

CITY OF LANESBORO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

CITY OF LANESBORO, MINNESOTA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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CITY OF LANESBORO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2020

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CITY OF LANESBORO, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2020

Jason Resseman	Mayor
Autumn Johnson (resigned)	Council member
Chase Bakke	Council member
Tom Smith	Council member
Bridget Harvey	Council member
Mindy Albrecht-Benson	Council member
Michele Peterson	City Administrator
Darla Taylor	Deputy Clerk

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CITY OF LANESBORO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2020

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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, 2020, 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, 2020, 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, 2019, from which such partial information was derived.

We have previously audited the City's 2019 financial statements and our report dated April 30, 2020, 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, 2019, 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 26, 2021, 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 26, 2021

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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, 2020.

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 \$13,216,201 (*net position*). Of this amount, \$1,572,657 (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 \$4,803,582.
- As of the close of the current fiscal year, the City of Lanesboro, Minnesota's governmental funds reported combined ending fund balances of \$1,590,772. Approximately \$1,002,805 of this total amount is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$365,283 or 46% of total general fund expenditures.
- The City of Lanesboro, Minnesota decreased total outstanding debt obligations by \$1,046,000 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, the fire fund and the dam fund, all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lanesboro, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 24-26) and the special revenue funds (page 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 \$13,216,201 at the close of the most recent fiscal year.

By far the largest portion of the City of Lanesboro, Minnesota's net position (82%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lanesboro, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lanesboro, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of Lanesboro, Minnesota's Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,853,645	\$ 1,495,005	\$ 1,342,562	\$ 1,248,545	\$ 3,196,207	\$ 2,743,550
Capital assets	7,495,024	4,207,943	8,065,029	7,995,132	15,560,053	12,203,075
Total assets	<u>9,348,669</u>	<u>5,702,948</u>	<u>9,407,591</u>	<u>9,243,677</u>	<u>18,756,260</u>	<u>14,946,625</u>
Deferred outflow s of resources	<u>35,009</u>	<u>32,585</u>	<u>25,421</u>	<u>22,251</u>	<u>60,430</u>	<u>54,836</u>
Long-term liabilities outstanding	2,050,468	2,248,279	3,152,807	3,942,800	5,203,275	6,191,079
Other liabilities	80,306	127,974	297,271	197,587	377,577	325,561
Total liabilities	<u>2,130,774</u>	<u>2,376,253</u>	<u>3,450,078</u>	<u>4,140,387</u>	<u>5,580,852</u>	<u>6,516,640</u>
Deferred inflow s of resources	<u>11,494</u>	<u>42,262</u>	<u>8,143</u>	<u>29,940</u>	<u>19,637</u>	<u>72,202</u>
Net position:						
Net investment in capital assets	5,690,178	2,173,223	5,086,282	4,203,672	10,776,460	6,376,895
Restricted for debt	645,674	472,870	221,410	222,340	867,084	695,210
Unrestricted	905,558	670,925	667,099	669,589	1,572,657	1,340,514
Total net position	<u>\$ 7,241,410</u>	<u>\$ 3,317,018</u>	<u>\$ 5,974,791</u>	<u>\$ 5,095,601</u>	<u>\$ 13,216,201</u>	<u>\$ 8,412,619</u>

The balance of *unrestricted net position* \$1,572,657 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 \$3,924,392.

Business-type activities. Business-type activities increased the City of Lanesboro, Minnesota's net position by \$879,190.

A condensed version of the Statement of Activities follows:

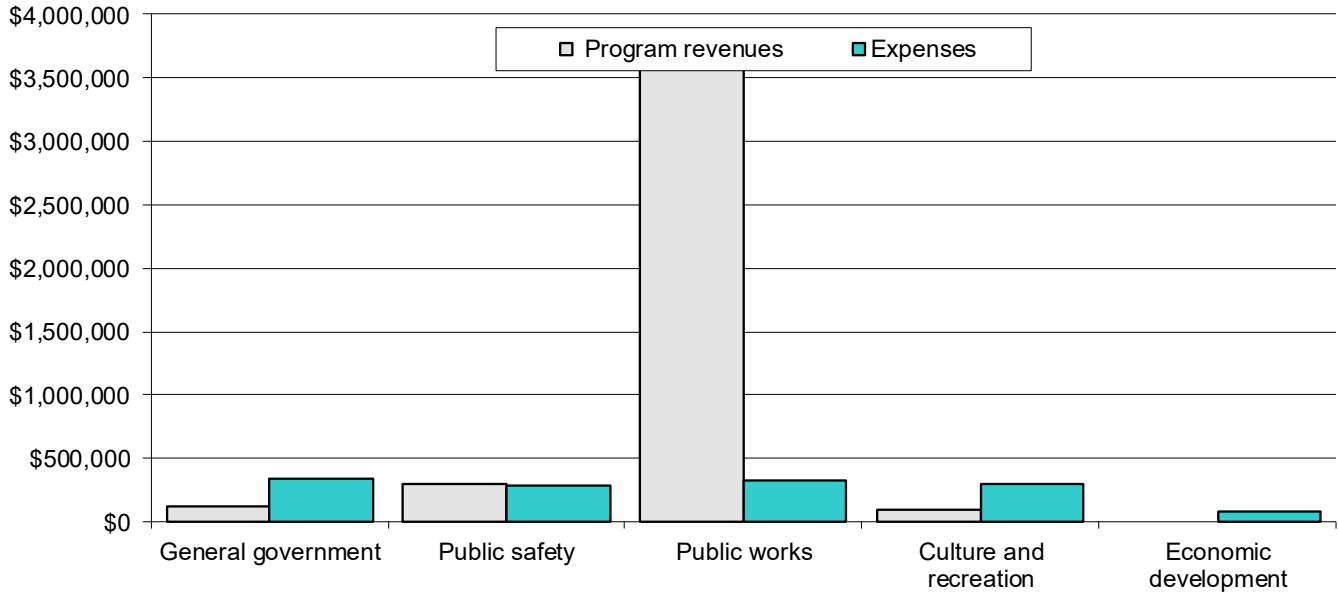
City of Lanesboro, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 187,281	\$ 245,053	\$ 1,514,705	\$ 1,639,753	\$ 1,701,986	\$ 1,884,806
Operating grants and contributions	282,189	409,250			282,189	409,250
Capital grants and contributions	3,685,593	260,561	846,694	30,000	4,532,287	290,561
General revenues:						
Property taxes	672,484	545,206			672,484	545,206
Sales tax	61,255	53,153			61,255	53,153
Tax increments	30,714	28,616			30,714	28,616
Grants and contributions not restricted to specific programs	221,883	213,561			221,883	213,561
Other	47,158	8,697	115,251	84,117	162,409	92,814
Total revenues	<u>5,188,557</u>	<u>1,764,097</u>	<u>2,476,650</u>	<u>1,753,870</u>	<u>7,665,207</u>	<u>3,517,967</u>
Expenses:						
General government	332,308	331,543			332,308	331,543
Public safety	281,125	322,740			281,125	322,740
Public works	328,846	320,407			328,846	320,407
Parks and recreation	299,066	333,821			299,066	333,821
Economic development	76,576	51,385			76,576	51,385
Interest on long-term debt	48,744	69,861			48,744	69,861
Utilities commission			1,494,960	1,510,069	1,494,960	1,510,069
Total expenses	<u>1,366,665</u>	<u>1,429,757</u>	<u>1,494,960</u>	<u>1,510,069</u>	<u>2,861,625</u>	<u>2,939,826</u>
Increase in net position before transfers	3,821,892	334,340	981,690	243,801	4,803,582	578,141
Transfers	102,500	95,000	(102,500)	(95,000)		
Increase in net position	3,924,392	429,340	879,190	148,801	4,803,582	578,141
Net position, beginning of year	3,317,018	2,541,726	5,095,601	4,864,947	8,412,619	7,406,673
Net position, end of year	<u>\$ 7,241,410</u>	<u>\$ 2,971,066</u>	<u>\$ 5,974,791</u>	<u>\$ 5,013,748</u>	<u>\$13,216,201</u>	<u>\$ 7,984,814</u>

