

CITY OF LANESBORO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2024

CITY OF LANESBORO, MINNESOTA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2024

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CITY OF LANESBORO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2024

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CITY OF LANESBORO, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2024

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, 2024

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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, 2024, 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, 2024, 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, 2023, from which such partial information was derived.

We have previously audited the City's 2023 financial statements and our report, dated April 25, 2024, 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, 2023, 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 March 27, 2025, on our consideration of the City of Lanesboro, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lanesboro, Minnesota's internal control over financial reporting and compliance.

Smith, Schafn and Associates, Ltd.

Rochester, Minnesota
March 27, 2025

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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, 2024.

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 \$23,124,525 (*net position*). Of this amount, \$4,198,581 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$1,330,151.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,759,116. Approximately \$1,325,453 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 \$398,844 or 44% of total general fund expenditures.
- The City of Lanesboro, Minnesota increased total outstanding debt obligations by \$1,315,893 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, 2022 street and utility project debt service fund, and street and 2022 utility improvement fund all of which are considered to be major funds. Data from the other sixteen 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 63) 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 31-56 of this report.

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

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 \$23,124,525 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (77%) 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 2,548,428	\$ 1,906,447	\$ 4,320,822	\$ 2,601,155	\$ 6,869,250	\$ 4,507,602
Capital assets	12,791,117	12,815,469	15,586,101	15,344,751	28,377,218	28,160,220
Total assets	15,339,545	14,721,916	19,906,923	17,945,906	35,246,468	32,667,822
Deferred outflow s of resources	23,969	62,665	21,486	41,785	45,455	104,450
Long-term liabilities outstanding	2,374,026	2,813,291	8,640,869	7,037,173	11,014,895	9,850,464
Other liabilities	120,187	112,254	161,379	164,366	281,566	276,620
Total liabilities	2,494,213	2,925,545	8,802,248	7,201,539	11,296,461	10,127,084
Deferred inflow s of resources	101,829	85,343	769,108	765,471	870,937	850,814
Net position:						
Net investment in capital assets	10,530,309	10,247,595	7,080,388	8,464,777	17,610,697	18,712,372
Restricted	969,719	647,695	345,528	345,331	1,315,247	993,026
Unrestricted	1,267,444	878,403	2,931,137	1,210,573	4,198,581	2,088,976
Total net position	\$ 12,767,472	\$ 11,773,693	\$ 10,357,053	\$ 10,020,681	\$ 23,124,525	\$ 21,794,374

The balance of *unrestricted net position* \$4,198,581 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 \$993,779.

Business-type activities. Business-type activities increased the City of Lanesboro, Minnesota's net position by \$336,372.

A condensed version of the Statement of Activities follows:

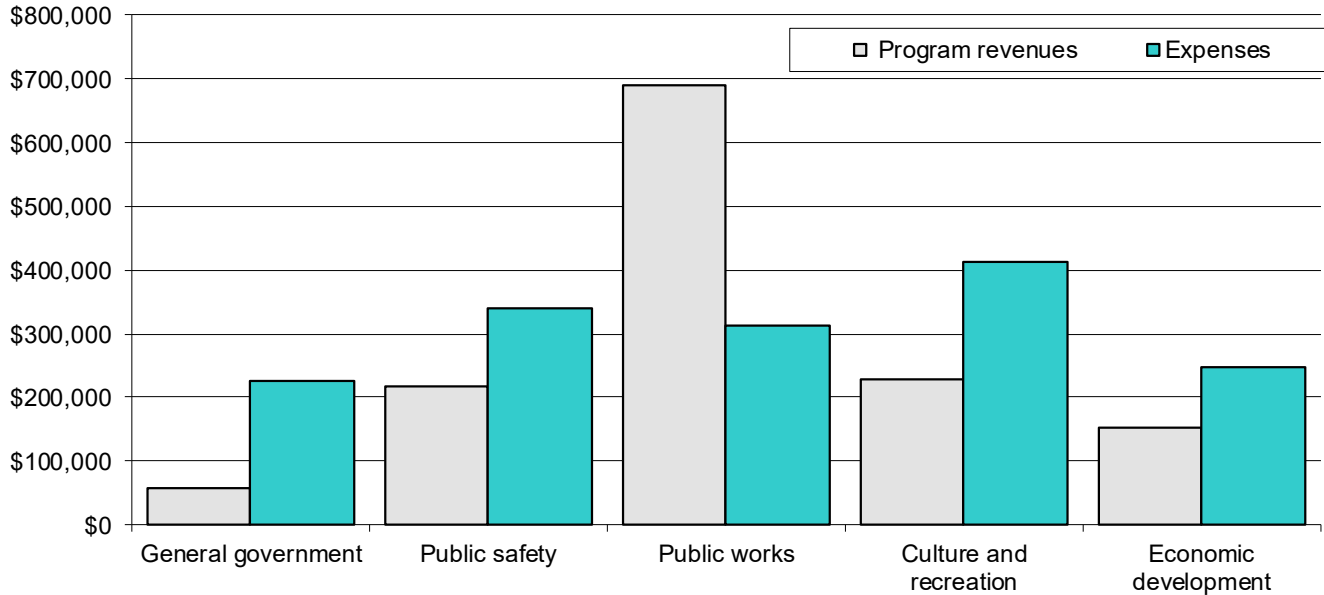
City of Lanesboro, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenue:						
Program revenues:						
Charges for services	\$ 300,462	\$ 312,065	\$ 1,879,956	\$ 1,889,128	\$ 2,180,418	\$ 2,201,193
Operating grants and contributions	224,143	296,830			224,143	296,830
Capital grants and contributions	820,686	2,089,226	7,045	173,698	827,731	2,262,924
General revenues:						
Property taxes	889,400	836,261			889,400	836,261
Sales tax	71,202	80,459			71,202	80,459
Tax increments	34,052	29,418			34,052	29,418
Grants and contributions not restricted to specific programs	224,197	218,377			224,197	218,377
Other	84,225	124,292	141,785	116,990	226,010	241,282
Total revenues	2,648,367	3,986,928	2,028,786	2,179,816	4,677,153	6,166,744
Expenses:						
General government	224,945	224,772			224,945	224,772
Public safety	338,234	305,866			338,234	305,866
Public works	311,221	221,579			311,221	221,579
Parks and recreation	413,676	430,066			413,676	430,066
Economic development	246,505	294,155			246,505	294,155
Interest on long-term debt	83,728	80,038			83,728	80,038
Utilities commission			1,728,693	1,904,947	1,728,693	1,904,947
Total expenses	1,618,309	1,556,476	1,728,693	1,904,947	3,347,002	3,461,423
Increase in net position before transfers	1,030,058	2,430,452	300,093	274,869	1,330,151	2,705,321
Transfers, net	(36,279)	(191,489)	36,279	191,489		
Increase in net position	993,779	2,238,963	336,372	466,358	1,330,151	2,705,321
Net position, beginning	11,773,693	9,534,730	10,020,681	9,554,323	21,794,374	19,089,053
Net position, end of year	\$12,767,472	\$11,773,693	\$10,357,053	\$10,020,681	\$ 23,124,525	\$ 21,794,374

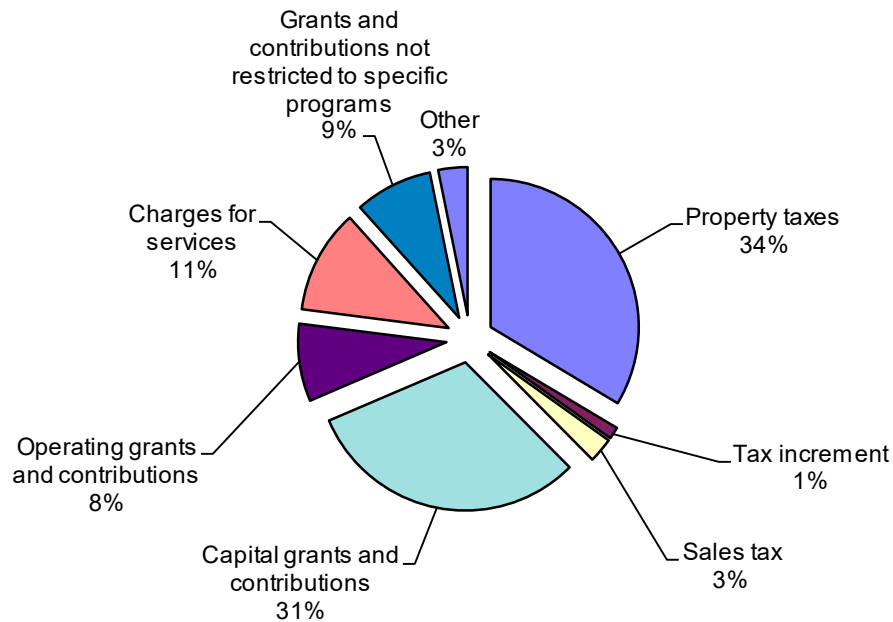
CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



