

CITY OF LANESBORO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CITY OF LANESBORO, MINNESOTA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

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CITY OF LANESBORO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2023

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CITY OF LANESBORO, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2023

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

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CITY OF LANESBORO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2023

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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, 2023, 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, 2023, 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* (GAS), 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

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 GAS, 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, 2022, from which such partial information was derived.

We have previously audited the City's 2022 financial statements and our report, dated April 26, 2023, 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, 2022, 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 13 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. The combining and individual nonmajor fund statements and schedules and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare basic the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 statements and schedules and supplementary information 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 25, 2024, 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.



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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, 2023.

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 \$21,794,374 (*net position*). Of this amount, \$2,185,563 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$2,705,321.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,574,796. Approximately \$1,020,922 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 \$311,092 or 36% of total general fund expenditures.
- The City of Lanesboro, Minnesota increased total outstanding debt obligations by \$346,047 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 14-16 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 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, and street and utility improvement fund all of which are considered to be major funds. Data from the other seventeen 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 23-25) and the special revenue funds (page 26 and 62) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 17-20 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 27-30 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 31-55 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 \$21,794,374 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (86%) 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,906,447	\$ 2,266,413	\$ 2,601,155	\$ 2,602,324	\$ 4,507,602	\$ 4,868,737
Capital assets	12,815,469	10,627,310	15,344,751	14,354,128	28,160,220	24,981,438
Total assets	<u>14,721,916</u>	<u>12,893,723</u>	<u>17,945,906</u>	<u>16,956,452</u>	<u>32,667,822</u>	<u>29,850,175</u>
Deferred outflow s of resources	<u>62,665</u>	<u>113,625</u>	<u>41,785</u>	<u>71,301</u>	<u>104,450</u>	<u>184,926</u>
Long-term liabilities outstanding	2,813,291	3,186,382	7,037,173	6,499,375	9,850,464	9,685,757
Other liabilities	112,254	281,018	164,366	210,595	276,620	491,613
Total liabilities	<u>2,925,545</u>	<u>3,467,400</u>	<u>7,201,539</u>	<u>6,709,970</u>	<u>10,127,084</u>	<u>10,177,370</u>
Deferred inflow s of resources	<u>85,343</u>	<u>5,218</u>	<u>765,471</u>	<u>763,460</u>	<u>850,814</u>	<u>768,678</u>
Net position:						
Net investment in capital assets	10,247,595	7,801,396	8,464,777	8,080,369	18,712,372	15,881,765
Restricted for debt	551,108	537,983	345,331	336,940	896,439	874,923
Unrestricted	974,990	1,195,351	1,210,573	1,137,014	2,185,563	2,332,365
Total net position	<u>\$ 11,773,693</u>	<u>\$ 9,534,730</u>	<u>\$ 10,020,681</u>	<u>\$ 9,554,323</u>	<u>\$ 21,794,374</u>	<u>\$ 19,089,053</u>

The balance of *unrestricted net position* \$2,185,563 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 \$2,238,963.

Business-type activities. Business-type activities increased the City of Lanesboro, Minnesota's net position by \$466,358.

A condensed version of the Statement of Activities follows:

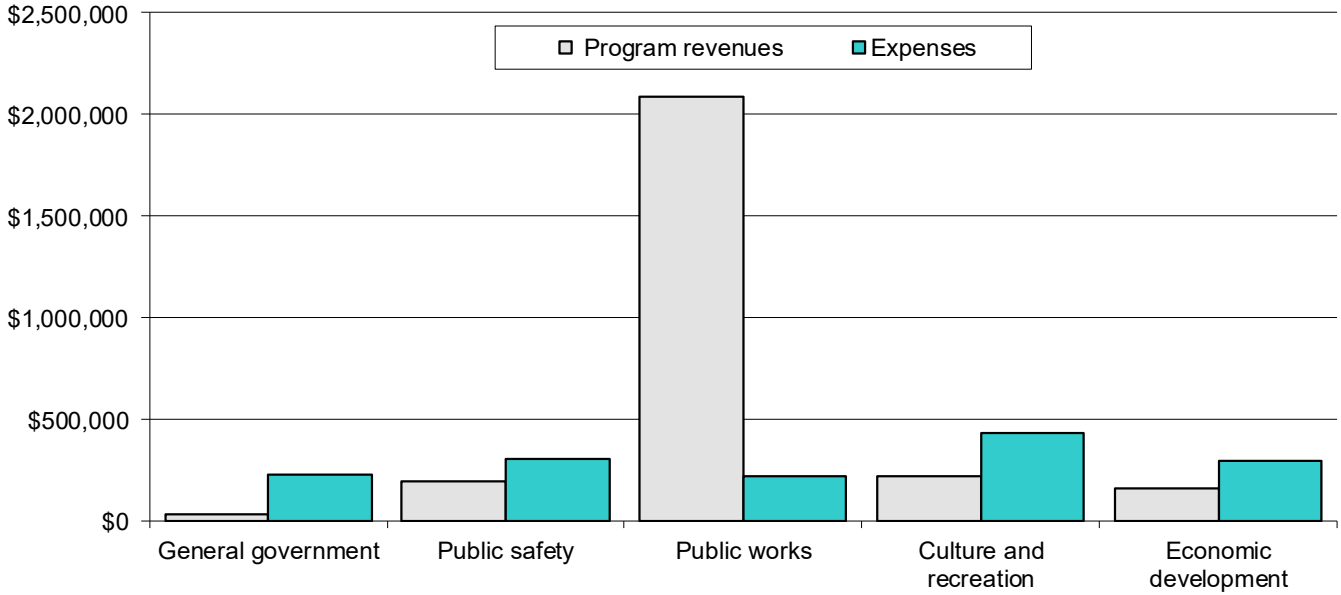
City of Lanesboro, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenue:						
Program revenues:						
Charges for services	\$ 312,065	\$ 188,552	\$ 1,889,128	\$ 1,869,349	\$ 2,201,193	\$ 2,057,901
Operating grants and contributions	296,830	251,940			296,830	251,940
Capital grants and contributions	2,089,226	2,174,692	173,698	2,057,459	2,262,924	4,232,151
General revenues:						
Property taxes	836,261	724,880			836,261	724,880
Sales tax	80,459	78,490			80,459	78,490
Tax increments	29,418	29,195			29,418	29,195
Grants and contributions not restricted to specific programs	218,377	224,706			218,377	224,706
Other	124,292	87,445	116,990	88,376	241,282	175,821
Total revenues	<u>3,986,928</u>	<u>3,759,900</u>	<u>2,179,816</u>	<u>4,015,184</u>	<u>6,166,744</u>	<u>7,775,084</u>
Expenses:						
General government	224,772	271,337			224,772	271,337
Public safety	305,866	518,685			305,866	518,685
Public works	221,579	444,969			221,579	444,969
Parks and recreation	430,066	485,304			430,066	485,304
Economic development	294,155	322,914			294,155	322,914
Interest on long-term debt	80,038	260,216			80,038	260,216
Utilities commission			1,904,947	1,942,804	1,904,947	1,942,804
Total expenses	<u>1,556,476</u>	<u>2,303,425</u>	<u>1,904,947</u>	<u>1,942,804</u>	<u>3,461,423</u>	<u>4,246,229</u>
Increase in net position before transfers	2,430,452	1,456,475	274,869	2,072,380	2,705,321	3,528,855
Transfers, net	(191,489)	100,320	191,489	(100,320)		
Increase in net position	2,238,963	1,556,795	466,358	1,972,060	2,705,321	3,528,855
Net position, beginning	9,534,730	7,977,935	9,554,323	7,582,263	19,089,053	15,560,198
Net position, end of year	<u>\$11,773,693</u>	<u>\$ 9,534,730</u>	<u>\$10,020,681</u>	<u>\$ 9,554,323</u>	<u>\$ 21,794,374</u>	<u>\$ 19,089,053</u>