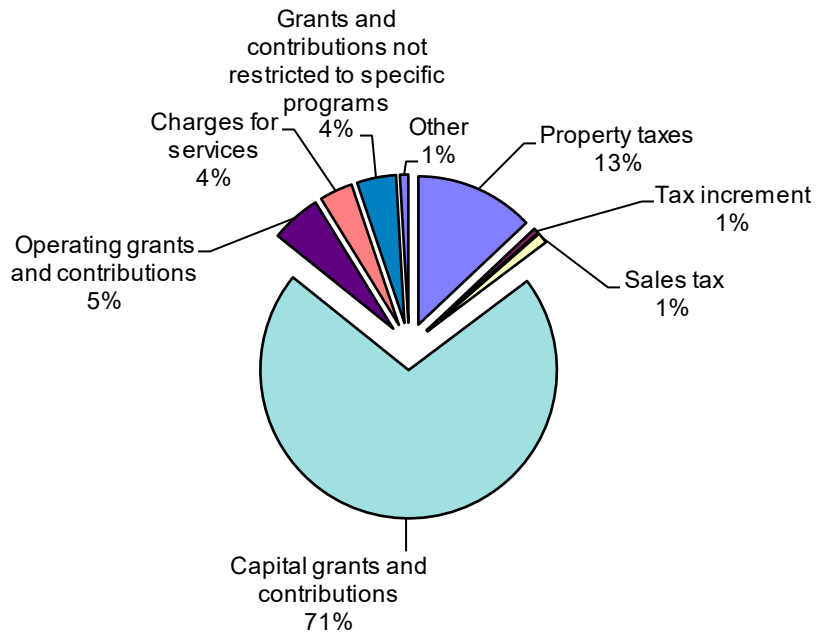
CITY OF LANESBORO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



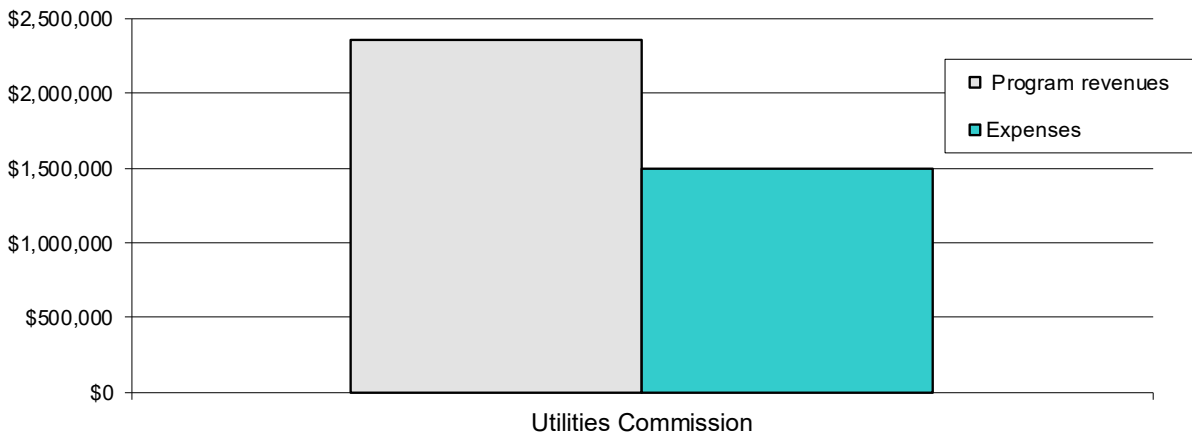
Revenues by Source - Governmental Activities



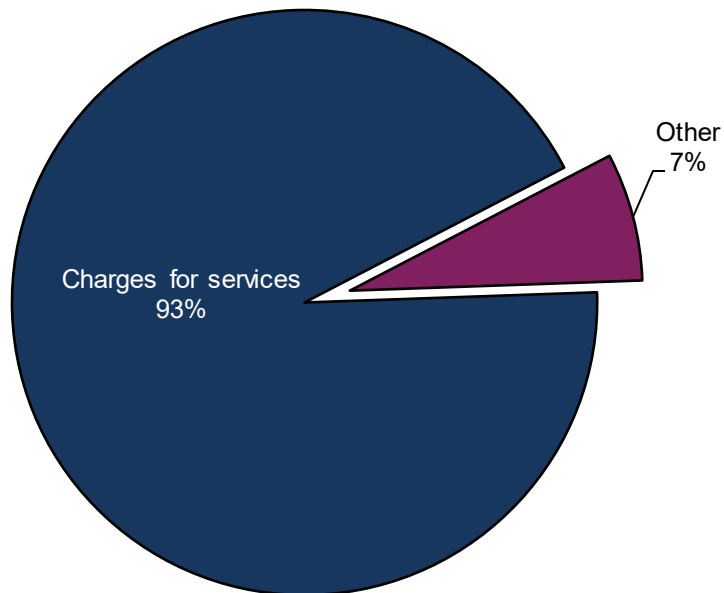
**CITY OF LANESBORO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$1,590,772, an increase of \$330,998. Approximately \$1,002,805 of this total amount, or 63%, 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 \$365,283. 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 46% of total general fund expenditures.

The general fund's total fund balance increased by \$60,778 during the current fiscal year.

The fire fund increased its fund balance by \$16,037 for the year, and ended the year with a deficit fund balance of (\$73,785).

**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 \$667,099.

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

General Fund Budgetary Highlights

The City approved the 2020 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, 2020, amounts to \$15,560,053 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, vehicles, roads, and bridges, and production and distribution systems. The total increase in the City of Lanesboro, Minnesota's reported investment in capital assets for the current fiscal year was \$3,739,585, or 32%.

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 264,500	\$ 264,500	\$ 88,940	\$ 13,686	\$ 353,440	\$ 278,186
Dam			409,637	516,510	409,637	516,510
Buildings and improvements	529,925	602,729	4,329,205	4,347,414	4,859,130	4,950,143
Infrastructure	2,364,582	2,599,568			2,364,582	2,599,568
Machinery and equipment	609,620	673,874	104,162	110,198	713,782	784,072
Production and distribution			2,120,233	1,792,979	2,120,233	1,792,979
Work in progress	3,726,397	155,118	1,012,852	743,892	4,739,249	899,010
Total	<u>\$ 7,495,024</u>	<u>\$ 4,295,789</u>	<u>\$ 8,065,029</u>	<u>\$ 7,524,679</u>	<u>\$15,560,053</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 \$4,800,000 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds and notes	\$ 1,819,000	\$ 2,051,000	\$	\$	\$ 1,819,000	\$ 2,051,000
General obligation revenue bonds			440,000	565,000	440,000	565,000
Notes			2,541,000	3,230,000	2,541,000	3,230,000
Total	<u>\$ 1,819,000</u>	<u>\$ 2,051,000</u>	<u>\$ 2,981,000</u>	<u>\$ 3,795,000</u>	<u>\$ 4,800,000</u>	<u>\$ 5,846,000</u>

The City of Lanesboro, Minnesota's total bonds and notes payable decreased by \$1,046,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3E, beginning on page 46.

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

Economic Factors and Next Year's Budgets and Rates

- The City was awarded funding to complete a new Wastewater Treatment Facility, which will be built in 2021. Additional funding may be sought to make improvements to the collection system.
- The City will continue to search for funding, including grant availability, for infrastructure improvements. The implementation of the .5% sales tax legislation that was approved in 2011, provides funds which will be used to address much needed infrastructure improvements. The City is faced with aging infrastructure and will be referencing the City's Capital Improvement Plan, in order to ensure it properly addresses the current infrastructure needs.
- The City will continue to rely upon fees for services to fund various departments. These fees are assessed annually to ensure expenses being incurred are covered by incoming revenues.

