

ANNUAL FINANCIAL REPORT

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Lamberton, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2024

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INTRODUCTORY SECTION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Lambertson, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2024

Elected

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

Appointed

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

FOR THE YEAR ENDED
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lamberton, Minnesota

Opinions

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Lamberton, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2024, 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, 2024, 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, 2024, and their respective changes in financial position and cash flows, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

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

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

Basis for Opinion on Regulatory Basis of Accounting

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

The City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, starting on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Mankato, Minnesota
February 28, 2025



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FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Lambert, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2024

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Temporary Investments	\$ 1,018,845	\$ 749,791	\$ 505,617	\$ 2,274,253
Cash Fund Balances				
Restricted for				
Debt service	\$ -	\$ 749,791	\$ -	\$ 749,791
Economic development	-	-	18,207	18,207
Library	11,058	-	-	11,058
Playground updates	15,500	-	-	15,500
Public safety	22,226	-	-	22,226
Street improvements	17,671	-	-	17,671
Ambulance services	65,419	-	-	65,419
Assigned				
Economic development	-	-	165,803	165,803
Capital reserve for future projects	-	-	321,607	321,607
Unassigned	886,971	-	-	886,971
Total Cash Fund Balances	\$ 1,018,845	\$ 749,791	\$ 505,617	\$ 2,274,253

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

City of Lamberton, Minnesota
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	General	Debt Service	800	400	Nonmajor Governmental Funds	Total Governmental Funds
			Formerly Major Small Cities Development Grant	Formerly Major CIP Improvement Fund		
Receipts						
Taxes	\$ 449,597	\$ 373,517	\$ -	\$ -	\$ -	\$ 823,114
Special assessments	-	53,780	-	-	-	53,780
Licenses and permits	4,429	-	-	-	-	4,429
Intergovernmental	482,940	-	-	-	-	482,940
Charges for services	187,504	-	-	-	12,418	199,922
Fines and forfeits	556	-	-	-	-	556
Investment earnings	35,499	26,159	-	-	19,259	80,917
Miscellaneous	52,757	-	-	-	9,876	62,633
Total Receipts	1,213,282	453,456	-	-	41,553	1,708,291
Disbursements						
Current						
General government	143,116	-	-	-	-	143,116
Public safety	243,507	-	-	-	-	243,507
Public works	219,662	-	-	-	-	219,662
Culture and recreation	258,352	-	-	-	-	258,352
Economic development	-	-	-	-	47,123	47,123
Clinic	8,949	-	-	-	-	8,949
Community Center	16,054	-	-	-	-	16,054
Capital outlay						
General government	28,774	-	-	-	-	28,774
Public safety	24,623	-	-	-	-	24,623
Streets and highways	62,557	-	-	-	-	62,557
Culture and recreation	50,711	-	-	-	-	50,711
Clinic	3,064	-	-	-	-	3,064
Debt service						
Principal	-	281,300	-	-	-	281,300
Interest and other costs	-	133,726	-	-	-	133,726
Total Disbursements	1,059,369	415,026	-	-	47,123	1,521,518
Excess (Deficiency) of Receipts Over (Under) Disbursements	153,913	38,430	-	-	(5,570)	186,773
Other Financing Sources (Uses)						
Sale of capital assets	608	-	-	-	-	608
Transfers in	-	-	-	-	110,000	110,000
Transfers out	(110,000)	-	-	-	-	(110,000)
Total Other Financing Sources (Uses)	(109,392)	-	-	-	110,000	608
Net Change in Cash Fund Balances	44,521	38,430	-	-	104,430	187,381
Cash Fund Balances, January 1 as Previously Reported	974,324	711,361	13,818	238,205	149,164	2,086,872
Change within Financial Reporting Entity (Note 6) Change from major to nonmajor fund	-	-	(13,818)	(238,205)	252,023	-
Cash Fund Balances, January 1 as Restated	974,324	711,361	-	-	401,187	2,086,872
Cash Fund Balances, December 31	\$ 1,018,845	\$ 749,791	\$ -	\$ -	\$ 505,617	\$ 2,274,253

