

# Annual Financial Report

**City of Lambertton**  
Lamberton, Minnesota

For the Year Ended  
December 31, 2020

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City of Lambertton  
Annual Financial Report  
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For the Year Ended December 31, 2020

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INTRODUCTORY SECTION

CITY OF LAMBERTON  
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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City of Lambertton  
Elected and Appointed Officials  
For the Year Ended December 31, 2020

**Elected**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lydell Sik	Mayor	12/31/20
Dave Irlbeck	Council	12/31/22
Leah Bittner	Council	12/31/20
Julie Senst	Council	12/31/22
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, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2020, 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, 2020, 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, 2020, 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***

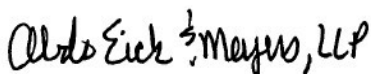
Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 44 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, combining and 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 combining and 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 combining and 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 3, 2021

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FINANCIAL STATEMENTS  
REGULATORY BASIS

CITY OF LAMBERTON  
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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City of Lambertton, Minnesota  
Statement of Balances Arising from Cash Transactions  
Governmental Funds  
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<b>410</b> <u>2019-20 Infrastructure</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Temporary Investments	<u>\$ 571,523</u>	<u>\$ 707,122</u>	<u>\$ 634,810</u>	<u>\$ 294,481</u>	<u>\$ 2,207,936</u>
<b>Cash Fund Balances</b>					
Restricted for					
Debt service	\$ -	\$ 707,122	\$ -	\$ -	\$ 707,122
Economic development	-	-	-	119,812	119,812
Capital projects	-	-	634,810	-	634,810
Assigned					
Economic development	-	-	-	59,556	59,556
Capital reserve for future projects	-	-	-	115,113	115,113
Unassigned	<u>571,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>571,523</u>
<b>Total Cash Fund Balances</b>	<u><u>\$ 571,523</u></u>	<u><u>\$ 707,122</u></u>	<u><u>\$ 634,810</u></u>	<u><u>\$ 294,481</u></u>	<u><u>\$ 2,207,936</u></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, 2020

	General	Debt Service	<b>410</b> 2019-20 Infrastrucuture	Nonmajor Funds	Total Governmental Funds
<b>Receipts</b>					
Taxes	\$ 408,771	\$ 355,316	\$ -	\$ -	\$ 764,087
Special assessments	-	124,380	-	-	124,380
Licenses and permits	4,282	-	-	-	4,282
Intergovernmental	418,218	-	-	-	418,218
Charges for services	194,025	-	-	8,278	202,303
Fines and forfeits	1,317	432	-	-	1,749
Investment earnings	4,193	5,212	4,608	2,154	16,167
Loan payments	-	-	-	11,918	11,918
Miscellaneous	29,620	-	-	-	29,620
Total Receipts	<u>1,060,426</u>	<u>485,340</u>	<u>4,608</u>	<u>22,350</u>	<u>1,572,724</u>
<b>Disbursements</b>					
<b>Current</b>					
General government	154,211	-	-	-	154,211
Public safety	257,830	-	-	-	257,830
Public works	148,390	-	-	16,320	164,710
Culture and recreation	215,318	-	-	-	215,318
Clinic	4,863	-	-	-	4,863
Community Center	13,849	-	-	-	13,849
<b>Capital outlay</b>					
Public safety	200,242	-	-	-	200,242
Public works	307,601	-	499,066	-	806,667
Culture and recreation	420	-	-	-	420
Community Center	1,541	-	-	-	1,541
<b>Debt service</b>					
Principal	-	205,000	-	-	205,000
Interest and other costs	-	204,360	-	-	204,360
Total Disbursements	<u>1,304,265</u>	<u>409,360</u>	<u>499,066</u>	<u>16,320</u>	<u>2,229,011</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(243,839)</u>	<u>75,980</u>	<u>(494,458)</u>	<u>6,030</u>	<u>(656,287)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	100,000	-	87,000	187,000
Transfers out	(86,000)	-	-	(1,000)	(87,000)
Total Other Financing Sources (Uses)	<u>(86,000)</u>	<u>100,000</u>	<u>-</u>	<u>86,000</u>	<u>100,000</u>
Net Change in Cash Fund Balances	(329,839)	175,980	(494,458)	92,030	(556,287)
Cash Fund Balances, January 1	<u>901,362</u>	<u>531,142</u>	<u>1,129,268</u>	<u>202,451</u>	<u>2,764,223</u>
Cash Fund Balances, December 31	<u>\$ 571,523</u>	<u>\$ 707,122</u>	<u>\$ 634,810</u>	<u>\$ 294,481</u>	<u>\$ 2,207,936</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, 2020

