



Annual Financial Report

City of Lambertton

Lamberton, Minnesota

For the year ended December 31, 2023



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office

14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Lamberton, Minnesota
 Annual Financial Report
 Table of Contents
 For the Year Ended December 31, 2023

	Page No.
Introductory Section	
Elected and Appointed Officials	7
Financial Section	
Independent Auditor's Report	11
Financial Statements - Regulatory Basis	
Governmental Funds	
Statement of Balances Arising from Cash Transactions	16
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances	17
Proprietary Funds	
Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Net Position	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	40
Schedule of Employer's Public Employees Retirement Association Contributions General Employees Retirement Fund	40
Notes to the Required Supplementary Information - General Employees Retirement Fund	41
Combining and Individual Fund Financial Schedules	
Debt Service Fund	
Combining Balance Sheet	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	45
General Fund	
Budgetary Comparison Schedule - Regulatory Basis	47
Economic Development Fund	
Budgetary Comparison Schedule - Regulatory Basis	50
Summary Financial Report	
Receipts and Disbursements for General Operations - Governmental Funds	51
Supplementary Information -Unaudited	
Schedule of Accounts Receivable	54
Schedule of Accounts Payable	55
Other Required Reports	
Independent Auditor's Report on Minnesota Legal Compliance	59
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 <i>Government Auditing Standards</i>	60
Schedule of Findings and Responses	63

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Lambertson, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2023

Elected

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lydell Sik	Mayor	12/31/24
Dave Irlbeck	Council	12/31/26
Leah Bittner	Council	12/31/26
Darrell Knutson	Council	12/31/24
Tyler Beermann	Council	04/10/23
Lynn Pfarr	Council	12/31/24

Appointed

Valerie Halter	City Clerk
----------------	------------

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL SECTION
CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 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 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 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 March 21, 2024, 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.



Abdo
Mankato, Minnesota
March 21, 2024



THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Lambert, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2023

	General	Debt Service	800 Small Cities Development Grant	400 CIP Improvement Fund	207 Nonmajor EDA	Total Governmental Funds
Assets						
Cash and Temporary Investments	\$ 974,324	\$ 711,361	\$ 13,818	\$ 238,205	\$ 149,164	\$ 2,086,872
Cash Fund Balances						
Restricted for						
Debt service	\$ -	\$ 711,361	\$ -	\$ -	\$ -	\$ 711,361
Economic development	-	-	13,818	-	30,341	44,159
Library	11,058	-	-	-	-	11,058
Playground updates	15,000	-	-	-	-	15,000
Public safety	34,352	-	-	-	-	34,352
Assigned						
Economic development	-	-	-	-	118,823	118,823
Capital reserve for future projects	-	-	-	238,205	-	238,205
Unassigned	913,914	-	-	-	-	913,914
Total Cash Fund Balances	\$ 974,324	\$ 711,361	\$ 13,818	\$ 238,205	\$ 149,164	\$ 2,086,872

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, 2023

	General	Debt Service	800 Small Cities Development Grant	400 CIP Improvement Fund	207 Nonmajor EDA	Total Governmental Funds
Receipts						
Taxes	\$ 426,674	\$ 380,292	\$ -	\$ -	\$ -	\$ 806,966
Special assessments	-	60,667	-	-	-	60,667
Licenses and permits	6,293	-	-	-	-	6,293
Intergovernmental	401,628	-	405,124	-	-	806,752
Charges for services	145,489	-	-	-	12,418	157,907
Fines and forfeits	983	-	-	-	-	983
Investment earnings	31,548	23,799	438	10,373	4,747	70,905
Loan payments received	-	-	6,083	-	5,793	11,876
Miscellaneous	137,826	-	-	-	-	137,826
Total Receipts	<u>1,150,441</u>	<u>464,758</u>	<u>411,645</u>	<u>10,373</u>	<u>22,958</u>	<u>2,060,175</u>
Disbursements						
Current						
General government	135,360	-	-	-	-	135,360
Public safety	244,544	-	-	-	-	244,544
Public works	161,937	-	-	-	-	161,937
Culture and recreation	249,613	-	-	-	-	249,613
Economic development	-	-	405,124	-	25,736	430,860
Clinic	6,026	-	-	-	-	6,026
Community Center	16,428	-	-	-	-	16,428
Capital outlay						
Public safety	30,349	-	-	-	-	30,349
Streets and highways	72,006	-	-	541,993	-	613,999
Culture and recreation	30,525	-	-	-	-	30,525
Debt service						
Principal	-	296,500	-	-	-	296,500
Interest and other costs	-	142,373	-	-	-	142,373
Total Disbursements	<u>946,788</u>	<u>438,873</u>	<u>405,124</u>	<u>541,993</u>	<u>25,736</u>	<u>2,358,514</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>203,653</u>	<u>25,885</u>	<u>6,521</u>	<u>(531,620)</u>	<u>(2,778)</u>	<u>(298,339)</u>
Other Financing Sources (Uses)						
Sale of capital assets	2,500	-	-	-	-	2,500
Transfers in	102,954	-	-	70,000	40,000	212,954
Transfers out	(110,000)	-	-	(57,500)	(45,454)	(212,954)
Total Other Financing Sources (Uses)	<u>(4,546)</u>	<u>-</u>	<u>-</u>	<u>12,500</u>	<u>(5,454)</u>	<u>2,500</u>
Net Change in Cash Fund Balances	199,107	25,885	6,521	(519,120)	(8,232)	(295,839)
Cash Fund Balances, January 1	<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>
Cash Fund Balances, December 31	<u>\$ 974,324</u>	<u>\$ 711,361</u>	<u>\$ 13,818</u>	<u>\$ 238,205</u>	<u>\$ 149,164</u>	<u>\$ 2,086,872</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, 2023

