



Annual Financial Report

City of Lambertton

Lamberton, Minnesota

For the year ended December 31, 2022



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City of Lamberton, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Lambertson, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

Elected

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lydell Sik	Mayor	12/31/22
Dave Irlbeck	Council	12/31/22
Julie Senst	Council	12/31/22
Darrell Knutson	Council	12/31/24
Tyler Beermann	Council	12/31/24

Appointed

Valerie Halter	City Clerk
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FINANCIAL SECTION
CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lamberton, Minnesota

Opinions

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Lamberton, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2022, the changes in its financial position, or, where applicable, its cash flows thereof the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City, as of December 31, 2022, and their respective cash receipts and disbursements, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B. Also, in our opinion, the financial statements of the proprietary funds referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fund of the City, as of December 31, 2022, and their respective changes in financial position and cash flows, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining, individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining, individual fund financial statements and schedules table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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's internal control over financial reporting and compliance.



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Mankato, Minnesota
February 23, 2023



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FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Lambert, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2022

	General	Debt Service	800 Small Cities Development Grant	400 CIP Improvement Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and Temporary Investments	\$ 775,217	\$ 685,476	\$ 7,297	\$ 757,325	\$ 157,396	\$ 2,382,711
Cash Fund Balances						
Restricted for						
Debt service	\$ -	\$ 685,476	\$ -	\$ -	\$ -	\$ 685,476
Economic development	-	-	7,297	-	50,284	57,581
Library	9,988	-	-	-	-	9,988
Assigned						
Economic development	-	-	-	-	107,112	107,112
Capital reserve for future projects	-	-	-	757,325	-	757,325
Unassigned	765,229	-	-	-	-	765,229
Total Cash Fund Balances	<u>\$ 775,217</u>	<u>\$ 685,476</u>	<u>\$ 7,297</u>	<u>\$ 757,325</u>	<u>\$ 157,396</u>	<u>\$ 2,382,711</u>

The notes to the financial statements are an integral part of this statement.

City of Lamberton, Minnesota
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Debt Service	800 Small Cities Development Grant	400 CIP Improvement Fund	Nonmajor Funds	Total Governmental Funds
Receipts						
Taxes	\$ 440,111	\$ 352,115	\$ -	\$ -	\$ -	\$ 792,226
Special assessments	-	64,087	-	-	-	64,087
Licenses and permits	4,640	-	-	-	-	4,640
Intergovernmental	473,152	-	227,025	-	-	700,177
Charges for services	172,240	-	-	-	8,278	180,518
Fines and forfeits	1,228	-	-	-	-	1,228
Investment earnings	6,644	5,746	61	2,032	5,658	20,141
Loan payments received	-	-	4,082	-	11,457	15,539
Miscellaneous	72,321	-	-	-	-	72,321
Total Receipts	<u>1,170,336</u>	<u>421,948</u>	<u>231,168</u>	<u>2,032</u>	<u>25,393</u>	<u>1,850,877</u>
Disbursements						
Current						
General government	141,718	-	-	-	-	141,718
Public safety	250,782	-	-	-	-	250,782
Public works	112,794	-	-	-	-	112,794
Culture and recreation	252,024	-	-	-	-	252,024
Economic development	-	-	227,072	-	77,192	304,264
Clinic	5,820	-	-	-	-	5,820
Capital outlay						
Public safety	140,130	-	-	-	-	140,130
Public works	44,277	-	-	-	-	44,277
Culture and recreation	20,153	-	-	-	-	20,153
Debt service						
Principal	-	287,700	-	-	-	287,700
Interest and other costs	-	153,146	-	-	-	153,146
Total Disbursements	<u>967,698</u>	<u>440,846</u>	<u>227,072</u>	<u>-</u>	<u>77,192</u>	<u>1,712,808</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>202,638</u>	<u>(18,898)</u>	<u>4,096</u>	<u>2,032</u>	<u>(51,799)</u>	<u>138,069</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	591,363	21,000	612,363
Sale of capital assets	9,101	-	-	-	-	9,101
Transfers out	(91,205)	-	-	-	(522,363)	(613,568)
Total Other Financing Sources (Uses)	<u>(82,104)</u>	<u>-</u>	<u>-</u>	<u>591,363</u>	<u>(501,363)</u>	<u>7,896</u>
Net Change in Cash Fund Balances	120,534	(18,898)	4,096	593,395	(553,162)	145,965
Cash Fund Balances, January 1	<u>654,683</u>	<u>704,374</u>	<u>3,201</u>	<u>163,930</u>	<u>710,558</u>	<u>2,236,746</u>
Cash Fund Balances, December 31	<u>\$ 775,217</u>	<u>\$ 685,476</u>	<u>\$ 7,297</u>	<u>\$ 757,325</u>	<u>\$ 157,396</u>	<u>\$ 2,382,711</u>

The notes to the financial statements are an integral part of this statement.

