

**CITY OF LANESBORO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**



**CITY OF LANESBORO, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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**CITY OF LANESBORO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2021**

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**CITY OF LANESBORO, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2021**

Jason Resseman	Mayor
Chase Bakke	Council member
Joe Goetzke	Council member
Mitchell Walbridge	Council member
Mindy Albrecht-Benson	Council member
Michele Peterson	City Administrator
Darla Taylor	Deputy Clerk

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**CITY OF LANESBORO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Lanesboro, Minnesota's, basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

City of Lanesboro, Minnesota's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lanesboro, Minnesota's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lanesboro, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lanesboro, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Summarized Comparative Information***

The financial statements include partial 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 statement for the year ended December 31, 2020, from which such partial information was derived.

We have previously audited the City's 2020 financial statements and our report, dated April 26, 2021, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 14 and the required supplementary 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.

**Supplementary 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 schedules, supplementary information and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare basic the financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2022, on our consideration of the City of Lanesboro, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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's internal control over financial reporting and compliance.

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
April 22, 2022

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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, 2021.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Lanesboro, Minnesota exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,560,144 (*net position*). Of this amount, \$1,800,454 (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 \$2,790,122.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,482,394. Approximately \$896,435 of this total amount 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 \$416,178 or 52% of total general fund expenditures.
- The City of Lanesboro, Minnesota increased total outstanding debt obligations by \$975,009 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 dam fund, and the 2022 street and utility project, all of which are considered to be major funds. Data from the other thirteen 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 28 and pages 62-63) 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 28-31 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 32-55 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 57-60 of this report.

**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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,560,144 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (84%) 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,872,260	\$ 1,853,645	\$ 1,711,336	\$ 1,342,562	\$ 3,583,596	\$ 3,196,207
Capital assets	8,039,210	7,495,024	11,225,073	8,065,029	19,264,283	15,560,053
Total assets	<u>9,911,470</u>	<u>9,348,669</u>	<u>12,936,409</u>	<u>9,407,591</u>	<u>22,847,879</u>	<u>18,756,260</u>
Deferred outflow s of resources	<u>142,598</u>	<u>35,009</u>	<u>106,062</u>	<u>25,421</u>	<u>248,660</u>	<u>60,430</u>
Long-term liabilities outstanding	1,794,729	2,050,468	4,729,478	3,598,986	6,524,207	5,649,454
Other liabilities	116,256	80,306	605,518	297,271	721,774	377,577
Total liabilities	<u>1,910,985</u>	<u>2,130,774</u>	<u>5,334,996</u>	<u>3,896,257</u>	<u>7,245,981</u>	<u>6,027,031</u>
Deferred inflow s of resources	<u>165,148</u>	<u>11,494</u>	<u>125,212</u>	<u>8,143</u>	<u>290,360</u>	<u>19,637</u>
Net position:						
Net investment in capital assets	6,424,238	5,690,178	6,631,851	4,640,103	13,056,089	10,330,281
Restricted for debt	585,121	645,674	118,480	221,410	703,601	867,084
Unrestricted	968,576	905,558	831,932	667,099	1,800,508	1,572,657
Total net position	<u>\$ 7,977,935</u>	<u>\$ 7,241,410</u>	<u>\$ 7,582,263</u>	<u>\$ 5,528,612</u>	<u>\$ 15,560,198</u>	<u>\$ 12,770,022</u>

The balance of *unrestricted net position* \$1,800,454 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 increased the City of Lanesboro, Minnesota's net position by \$736,471.

**Business-type activities.** Business-type activities increased the City of Lanesboro, Minnesota's net position by \$2,053,651.

A condensed version of the Statement of Activities follows:

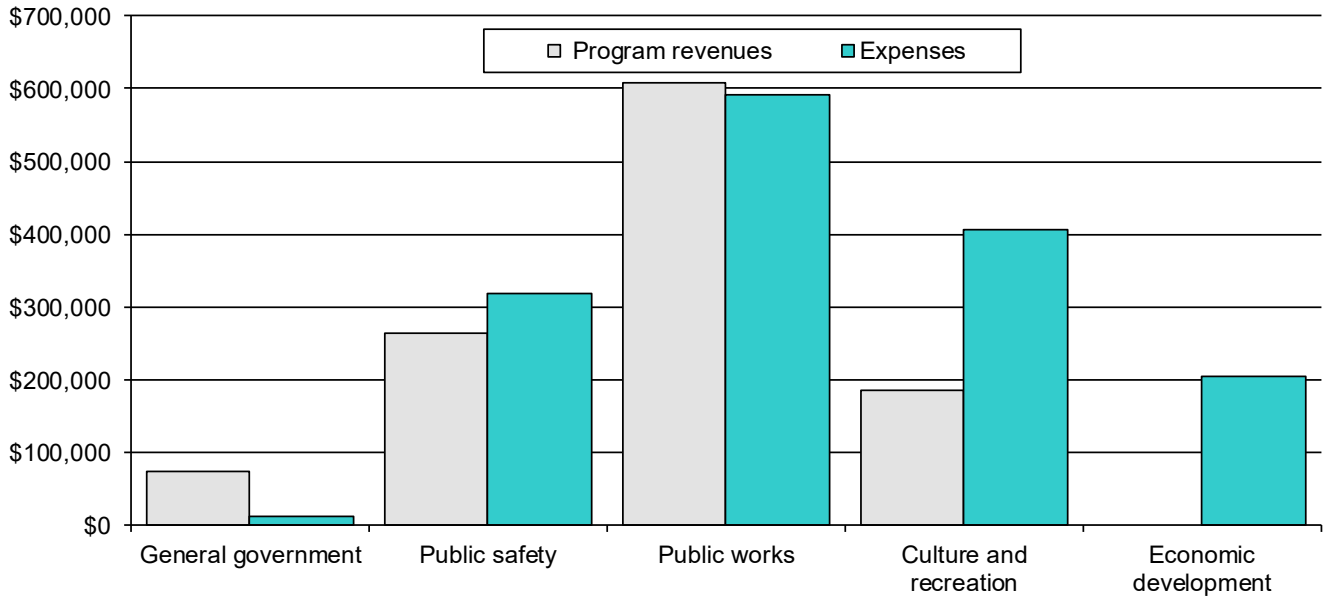
**City of Lanesboro, Minnesota's Change in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program revenues:						
Charges for services	\$ 256,307	\$ 187,281	\$ 1,749,845	\$ 1,514,705	\$ 2,006,152	\$ 1,701,986
Operating grants and contributions	231,674	282,189			231,674	282,189
Capital grants and contributions	641,116	3,685,593	1,673,062	400,515	2,314,178	4,086,108
General revenues:						
Property taxes	681,654	672,484			681,654	672,484
Sales tax	71,481	61,255			71,481	61,255
Tax increments	40,176	30,714			40,176	30,714
Grants and contributions not restricted to specific programs	224,706	221,883			224,706	221,883
Other	92,941	47,158	182,131	115,251	275,072	162,409
Total revenues	<u>2,240,055</u>	<u>5,188,557</u>	<u>3,605,038</u>	<u>2,030,471</u>	<u>5,845,093</u>	<u>7,219,028</u>
Expenses:						
General government	11,155	332,308			11,155	332,308
Public safety	319,217	281,125			319,217	281,125
Public works	590,859	328,846			590,859	328,846
Parks and recreation	405,501	299,066			405,501	299,066
Economic development	203,485	76,576			203,485	76,576
Interest on long-term debt	56,587	48,744			56,587	48,744
Utilities commission			1,468,113	1,494,960	1,468,113	1,494,960
Total expenses	<u>1,586,804</u>	<u>1,366,665</u>	<u>1,468,113</u>	<u>1,494,960</u>	<u>3,054,917</u>	<u>2,861,625</u>
Increase in net position before transfers	653,251	3,821,892	2,136,925	535,511	2,790,176	4,357,403
Transfers	83,274	102,500	(83,274)	(102,500)		
Increase in net position	736,525	3,924,392	2,053,651	433,011	2,790,176	4,357,403
Net position, beginning, as restated	7,241,410	3,317,018	5,528,612	5,095,601	12,770,022	8,412,619
Net position, end of year	<u>\$ 7,977,935</u>	<u>\$ 7,241,410</u>	<u>\$ 7,582,263</u>	<u>\$ 5,528,612</u>	<u>\$ 15,560,198</u>	<u>\$ 12,770,022</u>

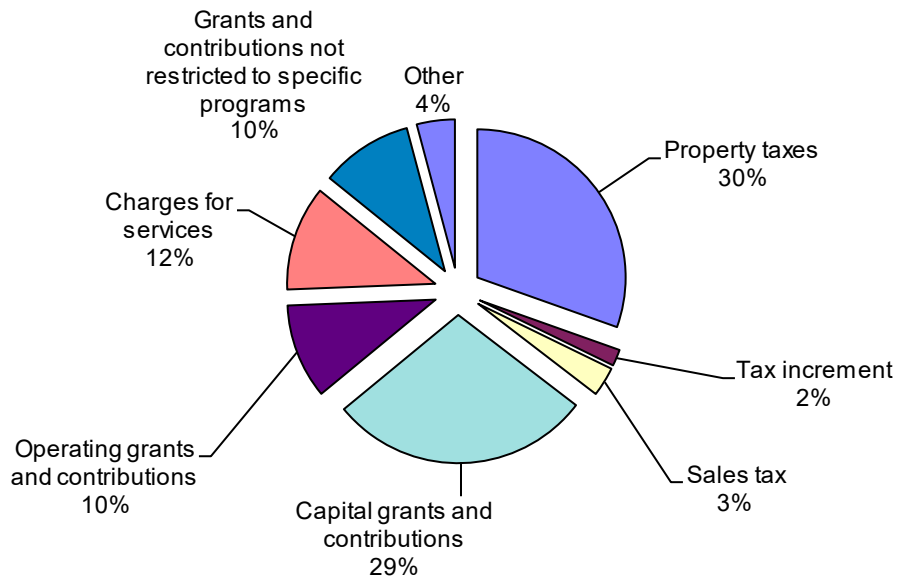
## CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