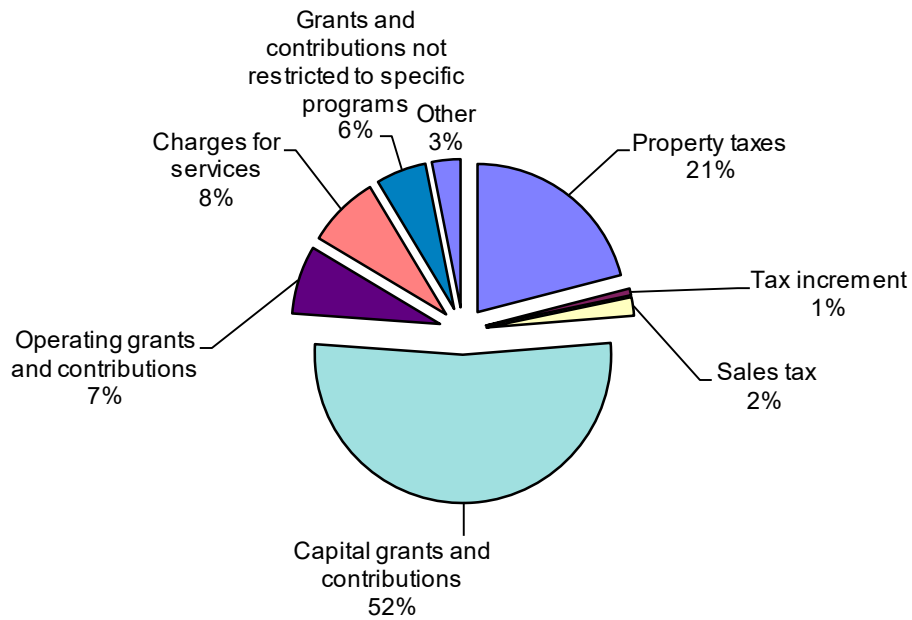
CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



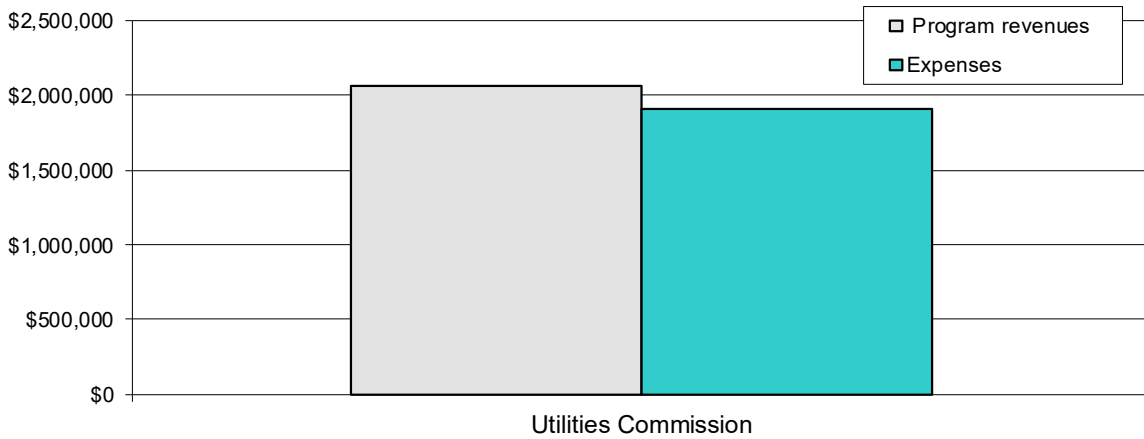
Revenues by Source - Governmental Activities



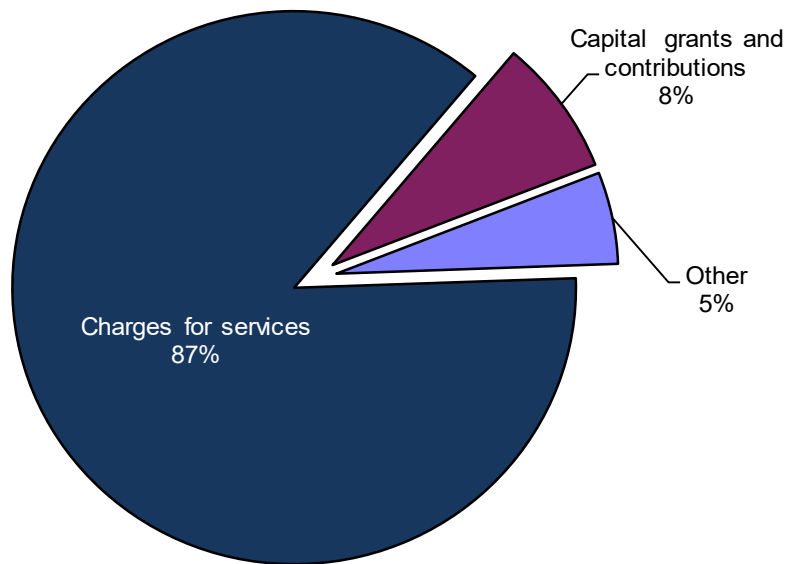
**CITY OF LANESBORO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

Governmental funds. The focus of the City of Lanesboro, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Lanesboro, Minnesota's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

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

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

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

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

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

As of the end of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,574,796, a decrease of \$268,858. Approximately \$1,020,922 of this total amount, or 65%, 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 \$311,092. 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 33% of total general fund expenditures.

The general fund's total fund balance decreased by \$54,819 during the current fiscal year.

The fire fund increased its fund balance by \$111,646 for the year and ended the year with a fund balance of \$88,945.

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

Proprietary funds. The City of Lanesboro, Minnesota's proprietary funds statements found on pages 27-30 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 \$1,210,573.

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

General Fund Budgetary Highlights

The City approved the 2023 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, 2023, amounts to \$28,160,220 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, vehicles, roads, and bridges, and production and distribution systems. The total increase in the City of Lanesboro, Minnesota's reported investment in capital assets for the current fiscal year was \$3,178,782.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 264,500	\$ 264,500	\$ 92,517	\$ 92,517	\$ 357,017	\$ 357,017
Dam			341,253	364,049	341,253	364,049
Buildings and improvements	1,142,491	1,186,388	3,832,594	3,991,070	4,975,085	5,177,458
Infrastructure	6,124,427	6,267,565			6,124,427	6,267,565
Machinery and equipment	689,088	507,167	307,365	96,892	996,453	604,059
Production and distribution			1,457,066	1,653,800	1,457,066	1,653,800
Work in progress	4,594,963	2,401,690	9,313,956	8,155,800	13,908,919	10,557,490
Total	<u>\$ 12,815,469</u>	<u>\$ 10,627,310</u>	<u>\$ 15,344,751</u>	<u>\$ 14,354,128</u>	<u>\$28,160,220</u>	<u>\$24,981,438</u>

Additional information on the City of Lanesboro, Minnesota's capital assets can be found in Note 3B on pages 42-43 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of Lanesboro, Minnesota had \$9,455,623 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 \$346,047 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3E, beginning on page 46.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds and notes	\$ 2,575,649	\$ 2,835,815	\$	\$	\$ 2,575,649	\$ 2,835,815
General obligation revenue bonds			150,000	200,000	150,000	200,000
Notes			6,729,974	6,073,761	6,729,974	6,073,761
Total	\$ 2,575,649	\$ 2,835,815	\$ 6,879,974	\$ 6,273,761	\$ 9,455,623	\$ 9,109,576

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 2024 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.

CITY OF LANESBORO, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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CITY OF LANESBORO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2023
With Comparative Totals for December 31, 2022

	Governmental	Business-Type	Totals	
	Activities	Activities	2023	2022
ASSETS				
Cash and investments	\$ 1,533,657	\$ 1,737,516	\$ 3,271,173	\$ 3,651,109
Restricted cash and investments	23,223		23,223	22,912
Receivables (net of allowance for uncollectibles)	333,372	106,450	439,822	377,864
Lease receivable		710,648	710,648	760,198
Internal balances	8,545	(8,545)		
Inventory		54,378	54,378	50,221
Prepaid items	7,650	708	8,358	6,433
Capital assets:				
Nondepreciable	4,859,463	9,406,473	14,265,936	10,914,507
Depreciable, net	7,956,006	5,938,278	13,894,284	14,066,931
Total Assets	<u>14,721,916</u>	<u>17,945,906</u>	<u>32,667,822</u>	<u>29,850,175</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	62,665	41,785	104,450	184,926
LIABILITIES				
Accounts payable	9,352	86,899	96,251	288,950
Accrued liabilities	8,707	13,968	22,675	43,150
Deposits payable		1,957	1,957	
Accrued interest payable	34,193	26,792	60,985	52,892
Compensated absences	58,603	34,750	93,353	90,917
Noncurrent liabilities:				
Due within one year	308,620	289,000	597,620	523,936
Due in more than one year	2,259,254	6,590,974	8,850,228	8,575,739
Net pension liability	245,417	157,199	402,616	586,082
Net pension liability - fire relief	1,399		1,399	15,704
Total Liabilities	<u>2,925,545</u>	<u>7,201,539</u>	<u>10,127,084</u>	<u>10,177,370</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	85,343	54,823	140,166	8,480
Deferred inflows from leasing activity		710,648	710,648	760,198
Total Deferred Inflows of Resources	<u>85,343</u>	<u>765,471</u>	<u>850,814</u>	<u>768,678</u>
NET POSITION				
Net investment in capital assets	10,247,595	8,464,777	18,712,372	15,881,765
Restricted for debt	551,108	345,331	896,439	874,923
Unrestricted	974,990	1,210,573	2,185,563	2,332,365
Total Net Position	<u>\$ 11,773,693</u>	<u>\$ 10,020,681</u>	<u>\$ 21,794,374</u>	<u>\$ 19,089,053</u>

