

**CITY OF LANESBORO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



**CITY OF LANESBORO, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2019**

**TABLE OF CONTENTS**

	PAGE
<b>INTRODUCTORY SECTION</b>	
List of Elected and Appointed Officials	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fire Fund	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Notes to the Financial Statements	32
Required Supplementary Information	
Schedule of City Contributions - GERS	56
Schedule of Proportionate Share of Net Pension Liability - GERS	57
Combining and Individual Nonmajor Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	60
Balance Sheet - Library Fund	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund	63
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Ambulance Fund	64
Supplementary Information	
Bond Retirement Schedules - Governmental Funds	65
Bond Retirement Schedules - Business-Type Funds	67
PFA Water Loan of 2014 Retirement of Debt Service Fund	70
PFA Water Loan of 2015 Retirement of Debt Service Fund	70
Report on Internal Control over Financial Reporting on Compliance and Other Matters based on an audit of Financial Statements in accordance with <i>Government Auditing Standards</i>	71
Schedule of Findings and Responses	73
Schedule of Prior Year Audit Findings	75

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**CITY OF LANESBORO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2019**

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**CITY OF LANESBORO, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2019**

Jason Resseman	Mayor
Autumn Johnson	Council member
Chase Bakke	Council member
Tom Smith	Council member
Bridget Harvey	Council member
Michele Peterson	City Administrator
Darla Taylor	Deputy Clerk

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**CITY OF LANESBORO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lanesboro, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lanesboro, Minnesota as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund and the major special revenues funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2018, from which such partial information was derived.

We have previously audited the City's 2018 financial statements and our report dated April 25, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

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

The combining and individual nonmajor fund financial statements and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor and Members  
of the City Council  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, 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 to solely 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lanesboro, Minnesota's internal control over financial reporting and compliance.

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
April 30, 2020

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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, 2019.

### 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 \$8,412,619 (*net position*). Of this amount, \$1,340,514 (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 \$427,805.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,259,774. Approximately \$714,670 of this total amount, or 57% 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 \$310,341 or 44% of total general fund expenditures.
- The City of Lanesboro, Minnesota decreased total outstanding debt obligations by \$399,000 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The *statement of net position* presents information on all of the City of Lanesboro, Minnesota's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lanesboro is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Lanesboro, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lanesboro, Minnesota include general government, public safety, public works, culture and recreation and economic development. The business-type activities of the City of Lanesboro, Minnesota include the utilities commission fund. The government-wide financial statements can be found on pages 15-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lanesboro, Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lanesboro, Minnesota can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lanesboro, Minnesota maintains sixteen 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, and the fire fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.



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

The City of Lanesboro, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 24-26) and the special revenue funds (page 27 and pages 63 - 64) to demonstrate compliance with the budget.

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

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

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

The proprietary fund financial statements can be found on pages 28-31 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-55 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 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 \$8,412,619 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (76%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lanesboro, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lanesboro, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>City of Lanesboro, Minnesota's Net Position</b>					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,495,005	\$ 1,221,932	\$ 1,248,545	\$ 1,789,218	\$ 2,743,550	\$ 3,011,150
Capital assets	4,207,943	4,295,789	7,995,132	7,524,679	12,203,075	11,820,468
Total assets	<u>5,702,948</u>	<u>5,517,721</u>	<u>9,243,677</u>	<u>9,313,897</u>	<u>14,946,625</u>	<u>14,831,618</u>
Deferred outflow s of resources	<u>32,585</u>	<u>50,138</u>	<u>22,251</u>	<u>36,929</u>	<u>54,836</u>	<u>87,067</u>
Long-term liabilities outstanding	2,248,279	2,429,139	3,942,800	4,142,125	6,191,079	6,571,264
Other liabilities	127,974	108,458	197,587	153,013	325,561	261,471
Total liabilities	<u>2,376,253</u>	<u>2,537,597</u>	<u>4,140,387</u>	<u>4,295,138</u>	<u>6,516,640</u>	<u>6,832,735</u>
Deferred inflow s of resources	<u>42,262</u>	<u>59,196</u>	<u>29,940</u>	<u>41,940</u>	<u>72,202</u>	<u>101,136</u>
Net position:						
Net investment in capital assets	2,173,223	2,071,196	4,203,672	4,183,209	6,376,895	6,254,405
Restricted for debt	472,870	419,173	222,340	222,260	695,210	641,433
Unrestricted	670,925	480,697	669,589	608,279	1,340,514	1,088,976
Total net position	<u>\$ 3,317,018</u>	<u>\$ 2,971,066</u>	<u>\$ 5,095,601</u>	<u>\$ 5,013,748</u>	<u>\$ 8,412,619</u>	<u>\$ 7,984,814</u>

The balance of *unrestricted net position* \$1,340,514 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 \$345,952.

**Business-type activities.** Business-type activities increased the City of Lanesboro, Minnesota's net position by \$81,853.

A condensed version of the Statement of Activities follows:

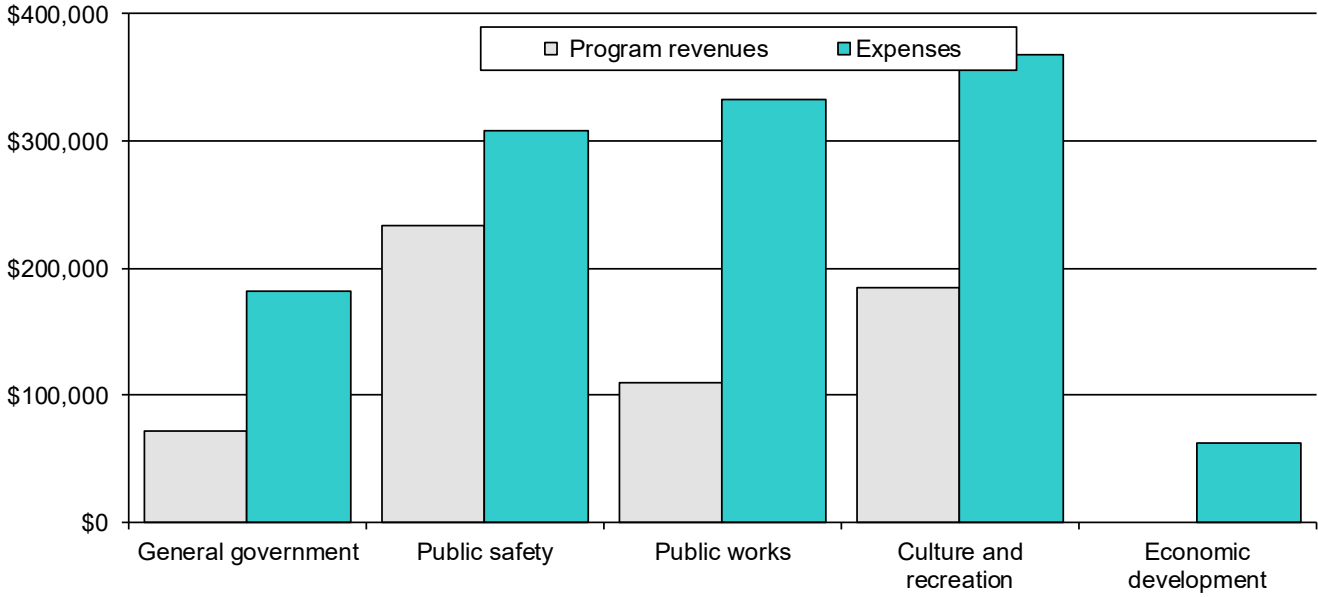
**City of Lanesboro, Minnesota's Change in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program revenues:						
Charges for services	\$ 261,776	\$ 245,053	\$ 1,555,749	\$ 1,639,753	\$ 1,817,525	\$ 1,884,806
Operating grants and contributions	283,874	409,250			283,874	409,250
Capital grants and contributions	54,476	260,561		30,000	54,476	290,561
General revenues:						
Property taxes	629,287	545,206			629,287	545,206
Sales tax	56,004	53,153			56,004	53,153
Tax increments	33,639	28,616			33,639	28,616
Grants and contributions not restricted to specific programs	213,706	213,561			213,706	213,561
Other	18,299	8,697	90,772	84,117	109,071	92,814
Total revenues	<u>1,551,061</u>	<u>1,764,097</u>	<u>1,646,521</u>	<u>1,753,870</u>	<u>3,197,582</u>	<u>3,517,967</u>
Expenses:						
General government	181,920	331,543			181,920	331,543
Public safety	308,172	322,740			308,172	322,740
Public works	333,139	320,407			333,139	320,407
Parks and recreation	368,531	333,821			368,531	333,821
Economic development	61,934	51,385			61,934	51,385
Interest on long-term debt	53,913	69,861			53,913	69,861
Utilities commission			1,462,168	1,510,069	1,462,168	1,510,069
Total expenses	<u>1,307,609</u>	<u>1,429,757</u>	<u>1,462,168</u>	<u>1,510,069</u>	<u>2,769,777</u>	<u>2,939,826</u>
Increase in net position before transfers	243,452	334,340	184,353	243,801	427,805	578,141
Transfers	102,500	95,000	(102,500)	(95,000)		
Increase in net position	345,952	429,340	81,853	148,801	427,805	578,141
Net position, beginning of year	2,971,066	2,541,726	5,013,748	4,864,947	7,984,814	7,406,673
Net position, end of year	<u>\$ 3,317,018</u>	<u>\$ 2,971,066</u>	<u>\$ 5,095,601</u>	<u>\$ 5,013,748</u>	<u>\$ 8,412,619</u>	<u>\$ 7,984,814</u>