City of Lamberton, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
Assets					
Current Assets					
Cash and temporary investments	\$ 480,417	\$ 85,927	\$ 42,618	\$ 27,006	\$ 635,968
Receivables					
Accounts	15,154	14,837	6,543	1,916	38,450
Total Current Assets	<u>495,571</u>	<u>100,764</u>	<u>49,161</u>	<u>28,922</u>	<u>674,418</u>
Noncurrent Assets					
Special assessments receivable - net of current portion	221,169	35,171	-	-	256,340
Capital assets, not being depreciated					
Land	9,438	25,618	-	-	35,056
Capital assets, depreciated					
Distribution plant	1,222,573	1,810,806	-	-	3,033,379
Infrastructure and other improvements	958,365	466,705	1,395,919	-	2,820,989
Machinery and equipment	235,993	31,276	-	-	267,269
Total capital assets, at cost	2,426,369	2,334,405	1,395,919	-	6,156,693
Less accumulated depreciation	(860,190)	(853,186)	(249,019)	-	(1,962,395)
Total capital assets (net of accumulated depreciation)	<u>1,566,179</u>	<u>1,481,219</u>	<u>1,146,900</u>	<u>-</u>	<u>4,194,298</u>
Total Noncurrent Assets	<u>1,787,348</u>	<u>1,516,390</u>	<u>1,146,900</u>	<u>-</u>	<u>4,450,638</u>
Total Assets	<u>2,282,919</u>	<u>1,617,154</u>	<u>1,196,061</u>	<u>28,922</u>	<u>5,125,056</u>
Deferred Outflows of Resources					
Deferred pension resources	10,247	7,877	-	598	18,722
Liabilities					
Current Liabilities					
Accounts payable	1,249	78	37	71	1,435
Due to other governments	290	-	-	453	743
Accrued interest payable	4,264	11,058	2,035	-	17,357
Customer deposits	6,950	5	-	-	6,955
Accrued wages payable	1,816	1,408	-	100	3,324
Bonds payable - current portion	43,200	85,100	55,200	-	183,500
Total Current Liabilities	<u>57,769</u>	<u>97,649</u>	<u>57,272</u>	<u>624</u>	<u>213,314</u>
Noncurrent Liabilities					
Bonds payable - long-term portion	330,300	1,206,582	168,000	-	1,704,882
Net pension liability	35,244	27,093	-	2,057	64,394
Total Noncurrent Liabilities	<u>365,544</u>	<u>1,233,675</u>	<u>168,000</u>	<u>2,057</u>	<u>1,769,276</u>
Total Liabilities	<u>423,313</u>	<u>1,331,324</u>	<u>225,272</u>	<u>2,681</u>	<u>1,982,590</u>
Deferred Inflows of Resources					
Deferred pension resources	1,295	995	-	76	2,366
Net Position					
Net investment in capital assets	1,192,679	189,537	923,700	-	2,305,916
Unrestricted	675,879	103,175	47,089	26,763	852,906
Total Net Position	<u>\$ 1,868,558</u>	<u>\$ 292,712</u>	<u>\$ 970,789</u>	<u>\$ 26,763</u>	<u>\$ 3,158,822</u>

The notes to the financial statements are an integral part of this statement.

City of Lambert, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
Operating Revenues					
Charges for services	\$ 204,194	\$ 190,417	\$ 83,828	\$ 19,984	\$ 498,423
Miscellaneous	3,589	119	-	9	3,717
Total Operating Revenues	<u>207,783</u>	<u>190,536</u>	<u>83,828</u>	<u>19,993</u>	<u>502,140</u>
Operating Expenses					
Personal services	51,991	40,717	-	2,968	95,676
Supplies	16,035	38,759	9,331	1,598	65,723
Utilities	16,501	-	-	-	16,501
Other services and charges	24,519	13,582	293	13,263	51,657
Depreciation	73,747	60,387	46,531	-	180,665
Total Operating Expenses	<u>182,793</u>	<u>153,445</u>	<u>56,155</u>	<u>17,829</u>	<u>410,222</u>
Operating Income (Loss)	<u>24,990</u>	<u>37,091</u>	<u>27,673</u>	<u>2,164</u>	<u>91,918</u>
Nonoperating Revenues (Expenses)					
Special assessments	12,343	70	-	-	12,413
Investment earnings	4,038	719	357	226	5,340
Intergovernmental	41,964	-	-	-	41,964
Amortization	-	636	-	-	636
Interest and fiscal charges	(10,892)	(26,931)	(5,500)	-	(43,323)
Total Nonoperating Revenues (Expenses)	<u>47,453</u>	<u>(25,506)</u>	<u>(5,143)</u>	<u>226</u>	<u>17,030</u>
Income (Loss) Before Other Financing Sources (Uses)	<u>72,443</u>	<u>11,585</u>	<u>22,530</u>	<u>2,390</u>	<u>108,948</u>
Other Financing Sources (Uses)					
Transfers in	16,205	-	-	-	16,205
Transfers out	-	(7,000)	(8,000)	-	(15,000)
Total Other Financing Sources (Uses)	<u>16,205</u>	<u>(7,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>1,205</u>
Change in Net Position	88,648	4,585	14,530	2,390	110,153
Net Position , January 1	<u>1,779,910</u>	<u>288,127</u>	<u>956,259</u>	<u>24,373</u>	<u>3,048,669</u>
Net Position, December 31	<u>\$ 1,868,558</u>	<u>\$ 292,712</u>	<u>\$ 970,789</u>	<u>\$ 26,763</u>	<u>\$ 3,158,822</u>

The notes to the financial statements are an integral part of this statement.

City of Lambertton, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
Cash Flows from Operating Activities					
Receipts from customers	\$ 213,081	\$ 195,911	\$ 85,411	\$ 22,008	\$ 516,411
Payments to suppliers and vendors	(56,893)	(52,448)	(9,616)	(14,964)	(133,921)
Payments to and on behalf of employees	(51,653)	(39,647)	-	(2,852)	(94,152)
Net Cash Provided (Used) by Operating Activities	<u>104,535</u>	<u>103,816</u>	<u>75,795</u>	<u>4,192</u>	<u>288,338</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	16,205	-	-	-	16,205
Transfers to other funds	-	(7,000)	(8,000)	-	(15,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>16,205</u>	<u>(7,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>1,205</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(57,354)	-	-	-	(57,354)
Capital grants received	41,964	-	-	-	41,964
Special assessments	28,114	3,512	-	-	31,626
Bond principal	(42,200)	(84,300)	(52,800)	-	(179,300)
Interest paid on long term debt	(11,325)	(27,748)	(5,940)	-	(45,013)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(40,801)</u>	<u>(108,536)</u>	<u>(58,740)</u>	<u>-</u>	<u>(208,077)</u>
Cash Flows from Investing Activities					
Interest received on cash and investments	4,038	719	357	226	5,340
Net Increase (Decrease) in Cash and Temporary Investments	83,977	(11,001)	9,412	4,418	86,806
Cash and Temporary Investments, January 1	<u>396,440</u>	<u>96,928</u>	<u>33,206</u>	<u>22,588</u>	<u>549,162</u>
Cash and Temporary Investments, December 31	<u>\$ 480,417</u>	<u>\$ 85,927</u>	<u>\$ 42,618</u>	<u>\$ 27,006</u>	<u>\$ 635,968</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 24,990	\$ 37,091	\$ 27,673	\$ 2,164	\$ 91,918
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities					
Depreciation	73,747	60,387	46,531	-	180,665
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	5,144	3,524	-	293	8,961
(Increase) decrease in deferred inflows of resources					
Deferred pension resources	(18,606)	(13,747)	-	(1,076)	(33,429)
Changes in assets and liabilities					
(Increases) decreases in assets					
Accounts receivable	5,941	5,370	1,583	2,109	15,003
Increases (decreases) in liabilities					
Accounts payable	(128)	(107)	8	(556)	(783)
Due to other governments	290	-	-	453	743
Accrued wages payable	278	292	-	100	670
Customer deposits	(643)	5	-	(94)	(732)
Net pension liability	13,522	11,001	-	799	25,322
Net Cash Provided (Used) by Operating Activities	<u>\$ 104,535</u>	<u>\$ 103,816</u>	<u>\$ 75,795</u>	<u>\$ 4,192</u>	<u>\$ 288,338</u>
Schedule of Noncash Capital and Related Financing Activities					
Increase (decrease) in fair value of investments	-	-	-	-	-
Amortization of charge on refunding	<u>\$ -</u>	<u>\$ (636)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (636)</u>