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 313,477	\$ 102,835	\$ 26,074	\$ 18,830	\$ 461,216
Receivables					
Accounts	18,437	18,338	7,606	2,487	46,868
Special assessments	14,339	1,132	-	-	15,471
Due from other governments	2,190	56	-	-	2,246
<b>Total Current Assets</b>	<b>348,443</b>	<b>122,361</b>	<b>33,680</b>	<b>21,317</b>	<b>525,801</b>
<b>Noncurrent Assets</b>					
Special assessments receivable - net of current portion	242,192	37,936	-	-	280,128
Capital assets, not being depreciated					
Land	9,438	25,618	-	-	35,056
Construction in progress	728,412	195,439	803,395	-	1,727,246
Capital assets, depreciated					
Distribution plant	1,193,223	1,810,806	-	-	3,004,029
Machinery and equipment	177,620	30,257	-	-	207,877
<b>Total capital assets, at cost</b>	<b>2,108,693</b>	<b>2,062,120</b>	<b>803,395</b>	<b>-</b>	<b>4,974,208</b>
Less accumulated depreciation	(672,290)	(680,483)	-	-	(1,352,773)
<b>Total capital assets     (net of accumulated depreciation)</b>	<b>1,436,403</b>	<b>1,381,637</b>	<b>803,395</b>	<b>-</b>	<b>3,621,435</b>
<b>Total Noncurrent Assets</b>	<b>1,678,595</b>	<b>1,419,573</b>	<b>803,395</b>	<b>-</b>	<b>3,901,563</b>
<b>Total Assets</b>	<b>2,027,038</b>	<b>1,541,934</b>	<b>837,075</b>	<b>21,317</b>	<b>4,427,364</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	3,807	1,949	-	206	5,962
Deferred charge on refunding	-	27,000	-	-	27,000
<b>Total Deferred Outflows of Resources</b>	<b>3,807</b>	<b>28,949</b>	<b>-</b>	<b>206</b>	<b>32,962</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	11,205	2,791	10,997	1,165	26,158
Due to other governments	252	-	-	-	252
Accrued interest payable	4,755	16,266	-	-	21,021
Customer deposits	4,627	-	-	-	4,627
Accrued wages payable	1,757	1,352	-	594	3,703
Bonds payable - current portion	23,400	41,600	-	-	65,000
<b>Total Current Liabilities</b>	<b>45,996</b>	<b>62,009</b>	<b>10,997</b>	<b>1,759</b>	<b>120,761</b>
<b>Noncurrent Liabilities</b>					
Bonds payable - long-term portion	323,700	1,086,900	-	-	1,410,600
Net pension liability	33,493	17,148	-	1,819	52,460
<b>Total Noncurrent Liabilities</b>	<b>357,193</b>	<b>1,104,048</b>	<b>-</b>	<b>1,819</b>	<b>1,463,060</b>
<b>Total Liabilities</b>	<b>403,189</b>	<b>1,166,057</b>	<b>10,997</b>	<b>3,578</b>	<b>1,583,821</b>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	1,707	872	-	91	2,670
<b>Net Position</b>					
Net investment in capital assets	1,089,303	253,137	803,395	-	2,145,835
Unrestricted	536,646	150,817	22,683	17,854	728,000
<b>Total Net Position</b>	<b>\$ 1,625,949</b>	<b>\$ 403,954</b>	<b>\$ 826,078</b>	<b>\$ 17,854</b>	<b>\$ 2,873,835</b>

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, 2020

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sanitary Sewer Utility	617 Storm Sewer	603 Nonmajor Refuse	
Operating Revenues					
Charges for services	\$ 182,261	\$ 174,913	\$ 74,142	\$ 21,924	\$ 453,240
Miscellaneous	8,099	46	-	5	8,150
Total Operating Revenues	<u>190,360</u>	<u>174,959</u>	<u>74,142</u>	<u>21,929</u>	<u>461,390</u>
Operating Expenses					
Personal services	49,597	26,353	-	2,821	78,771
Supplies	11,003	13,687	425	1,337	26,452
Utilities	13,464	-	-	-	13,464
Other services and charges	29,044	20,525	257	12,520	62,346
Depreciation	37,337	44,681	-	-	82,018
Total Operating Expenses	<u>140,445</u>	<u>105,246</u>	<u>682</u>	<u>16,678</u>	<u>263,051</u>
Operating Income (Loss)	<u>49,915</u>	<u>69,713</u>	<u>73,460</u>	<u>5,251</u>	<u>198,339</u>
Nonoperating Revenues (Expenses)					
Special assessments	13,109	2,146	-	-	15,255
Investment earnings	2,277	747	189	137	3,350
Amortization	-	(3,000)	-	-	(3,000)
Interest and fiscal charges	(12,869)	(38,622)	-	-	(51,491)
Total Nonoperating Revenues (Expenses)	<u>2,517</u>	<u>(38,729)</u>	<u>189</u>	<u>137</u>	<u>(35,886)</u>
Income (Loss) Before Other Financing Sources (Uses)	<u>52,432</u>	<u>30,984</u>	<u>73,649</u>	<u>5,388</u>	<u>162,453</u>
Other Financing Sources (Uses)					
Contributed capital	(9,706)	(2,146)	16,580	-	4,728
Transfers in	10,000	-	-	-	10,000
Transfers out	(20,000)	(25,000)	(65,000)	-	(110,000)
Total Other Financing Sources (Uses)	<u>(19,706)</u>	<u>(27,146)</u>	<u>(48,420)</u>	<u>-</u>	<u>(95,272)</u>
Change in Net Position	32,726	3,838	25,229	5,388	67,181
Net Position , January 1	<u>1,593,223</u>	<u>400,116</u>	<u>800,849</u>	<u>12,466</u>	<u>2,806,654</u>
Net Position, December 31	<u><u>\$ 1,625,949</u></u>	<u><u>\$ 403,954</u></u>	<u><u>\$ 826,078</u></u>	<u><u>\$ 17,854</u></u>	<u><u>\$ 2,873,835</u></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, 2020