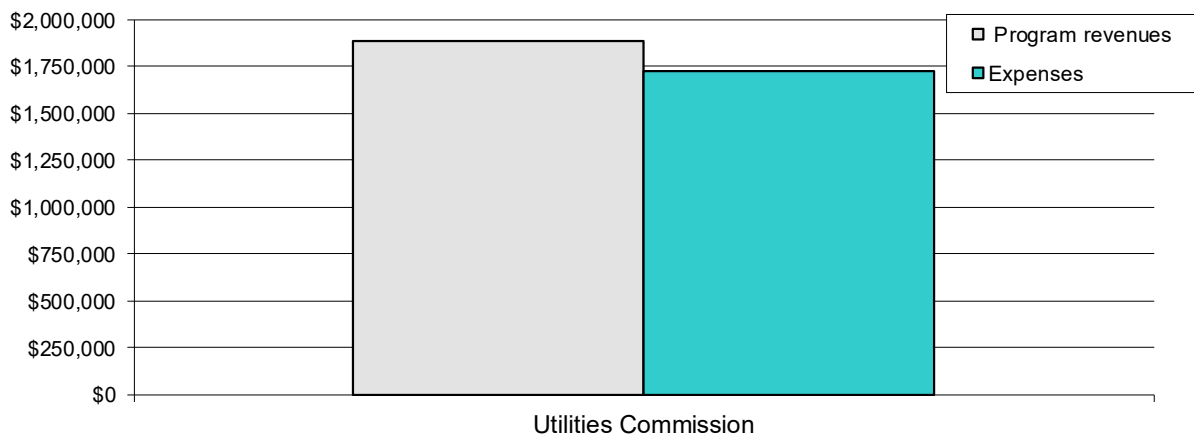
Revenues by Source - Governmental Activities



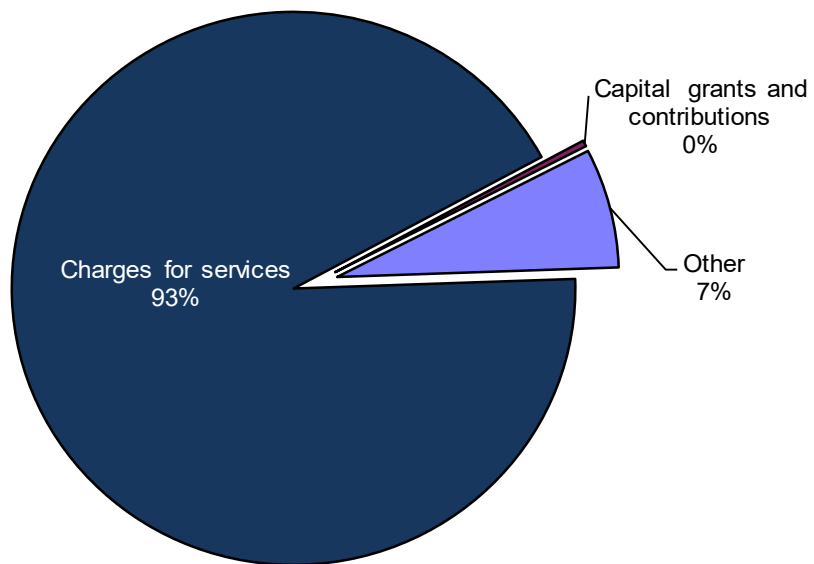
CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$1,759,116, an increase of \$184,320. Approximately \$1,325,453 of this total amount, or 75%, 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 \$398,844. 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 44% of total general fund expenditures.

The general fund's total fund balance increased by \$86,876 during the current fiscal year.

The fire fund increased its fund balance by \$22,559 for the year and ended the year with a fund balance of \$111,504.

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 \$2,931,137.

Further information regarding utility operations can be found in the Utilities Commission's separate financial report.

General Fund Budgetary Highlights

The City approved the 2024 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, 2024, amounts to \$28,377,218 (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 \$216,998.

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

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 264,500	\$ 264,500	\$ 92,517	\$ 92,517	\$ 357,017	\$ 357,017
Dam			318,459	341,253	318,459	341,253
Buildings and improvements	1,086,942	1,142,491	3,677,055	3,832,594	4,763,997	4,975,085
Infrastructure	10,701,034	6,124,427			10,701,034	6,124,427
Machinery and equipment	738,641	689,088	287,601	307,365	1,026,242	996,453
Production and distribution			1,923,714	1,457,066	1,923,714	1,457,066
Work in progress		4,594,963	9,286,755	9,313,956	9,286,755	13,908,919
Total	<u>\$ 12,791,117</u>	<u>\$ 12,815,469</u>	<u>\$ 15,586,101</u>	<u>\$ 15,344,751</u>	<u>\$28,377,218</u>	<u>\$28,160,220</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 \$10,771,516 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 \$1,315,893 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	
	2024	2023	2024	2023	2024	2023
General obligation bonds and notes	\$ 2,265,803	\$ 2,575,649	\$	\$	\$ 2,265,803	\$ 2,575,649
General obligation revenue bonds			1,835,000	150,000	1,835,000	150,000
Notes			6,670,713	6,729,974	6,670,713	6,729,974
Total	<u>\$ 2,265,803</u>	<u>\$ 2,575,649</u>	<u>\$ 8,505,713</u>	<u>\$ 6,879,974</u>	<u>\$ 10,771,516</u>	<u>\$ 9,455,623</u>

Economic Factors and Next Year's Budgets and Rates

- With the expiration of the 0.5% local option sales tax on December 31, 2024, the City looks to pursue another local option sales tax to assist funding infrastructure improvements.
- 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.
- In preparation for the TH250 Utility and Roadway Reconstruction project, the City actively seeks funding through federal congressionally directed spending, state appropriations, and other grant opportunities to assisting in offsetting project costs.
- The City is actively budgeting for capital improvements by building cash reserves for future projects.
- All of these factors were considered in preparing the City of Lanesboro, Minnesota's budget for the 2025 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, 2024

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CITY OF LANESBORO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2024
With Comparative Totals for December 31, 2023

	Governmental Activities	Business-Type Activities	Totals	
			2024	2023
ASSETS				
Cash and investments	\$ 1,571,399	\$ 3,619,539	\$ 5,190,938	\$ 3,271,173
Restricted cash and investments	24,464		24,464	23,223
Receivables (net of allowance for uncollectibles)	764,115	106,747	870,862	439,822
Lease receivable		672,901	672,901	710,648
Internal balances	154,113	(154,113)		
Inventory		75,068	75,068	54,378
Prepaid items	6,774	680	7,454	8,358
Net pension asset	27,563		27,563	
Capital assets:				
Nondepreciable	264,500	9,379,272	9,643,772	14,265,936
Depreciable, net	12,526,617	6,206,829	18,733,446	13,894,284
Total Assets	15,339,545	19,906,923	35,246,468	32,667,822
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	23,969	21,486	45,455	104,450
LIABILITIES				
Accounts payable	9,988	81,684	91,672	96,251
Accrued liabilities	1,216	3,534	4,750	22,675
Deposits payable		2,821	2,821	1,957
Accrued interest payable	32,639	36,144	68,783	60,985
Compensated absences	76,344	37,196	113,540	93,353
Noncurrent liabilities:				
Due within one year	241,648	292,000	533,648	597,620
Due in more than one year	2,019,160	8,213,713	10,232,873	8,850,228
Net pension liability	113,218	135,156	248,374	402,616
Net pension liability - fire relief				1,399
Total Liabilities	2,494,213	8,802,248	11,296,461	10,127,084
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	101,829	96,207	198,036	140,166
Deferred inflows from leasing activity		672,901	672,901	710,648
Total Deferred Inflows of Resources	101,829	769,108	870,937	850,814
NET POSITION				
Net investment in capital assets	10,530,309	7,080,388	17,610,697	18,712,372
Restricted for:				
Debt service	808,410	345,528	1,153,938	896,439
Fire pension	27,563		27,563	
Tax increment financing	44,815		44,815	40,865
Revolving loans	38,752		38,752	15,405
Contributors	50,179		50,179	40,317
Unrestricted	1,267,444	2,931,137	4,198,581	2,088,976
Total Net Position	\$ 12,767,472	\$ 10,357,053	\$ 23,124,525	\$ 21,794,374