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, 2024

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
Assets					
Current Assets					
Cash and temporary investments	\$ 583,915	\$ 103,277	\$ 138,826	\$ 34,512	\$ 860,530
Receivables					
Accounts	22,076	21,737	7,444	2,510	53,767
Special assessments	16,319	1,288	-	-	17,607
Total Current Assets	<u>622,310</u>	<u>126,302</u>	<u>146,270</u>	<u>37,022</u>	<u>931,904</u>
Noncurrent Assets					
Special assessments receivable - net of current portion	171,851	32,042	-	-	203,893
Capital assets, not being depreciated					
Land	9,438	25,618	-	-	35,056
Capital assets, depreciated					
Distribution plant	1,222,573	1,810,806	-	-	3,033,379
Infrastructure and other improvements	958,365	466,705	1,395,919	-	2,820,989
Machinery and equipment	326,339	37,776	-	-	364,115
Total capital assets, at cost	<u>2,516,715</u>	<u>2,340,905</u>	<u>1,395,919</u>	<u>-</u>	<u>6,253,539</u>
Less accumulated depreciation	<u>(1,022,132)</u>	<u>(974,964)</u>	<u>(342,081)</u>	<u>-</u>	<u>(2,339,177)</u>
Total capital assets (net of accumulated depreciation)	<u>1,494,583</u>	<u>1,365,941</u>	<u>1,053,838</u>	<u>-</u>	<u>3,914,362</u>
Total Noncurrent Assets	<u>1,666,434</u>	<u>1,397,983</u>	<u>1,053,838</u>	<u>-</u>	<u>4,118,255</u>
Total Assets	<u>2,288,744</u>	<u>1,524,285</u>	<u>1,200,108</u>	<u>37,022</u>	<u>5,050,159</u>
Deferred Outflows of Resources					
Deferred pension resources	2,702	2,021	-	268	4,991
Liabilities					
Current Liabilities					
Accounts payable	1,664	130	-	-	1,794
Accrued interest payable	3,882	10,175	2,638	-	16,695
Customer deposits	8,804	-	-	-	8,804
Accrued wages payable	1,558	1,145	-	83	2,786
Bonds payable - current portion	64,300	104,000	111,600	-	279,900
Total Current Liabilities	<u>80,208</u>	<u>115,450</u>	<u>114,238</u>	<u>83</u>	<u>309,979</u>
Noncurrent Liabilities					
Bonds payable - long-term portion	240,100	1,034,510	56,400	-	1,331,010
Net pension liability	14,006	10,463	-	1,391	25,860
Total Noncurrent Liabilities	<u>254,106</u>	<u>1,044,973</u>	<u>56,400</u>	<u>1,391</u>	<u>1,356,870</u>
Total Liabilities	<u>334,314</u>	<u>1,160,423</u>	<u>170,638</u>	<u>1,474</u>	<u>1,666,849</u>
Deferred Inflows of Resources					
Deferred pension resources	11,524	8,609	-	1,145	21,278
Net Position					
Net investment in capital assets	1,190,183	227,431	885,838	-	2,303,452
Unrestricted	755,425	129,843	143,632	34,671	1,063,571
Total Net Position	<u>\$ 1,945,608</u>	<u>\$ 357,274</u>	<u>\$ 1,029,470</u>	<u>\$ 34,671</u>	<u>\$ 3,367,023</u>