	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	\$ 189,081	\$ 173,991	\$ 74,160	\$ 21,924	\$ 459,156
Payments to suppliers and vendors	(53,816)	(35,224)	(717)	(14,960)	(104,717)
Payments to and on behalf of employees	(50,035)	(26,740)	-	(2,148)	(78,923)
Other receipts	-	-	-	5	5
Net Cash Provided (Used) by Operating Activities	<u>85,230</u>	<u>112,027</u>	<u>73,443</u>	<u>4,821</u>	<u>275,521</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	10,000	-	-	-	10,000
Transfers to other funds	(20,000)	(25,000)	(65,000)	-	(110,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(10,000)</u>	<u>(25,000)</u>	<u>(65,000)</u>	<u>-</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(3,378)	(1,125)	-	-	(4,503)
Special assessments	35,627	5,146	-	-	40,773
Bond principal	(17,000)	(40,000)	-	-	(57,000)
Interest paid on long term debt	(12,933)	(38,638)	-	-	(51,571)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,316</u>	<u>(74,617)</u>	<u>-</u>	<u>-</u>	<u>(72,301)</u>
Cash Flows from Investing Activities					
Interest received on cash and investments	2,277	747	189	137	3,350
Net Increase (Decrease) in Cash and Temporary Investments	79,823	13,157	8,632	4,958	106,570
Cash and Temporary Investments, January 1	233,654	89,678	17,442	13,872	354,646
Cash and Temporary Investments, December 31	<u>\$ 313,477</u>	<u>\$ 102,835</u>	<u>\$ 26,074</u>	<u>\$ 18,830</u>	<u>\$ 461,216</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 49,915	\$ 69,713	\$ 73,460	\$ 5,251	\$ 198,339
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities					
Depreciation	37,337	44,681	-	-	82,018
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	(618)	(258)	-	(52)	(928)
(Increase) decrease in deferred inflows of resources					
Deferred pension resources	(4,369)	(2,351)	-	(203)	(6,923)
Changes in assets and liabilities					
(Increases) decreases in assets					
Accounts receivable	(3,572)	(968)	18	-	(4,522)
Increases (decreases) in liabilities					
Accounts payable	(557)	(1,012)	(35)	(1,103)	(2,707)
Due to other governments	252	-	-	-	252
Accrued wages payable	1,757	1,352	-	594	3,703
Customer deposits	2,293	-	-	-	2,293
Net pension liability	2,792	870	-	334	3,996
Net Cash Provided (Used) by Operating Activities	<u>\$ 85,230</u>	<u>\$ 112,027</u>	<u>\$ 73,443</u>	<u>\$ 4,821</u>	<u>\$ 275,521</u>
Schedule of Noncash Capital and Related Financing Activities					
Capital assets acquired on account	\$ 9,963	\$ 2,660	\$ 10,997	\$ -	\$ 23,620
Capital assets contributed by (to) from other funds	(9,706)	(2,146)	16,580	-	4,728
Amortization of charge on refunding	-	3,000	-	-	3,000

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

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## **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 *2019-20 Infrastructure fund* accounts for all costs associated with the 2019-20 infrastructure capital project.

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.

The *Storm 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.

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, 2020

**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.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***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.

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, 2020

**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.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2020, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Disbursements Over Appropriations</u>
General	\$ 921,281	\$ 1,304,265	\$ 382,984

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

**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.

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

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 \$1,190,247 and the bank balance was \$1,335,186. The bank balance was covered by federal depository insurance of \$341,317 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, 2020, 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 6 months	<u>\$ 1,478,705</u>

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

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

N/A Indicates not applicable or available.

**Cash on Hand**

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

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

**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	\$ 1,098,930
Savings	14,686
Certificates of deposit	76,631
Total Carrying Amount of Deposits	1,190,247
Investments	1,478,705
Cash on Hand	200
Total Cash and Investments	\$ 2,669,152
Cash and Temporary Investments	
Governmental	\$ 2,207,936
Proprietary	461,216
Total Cash and Temporary Investments	\$ 2,669,152

**B. Interfund Receivables, Payables and Transfers**

Interfund transfers for the year ended December 31, 2020 are as follows:

	Transfer in			
	Debt Service	Nonmajor Governmental	Water	Total
Transfer out				
General	\$ -	\$ 86,000	\$ -	\$ 86,000
Nonmajor				
governmental funds	-	1,000	-	1,000
Water Utility	20,000	-	-	20,000
Sanitary Sewer Utility	20,000	-	5,000	25,000
Nonmajor enterprise	60,000	-	5,000	65,000
Total transfers out	\$ 100,000	\$ 87,000	\$ 10,000	\$ 197,000

Transfers are used to 1) transfer funds into the capital reverse funds for further capital needs and 2) transfer funds to the debt service fund for debt service payments.

