

Annual Financial Report

City of Lamberton
Lamberton, Minnesota

For the Year Ended
December 31, 2018

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City of Lambertton
Annual Financial Report
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For the Year Ended December 31, 2018

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INTRODUCTORY SECTION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Lambertton
Elected and Appointed Officials
For the Year Ended December 31, 2018

Elected

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Neperman	Mayor	12/31/18
Dave Irlbeck	Council	12/31/18
Leah Bittner	Council	12/31/18
Lydell Sik	Council	12/31/18
Darrell Knutson	Council	12/31/20

Appointed

Madonna Peterson	Clerk/Treasurer
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FINANCIAL SECTION
CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lamberton, Minnesota

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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.

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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, 2018, 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, 2018, 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, 2018, 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.

Other Matters

Required Supplementary Information

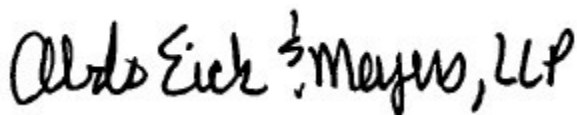
Accounting principles generally accepted in the United States of America require that the Schedules of Employer’s Share of the Net Pension Liability and the Schedules of Employer’s Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios,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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, individual fund financial statements and schedules and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
March 2, 2019

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FINANCIAL STATEMENTS
REGULATORY BASIS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Lambert, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and temporary investments	<u>\$ 764,083</u>	<u>\$ 355,066</u>	<u>\$ 28,556</u>	<u>\$ 1,147,705</u>
Cash Fund Balances				
Restricted for				
Debt service	\$ -	\$ 355,066	\$ -	\$ 355,066
Economic development	-	-	136,044	136,044
Unassigned	<u>764,083</u>	<u>-</u>	<u>(107,488)</u>	<u>656,595</u>
Total Cash Fund Balances	<u>\$ 764,083</u>	<u>\$ 355,066</u>	<u>\$ 28,556</u>	<u>\$ 1,147,705</u>

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

City of Lambertton, Minnesota
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Receipts				
Taxes	\$ 383,781	\$ 86,598	\$ -	\$ 470,379
Special assessments	-	47,110	-	47,110
Licenses and permits	3,410	-	-	3,410
Intergovernmental	372,448	-	4,800	377,248
Charges for services	140,870	-	9,258	150,128
Fines and forfeits	1,050	142	-	1,192
Investment earnings	820	-	2,248	3,068
Loan payments	-	-	16,211	16,211
Miscellaneous	66,451	-	7,500	73,951
Total Receipts	<u>968,830</u>	<u>133,850</u>	<u>40,017</u>	<u>1,142,697</u>
Disbursements				
Current				
General government	140,328	-	-	140,328
Public safety	310,479	-	-	310,479
Streets and highways	149,466	-	8,606	158,072
Culture and recreation	181,080	-	-	181,080
Economic development	25,170	-	-	25,170
Clinic	3,594	-	-	3,594
Community Center	15,693	-	-	15,693
Capital outlay				
General government	17,356	-	-	17,356
Public safety	22,796	-	-	22,796
Streets and highways	67,549	-	107,488	175,037
Culture and recreation	86,098	-	-	86,098
Clinic	3,393	-	-	3,393
Community Center	1,000	-	-	1,000
Debt service				
Principal	-	200,000	-	200,000
Interest and other costs	-	52,920	-	52,920
Total Disbursements	<u>1,024,002</u>	<u>252,920</u>	<u>116,094</u>	<u>1,393,016</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(55,172)</u>	<u>(119,070)</u>	<u>(76,077)</u>	<u>(250,319)</u>
Other Financing Sources (Uses)				
Transfers in	-	100,000	-	100,000
Sale of capital assets	10,500	-	-	10,500
Total Other Financing Sources (Uses)	<u>10,500</u>	<u>100,000</u>	<u>-</u>	<u>110,500</u>
Net Change in Cash Fund Balances	(44,672)	(19,070)	(76,077)	(139,819)
Cash Fund Balances, January 1	<u>808,755</u>	<u>374,136</u>	<u>104,633</u>	<u>1,287,524</u>
Cash Fund Balances, December 31	<u>\$ 764,083</u>	<u>\$ 355,066</u>	<u>\$ 28,556</u>	<u>\$ 1,147,705</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, 2018