The notes to the financial statements are an integral part of this statement.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lamberton, Minnesota, (the City) is a municipal corporation governed by an elected Mayor and four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the GASB criteria.

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

The accompanying financial statements have been prepared on the regulatory basis of accounting as described in the *Minnesota Office of the State Auditor's Reporting and Publishing Requirements for Cities under 2,500 in Population* published in February 2016. Under that basis, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City has the following fund types:

Governmental funds are used to account for the City's general government activities and are accounted for using the regulatory basis of accounting. Their revenue is recognized when received in cash and expenditures are recognized when paid in cash. The regulatory basis of accounting is a special purpose framework other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner of payment.

The *Small Cities Development Grant fund* accounts for all costs associated with the small cities development grant project.

The *CIP Improvement fund* accounts for all costs associated with capital improvements.

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sanitary Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Storm Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of receipts, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses 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. The City also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected. For proprietary funds, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when the use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Note 1: Summary of Significant Accounting Policies (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better, revenue obligations rated "AA" or better.
4. General Obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. The City annually certifies delinquent water and sewer accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

Special Assessments

Special assessments are recognized as revenue when they are certified in the enterprise funds. They are recorded upon receipt in the Governmental funds.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Under the regulatory basis, the City does not account for capital assets used in governmental fund types.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in enterprise funds. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the financial statements regardless of their amount.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at acquisition cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the proprietary funds of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Lift Stations	50
Watermains, Sewermains	40
Sump Pump Lines	40
Buildings	40
Concrete Curb and Gutter	30
Sidewalks	30
Well and Pump Houses	25
Water Meters	20
Office Equipment	10
Computer Equipment & Software	5
Vehicles	5
Machinery, Equipment, Radio Phones	10
Land	Not Depreciated

Deferred Outflows of Resources

In addition to assets, the statement of net position 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 then. The City has one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. The deferred pension resource item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Long-term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service disbursements.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP) is \$8,468.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position 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 government has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category.

The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk/Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 1: Summary of Significant Accounting Policies (Continued)

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Clerk/Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Clerk/Treasurer. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City’s carrying amount of deposits was \$1,250,388 and the bank balance was \$1,284,598. The bank balance was covered by federal depository insurance of \$341,724 and the remaining was collateralized with securities held by the pledging financial institution’s trust department in the City’s name.

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City’s name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
4M Fund	N/A	less than 1 year	<u>\$ 1,768,091</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$200.

City of Lambertton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

A reconciliation of cash and investments as shown on the financial statements for the City follows:

Checking	\$ 1,158,664
Certificates of deposit	91,724
Total Carrying Amount of Deposits	1,250,388
Investments	1,768,091
Cash on Hand	200
	\$ 3,018,679
Cash and Temporary Investments	
Governmental	\$ 2,382,711
Proprietary	635,968
	\$ 3,018,679

B. Interfund Receivables, Payables and Transfers

Interfund transfers for the year ended December 31, 2022 are as follows:

	Transfer in			
	CIP Improvement Fund	Nonmajor Governmental	Water	Total
Transfer out				
General	\$ 74,000	\$ 16,000	\$ 1,205	\$ 91,205
Nonmajor governmental funds	517,363	5,000	-	522,363
Sanitary Sewer Utility	-	-	7,000	7,000
Nonmajor enterprise	-	-	8,000	8,000
	\$ 591,363	\$ 21,000	\$ 16,205	\$ 628,568

Transfers are used to transfer funds into the capital reserve funds for further capital needs

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued).

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 35,056	\$ -	\$ -	\$ 35,056
Capital Assets being Depreciated				
Distribution plant	3,033,379	-	-	3,033,379
Infrastructure	2,820,989	-	-	2,820,989
Equipment	209,915	57,354	-	267,269
Total Capital Assets being Depreciated	<u>6,064,283</u>	<u>57,354</u>	<u>-</u>	<u>6,121,637</u>
Less Accumulated Depreciation for				
Distribution plant	(1,306,546)	(77,976)	-	(1,384,522)
Infrastructure	(345,722)	(94,033)	-	(439,755)
Equipment	(129,462)	(8,656)	-	(138,118)
Total Accumulated Depreciation	<u>(1,781,730)</u>	<u>(180,665)</u>	<u>-</u>	<u>(1,962,395)</u>
Total Capital Assets being Depreciated, Net	<u>4,282,553</u>	<u>(123,311)</u>	<u>-</u>	<u>4,159,242</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,317,609</u>	<u>\$ (123,311)</u>	<u>\$ -</u>	<u>\$ 4,194,298</u>

Depreciation expense was charged to functions/programs of the City as follows:

Business-type Activities		
Water		\$ 73,747
Sewer		60,387
Storm Sewer		<u>46,531</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 180,665</u>