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

Requests for Information

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

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CITY OF LANESBORO, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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CITY OF LANESBORO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2020
With Comparative Totals for December 31, 2019

	Governmental	Business-Type	Totals	
	Activities	Activities	2020	2019
ASSETS				
Cash and investments	\$ 1,458,943	\$ 1,259,952	\$ 2,718,895	\$ 2,342,204
Receivables (net of allowance for uncollectibles)	306,678	103,067	409,745	366,231
Internal balances	54,306	(54,306)		
Inventory		33,392	33,392	28,735
Prepaid expenses	7,705	457	8,162	6,380
Fire relief pension asset	26,013		26,013	
Capital assets:				
Nondepreciable	3,990,897	1,101,792	5,092,689	1,236,809
Depreciable, net	3,504,127	6,963,237	10,467,364	10,966,266
Total Assets	<u>9,348,669</u>	<u>9,407,591</u>	<u>18,756,260</u>	<u>14,946,625</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	<u>35,009</u>	<u>25,421</u>	<u>60,430</u>	<u>54,836</u>
LIABILITIES				
Accounts payable	6,535	221,708	228,243	157,545
Accrued liabilities	7,743	19,258	27,001	26,679
Deposits payable		20,946	20,946	19,381
Accrued interest payable	18,789		18,789	21,052
Compensated absences	47,239	35,359	82,598	68,443
Noncurrent liabilities:				
Due within one year	242,000	223,000	465,000	450,000
Due in more than one year	1,562,846	2,755,747	4,318,593	5,376,180
Net pension liability	245,622	174,060	419,682	364,899
Fire relief pension liability				32,461
Total Liabilities	<u>2,130,774</u>	<u>3,450,078</u>	<u>5,580,852</u>	<u>6,516,640</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	<u>11,494</u>	<u>8,143</u>	<u>19,637</u>	<u>72,202</u>
NET POSITION				
Net investment in capital assets	5,690,178	5,086,282	10,776,460	6,376,895
Restricted for debt	645,674	221,410	867,084	695,210
Unrestricted	<u>905,558</u>	<u>667,099</u>	<u>1,572,657</u>	<u>1,340,514</u>
Total Net Position	<u>\$ 7,241,410</u>	<u>\$ 5,974,791</u>	<u>\$ 13,216,201</u>	<u>\$ 8,412,619</u>

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 332,308	\$ 33,400	\$ 91,896	\$
Public safety	281,125	86,589	159,028	57,560
Public works	328,846	2,288		3,628,033
Culture and recreation	299,066	65,004	31,265	
Economic development	76,576			
Interest on long-term debt	48,744			
Total governmental activities	1,366,665	187,281	282,189	3,685,593
Business-Type activities:				
Utilities commission	1,494,960	1,514,705		846,694
Total	\$ 2,861,625	\$ 1,701,986	\$ 282,189	\$ 4,532,287

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	
		2020	2019
\$ (207,012)	\$	\$ (207,012)	\$ (110,330)
22,052		22,052	(74,020)
3,301,475		3,301,475	(223,712)
(202,797)		(202,797)	(183,574)
(76,576)		(76,576)	(61,934)
(48,744)		(48,744)	(53,913)
<u>2,788,398</u>		<u>2,788,398</u>	<u>(707,483)</u>
	866,439	866,439	93,581
<u>2,788,398</u>	<u>866,439</u>	<u>3,654,837</u>	<u>(613,902)</u>
672,484		672,484	629,287
30,714		30,714	33,639
61,255		61,255	56,004
221,883		221,883	213,706
4,012	1,528	5,540	5,415
43,146	113,723	156,869	103,656
102,500	(102,500)		
<u>1,135,994</u>	<u>12,751</u>	<u>1,148,745</u>	<u>1,041,707</u>
3,924,392	879,190	4,803,582	427,805
<u>3,317,018</u>	<u>5,095,601</u>	<u>8,412,619</u>	<u>7,984,814</u>
<u>\$ 7,241,410</u>	<u>\$ 5,974,791</u>	<u>\$ 13,216,201</u>	<u>\$ 8,412,619</u>

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CITY OF LANESBORO, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2020

CITY OF LANESBORO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020
With Comparative Totals for December 31, 2019

	100 General	220 Fire Fund	417 Dam Project
ASSETS			
Cash and investments	\$ 227,765	\$	\$ 8,087
Accounts receivable	7,529		
Due from other governmental units	11,970	1,114	
Taxes receivable delinquent	4,497	444	
Loans receivable			
Special assessments receivable	5,780		
Due from other funds	135,754		
Prepaid items	7,705		
	<u>\$ 401,000</u>	<u>\$ 1,558</u>	<u>\$ 8,087</u>
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 5,962	\$ 573	\$
Accrued liabilities	5,482		
Due to other funds	2,080	74,326	
Total Liabilities	<u>13,524</u>	<u>74,899</u>	
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes	4,497	444	
Loans receivable			
Special assessments	5,780		
Total Deferred Inflows of Resources	<u>10,277</u>	<u>444</u>	
Fund Balance:			
Nonspendable	7,705		
Restricted:			
Contributors	4,211		
Grantors			8,087
Regulators			
Debt service			
Assigned			
Unassigned	365,283	(73,785)	
Total Fund Balance	<u>377,199</u>	<u>(73,785)</u>	<u>8,087</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
	<u>\$ 401,000</u>	<u>\$ 1,558</u>	<u>\$ 8,087</u>

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2020	2019
\$ 1,223,091	\$ 1,458,943	\$ 1,186,225
57,979	65,508	41,193
5,504	18,588	11,305
8,437	13,378	11,723
15,313	15,313	28,218
188,111	193,891	156,681
	135,754	153,657
	7,705	6,080
<u>\$ 1,498,435</u>	<u>\$ 1,909,080</u>	<u>\$ 1,595,082</u>

\$	\$ 6,535	\$ 33,192
2,261	7,743	5,417
5,042	81,448	100,077
<u>7,303</u>	<u>95,726</u>	<u>138,686</u>

8,437	13,378	11,723
15,313	15,313	28,218
188,111	193,891	156,681
<u>211,861</u>	<u>222,582</u>	<u>196,622</u>

	7,705	6,080
26,809	31,020	29,025
8,826	16,913	
57,225	57,225	37,129
475,104	475,104	472,870
711,307	711,307	511,373
	291,498	203,297
<u>1,279,271</u>	<u>1,590,772</u>	<u>1,259,774</u>

<u>\$ 1,498,435</u>	<u>\$ 1,909,080</u>	<u>\$ 1,595,082</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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	100 General	220 Fire Fund	417 Dam Project
REVENUES			
Property taxes	\$ 417,241	\$ 44,771	\$
Sales taxes			
Special assessments	2,288		
Tax increments			
Licenses and permits	16,395		
Fines and forfeits	1,091		
Intergovernmental revenues	307,898	68,082	3,548,679
Charges for services	57,836	4,180	
Interest income	2,578		
Donations/miscellaneous	89,098	62,000	
TOTAL REVENUES	<u>894,425</u>	<u>179,033</u>	<u>3,548,679</u>
EXPENDITURES			
General government	176,909		
Public safety	100,068	83,161	
Public works	214,170		
Culture and recreation	179,582		
Economic development			
CARES Act costs	57,560		
Unallocated	48,845		
Capital outlay	14,013		3,523,370
Debt service:			
Principal			
Interest and fiscal charges			
TOTAL EXPENDITURES	<u>791,147</u>	<u>83,161</u>	<u>3,523,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>103,278</u>	<u>95,872</u>	<u>25,309</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(42,500)	(79,835)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(42,500)</u>	<u>(79,835)</u>	
Net change in fund balances	60,778	16,037	25,309
FUND BALANCES, beginning	<u>316,421</u>	<u>(89,822)</u>	<u>(17,222)</u>
FUND BALANCES, ending	<u>\$ 377,199</u>	<u>\$ (73,785)</u>	<u>\$ 8,087</u>