	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	\$ 538,852	\$ 81,163	\$ 57,735	\$ 32,379	\$ 710,129
Receivables					
Accounts	30,319	29,780	6,899	2,365	69,363
Special assessments	15,675	1,227	-	-	16,902
Total Current Assets	<u>584,846</u>	<u>112,170</u>	<u>64,634</u>	<u>34,744</u>	<u>796,394</u>
Noncurrent Assets					
Special assessments receivable - net of current portion	187,100	32,365	-	-	219,465
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	249,743	35,026	-	-	284,769
Total capital assets, at cost	<u>2,440,119</u>	<u>2,338,155</u>	<u>1,395,919</u>	<u>-</u>	<u>6,174,193</u>
Less accumulated depreciation	<u>(938,563)</u>	<u>(913,698)</u>	<u>(295,550)</u>	<u>-</u>	<u>(2,147,811)</u>
Total capital assets (net of accumulated depreciation)	<u>1,501,556</u>	<u>1,424,457</u>	<u>1,100,369</u>	<u>-</u>	<u>4,026,382</u>
Total Noncurrent Assets	<u>1,688,656</u>	<u>1,456,822</u>	<u>1,100,369</u>	<u>-</u>	<u>4,245,847</u>
Total Assets	<u>2,273,502</u>	<u>1,568,992</u>	<u>1,165,003</u>	<u>34,744</u>	<u>5,042,241</u>
Deferred Outflows of Resources					
Deferred pension resources	6,025	4,611	-	319	10,955
Liabilities					
Current Liabilities					
Accounts payable	1,747	50	40	-	1,837
Due to other governments	847	-	-	1,000	1,847
Accrued interest payable	3,826	10,363	1,575	-	15,764
Customer deposits	5,716	-	-	-	5,716
Accrued wages payable	1,436	1,084	-	126	2,646
Bonds payable - current portion	44,100	85,000	54,600	-	183,700
Total Current Liabilities	<u>57,672</u>	<u>96,497</u>	<u>56,215</u>	<u>1,126</u>	<u>211,510</u>
Noncurrent Liabilities					
Bonds payable - long-term portion	286,200	1,120,946	113,400	-	1,520,546
Net pension liability	22,583	17,279	-	1,195	41,057
Total Noncurrent Liabilities	<u>308,783</u>	<u>1,138,225</u>	<u>113,400</u>	<u>1,195</u>	<u>1,561,603</u>
Total Liabilities	<u>366,455</u>	<u>1,234,722</u>	<u>169,615</u>	<u>2,321</u>	<u>1,773,113</u>
Deferred Inflows of Resources					
Deferred pension resources	8,994	6,882	-	476	16,352
Net Position					
Net investment in capital assets	1,171,256	218,511	932,369	-	2,322,136
Unrestricted	<u>732,822</u>	<u>113,488</u>	<u>63,019</u>	<u>32,266</u>	<u>941,595</u>
Total Net Position	<u>\$ 1,904,078</u>	<u>\$ 331,999</u>	<u>\$ 995,388</u>	<u>\$ 32,266</u>	<u>\$ 3,263,731</u>

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

City of Lamberton, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
Operating Revenues					
Charges for services	\$ 207,745	\$ 201,909	\$ 83,385	\$ 21,476	\$ 514,515
Miscellaneous	3,964	2	-	-	3,966
Total Operating Revenues	<u>211,709</u>	<u>201,911</u>	<u>83,385</u>	<u>21,476</u>	<u>518,481</u>
Operating Expenses					
Personal services	42,850	33,345	-	2,025	78,220
Supplies	20,303	23,694	1,939	1,994	47,930
Utilities	14,940	-	-	-	14,940
Other services and charges	45,745	16,762	200	13,121	75,828
Depreciation	78,373	60,512	46,531	-	185,416
Total Operating Expenses	<u>202,211</u>	<u>134,313</u>	<u>48,670</u>	<u>17,140</u>	<u>402,334</u>
Operating Income (Loss)	<u>9,498</u>	<u>67,598</u>	<u>34,715</u>	<u>4,336</u>	<u>116,147</u>
Nonoperating Revenues (Expenses)					
Investment earnings	15,049	1,945	2,308	1,167	20,469
Amortization of premium	-	636	-	-	636
Interest and fiscal charges	(9,849)	(25,193)	(4,424)	-	(39,466)
Total Nonoperating Revenues (Expenses)	<u>5,200</u>	<u>(22,612)</u>	<u>(2,116)</u>	<u>1,167</u>	<u>(18,361)</u>
Income (Loss) Before Transfers and Capital Contributions	<u>14,698</u>	<u>44,986</u>	<u>32,599</u>	<u>5,503</u>	<u>97,786</u>
Transfers and Capital Contributions					
Transfers in	15,000	-	-	-	15,000
Transfers out	-	(7,000)	(8,000)	-	(15,000)
Special assessments	5,822	1,301	-	-	7,123
Total Transfers and Capital Contributions	<u>20,822</u>	<u>(5,699)</u>	<u>(8,000)</u>	<u>-</u>	<u>7,123</u>
Change in Net Position	35,520	39,287	24,599	5,503	104,909
Net Position , January 1	<u>1,868,558</u>	<u>292,712</u>	<u>970,789</u>	<u>26,763</u>	<u>3,158,822</u>
Net Position, December 31	<u>\$ 1,904,078</u>	<u>\$ 331,999</u>	<u>\$ 995,388</u>	<u>\$ 32,266</u>	<u>\$ 3,263,731</u>