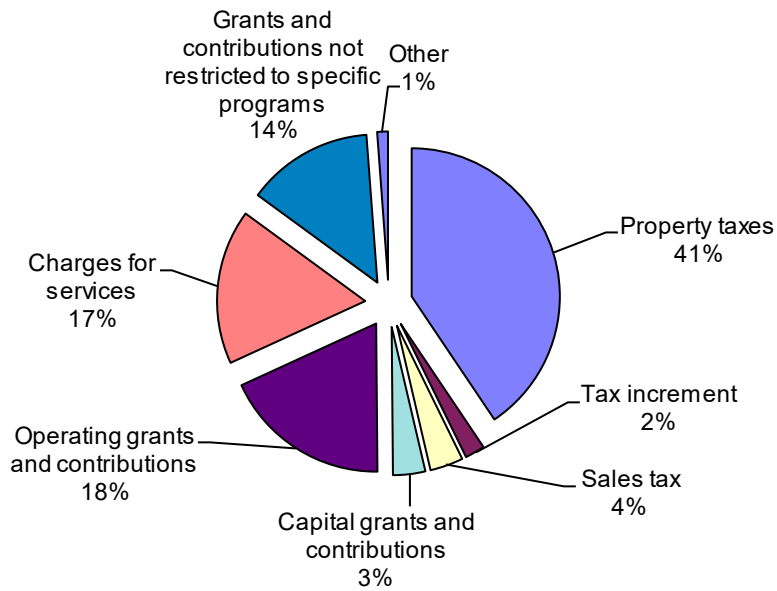
## CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Expenses and Program Revenues - Governmental Activities**



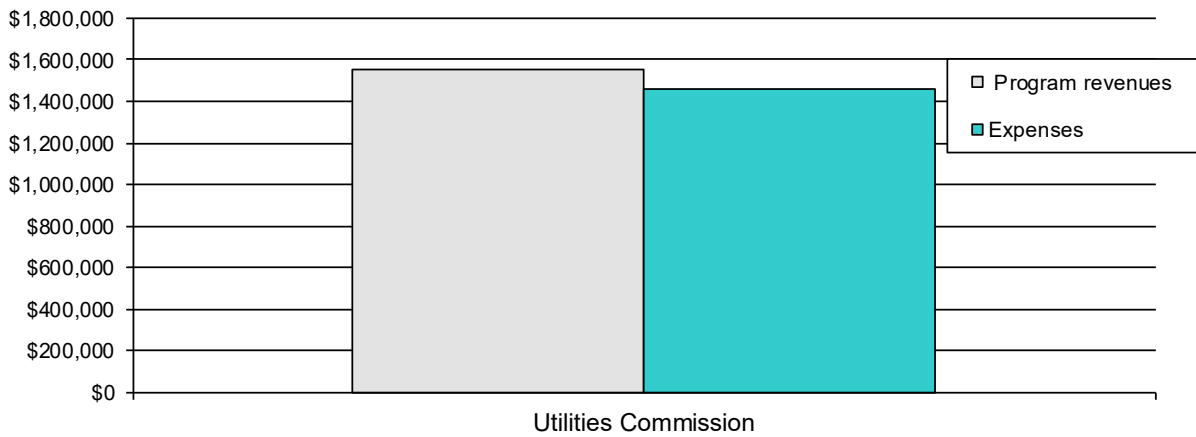
**Revenues by Source - Governmental Activities**



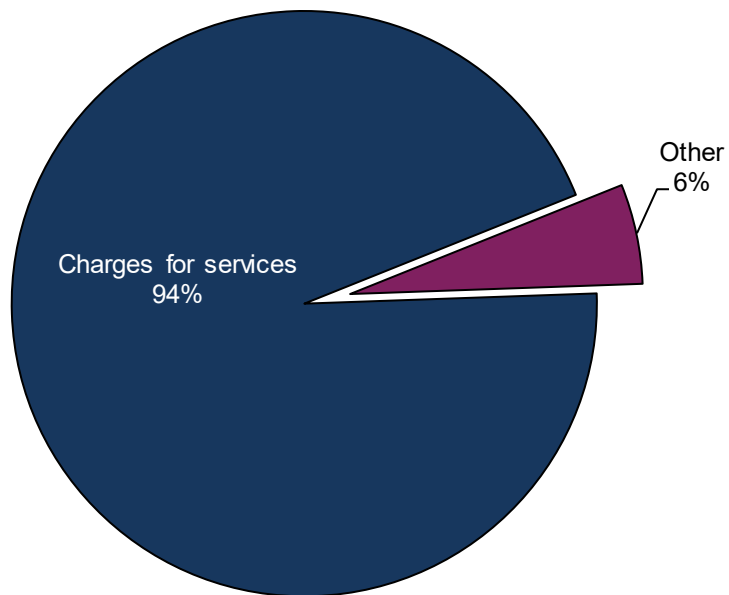
**CITY OF LANESBORO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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



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



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

**FUND BASIS FINANCIAL ANALYSIS**

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

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

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

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

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

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

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

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

As of the end of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,259,774, an increase of \$291,727. Approximately \$709,749 of this total amount, or 56%, 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 \$310,341. 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 \$44,572 during the current fiscal year.

The fire fund decreased its fund balance by \$31,644 for the year, and ended the year with a deficit fund balance of (\$89,822). The Fire Department had unexpected equipment repairs during 2019 and transferred capital equipment reserve to vehicle replacement reserve.

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

**Proprietary funds.** The City of Lanesboro, Minnesota's proprietary funds statements found on pages 28-31 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary fund of the Utilities Commission is \$669,589.

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

**General Fund Budgetary Highlights**

The City approved the 2019 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, 2019, amounts to \$12,203,075 (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 \$382,607, or 3.2%.

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 264,500	\$ 264,500	\$ 88,940	\$ 13,686	\$ 353,440	\$ 278,186
Dam			495,610	516,510	495,610	516,510
Buildings and improvements	571,234	602,729	4,296,129	4,347,414	4,867,363	4,950,143
Infrastructure	2,478,937	2,599,568			2,478,937	2,599,568
Machinery and equipment	690,245	673,874	11,271	110,198	701,516	784,072
Production and distribution			2,422,840	1,792,979	2,422,840	1,792,979
Work in progress	203,027	155,118	680,342	743,892	883,369	899,010
Total	<u>\$ 4,207,943</u>	<u>\$ 4,295,789</u>	<u>\$ 7,995,132</u>	<u>\$ 7,524,679</u>	<u>\$12,203,075</u>	<u>\$11,820,468</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 \$5,846,000 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 1,951,000	\$ 2,143,000	\$	\$	\$ 1,951,000	\$ 2,143,000
General obligation revenue bonds	100,000	100,000	1,161,000	1,276,000	1,261,000	1,376,000
Notes			2,634,000	2,726,000	2,634,000	2,726,000
Total	<u>\$ 2,051,000</u>	<u>\$ 2,243,000</u>	<u>\$ 3,795,000</u>	<u>\$ 4,002,000</u>	<u>\$ 5,846,000</u>	<u>\$ 6,245,000</u>

The City of Lanesboro, Minnesota's total bonds and notes payable decreased by \$399,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3D, beginning on page 46.

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

- The City has been granted funding from the Minnesota Legislature to repair the 1868 Lanesboro Stone Dam in the amount of \$4,000,000. The City also has committed funding sources from the DNR in the amount of \$450,000 with a 50/50 cost share. The project was awarded in 2019, however construction will begin in the Spring of 2020.



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

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

- With the implementation of the .5% sales tax legislation that was approved in 2011, the City uses those funds to address much needed infrastructure improvements. The City is faced with aging infrastructure and will be referencing the City's Capital Improvement Plan, in order to ensure it properly addresses the current infrastructure needs.
- The City will continue to rely upon fees for services to fund various departments. These fees are assessed annually to ensure expenses being incurred are covered by incoming revenues.

All of these factors were considered in preparing the City of Lanesboro, Minnesota's budget for the 2020 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lanesboro, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, Lanesboro Community Memorial Center, 202 Parkway Ave. S, Lanesboro, MN 55949.

