8,689)                       | (9,977)      |
| Total Noncurrent Liabilities             | 2,873,196                     | 1,422,475    |
| Total Liabilities                        | 3,869,225                     | 1,716,671    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>     |                               |              |
| Deferred inflows from pension activity   | 17,075                        |              |
| <b>NET POSITION</b>                      |                               |              |
| Net investment in capital assets         | 3,757,655                     | 1,941,024    |
| Restricted for debt                      | 220,916                       | 103,000      |
| Unrestricted                             | 75,058                        | 539,398      |
| Total Net Position                       | \$ 4,053,629                  | \$ 2,583,422 |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014

|  | <u>Totals - Utilities Commission</u> |                     |
|--|--------------------------------------|---------------------|
|  | <u>2015</u>                          | <u>2014</u>         |
| <b>Operating Revenues</b>                            |                                      |                     |
| Charges for services                                 | <u>\$ 1,534,893</u>                  | <u>\$ 1,448,653</u> |
| <b>Operating Expenses</b>                            |                                      |                     |
| Purchased power/facility charge                      | 448,247                              | 473,185             |
| Contracted services                                  | 37,217                               | 35,948              |
| Generation fuel/oil                                  | 1,049                                | 10,014              |
| Utilities  | 63,216                               | 79,120              |
| Salaries and wages                                   | 154,449                              | 144,655             |
| Employee benefits                                    | 64,685                               | 53,280              |
| Repairs and maintenance                              | 84,721                               | 114,119             |
| Materials, chemicals and supplies                    | 56,990                               | 43,058              |
| Professional fees                                    | 18,706                               | 26,869              |
| Laboratory testing                                   | 3,422                                | 2,726               |
| Depreciation and amortization                        | 213,869                              | 207,606             |
| Insurance  | 20,773                               | 20,811              |
| Other  | 39,083                               | 83,428              |
| Total Operating Expenses                             | <u>1,206,427</u>                     | <u>1,294,819</u>    |
| Operating Income                                     | <u>328,466</u>                       | <u>153,834</u>      |
| <b>Nonoperating Revenues (Expenses)</b>              |                                      |                     |
| Interest income                                      | 585                                  | 452                 |
| Interest expense                                     | (60,425)                             | (35,328)            |
| Other income   | 72,486                               | 71,162              |
| Total Nonoperating Revenue (Expenses)                | <u>12,646</u>                        | <u>36,286</u>       |
| <b>INCOME BEFORE TRANSFERS<br/>AND CONTRIBUTIONS</b> | 341,112                              | 190,120             |
| Contributed capital/grants                           | 1,250,240                            |                     |
| Transfers out  |                                      | (12,906)            |
| <b>CHANGE IN NET POSITION</b>                        | 1,591,352                            | 177,214             |
| <b>NET POSITION - BEGINNING AS ORIGINALLY STATED</b> | 2,583,422                            |                     |
| RESTATEMENT (NOTE 5)                                 | (121,145)                            |                     |
| <b>NET POSITION - BEGINNING OF YEAR</b>              | <u>2,462,277</u>                     | <u>2,406,208</u>    |
| <b>TOTAL NET POSITION - END OF YEAR</b>              | <u>\$ 4,053,629</u>                  | <u>\$ 2,583,422</u> |

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2015  
With Comparative Totals for December 31, 2014

|   | Totals - Utilities Commission |              |
|---|-------------------------------|--------------|
|   | 2015                          | 2014         |
| <b>Cash Flows From Operating Activities</b>                           |                               |              |
| Cash received from customers and users                                | \$ 1,543,186                  | \$ 1,471,305 |
| Cash paid to suppliers and employers                                  | (930,744)                     | (1,056,039)  |
| Other income  | 72,486                        | 71,162       |
|   | 684,928                       | 486,428      |
| <b>Net Cash Provided By Operating Activities</b>                      |                               |              |
| <b>Cash Flows From Noncapital Financing Activities</b>                |                               |              |
| Operating transfers out, net  |                               | (12,906)     |
| Due to (from) other funds   | 61,505                        | (17,387)     |
|   | 61,505                        | (30,293)     |
| <b>Net Cash Provided By (Used In) Noncapital Financing Activities</b> |                               |              |
| <b>Cash Flows From Capital and Related Financing Activities</b>       |                               |              |
| Capital asset acquisitions  | (308,099)                     | (189,589)    |
| Principal payments on bonds   | (1,206,654)                   | (35,328)     |
| Proceeds from contributed capital/grants                              | 1,250,240                     |              |
| Proceeds from issuance of long term debt                              |                               | 30,367       |
| Interest payments on bonds  | (60,425)                      | (144,940)    |
|   | (324,938)                     | (339,490)    |
| <b>Net Cash (Used In) Capital and Related Financing Activities</b>    |                               |              |
| <b>Cash Flows From Investing Activities</b>                           |                               |              |
| Investment income received  | 585                           | 452          |
|   | 585                           | 452          |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | 422,080                       | 117,097      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                   | 596,924                       | 479,827      |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                         | \$ 1,019,004                  | \$ 596,924   |

**See Notes to the Financial Statements**



**RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

|   | Totals - Utilities Commission |                   |
|---|-------------------------------|-------------------|
|   | 2015                          | 2014              |
| <b>Operating Income</b>   | \$ 328,466                    | \$ 153,834        |
| Adjustments to reconcile operating<br>income to net cash provided<br>by operating activities: |                               |                   |
| Depreciation and amortization   | 213,869                       | 207,606           |
| Loss on sale of asset   |                               | 8,182             |
| Change in net pension liability   | 10,151                        |                   |
| Other income  | 72,486                        | 71,162            |
| (Increase) Decrease In:   |                               |                   |
| Accounts receivable   | 8,293                         | 22,652            |
| Inventory   | 6,436                         | (942)             |
| Prepaid items   | (267)                         | (674)             |
| Increase (Decrease) In:   |                               |                   |
| Accounts payable  | 39,599                        | 30,035            |
| Accrued expenses and customer deposits  | 5,895                         | (5,427)           |
|   | <u>\$ 684,928</u>             | <u>\$ 486,428</u> |
| <br>Net Cash Provided By Operating Activities   |                               |                   |
|   | <u>\$ 684,928</u>             | <u>\$ 486,428</u> |
| <br>Non-Cash Transactions:  |                               |                   |
| Capital assets acquired with accounts payable   | \$ 515,747                    | \$                |
| Capital assets acquired with long term debt   | 2,626,391                     | 655,741           |

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**CITY OF LANESBORO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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The City of Lanesboro, Minnesota was first incorporated in 1869. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. The Council consists of four Council members, elected to four year terms, and the Mayor, elected to two year terms.

The accounting policies of the City of Lanesboro, Minnesota, conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The City’s financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, include whether the organization is legally separate, holds the corporate powers of the organization, appoints a voting majority of the organization’s board, is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City, and there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City’s reporting entity.

Excluded – Fire Relief Association – This association is organized as a nonprofit organization by their members to provide pension and other benefits to such members in accordance with Minnesota statutes. Their board of directors are appointed by the membership of the organization. All funding is conducted in accordance with Minnesota statutes, whereby state aids flow to the association, tax levies are determined by the association and are only reviewed by the City, and the associations pay benefits directly to their members.

#### 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 City. 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.

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### B. Government-wide and Fund Financial Statements (Continued)

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. *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 all enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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.

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.

Property taxes, sales taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

Non-exchange transaction, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in 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 specific 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 is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

*D. Description of Funds*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement #34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the individual funds in the governmental fund category) for the determination of major funds. The City electively added as major funds, those which had specific community focus.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It is used to account for all financial resources except those required to be or otherwise accounted for in another fund.

