

CITY OF LANESBORO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2022

CITY OF LANESBORO, MINNESOTA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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CITY OF LANESBORO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2022

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CITY OF LANESBORO, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2022

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, 2022

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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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and major special revenue 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 and *Government Auditing Standards* 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, 2021, from which such partial information was derived.

We have previously audited the City's 2021 financial statements and our report, dated April 22, 2022, 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, 2021, 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section and supplementary information but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2023, 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, Schaff and Associates, Ltd.

Rochester, Minnesota
April 26, 2023

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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, 2022.

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 \$19,089,053 (*net position*). Of this amount, \$2,332,365 (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 \$3,528,855.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,843,654. Approximately \$1,179,366 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 \$363,503 or 40% of total general fund expenditures.
- The City of Lanesboro, Minnesota increased total outstanding debt obligations by \$2,667,554 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 twenty-one 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, fire fund, dam project fund, 2022 street and utility project emergency service building fund, and street and utility improvement fund all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lanesboro, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 24-26) and the special revenue funds (page 27 and 62) 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 \$19,089,053 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (83%) 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.

	City of Lanesboro, Minnesota's Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 2,266,413	\$ 1,872,260	\$ 2,602,324	\$ 1,711,336	\$ 4,868,737	\$ 3,583,596
Capital assets	10,627,310	8,039,210	14,354,128	11,225,073	24,981,438	19,264,283
Total assets	12,893,723	9,911,470	16,956,452	12,936,409	29,850,175	22,847,879
Deferred outflow s of resources	113,625	142,598	71,301	106,062	184,926	248,660
Long-term liabilities outstanding	3,186,382	1,794,729	6,499,375	4,729,478	9,685,757	6,524,207
Other liabilities	281,018	116,256	210,595	605,518	491,613	721,774
Total liabilities	3,467,400	1,910,985	6,709,970	5,334,996	10,177,370	7,245,981
Deferred inflow s of resources	5,218	165,148	763,460	125,212	768,678	290,360
Net position:						
Net investment in capital assets	7,801,396	6,424,238	8,080,369	6,631,851	15,881,765	13,056,089
Restricted for debt	537,983	585,121	336,940	118,480	874,923	703,601
Unrestricted	1,195,351	968,576	1,137,014	831,932	2,332,365	1,800,508
Total net position	\$ 9,534,730	\$ 7,977,935	\$ 9,554,323	\$ 7,582,263	\$ 19,089,053	\$ 15,560,198

The balance of *unrestricted net position* \$2,332,365 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 \$1,556,795.

Business-type activities. Business-type activities increased the City of Lanesboro, Minnesota's net position by \$1,972,060.

A condensed version of the Statement of Activities follows:

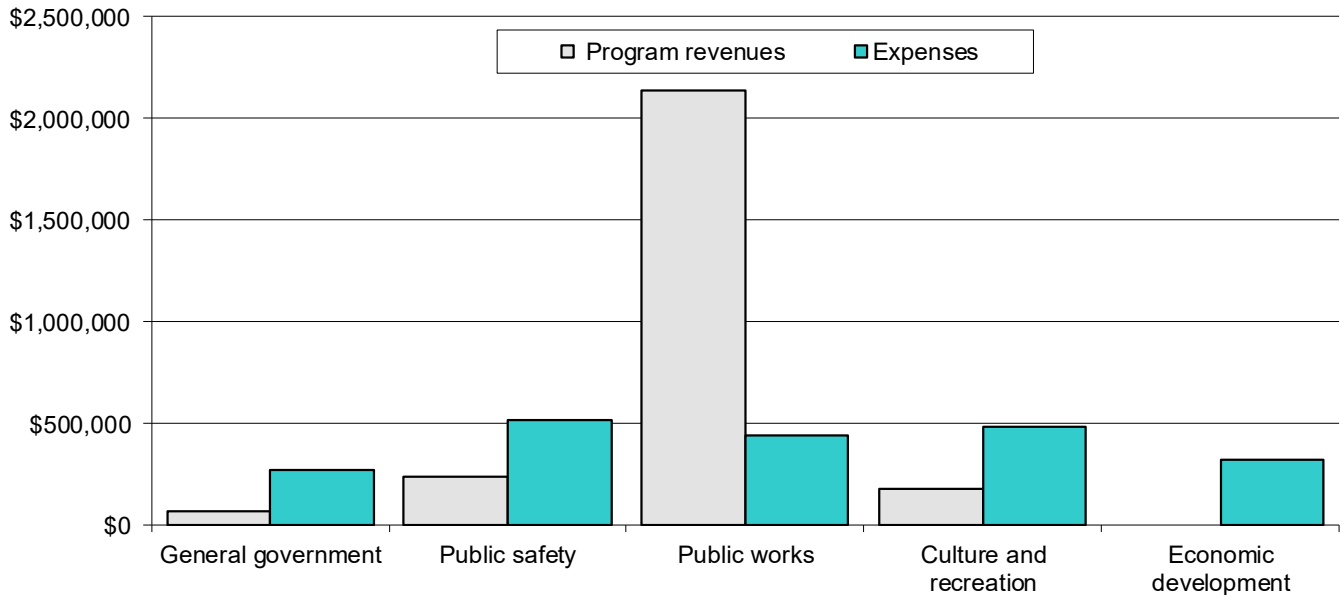
City of Lanesboro, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenue:						
Program revenues:						
Charges for services	\$ 188,552	\$ 256,307	\$ 1,869,349	\$ 1,749,845	\$ 2,057,901	\$ 2,006,152
Operating grants and contributions	251,940	231,674			251,940	231,674
Capital grants and contributions	2,174,692	641,116	2,057,459	1,673,062	4,232,151	2,314,178
General revenues:						
Property taxes	724,880	681,654			724,880	681,654
Sales tax	78,490	71,481			78,490	71,481
Tax increments	29,195	40,176			29,195	40,176
Grants and contributions not restricted to specific programs	224,706	224,706			224,706	224,706
Other	87,445	92,941	88,376	182,131	175,821	275,072
Total revenues	3,759,900	2,240,055	4,015,184	3,605,038	7,775,084	5,845,093
Expenses:						
General government	271,337	11,155			271,337	11,155
Public safety	518,685	319,217			518,685	319,217
Public works	444,969	590,859			444,969	590,859
Parks and recreation	485,304	405,501			485,304	405,501
Economic development	322,914	203,485			322,914	203,485
Interest on long-term debt	260,216	56,587			260,216	56,587
Utilities commission			1,942,804	1,468,113	1,942,804	1,468,113
Total expenses	2,303,425	1,586,804	1,942,804	1,468,113	4,246,229	3,054,917
Increase in net position before transfers	1,456,475	653,251	2,072,380	2,136,925	3,528,855	2,790,176
Transfers	100,320	83,274	(100,320)	(83,274)		
Increase in net position	1,556,795	736,525	1,972,060	2,053,651	3,528,855	2,790,176
Net position, beginning	7,977,935	7,241,410	7,582,263	5,528,612	15,560,198	12,770,022
Net position, end of year	\$ 9,534,730	\$ 7,977,935	\$ 9,554,323	\$ 7,582,263	\$ 19,089,053	\$ 15,560,198

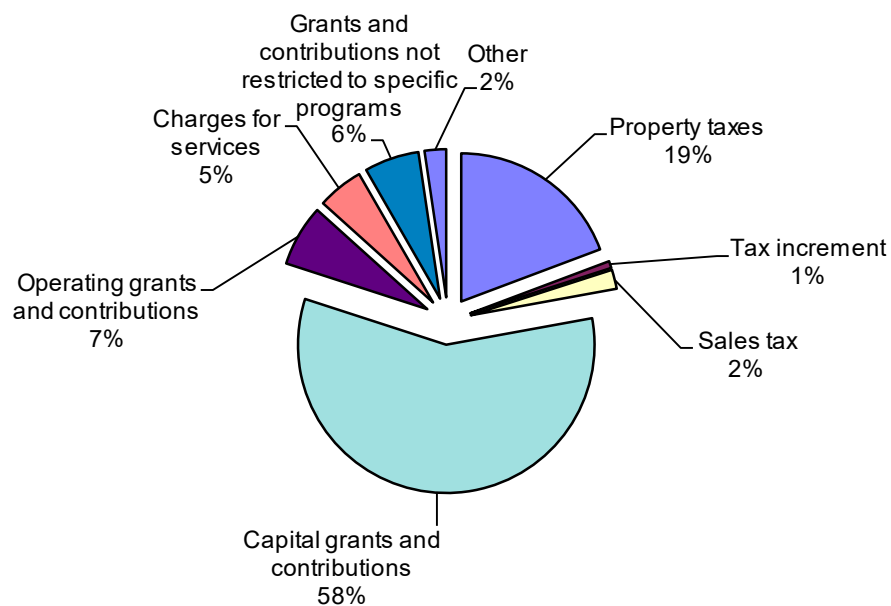
CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