	Business-type Activities - Enterprise Funds			Totals
	601	602	Nonmajor Funds	
	Water Utility	Sanitary Sewer Utility		
Assets				
Current Assets				
Cash and temporary investments	\$ 195,464	\$ 101,533	\$ 28,204	\$ 325,201
Receivables				
Accounts	14,046	14,851	8,471	37,368
Special assessments	9,122	-	-	9,122
Due from other governments	1,629	-	-	1,629
Total Current Assets	<u>220,261</u>	<u>116,384</u>	<u>36,675</u>	<u>373,320</u>
Noncurrent Assets				
Special assessments receivable - net of current portion	113,308	-	-	113,308
Capital assets, not being depreciated				
Land	9,438	25,618	-	35,056
Capital assets, depreciated				
Distribution plant	1,193,223	1,810,806	-	3,004,029
Machinery and equipment	174,242	29,132	-	203,374
Total capital assets, at cost	<u>1,376,903</u>	<u>1,865,556</u>	<u>-</u>	<u>3,242,459</u>
Less accumulated depreciation	<u>(597,668)</u>	<u>(591,136)</u>	<u>-</u>	<u>(1,188,804)</u>
Total capital assets (net of accumulated depreciation)	<u>779,235</u>	<u>1,274,420</u>	<u>-</u>	<u>2,053,655</u>
Total Noncurrent Assets	<u>892,543</u>	<u>1,274,420</u>	<u>-</u>	<u>2,166,963</u>
Total Assets	<u>1,112,804</u>	<u>1,390,804</u>	<u>36,675</u>	<u>2,540,283</u>
Deferred Outflows of Resources				
Deferred pension resources	2,773	2,773	241	5,787
Deferred charge on refunding	-	33,000	-	33,000
Total Deferred Outflows of Resources	<u>2,773</u>	<u>35,773</u>	<u>241</u>	<u>38,787</u>
Liabilities				
Current Liabilities				
Accounts payable	972	4,112	1,121	6,205
Accrued interest payable	2,436	15,828	-	18,264
Customer deposits	4,600	-	-	4,600
Bonds payable - current portion	28,000	40,000	-	68,000
Total Current Liabilities	<u>36,008</u>	<u>59,940</u>	<u>1,121</u>	<u>97,069</u>
Noncurrent Liabilities				
Bonds payable - long-term portion	193,000	1,125,000	-	1,318,000
Pension liability	16,556	16,557	1,436	34,549
Total Noncurrent Liabilities	<u>209,556</u>	<u>1,141,557</u>	<u>1,436</u>	<u>1,352,549</u>
Total Liabilities	<u>245,564</u>	<u>1,201,497</u>	<u>2,557</u>	<u>1,449,618</u>
Deferred Inflows of Resources				
Deferred pension resources	4,473	4,474	388	9,335
Net Position				
Net investment in capital assets	558,235	109,420	-	667,655
Unrestricted	307,305	111,186	33,971	452,462
Total Net Position	<u>\$ 865,540</u>	<u>\$ 220,606</u>	<u>\$ 33,971</u>	<u>\$ 1,120,117</u>

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

City of Lambertton, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			Totals
	601	602	Nonmajor Funds	
	Water Utility	Sanitary Sewer Utility		
Operating Revenues				
Charges for services	\$ 136,731	\$ 134,057	\$ 78,764	\$ 349,552
Miscellaneous	6,982	122	-	7,104
Total Operating Revenues	<u>143,713</u>	<u>134,179</u>	<u>78,764</u>	<u>356,656</u>
Operating Expenses				
Personal services	27,610	26,347	2,216	56,173
Supplies	10,562	11,637	17	22,216
Utilities	13,079	-	-	13,079
Other services and charges	63,699	13,894	17,660	95,253
Depreciation	37,400	44,702	-	82,102
Total Operating Expenses	<u>152,350</u>	<u>96,580</u>	<u>19,893</u>	<u>268,823</u>
Operating Income (Loss)	<u>(8,637)</u>	<u>37,599</u>	<u>58,871</u>	<u>87,833</u>
Nonoperating Revenues (Expenses)				
Special assessments	6,486	-	-	6,486
Other	4,187	-	10	4,197
Amortization	-	(3,000)	-	(3,000)
Interest and fiscal charges	(6,568)	(38,163)	-	(44,731)
Total Nonoperating Revenues (Expenses)	<u>4,105</u>	<u>(41,163)</u>	<u>10</u>	<u>(37,048)</u>
Income (Loss) Before Other Financing Sources (Uses)	(4,532)	(3,564)	58,881	50,785
Other Financing Sources (Uses)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(60,000)</u>	<u>(100,000)</u>
Change in Net Position	(24,532)	(23,564)	(1,119)	(49,215)
Net Position , January 1 as restated (Note 6)	<u>890,072</u>	<u>244,170</u>	<u>35,090</u>	<u>1,169,332</u>
Net Position, December 31	<u>\$ 865,540</u>	<u>\$ 220,606</u>	<u>\$ 33,971</u>	<u>\$ 1,120,117</u>