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

City of Lamberton, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				Totals
	601	602	617	603	
	Water Utility	Sanitary Sewer Utility	Storm Sewer	Nonmajor Refuse	
Operating Revenues					
Charges for services	\$ 190,263	\$ 190,607	\$ 90,360	\$ 21,564	\$ 492,794
Miscellaneous	6,039	(5)	-	(1)	6,033
Total Operating Revenues	<u>196,302</u>	<u>190,602</u>	<u>90,360</u>	<u>21,563</u>	<u>498,827</u>
Operating Expenses					
Personal services	41,807	31,037	-	4,661	77,505
Supplies	18,229	16,988	1,137	2,009	38,363
Utilities	17,364	-	-	-	17,364
Other services and charges	28,772	31,813	305	13,620	74,510
Depreciation	83,569	61,266	46,531	-	191,366
Total Operating Expenses	<u>189,741</u>	<u>141,104</u>	<u>47,973</u>	<u>20,290</u>	<u>399,108</u>
Operating Income (Loss)	<u>6,561</u>	<u>49,498</u>	<u>42,387</u>	<u>1,273</u>	<u>99,719</u>
Nonoperating Revenues (Expenses)					
Investment earnings	18,433	2,962	2,648	1,132	25,175
Amortization of premium	-	636	-	-	636
Interest and fiscal charges	(8,851)	(23,197)	(2,953)	-	(35,001)
Total Nonoperating Revenues (Expenses)	<u>9,582</u>	<u>(19,599)</u>	<u>(305)</u>	<u>1,132</u>	<u>(9,190)</u>
Income (Loss) Before Transfers and Capital Contributions	<u>16,143</u>	<u>29,899</u>	<u>42,082</u>	<u>2,405</u>	<u>90,529</u>
Transfers and Capital Contributions					
Transfers in	15,000	-	-	-	15,000
Transfers out	-	(7,000)	(8,000)	-	(15,000)
Capital contributions - special assessments	10,387	2,376	-	-	12,763
Total Transfers and Capital Contributions	<u>25,387</u>	<u>(4,624)</u>	<u>(8,000)</u>	<u>-</u>	<u>12,763</u>
Change in Net Position	41,530	25,275	34,082	2,405	103,292
Net Position , January 1	<u>1,904,078</u>	<u>331,999</u>	<u>995,388</u>	<u>32,266</u>	<u>3,263,731</u>
Net Position, December 31	<u>\$ 1,945,608</u>	<u>\$ 357,274</u>	<u>\$ 1,029,470</u>	<u>\$ 34,671</u>	<u>\$ 3,367,023</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, 2024

	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	\$ 207,633	\$ 198,645	\$ 89,815	\$ 21,292	\$ 517,385
Payments to suppliers and vendors	(65,295)	(48,721)	(1,482)	(16,629)	(132,127)
Payments to and on behalf of employees	(44,409)	(33,475)	-	(3,662)	(81,546)
Net Cash Provided (Used) by Operating Activities	<u>97,929</u>	<u>116,449</u>	<u>88,333</u>	<u>1,001</u>	<u>303,712</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	15,000	-	-	-	15,000
Transfers to other funds	-	(7,000)	(8,000)	-	(15,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>15,000</u>	<u>(7,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(76,596)	(2,750)	-	-	(79,346)
Special assessments	24,992	2,638	-	-	27,630
Bond principal	(25,900)	(66,800)	-	-	(92,700)
Interest paid on long term debt	(8,795)	(23,385)	(1,890)	-	(34,070)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(86,299)</u>	<u>(90,297)</u>	<u>(1,890)</u>	<u>-</u>	<u>(178,486)</u>
Cash Flows from Investing Activities					
Interest received on cash and investments	18,433	2,962	2,648	1,132	25,175
Net Increase (Decrease) in Cash and Temporary Investments	45,063	22,114	81,091	2,133	150,401
Cash and Temporary Investments, January 1	<u>538,852</u>	<u>81,163</u>	<u>57,735</u>	<u>32,379</u>	<u>710,129</u>
Cash and Temporary Investments, December 31	<u>\$ 583,915</u>	<u>\$ 103,277</u>	<u>\$ 138,826</u>	<u>\$ 34,512</u>	<u>\$ 860,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 6,561	\$ 49,498	\$ 42,387	\$ 1,273	\$ 99,719
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities					
Depreciation	83,569	61,266	46,531	-	191,366
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	3,323	2,590	-	51	5,964
(Increase) decrease in deferred inflows of resources					
Deferred pension resources	2,530	1,727	-	669	4,926
Changes in assets and liabilities					
(Increases) decreases in assets					
Accounts receivable	8,243	8,043	(545)	(145)	15,596
Increases (decreases) in liabilities					
Accounts payable	(83)	80	(40)	-	(43)
Due to other governments	(847)	-	-	(1,000)	(1,847)
Accrued wages payable	122	61	-	83	266
Customer deposits	3,088	-	-	(126)	2,962
Net pension liability	(8,577)	(6,816)	-	196	(15,197)
Net Cash Provided (Used) by Operating Activities	<u>\$ 97,929</u>	<u>\$ 116,449</u>	<u>\$ 88,333</u>	<u>\$ 1,001</u>	<u>\$ 303,712</u>
Schedule of Noncash Capital and Related Financing Activities					
Amortization of premium	<u>\$ -</u>	<u>\$ (636)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (636)</u>

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

The City has the following fund types:

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

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 ensure that user charges are sufficient to pay for those costs.