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**CITY OF LANESBORO, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**CITY OF LANESBORO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2019  
With Comparative Totals for December 31, 2018

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
<b>ASSETS</b>				
Cash and investments	\$ 1,186,225	\$ 1,155,979	\$ 2,342,204	\$ 2,582,827
Receivables (net of allowance for uncollectibles)	249,120	117,111	366,231	393,435
Internal balances	53,580	(53,580)		
Inventory		28,735	28,735	28,340
Prepaid expenses	6,080	300	6,380	6,548
Capital assets:				
Nondepreciable	467,527	769,282	1,236,809	1,177,196
Depreciable, net	3,740,416	7,225,850	10,966,266	10,643,272
Total Assets	<u>5,702,948</u>	<u>9,243,677</u>	<u>14,946,625</u>	<u>14,831,618</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	32,585	22,251	54,836	87,067
<b>LIABILITIES</b>				
Accounts payable	33,192	124,353	157,545	74,496
Accrued liabilities	5,417	21,262	26,679	42,629
Deposits payable		19,381	19,381	19,568
Accrued interest payable	21,052		21,052	23,293
Compensated absences	35,852	32,591	68,443	69,945
Noncurrent liabilities:				
Due within one year	232,000	218,000	450,000	399,000
Due in more than one year	1,802,720	3,573,460	5,376,180	5,822,765
Net pension liability	213,559	151,340	364,899	349,499
Fire relief pension liability	32,461		32,461	31,540
Total Liabilities	<u>2,376,253</u>	<u>4,140,387</u>	<u>6,516,640</u>	<u>6,832,735</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	42,262	29,940	72,202	101,136
<b>NET POSITION</b>				
Net investment in capital assets	2,173,223	4,203,672	6,376,895	6,254,405
Restricted for debt	472,870	222,340	695,210	641,433
Unrestricted	670,925	669,589	1,340,514	1,088,976
Total Net Position	<u>\$ 3,317,018</u>	<u>\$ 5,095,601</u>	<u>\$ 8,412,619</u>	<u>\$ 7,984,814</u>

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2019  
With Comparative Totals for the Year Ended December 31, 2018

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 181,920	\$ 27,228	\$ 44,362	\$
Public safety	308,172	83,573	150,579	
Public works	333,139	6,051	48,900	54,476
Culture and recreation	368,531	144,924	40,033	
Economic development	61,934			
Interest on long-term debt	53,913			
Total governmental activities	1,307,609	261,776	283,874	54,476
<b>Business-Type activities:</b>				
Utilities commission	1,462,168	1,555,749		
Total	\$ 2,769,777	\$ 1,817,525	\$ 283,874	\$ 54,476

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

Change in net position

Net position - beginning

Net position - ending

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2019	2018
\$ (110,330)	\$	\$ (110,330)	\$ (155,662)
(74,020)		(74,020)	(116,609)
(223,712)		(223,712)	54,520
(183,574)		(183,574)	(175,896)
(61,934)		(61,934)	(51,385)
(53,913)		(53,913)	(69,861)
<u>(707,483)</u>		<u>(707,483)</u>	<u>(514,893)</u>
	93,581	93,581	159,684
<u>(707,483)</u>	<u>93,581</u>	<u>(613,902)</u>	<u>(355,209)</u>
629,287		629,287	545,206
33,639		33,639	28,616
56,004		56,004	53,153
213,706		213,706	213,561
2,460	2,955	5,415	5,993
15,839	87,817	103,656	86,821
102,500	(102,500)		
<u>1,053,435</u>	<u>(11,728)</u>	<u>1,041,707</u>	<u>933,350</u>
345,952	81,853	427,805	578,141
<u>2,971,066</u>	<u>5,013,748</u>	<u>7,984,814</u>	<u>7,406,673</u>
<u>\$ 3,317,018</u>	<u>\$ 5,095,601</u>	<u>\$ 8,412,619</u>	<u>\$ 7,984,814</u>

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**CITY OF LANESBORO, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**CITY OF LANESBORO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2019  
With Comparative Totals for December 31, 2018

	100 General	220 Fire Fund
<b>ASSETS</b>		
Cash and investments	\$ 159,163	\$
Accounts receivable	5,098	
Due from other governmental units	5,960	603
Taxes receivable delinquent	7,194	738
Loans receivable		
Special assessments receivable	7,481	
Due from other funds	153,657	
Prepaid expenses	6,080	
	<u>\$ 344,633</u>	<u>\$ 1,341</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 9,358	\$ 15,418
Accrued liabilities	4,179	
Due to other funds		75,007
Total Liabilities	<u>13,537</u>	<u>90,425</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue:		
Property taxes	7,194	738
Loans receivable		
Special assessments	7,481	
Total Deferred Inflows of Resources	<u>14,675</u>	<u>738</u>
<b>Fund Balance:</b>		
Nonspendable	6,080	
Restricted:		
Contributors		
Grantors		
Regulators		
Debt service		
Assigned		
Unassigned	310,341	(89,822)
Total Fund Balance	<u>316,421</u>	<u>(89,822)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
	<u>\$ 344,633</u>	<u>\$ 1,341</u>

**See Notes to the Financial Statements**

Other Governmental Funds	Total Governmental Funds	
	2019	2018
\$ 1,027,062	\$ 1,186,225	\$ 885,879
36,095	41,193	37,624
4,742	11,305	7,279
3,791	11,723	10,330
28,218	28,218	27,360
149,200	156,681	191,800
	153,657	145,840
	6,080	6,286
<u>\$ 1,249,108</u>	<u>\$ 1,595,082</u>	<u>\$ 1,312,398</u>

\$ 8,416	\$ 33,192	\$ 20,495
1,238	5,417	3,900
25,070	100,077	90,466
<u>34,724</u>	<u>138,686</u>	<u>114,861</u>

3,791	11,723	10,330
28,218	28,218	27,360
149,200	156,681	191,800
<u>181,209</u>	<u>196,622</u>	<u>229,490</u>

	6,080	6,286
29,025	29,025	26,268
		4,921
37,129	37,129	24,895
472,870	472,870	419,173
511,373	511,373	302,253
(17,222)	203,297	184,251
<u>1,033,175</u>	<u>1,259,774</u>	<u>968,047</u>

<u>\$ 1,249,108</u>	<u>\$ 1,595,082</u>	<u>\$ 1,312,398</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, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	100 General	220 Fire Fund
<b>REVENUES</b>		
Property taxes	\$ 387,800	\$ 41,693
Sales taxes		
Special assessments	6,051	
Tax increments		
Licenses and permits	13,110	
Fines and forfeits	1,229	
Intergovernmental revenues	243,615	64,133
Charges for services	92,835	4,221
Interest income	2,049	
Donations/miscellaneous	33,603	57,000
<b>TOTAL REVENUES</b>	<b>780,292</b>	<b>167,047</b>
<b>EXPENDITURES</b>		
General government	136,050	
Public safety	99,211	67,122
Public works	212,357	
Culture and recreation	188,185	
Economic development		
Unallocated	4,922	
Capital outlay	58,355	30,000
Debt service:		
Principal		
Interest and fiscal charges		
<b>TOTAL EXPENDITURES</b>	<b>699,080</b>	<b>97,122</b>
Excess (deficiency) of revenues over (under) expenditures	81,212	69,925
<b>OTHER FINANCING SOURCES (USES)</b>		
Bond proceeds		
Transfers in		
Transfers out	(36,640)	(101,569)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(36,640)</b>	<b>(101,569)</b>
Net change in fund balances	44,572	(31,644)
<b>FUND BALANCES, beginning</b>	<b>271,849</b>	<b>(58,178)</b>
<b>FUND BALANCES, ending</b>	<b>\$ 316,421</b>	<b>\$ (89,822)</b>

**See Notes to the Financial Statements**

Other Governmental Funds	Total Governmental Funds	
	2019	2018
\$ 209,609	\$ 639,102	\$ 560,732
56,004	56,004	53,153
89,595	95,646	117,027
33,639	33,639	28,616
	13,110	12,050
	1,229	807
108,386	416,134	457,534
129,987	227,043	229,840
411	2,460	2,102
23,306	113,909	201,736
<u>650,937</u>	<u>1,598,276</u>	<u>1,663,597</u>
	136,050	131,600
90,298	256,631	320,620
	212,357	249,024
149,789	337,974	360,435
48,703	48,703	52,912
	4,922	166,327
78,030	166,385	497,665
192,000	192,000	95,000
54,027	54,027	53,631
<u>612,847</u>	<u>1,409,049</u>	<u>1,927,214</u>
<u>38,090</u>	<u>189,227</u>	<u>(263,617)</u>
		95,450
260,709	260,709	251,196
(20,000)	(158,209)	(156,196)
<u>240,709</u>	<u>102,500</u>	<u>190,450</u>
278,799	291,727	(73,167)
<u>754,376</u>	<u>968,047</u>	<u>1,041,214</u>
<u>\$ 1,033,175</u>	<u>\$ 1,259,774</u>	<u>\$ 968,047</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, 2019**

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

Total governmental fund balances (pages 18 and 19)		\$ 1,259,774
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 8,035,775	
Less: Accumulated depreciation	<u>(3,827,832)</u>	4,207,943
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 11,723	
Loans receivable	28,218	
Deferred and delinquent special assessments	<u>156,681</u>	196,622
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	\$ (2,034,720)	
Net pension liability	(223,236)	
Fire pension liability	(32,461)	
Compensated absences	(35,852)	
Accrued interest	<u>(21,052)</u>	<u>(2,347,321)</u>
Net position of governmental activities (page 15)		<u><u>\$ 3,317,018</u></u>