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

City of Lamberton, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	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	\$ 195,310	\$ 186,963	\$ 83,029	\$ 20,927	\$ 486,229
Payments to suppliers and vendors	(79,933)	(40,484)	(2,136)	(14,639)	(137,192)
Payments to and on behalf of employees	(43,970)	(34,330)	-	(2,082)	(80,382)
Net Cash Provided (Used) by Operating Activities	<u>71,407</u>	<u>112,149</u>	<u>80,893</u>	<u>4,206</u>	<u>268,655</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	15,000	-	-	-	15,000
Transfers to other funds	-	(7,000)	(8,000)	-	(15,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>15,000</u>	<u>(7,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(13,750)	(3,750)	-	-	(17,500)
Special assessments	24,216	2,880	-	-	27,096
Bond principal	(43,200)	(85,100)	(55,200)	-	(183,500)
Interest paid on long term debt	(10,287)	(25,888)	(4,884)	-	(41,059)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(43,021)</u>	<u>(111,858)</u>	<u>(60,084)</u>	<u>-</u>	<u>(214,963)</u>
Cash Flows from Investing Activities					
Interest received on cash and investments	15,049	1,945	2,308	1,167	20,469
Net Increase (Decrease) in Cash and Temporary Investments	58,435	(4,764)	15,117	5,373	74,161
Cash and Temporary Investments, January 1	<u>480,417</u>	<u>85,927</u>	<u>42,618</u>	<u>27,006</u>	<u>635,968</u>
Cash and Temporary Investments, December 31	<u>\$ 538,852</u>	<u>\$ 81,163</u>	<u>\$ 57,735</u>	<u>\$ 32,379</u>	<u>\$ 710,129</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 9,498	\$ 67,598	\$ 34,715	\$ 4,336	\$ 116,147
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities					
Depreciation	78,373	60,512	46,531	-	185,416
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	4,222	3,266	-	279	7,767
(Increase) decrease in deferred inflows of resources					
Deferred pension resources	7,699	5,887	-	400	13,986
Changes in assets and liabilities					
(Increases) decreases in assets					
Accounts receivable	(15,165)	(14,943)	(356)	(449)	(30,913)
Increases (decreases) in liabilities					
Accounts payable	498	(28)	3	(71)	402
Due to other governments	557	-	-	547	1,104
Accrued wages payable	(380)	(324)	-	126	(578)
Customer deposits	(1,234)	(5)	-	(100)	(1,339)
Net pension liability	(12,661)	(9,814)	-	(862)	(23,337)
Net Cash Provided (Used) by Operating Activities	<u>\$ 71,407</u>	<u>\$ 112,149</u>	<u>\$ 80,893</u>	<u>\$ 4,206</u>	<u>\$ 268,655</u>
Schedule of Noncash Capital and Related Financing Activities					
Amortization of premium	<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, 2023

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, 2023

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.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2023

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.

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, 2023

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, 2023

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 \$4,419.

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.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2023

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

A. 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.

Deficit Fund Equity

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.

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.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

- 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 \$840,677 and the bank balance was \$872,172. The bank balance was covered by federal depository insurance of \$296,433 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, 2023, 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>\$ 1,956,124</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 Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2023

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	\$ 794,244
Certificates of deposit	46,433
Total Carrying Amount of Deposits	840,677
Investments	1,956,124
Cash on Hand	200
Total Cash and Investments	\$ 2,797,001
Cash and Temporary Investments	
Governmental	\$ 2,086,872
Proprietary	710,129
Total Cash and Temporary Investments	\$ 2,797,001

B. Interfund Receivables, Payables and Transfers

Interfund transfers for the year ended December 31, 2023 are as follows:

	Transfer in				Total
	General	CIP Improvement Fund	Nonmajor Governmental	Water	
Transfer out					
General	\$ -	\$ 70,000	\$ 40,000	\$ -	\$ 110,000
CIP improvement fund	57,500	-	-	-	57,500
Nonmajor governmental funds	45,454	-	-	-	45,454
Sanitary Sewer Utility	-	-	-	7,000	7,000
Storm Sewer	-	-	-	8,000	8,000
Total transfers out	\$ 102,954	\$ 70,000	\$ 40,000	\$ 15,000	\$ 227,954