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 224,772	\$ 30,248	\$ 6,709	\$
Public safety	305,866	5,191	190,884	
Public works	221,579	1,200		2,089,226
Culture and recreation	430,066	179,004	38,385	
Economic development	294,155	96,422	60,852	
Interest on long-term debt	80,038			
Total governmental activities	<u>1,556,476</u>	<u>312,065</u>	<u>296,830</u>	<u>2,089,226</u>
Business-Type activities:				
Utilities commission	<u>1,904,947</u>	<u>1,889,128</u>		<u>173,698</u>
Total	<u>\$ 3,461,423</u>	<u>\$ 2,201,193</u>	<u>\$ 296,830</u>	<u>\$ 2,262,924</u>

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

Change in net position

Net position - beginning

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2023	2022
\$ (187,815)	\$	\$ (187,815)	\$ (162,976)
(109,791)		(109,791)	(280,706)
1,868,847		1,868,847	1,504,745
(212,677)		(212,677)	(324,607)
(136,881)		(136,881)	(245,297)
(80,038)		(80,038)	(109,026)
<u>1,141,645</u>		<u>1,141,645</u>	<u>382,133</u>
	157,879	157,879	1,984,004
<u>1,141,645</u>	<u>157,879</u>	<u>1,299,524</u>	<u>2,366,137</u>
836,261		836,261	723,997
29,418		29,418	29,195
80,459		80,459	78,490
218,377		218,377	225,589
23,099	36,031	59,130	7,823
14,533	80,959	95,492	97,624
86,660		86,660	
(191,489)	191,489		
<u>1,097,318</u>	<u>308,479</u>	<u>1,405,797</u>	<u>1,162,718</u>
2,238,963	466,358	2,705,321	3,528,855
<u>9,534,730</u>	<u>9,554,323</u>	<u>19,089,053</u>	<u>15,560,198</u>
<u>\$ 11,773,693</u>	<u>\$ 10,020,681</u>	<u>\$ 21,794,374</u>	<u>\$ 19,089,053</u>

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CITY OF LANESBORO, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2023

CITY OF LANESBORO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023
With Comparative Totals for December 31, 2022

	100 General	Special Revenue 220 Fire Fund	Capital Project 411 Street & Utility Improvement Fund
ASSETS			
Cash and investments	\$ 239,148	\$ 88,648	\$
Restricted cash and investments			
Accounts receivable	532	610	
Due from other governmental units	3,274	783	
Taxes receivable delinquent	390	469	
Loans receivable			
Special assessments receivable	180		
Due from other funds	82,846		
Prepaid items	7,650		
TOTAL ASSETS	\$ 334,020	\$ 90,510	\$
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 8,167	\$ 1,096	\$
Accrued liabilities	6,541		
Due to other funds			65,883
Total Liabilities	14,708	1,096	65,883
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes	390	469	
Loans receivable			
Special assessments	180		
Total Deferred Inflows of Resources	570	469	
Fund Balance:			
Nonspendable	7,650		
Restricted:			
Contributors			
Regulators			
Debt service			
Assigned		88,945	
Unassigned	311,092		(65,883)
Total Fund Balance	318,742	88,945	(65,883)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 334,020	\$ 90,510	\$

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2023	2022
\$ 1,205,861	\$ 1,533,657	\$ 1,894,426
23,223	23,223	22,912
5,347	6,489	5,244
9,234	13,291	2,453
6,292	7,151	7,151
170,597	170,597	111,723
135,664	135,844	152,091
14,345	97,191	105,954
	7,650	5,847
<u>\$ 1,570,563</u>	<u>\$ 1,995,093</u>	<u>\$ 2,307,801</u>

\$ 89	\$ 9,352	\$ 143,743
2,166	8,707	8,051
22,763	88,646	41,388
<u>25,018</u>	<u>106,705</u>	<u>193,182</u>

6,292	7,151	7,151
170,597	170,597	111,723
135,664	135,844	152,091
<u>312,553</u>	<u>313,592</u>	<u>270,965</u>

7,650 5,847

40,317	40,317	44,952
56,270	56,270	81,345
449,637	449,637	438,964
689,344	778,289	931,744
(2,576)	242,633	340,802
<u>1,232,992</u>	<u>1,574,796</u>	<u>1,843,654</u>

<u>\$ 1,570,563</u>	<u>\$ 1,995,093</u>	<u>\$ 2,307,801</u>
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**CITY OF LANESBORO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	100 General	Special Revenue 220 Fire Fund	Capital Project 411 Street & Utility Improvement Fund
REVENUES			
Property taxes	\$ 516,457	\$ 125,164	\$
Lodging tax	96,422		
Sales taxes			
Special assessments	3,485		
Tax increments			
Licenses and permits	18,256		
Fines and forfeits	297		
Intergovernmental	234,197	83,064	2,068,901
Charges for services	126,018	4,330	
Interest income	10,600	11,412	
Miscellaneous	33,449	92,000	
TOTAL REVENUES	<u>1,039,181</u>	<u>315,970</u>	<u>2,068,901</u>
EXPENDITURES			
General government	187,943		
Public safety	130,271	125,724	
Public works	218,219		
Culture and recreation	213,629		
Economic development	94,327		
Capital outlay	107,563		2,071,579
Debt service:			
Principal			
Interest and fiscal charges			
TOTAL EXPENDITURES	<u>951,952</u>	<u>125,724</u>	<u>2,071,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,229</u>	<u>190,246</u>	<u>(2,678)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets			
Issuance of notes payable			
Issuance of bonds payable			
Transfers in			
Transfers out	(142,048)	(78,600)	(177,389)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(142,048)</u>	<u>(78,600)</u>	<u>(177,389)</u>
Net change in fund balances	(54,819)	111,646	(180,067)
FUND BALANCES, beginning	<u>373,561</u>	<u>(22,701)</u>	<u>114,184</u>
FUND BALANCES, ending	<u>\$ 318,742</u>	<u>\$ 88,945</u>	<u>\$ (65,883)</u>

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2023	2022
\$ 194,640	\$ 836,261	\$ 723,057
	96,422	104,338
80,459	80,459	78,490
34,287	37,772	38,685
29,418	29,418	29,195
	18,256	20,450
	297	1,282
32,168	2,418,330	2,461,016
53,335	183,683	149,537
1,087	23,099	3,179
93,195	218,644	244,101
<u>518,589</u>	<u>3,942,641</u>	<u>3,853,330</u>
	187,943	159,577
552	256,547	296,762
	218,219	288,871
171,599	385,228	368,499
163,785	258,112	282,460
302,604	2,481,746	3,333,273
260,166	260,166	254,185
82,039	82,039	71,763
<u>980,745</u>	<u>4,130,000</u>	<u>5,055,390</u>
<u>(462,156)</u>	<u>(187,359)</u>	<u>(1,202,060)</u>
109,990	109,990	
		75,000
		1,388,000
470,913	470,913	461,837
<u>(264,365)</u>	<u>(662,402)</u>	<u>(361,517)</u>
<u>316,538</u>	<u>(81,499)</u>	<u>1,563,320</u>
(145,618)	(268,858)	361,260
<u>1,378,610</u>	<u>1,843,654</u>	<u>1,482,394</u>
<u>\$ 1,232,992</u>	<u>\$ 1,574,796</u>	<u>\$ 1,843,654</u>

**CITY OF LANESBORO, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2023**

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

Total governmental fund balances (pages 17 and 18)		\$ 1,574,796
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 17,369,795	
Less: Accumulated depreciation	(4,554,326)	12,815,469
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	170,597	
Deferred and delinquent special assessments	135,844	313,592
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	\$ (2,567,874)	
Net pension liability	(268,095)	
Fire pension liability	(1,399)	
Compensated absences	(58,603)	
Accrued interest	(34,193)	(2,930,164)
Net position of governmental activities (page 14)		\$ 11,773,693

**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, 2023**

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

Net change in fund balances - total governmental funds (pages 19 and 20)	\$	(268,858)
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 2,569,686	
Depreciation expense	(358,197)	
		2,211,489
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position</p>		
		(23,330)
<p>Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
		42,627
<p>In the statement of activities, certain operating expenses - compensated absences and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Change in net pension liability	\$ (16,034)	
Change in fire pension liability	14,305	
Change in compensated absences	2,025	
		296
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows.</p>		
Principal retirement on long-term debt	\$ 260,166	
Amortization of bond discount	(2,126)	
Change in accrued interest	18,699	
		276,739
Change in net position of governmental activities (pages 15 and 16)	\$	2,238,963