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

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

Special Assessments

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

Capital Assets

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

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

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. The deferred pension resource item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Long-term Obligations

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

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

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total negative pension expense for the General Employee Plan (GERP) is \$2,015.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category.

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

Fund Balance

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

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

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

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

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

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

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

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

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

At year end, the City's carrying amount of deposits was \$1,060,939 and the bank balance was \$1,166,921. The bank balance was covered by federal depository insurance of \$282,845 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, 2024, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs 4M Fund	N/A	less than 1 year	<u>\$ 2,073,634</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 \$210.

City of Lambert, Minnesota
Notes to the Financial Statements
December 31, 2024

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	\$ 1,028,094
Certificates of deposit	32,845
Total Carrying Amount of Deposits	1,060,939
Investments	2,073,634
Cash on Hand	210
Total Cash and Investments	\$ 3,134,783
Cash and Temporary Investments	
Governmental	\$ 2,274,253
Proprietary	860,530
Total Cash and Temporary Investments	\$ 3,134,783

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2024 are as follows:

	Transfer in		
	Nonmajor Governmental	Water	Total
Transfer out			
General	\$ 110,000	\$ -	\$ 110,000
Sanitary Sewer Utility	-	7,000	7,000
Storm Sewer	-	8,000	8,000
Total transfers out	\$ 110,000	\$ 15,000	\$ 125,000

All of the City's transfers were budgeted for in 2024.

City of Lambert, Minnesota
Notes to the Financial Statements
December 31, 2024

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2024 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 35,056	\$ -	\$ -	\$ 35,056
Capital Assets being Depreciated				
Distribution plant	3,033,379	-	-	3,033,379
Infrastructure	2,820,989	-	-	2,820,989
Equipment	284,769	79,346	-	364,115
Total Capital Assets being Depreciated	<u>6,139,137</u>	<u>79,346</u>	<u>-</u>	<u>6,218,483</u>
Less Accumulated Depreciation for				
Distribution plant	(1,462,498)	(77,976)	-	(1,540,474)
Infrastructure	(533,788)	(94,033)	-	(627,821)
Equipment	(151,525)	(19,357)	-	(170,882)
Total Accumulated Depreciation	<u>(2,147,811)</u>	<u>(191,366)</u>	<u>-</u>	<u>(2,339,177)</u>
Total Capital Assets being Depreciated, Net	<u>3,991,326</u>	<u>(112,020)</u>	<u>-</u>	<u>3,879,306</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,026,382</u>	<u>\$ (112,020)</u>	<u>\$ -</u>	<u>\$ 3,914,362</u>

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

Business-type Activities		
Water		\$ 83,569
Sewer		61,266
Storm Sewer		<u>46,531</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 191,366</u>

City of Lambertson, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

G.O. Special Assessment Bonds

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2019A G.O. Improvement Bonds	\$ 4,840,400	3.00 - 3.13 %	06/27/19	02/01/40	\$ 4,083,900
2019B G.O. Refunding Bonds	153,000	2.00 - 2.25	12/17/19	12/01/26	70,000
2021A G.O. Refunding Bonds	490,000	1.40 - 2.00	07/28/21	02/01/29	240,000
 Total G.O. Bonds					 <u>\$ 4,393,900</u>

The annual service requirements to amortize general obligation bonds as of December 31, 2024 are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 331,100	\$ 125,685	\$ 456,785
2026	325,700	116,435	442,135
2027	235,500	108,458	343,958
2028	240,200	101,753	341,953
2029	254,800	94,688	349,488
2030 - 2034	1,244,900	363,863	1,608,763
2035 - 2039	1,445,700	162,063	1,607,763
2040	316,000	4,954	320,954
 Total	 <u>\$ 4,393,900</u>	 <u>\$ 1,077,899</u>	 <u>\$ 5,471,799</u>