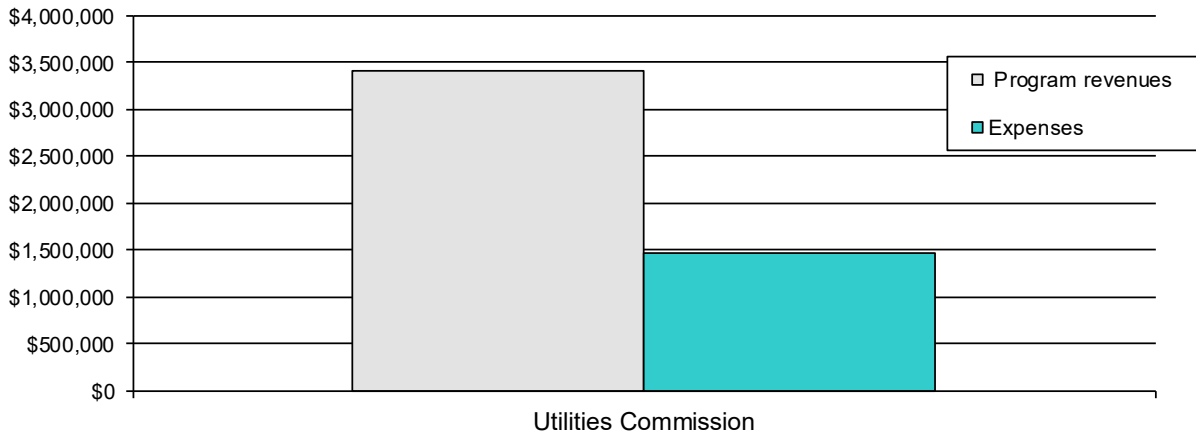
### Revenues by Source - Governmental Activities



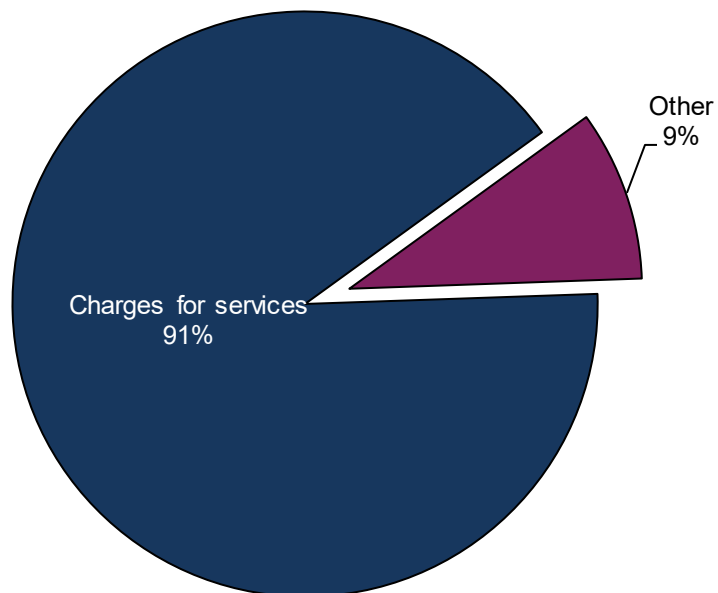
**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$1,482,394, a decrease of \$108,378. Approximately \$896,435 of this total amount, or 60%, 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 \$416,178. 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 52% of total general fund expenditures.

The general fund's total fund balance increased by \$50,510 during the current fiscal year.

The fire fund decreased its fund balance by \$6,536 for the year and ended the year with a deficit fund balance of (\$80,321).

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

**Proprietary funds.** The City of Lanesboro, Minnesota's proprietary funds statements found on pages 28-31 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 \$728,932.

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

**General Fund Budgetary Highlights**

The City approved the 2021 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, 2021, amounts to \$19,264,283 (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 \$3,704,230, or 24%.

**City of Lanesboro, Minnesota's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 264,500	\$ 264,500	\$ 92,517	\$ 88,940	\$ 357,017	\$ 353,440
Dam			386,843	409,637	386,843	409,637
Buildings and improvements	488,781	529,925	4,166,956	4,329,205	4,655,737	4,859,130
Infrastructure	6,477,797	2,364,582			6,477,797	2,364,582
Machinery and equipment	542,399	609,620	80,343	104,162	622,742	713,782
Production and distribution			1,938,490	2,120,233	1,938,490	2,120,233
Work in progress	265,733	3,726,397	4,559,924	1,012,852	4,825,657	4,739,249
Total	<u>\$ 8,039,210</u>	<u>\$ 7,495,024</u>	<u>\$ 11,225,073</u>	<u>\$ 8,065,029</u>	<u>\$19,264,283</u>	<u>\$15,560,053</u>

Additional information on the City of Lanesboro, Minnesota's capital assets can be found in Note 3B on pages 42-43 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 \$6,221,188 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	
	2021	2020	2021	2020	2021	2020
General obligation bonds and notes	\$ 1,627,000	\$ 1,819,000	\$	\$	\$ 1,627,000	\$ 1,819,000
General obligation revenue bonds			2,146,188	440,000	2,146,188	440,000
Notes			2,448,000	2,987,179	2,448,000	2,987,179
<b>Total</b>	<b>\$ 1,627,000</b>	<b>\$ 1,819,000</b>	<b>\$ 4,594,188</b>	<b>\$ 3,427,179</b>	<b>\$ 6,221,188</b>	<b>\$ 5,246,179</b>

The City of Lanesboro, Minnesota's total bonds and notes payable increased by \$975,009 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3E, beginning on page 46.



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

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

- The City will continue to search for funding, including grant availability, for infrastructure improvements. The implementation of the .5% sales tax legislation that was approved in 2011, provides funds which will be used to address much needed infrastructure improvements. The City is faced with aging infrastructure and will be referencing 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. These fees are assessed annually to ensure expenses being incurred are covered by incoming revenues.

All of these factors were considered in preparing the City of Lanesboro, Minnesota's budget for the 2020 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, 2021**

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**CITY OF LANESBORO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2021  
With Comparative Totals for December 31, 2020

	Governmental Activities	Business-Type Activities	Totals	
			2021	2020
<b>ASSETS</b>				
Cash and investments	\$ 1,388,024	\$ 1,629,096	\$ 3,017,120	\$ 2,718,895
Receivables (net of allowance for uncollectibles)	328,824	102,695	431,519	409,745
Internal balances	68,708	(68,708)		
Inventory		47,642	47,642	33,392
Prepaid expenses	7,320	611	7,931	8,162
Fire relief pension asset	79,384		79,384	26,013
Capital assets:				
Nondepreciable	530,233	4,652,441	5,182,674	5,092,689
Depreciable, net	7,508,977	6,572,632	14,081,609	10,467,364
Total Assets	<u>9,911,470</u>	<u>12,936,409</u>	<u>22,847,879</u>	<u>18,756,260</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	142,598	106,062	248,660	60,430
<b>LIABILITIES</b>				
Accounts payable	40,632	544,880	585,512	228,243
Accrued liabilities	11,381	29,053	40,434	27,001
Deposits payable		1,782	1,782	20,946
Accrued interest payable	17,425		17,425	18,789
Compensated absences	46,818	29,803	76,621	82,598
Noncurrent liabilities:				
Due within one year	252,980	262,000	514,980	465,000
Due in more than one year	1,361,992	4,331,222	5,693,214	4,764,772
Net pension liability	179,757	136,256	316,013	419,682
Total Liabilities	<u>1,910,985</u>	<u>5,334,996</u>	<u>7,245,981</u>	<u>6,027,031</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	165,148	125,212	290,360	19,637
<b>NET POSITION</b>				
Net investment in capital assets	6,424,238	6,631,851	13,056,089	10,330,281
Restricted for debt	585,121	118,480	703,601	867,084
Unrestricted	968,576	831,932	1,800,508	1,572,657
Total Net Position	<u>\$ 7,977,935</u>	<u>\$ 7,582,263</u>	<u>\$ 15,560,198</u>	<u>\$ 12,770,022</u>

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2021  
With Comparative Totals for the Year Ended December 31, 2020

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 11,155	\$ 19,522	\$ 53,447	\$
Public safety	319,217	76,530	147,505	39,615
Public works	590,859	5,768		601,501
Culture and recreation	405,501	154,487	30,722	
Economic development	203,485			
Interest on long-term debt	56,587			
Total governmental activities	1,586,804	256,307	231,674	641,116
<b>Business-Type activities:</b>				
Utilities commission	1,468,113	1,749,845		1,673,062
Total	\$ 3,054,917	\$ 2,006,152	\$ 231,674	\$ 2,314,178