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 224,945	\$ 29,261	\$ 10,278	\$ 18,740
Public safety	338,234	10,214	94,143	113,000
Public works	311,221			688,946
Culture and recreation	413,676	160,124	67,458	
Economic development	246,505	100,863	52,264	
Interest on long-term debt	83,728			
Total governmental activities	1,618,309	300,462	224,143	820,686
Business-Type activities:				
Utilities commission	1,728,693	1,879,956		7,045
Total	\$ 3,347,002	\$ 2,180,418	\$ 224,143	\$ 827,731

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	
		2024	2023
\$ (166,666)	\$	\$ (166,666)	\$ (187,815)
(120,877)		(120,877)	(109,791)
377,725		377,725	1,868,847
(186,094)		(186,094)	(212,677)
(93,378)		(93,378)	(136,881)
(83,728)		(83,728)	(80,038)
(273,018)		(273,018)	1,141,645
	158,308	158,308	157,879
(273,018)	158,308	(114,710)	1,299,524
889,400		889,400	836,261
34,052		34,052	29,418
71,202		71,202	80,459
224,197		224,197	218,377
26,171	65,379	91,550	59,441
46,050	76,406	122,456	95,181
12,004		12,004	86,660
(36,279)	36,279		
1,266,797	178,064	1,444,861	1,405,797
993,779	336,372	1,330,151	2,705,321
11,773,693	10,020,681	21,794,374	19,089,053
\$ 12,767,472	\$ 10,357,053	\$ 23,124,525	\$ 21,794,374

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CITY OF LANESBORO, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2024

CITY OF LANESBORO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024
With Comparative Totals for December 31, 2023

		Special Revenue	Debt Service
		220	311
	100	Fire	2022 Street &
	General	Fund	Utility Project
			Fund
ASSETS			
Cash and investments	\$ 224,743	\$ 111,990	\$
Restricted cash and investments			
Accounts receivable			
Due from other governmental units	4,643	556	127
Taxes receivable delinquent	10,282	2,618	475
Loans receivable			
Special assessments receivable	120		436,271
Due from other funds	178,962		46,229
Prepaid items	6,774		
TOTAL ASSETS	\$ 425,524	\$ 115,164	\$ 483,102
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 8,753	\$ 1,042	\$
Accrued liabilities	751		
Due to other funds			63,609
Total Liabilities	9,504	1,042	63,609
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes	10,282	2,618	475
Loans receivable			
Special assessments	120		436,271
Total Deferred Inflows of Resources	10,402	2,618	436,746
Fund Balance:			
Nonspendable	6,774		
Restricted:			
Contributors			
Regulators			
Debt service			
Assigned		111,504	
Unassigned	398,844		(17,253)
Total Fund Balance	405,618	111,504	(17,253)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 425,524	\$ 115,164	\$ 483,102

See Notes to the Financial Statements

Capital Project			
411		Total	
Street & Utility	Other	Governmental	
Improvement	Governmental	Funds	
Fund	Funds	2024	2023
\$	\$ 1,234,666	\$ 1,571,399	\$ 1,533,657
	24,464	24,464	23,223
	6,436	6,436	6,489
	1,808	7,134	13,291
	13,318	26,693	7,151
	202,320	202,320	238,136
	85,141	521,532	135,844
114,452		339,643	97,191
		6,774	7,650
<u>\$ 114,452</u>	<u>\$ 1,568,153</u>	<u>\$ 2,706,395</u>	<u>\$ 2,062,632</u>

\$	\$ 193	\$ 9,988	\$ 9,352
	465	1,216	8,707
114,452	7,469	185,530	88,646
<u>114,452</u>	<u>8,127</u>	<u>196,734</u>	<u>106,705</u>

	13,318	26,693	7,151
	202,320	202,320	238,136
	85,141	521,532	135,844
<u></u>	<u>300,779</u>	<u>750,545</u>	<u>381,131</u>

		6,774	7,650
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	50,179	50,179	40,317
	83,567	83,567	56,270
	316,299	316,299	449,637
	809,202	920,706	778,289
		381,591	242,633
<u></u>	<u>1,259,247</u>	<u>1,759,116</u>	<u>1,574,796</u>

<u>\$ 114,452</u>	<u>\$ 1,568,153</u>	<u>\$ 2,706,395</u>	<u>\$ 2,062,632</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, 2024
With Comparative Totals for the Year Ended December 31, 2023

		Special Revenue	Debt Service
			311
	100	220	2022 Street &
	General	Fire	Utility Project
		Fund	Fund
REVENUES			
Property taxes	\$ 523,773	\$ 66,728	\$ 16,095
Lodging tax	100,863		
Sales taxes			
Special assessments	644		
Tax increments			
Licenses and permits	18,160		
Fines and forfeits	529		
Intergovernmental	242,937	81,493	
Charges for services	114,460	9,420	
Interest income	14,242	11,863	
Miscellaneous	57,436	125,650	
TOTAL REVENUES	1,073,044	295,154	16,095
EXPENDITURES			
General government	185,417		
Public safety	154,536	126,102	
Public works	200,179		
Culture and recreation	210,735		
Economic development	96,325		
Capital outlay	52,597	16,953	
Debt service:			
Principal			9,000
Interest and fiscal charges			21,772
TOTAL EXPENDITURES	899,789	143,055	30,772
Excess (deficiency) of revenues over (under) expenditures	<u>173,255</u>	<u>152,099</u>	<u>(14,677)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets			
Transfers in			
Transfers out	(86,379)	(129,540)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(86,379)</u>	<u>(129,540)</u>	
Net change in fund balances	86,876	22,559	(14,677)
FUND BALANCES, beginning	<u>318,742</u>	<u>88,945</u>	<u>(2,576)</u>
FUND BALANCES, ending	<u>\$ 405,618</u>	<u>\$ 111,504</u>	<u>\$ (17,253)</u>

See Notes to the Financial Statements

Capital Project 411 Street & Utility Improvement Fund	Other Governmental Funds	Total Governmental Funds	
		2024	2023
\$	\$ 255,024	\$ 861,620	\$ 836,261
		100,863	96,422
	71,202	71,202	80,459
	21,709	22,353	37,772
	42,290	42,290	29,418
		18,160	18,256
		529	297
280,905	33,046	638,381	2,418,330
	45,664	169,544	183,683
	1,307	27,412	23,410
	95,693	278,779	218,333
<u>280,905</u>	<u>565,935</u>	<u>2,231,133</u>	<u>3,942,641</u>
		185,417	187,943
		280,638	256,547
		200,179	218,219
	186,090	396,825	385,228
	60,880	157,205	258,112
180,771	183,289	433,610	2,481,746
	300,846	309,846	260,166
	61,042	82,814	82,039
<u>180,771</u>	<u>792,147</u>	<u>2,046,534</u>	<u>4,130,000</u>
<u>100,134</u>	<u>(226,212)</u>	<u>184,599</u>	<u>(187,359)</u>
	36,000	36,000	109,990
46,128	254,316	300,444	470,913
<u>(80,379)</u>	<u>(40,425)</u>	<u>(336,723)</u>	<u>(662,402)</u>
<u>(34,251)</u>	<u>249,891</u>	<u>(279)</u>	<u>(81,499)</u>
65,883	23,679	184,320	(268,858)
<u>(65,883)</u>	<u>1,235,568</u>	<u>1,574,796</u>	<u>1,843,654</u>
<u>\$</u>	<u>\$ 1,259,247</u>	<u>\$ 1,759,116</u>	<u>\$ 1,574,796</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, 2024