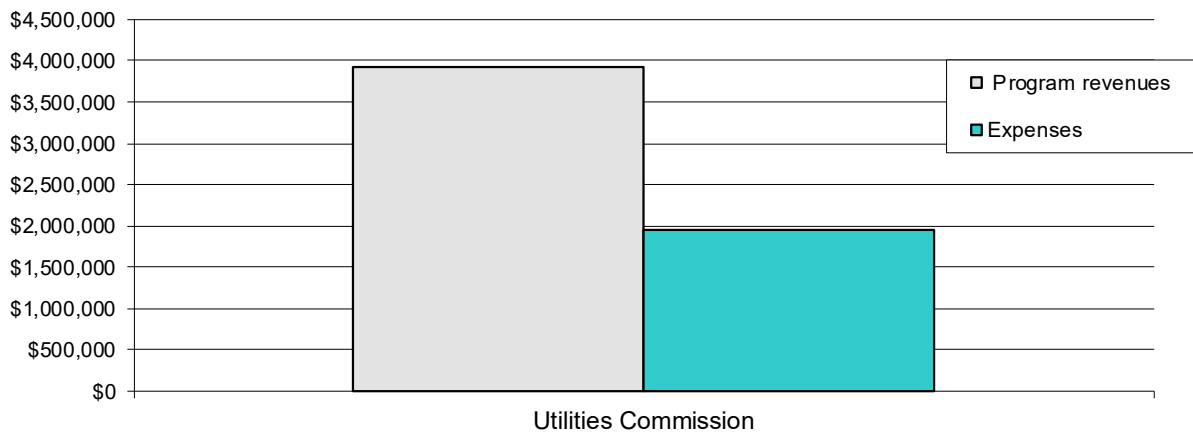
Revenues by Source - Governmental Activities



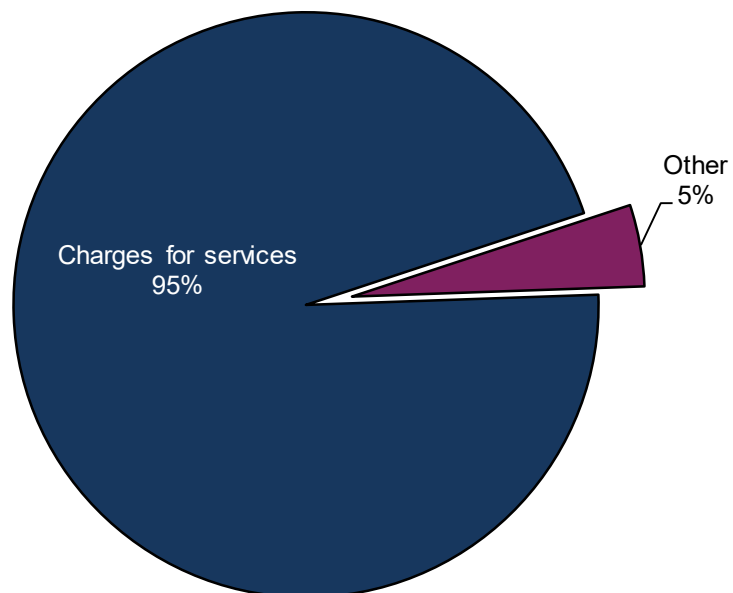
**CITY OF LANESBORO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$1,843,654, an increase of \$361,260. Approximately \$1,179,366 of this total amount, or 64%, 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 \$363,503. 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 40% of total general fund expenditures.

The general fund's total fund balance decreased by \$54,148 during the current fiscal year.

The fire fund increased its fund balance by \$57,620 for the year and ended the year with a deficit fund balance of (\$22,701).

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 \$1,137,014.

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

General Fund Budgetary Highlights

The City approved the 2022 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, 2022, amounts to \$24,981,438 (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 \$2,825,676, or 30%.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 264,500	\$ 264,500	\$ 92,517	\$ 92,517	\$ 357,017	\$ 357,017
Dam			364,049	386,843	364,049	386,843
Buildings and improvements	1,186,388	488,781	3,991,070	4,166,956	5,177,458	4,655,737
Infrastructure	6,267,565	6,477,797			6,267,565	6,477,797
Machinery and equipment	507,167	542,399	96,892	80,343	604,059	622,742
Production and distribution			1,653,800	1,938,490	1,653,800	1,938,490
Work in progress	2,401,690	265,733	8,155,800	4,559,924	10,557,490	4,825,657
Total	<u>\$ 10,627,310</u>	<u>\$ 8,039,210</u>	<u>\$ 14,354,128</u>	<u>\$ 11,225,073</u>	<u>\$24,981,438</u>	<u>\$19,264,283</u>

Additional information on the City of Lanesboro, Minnesota's capital assets can be found in Note 3B on pages 43-44 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 \$8,885,649 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

The City of Lanesboro, Minnesota's total bonds and notes payable increased by \$2,664,461 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3E, beginning on page 47.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds and notes	\$ 2,835,815	\$ 1,627,000	\$	\$	\$ 2,835,815	\$ 1,627,000
General obligation revenue bonds			200,000	212,500	200,000	212,500
Notes			5,849,834	4,381,688	5,849,834	4,381,688
Total	<u>\$ 2,835,815</u>	<u>\$ 1,627,000</u>	<u>\$ 6,049,834</u>	<u>\$ 4,594,188</u>	<u>\$ 8,885,649</u>	<u>\$ 6,221,188</u>

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 2022 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, 2022

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CITY OF LANESBORO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2022
With Comparative Totals for December 31, 2021

	Governmental Activities	Business-Type Activities	Totals	
			2022	2021
ASSETS				
Cash and investments	\$ 1,917,338	\$ 1,756,683	\$ 3,674,021	\$ 3,017,120
Receivables (net of allowance for uncollectibles)	278,662	99,202	377,864	431,519
Lease receivable		760,198	760,198	794,703
Internal balances	64,566	(64,566)		
Inventory		50,221	50,221	47,642
Prepaid expenses	5,847	586	6,433	7,931
Fire relief pension asset				79,384
Capital assets:				
Nondepreciable	2,666,190	8,248,317	10,914,507	5,182,674
Depreciable, net	7,961,120	6,105,811	14,066,931	14,081,609
Total Assets	<u>12,893,723</u>	<u>16,956,452</u>	<u>29,850,175</u>	<u>23,642,582</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	<u>113,625</u>	<u>71,301</u>	<u>184,926</u>	<u>248,660</u>
LIABILITIES				
Accounts payable	143,743	145,207	288,950	585,512
Accrued liabilities	8,051	35,099	43,150	40,434
Deposits payable				1,782
Accrued interest payable	52,892		52,892	17,425
Compensated absences	60,628	30,289	90,917	76,621
Noncurrent liabilities:				
Due within one year	261,374	262,562	523,936	514,980
Due in more than one year	2,564,540	6,011,199	8,575,739	5,693,214
Net pension liability	360,468	225,614	586,082	316,013
Net pension liability - fire relief	15,704		15,704	
Total Liabilities	<u>3,467,400</u>	<u>6,709,970</u>	<u>10,177,370</u>	<u>7,245,981</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	5,218	3,262	8,480	290,360
Deferred inflows from leasing activity		760,198	760,198	794,703
Total Deferred Inflows of Resources	<u>5,218</u>	<u>763,460</u>	<u>768,678</u>	<u>1,085,063</u>
NET POSITION				
Net investment in capital assets	7,801,396	8,080,369	15,881,765	13,056,089
Restricted for debt	537,983	336,940	874,923	703,601
Unrestricted	<u>1,195,351</u>	<u>1,137,014</u>	<u>2,332,365</u>	<u>1,800,508</u>
Total Net Position	<u>\$ 9,534,730</u>	<u>\$ 9,554,323</u>	<u>\$ 19,089,053</u>	<u>\$ 15,560,198</u>