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

Change in net position

Net position - beginning as restated

Net position - ending

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2021	2020
\$ 61,814	\$	\$ 61,814	\$ (207,012)
(55,567)		(55,567)	22,052
16,410		16,410	3,301,475
(220,292)		(220,292)	(202,797)
(203,485)		(203,485)	(76,576)
(56,587)		(56,587)	(48,744)
<u>(457,707)</u>		<u>(457,707)</u>	<u>2,788,398</u>
	1,954,794	1,954,794	420,260
<u>(457,707)</u>	<u>1,954,794</u>	<u>1,497,087</u>	<u>3,208,658</u>
681,654		681,654	672,484
40,176		40,176	30,714
71,481		71,481	61,255
224,706		224,706	221,883
1,576	1,902	3,478	5,540
91,365	180,229	271,594	156,869
83,274	(83,274)		
<u>1,194,232</u>	<u>98,857</u>	<u>1,293,089</u>	<u>1,148,745</u>
736,525	2,053,651	2,790,176	4,357,403
<u>7,241,410</u>	<u>5,528,612</u>	<u>12,770,022</u>	<u>8,412,619</u>
<u>\$ 7,977,935</u>	<u>\$ 7,582,263</u>	<u>\$ 15,560,198</u>	<u>\$ 12,770,022</u>

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**CITY OF LANESBORO, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**CITY OF LANESBORO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2021  
With Comparative Totals for December 31, 2020

	100 General	220 Fire Fund	417 Dam Project
<b>ASSETS</b>			
Cash and investments	\$ 23,063	\$	\$
Accounts receivable	5,327		
Due from other governmental units	3,369	319	
Taxes receivable delinquent	61		
Loans receivable			
Special assessments receivable	1,148		
Due from other funds	409,046		
Prepaid items	7,320		
<b>TOTAL ASSETS</b>	<b>\$ 449,334</b>	<b>\$ 319</b>	<b>\$</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 11,017	\$ 636	\$
Accrued liabilities	9,399		
Due to other funds		80,004	2,770
<b>Total Liabilities</b>	<b>20,416</b>	<b>80,640</b>	<b>2,770</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue:			
Property taxes	61		
Loans receivable			
Special assessments	1,148		
<b>Total Deferred Inflows of Resources</b>	<b>1,209</b>		
<b>Fund Balance:</b>			
Nonspendable	7,320		
Restricted:			
Contributors	4,211		
Grantors			
Regulators			
Debt service			
Assigned			
Unassigned	416,178	(80,321)	(2,770)
<b>Total Fund Balance</b>	<b>427,709</b>	<b>(80,321)</b>	<b>(2,770)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 449,334</b>	<b>\$ 319</b>	<b>\$</b>

**See Notes to the Financial Statements**

311 2022 Street & Utility Project	Other Governmental Funds	Total Governmental Funds	
		2021	2020
\$	\$ 1,364,961	\$ 1,388,024	\$ 1,458,943
	57,979	63,306	65,508
	3,361	7,049	18,588
	6,150	6,211	13,378
	86,130	86,130	15,313
	164,969	166,117	193,891
		409,046	135,754
		7,320	7,705
<u>\$</u>	<u>\$ 1,683,550</u>	<u>\$ 2,133,203</u>	<u>\$ 1,909,080</u>
\$ 27,818	\$ 1,161	\$ 40,632	\$ 6,535
	1,982	11,381	7,743
242,328	15,236	340,338	81,448
<u>270,146</u>	<u>18,379</u>	<u>392,351</u>	<u>95,726</u>
	6,150	6,211	13,378
	86,130	86,130	15,313
	164,969	166,117	193,891
	<u>257,249</u>	<u>258,458</u>	<u>222,582</u>
		7,320	7,705
	27,144	31,355	31,020
			16,913
	109,725	109,725	57,225
	437,559	437,559	475,104
	833,494	833,494	711,307
(270,146)		62,941	291,498
<u>(270,146)</u>	<u>1,407,922</u>	<u>1,482,394</u>	<u>1,590,772</u>
<u>\$</u>	<u>\$ 1,683,550</u>	<u>\$ 2,133,203</u>	<u>\$ 1,909,080</u>

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

For the Year Ended December 31, 2021  
With Comparative Totals for the Year Ended December 31, 2020

	100 General	220 Fire Fund	417 Dam Project
<b>REVENUES</b>			
Property taxes	\$ 415,685	\$ 39,318	\$
Sales taxes			
Special assessments	5,768		
Tax increments			
Licenses and permits	5,970		
Fines and forfeits	405		
Intergovernmental revenues	292,359	64,310	546,267
Charges for services	105,201	7,230	
Interest income	1,174		
Donations/miscellaneous	52,661	50,506	
<b>TOTAL REVENUES</b>	<u>879,223</u>	<u>161,364</u>	<u>546,267</u>
<b>EXPENDITURES</b>			
General government	192,683		
Public safety	102,154	87,500	
Public works	174,252		
Culture and recreation	227,279		
Economic development			
CARES Act costs			
Unallocated	17,475		
Capital outlay	87,370	21,489	557,124
Debt service:			
Principal			
Interest and fiscal charges			
<b>TOTAL EXPENDITURES</b>	<u>801,213</u>	<u>108,989</u>	<u>557,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,010</u>	<u>52,375</u>	<u>(10,857)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds			
Transfers in			
Transfers out	(27,500)	(58,911)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(27,500)</u>	<u>(58,911)</u>	
Net change in fund balances	50,510	(6,536)	(10,857)
<b>FUND BALANCES, beginning</b>	<u>377,199</u>	<u>(73,785)</u>	<u>8,087</u>
<b>FUND BALANCES, ending</b>	<u>\$ 427,709</u>	<u>\$ (80,321)</u>	<u>\$ (2,770)</u>

**See Notes to the Financial Statements**

311 2022 Street & Utility Proejct	Other Governmental Funds	Total Governmental Funds	
		2021	2020
\$	\$ 219,264	\$ 674,267	\$ 683,282
	71,481	71,481	61,255
	27,471	33,239	44,432
	44,777	44,777	30,714
		5,970	16,395
		405	1,091
	60,161	963,097	3,983,371
	118,006	230,437	150,252
	402	1,576	4,012
	82,214	185,381	189,373
	<u>623,776</u>	<u>2,210,630</u>	<u>5,164,177</u>
		192,683	176,909
	112,098	301,752	289,289
		174,252	214,170
	150,431	377,710	281,282
	124,576	124,576	49,582
			57,560
		17,475	48,845
270,146	30,102	966,231	3,537,383
	242,000	242,000	232,000
	55,603	55,603	48,659
<u>270,146</u>	<u>714,810</u>	<u>2,452,282</u>	<u>4,935,679</u>
<u>(270,146)</u>	<u>(91,034)</u>	<u>(241,652)</u>	<u>228,498</u>
	50,000	50,000	
	220,685	220,685	268,854
	(51,000)	(137,411)	(166,354)
	<u>219,685</u>	<u>133,274</u>	<u>102,500</u>
(270,146)	128,651	(108,378)	330,998
	<u>1,279,271</u>	<u>1,590,772</u>	<u>1,259,774</u>
<u>\$ (270,146)</u>	<u>\$ 1,407,922</u>	<u>\$ 1,482,394</u>	<u>\$ 1,590,772</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, 2021**

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

Total governmental fund balances (pages 18 and 19)		\$ 1,482,394
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 12,395,104	
Less: Accumulated depreciation	<u>(4,355,894)</u>	8,039,210
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 6,211	
Loans receivable	86,130	
Deferred and delinquent special assessments	<u>166,128</u>	258,469
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	\$ (1,614,972)	
Net pension liability	(202,307)	
Fire pension asset	79,384	
Compensated absences	(46,818)	
Accrued interest	<u>(17,425)</u>	<u>(1,802,138)</u>
Net position of governmental activities (page 15)		<u><u>\$ 7,977,935</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, 2021**

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)	\$	(108,378)
<p>Governmental funds reported capital outlays as expenditures.  However, in the statement of activities the cost of those assets  is allocated over their estimated useful lives and reported as  depreciation expense.</p>		
Capital outlay	\$ 860,129	
Depreciation expense	(300,497)	
		559,632
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position		(15,446)
Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		35,887
<p>In the statement of activities, certain operating expenses - compensated  absences and net pension asset - are measured by the amounts  earned during the year. In the governmental funds, however,  expenditures for these items are measured by the amount of  financial resources used (essentially, the amounts actually paid).</p>		
Change in net pension liability	\$ 19,800	
Change in fire pension asset	53,371	
Change in compensated absences	421	
		73,592
<p>The governmental funds report bond proceeds as financing sources, while  repayment of bond principal is reported as an expenditure. In the  statement of net position, however, issuing debt increases long term  liabilities and does not affect the statement of activities and repayment  of principal reduces the liability. Also, governmental funds report the  effect of premiums and discounts when debt is first issued, whereas  these amounts are deferred and amortized in the statement of activities.  Interest is recognized as an expenditure in the governmental funds when  it is due. In the statement of activities, however, interest expense is  recognized as it accrues, regardless of when it is due. The net effect of  these differences in the treatment of general obligation bonds and  related items is as follows.</p>		
Principal retirement on long-term debt	\$ 242,000	
Proceeds from issuance of long term debt	(50,000)	
Amortization of bond discount	(2,126)	
Change in accrued interest	1,364	
		191,238
Change in net position of governmental activities (pages 16 and 17)	\$	736,525