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

Total governmental fund balances (pages 17 and 18)	\$ 1,759,116
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 17,539,935	
Less: Accumulated depreciation	(4,748,818)	
		12,791,117

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

Delinquent property taxes	\$ 26,693	
Loans receivable	202,320	
Deferred and delinquent special assessments	521,532	
		750,545

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	\$ (2,260,808)	
Net pension liability	(191,078)	
Fire pension asset	27,563	
Compensated absences	(76,344)	
Accrued interest	(32,639)	
		(2,533,306)

Net position of governmental activities (page 14)	\$ <u>12,767,472</u>
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CITY OF LANESBORO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

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)	\$	184,320	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	377,169	
Depreciation expense		<u>(344,377)</u>	
			32,792
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position			(57,144)
Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.			436,953
In the statement of activities, certain operating expenses - compensated absences and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			
Change in net pension liability	\$	77,017	
Change in fire pension liability/asset		28,962	
Change in compensated absences		<u>(17,741)</u>	
			88,238
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows.			
Principal retirement on long-term debt	\$	309,846	
Amortization of bond discount		(2,780)	
Change in accrued interest		<u>1,554</u>	
			308,620
Change in net position of governmental activities (pages 15 and 16)	\$		<u><u>993,779</u></u>

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES			Amounts		Amounts
Property Tax Levy					
Property tax collected	\$ 534,816	\$ 534,816	\$ 523,773	\$ (11,043)	\$ 516,457
Non-Property Taxes					
Lodging taxes	100,000	100,000	100,863	863	96,422
Special Assessments	1,500	1,500	644	(856)	3,485
Licenses and Permits	15,605	15,605	18,160	2,555	18,256
Intergovernmental					
Local government aid	223,448	223,448	223,448		217,577
Market value credit			749	749	800
Other	1,365	1,365	18,740	17,375	15,820
Total Intergovernmental	224,813	224,813	242,937	18,124	234,197
Fines and Forfeits					
Court fines and other	500	500	529	29	297
Interest Income	1,500	1,500	14,242	12,742	10,600
Charges for Services					
Park and recreation	124,500	124,500	114,460	(10,040)	126,018
Miscellaneous					
Cable franchise fees	10,800	10,800	9,438	(1,362)	8,258
Contributions and donations			7,418	7,418	3,379
Rhubarb Fest/Farmers Market			2,840	2,840	3,130
Other	8,222	8,222	37,740	29,518	18,682
Total Miscellaneous	19,022	19,022	57,436	38,414	33,449
TOTAL REVENUES	\$ 1,022,256	\$ 1,022,256	\$ 1,073,044	\$ 50,788	\$ 1,039,181

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, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
EXPENDITURES					
General Government					
Clerk/deputy clerk salaries	\$ 52,570	\$ 52,570	\$ 50,663	\$ 1,907	\$ 61,788
Mayor and council	8,500	8,500	8,500		8,480
PERA and social security	8,400	8,400	7,731	669	6,904
Employee benefits	15,761	15,761	15,729	32	21,654
Elections	2,000	2,000	1,938	62	
Supplies/small equipment	5,240	5,240	5,395	(155)	6,287
Meetings and training	800	800	630	170	450
Telephone	2,497	2,497	2,364	133	2,121
Insurance	7,900	7,900	8,083	(183)	7,662
Publishing and printing	2,500	2,500	2,534	(34)	1,919
Assessor	2,920	2,920	2,915	5	2,823
Professional services	47,378	47,378	63,706	(16,328)	58,710
Repairs and maintenance	5,000	5,000	2,573	2,427	2,080
Miscellaneous	7,050	7,050	12,656	(5,606)	7,065
Capital outlay	1,000	1,000		1,000	
Total General Government	169,516	169,516	185,417	(15,901)	187,943
Public Safety					
Contracted services	138,716	138,716	154,536	(15,820)	130,271
Public Works					
Street Department					
Salaries	104,849	104,849	105,584	(735)	97,697
PERA and social security	17,949	17,949	16,065	1,884	14,809
Employee benefits	24,931	24,931	23,110	1,821	25,109
Gas and oil	8,600	8,600	4,558	4,042	6,995
Supplies/small equipment	7,800	7,800	4,243	3,557	6,054
Repairs and maintenance	38,465	38,465	19,887	18,578	33,305
Utilities	7,100	7,100	4,388	2,712	5,829
Insurance	3,820	3,820	4,201	(381)	3,624
Professional services	5,210	5,210	4,574	636	5,826
Miscellaneous	6,910	6,910	3,784	3,126	8,625
Capital outlay	74,030	74,030	35,929	38,101	83,236
Total Street Department	299,664	299,664	226,323	73,341	291,109
Street Lights	13,000	13,000	9,785	3,215	10,346
Total Public Works	\$ 312,664	\$ 312,664	\$ 236,108	\$ 76,556	\$ 301,455

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, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with Final Budget -	2023
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
EXPENDITURES (continued)					
Culture and Recreation					
Salaries	\$ 75,756	\$ 75,756	\$ 74,563	\$ 1,193	\$ 68,987
PERA and social security	12,695	12,695	10,777	1,918	9,861
Employee benefits	17,114	17,114	17,013	101	17,276
Supplies/small equipment	10,250	10,250	9,469	781	7,729
Telephone	500	500	491	9	486
Insurance	24,515	24,515	23,085	1,430	22,314
Professional fees	4,000	4,000	1,585	2,415	5,058
Miscellaneous	18,663	18,663	23,147	(4,484)	19,576
Utilities	35,000	35,000	30,618	4,382	36,076
Repairs and maintenance	16,600	16,600	12,774	3,826	17,184
Capital outlay	20,000	20,000	16,668	3,332	24,327
Lanesboro Museum	5,000	5,000	5,000		5,000
Rhubarb Fest/Farmers Market			2,213	(2,213)	4,082
Total Culture and Recreation	240,093	240,093	227,403	12,690	237,956
Economic Development					
Lodging taxes	95,000	95,000	96,325	(1,325)	94,327
TOTAL EXPENDITURES	955,989	955,989	899,789	56,200	951,952
Excess of revenues over expenditures	66,267	66,267	173,255	106,988	87,229
OTHER FINANCING USES					
Transfers out	(57,520)	(57,520)	(86,379)	(28,859)	(142,048)
Net change in fund balance	8,747	8,747	86,876	78,129	(54,819)
FUND BALANCE, beginning	318,742	318,742	318,742		373,561
FUND BALANCE, ending	\$ 327,489	\$ 327,489	\$ 405,618	\$ 78,129	\$ 318,742

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, 2024

With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts				2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final	Operations	Equipment			
REVENUES							
Property taxes	\$ 67,353	\$ 67,353	\$ 66,728	\$	\$ 66,728	\$ (625)	\$ 125,164
Intergovernmental	46,665	46,665	81,493		81,493	34,828	83,064
Charges for services	3,000	3,000	9,420		9,420	6,420	4,330
Interest income	7,500	7,500	11,863		11,863	4,363	11,412
Miscellaneous				125,650	125,650	125,650	92,000
TOTAL REVENUES	124,518	124,518	169,504	125,650	295,154	170,636	315,970
EXPENDITURES							
Salaries	21,500	21,500	18,380		18,380	3,120	15,190
PERA and social security	1,613	1,613	1,406		1,406	207	1,162
Employee benefits	4,950	4,950	3,798		3,798	1,152	5,462
Fire relief contributions and aid	3,500	3,500	27,087		27,087	(23,587)	23,605
Insurance	4,556	4,556	4,571		4,571	(15)	4,127
Supplies/small equipment	3,465	3,465	4,105	7,136	11,241	(7,776)	11,320
Repairs and maintenance	10,716	10,716	24,077		24,077	(13,361)	28,152
Training and travel	2,000	2,000	3,553		3,553	(1,553)	877
Telephone	3,000	3,000	2,939		2,939	61	2,837
Utilities	10,500	10,500	7,630		7,630	2,870	8,252
Professional services	20,800	20,800	20,104		20,104	696	19,112
Capital outlay	16,500	16,500	16,953		16,953	(453)	
Miscellaneous	2,833	2,833	1,316		1,316	1,517	5,628
TOTAL EXPENDITURES	105,933	105,933	135,919	7,136	143,055	(37,122)	125,724
Excess of revenues over expenditures	18,585	18,585	33,585	118,514	152,099	133,514	190,246
OTHER FINANCING USES							
Transfers out	(18,540)	(18,540)	(18,540)	(111,000)	(129,540)	(111,000)	(78,600)
Net change in fund balances	45	45	15,045	7,514	22,559	22,514	111,646
FUND BALANCES, beginning	88,945	88,945	81,234	7,711	88,945		(22,701)
FUND BALANCES, ending	\$ 88,990	\$ 88,990	\$ 96,279	\$ 15,225	\$ 111,504	\$ 22,514	\$ 88,945