The *fire fund* accounts for financial resources to be used for operating activities of the fire department.

The *ambulance fund* accounts for the financial resources to be used for operating activities of the ambulance department.

The *2008A GO bond fund* accounts for the accumulation of resources for payment of general obligation bonds and interest.

The *Small City Grant Fund* accounts for the financial resources to be used for economic development upgrades for the City.

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### D. Description of Funds (Continued)

The City reports the following major proprietary funds:

The *utilities commission fund* accounts for the operations a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services between the City's enterprise funds 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expense 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is not utilized in any of the fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no encumbrances at December 31, 2015.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*F. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*

Cash and Investments

Cash and cash equivalents consist of checking accounts, savings accounts, and certificates of deposit.

Inventory

Inventories are valued at the lower of cost or market by applying the first-in, first-out method.

Accounts Receivable

Accounts receivables are carried at original invoice. Management determines bad debts by regularly evaluation individual customer accounts receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

Special Assessments Receivable

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from one to twenty nine years. Revenue from these assessments is recognized as the annual installments become collectible. Special assessments receivable represent uncollected assessments, which will be collected by the County. The amount of delinquent assessments receivable are fully offset by deferred inflows of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

Unearned Revenue

The City reports deferred revenue on its balance sheet. Unearned revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.



**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*F. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)*

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold varies per category. The categories are as follows:

|                         |    |         |
|-------------------------|----|---------|
| Land                    | \$ | 10,000  |
| Buildings               |    | 20,000  |
| Infrastructure          |    | 100,000 |
| Machinery and equipment |    | 2,500   |

Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add value of the asset or materially extend asset lives are not capitalized.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 20 - 25      |
| Infrastructure          | 10 - 40      |
| Machinery and equipment | 5 - 25       |

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation had been reported in the financial statements prior to 2004.

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### F. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

##### Property Taxes

Property tax levies are set by the City Council in December each year and are certified to Fillmore County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues for property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts four times a year in January, June, November, and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, and are fully offset by inflows of resources because they are not known to be available to finance current expenditures. These offsetting balances are not reflected in the basic financial statements because of their non-effect on current year operations.

##### Compensated Absences

Vacation, sick pay and compensatory overtime are accrued when earned in the government-wide financial statements and the proprietary fund types. In the Governmental Funds of the fund financial statements, vacation, sick pay and compensatory overtime are recorded as expenditures and accrued as a current liability only if they have matured, for example, as a result of employee's resignations and retirements.

##### Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts receivable. Credit risk associated with cash and investments are discussed in Note 3. The City's accounts receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Lanesboro.

##### 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. 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.

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

The City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action (Resolution) and remain binding unless removed by the City Council by subsequent formal action (Resolution).

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has not adopted a formal minimum fund balance policy.

#### Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 2. Stewardship, Compliance, and Accountability

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#### Budgets and Budgetary Accounting

Each fall, the City Council adopts an annual budget for the following year. The budgets are, in all material respects, prepared on the same basis of accounting used to prepare the financial statements. Budgeted amounts for the General Fund have been presented in the financial statements.

Spending control for City monies is at the fund level, but management control is exercised at budgetary line item level within each fund. The City Council may amend the budget after it is approved using the same procedures necessary to approve the original budget. The budgetary data presented represents the approved budget as amended. All annual appropriations lapse at year-end.

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### 3. Detailed Notes on All Funds

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#### A. Summary of Cash and Investments

As of December 31, 2015, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

|                                 |                     |
|---------------------------------|---------------------|
| Deposits                        | \$ 538,448          |
| Money Market Funds              | <u>1,160,812</u>    |
| Total Cash on Hand and Deposits | <u>\$ 1,699,260</u> |

#### Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
  - b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
  - c) General obligations of the State of Minnesota or its municipalities.
-

## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds (Continued)

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##### Investments Authorized by Minnesota Statutes (Continued)

- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

##### Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

##### Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

##### Credit Risk

The City has no investment policy that would limit its investment choices.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments in any one issuer that represent 5% or more of the total investments are as follows:

| Issuer         | Investment Type | Reported Amount |
|----------------|-----------------|-----------------|
| Merchants Bank | Money Market    | \$ 1,160,812    |

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

| <b>Governmental Activities</b>               | Beginning Balance          | Increases                  | Decreases        | Ending Balance             |
|--|----------------------------|----------------------------|------------------|----------------------------|
| Capital assets, not being depreciated:       |                            |                            |                  |                            |
| Land   | \$ 264,500                 | \$                         | \$               | \$ 264,500                 |
| Total capital assets, not being depreciated  | <u>264,500</u>             |                            |                  | <u>264,500</u>             |
| Capital assets, being depreciated:           |                            |                            |                  |                            |
| Buildings and improvements                   | 1,595,969                  |                            |                  | 1,595,969                  |
| Infrastructure                               | 2,710,549                  |                            |                  | 2,710,549                  |
| Machinery and equipment                      | 1,207,068                  | 28,500                     | 17,620           | 1,217,948                  |
| Total capital assets, being depreciated      | <u>5,513,586</u>           | <u>28,500</u>              | <u>17,620</u>    | <u>5,524,466</u>           |
| Less accumulated depreciation for:           |                            |                            |                  |                            |
| Buildings and improvements                   | 876,076                    | 37,420                     |                  | 913,496                    |
| Infrastructure                               | 1,336,845                  | 98,330                     |                  | 1,435,175                  |
| Machinery and equipment                      | 650,011                    | 66,988                     | 17,620           | 699,379                    |
| Total accumulated depreciation               | <u>2,862,932</u>           | <u>202,738</u>             | <u>17,620</u>    | <u>3,048,050</u>           |
| Total capital assets, being depreciated, net | <u>2,650,654</u>           | <u>(174,238)</u>           |                  | <u>2,476,416</u>           |
| Governmental activities capital assets, net  | <u><u>\$ 2,915,154</u></u> | <u><u>\$ (174,238)</u></u> | <u><u>\$</u></u> | <u><u>\$ 2,740,916</u></u> |

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**B. *Capital Assets (continued)***

| <b>Business-Type Activities</b>              | Beginning Balance | Increases    | Decreases    | Ending Balance |
|--|-------------------|--------------|--------------|----------------|
| Capital assets, not being depreciated:       |                   |              |              |                |
| Land   | \$ 13,686         | \$           | \$           | \$ 13,686      |
| Construction in progress                     | 846,040           | 3,437,517    | 4,283,557    |                |
| Total capital assets, not being depreciated  | 859,726           | 3,437,517    | 4,283,557    | 13,686         |
| Capital assets, being depreciated:           |                   |              |              |                |
| Dam  | 367,431           | 103,441      |              | 470,872        |
| Buildings and improvements                   | 939,480           | 4,183,859    |              | 5,123,339      |
| Production systems                           | 937,553           |              |              | 937,553        |
| Distribution systems                         | 4,169,337         | 8,978        |              | 4,178,315      |
| Machinery and equipment                      | 156,629           |              |              | 156,629        |
| Total capital assets, being depreciated      | 6,570,430         | 4,296,278    |              | 10,866,708     |
| Less accumulated depreciation for:           |                   |              |              |                |
| Dam  | 156,378           | 14,094       |              | 170,472        |
| Buildings and improvements                   | 634,534           | 32,704       |              | 667,238        |
| Production systems                           | 532,677           | 20,234       |              | 552,911        |
| Distribution systems                         | 2,468,958         | 137,005      |              | 2,605,963      |
| Machinery and equipment                      | 123,390           | 8,544        |              | 131,934        |
| Total accumulated depreciation               | 3,915,937         | 212,581      |              | 4,128,518      |
| Total capital assets, being depreciated, net | 2,654,493         | 4,083,697    |              | 6,738,190      |
| Business-type activities capital assets, net | \$ 3,514,219      | \$ 7,521,214 | \$ 4,283,557 | \$ 6,751,876   |