**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, 2021  
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 413,939	\$ 413,939	\$ 415,685	\$ 1,746	\$ 417,241
<b>Special Assessments</b>					
	4,500	4,500	5,768	1,268	2,288
<b>Licenses and Permits</b>					
	12,500	12,500	5,970	(6,530)	16,395
<b>Intergovernmental Revenues</b>					
Local government aid	224,706	224,706	224,706		221,883
Federal aid			39,615	39,615	57,560
Market value credit			873	873	901
Other	5,485	5,485	27,165	21,680	27,554
Total Intergovernmental Revenues	230,191	230,191	292,359	62,168	307,898
<b>Fines and Forfeits</b>					
Court fines and other	1,500	1,500	405	(1,095)	1,091
<b>Interest Income</b>					
	1,000	1,000	1,174	174	2,578
<b>Charges for Services</b>					
Park and recreation	81,000	81,000	105,201	24,201	57,836
<b>Miscellaneous Revenues</b>					
Cable franchise fees	15,000	15,000	9,212	(5,788)	13,530
Refunds and reimbursements					3,653
Contributions and donations			4,526	4,526	1,720
Rhubarb Fest/Farmers Market			2,330	2,330	1,615
Sons of Norway	13,264	13,264	13,264		53,056
Other	6,000	6,000	23,329	17,329	15,524
Total Miscellaneous Revenues	34,264	34,264	52,661	18,397	89,098
<b>TOTAL REVENUES</b>	<b>\$ 778,894</b>	<b>\$ 778,894</b>	<b>\$ 879,223</b>	<b>\$ 100,329</b>	<b>\$ 894,425</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, 2021  
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with	2020 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
<b>EXPENDITURES (continued)</b>					
<b>Culture and Recreation</b>					
Salaries	\$ 74,371	\$ 74,371	\$ 83,967	\$ (9,596)	\$ 58,700
PERA and social security	12,452	12,452	12,282	170	8,489
Office supplies/small equipment	10,500	10,500	9,269	1,231	7,161
Employee benefits	20,285	20,285	19,252	1,033	11,721
Telephone	500	500	487	13	477
Insurance	3,750	3,750	4,107	(357)	4,401
Professional fees			8,779	(8,779)	13,384
Other	27,300	27,300	27,678	(378)	23,122
Utilities	30,000	30,000	28,911	1,089	26,352
Repairs and maintenance	15,000	15,000	24,923	(9,923)	19,209
Capital outlay	25,150	25,150	9,217	15,933	2,700
Lanesboro Museum	5,000	5,000	5,000		5,000
Rhubarb Fest/Farmers Market			2,624	(2,624)	1,566
Total Culture and Recreation	<u>224,308</u>	<u>224,308</u>	<u>236,496</u>	<u>(12,188)</u>	<u>182,282</u>
<b>CARES Act Costs</b>					
Supplies					32,621
Grants					6,750
Technology equipment					16,635
Returned to county					1,554
Total CARES Act Costs					<u>57,560</u>
<b>Unallocated</b>					
Sons of Norway	13,264	13,264	17,475	(4,211)	48,845
<b>TOTAL EXPENDITURES</b>	<u>774,474</u>	<u>774,474</u>	<u>801,213</u>	<u>(26,739)</u>	<u>791,147</u>
Excess (deficiency) of revenues over (under) expenditures	4,420	4,420	78,010	73,590	103,278
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(4,700)	(4,700)	(27,500)	(22,800)	(42,500)
Net change in fund balances	(280)	(280)	50,510	50,790	60,778
<b>FUND BALANCES, beginning</b>	<u>377,199</u>	<u>377,199</u>	<u>377,199</u>		<u>316,421</u>
<b>FUND BALANCES, ending</b>	<u>\$ 376,919</u>	<u>\$ 376,919</u>	<u>\$ 427,709</u>	<u>\$ 50,790</u>	<u>\$ 377,199</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, 2021  
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with	2020 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
<b>EXPENDITURES (continued)</b>					
<b>Culture and Recreation</b>					
Salaries	\$ 74,371	\$ 74,371	\$ 83,967	\$ (9,596)	\$ 58,700
PERA and social security	12,452	12,452	12,282	170	8,489
Office supplies/small equipment	10,500	10,500	9,269	1,231	7,161
Employee benefits	20,285	20,285	19,252	1,033	11,721
Telephone	500	500	487	13	477
Insurance	3,750	3,750	4,107	(357)	4,401
Professional fees			8,779	(8,779)	13,384
Other	27,300	27,300	27,678	(378)	23,122
Utilities	30,000	30,000	28,911	1,089	26,352
Repairs and maintenance	15,000	15,000	24,923	(9,923)	19,209
Capital outlay	25,150	25,150	9,217	15,933	2,700
Lanesboro Museum	5,000	5,000	5,000		5,000
Rhubarb Fest/Farmers Market			2,624	(2,624)	1,566
Total Culture and Recreation	224,308	224,308	236,496	(12,188)	182,282
<b>CARES Act Costs</b>					
Supplies					32,621
Grants					6,750
Technology equipment					16,635
Returned to county					1,554
Total CARES Act Costs					57,560
<b>Unallocated</b>					
Sons of Norway	13,264	13,264	17,475	(4,211)	48,845
<b>TOTAL EXPENDITURES</b>	<b>774,474</b>	<b>774,474</b>	<b>801,213</b>	<b>(26,739)</b>	<b>791,147</b>
Excess (deficiency) of revenues over (under) expenditures	4,420	4,420	78,010	73,590	103,278
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(4,700)	(4,700)	(27,500)	(22,800)	(42,500)
Net change in fund balances	(280)	(280)	50,510	50,790	60,778
<b>FUND BALANCES, beginning</b>	<b>377,199</b>	<b>377,199</b>	<b>377,199</b>		<b>316,421</b>
<b>FUND BALANCES, ending</b>	<b>\$ 376,919</b>	<b>\$ 376,919</b>	<b>\$ 427,709</b>	<b>\$ 50,790</b>	<b>\$ 377,199</b>

**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, 2021

With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		Operations	Equipment	2021 Actual Amounts	Variance with	2020 Actual Amounts
	Original	Final				Final Budget - Positive (Negative)	
<b>REVENUES</b>							
Property taxes	\$ 39,121	\$ 39,121	\$ 39,318	\$	\$ 39,318	\$ 197	\$ 44,771
Intergovernmental	44,945	44,945	64,310		64,310	19,365	68,082
Charges for services	6,200	6,200	7,230		7,230	1,030	4,180
Donations/miscellaneous				50,506	50,506	50,506	62,000
<b>TOTAL REVENUES</b>	<b>90,266</b>	<b>90,266</b>	<b>110,858</b>	<b>50,506</b>	<b>161,364</b>	<b>71,098</b>	<b>179,033</b>
<b>EXPENDITURES</b>							
Salaries	18,060	18,060	17,450		17,450	610	12,910
PERA and social security	1,806	1,806	1,335		1,335	471	1,105
Employee benefits	5,700	5,700	5,977		5,977	(277)	6,591
Fire relief contributions	3,500	3,500	24,865		24,865	(21,365)	22,637
Supplies/small equipment	3,000	3,000	4,692	4,095	8,787	(5,787)	11,919
Repairs and maintenance	12,500	12,500	7,206		7,206	5,294	8,255
Training	7,400	7,400	2,637		2,637	4,763	2,985
Telephone	2,100	2,100	2,586		2,586	(486)	2,496
Utilities	6,000	6,000	5,645		5,645	355	5,204
Capital outlay	22,500	22,500	21,489		21,489	1,011	
Miscellaneous	7,700	7,700	11,012		11,012	(3,312)	9,059
<b>TOTAL EXPENDITURES</b>	<b>90,266</b>	<b>90,266</b>	<b>104,894</b>	<b>4,095</b>	<b>108,989</b>	<b>(18,723)</b>	<b>83,161</b>
Excess (deficiency) of revenues over (under) expenditures			5,964	46,411	52,375	52,375	95,872
<b>OTHER FINANCING USES</b>							
Transfers out			(12,500)	(46,411)	(58,911)	58,911	(79,835)
Net change in fund balances			(6,536)		(6,536)	(6,536)	16,037
<b>FUND BALANCES, beginning</b>	<b>(73,785)</b>	<b>(73,785)</b>	<b>(73,785)</b>		<b>(73,785)</b>		<b>(89,822)</b>
<b>FUND BALANCES, ending</b>	<b>\$ (73,785)</b>	<b>\$ (73,785)</b>	<b>\$ (80,321)</b>	<b>\$</b>	<b>\$ (80,321)</b>	<b>\$ (6,536)</b>	<b>\$ (73,785)</b>

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Net Position**  
December 31, 2021  
With Comparative Totals as of December 31, 2020

	Totals - Utilities Commission	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,629,096	\$ 1,259,952
Due from other funds	15,236	7,122
Accounts receivable, net	102,695	103,067
Inventory	47,642	33,392
Other receivables/prepaid	611	457
Total Current Assets	1,795,280	1,403,990
<b>Noncurrent Assets</b>		
Capital assets:		
Nondepreciable	4,652,441	1,101,792
Depreciable	12,475,119	12,475,119
Less: Accumulated depreciation	5,902,487	5,511,882
Net capital assets	11,225,073	8,065,029
Total Assets	13,020,353	9,469,019
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	106,062	25,421
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	544,880	221,708
Accrued liabilities	58,856	54,617
Due to other funds	83,944	61,428
Customer deposits	1,782	20,946
Current maturities of bonds and notes payable	262,000	223,000
Total Current Liabilities	951,462	581,699
<b>Noncurrent Liabilities</b>		
Notes payable	4,144,688	2,894,179
Bonds payable	187,500	310,000
Net pension liability	136,256	174,060
Less: bond discount, net of amortization	(966)	(2,253)
Total Noncurrent Liabilities	4,467,478	3,375,986
Total Liabilities	5,418,940	3,957,685
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	125,212	8,143
<b>NET POSITION</b>		
Net investment in capital assets	6,631,851	4,640,103
Restricted for debt	118,480	221,410
Unrestricted	831,932	667,099
Total Net Position	\$ 7,582,263	\$ 5,528,612

**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, 2021  
With Comparative Totals for the Year Ended December 31, 2020