Transfers are used to transfer funds into the capital reserve funds for further capital needs, to transfer funds for the purchase of a plow and mower, and to close a CD in the EDA fund and transfer proceeds to the General fund.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2023

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2023 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	267,269	17,500	-	284,769
Total Capital Assets being Depreciated	<u>6,121,637</u>	<u>17,500</u>	<u>-</u>	<u>6,139,137</u>
Less Accumulated Depreciation for				
Distribution plant	(1,384,522)	(77,976)	-	(1,462,498)
Infrastructure	(439,755)	(94,033)	-	(533,788)
Equipment	(138,118)	(13,407)	-	(151,525)
Total Accumulated Depreciation	<u>(1,962,395)</u>	<u>(185,416)</u>	<u>-</u>	<u>(2,147,811)</u>
Total Capital Assets being Depreciated, Net	<u>4,159,242</u>	<u>(167,916)</u>	<u>-</u>	<u>3,991,326</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,194,298</u>	<u>\$ (167,916)</u>	<u>\$ -</u>	<u>\$ 4,026,382</u>

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

Business-type Activities		
Water		\$ 78,373
Sewer		60,512
Storm Sewer		<u>46,531</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 185,416</u>

City of Lambertson, Minnesota
Notes to the Financial Statements
December 31, 2023

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	\$ 4,280,200
2019B G.O. Refunding Bonds	153,000	2.00 - 2.25	12/17/19	12/01/26	70,000
2021A G.O. Refunding Bonds	490,000	1.40 - 2.00	07/28/21	02/01/29	325,000
 Total G.O. Bonds					 <u>\$ 4,675,200</u>

The annual service requirements to amortize general obligation bonds as of December 31, 2023 are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
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	240,200	101,753	341,953
2029 - 2033	1,236,400	400,913	1,637,313
2034 - 2038	1,402,600	204,988	1,607,588
2039 - 2040	622,400	19,666	642,066
 Total	 <u>\$ 4,675,200</u>	 <u>\$ 1,210,084</u>	 <u>\$ 5,885,284</u>

City of Lambert, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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	\$ 123,000
2019A G.O. Improvement Bonds	3,963,300	3.00 - 3.13	06/27/19	02/01/40	189,800
2019B G.O. Improvement Bonds	632,000	2.00 - 2.25	12/17/19	12/01/26	280,000
2021A G.O. Refunding Bonds	1,230,000	1.40 - 2.50	07/28/21	02/01/41	1,100,000
 Total G.O. Revenue Bonds					 <u>\$ 1,692,800</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Revenues	\$ 207,745	\$ 201,909	\$ 83,385
Principal and Interest	53,487	110,988	60,084
Percentage of Revenues	25.7%	55.0%	72.1%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2023 are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	100,800	22,218	123,018
2029 - 2033	360,600	87,122	447,722
2034 - 2038	347,400	49,455	396,855
2039 - 2041	217,600	8,050	225,650
 Total	 <u>\$ 1,692,800</u>	 <u>\$ 288,809</u>	 <u>\$ 1,981,609</u>

City of Lambert, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Changes in General Long-term Liabilities

During the year ended December 31, 2023, 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>\$ 4,971,700</u>	<u>\$ -</u>	<u>\$ (296,500)</u>	<u>\$ 4,675,200</u>	<u>\$ 301,300</u>
Business-type Activities					
Bonds Payable					
General Obligation					
Revenue Bonds	\$ 1,876,300	\$ -	\$ (183,500)	\$ 1,692,800	\$ 183,700
Bond premium	<u>12,082</u>	<u>-</u>	<u>(636)</u>	<u>11,446</u>	<u>-</u>
Business-type Activity Long-term Liabilities	<u>\$ 1,888,382</u>	<u>\$ -</u>	<u>\$ (184,136)</u>	<u>\$ 1,704,246</u>	<u>\$ 183,700</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$4,232, \$4,696 and \$4,879, 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, 2023, the City reported a liability of \$41,057 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 \$1,138. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0007 percent at the end of the measurement period and 0.0008 percent for the beginning of the period.

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2023

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

City Proportionate Share of the Net Pension Liability - Enterprise portion	\$ 41,057
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	1,138
Total	\$ 42,195

For the year ended December 31, 2023, the City recognized pension expense of \$4,414 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$5 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, 2023, the City reported its proportionate share for the Enterprise funds of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,370	\$ 321
Changes in Actuarial Assumptions	7,515	11,253
Net Difference Between Projected and Actual Investment Earnings	-	2,317
Changes in Proportion	-	2,461
Contributions Paid to PERA Subsequent to the Measurement Date	2,070	-
Total	\$ 10,955	\$ 16,352

The \$2,070 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ (145)
2025	(7,740)
2026	1,309
2027	(891)
2028	-
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	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
	100.0 %	

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

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

G. Discount Rate

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

	<u>1 Percent Decrease (6.0%)</u>	<u>Current (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
General Employees Fund	\$ 72,632	\$ 41,057	\$ 15,084