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

|                        |           |
|------------------------|-----------|
| General government     | \$ 22,518 |
| Public safety          | 39,165    |
| Public works           | 80,975    |
| Culture and recreation | 45,991    |
| Economic development   | 14,089    |

Total depreciation expense - governmental activities \$ 202,738

**Business-Type Activities:**

|                      |            |
|----------------------|------------|
| Utilities Commission | \$ 212,581 |
|----------------------|------------|

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*C. Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2015, at the individual fund level are summarized below:

| <u>Funds</u>         | Due From<br>Other Funds | Due To<br>Other Funds |
|----------------------|-------------------------|-----------------------|
| General Fund         | \$ 40,015               | \$                    |
| Utilities Commission |                         | 40,015                |
|                      | <u>\$ 40,015</u>        | <u>\$ 40,015</u>      |

Transfers during the year ended December 31, 2015 were as follows:

| <u>Funds</u>                            | Transfers<br>In  | Transfers<br>Out |
|---|------------------|------------------|
| General Fund                            | \$ 10,583        | \$               |
| Special Revenue:                        |                  |                  |
| Ambulance                               |                  | 9,000            |
| Local Sales Tax                         |                  | 30,000           |
| Debt Service:                           |                  |                  |
| 2002 Public Project Refunding Bond Fund |                  | 1,583            |
| 2008A GO Bond Fund                      | 20,000           |                  |
| 2010 Tax Abatement Bonds                | 28,440           |                  |
| Capital Projects:                       |                  |                  |
| Street Light and Community Center       |                  | 18,440           |
| Total Transfers                         | <u>\$ 59,023</u> | <u>\$ 59,023</u> |

Excess of expenditures over budgeted appropriations at the individual fund level during 2015 are as follows:

|                        |        |
|------------------------|--------|
| Special Revenue Funds: |        |
| Fire                   | 27,495 |

All excess expenditures were the result of planned processes.



**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**D. Long-Term Debt**

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2015:

|  | Beginning<br>Balance | Additions    | Reductions   | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
|--|----------------------|--------------|--------------|-------------------|-----------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>             |                      |              |              |                   |                                   |
| Bonds and Notes Payable:                   |                      |              |              |                   |                                   |
| General Obligation Bonds:                  |                      |              |              |                   |                                   |
| 2003 GO Bridge Bond (4.9%)                 | \$ 34,000            | \$           | \$           | \$ 34,000         | \$ 8,000                          |
| 2008A GO Bond (4.36%)                      | 685,000              |              | 55,000       | 630,000           | 60,000                            |
| 2010B GO Tax Abatement Bond (2-3.9%)       | 345,000              |              | 25,000       | 320,000           | 25,000                            |
| Less: Unamortized Discount                 | (11,928)             |              | (1,128)      | (10,800)          |                                   |
| Total Bonds and Notes Payable              | 1,052,072            |              | 78,872       | 973,200           | 93,000                            |
| Other Liabilities:                         |                      |              |              |                   |                                   |
| Compensated Absences                       | 29,653               | 2,007        |              | 31,660            |                                   |
| Governmental Activities                    |                      |              |              |                   |                                   |
| Long-term Liabilities                      | 1,081,725            | 2,007        | 78,872       | 1,004,860         | 93,000                            |
| <b>BUSINESS-TYPE ACTIVITIES</b>            |                      |              |              |                   |                                   |
| Bonds:                                     |                      |              |              |                   |                                   |
| General Obligation Revenue Bonds:          |                      |              |              |                   |                                   |
| 2009A Utility Refunding Bond (3.6%)        | 91,000               |              | 41,000       | 50,000            | 50,000                            |
| 2010A Utility Refunding Bond (3.7%)        | 745,000              |              | 80,000       | 665,000           | 80,000                            |
| 1996 General Obligation Sewer Loan (2.68%) | 91,431               |              | 29,720       | 61,711            | 30,522                            |
| 2014A Temporary Utility Revenue (1.75%)    | 655,741              | 362,259      | 1,018,000    |                   |                                   |
| 2014 PFA Water Revenue Note (1.00%)        |                      | 2,235,933    | 37,933       | 2,198,000         | 90,000                            |
| 2015 PFA Water Revenue Note (1.00%)        |                      | 28,200       |              | 28,200            | 775                               |
| Less: Unamortized Discount                 | (9,977)              |              | (1,288)      | (8,689)           |                                   |
| Total Bonds and Loans                      | 1,573,195            | 2,626,392    | 1,205,365    | 2,994,222         | 251,297                           |
| Other Liabilities:                         |                      |              |              |                   |                                   |
| Compensated Absences                       | 33,398               | 2,224        |              | 35,622            |                                   |
| Business-type Activities                   |                      |              |              |                   |                                   |
| Long-term Liabilities                      | 1,606,593            | 2,628,616    | 1,205,365    | 3,029,844         | 251,297                           |
| Total                                      | \$ 2,688,318         | \$ 2,630,623 | \$ 1,284,237 | \$ 4,034,704      | \$ 344,297                        |

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**D. Long-Term Debt (Continued)**

The annual requirements to amortize all long-term debt outstanding as of December 31, 2015, over the life of the debt, are summarized below:

| Years                           | General Obligation Bonds |                   | General Obligation Revenue<br>Bonds |                   | Notes Payable      |                   | Total Principal     | Total<br>Interest |
|---------------------------------|--------------------------|-------------------|-------------------------------------|-------------------|--------------------|-------------------|---------------------|-------------------|
|                                 | Principal                | Interest          | Principal                           | Interest          | Principal          | Interest          |                     |                   |
| <u>Governmental Activities</u>  |                          |                   |                                     |                   |                    |                   |                     |                   |
| 2016                            | \$ 93,000                | \$ 37,216         | \$                                  | \$                | \$                 | \$                | \$ 93,000           | \$ 37,216         |
| 2017                            | 98,000                   | 33,636            |                                     |                   |                    |                   | 98,000              | 33,636            |
| 2018                            | 99,000                   | 29,933            |                                     |                   |                    |                   | 99,000              | 29,933            |
| 2019                            | 99,000                   | 26,139            |                                     |                   |                    |                   | 99,000              | 26,139            |
| 2020                            | 95,000                   | 22,335            |                                     |                   |                    |                   | 95,000              | 22,335            |
| 2021-2025                       | 465,000                  | 49,962            |                                     |                   |                    |                   | 465,000             | 49,962            |
| 2026                            | 35,000                   | 682               |                                     |                   |                    |                   | 35,000              | 682               |
| Totals                          | <u>\$ 984,000</u>        | <u>\$ 199,903</u> |                                     |                   |                    |                   | <u>\$ 984,000</u>   | <u>\$ 199,903</u> |
| <u>Business-Type Activities</u> |                          |                   |                                     |                   |                    |                   |                     |                   |
| 2016                            |                          |                   | 130,000                             | 25,966            | 121,297            | 28,592            | 251,297             | 54,558            |
| 2017                            |                          |                   | 85,000                              | 21,764            | 126,189            | 30,690            | 211,189             | 52,454            |
| 2018                            |                          |                   | 90,000                              | 18,876            | 96,000             | 29,740            | 186,000             | 48,616            |
| 2019                            |                          |                   | 95,000                              | 15,814            | 97,000             | 28,780            | 192,000             | 44,594            |
| 2020                            |                          |                   | 100,000                             | 12,300            | 98,000             | 27,810            | 198,000             | 40,110            |
| 2021-2025                       |                          |                   | 215,000                             | 13,000            | 487,425            | 120,250           | 702,425             | 133,250           |
| 2026-2030                       |                          |                   |                                     |                   | 505,000            | 92,900            | 505,000             | 92,900            |
| 2031-2035                       |                          |                   |                                     |                   | 530,000            | 67,150            | 530,000             | 67,150            |
| 2036-2038                       |                          |                   |                                     |                   | 227,000            | 27,410            | 227,000             | 27,410            |
| Totals                          |                          |                   | <u>\$ 715,000</u>                   | <u>\$ 107,720</u> | <u>\$2,287,911</u> | <u>\$ 145,612</u> | <u>\$ 3,002,911</u> | <u>\$ 253,332</u> |

## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds (Continued)

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##### D. Long-Term Debt (Continued)

###### Tax Increment Financing

The City of Lanesboro is administering authority for Development District #2, a tax increment financing district adopted January 16, 1993 and Development District #2-2, a tax increment financing district adopted in 2003. District #2-2 has not yet been bonded, but was authorized for an amount not to exceed \$260,000. The duration of the tax increment districts are 25 years from the date of receipt of the first tax increment.

Tax increment financing is being used to repay redevelopment costs incurred with regard to the Green Gables Motel property development and to finance the construction of the Church Hill condominium development. It is anticipated that costs for both projects will be financed from tax increment proceeds.

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#### 4. Other Information

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##### A. Defined Benefit Pension Plans - Statewide

###### Plan Description

The City participates in the General Employees Retirement Fund (GERF) a cost-sharing multiple-employer defined benefit pension plan 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.

All full-time and certain part-time employees of the City of Stewartville are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

###### 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information (Continued)

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##### A. Defined Benefit Pension Plans – Statewide (continued)

###### Plan Description (continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

###### Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERS for the year ended December 31, 2015, were \$68,558. The City's contributions were equal to the required contributions as set by state statute.

###### Pension Costs

At December 31, 2015, the City reported a liability of \$305,769 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, 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 proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0059% at the end of the measurement period and 0.0066% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$32,537 for its proportionate share of the GERS's pension expense.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Other Information (Continued)**

A. Defined Benefit Pension Plans – Statewide (continued)

At December 31, 2015, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience   | \$  | \$ 15,416                                    |
| Difference between projected and actual investment earnings   | 28,946  |  |
| Changes in proportion   |   | 24,662                                       |
| Contributions paid to GERS subsequent to the measurement date | <u>13,036</u>                                 |  |
| Total   | <u>\$ 41,982</u>                              | <u>\$ 40,078</u>                             |

Included in deferred outflows of resources related to pensions is \$13,036 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending June 30:</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|-----------------------------|---------------------------------------|
| 2016                        | \$ (6,123)                            |
| 2017                        | (6,123)                               |
| 2018                        | (6,121)                               |
| 2019                        | 7,235                                 |

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

|                              |       |          |
|------------------------------|-------|----------|
| Inflation                    | 2.75% | Per year |
| Active Member Payroll Growth | 3.50% | Per year |
| Investment Rate of Return    | 7.90% |          |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disableds were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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*A. Defined Benefit Pension Plans – Statewide (continued)*

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Stocks      | 45%                      | 5.50%   |
| International Stocks | 15%                      | 6.00%   |
| Bonds                | 18%                      | 1.45%   |
| Alternative Assets   | 20%                      | 6.40%   |
| Cash                 | 2%                       | 0.50%   |

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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A. Defined Benefit Pension Plans – Statewide (continued)

Pension Liability Sensitivity

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

|   | 1% Decrease in<br>Discount Rate<br>(6.9%) | Discount Rate<br>(7.9%) | 1% Increase in<br>Discount Rate<br>(8.9%) |
|---|---|-------------------------|---|
| City's proportionate share of the<br>GERF net pension liability | \$ 480,777                                | \$ 305,769              | \$ 161,239                                |

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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Benefit Pension Plan – Fire Relief Association

The Lanesboro Firemen's Relief Association has not had an actuarial study performed. The Association believes the funding status determined using the calculation required by the Minnesota State Auditor is sufficient to determine the reportable amounts under GASB No. 68, *Accounting and Financial Reporting for Pensions*.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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*B. Defined Benefit Pension Plan – Fire Relief Association (continued)*

Plan Description

The City contributes to the Lanesboro Firemen’s Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City’s firefighters.

Volunteer firefighters of the City are members of the Lanesboro Firemen’s Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,200 per person per year of service after reaching a minimum retirement age of 50 and at least 20 years of service in the association. Association members are eligible to receive partial pension benefits for service of 10 years with 10 years of membership in the association. These benefit provisions are consistent with enabling State statutes. Volunteers of the department are not required to contribute to the relief association. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes.

Funding Status and Progress

At December 31, 2015, the Association funding status is as follows:

|   |                    |
|---|--------------------|
| Total plan assets                                   | \$ 299,240         |
| Total accrued liability                             | <u>330,780</u>     |
| Deficiency of Plan Assets<br>Over Accrued Liability | <u>\$ (31,540)</u> |

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City’s minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis.

Total contributions made by the City to the Association in 2015 amount to \$20,849 (\$17,349 pass-through of State aids and \$3,500 in City funds). The contributed amount was determined as described above and was based on the Association’s requirements as of December 31, 2015.

The payments received from the State of Minnesota on behalf of the Association have been recognized as revenue and the contribution to the Association has been recognized as an expenditure in the accompanying financial statements.

The computation of the pension contribution requirements for 2015 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.



## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information (Continued)

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##### C. 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. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2015.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2015. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

##### D. Lease

Effective May 24, 1984, the City entered into a 30 year lease agreement with the Commissioner of Natural Resources to establish a Root River Trail Interpretive Center. Rent for the stated Center in the amount of \$60,000 was paid in advance to the City of Lanesboro and established in a Special Revenue Lanesboro Museum Fund. This amount, plus investment earnings, is to be used exclusively for the restoration and renovation of the occupied building. To date, \$65,567 has been expended for leasehold improvements to this property. The fund balance at December 31, 2015 is \$4,685.

##### E. Health Reimbursement Plan

The City has a health reimbursement plan to provide insurance to employees. The City pays a \$600 monthly deposit for each employee to a third-party management company. Health claims are then made to the management company by employees and outstanding balances can be held for future use.

**CITY OF LANESBORO, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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*F. Conduit Debt Obligation*

To provide financing for improvements to Commonweal Theatre, the City of Lanesboro, Minnesota issued \$1,200,000 of Commercial Facility Revenue Notes dated May 9, 2006. These notes are special limited obligations of the City, payable solely from income sources of the non-profit corporation. The notes do not constitute a debt or pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements. At December 31, 2015, remaining notes outstanding totaled \$805,000.

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**5. Accounting Standards Issued But Not Yet Adopted**

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During the Year Ended December 31, 2015, the City implemented Governmental Accounting standards (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. Restatement of all prior periods presented is not practical, therefore the cumulative effect of applying this statement is reported as a restatement of beginning net position for the current period.