	Totals - Utilities Commission	
	2021	2020
<b>Operating Revenues</b>		
Charges for services	\$ 1,749,845	\$ 1,514,705
<b>Operating Expenses</b>		
Purchased power/facility charge	418,166	416,885
Utilities	73,260	54,863
Salaries and wages	304,324	261,040
Employee benefits	69,972	65,809
Repairs and maintenance	48,053	90,070
Materials, chemicals and supplies	28,797	38,800
Professional fees	47,899	60,695
Depreciation and amortization	391,892	392,785
Insurance	24,015	23,443
Other	15,899	28,374
Total Operating Expenses	1,422,277	1,432,764
Operating Income	327,568	81,941
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	1,902	1,528
Interest expense	(45,836)	(62,196)
Other income	180,229	113,723
Total Nonoperating Revenue (Expenses)	136,295	53,055
<b>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>	463,863	134,996
Contributed capital/grants	1,673,062	400,515
Transfer in	23,254	35,046
Transfers out	(106,528)	(137,546)
<b>CHANGE IN NET POSITION</b>	2,053,651	433,011
<b>NET POSITION - BEGINNING, AS RESTATED</b>	5,528,612	5,095,601
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 7,582,263	\$ 5,528,612

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2021  
With Comparative Totals for December 31, 2020

	Totals - Utilities Commission	
	2021	2020
<b>Cash Flows From Operating Activities</b>		
Cash received from customers and users	\$ 1,750,217	\$ 1,589,917
Cash paid to suppliers and employers	(1,057,510)	(1,022,427)
Other income	180,229	113,723
	872,936	681,213
<b>Net Cash Provided By Operating Activities</b>		
<b>Cash Flows From Noncapital Financing Activities</b>		
Operating transfers out, net	14,402	(102,500)
Due from other funds	(83,274)	726
	(68,872)	(101,774)
<b>Net Cash Used In Noncapital Financing Activities</b>		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital asset acquisitions	(3,231,057)	(447,492)
Proceeds from sale of bonds	1,562,840	446,179
Contributions/grants	1,673,062	400,515
Principal payments on bonds	(395,831)	(814,000)
Interest payments on bonds	(45,836)	(62,196)
	(436,822)	(476,994)
<b>Net Cash Used In Capital and Related Financing Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Investment income received	1,902	1,528
	369,144	103,973
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,259,952	1,155,979
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,629,096	\$ 1,259,952

**See Notes to the Financial Statements**

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

	Totals - Utilities Commission	
	2021	2020
<b>Operating Income</b>	\$ 327,568	\$ 81,941
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	391,892	392,785
Loss on disposal of property and equipment		61,168
Change in net pension liability	(1,376)	(2,247)
Other income	180,229	113,723
(Increase) Decrease In:		
Accounts receivable	372	14,044
Inventory	(14,250)	(4,657)
Prepaid items	(154)	(157)
Increase In:		
Accounts payable	3,580	22,284
Accrued expenses and customer deposits	(14,925)	2,329
	<u>\$ 872,936</u>	<u>\$ 681,213</u>
 Net Cash Provided By Operating Activities	 <u>\$ 872,936</u>	 <u>\$ 681,213</u>
 Non-Cash Transactions:		
Capital assets acquired on account	\$ 495,994	\$ 155,534

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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.

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.

# 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

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.

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.

## 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

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 *dam fund* accounts for financial resources to be used towards the City's dam project.

The *2022 Street & Utility Project* accounts for activity relating to the 2022 improvement project.

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.

**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)*

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, 2021.

*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.

**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)*

Prepaid Items

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.

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 acquisition 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.

##### Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type and is pension related and is reported on the statement of net position.

# 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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#### Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types. The first type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported in the statement of net position.

#### Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 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.”



# 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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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 2020 financial statements have been reclassified to conform with the 2021 presentation.

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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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# 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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#### A. Summary of Cash and Investments

As of December 31, 2021, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$	2,994,591
Non-negotiable CD's		<u>22,529</u>
Total Cash and investments	\$	<u><u>3,017,120</u></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.
- 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 of 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)

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

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##### Summary of Cash and Investments (Continued)

##### Fair Value Measurement

Fair value measurements are determined by utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2, inputs must be observable for substantially the full term of the asset or liability

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable.

The City held no investments that were required to be recorded at fair value.

##### 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:

**CITY OF LANESBORO, MINNESOTA**

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

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

**B. Capital Assets**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in process	3,726,397	816,678	4,277,342	265,733
Total capital assets, not being depreciated	<u>3,990,897</u>	<u>816,678</u>	<u>4,277,342</u>	<u>530,233</u>
Capital assets, being depreciated:				
Buildings and improvements	1,647,758			1,647,758
Infrastructure	4,303,781	4,277,342		8,581,123
Machinery and equipment	1,618,489	43,451	25,950	1,635,990
Total capital assets, being depreciated	<u>7,570,028</u>	<u>4,320,793</u>	<u>25,950</u>	<u>11,864,871</u>
Less accumulated depreciation for:				
Buildings and improvements	1,117,833	41,144		1,158,977
Infrastructure	1,939,199	164,127		2,103,326
Machinery and equipment	1,008,869	95,226	10,504	1,093,591
Total accumulated depreciation	<u>4,065,901</u>	<u>300,497</u>	<u>10,504</u>	<u>4,355,894</u>
Total capital assets, being depreciated, net	<u>3,504,127</u>	<u>4,020,296</u>	<u>15,446</u>	<u>7,508,977</u>
 Governmental activities capital assets, net	 <u>\$ 7,495,024</u>	 <u>\$ 4,836,974</u>	 <u>\$ 4,292,788</u>	 <u>\$ 8,039,210</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	\$ 88,940	\$ 3,577	\$	\$ 92,517
Construction in progress	1,012,852	3,547,072		4,559,924
Total capital assets, not being depreciated	1,101,792	3,550,649		4,652,441
Capital assets, being depreciated:				
Dam	567,304			567,304
Buildings and improvements	5,609,744			5,609,744
Production systems	882,645			882,645
Distribution systems	5,147,072			5,147,072
Machinery and equipment	268,354			268,354
Total capital assets, being depreciated	12,475,119			12,475,119
Less accumulated depreciation for:				
Dam	157,667	22,794		180,461
Buildings and improvements	1,280,539	162,249		1,442,788
Production systems	599,174	19,499		618,673
Distribution systems	3,310,310	162,244		3,472,554
Machinery and equipment	164,192	23,819		188,011
Total accumulated depreciation	5,511,882	390,605		5,902,487
Total capital assets, being depreciated, net	6,963,237	(390,605)		6,572,632
Business-type activities capital assets, net	\$ 8,065,029	\$ 3,160,044	\$	\$ 11,225,073

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 25,290
Public safety	53,468
Public works	114,447
Culture and recreation	39,736
Economic development	67,556
	67,556

Total depreciation expense - governmental activities \$ 300,497

**Business-Type Activities:**

Utilities Commission	\$ 390,605
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**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, 2021, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 409,046	\$
Dam Project		2,770
2022 Street & Utility Project		242,328
Special Revenue:		
Fire Fund		80,004
Debt Service:		
2017A Zenith/Auburn		15,236
Utilities Commission	15,236	83,944
	<u>\$ 424,282</u>	<u>\$ 424,282</u>

Transfers during the year ended December 31, 2021 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 27,500
Special Revenue:		
Ambulance		15,000
Fire		58,911
Economic Development	10,000	
Debt Service:		
2017A Zenith/Auburn Fund	94,274	
2017B Park/Road Fund	15,000	
Sales Tax		36,000
Capital Projects:		
Vehicle Replacement Fund	101,411	
Enterprise:		
Utilities Commission	23,254	106,528
Total Transfers	<u>\$ 243,939</u>	<u>\$ 243,939</u>

**CITY OF LANESBORO, MINNESOTA**

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

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

**C. Interfund Balances and Transfers (Continued)**

Excess of expenditures over budgeted appropriations at the individual fund level during 2021 are as follows:

General Fund	\$ 26,739
Special Revenue Funds:	
Library	5,515
Fire	18,723

All excess expenditures were the result of planned processes.

As of December 31, 2021, the following funds had deficit fund balances:

Special Revenue Funds:	
Fire Fund	\$ 80,321
Dam Project	2,770
Capital Projects:	
2022 Streety & Utility Project	270,146

**D. Fund Equity**

The City has assigned portions of the fund equity in the governmental funds. A summary of the assigned portion of the fund equity at December 31, 2021 is as follows:

	Vehicle Replacement Fund	Other Governmental Funds	Total Governmental Funds	
			2021	2020
<b>Assigned for</b>				
Ambulance	\$	\$ 272,341	\$ 272,341	\$ 271,563
Street	64,778		64,778	69,880
Fire	50,000		50,000	37,500
Fire Equipment	205,315		205,315	158,904
Ambulance	50,000		50,000	35,000
Park	14,321		14,321	7,690
Library		31,045	31,045	36,741
Local Sales Tax		123,721	123,721	88,240
Economic Development		21,973	21,973	5,789
<b>Total Assigned</b>	<b>\$ 384,414</b>	<b>\$ 449,080</b>	<b>\$ 833,494</b>	<b>\$ 711,307</b>