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statements of Net Position
December 31, 2024
With Comparative Totals as of December 31, 2023

	Totals - Utilities Commission	
	2024	2023
ASSETS		
Current Assets		
Cash and investments	\$ 3,619,539	\$ 1,737,516
Due from other funds	7,469	130,729
Accounts receivable	106,747	106,450
Lease receivable	672,901	710,648
Inventory	75,068	54,378
Prepaid items	680	708
Total Current Assets	4,482,404	2,740,429
Noncurrent Assets		
Capital assets:		
Nondepreciable	9,379,272	9,406,473
Depreciable	12,271,882	11,731,700
Less: Accumulated depreciation	6,065,053	5,793,422
Net capital assets	15,586,101	15,344,751
Total Assets	20,068,505	18,085,180
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	21,486	41,785
LIABILITIES		
Current Liabilities		
Accounts payable	81,684	86,899
Accrued payroll liabilities	3,534	13,968
Accrued compensated absences	37,196	34,750
Accrued interest payable	36,144	26,792
Due to other funds	161,582	139,274
Customer deposits	2,821	1,957
Current maturities of bonds and notes payable	292,000	289,000
Total Current Liabilities	614,961	592,640
Noncurrent Liabilities		
Bonds and notes payable, net of current maturities	8,213,713	6,590,974
Net pension liability	135,156	157,199
Total Noncurrent Liabilities	8,348,869	6,748,173
Total Liabilities	8,963,830	7,340,813
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	96,207	54,823
Deferred inflows from lease activity	672,901	710,648
Total Deferred Inflows of Resources	769,108	765,471
NET POSITION		
Net investment in capital assets	7,080,388	8,464,777
Restricted for debt	345,528	345,331
Unrestricted	2,931,137	1,210,573
Total Net Position	\$ 10,357,053	\$ 10,020,681

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, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Totals - Utilities Commission	
	2024	2023
Operating Revenues		
Charges for services	\$ 1,879,956	\$ 1,889,128
Operating Expenses		
Purchased power/facility charge	497,753	707,755
Utilities	75,592	102,000
Salaries and wages	332,499	343,345
Employee benefits	114,371	92,581
Repairs and maintenance	15,550	37,431
Materials, chemicals, and supplies	31,146	25,985
Professional fees	131,185	59,368
Depreciation	334,202	325,482
Insurance	48,028	39,217
Other	41,518	24,973
Total Operating Expenses	1,621,844	1,758,137
Operating Income	258,112	130,991
Nonoperating Revenues (Expenses)		
Interest income	65,379	36,031
Interest expense	(83,727)	(69,710)
Loss on disposal of capital assets	(23,122)	(77,100)
Other income	76,406	80,959
Total Nonoperating Revenue (Expenses)	34,936	(29,820)
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS/GRANTS	293,048	101,171
Contributed capital/grants	7,045	173,698
Transfers in	80,379	275,812
Transfers out	(44,100)	(84,323)
CHANGE IN NET POSITION	336,372	466,358
NET POSITION - BEGINNING	10,020,681	9,554,323
NET POSITION - ENDING	\$ 10,357,053	\$ 10,020,681

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statements of Cash Flows
For the Year Ended December 31, 2024
With Comparative Totals for December 31, 2023

	Totals - Utilities Commission	
	2024	2023
Cash Flows From Operating Activities		
Cash received from customers and users	\$ 1,897,001	\$ 1,958,980
Cash paid to suppliers and employers	(1,254,183)	(1,500,285)
Other income	76,406	80,959
Net Cash Provided By Operating Activities	719,224	539,654
Cash Flows From Noncapital Financing Activities		
Net transfers	36,279	191,489
Due to (from) other funds, net	145,568	(56,021)
Net Cash Provided By Noncapital Financing Activities	181,847	135,468
Cash Flows From Capital and Related Financing Activities		
Capital asset acquisitions	(633,484)	(1,440,521)
Proceeds from sale of bonds	1,914,739	906,275
Contributions/grants	7,045	173,698
Principal payments on bonds	(289,000)	(300,062)
Interest payments on bonds	(83,727)	(69,710)
Net Cash Provided By (Used In) Capital and Related Financing Activities	915,573	(730,320)
Cash Flows From Investing Activities		
Investment income received	65,379	36,031
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,882,023	(19,167)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,737,516	1,756,683
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,619,539</u>	<u>\$ 1,737,516</u>

See Notes to the Financial Statements

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

	Totals - Utilities Commission	
	2024	2023
Operating Income	\$ 258,112	\$ 130,991
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	334,202	325,482
Change in net pension liability	39,640	12,662
Other income	76,406	80,959
(Increase) Decrease In:		
Accounts receivable	(297)	(7,248)
Inventory	(20,690)	(4,157)
Prepaid items	28	(122)
Increase In:		
Accounts payable	29,595	(10,992)
Accrued expenses and customer deposits	2,228	12,079
Net Cash Provided By Operating Activities	<u>\$ 719,224</u>	<u>\$ 539,654</u>
Non-Cash Transactions:		
Capital assets acquired with accounts payable	\$	\$ 34,810

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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 *2022 street and utility project fund* accounts for the City's outstanding indebtedness.

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, 2024.

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, non-negotiable certificates of deposit, and 4M Fund.

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 six to nineteen years with interest charges ranging from 2.0 to 7.6 percent. 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

Employees may accrue unused accumulated paid time off (PTO) up to a maximum accrual based on years of service and will lose any of the remainder of PTO not used over 600 accrued hours. Up to 40% of the annual leave balance, not to exceed eighty hours, will be converted to cash each year provided the employee has used at least 30% of their annual accrual during the current calendar year and has a balance of at least 120 hours. The change in compensated absences is reported as a net increase or decrease each year.

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 three 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)

Net Position / Fund Balance (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 2023 financial statements have been reclassified to conform with the 2024 presentation.

Leases

For leases with term exceeding 12 months, the City 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 City 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. 101, Compensated Absences. This Statement provides guidance on accounting and financial reporting for reporting a liability for certain types of leave (compensated absences). Under this Statement, government organizations are required to recognize a liability for employee's compensated absences if the leave is attributable to employee's services already rendered, if the leave accumulates, or if it is more likely than not to be used for time off or paid in cash upon separation. The liability is measured using an employee's rate of pay at the date of the financial statements. The liability and associated expense are reported in the financial statements. The Statement has been implemented and there was no impact on the City in 2024.

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, 2024, 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		2,619,993
Non-negotiable certificates of deposit		33,227
4M Fund		2,562,107
Total Cash and investments	\$	5,215,402
Cash and investments Per Statement of Net Position	\$	5,190,938
Restricted cash and investments		24,464
Total Cash and investments	\$	5,215,402

Investments Authorized by Minnesota Statutes

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- General obligations of the State of Minnesota or its municipalities.
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- 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.
- Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years				Total
	Rating	Agency		No Maturity Date	Less than 1	1 to 5	6 to 10	
4M Fund	Not Rated	N/A	N/A	\$2,562,107	\$	\$	\$	\$2,562,107
Total Investments				\$2,562,107	\$	\$	\$	\$2,562,107

N/A - Not Applicable

The 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M fund is measured at an amortized cost method that approximates fair value. There are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

Summary of Cash and Investments (Continued)

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

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

Credit Risk

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

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.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

Fair Value Measurement (Continued)

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, 2024.