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2020	2019
\$ 221,270	\$ 683,282	\$ 639,102
61,255	61,255	56,004
42,144	44,432	95,646
30,714	30,714	33,639
	16,395	13,110
	1,091	1,229
58,712	3,983,371	416,134
88,236	150,252	227,043
1,434	4,012	2,460
38,275	189,373	113,909
<u>542,040</u>	<u>5,164,177</u>	<u>1,598,276</u>
	176,909	136,050
106,060	289,289	256,631
	214,170	212,357
101,700	281,282	337,974
49,582	49,582	48,703
	57,560	
	48,845	4,922
	3,537,383	166,385
232,000	232,000	192,000
48,659	48,659	54,027
<u>538,001</u>	<u>4,935,679</u>	<u>1,409,049</u>
<u>4,039</u>	<u>228,498</u>	<u>189,227</u>
268,854	268,854	260,709
(44,019)	(166,354)	(158,209)
<u>224,835</u>	<u>102,500</u>	<u>102,500</u>
228,874	330,998	291,727
<u>1,050,397</u>	<u>1,259,774</u>	<u>968,047</u>
<u>\$ 1,279,271</u>	<u>\$ 1,590,772</u>	<u>\$ 1,259,774</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, 2020**

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

Total governmental fund balances (pages 18 and 19)		\$ 1,590,772
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 11,560,925	
Less: Accumulated depreciation	(4,065,901)	7,495,024
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 13,378	
Loans receivable	15,313	
Deferred and delinquent special assessments	193,891	222,582
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and capital lease payable	\$ (1,804,846)	
Net pension liability	(222,107)	
Fire pension asset	26,013	
Compensated absences	(47,239)	
Accrued interest	(18,789)	(2,066,968)
Net position of governmental activities (page 15)		\$ 7,241,410

**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, 2020**

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)	\$	330,998
<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	\$ 3,535,565	
Depreciation expense	(248,484)	
		3,287,081
<p>Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
		25,960
<p>In the statement of activities, certain operating expenses - compensated absences and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Change in net pension liability	\$ 1,129	
Change in fire pension asset	58,474	
Change in compensated absences	(11,387)	
		48,216
<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	\$ 232,000	
Amortization of bond discount	(2,126)	
Change in accrued interest	2,263	
		232,137
Change in net position of governmental activities (pages 16 and 17)	\$	3,924,392

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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 415,394	\$ 415,394	\$ 417,241	\$ 1,847	\$ 387,800
Special Assessments	6,500	6,500	2,288	(4,212)	6,051
Licenses and Permits	12,500	12,500	16,395	3,895	13,110
Intergovernmental Revenues					
Local government aid	221,540	221,540	221,883	343	213,706
Federal CARES Acts aid			57,560	57,560	
Market value credit			901	901	894
Other	5,205	5,205	27,554	22,349	29,015
Total Intergovernmental Revenues	226,745	226,745	307,898	81,153	243,615
Fines and Forfeits					
Court fines and other	1,500	1,500	1,091	(409)	1,229
Interest Income	1,000	1,000	2,578	1,578	2,049
Charges for Services					
Park and recreation	87,500	87,500	57,836	(29,664)	92,835
Miscellaneous Revenues					
Cable franchise fees	15,000	15,000	13,530	(1,470)	12,743
Refunds and reimbursements			3,653	3,653	1,508
Contributions and donations			1,720	1,720	3,000
Rhubarb Fest/Farmers Market			1,615	1,615	2,282
Sons of Norway	53,056	53,056	53,056		
Other	4,800	4,800	15,524	10,724	14,070
Total Miscellaneous Revenues	72,856	72,856	89,098	16,242	33,603
TOTAL REVENUES	\$ 823,995	\$ 823,995	\$ 894,425	\$ 70,430	\$ 780,292

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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with	2019 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
EXPENDITURES					
General Government					
Clerk/deputy clerk salaries	\$ 57,751	\$ 57,751	\$ 60,183	\$ (2,432)	\$ 53,153
PERA and social security	9,402	9,402	7,480	1,922	7,250
Office supplies/small equipment	4,000	4,000	3,322	678	3,374
Employee benefits	10,052	10,052	9,982	70	8,798
Elections	2,500	2,500	1,178	1,322	
Postage	500	500	356	144	646
Telephone	2,400	2,400	2,313	87	2,375
Insurance	8,850	8,850	8,609	241	9,393
Publishing and printing	600	600	912	(312)	690
Assessor	2,750	2,750	2,615	135	2,555
Professional fees	45,700	45,700	61,562	(15,862)	32,187
Other general expenses	15,055	15,055	13,214	1,841	10,029
Mayor and council	5,600	5,600	5,183	417	5,600
Total General Government	165,160	165,160	176,909	(11,749)	136,050
Public Safety					
Contracted services	100,068	100,068	100,068		99,211
Public Works					
Street Department					
Salaries	82,674	82,674	74,780	7,894	71,391
PERA and social security	14,468	14,468	12,057	2,411	12,049
Employee benefits	14,115	14,115	15,885	(1,770)	23,496
Gas and oil	8,000	8,000	3,249	4,751	7,540
Supplies/small equipment	7,350	7,350	5,616	1,734	7,390
Repairs and maintenance	22,500	22,500	21,239	1,261	20,455
Utilities	5,500	5,500	4,187	1,313	4,394
Professional services	5,000	5,000	4,945	55	3,128
Seal coating	32,700	32,700	44,493	(11,793)	27,581
Other	15,400	15,400	16,665	(1,265)	21,059
Capital outlay	14,500	14,500	11,313	3,187	21,243
Total Street Department	222,207	222,207	214,429	7,778	219,726
Street Lights	\$ 18,000	\$ 18,000	\$ 11,054	\$ 6,946	\$ 13,874

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, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with	2019 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
EXPENDITURES (continued)					
Culture and Recreation					
Salaries	\$ 61,464	\$ 61,464	\$ 58,700	\$ 2,764	\$ 56,099
PERA and social security	10,381	10,381	8,489	1,892	8,087
Office supplies/small equipment	10,500	10,500	7,161	3,339	8,797
Employee benefits	11,619	11,619	11,721	(102)	10,997
Telephone	500	500	477	23	456
Insurance	3,650	3,650	4,401	(751)	3,484
Professional fees	6,400	6,400	13,384	(6,984)	6,944
Other	25,700	25,700	23,122	2,578	27,695
Utilities	40,000	40,000	26,352	13,648	34,045
Repairs and maintenance	20,000	20,000	19,209	791	17,836
Capital outlay	7,500	7,500	2,700	4,800	37,112
Lanesboro Museum	5,000	5,000	5,000		5,000
Community Education					5,500
Rhubarb Fest/Farmers Market			1,566	(1,566)	3,245
Total Culture and Recreation	202,714	202,714	182,282	20,432	225,297
CARES Act Costs					
Supplies			32,621	(32,621)	
Grants			6,750	(6,750)	
Technology equipment			16,635	(16,635)	
Returned to county			1,554	(1,554)	
Total CARES Act Costs			57,560	(57,560)	
Unallocated					
Sons of Norway	48,845	48,845	48,845		4,922
TOTAL EXPENDITURES	756,994	756,994	791,147	(34,153)	699,080
Excess (deficiency) of revenues over (under) expenditures	67,001	67,001	103,278	36,277	81,212
OTHER FINANCING SOURCES (USES)					
Transfers out	(42,500)	(42,500)	(42,500)		(36,640)
Net change in fund balances	24,501	24,501	60,778	36,277	44,572
FUND BALANCES, beginning	316,421	316,421	316,421		271,849
FUND BALANCES, ending	\$ 340,922	\$ 340,922	\$ 377,199	\$ 36,277	\$ 316,421