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

City of Lambertton, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			Totals
	601	602	Nonmajor Funds	
	Water Utility	Sanitary Sewer Utility		
Cash Flows from Operating Activities				
Receipts from customers	\$ 145,182	\$ 134,951	\$ 78,928	\$ 359,061
Payments to suppliers and vendors	(86,368)	(21,419)	(16,556)	(124,343)
Payments to and on behalf of employees	(29,728)	(28,463)	(2,657)	(60,848)
Other receipts	4,187	-	10	4,197
Net Cash Provided (Used) by Operating Activities	<u>33,273</u>	<u>85,069</u>	<u>59,725</u>	<u>178,067</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>(60,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(2,150)	(4,085)	-	(6,235)
Special assessments	21,123	-	-	21,123
Bond principal	(26,000)	(35,000)	-	(61,000)
Interest paid on long term debt	(6,652)	(38,206)	-	(44,858)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(13,679)</u>	<u>(77,291)</u>	<u>-</u>	<u>(90,970)</u>
Net Increase (Decrease) in Cash and Temporary Investments	(406)	(12,222)	(275)	(12,903)
Cash and Temporary Investments, January 1	<u>195,870</u>	<u>113,755</u>	<u>28,479</u>	<u>338,104</u>
Cash and Temporary Investments, December 31	<u>\$ 195,464</u>	<u>\$ 101,533</u>	<u>\$ 28,204</u>	<u>\$ 325,201</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (8,637)	\$ 37,599	\$ 58,871	\$ 87,833
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	4,187	-	10	4,197
Depreciation	37,400	44,702	-	82,102
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	1,559	1,559	189	3,307
(Increase) decrease in deferred inflows of resources				
Deferred pension resources	222	223	(34)	411
Changes in assets and liabilities				
(Increases) decreases in assets				
Accounts receivable	719	772	164	1,655
Increases (decreases) in liabilities				
Accounts payable	972	4,112	1,121	6,205
Customer deposits	750	-	-	750
Pension liability	(3,899)	(3,898)	(596)	(8,393)
Net Cash Provided (Used) by Operating Activities	<u>\$ 33,273</u>	<u>\$ 85,069</u>	<u>\$ 59,725</u>	<u>\$ 178,067</u>
Schedule of Noncash Capital and Related Financing Activities				
Amortization of charge on refunding	\$ -	\$ 3,000	\$ -	\$ 3,000

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

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.

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 City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system and to insure 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 insure 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.

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.

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, Liabilities and Net Position/Fund Balance

Deposits and Investments

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

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

Special Assessments

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

Interfund Receivables and Payables

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

Capital Assets

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

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

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

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

City of Lambertton
Notes to the Financial Statements
December 31, 2018

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 two items that qualifies for reporting in this category. Accordingly, the items, deferred charges on refunding and deferred pension resources, are 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. Accordingly, the item, *unavailable* revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Lambertton
Notes to the Financial Statements
December 31, 2018

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. No budget amendments were made during the year.

B. Excess of Disbursements Over Appropriations

For the year ended December 31, 2018, disbursements exceed appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Disbursements Over Appropriations</u>
General	\$ 924,369	\$ 1,024,002	\$ 99,633

These excess expenditures were funded by greater than anticipated revenues and available fund balance.

C. Deficit Fund Equity

As of December 31, 2018, the following funds reported deficit fund equity:

<u>Fund</u>	<u>Amount</u>
Capital Project 2019-2020 Infrastructure	107,488

This deficit will be funded by future bond proceeds.

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 market 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.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$1,472,706 and the bank balance was \$1,482,350. The bank balance was covered by federal depository insurance of \$500,000 and \$ 982,350 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Cash on Hand

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

City of Lambertton
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

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

Checking	\$ 1,179,305
Savings	14,091
Certificates of deposit	<u>279,310</u>
Total Carrying Amount of Deposits	1,472,706
Cash on Hand	<u>200</u>
 Total Cash and Investments	 <u><u>\$ 1,472,906</u></u>
 Cash and Temporary Investments	
Governmental	\$ 1,147,705
Proprietary	<u>325,201</u>
 Total Cash and Temporary Investments	 <u><u>\$ 1,472,906</u></u>

B. Interfund Receivables, Payables and Transfers

The Water Utility, Sanitary Sewer Utility, and Storm Sewer enterprise funds transferred \$20,000, \$20,000 and \$60,000 to the Debt service fund for debt service payments.

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	<u>\$ 35,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,056</u>
Capital Assets being Depreciated				
Distribtuion plant	\$ 3,004,029	-	-	\$ 3,004,029
Equipment	<u>197,139</u>	<u>6,235</u>	<u>-</u>	<u>203,374</u>
Total Capital Assets being Depreciated	<u>3,201,168</u>	<u>6,235</u>	<u>-</u>	<u>3,207,403</u>
Less Accumulated Depreciation for				
Distribtuion plant	(1,005,648)	(75,041)	-	(1,080,689)
Equipment	<u>(101,054)</u>	<u>(7,061)</u>	<u>-</u>	<u>(108,115)</u>
Total Accumulated Depreciation	<u>(1,106,702)</u>	<u>(82,102)</u>	<u>-</u>	<u>(1,188,804)</u>
 Total Capital Assets being Depreciated, Net	 <u>2,094,466</u>	 <u>(75,867)</u>	 <u>-</u>	 <u>2,018,599</u>
Business-type Activities				
Capital Assets, Net	<u><u>\$ 2,129,522</u></u>	<u><u>\$ (75,867)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,053,655</u></u>

City of Lambertton
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

Business-type Activities

Water	\$ 37,400
Sewer	44,702
	82,102
Total Depreciation Expense - Business-type Activities	\$ 82,102