Concentration of Credit Risk

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in process	4,594,963		4,594,963	
Total capital assets, not being depreciated	4,859,463		4,594,963	264,500
Capital assets, being depreciated:				
Buildings and improvements	2,352,444			2,352,444
Infrastructure	8,650,029	4,788,843		13,438,872
Machinery and equipment	1,507,859	183,289	207,029	1,484,119
Total capital assets, being depreciated	12,510,332	4,972,132	207,029	17,275,435
Less accumulated depreciation for:				
Buildings and improvements	1,209,953	55,549		1,265,502
Infrastructure	2,525,602	212,236		2,737,838
Machinery and equipment	818,771	76,592	149,885	745,478
Total accumulated depreciation	4,554,326	344,377	149,885	4,748,818
Total capital assets, being depreciated, net	7,956,006	4,627,755	57,144	12,526,617
Governmental activities capital assets, net	<u>\$ 12,815,469</u>	<u>\$ 4,627,755</u>	<u>\$ 4,652,107</u>	<u>\$ 12,791,117</u>

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	9,313,956	150,188	177,389	9,286,755
Total capital assets, not being depreciated	9,406,473	150,188	177,389	9,379,272
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	4,161,753	585,525		4,747,278
Machinery and equipment	535,078	40,350	85,693	489,735
Total capital assets, being depreciated	11,731,700	625,875	85,693	12,271,882
Less accumulated depreciation for:				
Dam	226,051	22,794		248,845
Buildings and improvements	1,752,325	155,539		1,907,864
Production systems	656,201	18,764		674,965
Distribution systems	2,931,132	100,113		3,031,245
Machinery and equipment	227,713	36,992	62,571	202,134
Total accumulated depreciation	5,793,422	334,202	62,571	6,065,053
Total capital assets, being depreciated, net	5,938,278	291,673	23,122	6,206,829
Business-type activities capital assets, net	<u>\$ 15,344,751</u>	<u>\$ 441,861</u>	<u>\$ 200,511</u>	<u>\$ 15,586,101</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 24,138
Public safety	49,751
Public works	110,554
Culture and recreation	38,911
Economic development	121,023

Total depreciation expense - governmental activities \$ 344,377

Business-Type Activities:

Utilities Commission	<u>\$ 334,202</u>
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CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2024, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 178,962	\$
Debt Service:		
2017A Zenith/Auburn		7,469
2022 Street & Utility Project	46,229	63,609
Capital Project:		
Street & Utility Improvement Project	114,452	114,452
Utilities Commission	7,469	161,582
Totals	\$ 347,112	\$ 347,112

Transfers during the year ended December 31, 2024 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 86,379
Special Revenue:		
Fire		129,540
Local Sales Tax		23,156
Debt Service:		
2016A Refunding Bond		17,269
2017A Zenith/Auburn Bond	47,600	
2017B Park/Road Bond	13,500	
2018A Zenith Paving Bond	6,156	
Capital Project:		
Vehicle Replacement	187,060	
Street & Utility Improvement	46,128	80,379
Enterprise:		
Utilities Commission	80,379	44,100
Total Transfers	\$ 380,823	\$ 380,823

The City generally utilizes interfund balances and interfund transfers for cash flow purposes.

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 2024 are as follows:

Special Revenue Funds:	
Fire	\$ 37,122

All excess expenditures were the result of planned processes.

As of December 31, 2024, the following funds had deficit fund balances:

Debt Service:	
2022 Street & Utility Project	\$ 17,253

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, 2024 is as follows:

	Vehicle Replacement Fund	Other Governmental Funds	Total Governmental Funds	
			2024	2023
Assigned for				
Street	\$ 87,898	\$	\$ 87,898	\$ 83,395
Fire	97,761	111,504	209,265	168,167
Fire Equipment	168,697		168,697	161,435
Park	30,887		30,887	21,420
General Government	10,005		10,005	10,005
Emergency Service Capital		170,000	170,000	170,000
Library		17,615	17,615	10,356
Local Sales Tax		167,356	167,356	119,310
Economic Development		58,983	58,983	34,201
 Total Assigned	 \$ 395,248	 \$ 525,458	 \$ 920,706	 \$ 778,289

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, 2024 are as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance December 31, 2024
General Obligation Bonds:				
Series 2010B	\$ 420,000	3.90%	2026	\$ 70,000
Series 2017A	1,180,000	2.00%	2029	705,000
Series 2017B	261,000	2.90%	2028	114,000
Series 2018A	100,000	2.90%	2029	55,000
Series 2022A	818,000	4.10%	2043	791,000
Series 2022B	570,000	4.07%	2043	561,000
Series 2022E	75,000	3.85%	2032	61,731
Series 2024A	1,710,000	3.50%	2027	1,710,000
PFA Improvement Notes:				
2014 Drinking Water State Revolving Fund	3,031,931	1.00%	2044	2,038,000
2015 Drinking Water State Revolving Fund	165,775	1.00%	2044	124,000
2020 Clean Water State Revolving Fund - Sewer	4,844,331	1.00%	2050	3,822,279
2022 Drinking Water State Revolving Fund	345,334	2.04%	2052	243,434
2022 Clean Water State Revolving Fund - Sewer	461,728	1.53%	2052	443,000
Loans:				
Mi-Energy Loan	50,000	3.00%	2031	33,072
Unamortized Discount				(4,995)
Compensated Absences - Governmental				76,344
Compensated Absences - Utilities				37,196
Total Long-Term Debt				<u>\$ 10,880,061</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, 2024:

	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%)	\$ 100,000	\$	\$ 30,000	\$ 70,000	\$ 35,000
2016A GO Refunding Bond (2.00%)	84,000		84,000		
2017A GO Improvement (2.0% - 2.5%)	690,000		110,000	580,000	110,000
2017B GO Improvement Note (2.9%)	141,000		27,000	114,000	27,000
2018A GO Improvement Note (4.1%)	65,000		10,000	55,000	10,000
2022A Lease Agreement (4.07%)	818,000		27,000	791,000	28,000
2022B GO Improvement Note (3.85%)	570,000		9,000	561,000	21,000
2022E Tax Abatement Bond - MiEnergy (3.00%)	68,464		6,733	61,731	6,937
Mi-Energy Loan	39,185		6,113	33,072	3,711
Less: Unamortized Discount	(7,775)		(2,780)	(4,995)	
Total Bonds and Notes Payable	2,567,874		307,066	2,260,808	241,648
Other Liabilities:					
Compensated Absences	58,603	17,741		76,344	76,344
Governmental Activities					
Long-term Liabilities	2,626,477	17,741	307,066	2,337,152	317,992
BUSINESS-TYPE ACTIVITIES					
Bonds Payable:					
General Obligation Revenue Bonds:					
2017A Utility Bond (2.0%-2.5%)	150,000		25,000	125,000	25,000
2024A Utility Bond (3.5%)		1,710,000		1,710,000	
Notes Payable:					
2014 Drinking Water State Revolving Fund	2,129,000		91,000	2,038,000	92,000
2015 Drinking Water State Revolving Fund	130,000		6,000	124,000	6,000
2020 Clean Water State Revolving Fund - Sewer	3,856,815	110,464	145,000	3,822,279	147,000
2022 Drinking Water State Revolving Fund	172,055	80,379	9,000	243,434	13,000
2022 Clean Water State Revolving Fund - Sewer	442,104	13,896	13,000	443,000	9,000
Total Bonds and Notes Payable	6,879,974	1,914,739	289,000	8,505,713	292,000
Other Liabilities:					
Compensated Absences	34,750	2,446		37,196	37,196
Business-type Activities					
Long-term Liabilities	6,914,724	1,917,185	289,000	8,542,909	329,196
Total	\$ 9,541,201	\$ 1,934,926	\$ 596,066	\$ 10,880,061	\$ 647,188

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, 2024, over the life of the debt, are summarized below:

General Obligation Bonds and Notes			General Obligation Revenue Bonds		Notes Payable		Total Principal	Total Interest
Years	Principal	Interest	Principal	Interest	Principal	Interest		
<u>Governmental Activities</u>								
2025	\$ 209,937	\$ 42,781			\$ 31,711	\$ 31,948	\$ 241,648	\$ 74,729
2026	217,146	37,029			33,985	30,739	251,131	67,768
2027	184,362	31,506			36,036	29,468	220,398	60,974
2028	191,585	26,595			37,086	28,135	228,671	54,730
2029	163,814	21,633			38,140	26,761	201,954	48,394
2030-2034	159,887	74,917			198,114	111,303	358,001	186,220
2035-2039	162,000	45,546			230,000	68,784	392,000	114,330
2040-2043	153,000	12,032			219,000	18,294	372,000	30,326
Totals	<u>\$ 1,441,731</u>	<u>\$ 280,007</u>			<u>\$ 824,072</u>	<u>\$ 345,432</u>	<u>\$ 2,265,803</u>	<u>\$ 625,439</u>
<u>Business-Type Activities</u>								
2025			\$ 25,000	\$ 62,559	\$ 267,000	\$ 78,278	\$ 292,000	\$ 140,837
2026			25,000	62,225	269,000	68,842	294,000	131,067
2027			1,735,000	61,663	272,000	66,173	2,007,000	127,836
2028			25,000	1,250	274,000	63,442	299,000	64,692
2029			25,000	625	279,000	60,724	304,000	61,349
2030-2034					1,234,000	263,247	1,234,000	263,247
2035-2039					1,315,000	190,693	1,315,000	190,693
2040-2044					1,400,000	114,085	1,400,000	114,085
2045-2049					1,070,713	45,532	1,070,713	45,532
2050					290,000	3,626	290,000	3,626
Totals			<u>\$ 1,835,000</u>	<u>\$ 188,322</u>	<u>\$ 6,670,713</u>	<u>\$ 78,278</u>	<u>\$ 8,505,713</u>	<u>\$ 266,600</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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided (Continued)

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. The 2024 annual increase was 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.

Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$42,646. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2024, the City reported a liability of \$248,374 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 \$6,422.

City's proportionate share of the net pension liability	\$ 248,374
State of Minnesota's proportionate share of the net pension liability associated with the City	6,422
Total	<u>\$ 254,796</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0067 percent at the end of the measurement period and 0.0072 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of (\$37,377) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional (\$123) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (Continued)

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$11,397 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported 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	\$ 23,951	\$
Net difference between projected and actual earnings on pension plan investments		70,991
Changes in actuarial assumptions	1,335	98,926
Changes in proportion		28,119
Employer contributions subsequent to the measurement date	20,169	
Total	<u>\$ 45,455</u>	<u>\$ 198,036</u>

The \$20,169 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, 2025. 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
2025	\$ (93,823)
2026	(22,143)
2027	(37,748)
2028	(19,036)

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (Continued)

Aggregate Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 is as follows:

General Employees Fund	\$ (37,377)
Fire Relief	(28,962)
Total	<u>\$ (66,339)</u>

Long-Term Expected Return on Investment

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

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

Actuarial Methods and Assumptions

The total pension liability for each cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine of the total liability is 7.0 percent. The 7.0 percent 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 considered reasonable by the actuary. An investment return of 7.0 percent is within that range.

- 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.

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)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

There following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 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%	\$	542,489
Current Discount Rate	7.00%		248,374
1% Higher	8.00%		6,438

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (Continued)

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.

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, 2024, the Association funding status is as follows:

Total plan assets	\$ 532,179
Total accrued liability	504,616
Excess of plan assets over accrued liability	<u>\$ 27,563</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 2024 amount to \$3,500. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2024.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

B. Defined Benefit Pension Plan – Fire Relief Association

Contributions Required and Contributions Made (Continued)

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 2024 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.

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 2024.

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 2024. 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, 2024, remaining notes outstanding totaled \$185,000.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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, 2024, the City paid tax increments totaling \$30,102 related to these agreements.

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CITY OF LANESBORO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

CITY OF LANESBORO, MINNESOTA
Schedule of Contributions
December 31, 2024

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)
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%
2024	42,646	42,646		568,613	7.50%

Schedule of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2024

PERA General Employees Retirement Fund

Fiscal Year Ended June 30	Proportionate Share (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Position Liability Associated with the City (a+b)	Covered Payroll (c)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b) / c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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%
2024	0.0067%	248,374	6,422	254,796	572,187	43.4%	89.08%

CITY OF LANESBORO, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2024

**CITY OF LANESBORO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2024**

	Special Revenue						Debt Service	
	211	226	235	250	418	620/625	307	309
	Library	Legion Lights	Buffalo Bill Days	Economic Development	Local Sales Tax	Revolving EDA Loan	2017A Zenith/Auburn Bond	2017B Park Road Bond
ASSETS								
Cash and investments	\$ 17,516	\$ 10,736	\$ 14,979	\$ 58,721	\$ 160,920	\$ 38,752	\$ 172,778	\$ 29,544
Restricted cash and investments	24,464							
Accounts receivable					6,436			
Due from other governmental units	757			262			65	62
Taxes receivable delinquent	3,252			1,041			229	218
Loans receivable						140,950		
Special assessments receivable							48,872	33,033
TOTAL ASSETS	\$ 45,989	\$ 10,736	\$ 14,979	\$ 60,024	\$ 167,356	\$ 179,702	\$ 221,944	\$ 62,857
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 193	\$	\$	\$	\$	\$	\$	\$
Accrued liabilities	465							
Due to other funds							7,469	
Total Liabilities	658						7,469	
Deferred Inflows of Resources								
Unavailable revenue								
Property taxes	3,252			1,041			229	218
Loans receivable						140,950		
Special assessments							48,872	33,033
Total Deferred Inflows of Resources	3,252			1,041		140,950	49,101	33,251
Fund Balance								
Restricted:								
Contributors	24,464	10,736	14,979					
Regulators						38,752		
Debt service							165,374	29,606
Assigned	17,615			58,983	167,356			
Total Fund Balance	42,079	10,736	14,979	58,983	167,356	38,752	165,374	29,606
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 45,989	\$ 10,736	\$ 14,979	\$ 60,024	\$ 167,356	\$ 179,702	\$ 221,944	\$ 62,857

Debt Service					Capital Project			Total Nonmajor
310	303	304	312	313	240	425	430	Governmental
2018A	2016A	2010B Tax	2022A	Sparrow	Church Hill	Vehicle	Emergency	Funds
Zenith Paving	Refunding	Abatement	Building	Valley	TIF District	Replacement	Services	
Bond	Bond	Bonds	Lease	Prop. Abt			Capital	2024
\$ 31,961	\$	\$ 42,974	\$ 43,131	\$ 2,591	\$ 44,815	\$ 395,248	\$ 170,000	\$ 1,234,666
								24,464
								6,436
		156	497	9				1,808
		775	1,641	30	6,132			13,318
				61,370				202,320
3,236								85,141
\$ 35,197	\$	\$ 43,905	\$ 45,269	\$ 64,000	\$ 50,947	\$ 395,248	\$ 170,000	\$ 1,568,153
\$	\$	\$	\$	\$	\$	\$	\$	\$ 193
								465
								7,469
								8,127
		775	1,641	30	6,132			13,318
				61,370				202,320
3,236								85,141
3,236		775	1,641	61,400	6,132			300,779
					44,815			50,179
31,961		43,130	43,628	2,600				83,567
						395,248	170,000	316,299
31,961		43,130	43,628	2,600	44,815	395,248	170,000	809,202
								1,259,247
\$ 35,197	\$	\$ 43,905	\$ 45,269	\$ 64,000	\$ 50,947	\$ 395,248	\$ 170,000	\$ 1,568,153