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 35,056	\$ -	\$ -	\$ 35,056
Construction in progress	1,698,898	28,348	-	1,727,246
Total capital assets not being depreciated	<u>1,733,954</u>	<u>28,348</u>	<u>-</u>	<u>1,762,302</u>
 Capital Assets being Depreciated				
Distribtuion plant	3,004,029	-	-	3,004,029
Equipment	203,374	4,503	-	207,877
Total Capital Assets being Depreciated	<u>3,207,403</u>	<u>4,503</u>	<u>-</u>	<u>3,211,906</u>
 Less Accumulated Depreciation for				
Distribtuion plant	(1,155,730)	(75,041)	-	(1,230,771)
Equipment	(115,025)	(6,977)	-	(122,002)
Total Accumulated Depreciation	<u>(1,270,755)</u>	<u>(82,018)</u>	<u>-</u>	<u>(1,352,773)</u>
 Total Capital Assets being Depreciated, Net	<u>1,936,648</u>	<u>(77,515)</u>	<u>-</u>	<u>1,859,133</u>
 Business-type Activities Capital Assets, Net	<u>\$ 3,670,602</u>	<u>\$ (49,167)</u>	<u>\$ -</u>	<u>\$ 3,621,435</u>

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

<b>Business-type Activities</b>		
Water		\$ 37,337
Sewer		<u>44,681</u>
 Total Depreciation Expense - Business-type Activities		<u>\$ 82,018</u>

**Construction Commitments**

Project	Spent-to-Date	Remaining Commitment
2019-20 Infrastructure	\$ 3,781,851	\$ 221,704
2020 Street Maintenance	294,081	22,135



City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

**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
2013B G.O. Crossover Refunding Bonds	\$ 1,445,000	0.40 - 3.25 %	08/15/13	02/01/29	\$ 755,000
2019A G.O. Improvement Bonds	4,840,400	3.00 - 3.13	06/27/19	02/01/40	4,840,400
2019B G.O. Refunding Bonds	785,000	2.00 - 2.25	12/17/19	12/01/26	<u>680,000</u>
Total G.O. Bonds					<u>\$ 6,275,400</u>

The annual service requirements to amortize general obligation tax increment bonds as of December 31, 2020 are as follows:

Year Ending December 31,	<b>G.O. Special Assessment Bonds</b> Governmental Activities		
	Principal	Interest	Total
2021	\$ 391,000	\$ 175,963	\$ 566,963
2022	395,700	166,433	562,133
2023	408,500	156,346	564,846
2024	412,300	145,738	558,038
2025	426,100	134,559	560,659
2026 - 2030	1,469,800	520,178	1,989,978
2031 - 2035	1,283,100	326,062	1,609,162
2036 - 2040	<u>1,488,900</u>	<u>117,380</u>	<u>1,606,280</u>
Total	<u>\$ 6,275,400</u>	<u>\$ 1,742,659</u>	<u>\$ 8,018,059</u>

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

**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
G.O. Refunding Bonds of 2013B	\$ 1,350,000	0.40 - 4.00 %	08/15/13	02/01/41	\$ 1,085,000
G.O. Revenue Bonds of 2013C	282,000	2.70	06/14/13	02/01/29	176,000
2019A G.O. Improvement Bonds	3,963,300	3.00 - 3.13	06/27/19	02/01/40	214,600
 Total G.O. Revenue Bonds					 <u>\$ 1,475,600</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	\$ 182,261	\$ 174,913
Principal and Interest	29,933	78,638
Percentage of Revenues	16.4%	45.0%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2020 are as follows:

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2021	\$ 65,000	\$ 47,411	\$ 112,411
2022	66,300	45,889	112,189
2023	66,500	44,353	110,853
2024	67,700	42,703	110,403
2025	68,900	40,826	109,726
2026 - 2030	363,200	170,687	533,887
2031 - 2035	321,900	115,610	437,510
2036 - 2040	386,100	51,900	438,000
2041	70,000	1,400	71,400
 Total	 <u>\$ 1,475,600</u>	 <u>\$ 560,779</u>	 <u>\$ 2,036,379</u>

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

Changes in General Long-term Liabilities

During the year ended December 31, 2020, 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>
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation					
Improvement Bonds	<u>\$ 6,480,400</u>	<u>\$ -</u>	<u>\$ (205,000)</u>	<u>\$ 6,275,400</u>	<u>\$ 391,000</u>
<b>Business-type Activities</b>					
Bonds Payable					
General Obligation					
Revenue Bonds	<u>\$ 1,532,600</u>	<u>\$ -</u>	<u>\$ (57,000)</u>	<u>\$ 1,475,600</u>	<u>\$ 65,000</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

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

**B. Benefits Provided**

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

**Note 4: Defined Benefit Pension Plan – Statewide (Continued)**

General Employee Plan Benefits

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

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

**C. Contributions**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended 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 2020. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2020. The City's contributions to the General Employees Fund for the years ending December 31, 2020, 2019 and 2018 were \$4,798, \$4,881 and \$3,151, respectively. The City's contributions were equal to the required contributions for each year as set by State statute.