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, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		Operations	Equipment	2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final					
REVENUES							
Property taxes	\$ 44,570	\$ 44,570	\$ 44,771	\$	\$ 44,771	\$ 201	\$ 41,693
Intergovernmental	44,945	44,945	63,582	4,500	68,082	23,137	64,133
Charges for services	3,000	3,000	4,180		4,180	1,180	4,221
Donations/miscellaneous				62,000	62,000	62,000	57,000
TOTAL REVENUES	92,515	92,515	112,533	66,500	179,033	86,518	167,047
EXPENDITURES							
Salaries	18,060	18,060	12,910		12,910	5,150	16,095
PERA and social security	1,805	1,805	1,105		1,105	700	1,231
Employee benefits	5,600	5,600	6,591		6,591	(991)	6,739
Fire relief contributions	3,500	3,500	22,637		22,637	(19,137)	20,001
Supplies/small equipment	3,000	3,000	2,754	9,165	11,919	(8,919)	5,165
Repairs and maintenance	15,000	15,000	8,255		8,255	6,745	869
Training	4,000	4,000	2,985		2,985	1,015	892
Telephone	2,400	2,400	2,496		2,496	(96)	2,458
Utilities	7,000	7,000	5,204		5,204	1,796	5,646
Capital outlay							30,000
Miscellaneous	7,150	7,150	9,059		9,059	(1,909)	8,026
TOTAL EXPENDITURES	67,515	67,515	73,996	9,165	83,161	(15,646)	97,122
Excess (deficiency) of revenues over (under) expenditures	25,000	25,000	38,537	57,335	95,872	70,872	69,925
OTHER FINANCING USES							
Transfers out	(25,000)	(25,000)	(22,500)	(57,335)	(79,835)	54,835	(101,569)
Net change in fund balances			16,037		16,037	16,037	(31,644)
FUND BALANCES, beginning	(89,822)	(89,822)	(89,822)		(89,822)		(58,178)
FUND BALANCES, ending	\$(89,822)	\$(89,822)	\$(73,785)	\$	\$(73,785)	\$ 16,037	\$(89,822)

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statement of Net Position
December 31, 2020
With Comparative Totals as of December 31, 2019

	Totals - Utilities Commission	
	2020	2019
ASSETS		
Current Assets		
Cash and investments	\$ 1,259,952	\$ 1,155,979
Due from other funds	7,122	7,848
Accounts receivable, net	103,067	117,111
Inventory	33,392	28,735
Other receivables/prepaid	457	300
Total Current Assets	1,403,990	1,309,973
Noncurrent Assets		
Capital assets:		
Nondepreciable	1,101,792	769,282
Depreciable	12,475,119	12,674,934
Less: Accumulated depreciation	5,511,882	5,449,084
Net capital assets	8,065,029	7,995,132
Total Assets	9,469,019	9,305,105
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	25,421	22,251
LIABILITIES		
Current Liabilities		
Accounts payable	221,708	124,353
Accrued liabilities	54,617	53,853
Due to other funds	61,428	61,428
Customer deposits	20,946	19,381
Current maturities of bonds and notes payable	223,000	218,000
Total Current Liabilities	581,699	477,015
Noncurrent Liabilities		
Notes payable	2,448,000	3,137,000
Bonds payable	310,000	440,000
Net pension liability	174,060	151,340
Less: bond discount, net of amortization	(2,253)	(3,540)
Total Noncurrent Liabilities	2,929,807	3,724,800
Total Liabilities	3,511,506	4,201,815
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	8,143	29,940
NET POSITION		
Net investment in capital assets	5,086,282	4,203,672
Restricted for debt	221,410	222,340
Unrestricted	667,099	669,589
Total Net Position	\$ 5,974,791	\$ 5,095,601

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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Totals - Utilities Commission	
	2020	2019
Operating Revenues		
Charges for services	\$ 1,514,705	\$ 1,555,749
Operating Expenses		
Purchased power/facility charge	416,885	404,630
Utilities	54,863	54,248
Salaries and wages	261,040	243,168
Employee benefits	65,809	78,277
Repairs and maintenance	90,070	99,971
Materials, chemicals and supplies	38,800	30,398
Professional fees	60,695	81,143
Depreciation and amortization	392,785	357,187
Insurance	23,443	20,964
Other	28,374	26,369
Total Operating Expenses	1,432,764	1,396,355
Operating Income	81,941	159,394
Nonoperating Revenues (Expenses)		
Interest income	1,528	2,955
Interest expense	(62,196)	(65,813)
Other income	113,723	87,817
Total Nonoperating Revenue (Expenses)	53,055	24,959
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	134,996	184,353
Contributed capital/grants	846,694	
Transfer in	35,046	17,891
Transfers out	(137,546)	(120,391)
CHANGE IN NET POSITION	879,190	81,853
NET POSITION - BEGINNING OF YEAR	5,095,601	5,013,748
TOTAL NET POSITION - END OF YEAR	\$ 5,974,791	\$ 5,095,601

See Notes to the Financial Statements

CITY OF LANESBORO, MINNESOTA
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended December 31, 2020
With Comparative Totals for December 31, 2019

	Totals - Utilities Commission	
	2020	2019
Cash Flows From Operating Activities		
Cash received from customers and users	\$ 1,589,917	\$ 1,566,679
Cash paid to suppliers and employers	(1,022,427)	(1,063,425)
Other income	113,723	87,817
	681,213	591,071
Net Cash Provided By Operating Activities		
Cash Flows From Noncapital Financing Activities		
Operating transfers out, net	(102,500)	(102,500)
Due from other funds	726	(1,794)
	(101,774)	(104,294)
Net Cash Used In Noncapital Financing Activities		
Cash Flows From Capital and Related Financing Activities		
Capital asset acquisitions	(447,492)	(757,888)
Contributions/grants	846,694	
Principal payments on bonds	(814,000)	(207,000)
Interest payments on bonds	(62,196)	(65,813)
	(476,994)	(1,030,701)
Net Cash Used In Capital and Related Financing Activities		
Cash Flows From Investing Activities		
Investment income received	1,528	2,955
	103,973	(540,969)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,155,979	1,696,948
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,259,952	\$ 1,155,979

See Notes to the Financial Statements

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

	Totals - Utilities Commission	
	2020	2019
Operating Income	\$ 81,941	\$ 159,394
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	392,785	357,187
Loss on disposal of property and equipment	61,168	11,999
Change in net pension liability	(2,247)	9,065
Other income	113,723	87,817
(Increase) Decrease In:		
Accounts receivable	14,044	1,931
Inventory	(4,657)	(395)
Prepaid items	(157)	(38)
Increase In:		
Accounts payable	22,284	(10,111)
Accrued expenses and customer deposits	2,329	(25,778)
	<u>\$ 681,213</u>	<u>\$ 591,071</u>
 Net Cash Provided By Operating Activities	 <u>\$ 681,213</u>	 <u>\$ 591,071</u>
 Non-Cash Transactions:		
Capital assets acquired on account	\$ 155,534	\$ 80,463

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CITY OF LANESBORO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Description of Funds

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Description of Funds (Continued)

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

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

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is not utilized in any of the fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no encumbrances at December 31, 2020.

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

Cash and Investments

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

Inventory

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

Accounts Receivable

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

Special Assessments Receivable

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Prepaid Items

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

Capital Assets

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

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

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

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

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

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

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes

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

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

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

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

Compensated Absences

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

Concentration of Credit Risk

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

Deferred Outflows of Resources

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

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)

2. Summary of Significant Accounting Policies (Continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

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

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments

As of December 31, 2020, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$	2,696,659
Cash on hand		75
Non-negotiable CD's		22,161
		<hr/>
Total Cash and investments	\$	<u>2,718,895</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)

3. Detailed Notes on All Funds (Continued)

Summary of Cash and Investments (Continued)

Fair Value Measurement

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

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

Concentration of Credit Risk

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in process	203,027	3,523,370		3,726,397
Total capital assets, not being depreciated	<u>467,527</u>	<u>3,523,370</u>		<u>3,990,897</u>
Capital assets, being depreciated:				
Buildings and improvements	1,647,758			1,647,758
Infrastructure	4,303,781			4,303,781
Machinery and equipment	1,616,709	12,195	10,415	1,618,489
Total capital assets, being depreciated	<u>7,568,248</u>	<u>12,195</u>	<u>10,415</u>	<u>7,570,028</u>
Less accumulated depreciation for:				
Buildings and improvements	1,076,524	41,309		1,117,833
Infrastructure	1,824,844	114,355		1,939,199
Machinery and equipment	926,464	92,820	10,415	1,008,869
Total accumulated depreciation	<u>3,827,832</u>	<u>248,484</u>	<u>10,415</u>	<u>4,065,901</u>
Total capital assets, being depreciated, net	<u>3,740,416</u>	<u>(236,289)</u>		<u>3,504,127</u>
Governmental activities capital assets, net	<u>\$ 4,207,943</u>	<u>\$ 3,287,081</u>	<u>\$</u>	<u>\$ 7,495,024</u>