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, 2023

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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Lambertson, 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
12/31/23	0.0007 %	\$ 41,057	\$ 1,138	\$ 42,195	\$ 58,796	71.8 %	83.1 %
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)
12/31/23	\$ 4,232	\$ 4,232	\$ -	\$ 56,429	7.5 %
12/31/22	4,696	4,696	-	62,613	7.5
12/31/21	4,879	4,879	-	65,047	7.5
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, 2023

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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, 2023

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

Changes in Plan Provisions

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

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, 2023

City of Lambert, Minnesota
Debt Service Funds
Combining Balance Sheet - Regulatory Basis
December 31, 2023

	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>\$ 22,897</u>	<u>\$ 257,702</u>	<u>\$ 430,762</u>	<u>\$ 711,361</u>
Cash Fund Balances				
Restricted for Debt Service	<u>\$ 22,897</u>	<u>\$ 257,702</u>	<u>\$ 430,762</u>	<u>\$ 711,361</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, 2023

	308 2019B G.O. Refunding Bonds	309 2021A G.O. Refunding Bonds	310 2019A G.O. Improvement Bonds	Total
Receipts				
Taxes	\$ 16,458	\$ 93,541	\$ 270,293	\$ 380,292
Special assessments	7,055	1,347	52,265	60,667
Investment earnings	662	9,183	13,954	23,799
Total Receipts	<u>24,175</u>	<u>104,071</u>	<u>336,512</u>	<u>464,758</u>
Disbursements				
Debt service				
Principal	20,000	85,000	191,500	296,500
Interest and other costs	1,975	7,890	132,508	142,373
Total Disbursements	<u>21,975</u>	<u>92,890</u>	<u>324,008</u>	<u>438,873</u>
Net Change in Cash Fund Balances	2,200	11,181	12,504	25,885
Cash Fund Balances, January 1	<u>20,697</u>	<u>246,521</u>	<u>418,258</u>	<u>685,476</u>
Cash Fund Balances, December 31	<u>\$ 22,897</u>	<u>\$ 257,702</u>	<u>\$ 430,762</u>	<u>\$ 711,361</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Lamberton, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 775,217	\$ 775,217	\$ 775,217	\$ -	\$ 654,683
Receipts					
Taxes					
Property taxes	356,000	356,000	426,674	70,674	440,111
Licenses and permits	4,575	4,575	6,293	1,718	4,640
Intergovernmental					
Federal					
Other	-	-	-	-	117,500
State					
Local government aid	324,246	324,246	324,246	-	321,010
Fire state aid	18,000	18,000	20,796	2,796	17,188
Other State aids	36,000	36,000	42,352	6,352	3,220
County					
Other	15,000	15,000	14,234	(766)	14,234
Total Intergovernmental	393,246	393,246	401,628	8,382	473,152
Charges for services					
General government	71,938	71,938	68,738	(3,200)	70,771
Public Safety	94,935	94,935	60,716	(34,219)	85,226
Parks and recreation	15,000	15,000	15,676	676	15,883
Library	500	500	359	(141)	360
Total Charges for Services	182,373	182,373	145,489	(36,884)	172,240
Fines and forfeits	950	950	983	33	1,228
Investment earnings	20,030	20,030	31,548	11,518	6,644
Miscellaneous					
Contributions and donations	24,000	24,000	39,425	15,425	55,442
Refunds and reimbursements	4,000	4,000	98,377	94,377	16,809
Other	100	100	24	(76)	70
Total Miscellaneous	28,100	28,100	137,826	109,726	72,321
Total Receipts	985,274	985,274	1,150,441	165,167	1,170,336
Other Financing Sources					
Sale of capital assets	1,000	1,000	2,500	1,500	9,101
Transfers in	16,000	16,000	102,954	86,954	-
Total Other Financing Sources	17,000	17,000	105,454	88,454	9,101
Total Receipts and Other Financing Sources	1,002,274	1,002,274	1,255,895	253,621	1,179,437
Amounts Available for Appropriation	1,777,491	1,777,491	2,031,112	253,621	1,834,120