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

G.O. Special Assessment Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for government and proprietary activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2019A G.O. Improvement Bonds	\$ 4,840,400	3.00 - 3.13 %	06/27/19	02/01/40	\$ 4,471,700
2019B G.O. Refunding Bonds	153,000	2.00 - 2.25	12/17/19	12/01/26	90,000
2021A G.O. Refunding Bonds	490,000	1.40 - 2.00	07/28/21	02/01/29	410,000
Total G.O. Bonds					<u>\$ 4,971,700</u>

The annual service requirements to amortize general obligation bonds as of December 31, 2022 are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 296,500	\$ 140,948	\$ 437,448
2024	301,300	132,973	434,273
2025	311,100	124,898	435,998
2026	325,700	116,435	442,135
2027	235,500	108,458	343,958
2028 - 2032	1,218,000	437,253	1,655,253
2033 - 2037	1,364,400	246,438	1,610,838
2038 - 2040	919,200	43,628	962,828
Total	<u>\$ 4,971,700</u>	<u>\$ 1,351,031</u>	<u>\$ 6,322,731</u>

General Obligation Revenue Bonds

General obligation revenue bonds were issued to finance improvements to the water, sewer, and storm sewer system. They will be repaid with transfers from other funds and future utility charges.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Revenue Bonds of 2013C	\$ 282,000	2.70 %	06/14/13	02/01/29	\$ 141,000
2019A G.O. Improvement Bonds	3,963,300	3.00 - 3.13	06/27/19	02/01/40	198,300
2019B G.O. Improvement Bonds	632,000	2.00 - 2.25	12/17/19	12/01/26	372,000
2021A G.O. Refunding Bonds	1,230,000	1.40 - 2.50	07/28/21	02/01/41	1,165,000
Total G.O. Revenue Bonds					<u>\$ 1,876,300</u>

City of Lambertton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services, principal and interest payments and percentage of revenue required to cover principal and interest payments are as follows.

	Water	Sewer	Storm Sewer
Revenues	\$ 204,194	\$ 190,417	\$ 83,828
Principal and Interest	53,525	112,048	58,740
Percentage of Revenues	26.2%	58.8%	70.1%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	G.O. Revenue Bonds		
	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 183,500	\$ 40,665	\$ 224,165
2024	183,700	36,825	220,525
2025	188,900	32,651	221,551
2026	193,300	28,323	221,623
2027	100,500	24,165	124,665
2028 - 2032	395,000	94,690	489,690
2033 - 2037	340,600	57,605	398,205
2038 - 2041	290,800	14,550	305,350
Total	<u>\$ 1,876,300</u>	<u>\$ 329,474</u>	<u>\$ 2,205,774</u>

Changes in General Long-term Liabilities

During the year ended December 31, 2022, the following changes occurred in liabilities reported in general long-term debt:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General Obligation					
Improvement Bonds	<u>\$ 5,259,400</u>	<u>\$ -</u>	<u>\$ (287,700)</u>	<u>\$ 4,971,700</u>	<u>\$ 296,500</u>
Business-type Activities					
Bonds Payable					
General Obligation					
Revenue Bonds	\$ 2,055,600	\$ -	\$ (179,300)	\$ 1,876,300	\$ 183,500
Bond premium	12,718	-	(636)	12,082	-
Business-type Activity					
Long-term Liabilities	<u>\$ 2,068,318</u>	<u>\$ -</u>	<u>\$ (179,936)</u>	<u>\$ 1,888,382</u>	<u>\$ 183,500</u>

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

The City participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (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 are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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 Employee Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service, and 2.7 percent for Basic members. The accrual rates for former MERF members is 2.0 percent for each of the first 10 years of service and 2.5 percent for each additional year. 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.

C. Contributions

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent, of their annual covered salary in fiscal year 2022. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2022. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$4,696, \$4,879 and \$4,881, respectively. The City's contributions were equal to the required contributions for each year as set by State statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$64,394 for its proportionate share of the General Employees Fund's net pension liability in the enterprise funds. 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 \$1,891. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0008 percent which is a decrease of .0001 as its proportion measured as of June 30, 2021.

City's proportionate share of the net pension liability	\$	64,394
State of Minnesota's proportionate share of the net pension liability associated with the City		1,891
Total		\$ 66,285

For the year ended December 31, 2022, the City recognized pension expense of \$8,185 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$283 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 538	\$ 731
Changes in Actuarial Assumptions	15,457	278
Net Difference Between Projected and Actual Earnings on Plan Investments	-	271
Changes in Proportion	394	1,086
Contributions paid to PERA Subsequent to the Measurement Date	2,333	-
Total	\$ 18,722	\$ 2,366

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

The \$2,333 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$	5,445
2024		5,320
2025		(2,564)
2026		5,822
2027		-
Thereafter		-

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	6
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net 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.

H. 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 Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
	General Employees Fund	\$ 101,714	\$ 64,394

I. 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 Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Other Information

A. 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Contingent Liabilities

The City participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the City believes that any disallowed costs as a result of such audits will be immaterial.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. The City currently has no general obligation debt outstanding subject to this limit.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Lamberton, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employee Retirement Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/22	0.0008 %	\$ 64,394	\$ 1,891	\$ 66,285	\$ 60,973	108.7 %	76.7 %
12/31/21	0.0009	39,072	1,192	40,264	66,294	60.7	87.0
12/31/20	0.0009	52,460	1,616	54,076	62,531	86.5	79.0
12/31/19	0.0009	48,465	1,505	49,970	61,720	81.0	80.2
12/31/18	0.0006	34,549	1,091	35,640	41,033	86.9	79.5
12/31/17	0.0006	41,003	518	41,521	40,890	101.5	75.9
12/31/16	0.0006	52,150	672	52,822	40,085	131.8	68.9
12/31/15	0.0006	33,286	-	33,286	40,586	82.0	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employee Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 4,696	\$ 4,696	\$ -	\$ 62,613	7.5 %
12/31/21	4,879	4,879	-	63,973	7.6
12/31/20	4,881	4,881	-	65,088	7.5
12/31/19	4,798	4,798	-	63,973	7.5
12/31/18	3,151	3,151	-	42,009	7.5
12/31/17	3,067	3,067	-	40,890	7.5
12/31/16	3,006	3,006	-	40,085	7.5
12/31/15	3,044	3,044	-	40,586	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Lamberton, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2022- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Lamberton, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - 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.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The state's special funding contribution increased from \$6 million to \$16 million.