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. *Capital Assets (continued)*

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 88,940	\$	\$	\$ 88,940
Construction in progress	680,342	332,510		1,012,852
Total capital assets, not being depreciated	<u>769,282</u>	<u>332,510</u>		<u>1,101,792</u>
Capital assets, being depreciated:				
Dam	756,252		188,948	567,304
Buildings and improvements	5,515,088	190,053	95,397	5,609,744
Production systems	937,553		54,908	882,645
Distribution systems	5,174,056		26,984	5,147,072
Machinery and equipment	291,985		23,631	268,354
Total capital assets, being depreciated	<u>12,674,934</u>	<u>190,053</u>	<u>389,868</u>	<u>12,475,119</u>
Less accumulated depreciation for:				
Dam	260,642	27,733	130,708	157,667
Buildings and improvements	1,218,959	154,546	92,966	1,280,539
Production systems	633,848	20,234	54,908	599,174
Distribution systems	3,171,632	165,166	26,488	3,310,310
Machinery and equipment	164,003	23,819	23,630	164,192
Total accumulated depreciation	<u>5,449,084</u>	<u>391,498</u>	<u>328,700</u>	<u>5,511,882</u>
Total capital assets, being depreciated, net	<u>7,225,850</u>	<u>(201,445)</u>	<u>61,168</u>	<u>6,963,237</u>
Business-type activities capital assets, net	<u>\$ 7,995,132</u>	<u>\$ 131,065</u>	<u>\$ 61,168</u>	<u>\$ 8,065,029</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 23,200
Public safety	53,634
Public works	117,282
Culture and recreation	40,279
Economic development	14,089

Total depreciation expense - governmental activities \$ 248,484

Business-Type Activities:

Utilities Commission	<u>\$ 391,498</u>
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CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. *Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2020, 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	\$ 135,754	\$ 2,080
Special Revenue:		
Fire Fund		74,326
Debt Service:		
2017A Zenith/Auburn		5,042
Utilities Commission	7,122	61,428
	<u>\$ 142,876</u>	<u>\$ 142,876</u>

Transfers during the year ended December 31, 2020 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 42,500
Special Revenue:		
Ambulance		15,000
Fire		79,835
Economic Development	8,907	
Revolving Loan Fund	1,093	
Debt Service:		
2017A Zenith/Auburn Fund	101,519	
2017B Park/Road Fund	20,000	
Sales Tax		29,019
Capital Projects:		
Vehicle Replacement Fund	137,335	
Enterprise:		
Utilities Commission	35,046	137,546
Total Transfers	<u>\$ 303,900</u>	<u>\$ 303,900</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 2020 are as follows:

General Fund	\$ 34,153
Special Revenue Funds:	
Fire	15,646

All excess expenditures were the result of planned processes.

As of December 31, 2020, the following funds had deficit fund balances:

Special Revenue Funds:	
Fire Fund	\$ 73,785

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, 2020 is as follows:

	Vehicle Replacement Fund	Other Governmental Funds	Total Governmental Funds	
			2020	2019
Assigned for				
Ambulance	\$	\$ 271,563	\$ 271,563	\$ 249,269
Street	69,880		69,880	29,880
Fire	37,500		37,500	15,000
Fire Equipment	158,904		158,904	101,569
Ambulance	35,000		35,000	20,000
Park	7,690		7,690	5,190
Library		36,741	36,741	31,657
Local Sales Tax		88,240	88,240	56,004
Economic Development		5,789	5,789	2,804
Total Assigned	\$ 308,974	\$ 402,333	\$ 711,307	\$ 511,373

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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2010B GO Tax Abatement Bond (2-3.9%)	\$ 220,000	\$	\$ 30,000	\$ 190,000	\$ 30,000
2016A GO Refunding Bond (2.00%)	386,000		70,000	316,000	74,000
2017A GO Improvement (2.0% - 2.5%)	1,105,000		100,000	1,005,000	105,000
2017B GO Improvement Note (2.9%)	240,000		24,000	216,000	24,000
2018A GO Improvement Note (4.1%)	100,000		8,000	92,000	9,000
Less: Unamortized Discount	(16,280)		(2,126)	(14,154)	
Total Bonds and Notes Payable	2,034,720		229,874	1,804,846	242,000
Other Liabilities:					
Compensated Absences	35,852	11,387		47,239	
Governmental Activities					
Long-term Liabilities	2,070,572	11,387	229,874	1,852,085	242,000
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2010A Utility Refunding Bond (1%-4%)	315,000		100,000	215,000	105,000
2017A Utility Bond (2.0%-2.5%)	250,000		25,000	225,000	25,000
Notes					
2014 PFA Water Revenue Note (1.00%)	2,484,000		88,000	2,396,000	88,000
2015 PFA Water Revenue Note (1.00%)	150,000		5,000	145,000	5,000
2018B GO Utility Revenue Note (3.6%)	596,000		596,000		
Less: Unamortized Discount	(3,540)		(1,287)	(2,253)	
Total Bonds and Notes	3,791,460		812,713	2,978,747	223,000
Other Liabilities:					
Compensated Absences	32,591	2,768		35,359	
Business-type Activities					
Long-term Liabilities	3,824,051	2,768	812,713	3,014,106	223,000
Total	\$ 5,894,623	\$ 14,155	\$ 1,042,587	\$ 4,866,191	\$ 465,000

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, 2020, over the life of the debt, are summarized below:

Years	General Obligation Bonds and Notes		General Obligation Revenue Bonds		Notes Payable		Total Principal	Total Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
<u>Governmental Activities</u>								
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	182,000	20,387					182,000	20,387
2026-2030	637,000	37,039					637,000	37,039
Totals	<u>\$1,819,000</u>	<u>\$ 196,291</u>					<u>\$ 1,819,000</u>	<u>\$ 196,291</u>
<u>Business-Type Activities</u>								
2021			\$ 130,000	\$ 8,600	\$ 93,000	\$ 25,410	\$ 223,000	\$ 34,010
2022			135,000	4,400	94,000	24,480	229,000	28,880
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			25,000	2,875	98,000	21,620	123,000	24,495
2026-2030			100,000	6,063	505,000	93,200	605,000	99,263
2031-2035					530,000	67,450	530,000	67,450
2036-2040					559,000	40,390	559,000	40,390
2041-2044					470,000	11,800	470,000	11,800
Totals			<u>\$ 440,000</u>	<u>\$ 29,188</u>	<u>\$ 2,541,000</u>	<u>\$ 96,020</u>	<u>\$ 2,981,000</u>	<u>\$ 125,208</u>

Tax Increment Financing

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information

A. Defined Benefit Pension Plans - Statewide

Plan Description

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

General Employees Retirement Plan

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

Benefits Provided

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

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

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 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, 2020, were \$37,511. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2020, the City reported a liability of \$419,682 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$12,913. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0070 percent at the end of the measurement period and 0.0066 percent for the beginning of the period.

City's proportionate share of net pension liability	\$ 419,682
State of Minnesota's proportionate share of the net pension liability associated with the City	\$ 12,913

For the year ended December 31, 2020, the City recognized pension expense of \$7,936 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,124 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, 2020, 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	\$ 3,601	\$ 1,588
Difference between projected and actual investment earnings	10,120	
Changes in actuarial assumptions		14,857
Changes in proportion	24,906	3,192
Contributions paid to GERP subsequent to the measurement date	<u>21,803</u>	
Total	<u>\$ 60,430</u>	<u>\$ 19,637</u>

The \$21,803 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2021. 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>
2021	\$ (14,710)
2022	10,088
2023	13,471
2024	10,141

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020, 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, 2020 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. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

There following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Actuarial Assumptions

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Stocks	25.0%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2020 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 Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Pension Liability Sensitivity

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

Sensitivity Analysis			
<i>Net Pension Liability at Different Discount Rates</i>			
	General Employees Fund		
1% Lower	6.50%	\$	672,605
Current Discount Rate	7.50%	\$	419,682
1% Higher	8.50%	\$	211,041

Pension Plan Fiduciary Net Position

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

CITY OF LANESBORO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

B. Defined Benefit Pension Plan – Fire Relief Association

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

Plan Description

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

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

Funding Status and Progress

At December 31, 2019 (latest available information), the Association funding status is as follows:

Total plan assets	\$ 377,891
Total accrued liability	<u>351,878</u>
Surplus of plan assets over accrued liability	<u>\$ 26,013</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 2020 amount to \$23,637 (\$18,637 pass-through of State aids and \$5,000 in City funds). The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2020.