**CITY OF LANESBORO, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019**

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

Net change in fund balances - total governmental funds (pages 20 and 21)	\$	291,727
<p>Governmental funds reported capital outlays as expenditures.  However, in the statement of activities the cost of those assets  is allocated over their estimated useful lives and reported as  depreciation expense.</p>		
Capital outlay	\$	145,214
Depreciation expense		<u>(250,884)</u>
		(105,670)
<p>The net effect of various miscellaneous transactions involving  capital assets (i.e., sales, trade-ins, and donations) is to  increase net position</p>		
		17,824
<p>Revenues in the statement of activities do not provide current  financial resources are not reported as revenues in the funds.</p>		
		(32,868)
<p>In the statement of activities, certain operating expenses - compensated  absences and net pension liability- are measured by the amounts  earned during the year. In the governmental funds, however,  expenditures for these items are measured by the amount of  financial resources used (essentially, the amounts actually paid).</p>		
Change in net pension liability	\$	(9,632)
Change in fire pension liability		(921)
Change in compensated absences		<u>(6,622)</u>
		(17,175)
<p>The governmental funds report bond proceeds as financing sources, while  repayment of bond principal is reported as an expenditure. In the  statement of net position, however, issuing debt increases long term  liabilities and does not affect the statement of activities and repayment  of principal reduces the liability. Also, governmental funds report the  effect of premiums and discounts when debt is first issued, whereas  these amounts are deferred and amortized in the statement of activities.  Interest is recognized as an expenditure in the governmental funds when  it is due. In the statement of activities, however, interest expense is  recognized as it accrues, regardless of when it is due. The net effect of  these differences in the treatment of general obligation bonds and  related items is as follows.</p>		
Principal retirement on long-term debt	\$	192,000
Amortization of bond discount		(2,127)
Change in accrued interest		<u>2,241</u>
		<u>192,114</u>
Change in net position of governmental activities (pages 16 and 17)	\$	<u><u>345,952</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, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 390,912	\$ 390,912	\$ 387,800	\$ (3,112)	\$ 353,926
<b>Special Assessments</b>					
	6,500	6,500	6,051	(449)	6,369
<b>Licenses and Permits</b>					
	11,300	11,300	13,110	1,810	12,050
<b>Intergovernmental Revenues</b>					
Local government aid	213,706	213,706	213,706		213,561
Market value credit			894	894	940
Other	1,365	1,365	29,015	27,650	11,803
Total Intergovernmental Revenues	215,071	215,071	243,615	28,544	226,304
<b>Fines and Forfeits</b>					
Court fines and other	2,000	2,000	1,229	(771)	807
<b>Interest Income</b>					
	1,000	1,000	2,049	1,049	1,781
<b>Charges for Services</b>					
Park and recreation	97,750	97,750	92,835	(4,915)	86,811
<b>Miscellaneous Revenues</b>					
Cable franchise fees	14,000	14,000	12,743	(1,257)	12,641
Refunds and reimbursements			1,508	1,508	1,549
Contributions and donations			3,000	3,000	
Rhubarb Fest/Farmers Market			2,282	2,282	3,492
Sons of Norway					130,442
Other	6,213	6,213	14,070	7,857	7,614
Total Miscellaneous Revenues	20,213	20,213	33,603	13,390	155,738
<b>TOTAL REVENUES</b>	<b>\$ 744,746</b>	<b>\$ 744,746</b>	<b>\$ 780,292</b>	<b>\$ 35,546</b>	<b>\$ 843,786</b>

**See Notes to the Financial Statements**



**CITY OF LANESBORO, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with	2018 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
<b>EXPENDITURES</b>					
<b>General Government</b>					
Clerk/deputy clerk salaries	\$ 41,937	\$ 41,937	\$ 53,153	\$ (11,216)	\$ 40,114
PERA and social security	6,875	6,875	7,250	(375)	5,104
Office supplies/small equipment	4,000	4,000	3,374	626	3,840
Employee benefits	8,880	8,880	8,798	82	8,513
Elections					876
Postage	750	750	646	104	1,705
Telephone	4,000	4,000	2,375	1,625	3,711
Insurance	8,250	8,250	9,393	(1,143)	5,265
Publishing and printing	600	600	690	(90)	441
Assessor	2,500	2,500	2,555	(55)	2,471
Professional fees	39,700	39,700	32,187	7,513	46,371
Other general expenses	25,430	25,430	10,029	15,401	7,589
Mayor and council	7,000	7,000	5,600	1,400	5,600
Total General Government	149,922	149,922	136,050	13,872	131,600
<b>Public Safety</b>					
Contracted services	99,211	99,211	99,211		94,809
<b>Public Works</b>					
<b>Street Department</b>					
Salaries	82,953	82,953	71,391	11,562	90,105
PERA and social security	13,688	13,688	12,049	1,639	12,827
Employee benefits	17,470	17,470	23,496	(6,026)	15,537
Gas and oil	8,000	8,000	7,540	460	5,639
Supplies/small equipment	5,850	5,850	7,390	(1,540)	6,140
Repairs and maintenance	27,300	27,300	20,455	6,845	23,004
Utilities	7,000	7,000	4,394	2,606	4,886
Professional services	38,200	38,200	29,562	8,638	15,519
Seal coating	1,250	1,250	1,147	103	862
Other	16,800	16,800	21,059	(4,259)	14,838
Capital outlay	43,450	43,450	21,243	22,207	44,020
Total Street Department	261,961	261,961	219,726	42,235	233,377
<b>Street Lights</b>	\$ 18,000	\$ 18,000	\$ 13,874	\$ 4,126	\$ 15,647

**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, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with	2018 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
<b>EXPENDITURES (continued)</b>					
<b>Culture and Recreation</b>					
Salaries	\$ 61,663	\$ 61,663	\$ 56,099	\$ 5,564	\$ 54,692
PERA and social security	9,350	9,350	8,087	1,263	8,007
Office supplies/small equipment	10,500	10,500	8,797	1,703	11,193
Employee benefits	11,100	11,100	10,997	103	11,795
Telephone	500	500	456	44	463
Insurance	3,350	3,350	3,484	(134)	5,687
Professional fees	800	800	6,944	(6,144)	4,327
Other	17,750	17,750	27,695	(9,945)	24,369
Utilities	40,000	40,000	34,045	5,955	37,422
Repairs and maintenance	15,000	15,000	17,836	(2,836)	17,734
Capital outlay	19,690	19,690	37,112	(17,422)	35,873
Lanesboro Museum	5,000	5,000	5,000		5,000
Community Education	5,500	5,500	5,500		5,500
Rhubarb Fest/Farmers Market			3,245	(3,245)	3,867
Total Culture and Recreation	<u>200,203</u>	<u>200,203</u>	<u>225,297</u>	<u>(25,094)</u>	<u>225,929</u>
<b>Unallocated</b>					
Sons of Norway	<u>4,922</u>	<u>4,922</u>	<u>4,922</u>		<u>166,327</u>
<b>TOTAL EXPENDITURES</b>	<u>734,219</u>	<u>734,219</u>	<u>699,080</u>	<u>35,139</u>	<u>867,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,527</u>	<u>10,527</u>	<u>81,212</u>	<u>70,685</u>	<u>(23,903)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					11,900
Transfers out			(36,640)	(36,640)	(20,000)
<b>Total Other Financing Sources (Uses)</b>			<u>(36,640)</u>	<u>(36,640)</u>	<u>(8,100)</u>
Net change in fund balances	10,527	10,527	44,572	34,045	(32,003)
<b>FUND BALANCES, beginning</b>	<u>271,849</u>	<u>271,849</u>	<u>271,849</u>		<u>303,852</u>
<b>FUND BALANCES, ending</b>	<u>\$ 282,376</u>	<u>\$ 282,376</u>	<u>\$ 316,421</u>	<u>\$ 34,045</u>	<u>\$ 271,849</u>

**See Notes to the Financial Statements**

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

For the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		Operations	Equipment	2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final					
<b>REVENUES</b>							
Property taxes	\$ 42,260	\$ 42,260	\$ 41,693	\$	\$ 41,693	\$ (567)	\$ 26,854
Intergovernmental	43,200	43,200	64,133		64,133	20,933	59,499
Charges for services	2,500	2,500	4,221		4,221	1,721	8,200
Donations/miscellaneous				57,000	57,000	57,000	28,290
<b>TOTAL REVENUES</b>	<b>87,960</b>	<b>87,960</b>	<b>110,047</b>	<b>57,000</b>	<b>167,047</b>	<b>79,087</b>	<b>122,843</b>
<b>EXPENDITURES</b>							
Salaries	18,060	18,060	16,095		16,095	1,965	13,730
PERA and social security	1,200	1,200	1,231		1,231	(31)	1,050
Employee benefits	5,500	5,500	6,739		6,739	(1,239)	4,619
Fire relief contributions	3,500	3,500	20,001		20,001	(16,501)	19,799
Supplies/small equipment	5,500	5,500	5,165		5,165	335	25,026
Repairs and maintenance	7,500	7,500	869		869	6,631	10,839
Training	3,000	3,000	892		892	2,108	3,849
Telephone	2,100	2,100	2,458		2,458	(358)	2,598
Utilities	7,000	7,000	5,646		5,646	1,354	5,652
Capital outlay	12,500	12,500		30,000	30,000	(17,500)	10,805
Miscellaneous	7,100	7,100	8,026		8,026	(926)	4,483
<b>TOTAL EXPENDITURES</b>	<b>72,960</b>	<b>72,960</b>	<b>67,122</b>	<b>30,000</b>	<b>97,122</b>	<b>(24,162)</b>	<b>102,450</b>
Excess (deficiency) of revenues over (under) expenditures	15,000	15,000	42,925	27,000	69,925	54,925	20,393
<b>OTHER FINANCING USES</b>							
Transfers out				(101,569)	(101,569)	101,569	(15,000)
Net change in fund balances	15,000	15,000	42,925	(74,569)	(31,644)	156,494	5,393
<b>FUND BALANCES, beginning</b>	<b>(58,178)</b>	<b>(58,178)</b>	<b>(132,747)</b>	<b>74,569</b>	<b>(58,178)</b>		<b>(63,571)</b>
<b>FUND BALANCES, ending</b>	<b>\$(43,178)</b>	<b>\$(43,178)</b>	<b>\$(89,822)</b>	<b>\$</b>	<b>\$(89,822)</b>	<b>\$ 156,494</b>	<b>\$(58,178)</b>

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Net Position**  
December 31, 2019  
With Comparative Totals as of December 31, 2018