City of Lambert, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Revenue					
Bonds of 2013C	\$ 282,000	2.70 %	06/14/13	02/01/29	\$ 104,000
2019A G.O. Improvement Bonds	3,963,300	3.00 - 3.13	06/27/19	02/01/40	181,100
2019B G.O. Improvement Bonds	632,000	2.00 - 2.25	12/17/19	12/01/26	280,000
2021A G.O. Refunding Bonds	1,230,000	1.40 - 2.50	07/28/21	02/01/41	<u>1,035,000</u>
 Total G.O. Revenue Bonds					 <u>\$ 1,600,100</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Revenues	\$ 190,263	\$ 190,607	\$ 90,360
Principal and Interest	34,695	90,185	1,890
Percentage of Revenues	18.2%	47.3%	2.1%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2024 are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 279,900	\$ 35,801	\$ 315,701
2026	193,300	28,323	221,623
2027	100,500	24,165	124,665
2028	100,800	22,218	123,018
2029	107,200	20,322	127,522
2030 - 2034	320,100	79,895	399,995
2035 - 2039	354,300	40,960	395,260
2040 - 2041	<u>144,000</u>	<u>3,450</u>	<u>147,450</u>
 Total	 <u>\$ 1,600,100</u>	 <u>\$ 255,134</u>	 <u>\$ 1,855,234</u>

City of Lambertton, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Changes in General Long-term Liabilities

During the year ended December 31, 2024, the following changes occurred in liabilities reported in general long-term debt:

	<u>Beginning Balance</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities				
Bonds Payable				
General Obligation				
Improvement Bonds	<u>\$ 4,675,200</u>	<u>\$ (281,300)</u>	<u>\$ 4,393,900</u>	<u>\$ 331,100</u>
Business-type Activities				
Bonds Payable				
General Obligation				
Revenue Bonds	\$ 1,692,800	\$ (92,700)	\$ 1,600,100	\$ 279,900
Bond premium	11,446	(636)	10,810	-
Business-type Activity				
Long-term Liabilities	<u>\$ 1,888,382</u>	<u>\$ (93,336)</u>	<u>\$ 1,610,910</u>	<u>\$ 279,900</u>

City of Lambert, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

City of Lambert, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

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

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's enterprise fund contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$4,592, \$4,223 and \$4,696, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City's enterprise funds reported a liability of \$25,860 for its proportionate share of the General Employees Fund's net pension liability of \$100,704. 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 \$2,604. The enterprise fund portion totaled \$669.

City's Proportionate Share of the Net Pension Liability	\$	25,860
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		669
Total	\$	26,529

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's enterprise funds proportionate share was 0.0007 percent at the end of the measurement period and 0.0007 percent for the beginning of the period.

For the year ended December 31, 2024, the City's enterprise funds recognized negative pension expense of \$2,002 for its proportionate share of the General Employees Plan's pension expense of \$7,796. In addition, the City's enterprise funds recognized an additional negative \$13 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 of negative \$50.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City's enterprise funds recognized \$1,179 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund of \$4,593.

City of Lamberton, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

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

At December 31, 2024, the City's enterprise funds reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,524	\$ -
Changes in Actuarial Assumptions	148	10,512
Net Difference Between Projected and Actual Investment Earnings	-	7,768
Changes in Proportion	-	2,999
Contributions Paid to PERA Subsequent to the Measurement Date	2,318	-
Total	\$ 4,991	\$ 21,278

The \$2,318 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (11,432)
2026	(1,937)
2027	(3,254)
2028	(1,982)

E. Long-term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

City of Lamberton, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 56,483	\$ 25,860	\$ 670

I. Pension Plan Fiduciary Net Position

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

City of Lamberton, Minnesota
Notes to the Financial Statements
December 31, 2024

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.

D. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2024 was \$344,548 of the General fund. This accounted for 28.4% of the General fund Revenue.