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, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)	2022 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 509,273	\$ 509,273	\$ 516,457	\$ 7,184	\$ 433,285
Non-Property Taxes					
Lodging taxes	96,500	96,500	96,422	(78)	104,338
Special Assessments	4,500	4,500	3,485	(1,015)	1,756
Licenses and Permits	13,000	13,000	18,256	5,256	20,450
Intergovernmental					
Local government aid	217,577	217,577	217,577		224,706
Federal aid					39,615
Market value credit			800	800	883
Other	1,365	1,365	15,820	14,455	
Total Intergovernmental	218,942	218,942	234,197	15,255	265,204
Fines and Forfeits					
Court fines and other	1,000	1,000	297	(703)	1,282
Interest Income	500	500	10,600	10,100	1,261
Charges for Services					
Park and recreation	92,000	92,000	126,018	34,018	100,563
Miscellaneous					
Cable franchise fees	12,500	12,500	8,258	(4,242)	10,672
Contributions and donations			3,379	3,379	17,919
Rhubarb Fest/Farmers Market			3,130	3,130	2,205
Other	8,696	8,696	18,682	9,986	16,930
Total Miscellaneous	21,196	21,196	33,449	12,253	47,726
TOTAL REVENUES	\$ 956,911	\$ 956,911	\$ 1,039,181	\$ 82,270	\$ 975,865

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, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023 Actual Amounts	Variance with	2022 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
EXPENDITURES					
General Government					
Clerk/deputy clerk salaries	\$ 65,532	\$ 65,532	\$ 61,788	\$ 3,744	\$ 73,440
Mayor and council	8,500	8,500	8,480	20	5,600
PERA and social security	10,708	10,708	6,904	3,804	2,722
Employee benefits	26,655	26,655	21,654	5,001	22,844
Elections					1,332
Supplies/small equipment	5,000	5,000	6,287	(1,287)	4,678
Meetings and training	1,000	1,000	450	550	1,166
Telephone	2,497	2,497	2,121	376	2,289
Insurance	7,491	7,491	7,662	(171)	8,065
Publishing and printing	2,280	2,280	1,919	361	2,902
Assessor	2,861	2,861	2,823	38	2,726
Professional services	43,760	43,760	58,710	(14,950)	29,618
Repairs and maintenance	2,080	2,080	2,080		1,785
Miscellaneous	7,950	7,950	7,065	885	410
Capital outlay	1,000	1,000		1,000	
Total General Government	187,314	187,314	187,943	(629)	159,577
Public Safety					
Contracted services	130,271	130,271	130,271		113,124
Public Works					
Street Department					
Salaries	98,185	98,185	97,697	488	91,423
PERA and social security	17,182	17,182	14,809	2,373	14,168
Employee benefits	13,949	13,949	25,109	(11,160)	15,103
Gas and oil	6,300	6,300	6,995	(695)	8,148
Supplies/small equipment	7,700	7,700	6,054	1,646	5,047
Repairs and maintenance	30,485	30,485	33,305	(2,820)	47,752
Utilities	6,400	6,400	5,829	571	5,712
Insurance	3,735	3,735	3,624	111	3,752
Professional services	5,810	5,810	5,826	(16)	91,504
Miscellaneous	6,985	6,985	8,625	(1,640)	11,185
Capital outlay	75,530	75,530	83,236	(7,706)	35,929
Total Street Department	272,261	272,261	291,109	(18,848)	329,723
Street Lights	\$ 13,500	\$ 13,500	\$ 10,346	\$ 3,154	\$ 10,585

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, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		2023	Variance with	2022
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
EXPENDITURES (continued)					
Culture and Recreation					
Salaries	\$ 71,622	\$ 71,622	\$ 68,987	\$ 2,635	\$ 65,020
PERA and social security	11,971	11,971	9,861	2,110	9,369
Employee benefits	14,128	14,128	17,276	(3,148)	14,265
Supplies/small equipment	10,920	10,920	7,729	3,191	8,217
Telephone	500	500	486	14	477
Insurance	5,510	5,510	5,343	167	5,264
Professional fees	4,800	4,800	5,058	(258)	4,300
Miscellaneous	39,494	39,494	36,547	2,947	39,028
Utilities	32,000	32,000	36,076	(4,076)	29,080
Repairs and maintenance	16,300	16,300	17,184	(884)	14,449
Capital outlay	16,850	16,850	24,327	(7,477)	82,319
Lanesboro Museum	5,000	5,000	5,000		5,000
Community Education					11,000
Rhubarb Fest/Farmers Market			4,082	(4,082)	2,121
Total Culture and Recreation	<u>229,095</u>	<u>229,095</u>	<u>237,956</u>	<u>(8,861)</u>	<u>289,909</u>
Economic Development					
Lodging taxes	<u>95,000</u>	<u>95,000</u>	<u>94,327</u>	<u>673</u>	<u>97,095</u>
TOTAL EXPENDITURES	<u>927,441</u>	<u>927,441</u>	<u>951,952</u>	<u>(24,511)</u>	<u>1,000,013</u>
Excess (deficiency) of revenues over (under) expenditures	29,470	29,470	87,229	57,759	(24,148)
OTHER FINANCING SOURCES					
Transfers out	<u>(44,098)</u>	<u>(44,098)</u>	<u>(142,048)</u>	<u>(97,950)</u>	<u>(30,000)</u>
Net change in fund balance	(14,628)	(14,628)	(54,819)	(40,191)	(54,148)
FUND BALANCE, beginning	<u>373,561</u>	<u>373,561</u>	<u>373,561</u>		<u>427,709</u>
FUND BALANCE, ending	<u>\$ 358,933</u>	<u>\$ 358,933</u>	<u>\$ 318,742</u>	<u>\$ (40,191)</u>	<u>\$ 373,561</u>

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA

FIRE FUND

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

	Budgeted Amounts		Operations	Equipment	2023 Actual Amounts	Variance with Final Budget - Positive (Negative)	2022 Actual Amounts
	Original	Final					
REVENUES							
Property taxes	\$ 125,991	\$ 125,991	\$ 125,164	\$	\$ 125,164	\$ (827)	\$ 122,651
Intergovernmental	51,065	51,065	83,064		83,064	31,999	66,397
Charges for services	3,000	3,000	4,330		4,330	1,330	4,710
Interest income			11,412		11,412	11,412	1,835
Miscellaneous				92,000	92,000	92,000	121,700
TOTAL REVENUES	180,056	180,056	223,970	92,000	315,970	135,914	317,293
EXPENDITURES							
Salaries	21,500	21,500	15,190		15,190	6,310	16,650
PERA and social security	1,613	1,613	1,162		1,162	451	1,274
Employee benefits	3,737	3,737	5,462		5,462	(1,725)	3,059
Fire relief contributions and aid	3,500	3,500	23,605		23,605	(20,105)	23,232
Insurance	3,761	3,761	4,127		4,127	(366)	3,370
Supplies/small equipment	3,152	3,152	5,631	5,689	11,320	(8,168)	29,558
Repairs and maintenance	55,856	55,856	28,152		28,152	27,704	11,026
Training and travel	8,080	8,080	877		877	7,203	1,120
Telephone	3,000	3,000	2,837		2,837	163	3,386
Utilities	7,500	7,500	8,252		8,252	(752)	7,406
Professional services	19,781	19,781	19,112		19,112	669	23,010
Capital outlay	10,000	10,000				10,000	64,847
Miscellaneous	4,686	4,686	5,628		5,628	(942)	2,029
TOTAL EXPENDITURES	146,166	146,166	120,035	5,689	125,724	20,442	189,967
Excess of revenues over expenditures	33,890	33,890	103,935	86,311	190,246	156,356	127,326
OTHER FINANCING SOURCES (USES)							
Transfers in							39,500
Transfers out	(78,600)	(78,600)		(78,600)	(78,600)		(109,206)
TOTAL OTHER FINANCING SOURCES (USES)	(78,600)	(78,600)		(78,600)	(78,600)		(69,706)
Net change in fund balances	(44,710)	(44,710)	103,935	7,711	111,646	156,356	57,620
FUND BALANCES, beginning	(22,701)	(22,701)	(22,701)		(22,701)		(80,321)
FUND BALANCES, ending	\$ (67,411)	\$ (67,411)	\$ 81,234	\$ 7,711	\$ 88,945	\$ 156,356	\$ (22,701)

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statements of Net Position
December 31, 2023
With Comparative Totals as of December 31, 2022