D. Long-term Debt

General Obligation 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
2011A G.O. Improvement and Utility Revenue Bond	\$ 150,000	2.00 - 3.70 %	07/01/11	12/01/26	\$ 870,000
2013A G.O. Crossover Refunding Bonds	1,445,000	0.40 - 3.25	08/15/13	02/01/29	955,000
Total G.O. Bonds					\$ 1,825,000

The annual service requirements to amortize general obligation tax increment bonds as of December 31, 2018 are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
	2019	\$ 200,000	\$ 48,428
2020	200,000	44,540	244,540
2021	205,000	40,265	245,265
2022	205,000	35,450	240,450
2023	215,000	30,119	245,119
2024 - 2028	750,000	57,878	807,878
2029	50,000	813	50,813
Total	\$ 1,825,000	\$ 257,493	\$ 2,082,493

City of Lambertton
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

General obligation revenue bonds were issued to finance improvements to the water and 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
PFA Revenue Bonds of 1999	\$ 262,182	1.86 %	08/06/99	08/20/19	\$ 11,000
G.O. Refunding Bonds of 2013B	1,350,000	0.40 - 3.75	08/15/13	02/01/41	1,165,000
G.O. Revenue Bonds of 2013C	282,000	2.70	06/14/13	02/01/29	210,000
Total G.O. Revenue Bonds					<u>\$ 1,386,000</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:

	Water	Sewer
Revenues	\$ 136,731	\$ 134,057
Principal and Interest	32,652	73,206
Percentage of Revenues	23.9%	54.6%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2018 are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2019	\$ 68,000	\$ 43,358	\$ 111,358
2020	57,000	42,120	99,120
2021	57,000	41,011	98,011
2022	58,000	39,789	97,789
2023	58,000	38,453	96,453
2024 - 2028	316,000	167,459	483,459
2029 - 2033	272,000	119,941	391,941
2034 - 2038	295,000	70,325	365,325
2039 - 2041	205,000	12,500	217,500
Total	<u>\$ 1,386,000</u>	<u>\$ 574,956</u>	<u>\$ 1,960,956</u>

City of Lambertton
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in General Long-term Liabilities

During the year ended December 31, 2018, 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>\$ 2,025,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 1,825,000</u>	<u>\$ 200,000</u>
Business-type Activities					
Bonds Payable					
General Obligation					
Revenue Bonds	\$ 1,447,000	\$ -	\$ (61,000)	\$ 1,386,000	\$ 68,000
Pension Liability	<u>42,942</u>	<u>-</u>	<u>(8,393)</u>	<u>34,549</u>	<u>-</u>
Business-type Activity					
Long-term Liabilities	<u>\$ 1,489,942</u>	<u>\$ -</u>	<u>\$ (69,393)</u>	<u>\$ 1,420,549</u>	<u>\$ 68,000</u>

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Plan (GERF)

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

B. Benefits Provided

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

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated-Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. The accrual rates for former MERF members is 2.0 percent for each of the first 10 years of service and 2.5 percent for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature.

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent, of their annual covered salary in 2018. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$3,151, \$3,067 and \$3,006, respectively. The City's contributions were equal to the required contributions for each year as set Minnesota statute.

City of Lamberton
Notes to the Financial Statements
December 31, 2018

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

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$35,549 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$212. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0006 percent which was the same as its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of a 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized a pension revenue of \$2,740 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$254 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2018, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 915	\$ 858
Changes in Actuarial Assumptions	3,266	3,882
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,655
Changes in Proportion	-	940
Contributions to GERF Subsequent to the Measurement Date	1,606	-
Total	\$ 5,787	\$ 9,335

Deferred outflows of resources totaling \$1,606 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	\$ 962
2020	(2,191)
2021	(3,204)
2022	(721)
2023	-
Thereafter	-

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation		2.50% per year
Active Member Payroll Growth		3.25% per year after 26 years of service
Investment Rate of Return		7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the GERF. Salary growth assumptions in the GERF decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the GERF are reviewed every four to six years. The most recent six-year experience study for the GERF was completed in 2015. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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 Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Lamberton
Notes to the Financial Statements
December 31, 2018

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

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 56,150	\$ 34,549

H. 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.

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.

City of Lambertton
Notes to the Financial Statements
December 31, 2018

Note 6: Change in Accounting Principle

During 2018, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68, for the year ended December 31, 2018. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

	December 31, 2018		
Fund	Net Position December 31, 2017 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2018 as Restated
Business-type Activities	\$ 1,212,104	\$ (42,772)	\$ 1,169,332
Business-type Activities			
Water	\$ 910,446	\$ (20,374)	\$ 890,072
Sewer	264,544	(20,374)	244,170
Nonmajor funds	37,114	(2,024)	35,090
Total Business-type Activities	\$ 1,212,104	\$ (42,772)	\$ 1,169,332

(1) To record beginning pension liability at December 31, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Lamberton, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

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

Required Supplementary Information

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	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
						Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	
12/31/18	0.0006 %	\$ 34,549	\$ 1,091	\$ 35,640	\$ 20,595	173.1 %	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

Required Supplementary Information

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)
12/31/18	\$ 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.