Note 6: Adjustments to and Restatements of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During 2024, both the Small Cities Development Grant fund and the CIP Improvement fund were determined to be nonmajor funds. The effects of the changes within the financial reporting entity are shown in the financial statements above.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Lambert, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2024

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0007 %	\$ 25,860	\$ 669	\$ 26,529	\$ 59,278	43.6 %	86.7 %
6/30/2023	0.0007	41,057	113	41,170	58,976	69.6	83.1
6/30/2022	0.0008	64,394	1,891	66,285	60,973	105.6	76.7
6/30/2021	0.0009	3,907	1,192	5,099	6,294	62.1	87.0
6/30/2020	0.0009	52,460	1,616	54,076	62,531	83.9	79.0
6/30/2019	0.0009	48,465	1,505	49,970	61,720	78.5	80.2
6/30/2018	0.0006	34,549	1,091	35,640	41,033	84.2	79.5
6/30/2017	0.0006	41,003	518	41,521	40,890	100.3	75.9
6/30/2016	0.0006	52,150	672	52,822	40,085	130.1	68.9
6/30/2015	0.0006	33,826	-	33,826	40,586	83.3	78.2

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	\$ 4,592	\$ 4,592	\$ -	\$ 61,224	7.50 %
12/31/2023	4,232	4,232	-	56,429	7.50
12/31/2022	4,696	4,696	-	62,613	7.50
12/31/2021	4,879	4,879	-	65,047	7.50
12/31/2020	4,881	4,881	-	65,088	7.50
12/31/2019	4,798	4,798	-	63,973	7.50
12/31/2018	3,151	3,151	-	42,009	7.50
12/31/2017	3,067	3,067	-	40,890	7.50
12/31/2016	3,006	3,006	-	40,085	7.50
12/31/2015	3,044	3,044	-	40,586	7.50

City of Lambertton, Minnesota
Notes to the Financial Statements
Required Supplementary Information (Continued)

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

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

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

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

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

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

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

City of Lambert, Minnesota
Notes to the Financial Statements
Required Supplementary Information (Continued)

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

Changes in Plan Provisions

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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

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

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

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

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

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 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 retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Lambert, Minnesota
 Nonmajor Governmental Funds
 Statement of Balances Arising from Cash Transactions
 Governmental Funds
 December 31, 2024

	<u>Special Revenue</u>		<u>Capital Project</u>	Total Nonmajor Governmental Funds
	207	Formerly Major 800 Small Cities Development Grant	Formerly Major 400 CIP Improvement Fund	
	<u>EDA</u>			
Assets				
Cash and Temporary Investments	<u>\$ 165,803</u>	<u>\$ 18,207</u>	<u>\$ 321,607</u>	<u>\$ 505,617</u>
Cash Fund Balances				
Restricted				
Economic development	\$ -	\$ 18,207	\$ -	\$ 18,207
Assigned				
Economic development	165,803			165,803
Capital reserve for future projects	<u>-</u>	<u>-</u>	<u>321,607</u>	<u>321,607</u>
Total Cash Fund Balances	<u>\$ 165,803</u>	<u>\$ 18,207</u>	<u>\$ 321,607</u>	<u>\$ 505,617</u>

City of Lamberton, Minnesota
Nonmajor Governmental Funds
Statement of Cash Receipts, Disbursements
and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	<u>Special Revenue</u>		<u>Capital Project</u>	Total Nonmajor Governmental Funds
	207 EDA	Formerly Major 800 Small Cities Development Grant	Formerly Major 400 CIP Improvement Fund	
Receipts				
Charges for services	\$ 12,418	\$ -	\$ -	\$ 12,418
Investment earnings	5,550	307	13,402	19,259
Miscellaneous	5,794	4,082	-	9,876
Total Receipts	<u>23,762</u>	<u>4,389</u>	<u>13,402</u>	<u>41,553</u>
Disbursements				
Current				
Economic development	<u>47,123</u>	<u>-</u>	<u>-</u>	<u>47,123</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(23,361)	4,389	13,402	(5,570)
Other Financing Sources (Uses)				
Transfers in	<u>40,000</u>	<u>-</u>	<u>70,000</u>	<u>110,000</u>
Net Change in Cash Fund Balances	<u>16,639</u>	<u>4,389</u>	<u>83,402</u>	<u>104,430</u>
Cash Fund Balances, January 1 as Previously Reported	149,164	-	-	149,164
Change within Financial Reporting Entity (Note 6) Change from major to nonmajor fund	<u>-</u>	<u>13,818</u>	<u>238,205</u>	<u>252,023</u>
Cash Fund Balances, January 1 as Restated	<u>149,164</u>	<u>13,818</u>	<u>238,205</u>	<u>401,187</u>
Cash Fund Balances, December 31	<u>\$ 165,803</u>	<u>\$ 18,207</u>	<u>\$ 321,607</u>	<u>\$ 505,617</u>