	Totals - Utilities Commission	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,737,516	\$ 1,756,683
Due from other funds	130,729	157,628
Accounts receivable	106,450	99,202
Lease receivable	710,648	760,198
Inventory	54,378	50,221
Prepaid items	708	586
Total Current Assets	2,740,429	2,824,518
Noncurrent Assets		
Capital assets:		
Nondepreciable	9,406,473	8,248,319
Depreciable	11,731,700	11,673,206
Less: Accumulated depreciation	5,793,422	5,567,395
Net capital assets	15,344,751	14,354,130
Total Assets	18,085,180	17,178,648
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	41,785	71,301
LIABILITIES		
Current Liabilities		
Accounts payable	86,899	145,209
Accrued payroll liabilities	13,968	12,040
Accrued compensated absences	34,750	30,290
Accrued interest payable	26,792	23,058
Due to other funds	139,274	222,194
Customer deposits	1,957	
Current maturities of bonds and notes payable	289,000	251,500
Total Current Liabilities	592,640	684,291
Noncurrent Liabilities		
Bonds and notes payable, net of current maturities	6,590,974	6,022,261
Net pension liability	157,199	225,614
Total Noncurrent Liabilities	6,748,173	6,247,875
Total Liabilities	7,340,813	6,932,166
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	54,823	3,262
Deferred inflows from lease activity	710,648	760,198
Total Deferred Inflows of Resources	765,471	763,460
NET POSITION		
Net investment in capital assets	8,464,777	8,080,369
Restricted for debt	345,331	336,940
Unrestricted	1,210,573	1,137,014
Total Net Position	\$ 10,020,681	\$ 9,554,323

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statements of Revenues, Expenses,
and Changes in Net Position
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	Totals - Utilities Commission	
	2023	2022
Operating Revenues		
Charges for services	\$ 1,889,128	\$ 1,869,349
Operating Expenses		
Purchased power/facility charge	707,755	659,248
Utilities	102,000	112,186
Salaries and wages	343,345	288,677
Employee benefits	92,581	63,735
Repairs and maintenance	37,431	45,020
Materials, chemicals, and supplies	25,985	45,721
Professional fees	59,368	97,252
Depreciation and amortization	325,482	363,117
Insurance	39,217	32,319
Other	24,973	47,595
Total Operating Expenses	1,758,137	1,754,870
Operating Income	130,991	114,479
Nonoperating Revenues (Expenses)		
Interest income	36,031	4,644
Interest expense	(69,710)	(56,864)
Loss on disposal of capital assets	(77,100)	(144,442)
Other income	80,959	97,104
Total Nonoperating Revenue (Expenses)	(29,820)	(99,558)
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS/GRANTS	101,171	14,921
Contributed capital/grants	173,698	2,057,459
Transfers in	275,812	
Transfers out	(84,323)	(100,320)
CHANGE IN NET POSITION	466,358	1,972,060
NET POSITION - BEGINNING	9,554,323	7,582,263
NET POSITION - ENDING	\$ 10,020,681	\$ 9,554,323

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statements of Cash Flows
For the Year Ended December 31, 2023
With Comparative Totals for December 31, 2022

	Totals - Utilities Commission	
	2023	2022
Cash Flows From Operating Activities		
Cash received from customers and users	\$ 1,958,980	\$ 1,886,214
Cash paid to suppliers and employers	(1,500,285)	(1,373,193)
Other income	80,959	83,732
	539,654	596,753
Net Cash Provided By Operating Activities		
Cash Flows From Noncapital Financing Activities		
Net transfers	191,489	(4,142)
Due from other funds	(56,021)	(100,320)
	135,468	(104,462)
Net Cash Provided By (Used In) Noncapital Financing Activities		
Cash Flows From Capital and Related Financing Activities		
Capital asset acquisitions	(1,440,521)	(4,049,516)
Proceeds from sale of bonds	906,275	1,929,073
Contributions/grants	173,698	2,057,459
Principal payments on bonds	(300,062)	(249,500)
Interest payments on bonds	(69,710)	(56,864)
	(730,320)	(369,348)
Net Cash Used In Capital and Related Financing Activities		
Cash Flows From Investing Activities		
Investment income received	36,031	4,644
	36,031	4,644
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,167)	127,587
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,756,683	1,629,096
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,737,516	\$ 1,756,683

See Notes to the Financial Statements

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

	Totals - Utilities Commission	
	2023	2022
Operating Income	\$ 130,991	\$ 114,479
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	325,482	363,117
Change in net pension liability	12,662	2,169
Other income	80,959	97,104
(Increase) Decrease In:		
Accounts receivable	(7,248)	3,493
Inventory	(4,157)	(2,579)
Prepaid items	(122)	25
Increase In:		
Accounts payable	(10,992)	14,195
Accrued expenses and customer deposits	12,079	4,750
	<u>\$ 539,654</u>	<u>\$ 596,753</u>
 Net Cash Provided By Operating Activities	 <u>\$ 539,654</u>	 <u>\$ 596,753</u>
 Non-Cash Transactions:		
Capital assets acquired with accounts payable	\$ 34,810	\$ 82,128

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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 *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, 2023.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Investments

Cash and investments consist of checking accounts, savings accounts, money market account, 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (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 and improvements		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 and improvements	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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (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 assets 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)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (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 assets 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 2022 financial statements have been reclassified to conform with the 2023 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. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on accounting and financial reporting for subscription-based information technology. Under this Statement, government organizations are required to recognize a subscription liability and a right-to-use capitalized asset. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. This Statement establishes uniform accounting and financial reporting requirements for Subscription Based Information Technology Arrangements; improves the comparability of government financial statements; and enhances the relevance, understandability, reliability, and consistency of information regarding these arrangements. The Statement has been implemented.

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, 2023, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$	75
Deposits		2,466,021
Money market funds		828,300
Total Cash and investments	\$	<u>3,294,396</u>
Cash and investments	\$	3,271,173
Restricted cash and investments		<u>23,223</u>
Cash and investments Per Statement of Net Position	\$	<u><u>3,294,396</u></u>

Investments Authorized by Minnesota Statutes

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

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

Summary of Cash and Investments (Continued)

Credit Risk

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

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 at December 31, 2023.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

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, 2023 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in process	2,401,690	2,203,273	10,000	4,594,963
Total capital assets, not being depreciated	2,666,190	2,203,273	10,000	4,859,463
Capital assets, being depreciated:				
Buildings and improvements	2,347,297	11,757	6,610	2,352,444
Infrastructure	8,581,123	68,906		8,650,029
Machinery and equipment	1,685,790	295,750	473,681	1,507,859
Total capital assets, being depreciated	12,614,210	376,413	480,291	12,510,332
Less accumulated depreciation for:				
Buildings and improvements	1,160,909	55,654	6,610	1,209,953
Infrastructure	2,313,558	212,044		2,525,602
Machinery and equipment	1,178,623	90,499	450,351	818,771
Total accumulated depreciation	4,653,090	358,197	456,961	4,554,326
Total capital assets, being depreciated, net	7,961,120	18,216	23,330	7,956,006
Governmental activities capital assets, net	\$ 10,627,310	\$ 2,221,489	\$ 33,330	\$ 12,815,469

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	8,155,802	1,187,103	28,949	9,313,956
Total capital assets, not being depreciated	8,248,319	1,187,103	28,949	9,406,473
Capital assets, being depreciated:				
Dam	567,304			567,304
Buildings and improvements	5,584,919			5,584,919
Production systems	882,646			882,646
Distribution systems	4,330,212		168,459	4,161,753
Machinery and equipment	308,125	235,049	8,096	535,078
Total capital assets, being depreciated	11,673,206	235,049	176,555	11,731,700
Less accumulated depreciation for:				
Dam	203,255	22,796		226,051
Buildings and improvements	1,593,849	158,476		1,752,325
Production systems	637,437	18,764		656,201
Distribution systems	2,921,620	100,871	91,359	2,931,132
Machinery and equipment	211,234	24,575	8,096	227,713
Total accumulated depreciation	5,567,395	325,482	99,455	5,793,422
Total capital assets, being depreciated, net	6,105,811	(90,433)	77,100	5,938,278
Business-type activities capital assets, net	\$ 14,354,130	\$ 1,096,670	\$ 106,049	\$ 15,344,751

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 24,195
Public safety	65,828
Public works	106,460
Culture and recreation	40,691
Economic development	121,023
	<hr/>
Total depreciation expense - governmental activities	\$ 358,197
	<hr/>
Business-Type Activities:	
Utilities Commission	\$ 325,482
	<hr/>

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, 2023, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
General Fund	\$ 82,846	\$
Debt Service:		
2017A Zenith/Auburn		5,800
2022 Street & Utility Project	14,345	16,963
Capital Project:		
Street & Utility Improvement Project		65,883
Utilities Commission	130,729	139,274
Totals	\$ 227,920	\$ 227,920

Transfers during the year ended December 31, 2023 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$	\$ 142,048
Special Revenue:		
Ambulance		180,005
Fire		78,600
Local Sales Tax		82,452
Debt Service:		
2017A Zenith/Auburn Bond	96,908	
2017B Park/Road Bond	21,000	
2018A Zenith Paving Bond	6,452	
2016A Refunding Bond	30,000	
2022A Building Bond	60,600	
Capital Project:		
Street & Utility Improvement Project		177,389
Dam Project		1,908
Vehicle Replacement	85,953	
Emergency Services Capital	170,000	
Enterprise:		
Utilities Commission	275,812	84,323
Total Transfers	\$ 746,725	\$ 746,725

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 2023 are as follows:

General Fund	\$ 24,511
Special Revenue Funds:	
Library	905

All excess expenditures were the result of planned processes.