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 271,337	\$ 35,742	\$ 29,046	\$
Public safety	518,685	10,267	188,097	39,615
Public works	444,969	1,756		2,135,077
Culture and recreation	485,304	140,787	34,797	
Economic development	322,914			
Interest on long-term debt	260,216			
Total governmental activities	2,303,425	188,552	251,940	2,174,692
Business-Type activities:				
Utilities commission	1,942,804	1,869,349		2,057,459
Total	\$ 4,246,229	\$ 2,057,901	\$ 251,940	\$ 4,232,151

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	
		2022	2021
\$ (206,549)	\$	\$ (206,549)	\$ 50,428
(280,706)		(280,706)	(55,567)
1,691,864		1,691,864	16,410
(309,720)		(309,720)	(220,292)
(322,914)		(322,914)	(203,485)
(260,216)		(260,216)	(56,587)
311,759		311,759	(469,093)
	1,984,004	1,984,004	1,954,794
311,759	1,984,004	2,295,763	1,485,701
724,880		724,880	693,040
29,195		29,195	40,176
78,490		78,490	71,481
224,706		224,706	224,706
3,179	4,644	7,823	3,478
84,266	83,732	167,998	271,594
100,320	(100,320)		
1,245,036	(11,944)	1,233,092	1,304,475
1,556,795	1,972,060	3,528,855	2,790,176
7,977,935	7,582,263	15,560,198	12,770,022
\$ 9,534,730	\$ 9,554,323	\$ 19,089,053	\$ 15,560,198

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CITY OF LANESBORO, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2022

CITY OF LANESBORO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022
With Comparative Totals for December 31, 2021

	100 General	220 Fire Fund	411 Street & Utility Improvement Fund	412 Emergency Service Building Fund	417 Dam Project
ASSETS					
Cash and investments	\$ 271,450	\$	\$ 245,878	\$	\$ 1,908
Accounts receivable	5,244				
Due from other governmental units	1,486	398			
Taxes receivable delinquent	390	469			
Loans receivable					
Special assessments receivable	180				
Due from other funds	105,954				
Prepaid items	5,847				
TOTAL ASSETS	<u>\$ 390,551</u>	<u>\$ 867</u>	<u>\$ 245,878</u>	<u>\$</u>	<u>\$ 1,908</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 10,715	\$ 1,245	\$ 131,694	\$	\$
Accrued liabilities	5,705				
Due to other funds		21,854			
Total Liabilities	<u>16,420</u>	<u>23,099</u>	<u>131,694</u>		
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	390	469			
Loans receivable					
Special assessments	180				
Total Deferred Inflows of Resources	<u>570</u>	<u>469</u>			
Fund Balance:					
Nonspendable	5,847				
Restricted:					
Contributors	4,211				
Grantors					1,908
Regulators			114,184		
Debt service					
Assigned					
Unassigned	363,503	(22,701)			
Total Fund Balance	<u>373,561</u>	<u>(22,701)</u>	<u>114,184</u>		<u>1,908</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 390,551</u>	<u>\$ 867</u>	<u>\$ 245,878</u>	<u>\$</u>	<u>\$ 1,908</u>

See Notes to the Financial Statements

311 2022 Street & Utility Project	Other Governmental Funds	Total Governmental Funds	
		2022	2021
\$ 12,500	\$ 1,385,602	\$ 1,917,338	\$ 1,388,024
		5,244	63,306
	569	2,453	7,049
	6,292	7,151	6,211
	111,723	111,723	86,130
6,541	145,370	152,091	166,117
		105,954	409,046
		5,847	7,320
<u>\$ 19,041</u>	<u>\$ 1,649,556</u>	<u>\$ 2,307,801</u>	<u>\$ 2,133,203</u>

\$	\$ 89	\$ 143,743	\$ 40,632
	2,346	8,051	11,381
	19,534	41,388	340,338
	<u>21,969</u>	<u>193,182</u>	<u>392,351</u>

	6,292	7,151	6,211
	111,723	111,723	86,130
6,541	145,370	152,091	166,117
<u>6,541</u>	<u>263,385</u>	<u>270,965</u>	<u>258,458</u>

		5,847	7,320
	17,829	22,040	31,355
		1,908	
	81,345	195,529	109,725
12,500	426,464	438,964	437,559
	838,564	838,564	833,494
		340,802	62,941
<u>12,500</u>	<u>1,364,202</u>	<u>1,843,654</u>	<u>1,482,394</u>
<u>\$ 19,041</u>	<u>\$ 1,649,556</u>	<u>\$ 2,307,801</u>	<u>\$ 2,133,203</u>

CITY OF LANESBORO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	100 General	220 Fire Fund	411 Street & Utility Improvement Fund	412 Emergency Service Building Fund	417 Dam Project
REVENUES					
Property taxes	\$ 433,285	\$ 122,651	\$	\$	\$
Sales taxes					
Special assessments	1,756				
Tax increments					
Licenses and permits	20,450				
Fines and forfeits	1,282				
Intergovernmental revenues	265,204	66,397	2,090,981		7,178
Charges for services	100,563	4,710			
Interest income	1,261	1,835			
Donations/miscellaneous	54,969	121,700			
TOTAL REVENUES	<u>878,770</u>	<u>317,293</u>	<u>2,090,981</u>		<u>7,178</u>
EXPENDITURES					
General government	159,577				
Public safety	113,124	125,120			
Public works	288,871				
Culture and recreation	207,590				
Economic development					
Unallocated					
Capital outlay	133,756	64,847	2,257,651	794,037	2,500
Debt service:					
Principal					
Interest and fiscal charges					
TOTAL EXPENDITURES	<u>902,918</u>	<u>189,967</u>	<u>2,257,651</u>	<u>794,037</u>	<u>2,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,148)</u>	<u>127,326</u>	<u>(166,670)</u>	<u>(794,037)</u>	<u>4,678</u>
OTHER FINANCING SOURCES (USES)					
Note proceeds					
Bond proceeds			280,854	818,000	
Transfers in		39,500			
Transfers out	(30,000)	(109,206)		(23,963)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,000)</u>	<u>(69,706)</u>	<u>280,854</u>	<u>794,037</u>	
Net change in fund balances	(54,148)	57,620	114,184		4,678
FUND BALANCES, beginning	<u>427,709</u>	<u>(80,321)</u>			<u>(2,770)</u>
FUND BALANCES, ending	<u>\$ 373,561</u>	<u>\$ (22,701)</u>	<u>\$ 114,184</u>	<u>\$</u>	<u>\$ 1,908</u>

See Notes to the Financial Statements

311 2022 Street & Utility Project	Other Governmental Funds	Total Governmental Funds	
		2022	2021
\$	\$ 167,121	\$ 723,057	\$ 674,267
	78,490	78,490	71,481
12,500	24,429	38,685	33,239
	29,195	29,195	44,777
		20,450	5,970
		1,282	405
	44,853	2,474,613	963,097
	44,264	149,537	230,437
	83	3,179	1,576
	61,078	237,747	185,381
12,500	449,513	3,756,235	2,210,630
		159,577	192,683
	58,518	296,762	301,752
		288,871	174,252
	160,909	368,499	377,710
	185,365	185,365	124,576
			17,475
19,000	61,482	3,333,273	966,231
	254,185	254,185	242,000
	71,763	71,763	55,603
19,000	792,222	4,958,295	2,452,282
(6,500)	(342,709)	(1,202,060)	(241,652)
	75,000	75,000	50,000
289,146		1,388,000	
	422,337	461,837	220,685
	(198,348)	(361,517)	(137,411)
289,146	298,989	1,563,320	133,274
282,646	(43,720)	361,260	(108,378)
(270,146)	1,407,922	1,482,394	1,590,772
\$ 12,500	\$ 1,364,202	\$ 1,843,654	\$ 1,482,394

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, 2022

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

Total governmental fund balances (pages 18 and 19)	\$ 1,843,654
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 15,280,400	
Less: Accumulated depreciation	<u>(4,653,090)</u>	
		10,627,310

Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.