Following is a reconciliation of the previously reported December 31, 2014 balances with the amounts reported on the December 31, 2015 financial statements:

| <u>Activities/Fund</u>   | <u>Net Position<br/>December 31, 2014<br/>as Previously<br/>Reported</u> | <u>Restatement for<br/>Net Pension<br/>Liability</u> | <u>Net Position<br/>December 31, 2014<br/>as Restated</u> |
|--------------------------|--|--|---|
| Governmental Activities  | <u>\$ 2,699,781</u>  | <u>\$ (193,492)</u>                                  | <u>\$ 2,506,289</u>                                       |
| Business-Type Activities | <u>\$ 2,583,422</u>  | <u>\$ (121,145)</u>                                  | <u>\$ 2,462,277</u>                                       |
| Proprietary Funds:       |  |  |   |
| Utilities Commission     | <u>\$ 2,583,422</u>  | <u>\$ (121,145)</u>                                  | <u>\$ 2,462,277</u>                                       |

**CITY OF LANESBORO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**CITY OF LANESBORO, MINNESOTA**  
**Schedules of Contributions**  
**December 31, 2015**

**Schedule of Contributions**  
**PERA General Employees Retirement Fund**

| Year Ended<br>December 31 | Statutorily<br>Required<br>Contribution (a) | Contributions in<br>Relation to<br>Statutorily<br>Required<br>Contribution (b) | Contribution<br>Deficiency<br>(Excess) (a-b) | Covered<br>Employee<br>Payroll (d) | Contributions as<br>a Percentage of<br>Covered Payroll<br>(b/d) |
|---------------------------|---|--|--|------------------------------------|---|
| 2014                      | \$ 25,039                                   | \$ 25,039  | \$   | \$ 332,687                         | 7.5%  |
| 2015                      | 25,688                                      | 25,688   |  | 349,141                            | 7.4%  |
| 2016                      |   |  |  |                                    |   |
| 2017                      |   |  |  |                                    |   |
| 2018                      |   |  |  |                                    |   |
| 2019                      |   |  |  |                                    |   |
| 2020                      |   |  |  |                                    |   |
| 2021                      |   |  |  |                                    |   |
| 2022                      |   |  |  |                                    |   |
| 2023                      |   |  |  |                                    |   |

**CITY OF LANESBORO, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2015**

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Fund**

| Fiscal<br>Year<br>Ended<br>June 30 | Proportionate<br>(Percentage) of<br>Net Pension<br>Liability (Asset) | Proportionate<br>Share (Amount) of<br>the Net Pension<br>Liability (Asset)<br>(a) | Covered-<br>Employee Payroll<br>(b) | Proportionate Share<br>(Amount) of the Net<br>Pension Liability<br>(Asset) as a<br>Percentage of its<br>Covered Employee<br>Payroll (a/b) | Plan Fiduciary Net<br>Position as a<br>Percentage of the<br>Total Pension<br>Liability |
|------------------------------------|--|---|-------------------------------------|---|--|
| 2014                               | 0.0066%  | \$ 310,035  | \$ 329,372                          | 94.1%   | 78.7%  |
| 2015                               | 0.0059%  | 305,769   | 340,914                             | 89.7%   | 78.2%  |
| 2016                               |  |   |                                     |   |  |
| 2017                               |  |   |                                     |   |  |
| 2018                               |  |   |                                     |   |  |
| 2019                               |  |   |                                     |   |  |
| 2020                               |  |   |                                     |   |  |
| 2021                               |  |   |                                     |   |  |
| 2022                               |  |   |                                     |   |  |
| 2023                               |  |   |                                     |   |  |

**CITY OF LANESBORO, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2015**

**CITY OF LANESBORO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2015**

|   | Special Revenue  |                     |                      |                             |                         |                    |                  |
|---|------------------|---------------------|----------------------|-----------------------------|-------------------------|--------------------|------------------|
|   | 211              | 205                 | 235                  | 240                         | 250                     | 418                |                  |
|   | Library          | Lanesboro<br>Museum | Buffalo<br>Bill Days | Church Hill<br>TIF District | Economic<br>Development | Local Sales<br>Tax | Total            |
| <b>ASSETS</b>   |                  |                     |                      |                             |                         |                    |                  |
| Cash and investments  | \$ 18,147        | \$ 4,685            | \$ 10,384            | \$ 15,780                   | \$ 11,484               | \$ 10,893          | \$ 71,373        |
| Due from other governmental units   | 1,290            |                     |                      | 1,012                       |                         |                    | 2,302            |
| Taxes receivable delinquent   | 1,234            |                     |                      |                             |                         |                    | 1,234            |
| <b>TOTAL ASSETS</b>   | <u>\$ 20,671</u> | <u>\$ 4,685</u>     | <u>\$ 10,384</u>     | <u>\$ 16,792</u>            | <u>\$ 11,484</u>        | <u>\$ 10,893</u>   | <u>\$ 74,909</u> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCE</b>        |                  |                     |                      |                             |                         |                    |                  |
| <b>Liabilities</b>  |                  |                     |                      |                             |                         |                    |                  |
| Accounts payable  | \$ 277           |                     |                      |                             | \$ 71                   |                    | \$ 348           |
| Accrued liabilities   | 392              |                     |                      |                             |                         |                    | 392              |
| Total Liabilities   | <u>669</u>       |                     |                      |                             | <u>71</u>               |                    | <u>740</u>       |
| <b>Deferred Inflows of Resources</b>  |                  |                     |                      |                             |                         |                    |                  |
| Unavailable revenue   |                  |                     |                      |                             |                         |                    |                  |
| Property taxes  | 1,234            |                     |                      |                             |                         |                    | 1,234            |
| Total Deferred Inflows of Resources   | <u>1,234</u>     |                     |                      |                             |                         |                    | <u>1,234</u>     |
| <b>Fund Balance</b>   |                  |                     |                      |                             |                         |                    |                  |
| Restricted:   |                  |                     |                      |                             |                         |                    |                  |
| Contributors  |                  | 4,685               | 10,384               |                             |                         |                    | 15,069           |
| Grantors  |                  |                     |                      |                             |                         |                    |                  |
| Regulators  |                  |                     |                      | 16,792                      |                         | 10,893             | 27,685           |
| Debt service  |                  |                     |                      |                             |                         |                    |                  |
| Assigned  | 18,768           |                     |                      |                             | 11,413                  |                    | 30,181           |
| Total Fund Balance  | <u>18,768</u>    | <u>4,685</u>        | <u>10,384</u>        | <u>16,792</u>               | <u>11,413</u>           | <u>10,893</u>      | <u>72,935</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCE</b> | <u>\$ 20,671</u> | <u>\$ 4,685</u>     | <u>\$ 10,384</u>     | <u>\$ 16,792</u>            | <u>\$ 11,484</u>        | <u>\$ 10,893</u>   | <u>\$ 74,909</u> |