As of December 31, 2023, the following funds had deficit fund balances:

Debt Service:	
2022 Street & Utility Project	\$ 2,576
Capital Project:	
Street & Utility Improvement Fund	65,883

D. Fund Balance

The City has assigned portions of the fund balance in the governmental funds. A summary of the assigned portion of the fund balance at December 31, 2023 is as follows:

	Vehicle Replacement Fund	Other Governmental Funds	Total Governmental Funds	
			2023	2022
Assigned for				
Ambulance	\$	\$	\$	\$ 179,198
Street	83,395		83,395	78,296
Fire	79,222	88,945	168,167	62,875
Fire Equipment	161,435		161,435	301,646
Park	21,420		21,420	19,321
General Government	10,005		10,005	
Dam Project				1,908
Street & Utility Imp. Project				114,184
Emergency Service Capital		170,000	170,000	
Library		10,356	10,356	3,937
Local Sales Tax		119,310	119,310	121,303
Economic Development		34,201	34,201	49,076
 Total Assigned	 \$ 355,477	 \$ 422,812	 \$ 778,289	 \$ 931,744

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Long-Term Debt

A summary of interest rates, maturities, and balances at December 31, 2023 are as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance December 31, 2023
General Obligation Improvement Bonds:				
Series 2010B	\$ 420,000	2% - 3.9%	2026	\$ 100,000
Series 2016A	527,000	2.00%	2024	84,000
Series 2017A	1,180,000	2.00%	2029	840,000
Series 2017B	261,000	2% - 2.5%	2028	141,000
Series 2018A	100,000	2.90%	2029	65,000
Series 2022A	818,000	4.10%	2043	818,000
Series 2022B	570,000	4.07%	2043	570,000
Series 2022E	75,000	3.85%	2032	68,464
PFA Improvement Notes:				
2014 Drinking Water State Revolving Fund	3,031,931	1.00%	2044	2,129,000
2015 Drinking Water State Revolving Fund	165,775	1.00%	2044	130,000
2020 Clean Water State Revolving Fund - Sewer	4,844,331	1.00%	2050	3,856,815
2022 Drinking Water State Revolving Fund	345,334	2.04%	2052	172,055
2022 Clean Water State Revolving Fund - Sewer	461,728	1.53%	2052	442,104
Loans				
Mi-Energy Loan	50,000	3.00%	2031	39,185
Unamortized Discount				(7,775)
Compensated Absences - Governmental				58,603
Compensated Absences - Utilities				34,750
Total Long-Term Debt				<u>\$ 9,541,201</u>

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2023:

	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%)	\$ 130,000	\$	\$ 30,000	\$ 100,000	\$ 30,000
2016A GO Refunding Bond (2.00%)	164,000		80,000	84,000	84,000
2017A GO Improvement (2.0% - 2.5%)	795,000		105,000	690,000	110,000
2017B GO Improvement Note (2.9%)	167,000		26,000	141,000	27,000
2018A GO Improvement Note (4.1%)	74,000		9,000	65,000	10,000
2022A Lease Agreement (4.07%)	818,000			818,000	27,000
2022B GO Improvement Note (3.85%)	570,000			570,000	9,000
2022E Tax Abatement Bond - MEnergy (3.00%)	75,000		6,536	68,464	6,733
Mi-Energy Loan	42,815		3,630	39,185	4,887
Less: Unamortized Discount	(9,901)		(2,126)	(7,775)	
Total Bonds and Notes Payable	2,825,914		258,040	2,567,874	308,620
Other Liabilities:					
Compensated Absences	60,628		2,025	58,603	58,603
Governmental Activities					
Long-term Liabilities	2,886,542		260,065	2,626,477	367,223
BUSINESS-TYPE ACTIVITIES					
Bonds Payable:					
General Obligation Revenue Bonds:					
2017A Utility Bond (2.0%-2.5%)	200,000		50,000	150,000	25,000
Notes Payable:					
2014 Drinking Water State Revolving Fund	2,219,000		90,000	2,129,000	91,000
2015 Drinking Water State Revolving Fund	135,000		5,000	130,000	6,000
2020 Clean Water State Revolving Fund - Sewer	3,495,834	504,981	144,000	3,856,815	145,000
2022 Drinking Water State Revolving Fund	94,740	82,649	5,334	172,055	13,000
2022 Clean Water State Revolving Fund - Sewer	129,187	318,645	5,728	442,104	9,000
Total Bonds and Notes Payable	6,273,761	906,275	300,062	6,879,974	289,000
Other Liabilities:					
Compensated Absences	30,289	4,461		34,750	34,750
Business-type Activities					
Long-term Liabilities	6,304,050	910,736	300,062	6,914,724	323,750
Total	\$ 9,190,592	\$ 910,736	\$ 560,127	\$ 9,541,201	\$ 690,973

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, 2023, over the life of the debt, are summarized below:

Years	General Obligation Bonds and Notes		General Obligation Revenue Bonds		Notes Payable		Total Principal	Total Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
<u>Governmental Activities</u>								
2024	\$ 297,000	\$ 80,403	\$	\$	\$ 11,621	\$ 1,724	\$ 308,621	\$ 82,127
2025	231,000	73,205			11,873	1,524	242,873	74,729
2026	239,000	67,283			12,131	1,325	251,131	68,608
2027	208,000	59,849			12,398	1,125	220,398	60,974
2028	216,000	59,850			12,671	924	228,671	60,774
2029-2033	443,000	201,104			46,955	1,715	489,955	202,819
2034-2038	377,000	129,630					377,000	129,630
2039-2043	457,000	46,821					457,000	46,821
Totals	<u>\$ 2,468,000</u>	<u>\$ 671,324</u>			<u>\$ 107,649</u>	<u>\$ 8,337</u>	<u>\$ 2,575,649</u>	<u>\$ 679,661</u>
<u>Business-Type Activities</u>								
2024			\$ 25,000	\$ 3,375	\$ 264,000	\$ 81,081	\$ 289,000	\$ 84,456
2025			25,000	2,875	267,000	78,278	292,000	81,153
2026			25,000	2,375	269,000	68,842	294,000	71,217
2027			25,000	1,813	272,000	66,173	297,000	67,986
2028			25,000	1,250	274,000	63,442	299,000	64,692
2029-2033			25,000	625	1,419,000	276,996	1,444,000	277,621
2034-2038					1,499,000	205,526	1,499,000	205,526
2039-2043					1,584,000	129,740	1,584,000	129,740
2044-2048					642,500	57,119	642,500	57,119
2049-2052					239,474	8,524	239,474	8,524
Totals			<u>\$ 150,000</u>	<u>\$ 12,313</u>	<u>\$ 6,729,974</u>	<u>\$ 159,359</u>	<u>\$ 6,879,974</u>	<u>\$ 171,672</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 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 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. 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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$43,182. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2023, the City reported a liability of \$402,616 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 \$11,101.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0072 percent at the end of the measurement period and 0.0074 percent for the beginning of the period

City's proportionate share of the net pension liability	\$ 402,616
State of Minnesota's proportionate share of the net pension liability associated with the City	11,101
Total	<u>\$ 413,717</u>

For the year ended December 31, 2023, the City recognized pension expense of \$16,546 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$50 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)

At December 31, 2023, 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	\$ 13,310	\$ 2,850
Net difference between projected and actual investment earnings		15,084
Changes in actuarial assumptions	66,982	110,352
Changes in proportion	5,996	11,880
Contributions paid to PERA subsequent to the measurement date	18,162	
Total	<u>\$ 104,450</u>	<u>\$ 140,166</u>

The \$18,162 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. 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
2024	\$ 12,796
2025	(64,808)
2026	6,872
2027	(8,738)

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%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7.0 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 7.0 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 27 years of service.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Actuarial Methods and Assumptions (Continued)

There following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position 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.

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	6.00%	\$ 712,260
Current Discount Rate	7.00%	402,616
1% Higher	8.00%	147,922

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 \$1,750 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, 2023, the Association funding status is as follows:

Total plan assets	\$ 497,409
Total accrued liability	<u>498,808</u>
Deficit of plan assets over accrued liability	<u>\$ (1,399)</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 2023 amount to \$3,500. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2023.

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 2023 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 2023.