Delinquent property taxes	\$ 7,151	
Loans receivable	111,723	
Deferred and delinquent special assessments	<u>152,091</u>	
		270,965

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	\$ (2,825,914)	
Net pension liability	(252,061)	
Fire pension liability	(15,704)	
Compensated absences	(60,628)	
Accrued interest	<u>(52,892)</u>	
		<u>(3,207,199)</u>

Net position of governmental activities (page 15)	<u><u>\$ 9,534,730</u></u>
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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, 2022

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)	\$	361,260
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.		
Capital outlay	\$	2,979,794
Depreciation expense		(345,388)
		<u>2,634,406</u>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position		(46,306)
Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		12,496
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).		
Change in net pension liability	\$	(49,754)
Change in fire pension asset/liability		(95,088)
Change in compensated absences		(13,810)
		<u>(158,652)</u>
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.		
Principal retirement on long-term debt	\$	254,185
Proceeds from issuance of long term debt		(1,463,000)
Amortization of bond discount		(2,127)
Change in accrued interest		(35,467)
		<u>(1,246,409)</u>
Change in net position of governmental activities (pages 16 and 17)	\$	<u><u>1,556,795</u></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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Property Tax Levy					
Property tax collected	\$ 433,537	\$ 433,537	\$ 433,285	\$ (252)	\$ 415,685
Special Assessments	4,500	4,500	1,756	(2,744)	5,768
Licenses and Permits	12,500	12,500	20,450	7,950	5,970
Intergovernmental Revenues					
Local government aid	224,706	224,706	224,706		224,706
Federal aid			39,615	39,615	39,615
Market value credit			883	883	873
Other	1,365	1,365		(1,365)	27,165
Total Intergovernmental Revenues	226,071	226,071	265,204	39,133	292,359
Fines and Forfeits					
Court fines and other	1,500	1,500	1,282	(218)	405
Interest Income	1,000	1,000	1,261	261	1,174
Charges for Services					
Park and recreation	96,000	96,000	100,563	4,563	105,201
Miscellaneous Revenues					
Cable franchise fees	13,000	13,000	10,672	(2,328)	9,212
Contributions and donations			17,919	17,919	4,526
Rhubarb Fest/Farmers Market			2,205	2,205	2,330
Sons of Norway					13,264
Other	6,000	6,000	24,173	18,173	23,329
Total Miscellaneous Revenues	19,000	19,000	54,969	35,969	52,661
TOTAL REVENUES	\$ 794,108	\$ 794,108	\$ 878,770	\$ 84,662	\$ 879,223

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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
EXPENDITURES					
General Government					
Clerk/deputy clerk salaries	\$ 127,852	\$ 127,852	\$ 69,261	\$ 58,591	\$ 54,385
PERA and social security	21,546	21,546	2,722	18,824	6,190
Office supplies/small equipment	3,000	3,000	3,276	(276)	3,849
Employee benefits	2,560	2,560	22,164	(19,604)	1,959
Elections	2,000	2,000	1,332	668	
Postage	500	500	782	(282)	1,776
Telephone	2,448	2,448	2,289	159	2,347
Insurance	8,850	8,850	10,387	(1,537)	11,407
Publishing and printing	1,500	1,500	1,260	240	220
Assessor	2,805	2,805	2,726	79	2,610
Professional fees	40,125	40,125	29,618	10,507	81,002
Other general expenses	13,395	13,395	8,160	5,235	21,338
Mayor and council	5,600	5,600	5,600		5,600
Total General Government	232,181	232,181	159,577	72,604	192,683
Public Safety					
Contracted services	113,124	113,124	113,124		102,154
Public Works					
Street Department					
Salaries	95,181	95,181	91,423	3,758	77,619
PERA and social security	16,657	16,657	14,168	2,489	12,350
Employee benefits	11,098	11,098	12,084	(986)	13,093
Gas and oil	6,000	6,000	8,148	(2,148)	5,772
Supplies/small equipment	7,400	7,400	5,047	2,353	6,320
Repairs and maintenance	23,650	23,650	31,208	(7,558)	24,762
Utilities	5,500	5,500	5,712	(212)	4,448
Contracted services	35,800	35,800	91,504	(55,704)	2,891
Seal coating	1,500	1,500	1,036	464	1,329
Other	15,122	15,122	17,956	(2,834)	15,726
Capital outlay	70,000	70,000	51,437	18,563	78,153
Total Street Department	287,908	287,908	329,723	(41,815)	242,463
Street Lights	\$ 11,000	\$ 11,000	\$ 10,585	\$ 415	\$ 9,942

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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
EXPENDITURES (continued)					
Culture and Recreation					
Salaries	\$ 69,588	\$ 69,588	\$ 65,020	\$ 4,568	\$ 83,967
PERA and social security	11,616	11,616	9,369	2,247	12,282
Office supplies/small equipment	10,710	10,710	8,217	2,493	9,269
Employee benefits	14,037	14,037	14,265	(228)	19,252
Telephone	500	500	477	23	487
Insurance	3,825	3,825	5,264	(1,439)	4,107
Professional fees	9,180	9,180	4,300	4,880	8,779
Other	30,056	30,056	39,028	(8,972)	27,678
Utilities	30,000	30,000	29,080	920	28,911
Repairs and maintenance	15,960	15,960	14,449	1,511	24,923
Capital outlay	20,255	20,255	82,319	(62,064)	9,217
Lanesboro Museum			5,000	(5,000)	5,000
Rhubarb Fest/Farmers Market			2,121	(2,121)	2,624
Total Culture and Recreation	<u>215,727</u>	<u>215,727</u>	<u>289,909</u>	<u>(74,182)</u>	<u>236,496</u>
Unallocated					
Sons of Norway					17,475
TOTAL EXPENDITURES	<u>859,940</u>	<u>859,940</u>	<u>902,918</u>	<u>(42,978)</u>	<u>801,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,832)</u>	<u>(65,832)</u>	<u>(24,148)</u>	<u>41,684</u>	<u>78,010</u>
OTHER FINANCING SOURCES (USES)					
Transfers out			(30,000)	(30,000)	(27,500)
Total Other Financing Sources (Uses)			<u>(30,000)</u>	<u>(30,000)</u>	<u>(27,500)</u>
Net change in fund balances	(65,832)	(65,832)	(54,148)	11,684	50,510
FUND BALANCES, beginning	<u>427,709</u>	<u>427,709</u>	<u>427,709</u>		<u>377,199</u>
FUND BALANCES, ending	<u>\$ 361,877</u>	<u>\$ 361,877</u>	<u>\$ 373,561</u>	<u>\$ 11,684</u>	<u>\$ 427,709</u>