| Debt Service                          |                               |                                       |   |                         | Capital Projects      |  | Total Nonmajor<br>Governmental<br>Funds<br>2015 |
|---------------------------------------|-------------------------------|---------------------------------------|---|-------------------------|-----------------------|--|---|
| 306<br>1994 Tax<br>Increment<br>Bonds | 308<br>2003<br>Bridge<br>Bond | 304<br>2010 Tax<br>Abatement<br>Bonds | 620<br>2002 Public<br>Project<br>Refunding Bond | Total                   | 417<br>Dam<br>Project | 404<br>Street Light<br>and Community<br>Center |   |
| \$ 3,783                              | \$ 3,512<br>291<br>283        | \$ 48,650<br>636                      | \$  | \$ 55,945<br>927<br>283 | \$                    | \$   | \$ 127,318<br>3,229<br>1,517                    |
| <u>\$ 3,783</u>                       | <u>\$ 4,086</u>               | <u>\$ 49,286</u>                      | <u>\$</u>                                       | <u>\$ 57,155</u>        | <u>\$</u>             | <u>\$</u>                                      | <u>\$ 132,064</u>                               |
| <br>                                  |                               |                                       |   |                         |                       |  |   |
| \$ 3,783                              | \$                            | \$                                    | \$  | \$ 3,783                | \$                    | \$   | \$ 4,131<br>392                                 |
| <u>3,783</u>                          |                               |                                       |   | <u>3,783</u>            |                       |  | <u>4,523</u>                                    |
|                                       |                               |                                       |   |                         |                       |  |   |
|                                       | 283                           |                                       |   | 283                     |                       |  | 1,517   |
|                                       | <u>283</u>                    |                                       |   | <u>283</u>              |                       |  | <u>1,517</u>                                    |
|                                       |                               |                                       |   |                         |                       |  |   |
|                                       |                               |                                       |   |                         |                       |  | 15,069  |
|                                       |                               |                                       |   |                         |                       |  | 27,685  |
|                                       | 3,803                         | 49,286                                |   | 53,089                  |                       |  | 53,089  |
|                                       | <u>3,803</u>                  | <u>49,286</u>                         |   | <u>53,089</u>           |                       |  | <u>30,181</u>                                   |
|                                       |                               |                                       |   |                         |                       |  | <u>126,024</u>                                  |
| <br>                                  |                               |                                       |   |                         |                       |  |   |
| <u>\$ 3,783</u>                       | <u>\$ 4,086</u>               | <u>\$ 49,286</u>                      | <u>\$</u>                                       | <u>\$ 57,155</u>        | <u>\$</u>             | <u>\$</u>                                      | <u>\$ 132,064</u>                               |

**CITY OF LANESBORO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

|   | Special Revenue  |                            |                             |                                    |                                |                           |                  |
|---|------------------|----------------------------|-----------------------------|------------------------------------|--------------------------------|---------------------------|------------------|
|   | 211<br>Library   | 205<br>Lanesboro<br>Museum | 235<br>Buffalo<br>Bill Days | 240<br>Church Hill<br>TIF District | 250<br>Economic<br>Development | 418<br>Local Sales<br>Tax | Total            |
| <b>REVENUES</b>   |                  |                            |                             |                                    |                                |                           |                  |
| Property tax collected                                    | \$ 54,475        |                            |                             |                                    |                                |                           | \$ 54,475        |
| Sales taxes   |                  |                            |                             |                                    |                                | 58,418                    | 58,418           |
| Tax Increment   |                  |                            |                             | 27,907                             |                                |                           | 27,907           |
| Intergovernmental   | 26,859           |                            |                             |                                    |                                |                           | 26,859           |
| Charges for services                                      | 1,351            |                            | 42,493                      |                                    |                                |                           | 43,844           |
| Interest income   |                  | 11                         |                             |                                    |                                |                           | 11               |
| Donations/miscellaneous                                   | 10,634           | 25                         | 5                           |                                    | 2,770                          |                           | 13,434           |
| <b>TOTAL REVENUES</b>                                     | <u>93,319</u>    | <u>36</u>                  | <u>42,498</u>               | <u>27,907</u>                      | <u>2,770</u>                   | <u>58,418</u>             | <u>224,948</u>   |
| <b>EXPENDITURES</b>                                       |                  |                            |                             |                                    |                                |                           |                  |
| Culture and recreation                                    | 91,171           | 3,453                      | 42,133                      |                                    |                                |                           | 136,757          |
| Economic development                                      |                  |                            |                             | 24,662                             | 1,714                          |                           | 26,376           |
| Unallocated   |                  |                            |                             |                                    |                                |                           |                  |
| Debt service  |                  |                            |                             |                                    |                                |                           |                  |
| Principal retirement                                      |                  |                            |                             |                                    |                                |                           |                  |
| Interest and fiscal charges                               |                  |                            |                             |                                    |                                |                           |                  |
| <b>TOTAL EXPENDITURES</b>                                 | <u>91,171</u>    | <u>3,453</u>               | <u>42,133</u>               | <u>24,662</u>                      | <u>1,714</u>                   |                           | <u>163,133</u>   |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,148</u>     | <u>(3,417)</u>             | <u>365</u>                  | <u>3,245</u>                       | <u>1,056</u>                   | <u>58,418</u>             | <u>61,815</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                  |                            |                             |                                    |                                |                           |                  |
| Transfer in   |                  |                            |                             |                                    |                                |                           |                  |
| Transfer out  |                  |                            |                             |                                    |                                | (30,000)                  | (30,000)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>               |                  |                            |                             |                                    |                                | <u>(30,000)</u>           | <u>(30,000)</u>  |
| Net change in fund balances                               | 2,148            | (3,417)                    | 365                         | 3,245                              | 1,056                          | 28,418                    | 31,815           |
| <b>FUND BALANCES, beginning</b>                           | <u>16,620</u>    | <u>8,102</u>               | <u>10,019</u>               | <u>13,547</u>                      | <u>10,357</u>                  | <u>(17,525)</u>           | <u>41,120</u>    |
| <b>FUND BALANCES, ending</b>                              | <u>\$ 18,768</u> | <u>\$ 4,685</u>            | <u>\$ 10,384</u>            | <u>\$ 16,792</u>                   | <u>\$ 11,413</u>               | <u>\$ 10,893</u>          | <u>\$ 72,935</u> |



| Debt Service                          |                               |                                       |   |           | Capital Projects      |  | Total Nonmajor<br>Governmental<br>Funds<br>2015 |
|---------------------------------------|-------------------------------|---------------------------------------|---|-----------|-----------------------|--|---|
| 306<br>1994 Tax<br>Increment<br>Bonds | 308<br>2003<br>Bridge<br>Bond | 304<br>2010 Tax<br>Abatement<br>Bonds | 620<br>2002 Public<br>Project<br>Refunding Bond | Total     | 417<br>Dam<br>Project | 404<br>Street Light<br>and Community<br>Center |   |
| \$                                    | \$ 12,323                     | \$ 26,967                             | \$ 264  | \$ 39,554 | \$                    | \$   | \$ 94,029                                       |
| 7,566                                 |                               |                                       |   | 7,566     |                       |  | 58,418  |
|                                       |                               |                                       |   |           |                       |  | 35,473  |
|                                       |                               |                                       |   |           |                       |  | 26,859  |
|                                       |                               |                                       |   |           |                       |  | 43,844  |
|                                       |                               |                                       |   |           |                       |  | 11  |
|                                       |                               |                                       |   |           |                       |  | 13,434  |
| 7,566                                 | 12,323                        | 26,967                                | 264   | 47,120    |                       |  | 272,068   |
|                                       |                               |                                       |   |           |                       |  | 136,757   |
| 15,645                                |                               |                                       |   | 15,645    |                       |  | 42,021  |
|                                       |                               |                                       |   |           | 90,000                |  | 90,000  |
|                                       | 7,000                         | 25,000                                |   | 32,000    |                       |  | 32,000  |
|                                       | 1,267                         | 11,430                                |   | 12,697    |                       |  | 12,697  |
| 15,645                                | 8,267                         | 36,430                                |   | 60,342    | 90,000                |  | 313,475   |
| (8,079)                               | 4,056                         | (9,463)                               | 264   | (13,222)  | (90,000)              |  | (41,407)  |
|                                       |                               | 28,440                                |   | 28,440    |                       |  | 28,440  |
|                                       |                               |                                       | (1,583)   | (1,583)   |                       | (18,440)                                       | (50,023)  |
|                                       |                               | 28,440                                | (1,583)   | 26,857    |                       | (18,440)                                       | (21,583)  |
| (8,079)                               | 4,056                         | 18,977                                | (1,319)   | 13,635    | (90,000)              | (18,440)                                       | (62,990)  |
| 8,079                                 | (253)                         | 30,309                                | 1,319   | 39,454    | 90,000                | 18,440   | 189,014   |
| \$                                    | \$ 3,803                      | \$ 49,286                             | \$  | \$ 53,089 | \$                    | \$   | \$ 126,024                                      |