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 2023. 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, 2023, remaining notes outstanding totaled \$270,000.

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, 2023, the City paid tax increments totaling \$26,476 related to these agreements.

CITY OF LANESBORO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

CITY OF LANESBORO, MINNESOTA
Schedule of Contributions
December 31, 2023

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	43,182	43,182		575,760	7.50%

CITY OF LANESBORO, MINNESOTA
Schedule of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2023

PERA General Employees Retirement Fund

Fiscal Year Ended June 30	Proportionate of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Position Liability Associated with the City (a+b)	Covered Payroll (c)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b) / c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0066%	\$ 310,035	\$	\$ 310,035	\$ 326,055	95.1%	78.70%
2015	0.0059%	305,769		305,769	337,597	90.6%	78.20%
2016	0.0058%	470,931	6,176	477,107	350,533	134.3%	68.90%
2017	0.0065%	414,956	5,237	420,193	389,447	106.6%	75.90%
2018	0.0063%	349,499	11,452	360,951	420,353	83.1%	79.53%
2019	0.0066%	364,899	11,500	376,399	445,347	81.9%	80.23%
2020	0.0070%	419,682	12,913	432,595	485,233	86.5%	79.06%
2021	0.0074%	316,013	9,744	325,757	517,520	61.1%	87.00%
2022	0.0074%	586,082	17,144	603,226	544,040	107.7%	76.67%
2023	0.0072%	402,616	11,101	413,717	564,473	71.3%	83.10%

CITY OF LANESBORO, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2023

**CITY OF LANESBORO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2023**

	Special Revenue					Debt Service		
	211 Library	230 Ambulance	235 Buffalo Bill Days	250 Economic Development	418 Local Sales Tax	620/625 Revolving EDA Loan	307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond
ASSETS								
Cash and investments	\$ 4,021		\$ 17,094	\$ 34,077	\$ 114,005	\$ 15,405	\$ 227,727	\$ 30,744
Restricted cash and investments	23,223							
Accounts receivable					5,305			
Due from other governmental units	8,590			124				
Taxes receivable delinquent	90			70				
Loans receivable						170,597		
Special assessments receivable							56,847	41,247
Due from other funds								
TOTAL ASSETS	\$ 35,924	\$	\$ 17,094	\$ 34,271	\$ 119,310	\$ 186,002	\$ 284,574	\$ 71,991
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 89							
Accrued liabilities	2,166							
Due to other funds							5,800	
Total Liabilities	2,255						5,800	
Deferred Inflows of Resources								
Unavailable revenue								
Property taxes	90			70				
Loans receivable						170,597		
Special assessments							56,847	41,247
Total Deferred Inflows of Resources	90			70		170,597	56,847	41,247
Fund Balance								
Restricted:								
Contributors	23,223		17,094					
Regulators						15,405		
Debt service							221,927	30,744
Assigned	10,356			34,201	119,310			
Unassigned								
Total Fund Balance	33,579		17,094	34,201	119,310	15,405	221,927	30,744
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 35,924	\$	\$ 17,094	\$ 34,271	\$ 119,310	\$ 186,002	\$ 284,574	\$ 71,991

Debt Service					Capital Project				Total Nonmajor Governmental Funds
310 2018A Zenith Paving Bond	311 2022 Street & Utility Project	303 2016A Refunding Bond	304 2010B Tax Abatement Bonds	312 2022A Building Bond	240 Church Hill TIF District	417 Dam Project	425 Vehicle Replacement	430 Emergency Services Capital	2023
\$ 37,350	\$	\$ 57,811	\$ 56,951	\$ 44,334	\$ 40,865	\$	\$ 355,477	\$ 170,000	\$ 1,205,861
	42	286	234		6,132				23,223
3,949	6,541	27,080							5,347
	14,345								9,234
									6,292
									170,597
									135,664
									14,345
<u>\$ 41,299</u>	<u>\$ 20,928</u>	<u>\$ 85,177</u>	<u>\$ 57,185</u>	<u>\$ 44,334</u>	<u>\$ 46,997</u>	<u>\$</u>	<u>\$ 355,477</u>	<u>\$ 170,000</u>	<u>\$ 1,570,563</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 89
	16,963								2,166
	16,963								22,763
									25,018
					6,132				6,292
3,949	6,541	27,080							170,597
3,949	6,541	27,080			6,132				135,664
									312,553
37,350		58,097	57,185	44,334	40,865				40,317
							355,477	170,000	56,270
	(2,576)								449,637
37,350	(2,576)	58,097	57,185	44,334	40,865		355,477	170,000	689,344
									(2,576)
									1,232,992
<u>\$ 41,299</u>	<u>\$ 20,928</u>	<u>\$ 85,177</u>	<u>\$ 57,185</u>	<u>\$ 44,334</u>	<u>\$ 46,997</u>	<u>\$</u>	<u>\$ 355,477</u>	<u>\$ 170,000</u>	<u>\$ 1,570,563</u>

CITY OF LANESBORO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	Special Revenue						Debt Service	
	211	230	235	250	418	620/625	307	309
	Library	Ambulance	Buffalo Bill Days	Economic Development	Local Sales Tax	Revolving EDA Loan	Zenith/Auburn Bond	Park Road Bond
REVENUES								
Property taxes	\$ 86,223	\$	\$	\$ 20,421	\$	\$	\$	\$
Sales taxes					80,459			
Tax increment								
Special assessments							12,580	16,427
Intergovernmental	32,168							
Charges for services	1,152	349	51,834					
Interest income		1,010				77		
Miscellaneous	6,217			17,013		69,965		
TOTAL REVENUES	<u>125,760</u>	<u>1,359</u>	<u>51,834</u>	<u>37,434</u>	<u>80,459</u>	<u>70,042</u>	<u>12,580</u>	<u>16,427</u>
EXPENDITURES								
Public safety		552						
Culture and recreation	119,030		52,569					
Economic development				52,309		85,000		
Capital outlay								
Debt service:								
Principal retirement						10,166	105,000	26,000
Interest and fiscal charges						2,893	2,217	4,466
TOTAL EXPENDITURES	<u>119,030</u>	<u>552</u>	<u>52,569</u>	<u>52,309</u>		<u>98,059</u>	<u>107,217</u>	<u>30,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,730</u>	<u>807</u>	<u>(735)</u>	<u>(14,875)</u>	<u>80,459</u>	<u>(28,017)</u>	<u>(94,637)</u>	<u>(14,039)</u>
OTHER FINANCING SOURCES (USES)								
Sale of assets								
Transfers in							96,908	21,000
Transfers out		(180,005)			(82,452)			
TOTAL OTHER FINANCING SOURCES (USES)		<u>(180,005)</u>			<u>(82,452)</u>		<u>96,908</u>	<u>21,000</u>
Net change in fund balances	6,730	(179,198)	(735)	(14,875)	(1,993)	(28,017)	2,271	6,961
FUND BALANCES, beginning	<u>26,849</u>	<u>179,198</u>	<u>17,829</u>	<u>49,076</u>	<u>121,303</u>	<u>43,422</u>	<u>219,656</u>	<u>23,783</u>
FUND BALANCES, ending	<u>\$ 33,579</u>	<u>\$</u>	<u>\$ 17,094</u>	<u>\$ 34,201</u>	<u>\$ 119,310</u>	<u>\$ 15,405</u>	<u>\$ 221,927</u>	<u>\$ 30,744</u>

Debt Service					Capital Project				Total Nonmajor Governmental Funds 2023
310 2018A Zenith Paving Bond	303 2016A Refunding Bond	304 2010B Tax Abatement Bonds	311 2022 Street & Utility Project	312 2022A Building Bond	240 Church Hill TIF District	417 Dam Project	425 Vehicle Replacement	430 Emergency Services Capital	
\$	\$ 44,695	\$ 36,433	\$ 6,868	\$	\$	\$	\$	\$	\$ 194,640
					29,418				80,459
915	4,365								29,418
									34,287
									32,168
									53,335
									1,087
									93,195
<u>915</u>	<u>49,060</u>	<u>36,433</u>	<u>6,868</u>		<u>29,418</u>				<u>518,589</u>
									552
					26,476				171,599
							302,604		163,785
									302,604
9,000	80,000	30,000							260,166
2,850	2,480	4,960	21,944	40,229					82,039
<u>11,850</u>	<u>82,480</u>	<u>34,960</u>	<u>21,944</u>	<u>40,229</u>	<u>26,476</u>		<u>302,604</u>		<u>980,745</u>
(10,935)	(33,420)	1,473	(15,076)	(40,229)	2,942		(302,604)		(462,156)
							109,990		109,990
6,452	30,000			60,600			85,953	170,000	470,913
						(1,908)			(264,365)
<u>6,452</u>	<u>30,000</u>			<u>60,600</u>		<u>(1,908)</u>	<u>195,943</u>	<u>170,000</u>	<u>316,538</u>
(4,483)	(3,420)	1,473	(15,076)	20,371	2,942	(1,908)	(106,661)	170,000	(145,618)
41,833	61,517	55,712	12,500	23,963	37,923	1,908	462,138		1,378,610
<u>\$ 37,350</u>	<u>\$ 58,097</u>	<u>\$ 57,185</u>	<u>\$ (2,576)</u>	<u>\$ 44,334</u>	<u>\$ 40,865</u>	<u>\$</u>	<u>\$ 355,477</u>	<u>\$ 170,000</u>	<u>\$ 1,232,992</u>