CITY OF LANESBORO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	Special Revenue						Debt Service	
	211 Library	226 Legion Lights	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
REVENUES								
Property taxes	\$ 90,089	\$	\$	\$ 33,152	\$	\$	\$	\$ 7,845
Sales taxes					71,202			
Tax increment							8,238	
Special assessments							12,580	8,214
Intergovernmental	33,046							
Charges for services	1,431		44,233					
Interest income	1,241					66		
Miscellaneous	3,601	29,570		22,408		29,856		
TOTAL REVENUES	<u>129,408</u>	<u>29,570</u>	<u>44,233</u>	<u>55,560</u>	<u>71,202</u>	<u>29,922</u>	<u>20,818</u>	<u>16,059</u>
EXPENDITURES								
Culture and recreation	120,908	18,834	46,348					
Economic development				30,778				
Capital outlay								
Debt service:								
Principal retirement						6,113	110,000	27,000
Interest and fiscal charges						462	14,971	3,697
TOTAL EXPENDITURES	<u>120,908</u>	<u>18,834</u>	<u>46,348</u>	<u>30,778</u>		<u>6,575</u>	<u>124,971</u>	<u>30,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,500</u>	<u>10,736</u>	<u>(2,115)</u>	<u>24,782</u>	<u>71,202</u>	<u>23,347</u>	<u>(104,153)</u>	<u>(14,638)</u>
OTHER FINANCING SOURCES (USES)								
Sale of assets								
Transfers in							47,600	13,500
Transfers out					(23,156)			
TOTAL OTHER FINANCING SOURCES (USES)					<u>(23,156)</u>		<u>47,600</u>	<u>13,500</u>
Net change in fund balances	8,500	10,736	(2,115)	24,782	48,046	23,347	(56,553)	(1,138)
FUND BALANCES, beginning	<u>33,579</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>
FUND BALANCES, ending	<u>\$ 42,079</u>	<u>\$ 10,736</u>	<u>\$ 14,979</u>	<u>\$ 58,983</u>	<u>\$ 167,356</u>	<u>\$ 38,752</u>	<u>\$ 165,374</u>	<u>\$ 29,606</u>

Debt Service					Capital Project			Total Nonmajor Governmental Funds 2024
310 2018A Zenith Paving Bond	303 2016A Refunding Bond	304 2010B Tax Abatement Bonds	312 2022A Building Lease	313 Sparrow Valley Prop. Abt	240 Church Hill TIF District	425 Vehicle Replacement	430 Emergency Services Capital	
\$	\$ 44,012	\$ 19,810	\$ 59,037	\$ 1,079	\$	\$	\$	\$ 255,024
					34,052			71,202
915								42,290
								21,709
								33,046
								45,664
								1,307
				10,258				95,693
915	44,012	19,810	59,037	11,337	34,052			565,935
								186,090
					30,102			60,880
						183,289		183,289
10,000	84,000	30,000	27,000	6,733				300,846
2,460	840	3,865	32,743	2,004				61,042
12,460	84,840	33,865	59,743	8,737	30,102	183,289		792,147
(11,545)	(40,828)	(14,055)	(706)	2,600	3,950	(183,289)		(226,212)
						36,000		36,000
6,156						187,060		254,316
	(17,269)							(40,425)
6,156	(17,269)					223,060		249,891
(5,389)	(58,097)	(14,055)	(706)	2,600	3,950	39,771		23,679
37,350	58,097	57,185	44,334		40,865	355,477	170,000	1,235,568
\$ 31,961	\$	\$ 43,130	\$ 43,628	\$ 2,600	\$ 44,815	\$ 395,248	\$ 170,000	\$ 1,259,247

CITY OF LANESBORO, MINNESOTA
LIBRARY FUND
Balance Sheets
December 31, 2024
With Comparative Totals as of December 31, 2023

	Totals	
	2024	2023
ASSETS		
Current Assets		
Cash and investments	\$ 17,516	\$ 4,021
Restricted cash and investments	24,464	23,223
Due from other governments	757	8,590
Taxes receivable delinquent	3,252	90
Total Current Assets	<u>45,989</u>	<u>35,924</u>
LIABILITIES		
Current Liabilities		
Accounts payable	193	89
Accrued liabilities	465	2,166
Total Current Liabilities	<u>658</u>	<u>2,255</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue:		
Property taxes	<u>3,252</u>	<u>90</u>
FUND BALANCE		
Restricted:		
Memorial	24,464	23,223
Unassigned:		
Library operations	<u>17,615</u>	<u>10,356</u>
Total Fund Balance	<u>\$ 42,079</u>	<u>\$ 33,579</u>

CITY OF LANESBORO, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		Library	Book/ Memorial	2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final					
Revenues							
Property taxes	\$ 91,392	\$ 91,392	\$ 90,089	\$	\$ 90,089	\$ (1,303)	\$ 86,223
Intergovernmental	33,046	33,046	33,046		33,046		32,168
Charges for services	650	650	1,431		1,431	781	1,152
Interest income				1,241	1,241		311
Miscellaneous	300	300	3,601		3,601	3,301	5,906
Total Revenues	125,388	125,388	128,167	1,241	129,408	2,779	125,760
Expenditures							
Salaries	77,528	77,528	78,194		78,194	(666)	75,610
PERA and social security	13,568	13,568	11,943		11,943	1,625	11,267
Employee benefits	13,538	13,538	13,531		13,531	7	13,555
Supplies	1,460	1,460	1,219		1,219	241	1,493
Books and magazines	6,400	6,400	7,131		7,131	(731)	7,131
Library automation	3,738	3,738	3,086		3,086	652	3,085
Insurance	1,050	1,050	901		901	149	1,051
Telephone	1,150	1,150	1,066		1,066	84	1,059
Lease payments	4,230	4,230	3,230		3,230	1,000	4,330
Miscellaneous	1,505	1,505	607		607	898	449
Total Expenditures	124,167	124,167	120,908		120,908	3,259	119,030
NET CHANGE IN FUND BALANCE	1,221	1,221	7,259	1,241	8,500	6,038	6,730
FUND BALANCE - BEGINNING	33,579	33,579	10,356	23,223	33,579		26,849
FUND BALANCE - ENDING	\$ 34,800	\$ 34,800	\$ 17,615	\$ 24,464	\$ 42,079	\$ 6,038	\$ 33,579

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CITY OF LANESBORO, MINNESOTA

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2024**

\$420,000 General Obligation Tax Abatement Bonds of 2010B				
Year	Principal	Interest	Total	
2025	\$ 35,000	\$ 2,047	\$ 37,047	
2026	35,000	682	35,682	
Totals	\$ 70,000	\$ 2,729	\$ 72,729	

\$1,180,000 General Obligation Improvement Bonds of 2017A				
Year	Principal	Interest	Total	
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	\$ 580,000	\$ 42,138	\$ 622,138	

\$261,000 General Obligation Improvement Note of 2017B				
Year	Principal	Interest	Total	
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	\$ 114,000	\$ 6,757	\$ 120,757	

CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2024

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

Year	Principal	Interest	Total
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	\$ 55,000	\$ 5,803	\$ 60,803

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

Year	Principal	Interest	Total
2025	\$ 3,711	\$ 324	\$ 4,035
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	\$ 33,072	\$ 1,213	\$ 34,285

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

Year	Principal	Interest	Total
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	\$ 791,000	\$ 344,219	\$ 1,135,219

CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2024

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

Year	Principal	Interest	Total
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	\$ 561,000	\$ 229,212	\$ 790,212

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

Year	Principal	Interest	Total
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	\$ 61,731	\$ 5,400	\$ 67,131

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2024

Year	\$3,031,931 PFA Water Revenue Note of 2014		
	Principal	Interest	Total
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	\$ 2,038,000	\$ 221,120	\$ 2,259,120

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules (Continued)
December 31, 2024

\$165,775 PFA Water Revenue
Note of 2015

Year	Principal	Interest	Total
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	\$ 124,000	\$ 13,340	\$ 137,340

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

Year	Principal	Interest	Total
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	\$ 125,000	\$ 8,938	\$ 133,938

\$1,710,000 Temporary General Obligation
Utility Revenue Bonds 2024A

Year	Principal	Interest	Total
2025	\$	\$ 59,684	\$ 59,684
2026		59,850	59,850
2027	1,710,000	59,850	1,769,850
Totals	\$ 1,710,000	\$ 179,384	\$ 1,889,384

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, 2024, 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 March 27, 2025.

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, Schaff and Associates, Ltd.

Rochester, Minnesota
March 27, 2025

**CITY OF LANESBORO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024**

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.

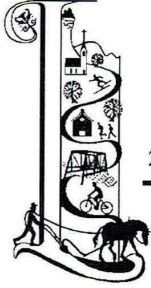
Recommendation: We recommend the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial and to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

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

CURRENT STATUS:

The finding recurred in 2024.

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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, 2024.

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.