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

COMBINING AND INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Lambert, Minnesota
 Nonmajor Governmental Funds
 Statement of Balances Arising from Cash Transactions
 Governmental Funds
 December 31, 2022

	<u>Nonmajor Special Revenue 207</u>	<u>Nonmajor Capital Project 410</u>	
	<u>EDA</u>	<u>2019-20 Infrastructure</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and Temporary Investments	<u>\$ 157,396</u>	<u>\$ -</u>	<u>\$ 157,396</u>
Cash Fund Balances			
Restricted			
Economic development	\$ 50,284	\$ -	\$ 50,284
Assigned			
Economic development	<u>107,112</u>	<u>-</u>	<u>107,112</u>
Total Cash Fund Balances	<u>\$ 157,396</u>	<u>\$ -</u>	<u>\$ 157,396</u>

City of Lambert, Minnesota
 Nonmajor Governmental Funds
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2022

	Nonmajor Special Revenue 207	Nonmajor Capital Project 410	Total Nonmajor Governmental Funds
	EDA	2019-20 Infrastructure	
Receipts			
Charges for services	\$ 8,278	\$ -	\$ 8,278
Investment earnings	1,320	4,338	5,658
Loan payments received	11,457	-	11,457
Total Receipts	<u>21,055</u>	<u>4,338</u>	<u>25,393</u>
Disbursements			
Current			
Economic development	<u>77,192</u>	<u>-</u>	<u>77,192</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(56,137)</u>	<u>4,338</u>	<u>(51,799)</u>
Other Financing Sources (Uses)			
Transfers out	(5,000)	(517,363)	(522,363)
Transfers in	21,000	-	21,000
Total Other Financing Sources (Uses)	<u>16,000</u>	<u>(517,363)</u>	<u>(501,363)</u>
Net Change in Cash Fund Balances	(40,137)	(513,025)	(553,162)
Cash Fund Balances, January 1	<u>197,533</u>	<u>513,025</u>	<u>710,558</u>
Cash Fund Balances, December 31	<u>\$ 157,396</u>	<u>\$ -</u>	<u>\$ 157,396</u>

City of Lambert, Minnesota
Debt Service Funds
Combining Balance Sheet - Regulatory Basis
December 31, 2022

	308 2019B G.O. Refunding Bonds	309 2021 G.O. Refunding Bonds	310 2019A G.O. Improvement Bonds	<u>Total</u>
Assets				
Cash and Temporary Investments	<u>\$ 20,697</u>	<u>\$ 246,521</u>	<u>\$ 418,258</u>	<u>\$ 685,476</u>
Cash Fund Balances				
Restricted for Debt Service	<u>\$ 20,697</u>	<u>\$ 246,521</u>	<u>\$ 418,258</u>	<u>\$ 685,476</u>

City of Lamberton, Minnesota
 Debt Service Funds
 Combining Schedule of Cash Receipts, Disbursements
 and Changes in Cash Fund Balances
 For the Year Ended December 31, 2022

	308 2019B G.O. Refunding Bonds	309 2021A G.O. Refunding Bonds	310 2019A G.O. Improvement Bonds	Total
Receipts				
Taxes	\$ 16,654	\$ 67,676	\$ 267,785	\$ 352,115
Special assessments	4,891	574	58,622	64,087
Investment earnings	173	2,072	3,501	5,746
Total Receipts	<u>21,718</u>	<u>70,322</u>	<u>329,908</u>	<u>421,948</u>
Disbursements				
Debt service				
Principal	21,000	80,000	186,700	287,700
Interest and other costs	2,395	9,618	141,133	153,146
Total Disbursements	<u>23,395</u>	<u>89,618</u>	<u>327,833</u>	<u>440,846</u>
Net Change in Cash Fund Balances	(1,677)	(19,296)	2,075	(18,898)
Cash Fund Balances, January 1	<u>22,374</u>	<u>265,817</u>	<u>416,183</u>	<u>704,374</u>
Cash Fund Balances, December 31	<u>\$ 20,697</u>	<u>\$ 246,521</u>	<u>\$ 418,258</u>	<u>\$ 685,476</u>

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City of Lambert, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Budgetary Fund Balances, January 1	\$ 654,683	\$ 654,683	\$ 654,683	\$ -	\$ 571,523
Receipts					
Taxes					
Property taxes	444,525	444,525	440,111	(4,414)	420,601
Licenses and permits	4,125	4,125	4,640	515	4,965
Intergovernmental					
Federal					
Other	42,000	42,000	117,500	75,500	41,964
State					
Local government aid	321,010	321,010	321,010	-	324,349
Fire state aid	17,145	17,145	17,188	43	17,145
Other State aids	21,100	21,100	3,220	(17,880)	80,441
County					
Other	15,000	15,000	14,234	(766)	14,480
Total Intergovernmental	416,255	416,255	473,152	56,897	478,379
Charges for services					
General government	64,825	64,825	70,771	5,946	62,147
Public Safety	95,035	95,035	85,226	(9,809)	108,958
Parks and recreation	8,500	8,500	15,883	7,383	8,933
Library	600	600	360	(240)	496
Total Charges for Services	168,960	168,960	172,240	3,280	180,534
Fines and forfeits	800	800	1,228	428	533
Investment earnings	520	520	6,644	6,124	455
Miscellaneous					
Contributions and donations	21,000	21,000	55,442	34,442	55,728
Refunds and reimbursements	6,500	6,500	16,809	10,309	26,152
Other	500	500	70	(430)	297
Total Miscellaneous	28,000	28,000	72,321	44,321	82,177
Total Receipts	1,063,185	1,063,185	1,170,336	107,151	1,167,644
Other Financing Sources					
Sale of capital assets	8,000	8,000	9,101	1,101	5,399
Transfers in	4,000	4,000	-	(4,000)	-
Total Other Financing Sources	12,000	12,000	9,101	(2,899)	5,399
Total Receipts and Other Financing Sources	1,075,185	1,075,185	1,179,437	104,252	1,173,043
Amounts Available for Appropriation	1,729,868	1,729,868	1,834,120	104,252	1,744,566