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in actuarial assumptions

2018 - The morality 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.

City of Lambertson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

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.

Changes in plan provisions

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.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Lambert, Minnesota
 Nonmajor Governmental Funds
 Schedule of Balances Arising from Cash Transactions
 Governmental Funds
 December 31, 2018

	<u>Nonmajor Special Revenue</u>		<u>Nonmajor Capital Projects</u>	
	207	800	410	Total
	EDA	Small Cities Development Grant	2019-2020 Infrastructure	Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and Temporary Investments	\$ 128,544	\$ 7,500	\$ (107,488)	\$ 28,556
Cash Fund Balances				
Restricted				
Economic development	\$ 128,544	\$ 7,500	\$ -	\$ 136,044
Unassigned	<u>-</u>	<u>-</u>	<u>(107,488)</u>	<u>(107,488)</u>
Total Cash Fund Balances	<u>\$ 128,544</u>	<u>\$ 7,500</u>	<u>\$ (107,488)</u>	<u>\$ 28,556</u>

City of Lamberton, Minnesota
 Nonmajor Governmental Funds
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2018

	Nonmajor Special Revenue		Nonmajor Capital Projects	Total Nonmajor Governmental Funds
	207	800	410	
	EDA	Small Cities Development Grant	2019-2020 Infrastructure	
Receipts				
Intergovernmental	\$ 4,800	\$ -	\$ -	4,800
Charges for services	9,258	-	-	9,258
Investment earnings	2,248	-	-	2,248
Loan payments	16,211	-	-	16,211
Miscellaneous	-	7,500	-	7,500
Total Receipts	<u>32,517</u>	<u>7,500</u>	<u>-</u>	<u>40,017</u>
Disbursements				
Current				
Economic development	8,606	-	-	8,606
Capital outlay				
Streets and highways	-	-	107,488	107,488
Total Disbursements	<u>8,606</u>	<u>-</u>	<u>107,488</u>	<u>116,094</u>
Net Change in Cash Fund Balances	23,911	7,500	(107,488)	(76,077)
Cash Fund Balances, January 1	<u>104,633</u>	<u>-</u>	<u>-</u>	<u>104,633</u>
Cash Fund Balances, December 31	<u>\$ 128,544</u>	<u>\$ 7,500</u>	<u>\$ (107,488)</u>	<u>\$ 28,556</u>

City of Lambertton, Minnesota
Debt Service Funds
Combining Balance Sheet - Regulatory Basis
December 31, 2018

	308	309	
	2011	2013	
	G.O. Tax	G.O. Tax	
	<u>Increment Bonds</u>	<u>Increment Bonds</u>	<u>Total</u>
Assets			
Cash and temporary investments	<u>\$ 21,241</u>	<u>\$ 333,825</u>	<u>\$ 355,066</u>
Cash Fund Balances			
Restricted for debt service	<u>\$ 21,241</u>	<u>\$ 333,825</u>	<u>\$ 355,066</u>

City of Lambert, Minnesota
Debt Service Funds
Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Fund Balances
For the Year Ended December 31, 2018

	308 2011 G.O. Tax <u>Increment Bonds</u>	309 2013 G.O. Tax <u>Increment Bonds</u>	<u>Total</u>
Receipts			
Taxes	\$ 19,316	\$ 67,282	\$ 86,598
Special assessments	17,121	29,989	47,110
Fees and fines	70	72	142
Total Receipts	<u>36,507</u>	<u>97,343</u>	<u>133,850</u>
Disbursements			
Debt service			
Principal	100,000	100,000	200,000
Interest and other costs	29,340	23,580	52,920
Total Disbursements	<u>129,340</u>	<u>123,580</u>	<u>252,920</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(92,833)	(26,237)	(119,070)
Other Financing Sources (Uses)			
Transfers in	<u>100,000</u>	-	<u>100,000</u>
Net Change in Cash Fund Balances	7,167	(26,237)	(19,070)
Cash Fund Balances, January 1	<u>14,074</u>	<u>360,062</u>	<u>374,136</u>
Cash Fund Balances, December 31	<u>\$ 21,241</u>	<u>\$ 333,825</u>	<u>\$ 355,066</u>

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City of Lamberton, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balances, January 1	\$ 808,755	\$ 808,755	\$ 808,755	\$ -
Receipts				
Taxes				
Property taxes	393,280	393,280	383,781	(9,499)
Licenses and permits	2,920	2,920	3,410	490
Intergovernmental				
State				
Local government aid	309,994	309,994	314,991	4,997
Fire state aid	11,000	11,000	16,447	5,447
Other State aids	39,877	39,877	41,010	1,133
Total Intergovernmental	360,871	360,871	372,448	11,577
Charges for services				
General government	47,050	47,050	59,413	12,363
Public Safety	72,000	72,000	79,627	7,627
Parks and recreation	4,000	4,000	1,441	(2,559)
Library	425	425	389	(36)
Garbage, recycling and other refuse	700	700	-	(700)
Total Charges for Services	124,175	124,175	140,870	16,695
Fines and forfeits	2,025	2,025	1,050	(975)
Investment earnings	325	325	820	495
Miscellaneous				
Contributions and donations	19,100	19,100	56,761	37,661
Refunds and reimbursements	6,100	6,100	7,762	1,662
Other	8	8	1,928	1,920
Total Miscellaneous	25,208	25,208	66,451	41,243
Total Receipts	908,804	908,804	968,830	60,026
Other Financing Sources				
Sale of capital assets	8,000	8,000	10,500	2,500
Total Receipts and Other Financing Sources	916,804	916,804	979,330	62,526
Amounts Available for Appropriation	1,725,559	1,725,559	1,788,085	62,526