City of Lambert, Minnesota
Debt Service Funds
Combining Balance Sheet - Regulatory Basis
December 31, 2024

	308 2019B G.O. Refunding Bonds	309 2021 G.O. Refunding Bonds	310 2019A G.O. Improvement Bonds	<u>Total</u>
Assets				
Cash and Temporary Investments	<u>\$ 44,871</u>	<u>\$ 267,148</u>	<u>\$ 437,772</u>	<u>\$ 749,791</u>
Cash Fund Balances				
Restricted for Debt Service	<u>\$ 44,871</u>	<u>\$ 267,148</u>	<u>\$ 437,772</u>	<u>\$ 749,791</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, 2024

	308 2019B G.O. Refunding Bonds	309 2021A G.O. Refunding Bonds	310 2019A G.O. Improvement Bonds	Total
Receipts				
Taxes	\$ 17,683	\$ 88,984	\$ 266,850	\$ 373,517
Special assessments	4,166	1,451	48,163	53,780
Investment earnings	913	10,316	14,930	26,159
Total Receipts	<u>22,762</u>	<u>100,751</u>	<u>329,943</u>	<u>453,456</u>
Disbursements				
Debt service				
Principal	-	85,000	196,300	281,300
Interest and other costs	788	6,305	126,633	133,726
Total Disbursements	<u>788</u>	<u>91,305</u>	<u>322,933</u>	<u>415,026</u>
Net Change in Cash Fund Balances	21,974	9,446	7,010	38,430
Cash Fund Balances, January 1	<u>22,897</u>	<u>257,702</u>	<u>430,762</u>	<u>711,361</u>
Cash Fund Balances, December 31	<u>\$ 44,871</u>	<u>\$ 267,148</u>	<u>\$ 437,772</u>	<u>\$ 749,791</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, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 974,324	\$ 974,324	\$ 974,324	\$ -	\$ 775,217
Receipts					
Taxes					
Property taxes	384,000	384,000	449,597	65,597	426,674
Licenses and permits	5,650	5,650	4,429	(1,221)	6,293
Intergovernmental					
Federal					
Other	-	-	5,000	5,000	-
State					
Local government aid	344,500	344,500	344,548	48	324,246
Fire state aid	20,000	20,000	26,209	6,209	20,796
Other State aids	85,000	85,000	99,299	14,299	42,352
County					
Other	14,000	14,000	7,884	(6,116)	14,234
Total Intergovernmental	463,500	463,500	482,940	19,440	401,628
Charges for services					
General government	72,300	72,300	53,268	(19,032)	68,738
Public Safety	97,000	97,000	114,070	17,070	60,716
Parks and recreation	15,000	15,000	19,828	4,828	15,676
Library	300	300	338	38	359
Total Charges for Services	184,600	184,600	187,504	2,904	145,489
Fines and forfeits	850	850	556	(294)	983
Investment earnings	30,170	30,170	35,499	5,329	31,548
Miscellaneous					
Contributions and donations	25,000	25,000	31,931	6,931	39,425
Refunds and reimbursements	7,500	7,500	13,528	6,028	98,377
Other	-	-	7,298	7,298	24
Total Miscellaneous	32,500	32,500	52,757	20,257	137,826
Total Receipts	1,101,270	1,101,270	1,213,282	112,012	1,150,441
Other Financing Sources					
Sale of capital assets	1,000	1,000	608	(392)	2,500
Transfers in	4,000	4,000	-	(4,000)	102,954
Total Other Financing Sources	5,000	5,000	608	(4,392)	105,454
Total Receipts and Other Financing Sources	1,106,270	1,106,270	1,213,890	107,620	1,255,895
Amounts Available for Appropriation	2,080,594	2,080,594	2,188,214	107,620	2,031,112