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)

4. Other Information (Continued)

C. Risk Management

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

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2020.

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 2020. 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, 2020, remaining notes outstanding totaled \$495,000.

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

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

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

The City has one pay-as-you-go tax increment financing districts. For the year ended December 31, 2020, the City paid tax increments totaling \$28,561 related to these agreements.

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CITY OF LANESBORO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

CITY OF LANESBORO, MINNESOTA
Schedules of Contributions
December 31, 2020

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	37,511	37,511		500,147	7.50%
2021					
2022					
2023					

CITY OF LANESBORO, MINNESOTA
Schedules of Proportionate Share of Net Pension Liability
December 31, 2020

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	0.0070%	419,682	12,913	432,595	485,233	86.5%	79.06%
2021							
2022							
2023							

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CITY OF LANESBORO, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2020

**CITY OF LANESBORO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020**

	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
ASSETS							
Cash and investments	\$ 36,958	\$ 213,217	\$ 26,809	\$ 30,986	\$ 14,486	\$ 88,240	\$ 26,239
Accounts receivable		57,979					
Due from other governmental units	1,611	800			129		
Taxes receivable delinquent	696	336		6,132	25		
Loans receivable							15,313
Special assessments receivable							
TOTAL ASSETS	\$ 39,265	\$ 272,332	\$ 26,809	\$ 37,118	\$ 14,640	\$ 88,240	\$ 41,552
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accrued liabilities	\$ 1,828	\$ 433	\$	\$	\$	\$	\$
Due to other funds							
Total Liabilities	<u>1,828</u>	<u>433</u>					
Deferred Inflows of Resources							
Unavailable revenue							
Property taxes	696	336		6,132	25		
Loans receivable							15,313
Special assessments							
Total Deferred Inflows of Resources	<u>696</u>	<u>336</u>		<u>6,132</u>	<u>25</u>		<u>15,313</u>
Fund Balance							
Restricted:							
Contributors			26,809				
Grantors					8,826		
Regulators				30,986			26,239
Debt service							
Assigned	36,741	271,563			5,789	88,240	
Total Fund Balance	<u>36,741</u>	<u>271,563</u>	<u>26,809</u>	<u>30,986</u>	<u>14,615</u>	<u>88,240</u>	<u>26,239</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 39,265	\$ 272,332	\$ 26,809	\$ 37,118	\$ 14,640	\$ 88,240	\$ 41,552

Debt Service					Capital Project	Total Nonmajor Governmental Funds 2020
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A Refunding Bond	304 2010 Tax Abatement Bonds	425 Vehicle Replacement	
\$ 266,974	\$ 34,706	\$ 50,464	\$ 70,943	\$ 54,095	\$ 308,974	\$ 1,223,091
						57,979
	25	154	1,850	935		5,504
	6	47	766	429		8,437
						15,313
81,720	65,708	6,326	34,357			188,111
<u>\$ 348,694</u>	<u>\$ 100,445</u>	<u>\$ 56,991</u>	<u>\$ 107,916</u>	<u>\$ 55,459</u>	<u>\$ 308,974</u>	<u>\$ 1,498,435</u>
\$	\$	\$	\$	\$	\$	\$ 2,261
5,042						5,042
<u>5,042</u>						<u>7,303</u>
	6	47	766	429		8,437
						15,313
81,720	65,708	6,326	34,357			188,111
<u>81,720</u>	<u>65,714</u>	<u>6,373</u>	<u>35,123</u>	<u>429</u>		<u>211,861</u>
						26,809
						8,826
						57,225
261,932	34,731	50,618	72,793	55,030		475,104
					308,974	711,307
<u>261,932</u>	<u>34,731</u>	<u>50,618</u>	<u>72,793</u>	<u>55,030</u>	<u>308,974</u>	<u>1,279,271</u>
<u>\$ 348,694</u>	<u>\$ 100,445</u>	<u>\$ 56,991</u>	<u>\$ 107,916</u>	<u>\$ 55,459</u>	<u>\$ 308,974</u>	<u>\$ 1,498,435</u>

CITY OF LANESBORO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	Special Revenue						
	211 Library	230 / 630 Ambulance	235 Buffalo Bill Days	240 Church Hill TIF District	250 Economic Development	418 Local Sales Tax	
REVENUES							
Property tax collected	\$ 64,706	\$ 32,209	\$	\$	\$ 5,125	\$	\$
Sales taxes						61,255	
Tax Increment				30,714			
Special assessments							
Intergovernmental	29,766	28,946					
Charges for services	348	81,068	6,820				
Interest income	1,429						5
Donations/miscellaneous	1,499	1,131			14,200		21,445
TOTAL REVENUES	<u>97,748</u>	<u>143,354</u>	<u>6,820</u>	<u>30,714</u>	<u>19,325</u>	<u>61,255</u>	<u>21,450</u>
EXPENDITURES							
Public safety		106,060					
Culture and recreation	92,664		9,036				
Economic development				28,561	16,421		4,600
Debt service:							
Principal retirement							
Interest and fiscal charges							
TOTAL EXPENDITURES	<u>92,664</u>	<u>106,060</u>	<u>9,036</u>	<u>28,561</u>	<u>16,421</u>		<u>4,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,084</u>	<u>37,294</u>	<u>(2,216)</u>	<u>2,153</u>	<u>2,904</u>	<u>61,255</u>	<u>16,850</u>
OTHER FINANCING SOURCES (USES)							
Transfer in					8,907		1,093
Transfer out		(15,000)				(29,019)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(15,000)</u>			<u>8,907</u>	<u>(29,019)</u>	<u>1,093</u>
Net change in fund balances	5,084	22,294	(2,216)	2,153	11,811	32,236	17,943
FUND BALANCES, beginning	<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>
FUND BALANCES, ending	<u>\$ 36,741</u>	<u>\$ 271,563</u>	<u>\$ 26,809</u>	<u>\$ 30,986</u>	<u>\$ 14,615</u>	<u>\$ 88,240</u>	<u>\$ 26,239</u>

Debt Service					Capital Project	Total Nonmajor Governmental Funds 2020
307 2017A Zenith/Auburn Bond	309 2017B Park Road Bond	310 2018A Zenith Paving Bond	303 2016A GO Bond Fund	304 2010 Tax Abatement Bonds	425 Vehicle Replacement	
\$	\$ 1,004	\$ 6,279	\$ 74,330	\$ 37,617	\$	\$ 221,270
						61,255
27,337	8,214	1,550	5,043			30,714
						42,144
						58,712
						88,236
						1,434
						38,275
<u>27,337</u>	<u>9,218</u>	<u>7,829</u>	<u>79,373</u>	<u>37,617</u>		<u>542,040</u>
						106,060
						101,700
						49,582
100,000	24,000	8,000	70,000	30,000		232,000
23,120	6,613	3,936	7,020	7,970		48,659
<u>123,120</u>	<u>30,613</u>	<u>11,936</u>	<u>77,020</u>	<u>37,970</u>		<u>538,001</u>
(95,783)	(21,395)	(4,107)	2,353	(353)		4,039
101,519	20,000				137,335	268,854
						(44,019)
<u>101,519</u>	<u>20,000</u>				<u>137,335</u>	<u>224,835</u>
5,736	(1,395)	(4,107)	2,353	(353)	137,335	228,874
<u>256,196</u>	<u>36,126</u>	<u>54,725</u>	<u>70,440</u>	<u>55,383</u>	<u>171,639</u>	<u>1,050,397</u>
<u>\$ 261,932</u>	<u>\$ 34,731</u>	<u>\$ 50,618</u>	<u>\$ 72,793</u>	<u>\$ 55,030</u>	<u>\$ 308,974</u>	<u>\$ 1,279,271</u>