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
FIRE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts				2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final	Operations	Equipment			
REVENUES							
Property taxes	\$ 125,241	\$ 125,241	\$ 122,651	\$	\$ 122,651	\$ (2,590)	\$ 39,318
Intergovernmental	46,298	46,298	66,397		66,397	20,099	64,310
Charges for services	1,800	1,800	4,710		4,710	2,910	7,230
Interest income			1,835		1,835	1,835	
Donations/miscellaneous				121,700	121,700	121,700	50,506
TOTAL REVENUES	173,339	173,339	195,593	121,700	317,293	143,954	161,364
EXPENDITURES							
Salaries	19,860	19,860	16,650		16,650	3,210	17,450
PERA and social security	1,490	1,490	1,274		1,274	216	1,335
Employee benefits	5,797	5,797	3,059		3,059	2,738	5,977
Fire relief contributions	3,500	3,500	23,232		23,232	(19,732)	24,865
Supplies/small equipment	3,090	3,090	5,889	23,669	29,558	(26,468)	8,787
Repairs and maintenance	12,875	12,875	11,026		11,026	1,849	7,206
Training	12,366	12,366	1,120		1,120	11,246	2,637
Telephone	1,000	1,000	3,386		3,386	(2,386)	2,586
Utilities	6,180	6,180	7,406		7,406	(1,226)	5,645
Capital outlay	92,875	92,875	64,847		64,847	28,028	21,489
Miscellaneous	7,913	7,913	28,409		28,409	(20,496)	11,012
TOTAL EXPENDITURES	166,946	166,946	166,298	23,669	189,967	(23,021)	108,989
Excess (deficiency) of revenues over (under) expenditures	6,393	6,393	29,295	98,031	127,326	120,933	52,375
OTHER FINANCING USES							
Transfers in			28,325	11,175	39,500	39,500	
Transfers out				(109,206)	(109,206)	109,206	(58,911)
TOTAL OTHER FINANCING (USES)			28,325	(98,031)	(69,706)	148,706	(58,911)
Net change in fund balances	6,393	6,393	57,620		57,620	64,013	(6,536)
FUND BALANCES, beginning	(80,321)	(80,321)	(80,321)		(80,321)		(73,785)
FUND BALANCES, ending	\$ (73,928)	\$ (73,928)	\$ (22,701)	\$	\$ (22,701)	\$ 64,013	\$ (80,321)

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statement of Net Position
December 31, 2022
With Comparative Totals as of December 31, 2021

	Totals - Utilities Commission	
	2022	2021
ASSETS		
Current Assets		
Cash and investments	\$ 1,756,683	\$ 1,629,096
Due from other funds	157,628	15,236
Accounts receivable, net	99,202	102,695
Lease receivable	760,198	794,703
Inventory	50,221	47,642
Other receivables/prepaid	586	611
Total Current Assets	2,824,518	2,589,983
Noncurrent Assets		
Capital assets:		
Nondepreciable	8,248,317	4,652,441
Depreciable	11,673,206	12,475,119
Less: Accumulated depreciation	5,567,395	5,902,487
Net capital assets	14,354,128	11,225,073
Total Assets	17,178,646	13,815,056
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	71,301	106,062
LIABILITIES		
Current Liabilities		
Accounts payable	145,207	544,880
Accrued liabilities	65,388	58,856
Due to other funds	222,194	83,944
Customer deposits		1,782
Current maturities of bonds and notes payable	262,562	262,000
Total Current Liabilities	695,351	951,462
Noncurrent Liabilities		
Notes payable	5,811,199	4,144,688
Bonds payable	200,000	187,500
Net pension liability	225,614	136,256
Less: bond discount, net of amortization		(966)
Total Noncurrent Liabilities	6,236,813	4,467,478
Total Liabilities	6,932,164	5,418,940
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	3,262	125,212
Deferred inflows from lease activity	760,198	794,703
Total Deferred Inflows of Resources	763,460	919,915
NET POSITION		
Net investment in capital assets	8,080,369	6,631,851
Restricted for debt	336,940	118,480
Unrestricted	1,137,014	831,932
Total Net Position	\$ 9,554,323	\$ 7,582,263

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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Totals - Utilities Commission	
	2022	2021
Operating Revenues		
Charges for services	\$ 1,869,349	\$ 1,749,845
Operating Expenses		
Purchased power/facility charge	659,248	418,166
Utilities	112,186	73,260
Salaries and wages	288,677	304,324
Employee benefits	63,735	69,972
Repairs and maintenance	45,020	48,053
Materials, chemicals and supplies	45,721	28,797
Professional fees	97,252	47,899
Depreciation and amortization	363,117	391,892
Insurance	32,319	24,015
Other	178,665	15,899
Total Operating Expenses	1,885,940	1,422,277
Operating Income (Loss)	(16,591)	327,568
Nonoperating Revenues (Expenses)		
Interest income	4,644	1,902
Interest expense	(56,864)	(45,836)
Other income	83,732	180,229
Total Nonoperating Revenue (Expenses)	31,512	136,295
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	14,921	463,863
Contributed capital/grants	2,057,459	1,673,062
Transfer in		23,254
Transfers out	(100,320)	(106,528)
CHANGE IN NET POSITION	1,972,060	2,053,651
NET POSITION - BEGINNING	7,582,263	5,528,612
TOTAL NET POSITION - END OF YEAR	\$ 9,554,323	\$ 7,582,263

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended December 31, 2022
With Comparative Totals for December 31, 2021

	Totals - Utilities Commission	
	2022	2021
Cash Flows From Operating Activities		
Cash received from customers and users	\$ 1,886,214	\$ 1,750,217
Cash paid to suppliers and employers	(1,373,193)	(1,057,510)
Other income	83,732	180,229
Net Cash Provided By Operating Activities	596,753	872,936
Cash Flows From Noncapital Financing Activities		
Operating transfers out, net	(4,142)	14,402
Due from other funds	(100,320)	(83,274)
Net Cash Used In Noncapital Financing Activities	(104,462)	(68,872)
Cash Flows From Capital and Related Financing Activities		
Capital asset acquisitions	(4,049,516)	(3,231,057)
Proceeds from sale of bonds	1,929,073	1,562,840
Contributions/grants	2,057,459	1,673,062
Principal payments on bonds	(249,500)	(395,831)
Interest payments on bonds	(56,864)	(45,836)
Net Cash Used In Capital and Related Financing Activities	(369,348)	(436,822)
Cash Flows From Investing Activities		
Investment income received	4,644	1,902
NET INCREASE IN CASH AND CASH EQUIVALENTS	127,587	369,144
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,629,096	1,259,952
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,756,683</u>	<u>\$ 1,629,096</u>

See Notes to the Financial Statements

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	Totals - Utilities Commission	
	2022	2021
Operating Income (Loss)	\$ (16,591)	\$ 327,568
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	363,117	391,892
Loss on disposal of property and equipment	144,442	
Change in net pension liability	2,169	(1,376)
Other income	83,732	180,229
(Increase) Decrease In:		
Accounts receivable	3,493	372
Inventory	(2,579)	(14,250)
Prepaid items	25	(154)
Increase In:		
Accounts payable	14,195	3,580
Accrued expenses and customer deposits	4,750	(14,925)
Net Cash Provided By Operating Activities	<u>\$ 596,753</u>	<u>\$ 872,936</u>
Non-Cash Transactions:		
Capital assets acquired on account	\$ 82,128	\$ 495,994

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CITY OF LANESBORO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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)

1. Summary of Significant Accounting Policies (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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)

1. Summary of Significant Accounting Policies (Continued)

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 *emergency service building fund* accounts for financial resources to be used towards the building.

The *street and utility improvement fund* accounts for financial resources to be used for the 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)

1. Summary of Significant Accounting Policies (Continued)

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, 2022.

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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. The third type is lease related and is 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)

1. Summary of Significant Accounting Policies (Continued)

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 2021 financial statements have been reclassified to conform with the 2022 presentation.

Leases

For leases with term exceeding 12 months, the Utility recognizes a lease liability and a right to use lease asset in the financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The Utility initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Leases (continued)

The City leases water tower space to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee.

Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 87, Leases. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities, for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The implementation of this standard resulted in changing the presentation of the financial statements by including the lease receivable and deferred inflows from leases as of January 1, 2021. The beginning net position has not been impacted by the implementation.