	Totals - Utilities Commission	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,155,979	\$ 1,696,948
Due from other funds	7,848	6,054
Accounts receivable, net	117,111	119,042
Inventory	28,735	28,340
Other receivables/prepaid	300	262
Total Current Assets	1,309,973	1,850,646
<b>Noncurrent Assets</b>		
Capital assets:		
Nondepreciable	769,282	757,578
Depreciable	12,674,934	11,870,781
Less: Accumulated depreciation	5,449,084	5,103,680
Net capital assets	7,995,132	7,524,679
Total Assets	9,305,105	9,375,325
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	22,251	36,929
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	124,353	54,001
Accrued liabilities	53,853	79,444
Due to other funds	61,428	61,428
Customer deposits	19,381	19,568
Current maturities of bonds payable	218,000	207,000
Total Current Liabilities	477,015	421,441
<b>Noncurrent Liabilities</b>		
Notes payable	3,137,000	3,230,000
Bonds payable	440,000	565,000
Net pension liability	151,340	144,953
Less: bond discount, net of amortization	(3,540)	(4,828)
Total Noncurrent Liabilities	3,724,800	3,935,125
Total Liabilities	4,201,815	4,356,566
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	29,940	41,940
<b>NET POSITION</b>		
Net investment in capital assets	4,203,672	4,183,209
Restricted for debt	222,340	222,260
Unrestricted	669,589	608,279
Total Net Position	\$ 5,095,601	\$ 5,013,748

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
For the Year Ended December 31, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	Totals - Utilities Commission	
	2019	2018
<b>Operating Revenues</b>		
Charges for services	\$ 1,555,749	\$ 1,639,753
<b>Operating Expenses</b>		
Purchased power/facility charge	404,630	474,574
Utilities	54,248	72,207
Salaries and wages	243,168	263,112
Employee benefits	78,277	63,640
Repairs and maintenance	99,971	114,711
Materials, chemicals and supplies	30,398	33,333
Professional fees	81,143	27,233
Laboratory testing	83	2,072
Depreciation and amortization	357,187	352,541
Insurance	20,964	17,595
Other	26,286	17,435
Total Operating Expenses	1,396,355	1,438,453
Operating Income	159,394	201,300
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	2,955	3,891
Interest expense	(65,813)	(71,616)
Other income	87,817	80,226
Total Nonoperating Revenue (Expenses)	24,959	12,501
<b>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>	184,353	213,801
Contributed capital/grants		30,000
Transfer in	17,891	
Transfers out	(120,391)	(95,000)
<b>CHANGE IN NET POSITION</b>	81,853	148,801
<b>NET POSITION - BEGINNING OF YEAR</b>	5,013,748	4,864,947
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 5,095,601	\$ 5,013,748

**See Notes to the Financial Statements**

**CITY OF LANESBORO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2019  
With Comparative Totals for December 31, 2018

	Totals - Utilities Commission	
	2019	2018
<b>Cash Flows From Operating Activities</b>		
Cash received from customers and users	\$ 1,566,679	\$ 1,651,542
Cash paid to suppliers and employers	(1,063,425)	(1,069,984)
Other income	87,817	80,226
	591,071	661,784
<b>Net Cash Provided By Operating Activities</b>		
<b>Cash Flows From Noncapital Financing Activities</b>		
Operating transfers out, net	(102,500)	(95,000)
Due from other funds	(1,794)	(6,054)
	(104,294)	(101,054)
<b>Net Cash Used In Noncapital Financing Activities</b>		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital asset acquisitions	(757,888)	(556,601)
Principal payments on bonds	(207,000)	(196,000)
Proceeds from issuance of long term debt		596,000
Interest payments on bonds	(65,813)	(71,616)
	(1,030,701)	(228,217)
<b>Net Cash Used In Capital and Related Financing Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Investment income received	2,955	3,891
	2,955	3,891
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(540,969)	336,404
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,696,948	1,360,544
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,155,979	\$ 1,696,948

**See Notes to the Financial Statements**

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

	Totals - Utilities Commission	
	2019	2018
<b>Operating Income</b>	\$ 159,394	\$ 201,300
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	357,187	352,541
Loss on disposal of property and equipment	11,999	
Change in net pension liability	9,065	(4,148)
Other income	87,817	80,226
(Increase) Decrease In:		
Accounts receivable	1,931	11,789
Inventory	(395)	(5,314)
Prepaid items	(38)	793
Increase In:		
Accounts payable	(10,111)	4,799
Accrued expenses and customer deposits	(25,778)	19,798
	<u>\$ 591,071</u>	<u>\$ 661,784</u>
 Net Cash Provided By Operating Activities		
 Non-Cash Transactions:		
Receipts of contributed property	\$ 80,463	\$ 30,000
Capital assets acquired on account		5,400

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and all enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Non-exchange transaction, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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#### D. Description of Funds

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Proprietary funds distinguish *operating* revenues and expense from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is not utilized in any of the fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no encumbrances at December 31, 2019.

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

##### Cash and Investments

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

##### Inventory

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

##### Accounts Receivable

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

##### Special Assessments Receivable

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

**CITY OF LANESBORO, MINNESOTA**

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

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

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

Prepaid Expenditures

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

Capital Assets

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

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

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

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

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

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

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

##### Property Taxes

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

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

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

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

##### Compensated Absences

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

##### Concentration of Credit Risk

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

##### Deferred Outflows of Resources

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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#### Deferred Inflows of Resources

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

#### Pensions

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

#### Net Position / Fund Balance

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

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

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

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



## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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The City classifies governmental fund balances as follows:

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

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

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

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

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

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

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

#### Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

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#### 2. Stewardship, Compliance, and Accountability

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##### Budgets and Budgetary Accounting

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

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

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# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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#### A. Summary of Cash and Investments

As of December 31, 2019, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$	2,321,397
Cash on hand		75
Non-negotiable CD's		20,732
		<hr/>
Total Cash and investments	\$	<u>2,342,204</u>

#### Investments Authorized by Minnesota Statues

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

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

#### Collateralization of Cash Deposits

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

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

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

#### Interest Rate Risk

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

#### Credit Risk

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

## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

##### Fair Value Measurement

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

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

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

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

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

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

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

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

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

##### Concentration of Credit Risk

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

**CITY OF LANESBORO, MINNESOTA**

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

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

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in process	155,118	47,909		203,027
Total capital assets, not being depreciated	419,618	47,909		467,527
Capital assets, being depreciated:				
Buildings and improvements	1,638,022	9,736		1,647,758
Infrastructure	4,303,781			4,303,781
Machinery and equipment	1,523,336	127,503	34,130	1,616,709
Total capital assets, being depreciated	7,465,139	137,239	34,130	7,568,248
Less accumulated depreciation for:				
Buildings and improvements	1,035,293	41,231		1,076,524
Infrastructure	1,704,213	120,631		1,824,844
Machinery and equipment	849,462	89,022	12,020	926,464
Total accumulated depreciation	3,588,968	250,884	12,020	3,827,832
Total capital assets, being depreciated, net	3,876,171	(113,645)	22,110	3,740,416
 Governmental activities capital assets, net	 \$ 4,295,789	 \$ (65,736)	 \$ 22,110	 \$ 4,207,943

**CITY OF LANESBORO, MINNESOTA**

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

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

**B. Capital Assets (continued)**

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 13,686	\$ 75,254	\$	\$ 88,940
Construction in progress	743,892	630,384	693,934	680,342
Total capital assets, not being depreciated	757,578	705,638	693,934	769,282
Capital assets, being depreciated:				
Dam	747,919	8,333		756,252
Buildings and improvements	5,421,801	93,287		5,515,088
Production systems	937,553			937,553
Distribution systems	4,501,386	672,670		5,174,056
Machinery and equipment	262,122	52,355	22,492	291,985
Total capital assets, being depreciated	11,870,781	826,645	22,492	12,674,934
Less accumulated depreciation for:				
Dam	231,409	29,233		260,642
Buildings and improvements	1,074,387	144,572		1,218,959
Production systems	613,614	20,234		633,848
Distribution systems	3,032,346	22,575		3,054,921
Machinery and equipment	151,924	139,286	10,496	280,714
Total accumulated depreciation	5,103,680	355,900	10,496	5,449,084
Total capital assets, being depreciated, net	6,767,101	470,745	11,996	7,225,850
Business-type activities capital assets, net	\$ 7,524,679	\$1,176,383	\$ 705,930	\$ 7,995,132

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 22,998
Public safety	52,611
Public works	121,841
Culture and recreation	39,345
Economic development	14,089
	14,089

Total depreciation expense - governmental activities \$ 250,884

**Business-Type Activities:**

Utilities Commission	\$ 355,900
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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, 2019, 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	\$ 153,657	\$
Special Revenue:		
Fire Fund		75,007
Capital Projects:		
Dam Project		17,222
Debt Service:		
2017A Zenith/Auburn		7,848
Utilities Commission	7,848	61,428
	<u>\$ 161,505</u>	<u>\$ 161,505</u>

Transfers during the year ended December 31, 2019 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 36,640
Special Revenue:		
Ambulance		20,000
Fire		101,569
Economic Development	115	
Revolving Loan Fund	9,885	
Debt Service:		
2017A Zenith/Auburn Fund	72,499	
2017B Park/Road Fund	20,000	
Capital Projects:		
Vehicle Replacement Fund	158,210	
Enterprise:		
Utilities Commission	17,891	120,391
Total Transfers	<u>\$ 278,600</u>	<u>\$ 278,600</u>

**CITY OF LANESBORO, MINNESOTA**

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

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

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

Excess of expenditures over budgeted appropriations at the individual fund level during 2019 are as follows:

Special Revenue Funds:		
Library	\$	13,935
Fire		24,162

All excess expenditures were the result of planned processes.