**CITY OF LANESBORO, MINNESOTA  
LIBRARY FUND  
Balance Sheet  
December 31, 2015  
With Comparative Totals as of December 31, 2014**

|  | Totals    |           |
|--|-----------|-----------|
|  | 2015      | 2014      |
| <b>ASSETS</b>                            |           |           |
| <b>Current Assets</b>                    |           |           |
| Cash and cash equivalents                | \$ 18,147 | \$ 18,128 |
| Taxes receivable                         | 1,290     | 811       |
| Taxes receivable delinquent              | 1,234     | 1,268     |
| Total Current Assets                     | 20,671    | 20,207    |
| <br><b>LIABILITIES</b>                   |           |           |
| <b>Current Liabilities</b>               |           |           |
| Accounts payable                         | 277       | 1,498     |
| Accrued liabilities                      | 392       | 821       |
| Total Current Liabilities                | 669       | 2,319     |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b> |           |           |
| Unavailable revenue                      |           |           |
| Property taxes                           | 1,234     | 1,268     |
| <br><b>FUND BALANCE</b>                  |           |           |
| Assigned                                 |           |           |
| Book/Memorial                            | 24,790    | 29,434    |
| Library operations                       | (6,022)   | (12,814)  |
| Total Fund Balance                       | \$ 18,768 | \$ 16,620 |

**CITY OF LANESBORO, MINNESOTA  
LIBRARY FUND  
Statement of Revenues, Expenses  
and Changes in Fund Net Position - Budget and Actual  
For the Year Ended December 31, 2015  
With Comparative Totals for the Year Ended December 31, 2014**

|   | Budgeted Amounts |                  | Library           | Book/<br>Memorial | 2015<br>Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) | 2014<br>Actual<br>Amounts |
|---|------------------|------------------|-------------------|-------------------|---------------------------|---|---------------------------|
|   | Original         | Final            |                   |                   |                           |   |                           |
| <b>Revenues</b>                                   |                  |                  |                   |                   |                           |   |                           |
| Property taxes                                    | \$ 54,549        | \$ 54,549        | \$ 54,475         | \$                | \$ 54,475                 | \$ (74)   | \$ 49,464                 |
| Intergovernmental                                 | 26,000           | 26,000           | 26,859            |                   | 26,859                    | 859   | 26,560                    |
| Charges for services                              | 1,000            | 1,000            | 1,351             |                   | 1,351                     | 351   | 1,294                     |
| Other   | 3,150            | 3,150            | 1,930             | 8,704             | 10,634                    | 7,484   | 13,346                    |
| <b>Total Revenues</b>                             | <b>84,699</b>    | <b>84,699</b>    | <b>84,615</b>     | <b>8,704</b>      | <b>93,319</b>             | <b>8,620</b>  | <b>90,664</b>             |
| <b>Expenses</b>                                   |                  |                  |                   |                   |                           |   |                           |
| Salaries  | 45,356           | 45,356           | 43,338            |                   | 43,338                    | 2,018   | 43,982                    |
| PERA and social security                          | 10,920           | 10,920           | 7,006             |                   | 7,006                     | 3,914   | 8,887                     |
| Employee benefits                                 | 8,770            | 8,770            | 8,583             |                   | 8,583                     | 187   | 8,544                     |
| Supplies  | 1,800            | 1,800            | 1,932             | 13,348            | 15,280                    | (13,480)  | 6,596                     |
| Books   | 5,750            | 5,750            | 6,043             |                   | 6,043                     | (293)   | 7,986                     |
| Magazines   | 500              | 500              | 591               |                   | 591                       | (91)  | 562                       |
| Videos/audios                                     | 1,100            | 1,100            | 792               |                   | 792                       | 308   | 394                       |
| Summer reading program                            | 750              | 750              | 336               |                   | 336                       | 414   | 0                         |
| Library automation                                | 4,538            | 4,538            | 5,142             |                   | 5,142                     | (604)   | 5,521                     |
| Insurance   | 665              | 665              | 920               |                   | 920                       | (255)   | 2,498                     |
| Telephone   | 1,000            | 1,000            | 915               |                   | 915                       | 85  | 939                       |
| Lease payments                                    | 2,600            | 2,600            | 2,112             |                   | 2,112                     | 488   | 2,926                     |
| Miscellaneous                                     | 1,100            | 1,100            | 113               |                   | 113                       | 987   | 435                       |
| <b>Total Expenses</b>                             | <b>84,949</b>    | <b>84,949</b>    | <b>77,823</b>     | <b>13,348</b>     | <b>91,171</b>             | <b>(6,222)</b>  | <b>89,270</b>             |
| <b>CHANGE IN FUND BALANCES</b>                    | <b>(250)</b>     | <b>(250)</b>     | <b>6,792</b>      | <b>(4,644)</b>    | <b>2,148</b>              | <b>2,398</b>  | <b>1,394</b>              |
| <b>TOTAL FUND BALANCE -<br/>BEGINNING OF YEAR</b> | <b>16,620</b>    | <b>16,620</b>    | <b>(12,814)</b>   | <b>29,434</b>     | <b>16,620</b>             |   | <b>15,226</b>             |
| <b>TOTAL FUND BALANCE -<br/>END OF YEAR</b>       | <b>\$ 16,370</b> | <b>\$ 16,370</b> | <b>\$ (6,022)</b> | <b>\$ 24,790</b>  | <b>\$ 18,768</b>          | <b>\$ 2,398</b>   | <b>\$ 16,620</b>          |

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**CITY OF LANESBORO, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**CITY OF LANESBORO, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules  
December 31, 2015**

| Year          | \$98,000 General Obligation<br>Bridge Bonds of 2003 |                 |                  |
|---------------|---|-----------------|------------------|
|               | Principal   | Interest        | Total            |
| 2016          | \$ 8,000  | \$ 1,470        | \$ 9,470         |
| 2017          | 8,000   | 1,078           | 9,078            |
| 2018          | 9,000   | 662             | 9,662            |
| 2019          | 9,000   | 220             | 9,220            |
| <b>Totals</b> | <b>\$ 34,000</b>                                    | <b>\$ 3,430</b> | <b>\$ 37,430</b> |