**CITY OF LANESBORO, MINNESOTA
LIBRARY FUND
Balance Sheets
December 31, 2023
With Comparative Totals as of December 31, 2022**

	Totals	
	2023	2022
ASSETS		
Current Assets		
Cash and investments	\$ 4,021	\$ 6,129
Restricted cash and investments	23,223	22,912
Due from other governments	8,590	243
Taxes receivable delinquent	90	90
Total Current Assets	35,924	29,374
LIABILITIES		
Current Liabilities		
Accounts payable	89	89
Accrued liabilities	2,166	2,346
Total Current Liabilities	2,255	2,435
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue:		
Property taxes	90	90
FUND BALANCE		
Restricted:		
Memorial	23,223	22,912
Assigned:		
Book/Memorial	11,832	12,143
Unassigned:		
Library operations	(1,476)	(8,206)
Total Fund Balance	\$ 33,579	\$ 26,849

**CITY OF LANESBORO, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022**

	Budgeted Amounts		Library	Book/ Memorial	2023 Actual Amounts	Variance with	2022 Actual Amounts
	Original	Final				Final Budget - Positive (Negative)	
Revenues							
Property taxes	\$ 86,831	\$ 86,831	\$ 86,223	\$	\$ 86,223	\$ (608)	\$ 72,377
Intergovernmental	32,169	32,169	32,168		32,168	(1)	31,256
Charges for services	625	625	1,152		1,152	527	1,098
Miscellaneous			6,217		6,217	6,217	3,541
Total Revenues	<u>119,625</u>	<u>119,625</u>	<u>125,760</u>		<u>125,760</u>	<u>6,135</u>	<u>108,272</u>
Expenditures							
Salaries	72,181	72,181	75,610		75,610	(3,429)	69,650
PERA and social security	12,632	12,632	11,267		11,267	1,365	10,204
Employee benefits	13,124	13,124	13,555		13,555	(431)	12,262
Supplies	1,460	1,460	1,493		1,493	(33)	1,304
Books and magazines	6,400	6,400	7,131		7,131	(731)	5,808
Summer reading program	700	700				700	
Library automation	6,326	6,326	3,085		3,085	3,241	6,202
Insurance	700	700	1,051		1,051	(351)	680
Telephone	1,120	1,120	1,059		1,059	61	1,031
Lease payments	2,584	2,584	4,330		4,330	(1,746)	4,098
Miscellaneous	898	898	449		449	449	1,229
Total Expenditures	<u>118,125</u>	<u>118,125</u>	<u>119,030</u>		<u>119,030</u>	<u>(905)</u>	<u>112,468</u>
NET CHANGE IN FUND BALANCE	1,500	1,500	6,730		6,730	5,230	(4,196)
FUND BALANCE - BEGINNING	<u>26,849</u>	<u>26,849</u>	<u>(8,206)</u>	<u>35,055</u>	<u>26,849</u>		<u>31,045</u>
FUND BALANCE - ENDING	<u>\$ 28,349</u>	<u>\$ 28,349</u>	<u>\$ (1,476)</u>	<u>\$ 35,055</u>	<u>\$ 33,579</u>	<u>\$ 5,230</u>	<u>\$ 26,849</u>

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CITY OF LANESBORO, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2023**

\$420,000 General Obligation
Tax Abatement Bonds of 2010B

Year	Principal	Interest	Total
2024	\$ 30,000	\$ 3,315	\$ 33,315
2025	35,000	2,047	37,047
2026	35,000	682	35,682
Totals	\$ 100,000	\$ 6,044	\$ 106,044

\$527,000 General Obligation Refunding
Bonds of 2016A

Year	Principal	Interest	Total
2024	\$ 84,000	\$ 840	\$ 84,840
Totals	\$ 84,000	\$ 840	\$ 84,840

\$1,180,000 General Obligation Improvement
Bonds of 2017A

Year	Principal	Interest	Total
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	\$ 690,000	\$ 57,713	\$ 747,713

\$261,000 General Obligation Improvement
Note of 2017B

Year	Principal	Interest	Total
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	\$ 141,000	\$ 10,455	\$ 151,455

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2023**

\$100,000 General Obligation Improvement
Note of 2018A

Year	Principal	Interest	Total
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	\$ 65,000	\$ 8,263	\$ 73,263

\$50,000 Mi-Energy Loan
Note of 2021

Year	Principal	Interest	Total
2024	\$ 4,888	\$ 374	\$ 5,262
2025	4,936	324	5,260
2026	4,985	275	5,260
2027	5,036	225	5,261
2028	5,086	174	5,260
2029	5,140	123	5,263
2030	5,189	72	5,261
2031	3,925	20	3,945
Totals	\$ 39,185	\$ 1,587	\$ 40,772

\$818,000 Lease-Purchase Agreement
Note of 2022A

Year	Principal	Interest	Total
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	\$ 376,962	\$ 1,194,962

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2023**

\$570,000 General Obligation Improvement Note
Note of 2022B

Year	Principal	Interest	Total
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	\$ 250,984	\$ 820,984

\$75,000 General Obligation Tax Abatement Bond
of 2022E

Year	Principal	Interest	Total
2024	\$ 6,733	\$ 1,350	\$ 8,083
2025	6,937	1,200	8,137
2026	7,146	1,050	8,196
2027	7,362	900	8,262
2028	7,585	750	8,335
2029	7,814	600	8,414
2030	8,050	450	8,500
2031	8,293	300	8,593
2032	8,544	150	8,694
Totals	\$ 68,464	\$ 6,750	\$ 75,214

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2023

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

Year	Principal	Interest	Total
2024	\$ 91,000	\$ 21,290	\$ 112,290
2025	92,000	20,380	112,380
2026	93,000	19,460	112,460
2027	94,000	18,530	112,530
2028	95,000	17,590	112,590
2029	96,000	16,640	112,640
2030	97,000	15,680	112,680
2031	98,000	14,710	112,710
2032	99,000	13,730	112,730
2033	100,000	12,740	112,740
2034	101,000	11,740	112,740
2035	102,000	10,730	112,730
2036	103,000	9,710	112,710
2037	105,000	8,680	113,680
2038	106,000	7,630	113,630
2039	107,000	6,570	113,570
2040	108,000	5,500	113,500
2041	109,000	4,420	113,420
2042	110,000	3,330	113,330
2043	111,000	2,230	113,230
2044	112,000	1,120	113,120
Totals	\$ 2,129,000	\$ 242,410	\$ 2,371,410

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2023

\$165,775 PFA Water Revenue
Note of 2015

Year	Principal	Interest	Total
2024	\$ 6,000	\$ 1,300	\$ 7,300
2025	6,000	1,240	7,240
2026	6,000	1,180	7,180
2027	6,000	1,120	7,120
2028	6,000	1,060	7,060
2029	6,000	1,000	7,000
2030	6,000	940	6,940
2031	6,000	880	6,880
2032	6,000	820	6,820
2033	6,000	760	6,760
2034	6,000	700	6,700
2035	6,000	640	6,640
2036	6,000	580	6,580
2037	6,000	520	6,520
2038	6,000	460	6,460
2039	6,000	400	6,400
2040	6,000	340	6,340
2041	7,000	280	7,280
2042	7,000	210	7,210
2043	7,000	140	7,140
2044	7,000	70	7,070
Totals	\$ 130,000	\$ 14,640	\$ 144,640

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

Year	Principal	Interest	Total
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	25,000	625	25,625
Totals	\$ 150,000	\$ 12,313	\$ 162,313

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, 2023, 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 25, 2024.

Report on 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 City of Lanesboro, Minnesota'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 identified 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-bid laws, depositories of public funds and public 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 City of Lanesboro, Minnesota's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lanesboro, Minnesota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
April 25, 2024

**CITY OF LANESBORO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

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.

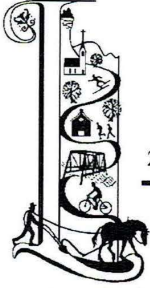
Recommendation: We recommend the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial and to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

CURRENT STATUS:

The finding recurred in 2023.

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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, 2023.

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 Mitchell Walbridge 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.