City of Lambert, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Disbursements				
Current				
General government				
Mayor and Council				
Personal services	\$ 8,970	\$ 8,970	\$ 7,945	\$ 1,025
Other services and charges	2,200	2,200	1,434	766
Total Mayor and Council	<u>11,170</u>	<u>11,170</u>	<u>9,379</u>	<u>1,791</u>
Administration and Finance				
Personal services	62,354	62,354	61,722	632
Supplies	2,100	2,100	1,987	113
Other services and charges	2,550	2,550	3,365	(815)
Total Administration and Finance	<u>67,004</u>	<u>67,004</u>	<u>67,074</u>	<u>(70)</u>
Election				
Personal services	1,200	1,200	1,239	(39)
Other services and charges	200	200	510	(310)
Total Election	<u>1,400</u>	<u>1,400</u>	<u>1,749</u>	<u>(349)</u>
Other General Government				
Personal services	14,449	14,449	4,927	9,522
Supplies	750	750	954	(204)
Other services and charges	56,200	56,200	56,245	(45)
Total Other General Government	<u>71,399</u>	<u>71,399</u>	<u>62,126</u>	<u>9,273</u>
Total General Government	<u>150,973</u>	<u>150,973</u>	<u>140,328</u>	<u>10,645</u>
Public safety				
Police Protection				
Personal services	91,351	91,351	82,405	8,946
Supplies	6,000	6,000	4,541	1,459
Other services and charges	14,200	14,200	16,409	(2,209)
Total Police Protection	<u>111,551</u>	<u>111,551</u>	<u>103,355</u>	<u>8,196</u>
Ambulance				
Personal services	58,825	58,825	104,072	(45,247)
Supplies	6,000	6,000	5,022	978
Other services and charges	23,700	23,700	27,038	(3,338)
Total Ambulance	<u>88,525</u>	<u>88,525</u>	<u>136,132</u>	<u>(47,607)</u>
Fire Protection				
Personal services	35,392	35,392	39,143	(3,751)
Supplies	2,500	2,500	5,578	(3,078)
Other services and charges	28,623	28,623	25,181	3,442
Total Fire Protection	<u>66,515</u>	<u>66,515</u>	<u>69,902</u>	<u>(3,387)</u>
Civil Defense				
Other services and charges	1,450	1,450	857	593
Animal Control				
Other services and charges	500	500	233	267
Total Public Safety	<u>268,541</u>	<u>268,541</u>	<u>310,479</u>	<u>(41,938)</u>

City of Lambert, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Disbursements (Continued)				
Current (continued)				
Streets and Highways				
Street Maintenance				
Personal services	\$ 89,232	\$ 89,232	\$ 86,748	\$ 2,484
Supplies	14,500	14,500	19,687	(5,187)
Other services and charges	97,296	97,296	24,041	73,255
Total Street Maintenance	<u>201,028</u>	<u>201,028</u>	<u>130,476</u>	<u>70,552</u>
Street Lighting				
Supplies	-	-	108	(108)
Other services and charges	18,700	18,700	18,882	(182)
Total Street Lighting	<u>18,700</u>	<u>18,700</u>	<u>18,990</u>	<u>(290)</u>
Total Streets and Highways	<u>219,728</u>	<u>219,728</u>	<u>149,466</u>	<u>70,262</u>
Culture and Recreation				
Parks and Recreation				
Personal services	47,197	47,197	46,927	270
Supplies	3,500	3,500	5,758	(2,258)
Other services and charges	12,400	12,400	9,687	2,713
Total Parks and Recreation	<u>63,097</u>	<u>63,097</u>	<u>62,372</u>	<u>725</u>
Swimming Pool				
Personal services	33,150	33,150	36,497	(3,347)
Supplies	10,000	10,000	6,300	3,700
Other services and charges	16,000	16,000	15,625	375
Total Swimming Pool	<u>59,150</u>	<u>59,150</u>	<u>58,422</u>	<u>728</u>
Library				
Personal services	38,552	38,552	45,000	(6,448)
Supplies	1,300	1,300	2,305	(1,005)
Other services and charges	12,440	12,440	12,981	(541)
Total Library	<u>52,292</u>	<u>52,292</u>	<u>60,286</u>	<u>(7,994)</u>
Total Culture and Recreation	<u>174,539</u>	<u>174,539</u>	<u>181,080</u>	<u>(6,541)</u>
Economic Development				
Personal services	-	-	11,865	(11,865)
Supplies	-	-	1,527	(1,527)
Other services and charges	-	-	11,778	(11,778)
Total Economic Development	<u>-</u>	<u>-</u>	<u>25,170</u>	<u>(25,170)</u>
Clinic				
Other services and charges	4,976	4,976	3,594	1,382
Community Center				
Personal services	9,212	9,212	5,217	3,995
Supplies	600	600	140	460
Other services and charges	8,800	8,800	10,336	(1,536)
Total Community Center	<u>18,612</u>	<u>18,612</u>	<u>15,693</u>	<u>2,919</u>
Total Current	<u>837,369</u>	<u>837,369</u>	<u>825,810</u>	<u>11,559</u>
Capital outlay				
General government	-	-	17,356	(17,356)
Public safety	7,000	7,000	22,796	(15,796)
Streets and highways	47,000	47,000	67,549	(20,549)
Culture and recreation	31,000	31,000	86,098	(55,098)
Clinic	1,000	1,000	3,393	(2,393)
Community Center	1,000	1,000	1,000	-
Total Capital Outlay	<u>87,000</u>	<u>87,000</u>	<u>198,192</u>	<u>(111,192)</u>
Total Disbursements	<u>924,369</u>	<u>924,369</u>	<u>1,024,002</u>	<u>(99,633)</u>
Budgetary Fund Balances, December 31	<u>\$ 801,190</u>	<u>\$ 801,190</u>	<u>\$ 764,083</u>	<u>\$ (37,107)</u>