City of Lamberton, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Disbursements					
Current					
General government					
Mayor and Council					
Personal services	\$ 10,765	\$ 10,765	\$ 11,634	\$ (869)	\$ 10,588
Supplies	1,000	1,000	2,226	(1,226)	1,871
Other services and charges	500	500	83	417	350
Total Mayor and Council	<u>12,265</u>	<u>12,265</u>	<u>13,943</u>	<u>(1,678)</u>	<u>12,809</u>
Administration and Finance					
Personal services	83,897	83,897	67,771	16,126	77,453
Supplies	4,100	4,100	3,820	280	2,434
Other services and charges	2,876	2,876	2,879	(3)	635
Total Administration and Finance	<u>90,873</u>	<u>90,873</u>	<u>74,470</u>	<u>16,403</u>	<u>80,522</u>
Election					
Personal services	1,700	1,700	812	888	-
Other services and charges	200	200	149	51	-
Total Election	<u>1,900</u>	<u>1,900</u>	<u>961</u>	<u>939</u>	<u>-</u>
Other General Government					
Personal services	5,563	5,563	5,317	246	5,262
Supplies	1,000	1,000	157	843	438
Other services and charges	88,323	88,323	46,870	41,453	50,751
Total Other General Government	<u>94,886</u>	<u>94,886</u>	<u>52,344</u>	<u>42,542</u>	<u>56,451</u>
Total General Government	<u>199,924</u>	<u>199,924</u>	<u>141,718</u>	<u>58,206</u>	<u>149,782</u>
Public safety					
Police Protection					
Personal services	73,322	73,322	68,464	4,858	61,016
Supplies	9,800	9,800	9,883	(83)	5,568
Other services and charges	19,625	19,625	9,336	10,289	8,154
Total Police Protection	<u>102,747</u>	<u>102,747</u>	<u>87,683</u>	<u>15,064</u>	<u>74,738</u>
Ambulance					
Personal services	63,480	63,480	60,932	2,548	63,485
Supplies	10,100	10,100	11,991	(1,891)	14,793
Other services and charges	18,875	18,875	19,041	(166)	28,660
Total Ambulance	<u>92,455</u>	<u>92,455</u>	<u>91,964</u>	<u>491</u>	<u>106,938</u>
Fire Protection					
Personal services	45,567	45,567	46,353	(786)	44,575
Supplies	18,000	18,000	8,791	9,209	11,223
Other services and charges	14,723	14,723	14,995	(272)	15,416
Total Fire Protection	<u>78,290</u>	<u>78,290</u>	<u>70,139</u>	<u>8,151</u>	<u>71,214</u>
Civil Defense					
Other services and charges	1,800	1,800	996	804	1,159
Total Public Safety	<u>275,292</u>	<u>275,292</u>	<u>250,782</u>	<u>24,510</u>	<u>254,049</u>

City of Lamberton, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Disbursements (Continued)					
Current (continued)					
Streets and Highways					
Street Maintenance					
Personal services	\$ 56,549	\$ 56,549	\$ 54,820	\$ 1,729	\$ 56,271
Supplies	26,300	26,300	24,226	2,074	17,918
Other services and charges	97,200	97,200	18,865	78,335	24,879
Total Street Maintenance	<u>180,049</u>	<u>180,049</u>	<u>97,911</u>	<u>82,138</u>	<u>99,068</u>
Street Lighting					
Supplies	1,500	1,500	1,642	(142)	121
Other services and charges	14,400	14,400	13,241	1,159	12,887
Total Street Lighting	<u>15,900</u>	<u>15,900</u>	<u>14,883</u>	<u>1,017</u>	<u>13,008</u>
Total Streets and Highways	<u>195,949</u>	<u>195,949</u>	<u>112,794</u>	<u>83,155</u>	<u>112,076</u>
Culture and Recreation					
Parks and Recreation					
Personal services	52,965	52,965	53,511	(546)	49,664
Supplies	12,200	12,200	11,240	960	6,347
Other services and charges	30,723	30,723	22,968	7,755	17,013
Total Parks and Recreation	<u>95,888</u>	<u>95,888</u>	<u>87,719</u>	<u>8,169</u>	<u>73,024</u>
Swimming Pool					
Personal services	37,815	37,815	33,956	3,859	33,810
Supplies	15,400	15,400	16,626	(1,226)	13,682
Other services and charges	19,897	19,897	29,110	(9,213)	25,985
Total Swimming Pool	<u>73,112</u>	<u>73,112</u>	<u>79,692</u>	<u>(6,580)</u>	<u>73,477</u>
Library					
Personal services	61,636	61,636	63,188	(1,552)	60,121
Supplies	3,700	3,700	3,299	401	3,305
Other services and charges	16,825	16,825	18,126	(1,301)	17,885
Total Library	<u>82,161</u>	<u>82,161</u>	<u>84,613</u>	<u>(2,452)</u>	<u>81,311</u>
Total Culture and Recreation	<u>251,161</u>	<u>251,161</u>	<u>252,024</u>	<u>(863)</u>	<u>227,812</u>
Clinic					
Supplies	1,000	1,000	472	528	295
Other services and charges	3,750	3,750	5,348	(1,598)	3,691
Total Clinic	<u>4,750</u>	<u>4,750</u>	<u>5,820</u>	<u>(1,070)</u>	<u>3,986</u>
Total Current	<u>927,076</u>	<u>927,076</u>	<u>763,138</u>	<u>163,938</u>	<u>747,705</u>
Capital outlay					
Public safety	5,000	5,000	140,130	(135,130)	174,043
Streets and highways	30,000	30,000	44,277	(14,277)	61,745
Culture and recreation	16,000	16,000	20,153	(4,153)	10,890
Clinic	1,000	1,000	-	1,000	-
Total Capital Outlay	<u>52,000</u>	<u>52,000</u>	<u>204,560</u>	<u>(152,560)</u>	<u>246,678</u>
Total Disbursements	<u>979,076</u>	<u>979,076</u>	<u>967,698</u>	<u>11,378</u>	<u>994,383</u>
Other Financing Uses					
Transfers out	<u>94,000</u>	<u>94,000</u>	<u>91,205</u>	<u>2,795</u>	<u>95,500</u>
Total Disbursements and Other Financing Uses	<u>1,073,076</u>	<u>1,073,076</u>	<u>1,058,903</u>	<u>14,173</u>	<u>1,089,883</u>
Budgetary Fund Balances, December 31	<u>\$ 656,792</u>	<u>\$ 656,792</u>	<u>\$ 775,217</u>	<u>\$ 118,425</u>	<u>\$ 654,683</u>