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$52,460 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 \$1,616. 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0009 percent which is an increase of 0.0003 from its proportion measured as of June 30, 2019.

City's proportionate share of the net pension liability	\$	52,460
State of Minnesota's proportionate share of the net pension liability associated with the City		1,616
Total		\$ 54,076

For the year ended December 31, 2020, the City recognized pension expense of \$4,744 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$141 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, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 476	\$ 308
Changes in Actuarial Assumptions	46	1,950
Net Difference Between Projected and Actual Earnings on Plan Investments	1,113	-
Changes in Proportion	1,999	412
Contributions to GERF Subsequent to the Measurement Date	2,328	-
Total	\$ 5,962	\$ 2,670

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

The \$2,328 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (2,545)
2021	844
2022	1,395
2023	1,270
2024	-
Thereafter	-

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

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

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

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

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	36.00 %	5.10 %
International Equity	17.00	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

City of Lambertton  
Notes to the Financial Statements  
December 31, 2020

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

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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%)
	General Employees Fund	\$ 84,091	\$ 52,460

**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](http://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.

## **Note 6: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTON  
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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

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

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 Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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**

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)
12/31/20	\$ 4,798	\$ 4,798	\$ -	\$ 63,973	7.5 %
12/31/19	4,881	4,881	-	65,088	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, 2020

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in actuarial assumptions

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.

Changes in plan provisions

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.

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

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, 2020

City of Lambert, Minnesota  
 Nonmajor Governmental Funds  
 Schedule of Balances Arising from Cash Transactions  
 Governmental Funds  
 December 31, 2020

	Nonmajor Special Revenue <u>207</u>	800 Small Cities Development Grant <u>          </u>	Nonmajor Capital Project <u>400</u> CIP Improvement Fund <u>          </u>	Total Nonmajor Governmental Funds <u>          </u>
Assets				
Cash and Temporary Investments	<u>\$ 178,122</u>	<u>\$ 1,246</u>	<u>\$ 115,113</u>	<u>\$ 294,481</u>
Cash Fund Balances				
Restricted				
Economic development	\$ 118,566	\$ 1,246	\$ -	\$ 119,812
Assigned				
Economic development	59,556	-	-	59,556
Capital reserve for future projects	<u>-</u>	<u>-</u>	<u>115,113</u>	<u>115,113</u>
 Total Cash Fund Balances	 <u>\$ 178,122</u>	 <u>\$ 1,246</u>	 <u>\$ 115,113</u>	 <u>\$ 294,481</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, 2020

	Nonmajor Special Revenue		Nonmajor Capital Project	Total Nonmajor Governmental Funds
	207  EDA	800 Small Cities Development Grant	400 CIP Improvement Fund	
Receipts				
Charges for services	\$ 8,278	\$ -	\$ -	\$ 8,278
Investment earnings	1,308	9	837	2,154
Loan payments	11,918	-	-	11,918
Total Receipts	<u>21,504</u>	<u>9</u>	<u>837</u>	<u>22,350</u>
Disbursements				
Current				
Economic development	<u>10,173</u>	<u>6,147</u>	<u>-</u>	<u>16,320</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>11,331</u>	<u>(6,138)</u>	<u>837</u>	<u>6,030</u>
Other Financing Sources (Uses)				
Transfers out	(1,000)	-	-	(1,000)
Transfers in	23,000	-	64,000	87,000
Total Other Financing Sources (Uses)	<u>22,000</u>	<u>-</u>	<u>64,000</u>	<u>86,000</u>
Net Change in Cash Fund Balances	33,331	(6,138)	64,837	92,030
Cash Fund Balances, January 1	<u>144,791</u>	<u>7,384</u>	<u>50,276</u>	<u>202,451</u>
Cash Fund Balances, December 31	<u>\$ 178,122</u>	<u>\$ 1,246</u>	<u>\$ 115,113</u>	<u>\$ 294,481</u>

City of Lambert, Minnesota  
Debt Service Funds  
Combining Balance Sheet - Regulatory Basis  
December 31, 2020

	<b>308</b> 2019B G.O. Refunding Bonds	<b>309</b> 2013 G.O. Tax Increment Bonds	<b>310</b> 2019A G.O. Improvement Bonds	<u>Total</u>
Assets				
Cash and Temporary Investments	<u>\$ 22,240</u>	<u>\$ 284,507</u>	<u>\$ 400,375</u>	<u>\$ 707,122</u>
Cash Fund Balances				
Restricted for Debt Service	<u>\$ 22,240</u>	<u>\$ 284,507</u>	<u>\$ 400,375</u>	<u>\$ 707,122</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, 2020