City of Lambertton, Minnesota
Combining Statement of Net Position - Regulatory Basis
Nonmajor Proprietary Funds
December 31, 2018

	603 <u>Refuse</u>	617 Storm Sewer	Total Nonmajor Proprietary Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 12,655	\$ 15,549	\$ 28,204
Accounts receivable	2,006	6,465	8,471
Total Assets	<u>14,661</u>	<u>22,014</u>	<u>36,675</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>241</u>	<u>-</u>	<u>241</u>
Liabilities			
Current Liabilities			
Accounts payable	1,121	-	1,121
Noncurrent Liabilities			
Pension liability	<u>1,436</u>	<u>-</u>	<u>1,436</u>
Total Liabilities	<u>2,557</u>	<u>-</u>	<u>2,557</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>388</u>	<u>-</u>	<u>388</u>
Net Position			
Unrestricted	<u>\$ 11,957</u>	<u>\$ 22,014</u>	<u>\$ 33,971</u>

City of Lamberton, Minnesota
Combining Statement of Changes in Net Position - Regulatory Basis
Nonmajor Proprietary Funds
For the Year Ended December 31, 2018

	603	617	Total
	Refuse	Storm Sewer	Nonmajor Proprietary Funds
Operating Revenues			
Utility sales	\$ 18,339	\$ 60,425	\$ 78,764
Operating Expenses			
Personal services	2,216	-	2,216
Supplies	17	-	17
Other services and charges	16,897	763	17,660
Total Operating Expenses	<u>19,130</u>	<u>763</u>	<u>19,893</u>
Operating Income (Loss)	<u>(791)</u>	<u>59,662</u>	<u>58,871</u>
Nonoperating Revenues (Expenses)			
Other	<u>10</u>	<u>-</u>	<u>10</u>
Income (Loss) Before Other Financing Sources (Uses)	(781)	59,662	58,881
Other Financing Sources (Uses)			
Transfers out	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Change in Net Position	(781)	(338)	(1,119)
Net Position , January 1 as restated (Note 6)	<u>12,738</u>	<u>22,352</u>	<u>35,090</u>
Net Position, December 31	<u><u>\$ 11,957</u></u>	<u><u>\$ 22,014</u></u>	<u><u>\$ 33,971</u></u>

City of Lambert, Minnesota
Statement of Cash Flows - Regulatory Basis
Nonmajor Proprietary Funds
For the Year Ended December 31, 2018

	603	617	Total
	Refuse	Storm Sewer	Nonmajor Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 18,195	\$ 60,733	\$ 78,928
Payments to suppliers and vendors	(15,793)	(763)	(16,556)
Payments to and on behalf of employees	(2,657)	-	(2,657)
Other receipts	10	-	10
Net Cash Provided (Used) by Operating Activities	<u>(245)</u>	<u>59,970</u>	<u>59,725</u>
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Net Increase (Decrease) in Cash and Temporary Investments	(245)	(30)	(275)
Cash and Temporary Investments, January 1	<u>12,900</u>	<u>15,579</u>	<u>28,479</u>
Cash and Temporary Investments, December 31	<u><u>\$ 12,655</u></u>	<u><u>\$ 15,549</u></u>	<u><u>\$ 28,204</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (791)	\$ 59,662	\$ 58,871
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	10	-	10
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	189	-	189
(Increase) decrease in deferred inflows of resources			
Deferred pension resources	(34)	-	(34)
Changes in assets and liabilities			
(Increases) decreases in assets			
Accounts receivable	(144)	308	164
Increases (decreases) in liabilities			
Accounts payable	1,121	-	1,121
Pension liability	(596)	-	(596)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (245)</u></u>	<u><u>\$ 59,970</u></u>	<u><u>\$ 59,725</u></u>