2. Stewardship, Compliance, and Accountability

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.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments

As of December 31, 2022, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$	3,651,109
Non-negotiable CD's		<u>22,912</u>
Total Cash and investments	\$	<u>3,674,021</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 or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

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

Credit Risk

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

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, 2022 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in process	265,733	2,135,957		2,401,690
Total capital assets, not being depreciated	530,233	2,135,957		2,666,190
Capital assets, being depreciated:				
Buildings and improvements	1,647,758	794,037	94,498	2,347,297
Infrastructure	8,581,123			8,581,123
Machinery and equipment	1,635,990	49,800		1,685,790
Total capital assets, being depreciated	11,864,871	843,837	94,498	12,614,210
Less accumulated depreciation for:				
Buildings and improvements	1,158,977	50,124	48,192	1,160,909
Infrastructure	2,103,326	210,232		2,313,558
Machinery and equipment	1,093,591	85,032		1,178,623
Total accumulated depreciation	4,355,894	345,388	48,192	4,653,090
Total capital assets, being depreciated, net	7,508,977	498,449	46,306	7,961,120
Governmental activities capital assets, net	\$ 8,039,210	\$ 2,634,406	\$ 46,306	\$ 10,627,310

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. *Capital Assets (continued)*

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 92,517		\$	\$ 92,517
Construction in progress	4,559,924	3,595,876		8,155,800
Total capital assets, not being depreciated	4,652,441	3,595,876		8,248,317
Capital assets, being depreciated:				
Dam	567,304			567,304
Buildings and improvements	5,609,744		24,825	5,584,919
Production systems	882,645			882,645
Distribution systems	5,147,072		816,860	4,330,212
Machinery and equipment	268,354	39,772		308,126
Total capital assets, being depreciated	12,475,119	39,772	841,685	11,673,206
Less accumulated depreciation for:				
Dam	180,461	22,794		203,255
Buildings and improvements	1,442,788	160,410	9,349	1,593,849
Production systems	618,673	18,764		637,437
Distribution systems	3,472,554	136,958	687,892	2,921,620
Machinery and equipment	188,011	23,223		211,234
Total accumulated depreciation	5,902,487	362,149	697,241	5,567,395
Total capital assets, being depreciated, net	6,572,632	(322,377)	144,444	6,105,811
Business-type activities capital assets, net	<u>\$ 11,225,073</u>	<u>\$ 3,273,499</u>	<u>\$ 144,444</u>	<u>\$ 14,354,128</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 25,174
Public safety	60,243
Public works	99,563
Culture and recreation	39,385
Economic development	121,023

Total depreciation expense - governmental activities \$ 345,388

Business-Type Activities:

Utilities Commission	<u>\$ 362,149</u>
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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, 2022, 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	\$ 105,954	\$
Special Revenue:		
Fire Fund		21,854
Debt Service:		
2017A Zenith/Auburn		19,534
Utilities Commission	157,628	222,194
	<u>\$ 263,582</u>	<u>\$ 263,582</u>

Transfers during the year ended December 31, 2022 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 30,000
Special Revenue:		
Ambulance	7,500	47,000
Fire	39,500	109,206
Debt Service:		
2017A Zenith/Auburn Fund	123,889	
2017B Park/Road Fund	20,500	
2018A Zenith Paving Bond	6,839	
2016A GO Bond	100,440	70,440
Sales Tax		80,908
2022A Building Bond	23,963	
Capital Projects:		
Vehicle Replacement Fund	139,206	
Emergency Service Building Fund		23,963
Enterprise:		
Utilities Commission		100,320
Total Transfers	<u>\$ 461,837</u>	<u>\$ 461,837</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 2022 are as follows:

General Fund	\$ 42,978
Special Revenue Funds:	
Library	2,067
Fire	23,021

All excess expenditures were the result of planned processes.

As of December 31, 2022, the following funds had deficit fund balances:

Special Revenue Funds:	
Fire Fund	\$ 22,701

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, 2022 is as follows:

	Vehicle Replacement Fund	Other Governmental Funds	Total Governmental Funds	
			2022	2021
Assigned for				
Ambulance	\$	\$ 179,198	\$ 179,198	\$ 272,341
Street	78,296		78,296	64,778
Fire	62,875		62,875	50,000
Fire Equipment	301,646		301,646	205,315
Ambulance				50,000
Park	19,321		19,321	14,321
Library		26,849	26,849	31,045
Local Sales Tax		121,303	121,303	123,721
Economic Development		49,076	49,076	21,973
Total Assigned	\$ 462,138	\$ 376,426	\$ 838,564	\$ 833,494

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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds and Notes:					
2010B GO Tax Abatement Bond (2-3.9%)	\$ 160,000	\$	\$ 30,000	\$ 130,000	\$ 30,000
2016A GO Refunding Bond (2.00%)	242,000		78,000	164,000	80,000
2017A GO Improvement (2.0% - 2.5%)	900,000		105,000	795,000	105,000
2017B GO Improvement Note (2.9%)	192,000		25,000	167,000	26,000
2018A GO Improvement Note (4.1%)	83,000		9,000	74,000	9,000
2022A Lease Agreement (4.07%)		818,000		818,000	
2022B GO Improvement Note (3.85%)		570,000		570,000	
2022E Tax Abatement Bond - MiEnergy (3.00%)		75,000		75,000	6,536
Mi-Energy Loan	50,000		7,185	42,815	4,838
Less: Unamortized Discount	(12,028)		(2,127)	(9,901)	
Total Bonds and Notes Payable	1,614,972	1,463,000	252,058	2,825,914	261,374
Other Liabilities:					
Compensated Absences	46,818	13,810		60,628	
Governmental Activities					
Long-term Liabilities	1,661,790	1,476,810	252,058	2,886,542	261,374
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2017A Utility Bond (2.0%-2.5%)	212,500		12,500	200,000	12,500
Notes:					
2014 PFA Water Revenue Note (1.00%)	2,308,000		89,000	2,219,000	90,000
2015 PFA Water Revenue Note (1.00%)	140,000		5,000	135,000	5,000
2020 PFA Sewer Revenue Note (1.0%)	1,933,688	1,705,146	143,000	3,495,834	144,000
2022D PFA Water Note		94,740		94,740	5,334
2022C PFA Sewer Note		129,187		129,187	5,728
Less: Unamortized Discount	(966)		(966)		
Total Bonds and Notes	4,593,222	1,929,073	248,534	6,273,761	262,562
Other Liabilities:					
Compensated Absences	29,803	486		30,289	
Business-type Activities					
Long-term Liabilities	4,623,025	1,929,559	248,534	6,304,050	262,562
Total	\$ 6,284,815	\$ 3,406,369	\$ 500,592	\$ 9,190,592	\$ 523,936

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, 2022, over the life of the debt, are summarized below:

General Obligation Bonds and Notes			General Obligation Revenue Bonds		Notes Payable		Total Principal	Total Interest
Years	Principal	Interest	Principal	Interest	Principal	Interest		
Governmental Activities								
2023	\$ 250,000	\$ 94,054	\$	\$	\$ 11,324	\$ 1,922	\$ 261,324	\$ 95,976
2024	297,000	80,403			12,387	1,724	309,387	82,126
2025	231,000	73,205			12,436	1,524	243,436	74,730
2026	239,000	46,056			12,485	1,325	251,485	47,381
2027	208,000	59,848			12,536	1,125	220,536	60,973
2028 - 2032	592,000	220,388			56,646	2,639	648,646	223,027
2033 - 2037	362,000	144,330					362,000	144,330
2038 - 2042	441,000	64,688					441,000	64,688
2043	98,000	1,950					98,000	1,950
Totals	\$2,718,000	\$ 718,285			\$ 117,815	\$ 10,259	\$ 2,835,815	\$ 728,544

Business-Type Activities

2023	\$	\$	\$ 25,000	\$ 50,135	\$ 237,562	\$ 33,689	\$ 262,562	\$ 83,824
2024			25,000	48,195	251,500	36,511	276,500	84,706
2025			25,000	46,245	254,500	35,158	279,500	81,403
2026			25,000	2,375	256,500	69,123	281,500	71,498
2027			25,000	1,813	259,500	66,454	284,500	68,267
2028 - 2032			75,000	1,875	1,054,000	291,224	1,129,000	293,099
2033 - 2037					1,281,000	220,189	1,281,000	220,189
2038 - 2042					1,117,966	145,230	1,117,966	145,230
2043 - 2047					743,067	69,781	743,067	69,781
2048 - 2050					618,166	15,547	618,166	15,547
Totals			<u>\$ 200,000</u>	<u>\$ 150,638</u>	<u>\$ 6,073,761</u>	<u>\$ 70,200</u>	<u>\$ 6,273,761</u>	<u>\$ 220,838</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)