	<b>308</b> 2019B G.O. Refunding Bonds	<b>309</b> 2013 G.O. Tax Increment Bonds	<b>310</b> 2019A G.O. Improvement Bonds	Total
Receipts				
Taxes	\$ 19,647	\$ 68,163	\$ 267,506	\$ 355,316
Special assessments	4,878	25,780	93,722	124,380
Fees and fines	2	215	215	432
Investment earnings	162	2,089	2,961	5,212
Total Receipts	<u>24,689</u>	<u>96,247</u>	<u>364,404</u>	<u>485,340</u>
Disbursements				
Debt service				
Principal	105,000	100,000	-	205,000
Interest and other costs	17,694	23,909	162,757	204,360
Total Disbursements	<u>122,694</u>	<u>123,909</u>	<u>162,757</u>	<u>409,360</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(98,005)	(27,662)	201,647	75,980
Other Financing Sources (Uses)				
Transfers in	100,000	-	-	100,000
Net Change in Cash Fund Balances	1,995	(27,662)	201,647	175,980
Cash Fund Balances, January 1	<u>20,245</u>	<u>312,169</u>	<u>198,728</u>	<u>531,142</u>
Cash Fund Balances, December 31	<u>\$ 22,240</u>	<u>\$ 284,507</u>	<u>\$ 400,375</u>	<u>\$ 707,122</u>

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City of Lambert, Minnesota  
 General Fund  
 Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)  
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balances, January 1	\$ 901,362	\$ 901,362	\$ 901,362	\$ -
Receipts				
Taxes				
Property taxes	401,558	401,558	408,771	7,213
Licenses and permits	4,850	4,850	4,282	(568)
Intergovernmental				
Federal				
Other	-	-	60,198	60,198
State				
Local government aid	314,858	314,858	315,086	228
Fire state aid	13,000	13,000	16,817	3,817
Other State aids	40,200	40,200	25,530	(14,670)
County				
Other	-	-	587	587
Total Intergovernmental	368,058	368,058	418,218	50,160
Charges for services				
General government	64,550	64,550	58,968	(5,582)
Public Safety	99,490	99,490	130,495	31,005
Parks and recreation	5,000	5,000	4,349	(651)
Library	750	750	213	(537)
Total Charges for Services	169,790	169,790	194,025	24,235
Fines and forfeits	2,900	2,900	1,317	(1,583)
Investment earnings	2,100	2,100	4,193	2,093
Miscellaneous				
Contributions and donations	19,174	19,174	20,702	1,528
Refunds and reimbursements	4,000	4,000	8,309	4,309
Other	500	500	609	109
Total Miscellaneous	23,674	23,674	29,620	5,946
Total Receipts	972,930	972,930	1,060,426	87,496
Other Financing Sources				
Sale of capital assets	8,000	8,000	-	(8,000)
Transfers in	-	12,000	-	(12,000)
Total Other Financing Sources	8,000	20,000	-	(20,000)
Total Receipts and Other Financing Sources	980,930	992,930	1,060,426	67,496
Amounts Available for Appropriation	1,882,292	1,894,292	1,961,788	67,496

City of Lambert, Minnesota  
 General Fund  
 Budgetary Comparison Schedule - Regulatory Basis (Continued)  
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Disbursements				
Current				
General government				
Mayor and Council				
Personal services	\$ 10,723	\$ 10,723	\$ 10,213	\$ 510
Supplies	1,000	1,000	1,100	(100)
Other services and charges	3,000	3,000	1,133	1,867
Total Mayor and Council	<u>14,723</u>	<u>14,723</u>	<u>12,446</u>	<u>2,277</u>
Administration and Finance				
Personal services	54,552	54,552	47,489	7,063
Supplies	3,500	3,500	3,672	(172)
Other services and charges	1,420	1,420	954	466
Total Administration and Finance	<u>59,472</u>	<u>59,472</u>	<u>52,115</u>	<u>7,357</u>
Election				
Personal services	1,900	1,900	1,470	430
Other services and charges	550	550	434	116
Total Election	<u>2,450</u>	<u>2,450</u>	<u>1,904</u>	<u>546</u>
Other General Government				
Personal services	5,562	5,562	24,586	(19,024)
Supplies	1,000	1,000	1,508	(508)
Other services and charges	65,523	65,523	61,652	3,871
Total Other General Government	<u>72,085</u>	<u>72,085</u>	<u>87,746</u>	<u>(15,661)</u>
Total General Government	<u>148,730</u>	<u>148,730</u>	<u>154,211</u>	<u>(5,481)</u>
Public safety				
Police Protection				
Personal services	75,697	75,697	57,299	18,398
Supplies	5,300	5,300	2,741	2,559
Other services and charges	23,125	23,125	29,893	(6,768)
Total Police Protection	<u>104,122</u>	<u>104,122</u>	<u>89,933</u>	<u>14,189</u>
Ambulance				
Personal services	67,978	67,978	58,669	9,309
Supplies	9,800	9,800	9,936	(136)
Other services and charges	28,558	28,558	26,308	2,250
Total Ambulance	<u>106,336</u>	<u>106,336</u>	<u>94,913</u>	<u>11,423</u>
Fire Protection				
Personal services	39,141	39,141	42,755	(3,614)
Supplies	4,600	4,600	7,407	(2,807)
Other services and charges	26,523	26,523	20,912	5,611
Total Fire Protection	<u>70,264</u>	<u>70,264</u>	<u>71,074</u>	<u>(810)</u>
Civil Defense				
Other services and charges	1,400	1,400	1,910	(510)
Total Public Safety	<u>282,122</u>	<u>282,122</u>	<u>257,830</u>	<u>24,292</u>