**CITY OF LANESBORO, MINNESOTA
LIBRARY FUND
Balance Sheet
December 31, 2020
With Comparative Totals as of December 31, 2019**

	Totals	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 36,958	\$ 32,028
Due from other governments	1,611	861
Taxes receivable delinquent	696	1,073
Total Current Assets	39,265	33,962
LIABILITIES		
Current Liabilities		
Accounts payable		475
Accrued liabilities	1,828	757
Total Current Liabilities	1,828	1,232
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue:		
Property taxes	696	1,073
FUND BALANCE		
Assigned:		
Book/Memorial	37,753	36,029
Library operations	(1,012)	(4,372)
Total Fund Balance	\$ 36,741	\$ 31,657

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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		Library	Book/ Memorial	2020 Actual Amounts	Variance with	2019 Actual Amounts
	Original	Final				Final Budget - Positive (Negative)	
Revenues							
Property taxes	\$ 64,462	\$ 64,462	\$ 64,706	\$	\$ 64,706	\$ 244	\$ 56,733
Intergovernmental	29,766	29,766	29,766		29,766		29,105
Charges for services	1,300	1,300	348		348	(952)	1,076
Other	350	350		1,499	1,499	1,149	10,928
Total Revenues	95,878	95,878	94,820	2,928	97,748	1,870	98,253
Expenses							
Salaries	53,632	53,632	54,200		54,200	(568)	50,183
PERA and social security	9,087	9,087	8,627		8,627	460	6,942
Employee benefits	9,364	9,364	9,326		9,326	38	8,539
Supplies	1,800	1,800	1,329		1,329	471	14,502
Books	6,750	6,750	6,284		6,284	466	7,207
Magazines	700	700	277		277	423	611
Videos/audios	1,000	1,000	633		633	367	409
Summer reading program	750	750	38		38	712	720
Library automation	5,000	5,000	5,527		5,527	(527)	5,837
Insurance	700	700	803		803	(103)	626
Telephone	1,100	1,100	945		945	155	1,034
Lease payments	3,600	3,600	3,552		3,552	48	3,552
Miscellaneous	2,295	2,295	1,123		1,123	1,172	1,371
Total Expenses	95,878	95,878	92,664		92,664	3,214	101,533
CHANGE IN FUND BALANCES			2,156	2,928	5,084	5,084	(3,280)
TOTAL FUND BALANCE - BEGINNING OF YEAR	31,657	31,657	(3,168)	34,825	31,657		34,937
TOTAL FUND BALANCE - END OF YEAR	\$ 31,657	\$ 31,657	\$ (1,012)	\$ 37,753	\$ 36,741	\$ 5,084	\$ 31,657

CITY OF LANESBORO, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 32,002	\$ 32,002	\$ 32,209	\$ 207	\$ 35,246
Charges for service	65,000	65,000	81,068	16,068	77,898
Intergovernmental	28,947	28,947	28,946	(1)	28,946
Donations/miscellaneous			1,131	1,131	1,887
TOTAL REVENUES	125,949	125,949	143,354	17,405	143,977
EXPENDITURES					
Salaries	54,772	54,772	52,541	2,231	49,053
PERA and social security	8,477	8,477	6,361	2,116	6,178
Employee benefits	3,000	3,000	4,569	(1,569)	3,759
Supplies/small equipment	7,000	7,000	12,978	(5,978)	3,611
Repairs and maintenance	5,900	5,900	3,193	2,707	5,796
Fuel and oil	1,800	1,800	810	990	1,695
Travel and training	5,000	5,000	4,455	545	3,720
Contracted services	4,750	4,750	3,894	856	4,365
Capital outlay	7,500	7,500	2,489	5,011	
Miscellaneous expense	12,750	12,750	14,770	(2,020)	12,121
TOTAL EXPENDITURES	110,949	110,949	106,060	4,889	90,298
Excess (deficiency) of revenues over (under) expenditures	15,000	15,000	37,294	22,294	53,679
OTHER FINANCING USES					
Transfers out	(15,000)	(15,000)	(15,000)		(20,000)
Net change in fund balances			22,294	22,294	33,679
FUND BALANCES, beginning	249,269	249,269	249,269		215,590
FUND BALANCES, ending	\$ 249,269	\$ 249,269	\$ 271,563	\$ 22,294	\$ 249,269

CITY OF LANESBORO, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2020**

Year	\$420,000 General Obligation Tax Abatement Bonds of 2010		
	Principal	Interest	Total
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
Totals	\$ 190,000	\$ 22,334	\$ 212,334

Year	\$527,000 General Obligation Refunding Bonds of 2016A		
	Principal	Interest	Total
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
Totals	\$ 316,000	\$ 12,960	\$ 328,960

Year	\$1,180,000 General Obligation Improvement Bonds of 2017A		
	Principal	Interest	Total
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
Totals	\$ 1,005,000	\$ 117,038	\$ 1,122,038

**CITY OF LANESBORO, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2020**

Year	\$261,000 General Obligation Improvement Note of 2017B		
	Principal	Interest	Total
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
Totals	\$ 216,000	\$ 26,042	\$ 242,042

Year	\$100,000 General Obligation Improvement Note of 2018A		
	Principal	Interest	Total
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
Totals	\$ 92,000	\$ 17,917	\$ 109,917

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2020

\$1,030,000 Electric Revenue Refunding Bonds of 2010			
Year	Principal	Interest	Total
2021	\$ 105,000	\$ 8,600	\$ 112,300
2022	110,000	4,400	113,600
Totals	\$ 215,000	\$ 13,000	\$ 225,900

\$3,031,931 PFA Water Revenue Note of 2014			
Year	Principal	Interest	Total
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
Totals	\$ 2,396,000	\$ 311,640	\$ 2,707,360

CITY OF LANESBORO, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2020

\$165,775 PFA Water Revenue
Note of 2015

Year	Principal	Interest	Total
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
Totals	\$ 145,000	\$ 18,840	\$ 163,270

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

Year	Principal	Interest	Total
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
Totals	\$ 225,000	\$ 25,438	\$ 250,438

**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, 2020 and 2019**

	2020	2019
Revenues	\$ 111,080	\$ 111,970
Expenditures		
Principal	88,000	87,000
Interest	23,960	24,840
Total Expenditures	111,960	111,840
Excess (deficiency) of revenues over (under) expenditures	(880)	130
Fund Balance - Beginning of Year	112,840	112,710
Fund Balance - End of Year	\$ 111,960	\$ 112,840

**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, 2020 and 2019**

	2020	2019
Revenues	\$ 6,350	\$ 6,400
Expenditures		
Principal	5,000	5,000
Interest	1,400	1,450
Total Expenditures	6,400	6,450
Excess (deficiency) of revenues over (under) expenditures	(50)	(50)
Fund Balance - Beginning of Year	6,500	6,550
Fund Balance - End of Year	\$ 6,450	\$ 6,500

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, 2020, and the related notes to the financial statements, which collectively comprise the City of Lanesboro, Minnesota's basic financial statements, and have issued our report thereon dated April 26, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the City Council
City of Lanesboro, Minnesota

Minnesota Legal Compliance

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

City of Lanesboro, Minnesota's Response to Findings

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

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
April 26, 2021

**CITY OF LANESBORO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020**

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

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

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

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

Effect: No effect on the financial statements.

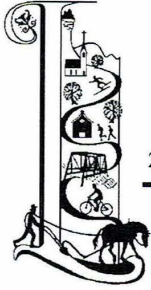
Cause: There is a limited number of administrative staff. The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

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

CURRENT STATUS:

The finding recurred in 2020.

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CITY OF LANESBORO

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CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2020.

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

RESPONSE: FINDING 2014-001

Explanation of Disagreement with the Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Findings:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date of CAP:

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

Plan to Monitor Completion of CAP:

Mayor and City Council will monitor this process.