4. Other Information

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)

4. Other Information (Continued)

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 2022 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, 2022, were \$40,117. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2022, the City reported a liability of \$586,082 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, 2022, 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, 2021, through June 30, 2022, 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	\$ 586,082
State of Minnesota's proportionate share of the net pension liability associated with the City	\$ 17,144

For the year ended December 31, 2022, 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, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,891	\$ 6,225
Difference between projected and actual investment earnings	8,936	
Changes in actuarial assumptions	132,641	2,255
Changes in proportion	17,519	
Contributions paid to GERP subsequent to the measurement date	20,939	
Total	<u>\$ 184,926</u>	<u>\$ 8,480</u>

The \$20,939 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, 2023. 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
2023	\$ 62,256
2024	58,926
2025	(18,678)
2026	53,003

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022, 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 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 2022 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	100%	

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:

Sensitivity Analysis			
<i>Net Pension Liability at Different Discount Rates</i>			
		General Employees Fund	
1% Lower	5.50%	\$	925,748
Current Discount Rate	6.50%	\$	586,082
1% Higher	7.50%	\$	307,504

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.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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, 2022, the Association funding status is as follows:

Total plan assets	\$ 429,098
Total accrued liability	<u>444,802</u>
Deficit of plan assets over accrued liability	<u>\$ (15,704)</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 2022 amount to \$3,500. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2022.

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 2022 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)

4. Other Information (Continued)

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 2022.

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 2022. 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, 2022, 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, 2022, the City paid tax increments totaling \$28,561 related to these agreements.

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CITY OF LANESBORO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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	41,489	41,489		553,187	7.50%
2023					

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

PERA General Employees Retirement Fund

Fiscal Year Ended June 30	Proportionate Share (Percentage) 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	0.0074%	586,082	17,144	603,226	544,040	107.7%	76.67%
2023							

CITY OF LANESBORO, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2022

**CITY OF LANESBORO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022**

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	620/625 Revolving EDA Loan
ASSETS							
Cash and investments	\$ 29,041	\$ 179,191	\$ 17,829	\$ 37,923	\$ 49,022	\$ 121,303	\$ 43,422
Due from other governmental units	243	7			54		
Taxes receivable delinquent	90			6,132	70		
Loans receivable							111,723
Special assessments receivable							
TOTAL ASSETS	\$ 29,374	\$ 179,198	\$ 17,829	\$ 44,055	\$ 49,146	\$ 121,303	\$ 155,145
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 89	\$	\$	\$	\$	\$	\$
Accrued liabilities	2,346						
Due to other funds							
Total Liabilities	2,435						
Deferred Inflows of Resources							
Unavailable revenue							
Property taxes	90			6,132	70		
Loans receivable							111,723
Special assessments							
Total Deferred Inflows of Resources	90			6,132	70		111,723
Fund Balance							
Restricted:							
Contributors			17,829				
Regulators				37,923			43,422
Debt service							
Assigned	26,849	179,198			49,076	121,303	
Total Fund Balance	26,849	179,198	17,829	37,923	49,076	121,303	43,422
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 29,374	\$ 179,198	\$ 17,829	\$ 44,055	\$ 49,146	\$ 121,303	\$ 155,145

Debt Service				Capital Project			Total Nonmajor Governmental Funds
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A Refunding Bond	304 2010 Tax Abatement Bonds	312 2022A Building Bond	425 Vehicle Replacement	2022
\$ 239,190	\$ 23,783	\$ 41,833	\$ 61,377 140	\$ 55,587 125	\$ 23,963	\$ 462,138	\$ 1,385,602 569 6,292 111,723 145,370
56,847	57,494	3,949	27,080				
<u>\$ 296,037</u>	<u>\$ 81,277</u>	<u>\$ 45,782</u>	<u>\$ 88,597</u>	<u>\$ 55,712</u>	<u>\$ 23,963</u>	<u>\$ 462,138</u>	<u>\$ 1,649,556</u>
\$	\$	\$	\$	\$	\$	\$	\$ 89 2,346 19,534 21,969
19,534							
<u>19,534</u>							<u>21,969</u>
							6,292 111,723 145,370
56,847	57,494	3,949	27,080				
<u>56,847</u>	<u>57,494</u>	<u>3,949</u>	<u>27,080</u>				<u>263,385</u>
							17,829 81,345 426,464 838,564
219,656	23,783	41,833	61,517	55,712	23,963		
						462,138	
<u>219,656</u>	<u>23,783</u>	<u>41,833</u>	<u>61,517</u>	<u>55,712</u>	<u>23,963</u>	<u>462,138</u>	<u>1,364,202</u>
<u>\$ 296,037</u>	<u>\$ 81,277</u>	<u>\$ 45,782</u>	<u>\$ 88,597</u>	<u>\$ 55,712</u>	<u>\$ 23,963</u>	<u>\$ 462,138</u>	<u>\$ 1,649,556</u>

CITY OF LANESBORO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	620/625 Revolving EDA Loan
REVENUES							
Property tax collected	\$ 72,377	\$ 75	\$	\$	\$ 17,326	\$	\$
Sales taxes						78,490	
Tax increment				29,195			
Special assessments							
Intergovernmental	31,256						13,597
Charges for services	1,098	4,040	39,126				
Interest income							83
Donations/miscellaneous	3,541	760			50,000		6,777
TOTAL REVENUES	<u>108,272</u>	<u>4,875</u>	<u>39,126</u>	<u>29,195</u>	<u>67,326</u>	<u>78,490</u>	<u>20,457</u>
EXPENDITURES							
Public safety		58,518					
Culture and recreation	112,468		48,441				
Economic development				27,642	115,223		42,500
Capital outlay							
Debt service:							
Principal retirement							7,185
Interest and fiscal charges							705
TOTAL EXPENDITURES	<u>112,468</u>	<u>58,518</u>	<u>48,441</u>	<u>27,642</u>	<u>115,223</u>		<u>50,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,196)</u>	<u>(53,643)</u>	<u>(9,315)</u>	<u>1,553</u>	<u>(47,897)</u>	<u>78,490</u>	<u>(29,933)</u>
OTHER FINANCING SOURCES (USES)							
Note proceeds					75,000		
Transfer in		7,500					
Transfer out		(47,000)				(80,908)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(39,500)</u>			<u>75,000</u>	<u>(80,908)</u>	
Net change in fund balances	(4,196)	(93,143)	(9,315)	1,553	27,103	(2,418)	(29,933)
FUND BALANCES, beginning	<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>
FUND BALANCES, ending	<u>\$ 26,849</u>	<u>\$ 179,198</u>	<u>\$ 17,829</u>	<u>\$ 37,923</u>	<u>\$ 49,076</u>	<u>\$ 121,303</u>	<u>\$ 43,422</u>

Debt Service						Capital Project	Total Nonmajor Governmental Funds
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	312 2022A Building Bond	425 Vehicle Replacement	2022
\$	\$	\$ 15	\$ 40,305	\$ 37,023	\$	\$	\$ 167,121
							78,490
							29,195
17,822		2,020	4,587				24,429
							44,853
							44,264
							83
							61,078
17,822		2,035	44,892	37,023			449,513
							58,518
							160,909
							185,365
						61,482	61,482
105,000	25,000	9,000	78,000	30,000			254,185
52,644	5,206	3,218	4,060	5,930			71,763
157,644	30,206	12,218	82,060	35,930		61,482	792,222
(139,822)	(30,206)	(10,183)	(37,168)	1,093		(61,482)	(342,709)
							75,000
123,889	20,500	6,839	100,440		23,963	139,206	422,337
			(70,440)				(198,348)
123,889	20,500	6,839	30,000		23,963	139,206	298,989
(15,933)	(9,706)	(3,344)	(7,168)	1,093	23,963	77,724	(43,720)
235,589	33,489	45,177	68,685	54,619		384,414	1,407,922
\$ 219,656	\$ 23,783	\$ 41,833	\$ 61,517	\$ 55,712	\$ 23,963	\$ 462,138	\$ 1,364,202