City of Lambert, Minnesota
Special Revenue Fund
Budgetary Comparison Schedule - Regulatory Basis
Economic Development Authority Fund
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022			2021	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 197,533	\$ 197,533	\$ 197,533	\$ -	\$ 178,122
Receipts					
Charges for services	8,278	8,278	8,278	-	8,278
Investment earnings	219	219	1,320	1,101	160
Miscellaneous Loan payments	11,803	11,803	11,457	(346)	23,620
Total Receipts	20,300	20,300	21,055	755	32,058
Other Financing Sources					
Transfers in	21,000	21,000	21,000	-	20,000
Total Receipts and Other Financing Sources	41,300	41,300	42,055	755	52,058
Amounts Available for Appropriation	238,833	238,833	239,588	755	230,180
Disbursements					
Current					
Economic development					
Personal services	15,595	15,595	12,137	3,458	13,603
Supplies	1,700	1,700	1,187	513	1,387
Other services and charges	12,108	12,108	13,868	(1,760)	12,657
Loans made	50,000	50,000	50,000	-	-
Total Disbursements	79,403	79,403	77,192	2,211	27,647
Other Financing Uses					
Transfers Out	5,000	5,000	5,000	-	5,000
Total Disbursements and Other Financing Uses	84,403	84,403	82,192	2,211	32,647
Budgetary Fund Balances, December 31	<u>\$ 154,430</u>	<u>\$ 154,430</u>	<u>\$ 157,396</u>	<u>\$ 2,966</u>	<u>\$ 197,533</u>

City of Lamberton, Minnesota
 Summary Financial Report
 Receipts and Disbursements for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>	Percent Increase (Decrease)
Receipts			
Taxes	\$ 792,226	\$ 778,765	1.73 %
Special assessments	64,087	85,740	(25.25)
Licenses and permits	4,640	4,965	(6.55)
Intergovernmental	700,177	601,223	16.46
Charges for services	180,518	188,812	(4.39)
Fines and forfeits	1,228	8,959	(86.29)
Investment earnings	20,141	824	2,344.30
Loan payments	15,539	25,576	(39.24)
Miscellaneous	72,321	82,177	(11.99)
	<u> </u>	<u> </u>	
Total Receipts	<u>\$ 1,850,877</u>	<u>\$ 1,777,041</u>	<u>4.15 %</u>
Per capita	2,358	2,244	5.08
Disbursements			
Current			
General government	\$ 141,718	\$ 149,782	(5.38) %
Public safety	250,782	254,049	(1.29)
Streets and highways	112,794	112,076	0.64
Culture and recreation	252,024	217,281	15.99
Economic development	304,264	133,965	127.12
Clinic	5,820	3,986	46.01
Community Center	-	10,531	(100.00)
Capital outlay			
Public safety	140,130	174,043	(19.49)
Streets and highways	44,277	231,807	(80.90)
Culture and recreation	20,153	10,890	85.06
Debt service			
Principal	287,700	773,000	(62.78)
Interest and other costs	153,146	185,862	(17.60)
	<u> </u>	<u> </u>	
Total Disbursements	<u>\$ 1,712,808</u>	<u>\$ 2,257,272</u>	<u>(24.12) %</u>
Per capita	2,182	2,850	(23.44)
Total Long-term Indebtedness	\$ 4,971,700	\$ 5,259,400	(5.47) %
Per capita	6,333	6,641	(4.63)
General Fund Cash Balance - December 31	\$ 775,217	\$ 654,683	18.41 %
Per capita	988	827	19.47

The purpose of this report is to provide a summary of financial information concerning the City of Lamberton to interested citizens. The complete financial statements may be examined at City Hall, 112 2nd Ave W, Lamberton, Minnesota, 56152. Questions about this report should be directed to Valerie Halter, Clerk-Treasurer at (507) 752-7601.

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SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Lambert, Minnesota
Schedule of Accounts Receivable - Unaudited
December 31, 2022

Fund	From	Source of Revenue and Purpose	Amount
General	Various citizens	Fire Response	\$ 7,750
	Ann Township	Ambulance Coverage	585
	Ann Township	Fire Contract	2,475
	Xitlalic Ayala	EMT Initial Course Reimbursment	1,650
	Artury Hernandez Cazalez	2022 Mowing	150
	Melanie Guttum	EMT Initial Course Reimbursment	1,565
	Grace Iverson	EMT Initial Course Reimbursment	1,650
	Zachary Jewell	2022 Mowing	250
	Olivia Nielsen	EMT Initial Course Reimbursment	650
	Lamberton Community Ambulance	Ambulance Charges	<u>98,544</u>
	Total General		<u>115,269</u>
Economic Development	EDA Loan Recipients	EDA loans	<u>358,136</u>
	Total Accounts Receivable		<u><u>\$ 473,405</u></u>

City of Lamberton, Minnesota
Schedule of Accounts Payable - Unaudited
December 31, 2022