City of Lamberton, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements					
Current					
General government					
Mayor and Council					
Personal services	\$ 10,850	\$ 10,850	\$ 11,362	\$ (512)	\$ 11,634
Supplies	1,200	1,200	6,396	(5,196)	2,226
Other services and charges	500	500	-	500	83
Total Mayor and Council	<u>12,550</u>	<u>12,550</u>	<u>17,758</u>	<u>(5,208)</u>	<u>13,943</u>
Administration and Finance					
Personal services	81,491	64,896	58,427	6,469	67,771
Supplies	3,800	3,800	3,580	220	3,820
Other services and charges	2,550	2,550	1,461	1,089	2,879
Total Administration and Finance	<u>87,841</u>	<u>71,246</u>	<u>63,468</u>	<u>7,778</u>	<u>74,470</u>
Election					
Personal services	-	-	-	-	812
Other services and charges	-	-	-	-	149
Total Election	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>961</u>
Other General Government					
Personal services	6,150	6,150	4,061	2,089	5,317
Supplies	500	500	138	362	157
Other services and charges	63,875	63,875	49,935	13,940	46,253
Total Other General Government	<u>70,525</u>	<u>70,525</u>	<u>54,134</u>	<u>16,391</u>	<u>51,727</u>
Total General Government	<u>170,916</u>	<u>154,321</u>	<u>135,360</u>	<u>18,961</u>	<u>141,101</u>
Public safety					
Police Protection					
Personal services	72,275	72,275	56,162	16,113	68,464
Supplies	8,000	8,000	4,886	3,114	9,883
Other services and charges	13,399	13,399	16,633	(3,234)	9,336
Total Police Protection	<u>93,674</u>	<u>93,674</u>	<u>77,681</u>	<u>15,993</u>	<u>87,683</u>
Ambulance					
Personal services	62,280	62,280	54,046	8,234	60,932
Supplies	11,000	11,000	9,025	1,975	11,991
Other services and charges	22,390	22,390	29,016	(6,626)	19,041
Total Ambulance	<u>95,670</u>	<u>95,670</u>	<u>92,087</u>	<u>3,583</u>	<u>91,964</u>
Fire Protection					
Personal services	44,191	44,191	47,953	(3,762)	46,353
Supplies	14,000	14,000	10,764	3,236	8,791
Other services and charges	15,525	15,525	14,929	596	14,995
Total Fire Protection	<u>73,716</u>	<u>73,716</u>	<u>73,646</u>	<u>70</u>	<u>70,139</u>
Civil Defense					
Other services and charges	1,475	1,475	1,130	345	996
Total Public Safety	<u>264,535</u>	<u>264,535</u>	<u>244,544</u>	<u>19,991</u>	<u>250,782</u>
Streets and Highways					
Street Maintenance					
Personal services	59,650	53,619	53,271	348	54,820
Supplies	22,000	22,000	35,265	(13,265)	24,226
Other services and charges	61,950	61,950	58,022	3,928	18,865
Total Street Maintenance	<u>143,600</u>	<u>137,569</u>	<u>146,558</u>	<u>(8,989)</u>	<u>97,911</u>
Street Lighting					
Supplies	2,000	2,000	959	1,041	1,642
Other services and charges	13,000	13,000	14,420	(1,420)	13,241
Total Street Lighting	<u>15,000</u>	<u>15,000</u>	<u>15,379</u>	<u>(379)</u>	<u>14,883</u>
Total Streets and Highways	<u>158,600</u>	<u>152,569</u>	<u>161,937</u>	<u>(9,368)</u>	<u>112,794</u>

City of Lambert, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Disbursements (Continued)					
Current - continued					
Culture and Recreation					
Parks and Recreation					
Personal services	47,010	43,564	47,906	(4,342)	47,600
Supplies	9,100	9,100	12,765	(3,665)	9,312
Other services and charges	36,850	36,850	42,265	(5,415)	17,452
Total Parks and Recreation	<u>92,960</u>	<u>89,514</u>	<u>102,936</u>	<u>(13,422)</u>	<u>74,364</u>
Swimming Pool					
Personal services	37,200	37,200	33,888	3,312	33,956
Supplies	13,000	13,000	7,763	5,237	16,626
Other services and charges	27,400	27,400	22,384	5,016	29,110
Total Swimming Pool	<u>77,600</u>	<u>77,600</u>	<u>64,035</u>	<u>13,565</u>	<u>79,692</u>
Library					
Personal services	63,824	63,824	59,934	3,890	63,188
Supplies	3,500	3,500	3,664	(164)	3,299
Other services and charges	18,110	18,110	19,044	(934)	18,126
Total Library	<u>85,434</u>	<u>85,434</u>	<u>82,642</u>	<u>2,792</u>	<u>84,613</u>
Total Culture and Recreation	<u>255,994</u>	<u>252,548</u>	<u>249,613</u>	<u>2,935</u>	<u>238,669</u>
Clinic					
Supplies	750	750	159	591	472
Other services and charges	6,300	6,300	5,867	433	5,348
Total Clinic	<u>7,050</u>	<u>7,050</u>	<u>6,026</u>	<u>1,024</u>	<u>5,820</u>
Community Center					
Personal services	13,225	13,225	9,546	3,679	5,911
Supplies	3,900	3,900	1,746	2,154	2,143
Other services and charges	5,300	5,300	5,136	164	5,301
Total Community Center	<u>22,425</u>	<u>22,425</u>	<u>16,428</u>	<u>5,997</u>	<u>13,355</u>
Total Current	<u>879,520</u>	<u>853,448</u>	<u>813,908</u>	<u>39,540</u>	<u>762,521</u>
Capital outlay					
General government	10,000	10,000	-	10,000	617
Public safety	13,000	13,000	30,349	(17,349)	140,130
Streets and highways	30,000	84,108	72,006	12,102	44,277
Culture and recreation	11,000	11,000	30,525	(19,525)	20,153
Clinic	1,000	1,000	-	1,000	-
Unallocated	10,000	10,000	-	10,000	-
Total Capital Outlay	<u>75,000</u>	<u>129,108</u>	<u>132,880</u>	<u>(3,772)</u>	<u>205,177</u>
Total Disbursements	<u>954,520</u>	<u>982,556</u>	<u>946,788</u>	<u>35,768</u>	<u>967,698</u>
Other Financing Uses					
Transfers out	<u>35,000</u>	<u>35,000</u>	<u>110,000</u>	<u>(75,000)</u>	<u>91,205</u>
Total Disbursements and Other Financing Uses	<u>989,520</u>	<u>1,017,556</u>	<u>1,056,788</u>	<u>(39,232)</u>	<u>1,058,903</u>
Budgetary Fund Balances, December 31	<u>\$ 787,971</u>	<u>\$ 759,935</u>	<u>\$ 974,324</u>	<u>\$ 214,389</u>	<u>\$ 775,217</u>