As of December 31, 2019, the following funds had deficit fund balances:

Special Revenue Funds:		
Fire Fund	\$	89,822
Capital Projects Dam Project		17,222

**D. Fund Equity**

The City has assigned portions of the fund equity in the governmental funds. A summary of the assigned portion of the fund equity at December 31, 2019 is as follows:

	Vehicle Replacement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assigned for</b>			
Ambulance	\$	\$ 249,269	\$ 249,269
Street	29,880		29,880
Fire	15,000		15,000
Fire Equipment	101,569		101,569
Ambulance	20,000		20,000
Park	5,190		5,190
Library		31,657	31,657
Local Sales Tax		56,004	56,004
Economic Development		2,804	2,804
<b>Total Assigned</b>	<b>\$ 171,639</b>	<b>\$ 339,734</b>	<b>\$ 511,373</b>

**CITY OF LANESBORO, MINNESOTA**

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

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

**E. Long-Term Debt**

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
2010B GO Tax Abatement Bond (2-3.9%)	\$ 245,000	\$	\$ 25,000	\$ 220,000	\$ 30,000
2016A GO Refunding Bond (2.00%)	457,000		71,000	386,000	70,000
2017A GO Improvement (2.0% - 2.5%)	1,180,000		75,000	1,105,000	100,000
2017B GO Improvement Note (2.9%)	261,000		21,000	240,000	24,000
2018A GO Improvement Note (4.1%)	100,000			100,000	8,000
Less: Unamortized Discount	(18,407)		(2,127)	(16,280)	
Total Bonds and Notes Payable	2,224,593		189,873	2,034,720	232,000
Other Liabilities:					
Compensated Absences	29,230	6,622		35,852	
Governmental Activities					
Long-term Liabilities	2,253,823	6,622	189,873	2,070,572	232,000
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds:					
General Obligation Revenue Bonds:					
2010A Utility Refunding Bond (1%-4%)	410,000		95,000	315,000	100,000
2017A Utility Bond (2.0%-2.5%)	270,000		20,000	250,000	25,000
Notes					
2014 PFA Water Revenue Note (1.00%)	2,571,000		87,000	2,484,000	88,000
2015 PFA Water Revenue Note (1.00%)	155,000		5,000	150,000	5,000
2018B GO Utility Revenue Note (3.6%)	596,000			596,000	
Less: Unamortized Discount	(4,828)		(1,288)	(3,540)	
Total Bonds and Notes	3,997,172		205,712	3,791,460	218,000
Other Liabilities:					
Compensated Absences	40,715		8,124	32,591	
Business-type Activities					
Long-term Liabilities	4,037,887		213,836	3,824,051	218,000
Total	\$ 6,291,710	\$ 6,622	\$ 403,709	\$ 5,894,623	\$ 450,000



**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, 2019, over the life of the debt, are summarized below:

Years	General Obligation Bonds		General Obligation Revenue Bonds		Notes Payable		Total Principal	Total Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
<u>Governmental Activities</u>								
2020	\$ 232,000	\$ 48,913					\$ 232,000	\$ 48,913
2021	242,000	43,409					242,000	43,409
2022	247,000	37,689					247,000	37,689
2023	250,000	31,881					250,000	31,881
2024	261,000	25,888					261,000	25,888
2025-2029	819,000	57,426					819,000	57,426
Totals	<u>\$2,051,000</u>	<u>\$ 245,204</u>					<u>\$ 2,051,000</u>	<u>\$ 245,204</u>
<u>Business-Type Activities</u>								
2020			\$ 125,000	\$ 12,300	\$ 93,000	\$ 26,340	\$ 218,000	\$ 38,640
2021			130,000	8,600	93,000	25,410	223,000	34,010
2022			731,000	8,775	94,000	24,480	825,000	33,255
2023			25,000	3,875	95,000	23,540	120,000	27,415
2024			25,000	3,375	97,000	22,590	122,000	25,965
2025-2029			125,000	8,938	500,000	98,200	625,000	107,138
2030-2034					525,000	72,700	525,000	72,700
2035-2039					553,000	45,920	553,000	45,920
2040-2044					584,000	17,640	584,000	17,640
Totals			<u>\$ 1,161,000</u>	<u>\$ 45,863</u>	<u>\$ 2,634,000</u>	<u>\$ 99,770</u>	<u>\$ 3,795,000</u>	<u>\$ 145,633</u>

Tax Increment Financing

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 4. Other Information

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

##### Plan Description

The City of Lanesboro, Minnesota, Minnesota participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota *Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

##### General Employees Retirement Plan

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

##### Benefits Provided

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

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

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

# CITY OF LANESBORO, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 4. Other Information (Continued)

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

##### Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$2,319. The City's contributions were equal to the required contributions as set by state statute.

##### Pension Costs

At December 31, 2019, the City reported a liability of \$364,899 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 to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$11,500. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0066 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2018.

City's proportionate share of net pension liability	\$ 364,899
State of Minnesota's proportionate share of the net pension liability associated with the City	\$ 11,500

For the year ended December 31, 2019, the City recognized pension expense of \$18,697 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$861 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF LANESBORO, MINNESOTA**

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

**4. Other Information (Continued)**

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

*Pension Costs (Continued)*

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 10,029	\$
Difference between projected and actual investment earnings		37,743
Changes in actuarial assumptions		28,075
Changes in proportion	26,685	6,384
Contributions paid to GERP subsequent to the measurement date	<u>18,122</u>	
Total	<u>\$ 54,836</u>	<u>\$ 72,202</u>

The \$18,122 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (5,685)
2021	(27,595)
2022	(2,797)
2023	589

**CITY OF LANESBORO, MINNESOTA**

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

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**4. Other Information (Continued)**

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A. Defined Benefit Pension Plans – Statewide (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

There following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**CITY OF LANESBORO, MINNESOTA**

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

**4. Other Information (Continued)**

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

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 Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statute. 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:

<b>Sensitivity Analysis</b>			
<i>Net Pension Liability at Different Discount Rates</i>			
	General Employees Fund		
1% Lower	6.50%	\$	599,875
Current Discount Rate	7.50%	\$	364,899
1% Higher	8.50%	\$	170,880

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**CITY OF LANESBORO, MINNESOTA**

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

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**4. Other Information (Continued)**

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*B. Defined Benefit Pension Plan – Fire Relief Association*

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

*Plan Description*

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

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

*Funding Status and Progress*

At December 31, 2018 (latest available information), the Association funding status is as follows:

Total plan assets	\$ 329,521
Total accrued liability	<u>361,982</u>
Deficiency of plan assets over accrued liability	<u>\$ (32,461)</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 2019 amount to \$20,001 (\$16,501 pass-through of State aids and \$3,500 in City funds). The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2019.

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

The computation of the pension contribution requirements for 2019 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

## CITY OF LANESBORO, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information (Continued)

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##### C. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2019.

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 2019. 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 Commonwealth 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, 2019, remaining notes outstanding totaled \$565,000

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

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

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

The City has one pay-as-you-go tax increment financing districts. For the year ended December 31, 2019, the City paid tax increments totaling \$29,357 related to these agreements.



**CITY OF LANESBORO, MINNESOTA**

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

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**5. Subsequent Events**

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In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 30, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future operations, however, the potential impact is unknown at this time.

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**CITY OF LANESBORO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**CITY OF LANESBORO, MINNESOTA**  
**Schedules of Contributions**  
**December 31, 2019**

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

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

**CITY OF LANESBORO, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2019**

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

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

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**CITY OF LANESBORO, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2019**

**CITY OF LANESBORO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2019**

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	620 Revolving Loan
<b>ASSETS</b>							
Cash and investments	\$ 32,028	\$ 213,500	\$ 29,025	\$ 27,812	\$ 10,389	\$ 56,004	\$ 8,296
Accounts receivable		36,095					
Due from other governmental units	861	511		1,021			
Taxes receivable delinquent	1,073	611					
Loans receivable							28,218
Special assessments receivable							
<b>TOTAL ASSETS</b>	<b>\$ 33,962</b>	<b>\$ 250,717</b>	<b>\$ 29,025</b>	<b>\$ 28,833</b>	<b>\$ 10,389</b>	<b>\$ 56,004</b>	<b>\$ 36,514</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 475	\$ 356	\$	\$	\$ 7,585	\$	\$
Accrued liabilities	757	481					
Due to other funds							
Total Liabilities	1,232	837			7,585		
<b>Deferred Inflows of Resources</b>							
Unavailable revenue							
Property taxes	1,073	611					
Loans receivable							28,218
Special assessments							
Total Deferred Inflows of Resources	1,073	611					28,218
<b>Fund Balance</b>							
Restricted:							
Contributors			29,025				
Regulators				28,833			8,296
Debt service							
Assigned	31,657	249,269			2,804	56,004	
Unassigned							
Total Fund Balance	31,657	249,269	29,025	28,833	2,804	56,004	8,296
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 33,962</b>	<b>\$ 250,717</b>	<b>\$ 29,025</b>	<b>\$ 28,833</b>	<b>\$ 10,389</b>	<b>\$ 56,004</b>	<b>\$ 36,514</b>