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

City of Lambertson, Minnesota
 Summary Financial Report
 Receipts and Disbursements For General Operations -
 Governmental Funds
 For the Years Ended December 31, 2018 and 2017

	2018	2017	Percent Increase (Decrease)
Receipts			
Taxes	\$ 470,379	\$ 458,510	2.59 %
Special assessments	47,110	35,719	31.89
Licenses and permits	3,410	3,108	9.72
Intergovernmental	377,248	410,753	(8.16)
Charges for services	150,128	164,567	(8.77)
Fines and forfeits	1,192	1,456	(18.13)
Investment earnings	3,068	3,681	(16.65)
Loan payments	16,211	-	100.00
Contributions and donations	-	42,641	(100.00)
Miscellaneous	73,951	35,576	107.87
Total Receipts	\$ 1,142,697	\$ 1,156,011	(1.15) %
Per capita	1,428	1,447	(1.28)
Disbursements			
Current			
General government	\$ 140,328	\$ 114,546	22.51 %
Public safety	310,479	278,537	11.47
Streets and highways	158,072	188,367	(16.08)
Culture and recreation	181,080	221,692	(18.32)
Economic development	25,170	37,950	(33.68)
Clinic	3,594	4,232	(15.08)
Community Center	15,693	17,541	(10.54)
Capital outlay			
General government	17,356	3,188	444.42
Public safety	22,796	20,990	8.60
Streets and highways	175,037	6,823	2,465.40
Culture and recreation	86,098	550	15,554.18
Clinic	3,393	-	100.00
Community Center	1,000	-	100.00
Debt service			
Principal	200,000	195,000	2.56
Interest and other costs	52,920	55,945	(5.41)
Total Disbursements	\$ 1,393,016	\$ 1,145,361	21.62 %
Per capita	1,741	1,433	21.47
Total Long-term Indebtedness	\$ 1,825,000	\$ 2,025,000	(9.88) %
Per capita	2,281	2,534	(9.99)
General Fund Cash Balance - December 31	\$ 764,083	\$ 808,755	(5.52) %
Per capita	955	1,012	(5.64)

The purpose of this report is to provide a summary of financial information concerning the City of Lambertson to interested citizens. The complete financial statements may be examined at City Hall, 112 2nd Ave W, Lambertson, Minnesota, 56152. Questions about this report should be directed to Madonna Peterson, Clerk-Treasurer at (507) 752-7117.

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SUPPLEMENTARY INFORMATION -
UNAUDITED

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Lamberton, Minnesota
Schedule of Accounts Receivable (Unaudited)
December 31, 2018

Fund	From	Source of Revenue and Purpose	Amount
General	Redwood County Treasurer	Property tax payments	\$ 8,241
	Deferred Loan Recipients	Forgivable property improvement loans	281,678
	State of Minnesota	Ambulance charge	71
	Various customers	Community Center rent	50
	Various customers	Fire calls	1,600
	Various customers	Ambulance calls	23,089
	Total General		
Economic Development	EDA Loan Recipients	EDA loans	<u>73,320</u>
2011A Debt Service Fund	Redwood County Treasurer	Property tax payments	<u>807</u>
2013 B Debt Service Fund	Redwood County Treasurer	Property tax payments	<u>4,036</u>
	Total Accounts Receivable		<u><u>\$ 392,892</u></u>

City of Lambertton, Minnesota
Schedule of Accounts Payable-Unaudited
December 31, 2018

Fund	Vendor Name	Item and Purpose	Amount
General	Straightline of Sandborn	STR Equipment Parts	\$ 40
General	St. Paul Stamp Works, INC	Animal and ATV Tags	246
General	Southwest Glass Center	Community Center Locks	242
General	Praxair Distribution INC	Street Dept. Welding Gas	35
General	Meadowland Farmers Coop	Fuel- Police, Fire, Street Dept.	1,063
General	Lamberton News	City Ord. Publication	30
General	Lamberton Heating & Plumbing, INC	Water Dept. Supply	40
General	Justin Thram	Reimbursement for Plow Truck Part	46
General	Centurylink	Phone, Fax, Internet	294
General	Cardmember Service	Postage	161
General	Amazon Capital Services, INC	Computer Update, Office File Cabinet, Police Office Supply	889
General	Meadowland Farmers Coop	Fuel- Ambulance	74
General	Centurylink	Phone, Fax, Internet	108
General	Cardmember Service	Library Books and DVDs	49
EDA	Centurylink	Phone, Fax, Internet	18
			<u>\$ 3,335</u>

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OTHER REQUIRED REPORTS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Lamberton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Lamberton, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report dated March 2, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions of tax increment financing because the City does not have any tax increment financing districts.

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 *Minnesota Legal Compliance Audit Guide for Cities* for Cities. 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.

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, EICK & MEYERS, LLP
Mankato, Minnesota
March 2, 2019