City of Lambert, Minnesota
 Special Revenue Fund
 Budgetary Comparison Schedule - Regulatory Basis
 Economic Development Authority Fund
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for Year Ended December 31, 2022)

	2023			2022	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 157,396	\$ 157,396	\$ 157,396	\$ -	\$ 197,533
Receipts					
Charges for services	12,590	12,590	12,418	(172)	8,278
Investment earnings	250	250	4,747	4,497	1,320
Miscellaneous					
Loan payments	5,793	5,793	5,793	-	11,457
Total Receipts	18,633	18,633	22,958	4,325	21,055
Other Financing Sources					
Transfers in	40,000	40,000	40,000	-	21,000
Total Receipts and Other Financing Sources	58,633	58,633	62,958	4,325	42,055
Amounts Available for Appropriation	216,029	216,029	220,354	4,325	239,588
Disbursements					
Current					
Economic development					
Personal services	16,456	16,456	15,848	608	12,137
Supplies	1,300	1,300	1,117	183	1,187
Other services and charges	11,250	11,250	8,771	2,479	13,868
Loans made	25,000	25,000	-	25,000	50,000
Total Disbursements	54,006	54,006	25,736	28,270	77,192
Other Financing Uses					
Transfers Out	-	-	45,454	(45,454)	5,000
Total Disbursements and Other Financing Uses	54,006	54,006	71,190	(17,184)	82,192
Budgetary Fund Balances, December 31	<u>\$ 162,023</u>	<u>\$ 162,023</u>	<u>\$ 149,164</u>	<u>\$ (12,859)</u>	<u>\$ 157,396</u>

City of Lamberton, Minnesota
 Summary Financial Report
 Receipts and Disbursements for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	Percent Increase (Decrease)
Receipts			
Taxes	\$ 806,966	\$ 792,226	1.86 %
Special assessments	60,667	64,087	(5.34)
Licenses and permits	6,293	4,640	35.63
Intergovernmental	806,752	700,177	15.22
Charges for services	157,907	180,518	(12.53)
Fines and forfeits	983	1,228	(19.95)
Investment earnings	70,905	20,141	252.04
Loan payments	11,876	15,539	(23.57)
Miscellaneous	137,826	72,321	90.58
	<u>\$ 2,060,175</u>	<u>\$ 1,850,877</u>	<u>11.31 %</u>
Total Receipts	2,621	2,358	11.17
Disbursements			
Current			
General government	\$ 135,360	\$ 141,718	(4.49) %
Public safety	244,544	250,782	(2.49)
Streets and highways	161,937	112,794	43.57
Culture and recreation	249,613	252,024	(0.96)
Economic development	430,860	304,264	41.61
Clinic	6,026	5,820	3.54
Community Center	16,428	-	100.00
Capital outlay			
Public safety	30,349	140,130	(78.34)
Streets and highways	613,999	44,277	1,286.72
Culture and recreation	30,525	20,153	51.47
Debt service			
Principal	296,500	287,700	3.06
Interest and other costs	142,373	153,146	(7.03)
	<u>\$ 2,358,514</u>	<u>\$ 1,712,808</u>	<u>37.70 %</u>
Total Disbursements	3,001	2,182	37.52
Total Long-term Indebtedness			
	\$ 4,675,200	\$ 4,971,700	(5.96) %
Per capita	5,948	6,333	(6.08)
General Fund Cash Balance - December 31			
	\$ 974,324	\$ 775,217	25.68 %
Per capita	1,240	988	25.52

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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Lambert, Minnesota
Schedule of Accounts Receivable - Unaudited
December 31, 2023

Fund	From	Source of Revenue and Purpose	Amount
General	Various citizens	Fire Response	\$ 11,750
	Ann Township	Fire Contract	2,700
	Various citizens	Mowing Services	950
	Highwater Tower	Ambulance Contracts	2,220
	Ann Township	Ambulance Contracts	585
	City of Revere	Ambulance Contracts	1,335
	Amboy Township	Ambulance Contracts	615
	Storden Township	Ambulance Contracts	630
	Town of Willow Lake	Ambulance Contracts	1,290
	Waterbury Township	Ambulance Contracts	1,275
	Town of Johnsonville	Ambulance Contracts	315
	North Hero Township	Ambulance Contracts	390
	Lamberton Township	Ambulance Contracts	2,970
	Various citizens	Ambulance Charges	5,515
	Lamberton Community Ambulance	Ambulance Charges	<u>77,799</u>
Total General			<u>110,339</u>
Economic Development	EDA Loan Recipients	EDA loans	<u>561,669</u>
	Total Accounts Receivable		<u><u>\$ 672,008</u></u>