Debt Service					Capital Project		Total Nonmajor Governmental Funds 2019
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A Refunding Bond	304 2010 Tax Abatement Bonds	417 Dam Project	425 Vehicle Replacement	
\$ 263,406	\$ 36,116	\$ 54,569	\$ 69,454	\$ 54,824	\$	\$ 17,1639	\$ 1027,062
638	10	156	986	559			36,095
	11	159	1,227	710			4,742
104,142		7,063	37,995				3,791
							28,218
							149,200
<u>\$ 368,186</u>	<u>\$ 36,137</u>	<u>\$ 61,947</u>	<u>\$ 109,662</u>	<u>\$ 56,093</u>	<u>\$</u>	<u>\$ 17,1639</u>	<u>\$ 1,249,108</u>
\$	\$	\$	\$	\$	\$	\$	\$ 8,416
7,848					17,222		1,238
<u>7,848</u>					<u>17,222</u>		<u>25,070</u>
							34,724
	11	159	1,227	710			3,791
104,142		7,063	37,995				28,218
<u>104,142</u>	<u>11</u>	<u>7,222</u>	<u>39,222</u>	<u>710</u>			<u>149,200</u>
							181,209
256,196	36,126	54,725	70,440	55,383		17,1639	29,025
					(17,222)		37,129
							472,870
							511,373
<u>256,196</u>	<u>36,126</u>	<u>54,725</u>	<u>70,440</u>	<u>55,383</u>	<u>(17,222)</u>	<u>17,1639</u>	<u>(17,222)</u>
							1,033,175
<u>\$ 368,186</u>	<u>\$ 36,137</u>	<u>\$ 61,947</u>	<u>\$ 109,662</u>	<u>\$ 56,093</u>	<u>\$</u>	<u>\$ 17,1639</u>	<u>\$ 1,249,108</u>

**CITY OF LANESBORO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2019**

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	620 Revolving Loan
<b>REVENUES</b>							
Property tax collected	\$ 56,733	\$ 35,246	\$	\$	\$	\$	\$
Sales taxes						56,004	
Tax increment				33,639			
Special assessments							
Intergovernmental	29,105	30,381					
Charges for services	1,076	77,898	51,013				
Interest income	411						
Donations/miscellaneous	10,928	452					9,476
<b>TOTAL REVENUES</b>	<u>98,253</u>	<u>143,977</u>	<u>51,013</u>	<u>33,639</u>	<u></u>	<u>56,004</u>	<u>9,476</u>
<b>EXPENDITURES</b>							
Public safety		90,298					
Culture and recreation	10,153		48,256				
Economic development				29,357	7,937		11,409
Capital outlay							
Debt service							
Principal retirement							
Interest and fiscal charges							
<b>TOTAL EXPENDITURES</b>	<u>10,153</u>	<u>90,298</u>	<u>48,256</u>	<u>29,357</u>	<u>7,937</u>	<u></u>	<u>11,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,280)</u>	<u>53,679</u>	<u>2,757</u>	<u>4,282</u>	<u>(7,937)</u>	<u>56,004</u>	<u>(1,933)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer in					115		9,885
Transfer out		(20,000)					
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>(20,000)</u>			<u>115</u>		<u>9,885</u>
Net change in fund balances	(3,280)	33,679	2,757	4,282	(7,822)	56,004	7,952
<b>FUND BALANCES, beginning</b>	<u>34,937</u>	<u>215,590</u>	<u>26,268</u>	<u>24,551</u>	<u>10,626</u>	<u></u>	<u>344</u>
<b>FUND BALANCES, ending</b>	<u>\$ 31,657</u>	<u>\$ 249,269</u>	<u>\$ 29,025</u>	<u>\$ 28,833</u>	<u>\$ 2,804</u>	<u>\$ 56,004</u>	<u>\$ 8,296</u>

Debt Service					Capital Project		Total Nonmajor Governmental Funds 2019
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A GO Bond Fund	304 2010 Tax Abatement Bonds	417 Dam Project	425 Vehicle Replacement	
\$	\$ 762	\$ 11,460	\$ 67,349	\$ 38,059	\$	\$	\$ 209,609
54,677		27,130	7,788		48,900		56,004
							33,639
							89,595
							108,386
							129,987
							411
						2,450	23,306
54,677	762	38,590	75,137	38,059	48,900	2,450	650,937
							90,298
							149,789
							48,703
					47,909	30,121	78,030
75,000	21,000		71,000	25,000			192,000
24,920	7,265	4,589	8,430	8,823			54,027
99,920	28,265	4,589	79,430	33,823	47,909	30,121	612,847
(45,243)	(27,503)	34,001	(4,293)	4,236	991	(27,671)	38,090
72,499	20,000					158,210	260,709
							(20,000)
72,499	20,000					158,210	240,709
27,256	(7,503)	34,001	(4,293)	4,236	991	130,539	278,799
228,940	43,629	20,724	74,733	51,147	(18,213)	41,100	754,376
\$ 256,196	\$ 36,126	\$ 54,725	\$ 70,440	\$ 55,383	\$ (17,222)	\$ 171,639	\$ 1,033,175

**CITY OF LANESBORO, MINNESOTA  
LIBRARY FUND  
Balance Sheet  
December 31, 2019  
With Comparative Totals as of December 31, 2018**

	Totals	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 32,028	\$ 35,017
Taxes receivable	861	715
Taxes receivable delinquent	1,073	1,041
Total Current Assets	33,962	36,773
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	475	119
Accrued liabilities	757	676
Total Current Liabilities	1,232	795
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue:		
Property taxes	1,073	1,041
<b>FUND BALANCE</b>		
Assigned:		
Book/Memorial	34,825	36,029
Library operations	(3,168)	(1,092)
Total Fund Balance	\$ 31,657	\$ 34,937

**CITY OF LANESBORO, MINNESOTA**  
**LIBRARY FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		Library	Book/ Memorial	2019 Actual Amounts	Variance with	2018 Actual Amounts
	Original	Final				Final Budget - Positive (Negative)	
<b>Revenues</b>							
Property taxes	\$ 57,192	\$ 57,192	\$ 56,733	\$	\$ 56,733	\$ (459)	\$ 55,509
Intergovernmental	28,506	28,506	29,105		29,105	599	28,522
Charges for services	1,250	1,250	1,076		1,076	(174)	1,341
Other	650	650	319	10,609	10,928	10,278	10,516
Total Revenues	87,598	87,598	87,233	11,020	98,253	10,655	96,209
<b>Expenses</b>							
Salaries	46,666	46,666	50,183		50,183	(3,517)	46,957
PERA and social security	7,650	7,650	6,942		6,942	708	6,942
Employee benefits	8,580	8,580	8,539		8,539	41	8,561
Supplies	1,900	1,900	2,278	12,224	14,502	(12,602)	3,170
Books	7,500	7,500	7,207		7,207	293	9,185
Magazines	700	700	611		611	89	602
Videos/audios	1,000	1,000	409		409	591	917
Summer reading program	750	750	720		720	30	750
Library automation	4,812	4,812	5,837		5,837	(1,025)	5,371
Insurance	820	820	626		626	194	469
Telephone	1,050	1,050	1,034		1,034	16	1,102
Lease payments	3,600	3,600	3,552		3,552	48	3,256
Miscellaneous	2,470	2,470	1,371		1,371	1,099	1,057
Total Expenses	87,598	87,598	89,309	12,224	101,533	(13,935)	88,339
<b>CHANGE IN FUND BALANCES</b>			(2,076)	(1,204)	(3,280)	(3,280)	7,870
<b>TOTAL FUND BALANCE - BEGINNING OF YEAR</b>	34,937	34,937	(1,092)	36,029	34,937		27,067
<b>TOTAL FUND BALANCE - END OF YEAR</b>	\$ 34,937	\$ 34,937	\$ (3,168)	\$ 34,825	\$ 31,657	\$ (3,280)	\$ 34,937

**CITY OF LANESBORO, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 35,730	\$ 35,730	\$ 35,246	\$ (484)	\$ 25,711
Charges for service	65,000	65,000	77,898	12,898	84,386
Intergovernmental	28,700	28,700	30,381	1,681	24,774
Donations/miscellaneous			452	452	1,632
<b>TOTAL REVENUES</b>	<b>129,430</b>	<b>129,430</b>	<b>143,977</b>	<b>14,547</b>	<b>136,503</b>
<b>EXPENDITURES</b>					
Salaries	51,500	51,500	49,053	2,447	49,952
PERA and social security	6,600	6,600	6,178	422	6,388
Employee benefits	3,500	3,500	3,759	(259)	3,692
Supplies/small equipment	6,000	6,000	3,611	2,389	7,480
Repairs and maintenance	2,000	2,000	5,796	(3,796)	2,533
Fuel and oil	2,000	2,000	1,695	305	1,731
Travel and training	5,000	5,000	3,720	1,280	7,902
Contracted services	5,030	5,030	4,365	665	5,322
Capital outlay	15,000	15,000		15,000	26,033
Miscellaneous expense	12,800	12,800	12,121	679	12,328
<b>TOTAL EXPENDITURES</b>	<b>109,430</b>	<b>109,430</b>	<b>90,298</b>	<b>19,132</b>	<b>123,361</b>
Excess (deficiency) of revenues over (under) expenditures	20,000	20,000	53,679	33,679	13,142
<b>OTHER FINANCING USES</b>					
Transfers out	(20,000)	(20,000)	(20,000)		(9,000)
Net change in fund balances			33,679	33,679	4,142
<b>FUND BALANCES, beginning</b>	<b>215,590</b>	<b>215,590</b>	<b>215,590</b>		<b>211,448</b>
<b>FUND BALANCES, ending</b>	<b>\$ 215,590</b>	<b>\$ 215,590</b>	<b>\$ 249,269</b>	<b>\$ 33,679</b>	<b>\$ 215,590</b>