City of Lambertton, Minnesota  
General Fund  
Budgetary Comparison Schedule - Regulatory Basis (Continued)  
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Disbursements (Continued)				
Current (continued)				
Streets and Highways				
Street Maintenance				
Personal services	\$ 78,619	\$ 78,619	\$ 70,920	\$ 7,699
Supplies	18,500	18,500	15,421	3,079
Other services and charges	66,462	66,462	48,063	18,399
Total Street Maintenance	<u>163,581</u>	<u>163,581</u>	<u>134,404</u>	<u>29,177</u>
Street Lighting				
Supplies	2,500	2,500	36	2,464
Other services and charges	17,000	17,000	13,950	3,050
Total Street Lighting	<u>19,500</u>	<u>19,500</u>	<u>13,986</u>	<u>5,514</u>
Total Streets and Highways	<u>183,081</u>	<u>183,081</u>	<u>148,390</u>	<u>34,691</u>
Culture and Recreation				
Parks and Recreation				
Personal services	61,648	61,648	67,806	(6,158)
Supplies	8,500	8,500	7,037	1,463
Other services and charges	10,500	10,500	20,950	(10,450)
Total Parks and Recreation	<u>80,648</u>	<u>80,648</u>	<u>95,793</u>	<u>(15,145)</u>
Swimming Pool				
Personal services	39,665	39,665	18,129	21,536
Supplies	11,000	11,000	8,243	2,757
Other services and charges	13,337	13,337	16,243	(2,906)
Total Swimming Pool	<u>64,002</u>	<u>64,002</u>	<u>42,615</u>	<u>21,387</u>
Library				
Personal services	58,078	58,078	55,162	2,916
Supplies	3,000	3,000	3,358	(358)
Other services and charges	17,273	17,273	18,390	(1,117)
Total Library	<u>78,351</u>	<u>78,351</u>	<u>76,910</u>	<u>1,441</u>
Total Culture and Recreation	<u>223,001</u>	<u>223,001</u>	<u>215,318</u>	<u>7,683</u>
Clinic				
Other services and charges	4,050	4,050	4,863	(813)
Community Center				
Personal services	6,560	6,560	5,384	1,176
Supplies	2,600	2,600	4,622	(2,022)
Other services and charges	5,283	5,283	3,843	1,440
Total Community Center	<u>14,443</u>	<u>14,443</u>	<u>13,849</u>	<u>594</u>
Total Current	<u>855,427</u>	<u>855,427</u>	<u>794,461</u>	<u>60,966</u>
Capital outlay				
General government	3,500	3,500	-	3,500
Public safety	10,354	10,354	200,242	(189,888)
Streets and highways	35,000	35,000	307,601	(272,601)
Culture and recreation	16,000	16,000	420	15,580
Clinic	1,000	1,000	-	1,000
Community Center	-	-	1,541	(1,541)
Total Capital Outlay	<u>65,854</u>	<u>65,854</u>	<u>509,804</u>	<u>(443,950)</u>
Total Disbursements	<u>921,281</u>	<u>921,281</u>	<u>1,304,265</u>	<u>(382,984)</u>
Other Financing Uses				
Transfers out	98,000	98,000	86,000	12,000
Total Disbursements and Other Financing Uses	<u>1,019,281</u>	<u>1,019,281</u>	<u>1,390,265</u>	<u>(370,984)</u>
Budgetary Fund Balances, December 31	<u>\$ 863,011</u>	<u>\$ 875,011</u>	<u>\$ 571,523</u>	<u>\$ (303,488)</u>