**CITY OF LANESBORO, MINNESOTA**

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

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

**E. Long-Term Debt**

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
2010B GO Tax Abatement Bond (2-3.9%)	\$ 190,000	\$	\$ 30,000	\$ 160,000	\$ 30,000
2016A GO Refunding Bond (2.00%)	316,000		74,000	242,000	78,000
2017A GO Improvement (2.0% - 2.5%)	1,005,000		105,000	900,000	105,000
2017B GO Improvement Note (2.9%)	216,000		24,000	192,000	25,000
2018A GO Improvement Note (4.1%)	92,000		9,000	83,000	9,000
Mi-Energy Loan		50,000		50,000	5,980
Less: Unamortized Discount	(14,154)		(2,126)	(12,028)	
Total Bonds and Notes Payable	1,804,846	50,000	239,874	1,614,972	252,980
Other Liabilities:					
Compensated Absences	47,239		421	46,818	
Governmental Activities					
Long-term Liabilities	1,852,085	50,000	240,295	1,661,790	252,980
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds:					
General Obligation Revenue Bonds:					
2010A Utility Refunding Bond (1%-4%)	215,000		215,000		
2017A Utility Bond (2.0%-2.5%)	225,000		12,500	212,500	25,000
Notes					
2014 PFA Water Revenue Note (1.00%)	2,396,000		88,000	2,308,000	89,000
2015 PFA Water Revenue Note (1.00%)	145,000		5,000	140,000	5,000
2020 PFA Sewer Revenue Note (1.0%)	446,179	1,562,840	75,331	1,933,688	143,000
Less: Unamortized Discount	(2,253)		(1,287)	(966)	
Total Bonds and Notes	3,424,926	1,562,840	394,544	4,593,222	262,000
Other Liabilities:					
Compensated Absences	35,359		5,556	29,803	
Business-type Activities					
Long-term Liabilities	3,460,285	1,562,840	400,100	4,623,025	262,000
Total	\$ 5,312,370	\$ 1,612,840	\$ 640,395	\$ 6,284,815	\$ 514,980



**CITY OF LANESBORO, MINNESOTA**

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

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

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

The annual requirements to amortize all long-term debt outstanding as of December 31, 2021, over the life of the debt, are summarized below:

Years	General Obligation Bonds and Notes		General Obligation Revenue Bonds		Notes Payable		Total Principal	Total Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
<u>Governmental Activities</u>								
2022	\$ 247,000	\$ 37,689			\$ 5,980	\$ 470	\$ 252,980	\$ 38,159
2023	250,000	31,881			4,838	422	254,838	32,303
2024	261,000	25,888			4,887	374	265,887	26,262
2025	182,000	20,387			4,936	324	186,936	20,711
2026	189,000	15,593			4,985	275	193,985	15,867
2027-2031	448,000	21,446			24,373	614	472,373	22,060
Totals	<u>\$1,577,000</u>	<u>\$ 152,883</u>			<u>\$ 50,000</u>	<u>\$ 2,479</u>	<u>\$ 1,627,000</u>	<u>\$ 155,362</u>
<u>Business-Type Activities</u>								
2022			\$ 25,000	\$ 52,090	\$ 237,000	\$ 24,480	\$ 262,000	\$ 76,570
2023			25,000	50,135	95,000	23,540	120,000	73,675
2024			25,000	48,195	97,000	22,590	122,000	70,785
2025			25,000	46,245	98,000	21,620	123,000	67,865
2026			25,000	2,375	99,000	20,640	124,000	23,015
2027-2031			87,500	3,688	497,500	86,950	585,000	90,638
2032-2036					535,000	62,150	535,000	62,150
2037-2041					739,188	34,800	739,188	34,800
2042-2046				63,930	1,241,000	7,100	1,241,000	71,030
2047-2050				18,660	743,000		743,000	18,660
Totals			<u>\$ 212,500</u>	<u>\$ 202,728</u>	<u>\$ 4,381,688</u>	<u>\$ 70,610</u>	<u>\$ 4,594,188</u>	<u>\$ 273,338</u>

Tax Increment Financing

Tax increment financing was used to partially finance the construction of the Church Hill condominium development.

## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information

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

###### Plan Description

The City of Lanesboro, Minnesota, Minnesota participates in the following 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.

###### General Employees Retirement Plan

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

###### Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

# 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)

##### Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$40,117. The City's contributions were equal to the required contributions as set by state statute.

##### Pension Costs

At December 31, 2021, the City reported a liability of \$316,013 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,744. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0074 percent at the end of the measurement period and 0.0070 percent for the beginning of the period.

City's proportionate share of net pension liability	\$ 316,013
State of Minnesota's proportionate share of the net pension liability associated with the City	\$ 9,744

For the year ended December 31, 2021, the City recognized pension expense of \$19,782 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$786 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF LANESBORO, MINNESOTA**

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

**4. Other Information (Continued)**

A. Defined Benefit Pension Plans – Statewide (continued)

Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual economic experience	\$ 1,731	\$ 9,581
Difference between projected and actual investment earnings		274,287
Changes in actuarial assumptions	192,951	6,492
Changes in proportion	33,203	
Contributions paid to GERF subsequent to the measurement date	20,775	
Total	<u>\$ 248,660</u>	<u>\$ 290,360</u>

The \$20,775 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
<u>          </u>	<u>          </u>
2022	\$ 2,912
2023	6,295
2024	2,965
2025	(74,647)

## 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

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

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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

##### **General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

###### Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LANESBORO, MINNESOTA**

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

**4. Other Information (Continued)**

A. Defined Benefit Pension Plans – Statewide (continued)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	<u>100%</u>	

Pension Liability Sensitivity

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

<b>Sensitivity Analysis</b>		
<i>Net Pension Liability at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	5.50%	\$ 644,506
Current Discount Rate	6.50%	\$ 316,013
1% Higher	7.50%	\$ 46,465

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).

**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*

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*.

*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, 2020 (latest available information), the Association funding status is as follows:

Total plan assets	\$ 443,023
Total accrued liability	<u>363,639</u>
Surplus of plan assets over accrued liability	<u>\$ 79,384</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 2021 amount to \$23,637 (\$18,637 pass-through of State aids and \$5,000 in City funds). The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2021.

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 2019 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 2021.

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 2021. 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. 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, 2021, remaining notes outstanding totaled \$495,000.

##### E. Tax Abatement – Pay-As-You-Go Tax Increment

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through a pay-as-you-go tax increment financing program. Any parcel of property in the City could qualify for tax abatement under this program. The City negotiates tax increment financing agreements on an individual basis generally with the purpose of promoting economic development within the City.

The City has made no commitments, other than tax abatement, under the agreements. Under the program, the City agrees to abate real estate taxes based on the increased property value from improvements on the subject property. Generally, the agreements require 90% of the property tax increments collected to be returned to the property owner as reimbursement of certain improvement costs. The remaining 10% is retained by the City for administrative costs.

The City has one pay-as-you-go tax increment financing districts. For the year ended December 31, 2021, the City paid tax increments totaling \$28,561 related to these agreements.



**CITY OF LANESBORO, MINNESOTA**

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

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**5. Prior Year Restatement**

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The Public Utilities Commission restated the Sewer Fund's January 2021 net position due to a correction of error. The Commission had previously erroneously underreported long-term debt by \$446,179 and over reported capital contributions by \$446,179. This resulted in a prior period adjustment to correct the error to properly reflect beginning net position.

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**CITY OF LANESBORO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**CITY OF LANESBORO, MINNESOTA**  
Schedules of Contributions

**PERA General Employees Retirement Fund**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 25,039	\$ 25,039	\$	\$ 332,687	7.25%
2015	25,688	25,688		342,507	7.50%
2016	26,892	26,892		358,560	7.50%
2017	31,525	31,525		420,333	7.50%
2018	31,528	31,528		420,373	7.50%
2019	35,274	35,274		470,320	7.50%
2020	37,511	37,511		500,147	7.50%
2021	40,117	40,117		534,893	7.50%
2022					
2023					

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

**PERA General Employees Retirement Fund**

Fiscal Year Ended June 30	Proportionate of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Position Liability Associated with the City (a+b)	Covered Payroll (c)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b) / c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0066%	\$ 310,035	\$	\$ 310,035	\$ 326,055	95.1%	78.70%
2015	0.0059%	305,769		305,769	337,597	90.6%	78.20%
2016	0.0058%	470,931	6,176	477,107	350,533	134.3%	68.90%
2017	0.0065%	414,956	5,237	420,193	389,447	106.6%	75.90%
2018	0.0063%	349,499	11,452	360,951	420,353	83.1%	79.53%
2019	0.0066%	364,899	11,500	376,399	445,347	81.9%	80.23%
2020	0.0070%	419,682	12,913	432,595	485,233	86.5%	79.06%
2021	0.0074%	316,013	9,744	325,757	517,520	61.1%	87.00%
2022							
2023							

**CITY OF LANESBORO, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2021**

**CITY OF LANESBORO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2021**

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	620 Revolving Loan
<b>ASSETS</b>							
Cash and investments	\$ 33,344	\$ 214,150	\$ 27,463	\$ 34,852	\$ 21,894	\$ 123,721	\$ 73,355
Accounts receivable		57,979					
Due from other governmental units	525	212		1,518	79		
Taxes receivable delinquent				6,132			
Loans receivable							86,130
Special assessments receivable							
<b>TOTAL ASSETS</b>	<b>\$ 33,869</b>	<b>\$ 272,341</b>	<b>\$ 27,463</b>	<b>\$ 42,502</b>	<b>\$ 21,973</b>	<b>\$ 123,721</b>	<b>\$ 159,485</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 842		\$ 319				
Accrued liabilities	1,982						
Due to other funds							
Total Liabilities	<u>2,824</u>		<u>319</u>				
<b>Deferred Inflows of Resources</b>							
Unavailable revenue							
Property taxes				6,132			
Loans receivable							86,130
Special assessments							
Total Deferred Inflows of Resources				<u>6,132</u>			<u>86,130</u>
<b>Fund Balance</b>							
Restricted:							
Contributors			27,144				
Regulators				36,370			73,355
Debt service							
Assigned	31,045	272,341			21,973	123,721	
Total Fund Balance	<u>31,045</u>	<u>272,341</u>	<u>27,144</u>	<u>36,370</u>	<u>21,973</u>	<u>123,721</u>	<u>73,355</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 33,869</b>	<b>\$ 272,341</b>	<b>\$ 27,463</b>	<b>\$ 42,502</b>	<b>\$ 21,973</b>	<b>\$ 123,721</b>	<b>\$ 159,485</b>