CITY OF LANESBORO, MINNESOTA
LIBRARY FUND
Balance Sheet
December 31, 2022
With Comparative Totals as of December 31, 2021

	Totals	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 29,041	\$ 33,344
Due from other governments	243	525
Taxes receivable delinquent	90	
Total Current Assets	29,374	33,869
LIABILITIES		
Current Liabilities		
Accounts payable	89	842
Accrued liabilities	2,346	1,982
Total Current Liabilities	2,435	2,824
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue:		
Property taxes	90	
FUND BALANCE		
Assigned:		
Book/Memorial	35,055	35,055
Library operations	(8,206)	(4,010)
Total Fund Balance	\$ 26,849	\$ 31,045

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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		Library	Book/ Memorial	2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final					
Revenues							
Property taxes	\$ 73,792	\$ 73,792	\$ 72,377	\$	\$ 72,377	\$ (1,415)	\$ 64,694
Intergovernmental	31,256	31,256	31,256		31,256		30,422
Charges for services	350	350	1,098		1,098	748	578
Other	150	150	3,541		3,541	3,391	300
Total Revenues	105,548	105,548	108,272		108,272	2,724	96,362
Expenses							
Salaries	66,826	66,826	69,650		69,650	(2,824)	57,545
PERA and social security	10,977	10,977	10,204		10,204	773	8,113
Employee benefits	11,287	11,287	12,262		12,262	(975)	11,249
Supplies	1,800	1,800	1,304		1,304	496	4,326
Books	5,750	5,750	5,427		5,427	323	6,712
Magazines	500	500	381		381	119	355
Videos/audios	500	500				500	156
Library automation	5,177	5,177	6,202		6,202	(1,025)	6,678
Insurance	717	717	680		680	37	776
Telephone	1,111	1,111	1,031		1,031	80	1,133
Lease payments	3,600	3,600	4,098		4,098	(498)	3,870
Miscellaneous	1,456	1,456	1,229		1,229	227	1,145
Total Expenses	110,401	110,401	112,468		112,468	(2,067)	102,058
CHANGE IN FUND BALANCES	(4,853)	(4,853)	(4,196)		(4,196)	657	(5,696)
TOTAL FUND BALANCE - BEGINNING OF YEAR	31,045	31,045	(4,010)	35,055	31,045		36,741
TOTAL FUND BALANCE - END OF YEAR	\$ 26,192	\$ 26,192	\$ (8,206)	\$ 35,055	\$ 26,849	\$ 657	\$ 31,045

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CITY OF LANESBORO, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2022

Year	\$420,000 General Obligation Tax Abatement Bonds of 2010		
	Principal	Interest	Total
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
Totals	\$ 130,000	\$ 10,454	\$ 140,454

Year	\$527,000 General Obligation Refunding Bonds of 2016A		
	Principal	Interest	Total
2023	\$ 80,000	\$ 2,480	\$ 82,480
2024	84,000	840	84,840
Totals	\$ 164,000	\$ 3,320	\$ 167,320

Year	\$1,180,000 General Obligation Improvement Bonds of 2017A		
	Principal	Interest	Total
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
Totals	\$ 795,000	\$ 75,388	\$ 870,388

CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2022

\$261,000 General Obligation Improvement Note of 2017B			
Year	Principal	Interest	Total
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
Totals	\$ 167,000	\$ 14,921	\$ 181,921

\$100,000 General Obligation Improvement Note of 2018A			
Year	Principal	Interest	Total
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
Totals	\$ 74,000	\$ 11,111	\$ 85,111

\$50,000 Mi-Energy Loan Note of 2021			
Year	Principal	Interest	Total
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	2,717	20	2,737
Totals	\$ 42,815	\$ 2,009	\$ 44,824

CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2022

Year	\$818,000 Lease-Purchase Agreement Note of 2022A		
	Principal	Interest	Total
2023	\$	\$ 40,229	\$ 40,229
2024	27,000	32,743	59,743
2025	28,000	31,624	59,624
2026	29,000	30,464	59,464
2027	31,000	29,243	60,243
2028	32,000	27,961	59,961
2029	33,000	26,638	59,638
2030	35,000	25,255	60,255
2031	36,000	23,810	59,810
2032	38,000	22,300	60,300
2033	39,000	20,737	59,737
2034	41,000	19,109	60,109
2035	42,000	17,420	59,420
2036	44,000	15,670	59,670
2037	46,000	13,838	59,838
2038	48,000	11,925	59,925
2039	50,000	9,931	59,931
2040	51,000	7,875	58,875
2041	54,000	5,739	59,739
2042	56,000	3,500	59,500
2043	58,000	1,180	59,180
Totals	\$ 818,000	\$ 417,189	\$ 1,235,189

Year	\$570,000 General Obligation Improvement Note Note of 2022B		
	Principal	Interest	Total
2023	\$	\$ 21,945	\$ 21,945
2024	9,000	21,772	30,772
2025	21,000	21,194	42,194
2026	21,000	20,386	41,386
2027	22,000	19,558	41,558
2028	23,000	18,692	41,692
2029	24,000	17,787	41,787
2030	25,000	16,844	41,844
2031	26,000	15,862	41,862
2032	27,000	14,842	41,842
2033	28,000	13,783	41,783
2034	29,000	12,686	41,686
2035	30,000	11,550	41,550
2036	31,000	10,376	41,376
2037	32,000	9,163	41,163
2038	34,000	7,893	41,893
2039	35,000	6,564	41,564
2040	36,000	5,198	41,198
2041	38,000	3,773	41,773
2042	39,000	2,291	41,291
2043	40,000	770	40,770
Totals	\$ 570,000	\$ 272,927	\$ 842,927

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2022**

\$75,000 General Obligation Tax Abatement Bond of 2022E			
Year	Principal	Interest	Total
2023	\$ 7,500	\$ 1,500	\$ 9,000
2024	7,500	1,350	8,850
2025	7,500	1,200	8,700
2026	7,500	1,050	8,550
2027	7,500	900	8,400
2028	7,500	750	8,250
2029	7,500	600	8,100
2030	7,500	450	7,950
2031	7,500	300	7,800
2032	7,500	150	7,650
Totals	\$ 75,000	\$ 8,250	\$ 83,250

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2022

Year	\$3,031,931 PFA Water Revenue Note of 2014		
	Principal	Interest	Total
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
Totals	\$ 2,219,000	\$ 264,600	\$ 2,482,560

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2022

\$165,775 PFA Water Revenue
Note of 2015

Year	Principal	Interest	Total
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
Totals	\$ 135,000	\$ 15,990	\$ 150,320

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

Year	Principal	Interest	Total
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	50,000	625	25,625
Totals	\$ 200,000	\$ 16,188	\$ 191,188

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, 2022 and 2021

	2022	2021
Revenues	<u>\$ 113,420</u>	<u>\$ 111,080</u>
Expenditures		
Principal	90,000	89,000
Interest	22,190	23,080
Total Expenditures	<u>112,190</u>	<u>112,080</u>
Excess (deficiency) of revenues over (under) expenditures	1,230	(1,000)
Fund Balance - Beginning of Year	<u>110,960</u>	<u>111,960</u>
Fund Balance - End of Year	<u><u>\$ 112,190</u></u>	<u><u>\$ 110,960</u></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, 2022 and 2021

	2022	2021
Revenues	<u>\$ 7,240</u>	<u>\$ 7,300</u>
Expenditures		
Principal	5,000	5,000
Interest	1,350	1,400
Total Expenditures	<u>6,350</u>	<u>6,400</u>
Excess (deficiency) of revenues over (under) expenditures	890	900
Fund Balance - Beginning of Year	<u>7,350</u>	<u>6,450</u>
Fund Balance - End of Year	<u><u>\$ 8,240</u></u>	<u><u>\$ 7,350</u></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, 2022, 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 26, 2023.

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 26, 2023

**CITY OF LANESBORO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022**

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.

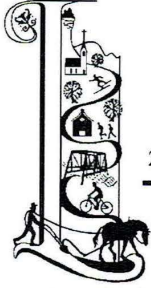
Cause: There is a limited number of administrative staff. The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

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 2022.

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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, 2022.

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.