City of Lamberton, Minnesota
Schedule of Accounts Payable - Unaudited
December 31, 2023

Fund	Vendor Name	Item and Purpose	Amount	
General	MN Department of Revenue	Q4 Sales Tax	\$ 57	
	First Data Merchant Services LLC	Fees	58	
	Herbs Repairs	Bob Cat Sweeper	77	
	Maynards Food Center	Supplies	121	
	MN Department of Public Safety	Store Hazard Materials	100	
	Runnings Supply, Inc	Supplies	341	
	Cardmember Service	Fax	13	
	Cardmember Service	Postage	47	
	Cardmember Service	Water	10	
	Cardmember Service	Adobe	26	
	Cardmember Service	Cleaning Supplies	7	
	Cardmember Service	Tools	190	
	Cardmember Service	Joystick	464	
	Farmers Co-op Oil Compant	Oil	557	
	John Deere Financial	Rotary Switch	43	
	MARCO	Contract Copies	169	
	Marshall Northwest Pipe Fitting	Well Meter	519	
	Meadowland Farmers Coop	Bait Station	8	
		Total General		<u>2,807</u>
	Ambulance	Lamberton Handi-Mart	Gas	128
Linda Gas & Equipment, Inc		Oxygen Equipment	162	
Maynards Food Center		Batteries	13	
Cardmember Service		Fax	2	
Cardmember Service		Adobe	4	
Cardmember Service		EMSRB Renewal Application	98	
Cardmember Service		Supplies	1,520	
		Total Ambulance		<u>1,927</u>
EDA	Cardmember Service	Fax	2	
	Cardmember Service	Adobe	4	
		Total EDA		<u>6</u>
Library	MN Department of Revenue	Q4 Sales Tax	5	
	Cardmember Service	Fax	2	
	Cardmember Service	Adobe	4	
		Total Library		<u>11</u>
	Total Accounts Payable		<u>\$ 4,751</u>	

THIS PAGE IS LEFT
BLANK INTENTIONALLY

OTHER REQUIRED REPORTS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

THIS PAGE IS LEFT
BLANK INTENTIONALLY

**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, 2023, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report dated March 21, 2024.

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, miscellaneous provisions, and tax increment financing sections of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as items 2023-004. 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 City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
March 21, 2024

**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 Lamberton, 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 Lamberton, Minnesota (the City), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2024.

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 2023-003 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 2023-001 and 2023-002 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described in the accompanying schedule of findings and responses as item 2023-004.

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 subject 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
March 21, 2024



THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Lambertton
Schedule of Findings and Responses
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	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 Accounting Software

<i>Cause:</i>	As a result of the small number of staff, the Clerk/Treasurer and the Administrative Assistant have the same access in their accounting software, Banyon.
<i>Recommendation:</i>	We recommend setting restrictions within Banyon to provide accesses based on each users job functions.
<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.

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, 2023

Finding

Description

2023-001

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, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Segregation of Duties (Continued)
	<u>Internal Control Over Journal Entries</u>
<i>Cause:</i>	As a result of the small number of staff, the Clerk/Treasurer in conjunction with an administrative assistant prepares and posts all journal entries to the accounting system.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend the Council review manual journal entries monthly. It is important that the Council be aware of this condition and monitors 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.
2023-002	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>	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. The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors.

City of Lamberton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-002	Preparation of Financial Statements (Continued)
<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>	<p>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.</p>
2023-003	Material Audit Adjustments
<i>Condition:</i>	<p>During our audit, material adjustments were needed to adjust transfers.</p>
<i>Criteria:</i>	<p>Such adjustments should be detected and made by the City's personnel.</p>
<i>Cause:</i>	<p>City staff did not prepare a year end trial balance reflecting all necessary accounting entries in the areas noted above.</p>
<i>Effect:</i>	<p>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.</p>
<i>Recommendation:</i>	<p>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.</p>
<i>Management Response:</i>	<p>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.</p>

City of Lamberton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-004	Contracting and Bidding
<i>Condition:</i>	During our audit, we noted the City entered into a contract to purchase a plow truck and was out of compliance with Minnesota statute §471.345.
<i>Criteria:</i>	Minnesota statute §471.345 sets certain requirements for contracts that exceed certain thresholds. In the City's case, the contracts were between \$25,000 and \$100,000, which requires contracts to be let on sealed bids or quotations, and if quotations are used, two or more quotes should be obtained if possible and these quotes should be kept on file for at least one year.
<i>Cause:</i>	The City did not attempt to obtain multiple quotes for the plow truck.
<i>Effect:</i>	The City is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the City review the statute and develop a set of procedures that will allow the City to be in compliance for all major contracts. We also recommend that the City create a separate file for all such contracts and keep all documents related to the process.
<i>Management Response:</i>	There is no disagreement with this finding. The City will take action to avoid a similar occurrence in the following year.