Debt Service					Capital Project	Total Nonmajor Governmental Funds 2021
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A Refunding Bond	304 2010 Tax Abatement Bonds	425 Vehicle Replacement	
\$ 250,761	\$ 33,444	\$ 45,128	\$ 68,112	\$ 54,323	\$ 384,414	\$ 1,364,961
64	45	49	573	296		57,979
11	7					3,361
71,195	57,494	5,551	30,729			6,150
						86,130
						164,969
<u>\$ 322,031</u>	<u>\$ 90,990</u>	<u>\$ 50,728</u>	<u>\$ 99,414</u>	<u>\$ 54,619</u>	<u>\$ 384,414</u>	<u>\$ 1,683,550</u>
						\$ 1,161
						1,982
15,236						15,236
<u>15,236</u>						<u>18,379</u>
11	7					6,150
						86,130
71,195	57,494	5,551	30,729			164,969
<u>71,206</u>	<u>57,501</u>	<u>5,551</u>	<u>30,729</u>			<u>257,249</u>
						27,144
						109,725
235,589	33,489	45,177	68,685	54,619		437,559
					384,414	833,494
<u>235,589</u>	<u>33,489</u>	<u>45,177</u>	<u>68,685</u>	<u>54,619</u>	<u>384,414</u>	<u>1,407,922</u>
<u>\$ 322,031</u>	<u>\$ 90,990</u>	<u>\$ 50,728</u>	<u>\$ 99,414</u>	<u>\$ 54,619</u>	<u>\$ 384,414</u>	<u>\$ 1,683,550</u>

**CITY OF LANESBORO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	
<b>REVENUES</b>							
Property tax collected	\$ 64,694	\$ 26,216	\$	\$	\$ 9,642	\$	\$
Sales taxes						71,481	
Tax Increment				40,176			
Special assessments							
Intergovernmental	30,422	29,739					
Charges for services	578	68,720	48,708				
Interest income	368						34
Donations/miscellaneous	300	3,201					74,582
<b>TOTAL REVENUES</b>	<u>96,362</u>	<u>127,876</u>	<u>48,708</u>	<u>40,176</u>	<u>9,642</u>	<u>71,481</u>	<u>74,616</u>
<b>EXPENDITURES</b>							
Public safety		112,098					
Culture and recreation	102,058		48,373				
Economic development				34,792	12,284		77,500
Capital outlay							
Debt service:							
Principal retirement							
Interest and fiscal charges							
<b>TOTAL EXPENDITURES</b>	<u>102,058</u>	<u>112,098</u>	<u>48,373</u>	<u>34,792</u>	<u>12,284</u>		<u>77,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,696)</u>	<u>15,778</u>	<u>335</u>	<u>5,384</u>	<u>(2,642)</u>	<u>71,481</u>	<u>(2,884)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Note proceeds							50,000
Transfer in					10,000		
Transfer out		(15,000)				(36,000)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>(15,000)</u>			<u>10,000</u>	<u>(36,000)</u>	<u>50,000</u>
Net change in fund balances	(5,696)	778	335	5,384	7,358	35,481	47,116
<b>FUND BALANCES, beginning</b>	<u>36,741</u>	<u>271,563</u>	<u>26,809</u>	<u>30,986</u>	<u>14,615</u>	<u>88,240</u>	<u>26,239</u>
<b>FUND BALANCES, ending</b>	<u>\$ 31,045</u>	<u>\$ 272,341</u>	<u>\$ 27,144</u>	<u>\$ 36,370</u>	<u>\$ 21,973</u>	<u>\$ 123,721</u>	<u>\$ 73,355</u>



Debt Service					Capital Project	Total Nonmajor Governmental Funds 2021
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A GO Bond Fund	304 2010 Tax Abatement Bonds	425 Vehicle Replacement	
\$	\$ 5,460	\$ 6,050	\$ 70,663	\$ 36,539	\$	\$ 219,264
						71,481
4,601						44,777
13,351	8,214	1,097	4,809			27,471
						60,161
						118,006
						402
					4,131	82,214
<u>17,952</u>	<u>13,674</u>	<u>7,147</u>	<u>75,472</u>	<u>36,539</u>	<u>4,131</u>	<u>623,776</u>
						112,098
						150,431
						124,576
					30,102	30,102
105,000	24,000	9,000	74,000	30,000		242,000
33,569	5,916	3,588	5,580	6,950		55,603
<u>138,569</u>	<u>29,916</u>	<u>12,588</u>	<u>79,580</u>	<u>36,950</u>	<u>30,102</u>	<u>714,810</u>
<u>(120,617)</u>	<u>(16,242)</u>	<u>(5,441)</u>	<u>(4,108)</u>	<u>(411)</u>	<u>(25,971)</u>	<u>(91,034)</u>
						50,000
94,274	15,000				101,411	220,685
						(51,000)
<u>94,274</u>	<u>15,000</u>				<u>101,411</u>	<u>219,685</u>
(26,343)	(1,242)	(5,441)	(4,108)	(411)	75,440	128,651
<u>261,932</u>	<u>34,731</u>	<u>50,618</u>	<u>72,793</u>	<u>55,030</u>	<u>308,974</u>	<u>1,279,271</u>
\$ 235,589	\$ 33,489	\$ 45,177	\$ 68,685	\$ 54,619	\$ 384,414	\$ 1,407,922

**CITY OF LANESBORO, MINNESOTA  
LIBRARY FUND  
Balance Sheet  
December 31, 2021  
With Comparative Totals as of December 31, 2020**

	Totals	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 33,344	\$ 36,958
Due from other governments	525	1,611
Taxes receivable delinquent		696
Total Current Assets	33,869	39,265
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	842	
Accrued liabilities	1,982	1,828
Total Current Liabilities	2,824	1,828
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue:		
Property taxes		696
<b>FUND BALANCE</b>		
Assigned:		
Book/Memorial	35,055	37,753
Library operations	(4,010)	(1,012)
Total Fund Balance	\$ 31,045	\$ 36,741

**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, 2021**  
**With Comparative Totals for the Year Ended December 31, 2020**

	Budgeted Amounts		Library	Book/ Memorial	2021 Actual Amounts	Variance with	2020 Actual Amounts
	Original	Final				Final Budget -	
						Positive (Negative)	
<b>Revenues</b>							
Property taxes	\$ 64,471	\$ 64,471	\$ 64,694	\$	\$ 64,694	\$ 223	\$ 64,706
Intergovernmental	30,422	30,422	30,422		30,422		29,766
Charges for services	1,300	1,300	578		578	(722)	348
Other	350	350	300		300	(50)	1,499
Total Revenues	96,543	96,543	95,994	368	96,362	(181)	97,748
<b>Expenses</b>							
Salaries	54,544	54,544	57,545		57,545	(3,001)	54,200
PERA and social security	9,254	9,254	8,113		8,113	1,141	8,627
Employee benefits	11,300	11,300	11,249		11,249	51	9,326
Supplies	1,800	1,800	1,260	3,066	4,326	(2,526)	1,329
Books	5,250	5,250	6,712		6,712	(1,462)	6,284
Magazines	700	700	355		355	345	277
Videos/audios	900	900	156		156	744	633
Summer reading program	750	750				750	38
Library automation	5,200	5,200	6,678		6,678	(1,478)	5,527
Insurance	700	700	776		776	(76)	803
Telephone	1,100	1,100	1,133		1,133	(33)	945
Lease payments	3,600	3,600	3,870		3,870	(270)	3,552
Miscellaneous	1,445	1,445	1,145		1,145	300	1,123
Total Expenses	96,543	96,543	98,992	3,066	102,058	(5,515)	92,664
<b>CHANGE IN FUND BALANCES</b>			(2,998)	(2,698)	(5,696)	(5,696)	5,084
<b>TOTAL FUND BALANCE - BEGINNING OF YEAR</b>	36,741	36,741	(1,012)	37,753	36,741		31,657
<b>TOTAL FUND BALANCE - END OF YEAR</b>	\$ 36,741	\$ 36,741	\$ (4,010)	\$ 35,055	\$ 31,045	\$ (5,696)	\$ 36,741

**CITY OF LANESBORO, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2021  
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 26,040	\$ 26,040	\$ 26,216	\$ 176	\$ 32,209
Charges for service	60,000	60,000	68,720	8,720	81,068
Intergovernmental	29,739	29,739	29,739		28,946
Donations/miscellaneous			3,201	3,201	1,131
<b>TOTAL REVENUES</b>	<b>115,779</b>	<b>115,779</b>	<b>127,876</b>	<b>12,097</b>	<b>143,354</b>
<b>EXPENDITURES</b>					
Salaries	55,272	55,272	56,179	(907)	52,541
PERA and social security	8,477	8,477	5,632	2,845	6,361
Employee benefits	4,000	4,000	4,158	(158)	4,569
Supplies/small equipment	6,000	6,000	8,383	(2,383)	12,978
Repairs and maintenance	3,500	3,500	8,081	(4,581)	3,193
Fuel and oil	1,800	1,800	1,607	193	810
Travel and training	5,000	5,000	10,222	(5,222)	4,455
Contracted services	3,980	3,980	14,152	(10,172)	3,894
Capital outlay	22,000	22,000		22,000	2,489
Miscellaneous expense	5,750	5,750	3,684	2,066	14,770
<b>TOTAL EXPENDITURES</b>	<b>115,779</b>	<b>115,779</b>	<b>112,098</b>	<b>3,681</b>	<b>106,060</b>
Excess (deficiency) of revenues over (under) expenditures			15,778	15,778	37,294
<b>OTHER FINANCING USES</b>					
Transfers out			(15,000)	15,000	(15,000)
Net change in fund balances			778	30,778	22,294
<b>FUND BALANCES, beginning</b>	<b>271,563</b>	<b>271,563</b>	<b>271,563</b>		<b>249,269</b>
<b>FUND BALANCES, ending</b>	<b>\$ 271,563</b>	<b>\$ 271,563</b>	<b>\$ 272,341</b>	<b>\$ 30,778</b>	<b>\$ 271,563</b>