**CITY OF LANESBORO, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**CITY OF LANESBORO, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2019**

Year	\$420,000 General Obligation Tax Abatement Bonds of 2010		
	Principal	Interest	Total
2020	\$ 30,000	\$ 7,470	\$ 37,470
2021	30,000	6,450	36,450
2022	30,000	5,430	35,430
2023	30,000	4,410	34,410
2024	30,000	3,315	33,315
2025	35,000	2,047	37,047
2026	35,000	682	35,682
<b>Totals</b>	<b>\$ 220,000</b>	<b>\$ 29,804</b>	<b>\$ 249,804</b>

Year	\$527,000 General Obligation Refunding Bonds of 2016A		
	Principal	Interest	Total
2020	\$ 70,000	\$ 7,020	\$ 77,020
2021	74,000	5,580	79,580
2022	78,000	4,060	82,060
2023	80,000	2,480	82,480
2024	84,000	840	84,840
<b>Totals</b>	<b>\$ 386,000</b>	<b>\$ 19,980</b>	<b>\$ 405,980</b>

Year	\$1,180,000 General Obligation Improvement Bonds of 2017A		
	Principal	Interest	Total
2020	\$ 100,000	\$ 23,875	\$ 123,875
2021	105,000	21,875	126,875
2022	105,000	19,775	124,775
2023	105,000	17,675	122,675
2024	110,000	15,575	125,575
2025	110,000	13,375	123,375
2026	115,000	11,175	126,175
2027	115,000	8,588	123,588
2028	120,000	6,000	126,000
2029	120,000	3,000	123,000
<b>Totals</b>	<b>\$ 1,105,000</b>	<b>\$ 140,913</b>	<b>\$ 1,245,913</b>



**CITY OF LANESBORO, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules (Continued)  
December 31, 2019**

Year	\$261,000 General Obligation Improvement Note of 2017B		
	Principal	Interest	Total
2020	\$ 24,000	\$ 6,612	\$ 30,612
2021	24,000	5,916	29,916
2022	25,000	5,205	30,205
2023	26,000	4,466	30,466
2024	27,000	3,698	30,698
2025	27,000	2,915	29,915
2026	28,000	2,116	30,116
2027	29,000	1,291	30,291
2028	30,000	435	30,435
<b>Totals</b>	<b>\$ 240,000</b>	<b>\$ 32,654</b>	<b>\$ 272,654</b>

Year	\$100,000 General Obligation Improvement Note of 2018A		
	Principal	Interest	Total
2020	\$ 8,000	\$ 3,936	\$ 11,936
2021	9,000	3,588	12,588
2022	9,000	3,219	12,219
2023	9,000	2,850	11,850
2024	10,000	2,460	12,460
2025	10,000	2,050	12,050
2026	11,000	1,620	12,620
2027	11,000	1,169	12,169
2028	11,000	718	11,718
2029	12,000	246	12,246
<b>Totals</b>	<b>\$ 100,000</b>	<b>\$ 21,853</b>	<b>\$ 121,853</b>

**CITY OF LANESBORO, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2019**

\$1,030,000 Electric Revenue Refunding Bonds of 2010			
Year	Principal	Interest	Total
2020	\$ 100,000	\$ 12,300	\$ 110,814
2021	105,000	8,600	112,300
2022	110,000	4,400	113,600
<b>Totals</b>	<b>\$ 315,000</b>	<b>\$ 25,300</b>	<b>\$ 336,714</b>

\$3,031,931 PFA Water Revenue Note of 2014			
Year	Principal	Interest	Total
2020	\$ 88,000	\$ 24,840	\$ 112,710
2021	88,000	23,960	112,840
2022	89,000	23,080	111,960
2023	90,000	22,190	112,080
2024	91,000	21,290	112,190
2025	92,000	20,380	112,290
2026	93,000	19,460	112,380
2027	94,000	18,530	112,460
2028	95,000	17,590	112,530
2029	96,000	16,640	112,590
2030	97,000	15,680	112,640
2031	98,000	14,710	112,680
2032	99,000	13,730	112,710
2033	100,000	12,740	112,730
2034	101,000	11,740	112,740
2035	102,000	10,730	112,740
2036	103,000	9,710	112,730
2037	105,000	8,680	112,710
2038	106,000	7,630	113,680
2039	107,000	6,570	113,630
2040	108,000	5,500	113,570
2041	109,000	4,420	113,500
2042	110,000	3,330	113,420
2043	111,000	2,230	113,330
2044	112,000	1,120	113,230
<b>Totals</b>	<b>\$ 2,484,000</b>	<b>\$ 336,480</b>	<b>\$ 2,820,070</b>

**CITY OF LANESBORO, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2019**

\$165,775 PFA Water Revenue  
Note of 2015

Year	Principal	Interest	Total
2020	\$ 5,000	\$ 1,500	\$ 6,550
2021	5,000	1,450	6,500
2022	5,000	1,400	6,450
2023	5,000	1,350	6,400
2024	6,000	1,300	6,350
2025	6,000	1,240	7,300
2026	6,000	1,180	7,240
2027	6,000	1,120	7,180
2028	6,000	1,060	7,120
2029	6,000	1,000	7,060
2030	6,000	940	7,000
2031	6,000	880	6,940
2032	6,000	820	6,880
2033	6,000	760	6,820
2034	6,000	700	6,760
2035	6,000	640	6,700
2036	6,000	580	6,640
2037	6,000	520	6,580
2038	6,000	460	6,520
2039	6,000	400	6,460
2040	6,000	340	6,400
2041	7,000	280	6,340
2042	7,000	210	7,280
2043	7,000	140	7,210
2044	7,000	70	7,140
<b>Totals</b>	<b>\$ 150,000</b>	<b>\$ 20,340</b>	<b>\$ 169,820</b>

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

Year	Principal	Interest	Total
2020	\$ 25,000	\$ 5,375	30,375
2021	25,000	4,875	29,875
2022	25,000	4,375	29,375
2023	25,000	3,875	28,875
2024	25,000	3,375	28,375
2025	25,000	2,875	27,875
2026	25,000	2,375	27,375
2027	25,000	1,813	26,813
2028	25,000	1,250	26,250
2029	25,000	625	25,625
<b>Totals</b>	<b>\$ 250,000</b>	<b>\$ 30,813</b>	<b>\$ 280,813</b>

**CITY OF LANESBORO, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2019**

Year	\$596,000 GO Utility Revenue Note Bond of 2018B		
	Principal	Interest	Total
2020		\$ 21,456	\$ 25,775
2021	596,000	21,456	30,375
<b>Totals</b>	<b>\$ 596,000</b>	<b>\$ 42,912</b>	<b>\$ 56,150</b>

**CITY OF LANESBORO, MINNESOTA  
PFA WATER NOTE OF 2014  
LOAN RETIREMENT DEBT SERVICE FUND  
Supplemental Schedule of Revenues, Expenditures and Change in Fund Balance  
For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Revenues</b>	<u>\$ 111,970</u>	<u>\$ 112,709</u>
<b>Expenditures</b>		
Principal	87,000	86,000
Interest	24,840	26,570
Total Expenditures	<u>111,840</u>	<u>112,570</u>
Excess (deficiency) of revenues over (under) expenditures	130	139
Fund Balance - Beginning of Year	<u>112,710</u>	<u>112,571</u>
Fund Balance - End of Year	<u><u>\$ 112,840</u></u>	<u><u>\$ 112,710</u></u>

**CITY OF LANESBORO, MINNESOTA  
PFA WATER NOTE OF 2015  
LOAN RETIREMENT DEBT SERVICE FUND  
Supplemental Schedule of Revenues, Expenditures and Change in Fund Balance  
For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Revenues</b>	<u>\$ 6,400</u>	<u>\$ 6,550</u>
<b>Expenditures</b>		
Principal	5,000	5,000
Interest	1,450	1,600
Total Expenditures	<u>6,450</u>	<u>6,600</u>
Excess (deficiency) of revenues over (under) expenditures	(50)	(50)
Fund Balance - Beginning of Year	<u>6,550</u>	<u>6,600</u>
Fund Balance - End of Year	<u><u>\$ 6,500</u></u>	<u><u>\$ 6,550</u></u>

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**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, 2019, and the related notes to the financial statements, which collectively comprise the City of Lanesboro, Minnesota's basic financial statements, and have issued our report thereon dated April 30, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, finding 2019-001 described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

**Compliance and Other Matters**

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

To the City Council  
City of Lanesboro, Minnesota

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lanesboro, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

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

### **Purpose of this Report**

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

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
April 30, 2020



**CITY OF LANESBORO, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2019**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

2019-001 Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

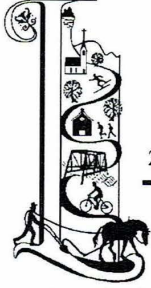
Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. An important element of internal accounting 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.

Effect: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.

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# CITY OF LANESBORO

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[www.lanesboro-mn.gov](http://www.lanesboro-mn.gov)

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

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

There is no disagreement with the audit finding.

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

Our City employs a limited number of individuals to provide the accounting services for the City. The City will continue to segregate duties as best it can within the limits of what it considers to be cost beneficial.

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

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

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

The City will continue to segregate duties the best it can within the limits of what it considers to be cost beneficial.

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

Mayor and City Council will monitor this process.

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**CITY OF LANESBORO, MINNESOTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2019**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

2014-001  
2015-001  
2016-001  
2017-001  
2018-001      Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. An important element of internal accounting 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.

Effect: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.