City of Lambertton, Minnesota  
 Summary Financial Report  
 Receipts and Disbursements for General Operations -  
 Governmental Funds  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	Percent Increase (Decrease)
<b>Receipts</b>			
Taxes	\$ 764,087	\$ 506,793	50.77 %
Special assessments	124,380	139,327	(10.73)
Licenses and permits	4,282	4,216	1.57
Intergovernmental	418,218	504,242	(17.06)
Charges for services	202,303	161,878	24.97
Fines and forfeits	1,749	3,890	(55.04)
Investment earnings	16,167	17,837	(9.36)
Loan payments	11,918	12,523	(4.83)
Miscellaneous	29,620	65,681	(54.90)
	<u>\$ 1,572,724</u>	<u>\$ 1,416,387</u>	<u>11.04 %</u>
Total Receipts	<u>1,572,724</u>	<u>1,416,387</u>	<u>11.04 %</u>
Per capita	1,968	1,773	11.04
<b>Disbursements</b>			
<b>Current</b>			
General government	\$ 154,211	\$ 122,638	25.74 %
Public safety	257,830	286,901	(10.13)
Streets and highways	164,710	190,286	(13.44)
Culture and recreation	215,318	205,159	4.95
Clinic	4,863	4,066	19.60
Community Center	13,849	10,776	28.52
<b>Capital outlay</b>			
General government	-	7,748	(100.00)
Public safety	200,242	32,118	523.46
Streets and highways	806,667	3,486,689	(76.86)
Culture and recreation	420	105,790	(99.60)
Clinic	-	1,024	(100.00)
Community Center	1,541	2,445	(36.97)
<b>Debt service</b>			
Principal	205,000	200,000	2.50
Interest and other costs	204,360	50,948	301.11
Issuance costs	-	112,305	(100.00)
	<u>\$ 2,229,011</u>	<u>\$ 4,818,893</u>	<u>(53.74) %</u>
Total Disbursements	<u>2,229,011</u>	<u>4,818,893</u>	<u>(53.74) %</u>
Per capita	2,790	6,031	(53.74)
Total Long-term Indebtedness	\$ 6,275,400	\$ 6,480,400	(3.16) %
Per capita	7,854	8,111	(3.16)
General Fund Cash Balance - December 31	\$ 571,523	\$ 901,362	(36.59) %
Per capita	715	1,128	(36.59)

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



SUPPLEMENTARY INFORMATION -  
UNAUDITED

CITY OF LAMBERTON  
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of Lambert, Minnesota  
Schedule of Accounts Receivable (Unaudited)  
December 31, 2020

Fund	From	Source of Revenue and Purpose	Amount
<b>General</b>	Cody Bedner	Fire Response	\$ 750
	Curt Cemark	Mowing	150
	Melanie Guttum	EMT Initial Course Reimbursement	1,565
	Zachary Jewell	Mowing	50
	Nester Jimenez	Mowing	150
	Michelle Koppen	EMT Initial Course Reimbursement	1,565
	Olivia Nielsen	EMT Initial Course Reimbursement	1,315
	Yamiel Santiago	Fire Response	1,000
	Jason Schultz	Street Repair	1,493
	Salvatore & Kathleen Stillo	Mowing	50
	Lamberton Community Ambulance	Ambulance Charges	<u>45,773</u>
	<b>Total General</b>		<u><u>53,861</u></u>
<b>Economic Development</b>	EDA Loan Recipients	EDA loans	<u>131,385</u>
	<b>Total Accounts Receivable</b>		<u><u>\$ 185,246</u></u>

City of Lamberton, Minnesota  
Schedule of Accounts Payable-Unaudited  
December 31, 2020

Fund	Vendor Name	Item and Purpose	Amount
General	First Security Bank	Dec 2020 - Ach Bank Fees	\$ 57
	City of Lamberton	Dec 2020 - Utilities	93
	MN Dept. of Revenue	Q4 2020 - Sales Tax	151
	Premium Waters	Dec 2020 - Water Cooler	11
	Alpha Wireless	Ded 2020 - Fire Dept Equip Repair	33
	Amazon Capital Services	Library Dvds	128
	Glens Auto Parts	Street Dept Equipment Repair & Supplies	688
	Heiman, Inc	Fire Dept - Fire Equipment	5,074
	Henry Schein, inc	Ambulance - Medical Supplies	26
	Lamberton Handi-Mart	Street Dept - Fuel	44
	Lamberton News	Administration - Paper	92
	Marco	Q4 2020 - Copier Maintenance	191
	Meadowland Farmers Coop	Dec 2020 - Fuel For Ambulance, Street & Police	860
	MN Energy Resources Corp.	Dec 2020 - Natural Gas	764
	Mortorola Solutions	Fire Dept - Radios	5,189
	Praxair Distribution Inc	Ambulance - Medical Supplies	261
	Redwood Electric Coop	Dec 2020 - Electricity	1,555
	Runnings Supply, Inc	Street Dept - Shop Supplies & Clothing Allowance	673
	S & A Foods	Libaray & Community Center - Cleaning Supplies	12
	Redwood Electric Coop	Dec 2020 - Electricity	1,524
MN Energy Resources Corp.	Dec 2020 - Natural Gas	702	
EDA	First Security Bank	Dec 2020 - Ach Bank Fees	6
	Redwood Electric Coop	Dec 2020 - Electricity	60
	Marco	Q4 2020 - Copier Maintenance	21
	MN Energy Resources Corp.	Dec 2020 - Natural Gas	86
			\$ 18,301

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OTHER REQUIRED REPORTS

CITY OF LAMBERTON  
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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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, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report dated March 3, 2021.

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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
March 3, 2021