Fund	Vendor Name	Item and Purpose	Amount	
General	Blue Cross Blue Shield	Health insurance	\$ 2,059	
	EFTPS	Payroll deduction	2,327	
	PERA	Payroll deduction	2,018	
	MN Department of Revenue	Payroll deduction	458	
	First Security Bank	ACH bank fees	21	
	First Data Merchant Services	Kuhar CC service	10	
	Amazon Capital Services	Clerk office supplies	226	
	Anderson Electric	Installation, troubleshooting, and repairs	2,124	
	Cardmember Service	Srfax & Adobe subscription	57	
	Cardmember Service	City hall water cooler	24	
	Cardmember Service	Liquor license mailing	1	
	Computer C & C, Inc.	office 365 & cloud backup	152	
	Farmers Co-op Oil Company	Police Department - fuel	84	
	Farmers Co-op Oil Company	Street Department - fuel	2,112	
	Gelns Auto Parts	Street Department - parts	693	
	Lamberton News	Shared office supplies	38	
	Lamberton News	Summary budget report publishing	122	
	Maynards Food Center	Shared cleaning supplies	56	
	Redwood County Auditor	2023 Assessment rolls	153	
	Ambulance	First Security Bank	ACH bank fees	3
		Cardmember Service	Srfax & Adobe subscription	4
		Computer C & C, Inc.	office 365 & cloud backup	22
		Expert Billing, LLC	Ambulance billing services	257
Farmers Co-op Oil Company		Ambulance - fuel	207	
Lamberton News		Shared office supplies	5	
Linde Gas & Equipment, Inc		Ambulance medication	62	
Maynards Food Center		Shared cleaning supplies	7	
EDA	First Security Bank	ACH bank fees	9	
	Cardmember Service	Srfax & Adobe subscription	4	
	Computer C & C, Inc.	office 365 & cloud backup	22	
	Lamberton News	Shared office supplies	5	
	Maynards Food Center	Shared cleaning supplies	7	
Library	First Security Bank	ACH bank fees	3	
	Cardmember Service	Srfax & Adobe subscription	4	
	Computer C & C, Inc.	office 365 & cloud backup	22	
	Lamberton News	Shared office supplies	5	
			\$ 13,383	

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OTHER REQUIRED REPORTS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Lamberton, Minnesota

We have audited, 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 the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Lamberton, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report dated February 23, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions 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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Mankato, Minnesota
February 23, 2023

**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**

Honorable Mayor and City Council
City of Lambert, 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 Lambert, Minnesota (the City), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

The City's Response to Findings

The City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Mankato, Minnesota
February 23, 2023



City of Lambertton
Schedule of Findings and Responses
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed internal control procedures over payroll, cash disbursements, cash receipts, utility billing and investments and found the City to have limited segregation of duties in these areas.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.

Internal Control Over Cash Disbursements

<i>Cause:</i>	As a result of the small number of staff, the Clerk/Treasurer in conjunction with an administrative assistant controls and maintains the check stock, sets up and maintains vendors, approves vouchers for payment, prepares checks, signs checks in conjunction with the Mayor, mails checks to vendors, maintains the purchase journal and accounts payable records, posts transactions to the general ledger.
<i>Recommendation:</i>	While we recognize there are not enough staff members to eliminate this deficiency, we recommend that an individual, separate from the Clerk/Treasurer or administrative assistant, review cancelled checks received with the bank statement and investigate items such as; void checks, inconsistencies in check number sequence, possible alterations and unusual payees. This individual should also review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.
<i>Management Response:</i>	The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to two people. The Council has addressed this circumstance by having active participation in the City's affairs.

City of Lambertton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

Finding

Description

2022-001

Segregation of Duties (Continued)

Internal Control Over Cash Receipts

Cause: As a result of the small number of staff, the Clerk/Treasurer in conjunction with an administrative assistant opens the mail, receives and endorses checks and currency, prepares and takes the deposit to the bank, sets up and maintains customers, generates billing statements, maintains receipts journal and accounts receivable records, posts transactions to the general ledger, and reconciles bank accounts.

Recommendation: While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that an individual separate from the Clerk/Treasurer or administrative assistant open the mail, prepare the deposit and review all deposits included on monthly bank reconciliations. It is important that the Council be aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly receipt information.

Management Response: The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to two people. The Council has addressed this circumstance by having active participation in the City's affairs.

Internal Control Over Utility Billing

Cause: As a result of the small number of staff, the Clerk/Treasurer in conjunction with an administrative assistant approves new utility accounts, sets up and maintains customers and rates in the Softline Data UB Max system, generates and mails billing statements, prepares the deposit and takes it to the bank, maintains and reconciles the receivable subledger, and controls the accuracy, completeness of and access to utility billing program and data files.

Recommendation: While we recognize number of staff is not large enough to eliminate this deficiency, we recommend the Council review exception reports from meter reading software. It is important that the Council be aware of this condition and monitors all financial information.

Management Response: The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to two people. The Council has addressed this circumstance by having active participation in the City's affairs. The Maintenance Department Supervisor now approves any utility adjustments to individual accounts.

City of Lambertton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-002	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with cities of your size.
<i>Effect:</i>	<p>It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken provide you with the completed financial statements.</p> <p>The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors.</p>
<i>Recommendation:</i>	<p>Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. Regarding the specific situations listed above, we would offer the following specific recommendation:</p> <ul style="list-style-type: none">• Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers.• Agree Banyon receipt and disbursement information to the numbers reported in the financial statements plus any applicable accruals.• It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	For now, the City accepts the degree of risk associated with this condition but is prepared to engage the services of a qualified party in the future if its own staff needs outside help in this matter.

City of Lambertton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-003	Material Audit Adjustments
<i>Condition:</i>	During our audit, material adjustments were needed to adjust taxes, grants and debt.
<i>Criteria:</i>	Such adjustments should be detected and made by the City's personnel.
<i>Cause:</i>	City staff did not prepare a year end trial balance reflecting all necessary accounting entries in the areas noted above.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	The City will review all adjusting entries posted this year and make all such necessary adjustments in the future. The Clerk/Treasurer will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.