**CITY OF LANESBORO, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**CITY OF LANESBORO, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules  
December 31, 2021**

Year	\$420,000 General Obligation Tax Abatement Bonds of 2010		
	Principal	Interest	Total
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>\$ 160,000</b>	<b>\$ 15,884</b>	<b>\$ 175,884</b>

Year	\$527,000 General Obligation Refunding Bonds of 2016A		
	Principal	Interest	Total
2022	\$ 78,000	\$ 4,060	\$ 82,060
2023	80,000	2,480	82,480
2024	84,000	840	84,840
<b>Totals</b>	<b>\$ 242,000</b>	<b>\$ 7,380</b>	<b>\$ 249,380</b>

Year	\$1,180,000 General Obligation Improvement Bonds of 2017A		
	Principal	Interest	Total
2022	\$ 105,000	\$ 19,775	\$ 124,775
2023	105,000	17,675	122,675
2024	110,000	15,575	125,575
2025	110,000	13,375	123,375
2026	115,000	11,175	126,175
2027	115,000	8,588	123,588
2028	120,000	6,000	126,000
2029	120,000	3,000	123,000
<b>Totals</b>	<b>\$ 900,000</b>	<b>\$ 95,163</b>	<b>\$ 995,163</b>

**CITY OF LANESBORO, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules (Continued)  
December 31, 2021**

Year	\$261,000 General Obligation Improvement Note of 2017B		
	Principal	Interest	Total
2022	\$ 25,000	\$ 5,205	\$ 30,205
2023	26,000	4,466	30,466
2024	27,000	3,698	30,698
2025	27,000	2,915	29,915
2026	28,000	2,116	30,116
2027	29,000	1,291	30,291
2028	30,000	435	30,435
<b>Totals</b>	<b>\$ 192,000</b>	<b>\$ 20,126</b>	<b>\$ 212,126</b>

Year	\$100,000 General Obligation Improvement Note of 2018A		
	Principal	Interest	Total
2022	\$ 9,000	\$ 3,219	\$ 12,219
2023	9,000	2,850	11,850
2024	10,000	2,460	12,460
2025	10,000	2,050	12,050
2026	11,000	1,620	12,620
2027	11,000	1,169	12,169
2028	11,000	718	11,718
2029	12,000	246	12,246
<b>Totals</b>	<b>\$ 83,000</b>	<b>\$ 14,330</b>	<b>\$ 97,330</b>

Year	\$50,000 Mi-Energy Loan Note of 2021		
	Principal	Interest	Total
2022	\$ 5,980	\$ 470	\$ 6,450
2023	4,838	422	5,260
2024	4,887	374	5,260
2025	4,936	324	5,260
2026	4,985	275	5,260
2027	5,036	225	5,260
2028	5,086	174	5,260
2029	5,140	123	5,264
2030	5,189	72	5,260
2031	3,922	20	3,942
<b>Totals</b>	<b>\$ 50,000</b>	<b>\$ 2,479</b>	<b>\$ 52,479</b>

**CITY OF LANESBORO, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2021**

Year	\$3,031,931 PFA Water Revenue Note of 2014		
	Principal	Interest	Total
2022	\$ 89,000	\$ 23,080	\$ 111,960
2023	90,000	22,190	112,080
2024	91,000	21,290	112,190
2025	92,000	20,380	112,290
2026	93,000	19,460	112,380
2027	94,000	18,530	112,460
2028	95,000	17,590	112,530
2029	96,000	16,640	112,590
2030	97,000	15,680	112,640
2031	98,000	14,710	112,680
2032	99,000	13,730	112,710
2033	100,000	12,740	112,730
2034	101,000	11,740	112,740
2035	102,000	10,730	112,740
2036	103,000	9,710	112,730
2037	105,000	8,680	112,710
2038	106,000	7,630	113,680
2039	107,000	6,570	113,630
2040	108,000	5,500	113,570
2041	109,000	4,420	113,500
2042	110,000	3,330	113,420
2043	111,000	2,230	113,330
2044	112,000	1,120	113,230
<b>Totals</b>	<b>\$ 2,308,000</b>	<b>\$ 287,680</b>	<b>\$ 2,594,520</b>



**CITY OF LANESBORO, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2021**

\$165,775 PFA Water Revenue  
Note of 2015

Year	Principal	Interest	Total
2022	\$ 5,000	\$ 1,400	\$ 6,450
2023	5,000	1,350	6,400
2024	6,000	1,300	6,350
2025	6,000	1,240	7,300
2026	6,000	1,180	7,240
2027	6,000	1,120	7,180
2028	6,000	1,060	7,120
2029	6,000	1,000	7,060
2030	6,000	940	7,000
2031	6,000	880	6,940
2032	6,000	820	6,880
2033	6,000	760	6,820
2034	6,000	700	6,760
2035	6,000	640	6,700
2036	6,000	580	6,640
2037	6,000	520	6,580
2038	6,000	460	6,520
2039	6,000	400	6,460
2040	6,000	340	6,400
2041	7,000	280	6,340
2042	7,000	210	7,280
2043	7,000	140	7,210
2044	7,000	70	7,140
<b>Totals</b>	<b>\$ 140,000</b>	<b>\$ 17,390</b>	<b>\$ 156,770</b>

\$285,000 GO Utility Revenue  
Bond of 2017A

Year	Principal	Interest	Total
2022	\$ 25,000	\$ 4,375	\$ 29,375
2023	25,000	3,875	28,875
2024	25,000	3,375	28,375
2025	25,000	2,875	27,875
2026	25,000	2,375	27,375
2027	25,000	1,813	26,813
2028	25,000	1,250	26,250
2029	37,500	625	25,625
<b>Totals</b>	<b>\$ 212,500</b>	<b>\$ 20,563</b>	<b>\$ 220,563</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, 2021 and 2020**

	2021	2020
<b>Revenues</b>	<u>\$ 111,080</u>	<u>\$ 111,080</u>
<b>Expenditures</b>		
Principal	89,000	88,000
Interest	23,080	23,960
Total Expenditures	<u>112,080</u>	<u>111,960</u>
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(880)
Fund Balance - Beginning of Year	<u>111,960</u>	<u>112,840</u>
Fund Balance - End of Year	<u>\$ 110,960</u>	<u>\$ 111,960</u>

**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, 2021 and 2020**

	2021	2020
<b>Revenues</b>	<u>\$ 7,300</u>	<u>\$ 6,350</u>
<b>Expenditures</b>		
Principal	5,000	5,000
Interest	1,400	1,400
Total Expenditures	<u>6,400</u>	<u>6,400</u>
Excess (deficiency) of revenues over (under) expenditures	900	(50)
Fund Balance - Beginning of Year	<u>6,450</u>	<u>6,500</u>
Fund Balance - End of Year	<u>\$ 7,350</u>	<u>\$ 6,450</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Lanesboro, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lanesboro, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lanesboro, Minnesota's basic financial statements, and have issued our report thereon dated April 22, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lanesboro, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lanesboro, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lanesboro, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, finding 2014-001 described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lanesboro, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the City Council  
City of Lanesboro, Minnesota

### **Minnesota Legal Compliance**

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **City of Lanesboro, Minnesota's Response to Findings**

City of Lanesboro, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Lanesboro, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
April 22, 2022

**CITY OF LANESBORO, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2021**

**FINDINGS – 2014-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP) AND SEGREGATION OF DUTIES**

**Condition:** A City of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for the City to devote the resources required to overcome this limitation. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the City's internal controls.

**Criteria:** The City should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements. An important element of internal controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business.

**Context:** Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties. The City has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.

**Effect:** No effect on the financial statements.

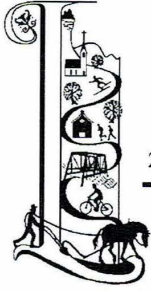
**Cause:** There is a limited number of administrative staff. The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

**Recommendation:** We recommend the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial and to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

**CURRENT STATUS:**

The finding recurred in 2021.

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# CITY OF LANESBORO

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## **CORRECTIVE ACTION PLAN (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2021.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2014-001

### **Explanation of Disagreement with the Audit Finding:**

There is no disagreement with the audit finding.

### **Actions Planned in Response to Findings:**

The management and accounting personnel review the drafted financial statements and notes. The City does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the City will rely upon the auditors for completeness of the disclosures. However, the management and accounting personnel will review the notes for accuracy prior to issuance of the statements. The City will continue to evaluate the assignment of duties and implement segregation whenever it is practical.

### **Official Responsible for Ensuring CAP:**

City Administrator Michele Peterson is the official responsible for ensuring correction action of the deficiency.

### **Planned Completion Date of CAP:**

Not applicable as the City is willing to accept this risk at this time and will continue to evaluate the recommendation.

### **Plan to Monitor Completion of CAP:**

Mayor and City Council will monitor this process.