**CITY OF LANESBORO, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules (Continued)  
December 31, 2015**

| Year          | \$910,000 General Obligation<br>Bonds of 2008 |                   |                   |
|---------------|---|-------------------|-------------------|
|               | Principal                                     | Interest          | Total             |
| 2016          | \$ 60,000                                     | \$ 25,360         | \$ 85,360         |
| 2017          | 65,000  | 22,860            | 87,860            |
| 2018          | 65,000  | 20,260            | 85,260            |
| 2019          | 65,000  | 17,595            | 82,595            |
| 2020          | 65,000  | 14,865            | 79,865            |
| 2021          | 70,000  | 12,030            | 82,030            |
| 2022          | 75,000  | 8,910             | 83,910            |
| 2023          | 80,000  | 5,500             | 85,500            |
| 2024          | 85,000  | 1,870             | 86,870            |
| <b>Totals</b> | <b>\$ 630,000</b>                             | <b>\$ 129,250</b> | <b>\$ 759,250</b> |

| Year          | \$420,000 General Obligation<br>Tax Abatement Bonds of 2010 |                  |                   |
|---------------|---|------------------|-------------------|
|               | Principal   | Interest         | Total             |
| 2016          | \$ 25,000   | \$ 10,386        | \$ 35,386         |
| 2017          | 25,000  | 9,698            | 34,698            |
| 2018          | 25,000  | 9,011            | 34,011            |
| 2019          | 25,000  | 8,324            | 33,324            |
| 2020          | 30,000  | 7,470            | 37,470            |
| 2021          | 30,000  | 6,450            | 36,450            |
| 2022          | 30,000  | 5,430            | 35,430            |
| 2023          | 30,000  | 4,410            | 34,410            |
| 2024          | 30,000  | 3,315            | 33,315            |
| 2025          | 35,000  | 2,047            | 37,047            |
| 2026          | 35,000  | 682              | 35,682            |
| <b>Totals</b> | <b>\$ 320,000</b>   | <b>\$ 67,223</b> | <b>\$ 387,223</b> |

**CITY OF LANESBORO, MINNESOTA  
BUSINESS-TYPE FUNDS  
Bond Retirement Schedules  
December 31, 2015**

| Year          | \$312,000 General Obligation Utility<br>Revenue Refunding Bonds of 2009 |                 |                  |
|---------------|---|-----------------|------------------|
|               | Principal   | Interest        | Total            |
| 2016          | \$ 50,000   | \$ 1,800        | \$ 51,800        |
| <b>Totals</b> | <b>\$ 50,000</b>  | <b>\$ 1,800</b> | <b>\$ 51,800</b> |

| Year          | \$1,030,000 Electric Revenue<br>Refunding Bonds of 2010 |                   |                   |
|---------------|---|-------------------|-------------------|
|               | Principal   | Interest          | Total             |
| 2016          | \$ 80,000   | \$ 24,166         | \$ 104,166        |
| 2017          | 85,000  | 21,764            | 106,764           |
| 2018          | 90,000  | 18,876            | 108,876           |
| 2019          | 95,000  | 15,814            | 110,814           |
| 2020          | 100,000   | 12,300            | 112,300           |
| 2021          | 105,000   | 8,600             | 113,600           |
| 2022          | 110,000   | 4,400             | 114,400           |
| <b>Totals</b> | <b>\$ 665,000</b>                                       | <b>\$ 105,920</b> | <b>\$ 770,920</b> |

| Year          | \$492,733 Public Facilities Authority<br>Project Loan of 1996 |                 |                  |
|---------------|---|-----------------|------------------|
|               | Principal   | Interest        | Total            |
| 2016          | \$ 30,522   | \$ 1,451        | \$ 31,973        |
| 2017          | 31,189  | 627             | 31,816           |
| <b>Totals</b> | <b>\$ 61,711</b>  | <b>\$ 2,078</b> | <b>\$ 63,789</b> |



**CITY OF LANESBORO, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2015**

\$3,031,931 2014 PFA Water Revenue Note

| Year          | Principal           | Interest          | Total               |
|---------------|---------------------|-------------------|---------------------|
| 2016          | \$ 90,000           | \$ 25,636         | \$ 115,636          |
| 2017          | 90,000              | 29,040            | 119,040             |
| 2018          | 91,000              | 28,140            | 119,140             |
| 2019          | 92,000              | 27,230            | 119,230             |
| 2020          | 93,000              | 26,310            | 119,310             |
| 2021          | 94,000              | 25,380            | 119,380             |
| 2022          | 95,000              | 24,440            | 119,440             |
| 2023          | 96,000              | 23,490            | 119,490             |
| 2024          | 97,000              | 22,530            | 119,530             |
| 2025          | 98,000              | 21,560            | 119,560             |
| 2026          | 99,000              | 20,580            | 119,580             |
| 2027          | 100,000             | 19,590            | 119,590             |
| 2028          | 101,000             | 18,590            | 119,590             |
| 2029          | 102,000             | 17,580            | 119,580             |
| 2030          | 103,000             | 16,560            | 119,560             |
| 2031          | 104,000             | 15,530            | 119,530             |
| 2032          | 105,000             | 14,490            | 119,490             |
| 2033          | 106,000             | 13,440            | 119,440             |
| 2034          | 107,000             | 12,380            | 119,380             |
| 2035          | 108,000             | 11,310            | 119,310             |
| 2036          | 109,000             | 10,230            | 119,230             |
| 2037          | 110,000             | 9,140             | 119,140             |
| 2038          | 8,000               | 8,040             | 16,040              |
| <b>Totals</b> | <b>\$ 2,198,000</b> | <b>\$ 441,216</b> | <b>\$ 2,639,216</b> |

\$165,775 2015 PFA Water Revenue Note

| Year          | Principal        | Interest         | Total            |
|---------------|------------------|------------------|------------------|
| 2016          | \$ 775           | \$ 1,506         | \$ 2,281         |
| 2017          | 5,000            | 1,650            | 6,650            |
| 2018          | 5,000            | 1,600            | 6,600            |
| 2019          | 5,000            | 1,550            | 6,550            |
| 2020          | 5,000            | 1,500            | 6,500            |
| 2021          | 5,000            | 1,450            | 6,450            |
| 2022          | 2,425            | 1,400            | 3,825            |
| <b>Totals</b> | <b>\$ 28,200</b> | <b>\$ 10,656</b> | <b>\$ 38,856</b> |

**CITY OF LANESBORO, MINNESOTA  
PFA WATER NOTE OF 2014  
LOAN RETIREMENT DEBT SERVICE FUND  
Supplemental Schedule of Revenues, Expenditures and Change in Fund Balance  
For the Years Ended December 31, 2015 and 2014**

|                                | 2015       | 2014 |
|--------------------------------|------------|------|
| <b>Revenues</b>                | \$ 161,759 | \$   |
| <b>Expenditures</b>            |            |      |
| Principal                      | 37,931     |      |
| Interest                       | 8,192      |      |
| Total Expenditures             | 46,123     |      |
| Excess Revenues                | 115,636    |      |
| Fund Balance Beginning of Year |            |      |
| Fund Balance - End of Year     | \$ 115,636 | \$   |

**CITY OF LANESBORO, MINNESOTA  
PFA WATER NOTE OF 2015  
LOAN RETIREMENT DEBT SERVICE FUND  
Supplemental Schedule of Revenues, Expenditures and Change in Fund Balance  
For the Years Ended December 31, 2015 and 2014**

|                                | 2015     | 2014 |
|--------------------------------|----------|------|
| <b>Revenues</b>                | \$ 2,659 | \$   |
| <b>Expenditures</b>            |          |      |
| Principal                      |          |      |
| Interest                       | 378      |      |
| Total Expenditures             | 378      |      |
| Excess Revenues                | 2,281    |      |
| Fund Balance Beginning of Year |          |      |
| Fund Balance - End of Year     | \$ 2,281 | \$   |

## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Lanesboro, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Lanesboro, Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2016.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lanesboro, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 of Lanesboro, Minnesota's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of City of Lanesboro, Minnesota and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Smith, Schaffer and Associates, Ltd.*

Rochester, Minnesota  
May 25, 2016