City of Lambertson, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2024
 (With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements					
Current					
General government					
Mayor and Council					
Personal services	\$ 11,900	\$ 11,900	\$ 10,935	\$ 965	\$ 11,362
Supplies	1,200	1,200	2,059	(859)	6,396
Other services and charges	500	500	-	500	-
Total Mayor and Council	<u>13,600</u>	<u>13,600</u>	<u>12,994</u>	<u>606</u>	<u>17,758</u>
Administration and Finance					
Personal services	69,262	69,262	61,843	7,419	58,427
Supplies	3,800	3,800	2,010	1,790	3,580
Other services and charges	2,700	2,700	1,812	888	1,461
Total Administration and Finance	<u>75,762</u>	<u>75,762</u>	<u>65,665</u>	<u>10,097</u>	<u>63,468</u>
Election					
Personal services	2,500	2,500	1,361	1,139	-
Other services and charges	300	300	863	(563)	-
Total Election	<u>2,800</u>	<u>2,800</u>	<u>2,224</u>	<u>576</u>	<u>-</u>
Other General Government					
Personal services	7,545	7,545	2,576	4,969	4,061
Supplies	750	750	424	326	138
Other services and charges	62,000	62,000	59,233	2,767	49,935
Total Other General Government	<u>70,295</u>	<u>70,295</u>	<u>62,233</u>	<u>8,062</u>	<u>54,134</u>
Total General Government	<u>162,457</u>	<u>162,457</u>	<u>143,116</u>	<u>19,341</u>	<u>135,360</u>
Public safety					
Police Protection					
Personal services	67,750	67,750	61,570	6,180	56,162
Supplies	7,000	7,000	4,723	2,277	4,886
Other services and charges	19,525	19,525	22,181	(2,656)	16,633
Total Police Protection	<u>94,275</u>	<u>94,275</u>	<u>88,474</u>	<u>5,801</u>	<u>77,681</u>
Ambulance					
Personal services	63,800	63,800	60,885	2,915	54,046
Supplies	10,500	10,500	12,228	(1,728)	9,025
Other services and charges	27,700	27,700	25,298	2,402	29,016
Total Ambulance	<u>102,000</u>	<u>102,000</u>	<u>98,411</u>	<u>3,589</u>	<u>92,087</u>
Fire Protection					
Personal services	44,850	44,850	26,996	17,854	47,953
Supplies	11,500	11,500	7,468	4,032	10,764
Other services and charges	16,775	16,775	20,883	(4,108)	14,929
Total Fire Protection	<u>73,125</u>	<u>73,125</u>	<u>55,347</u>	<u>17,778</u>	<u>73,646</u>
Civil Defense					
Other services and charges	<u>1,500</u>	<u>1,500</u>	<u>1,275</u>	<u>225</u>	<u>1,130</u>
Total Public Safety	<u>270,900</u>	<u>270,900</u>	<u>243,507</u>	<u>27,393</u>	<u>244,544</u>
Streets and Highways					
Street Maintenance					
Personal services	59,650	59,650	57,315	2,335	53,271
Supplies	27,500	27,500	14,642	12,858	35,265
Other services and charges	137,250	137,250	132,137	5,113	58,022
Total Street Maintenance	<u>224,400</u>	<u>224,400</u>	<u>204,094</u>	<u>20,306</u>	<u>146,558</u>
Street Lighting					
Supplies	1,000	1,000	1,105	(105)	959
Other services and charges	14,000	14,000	14,463	(463)	14,420
Total Street Lighting	<u>15,000</u>	<u>15,000</u>	<u>15,568</u>	<u>(568)</u>	<u>15,379</u>
Total Streets and Highways	<u>239,400</u>	<u>239,400</u>	<u>219,662</u>	<u>19,738</u>	<u>161,937</u>

City of Lambert, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2024
 (With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements (Continued)					
Current (Continued)					
Culture and Recreation					
Parks and Recreation					
Personal services	\$ 48,485	\$ 48,485	\$ 44,497	\$ 3,988	\$ 47,906
Supplies	13,500	13,500	7,558	5,942	12,765
Other services and charges	32,000	32,000	39,838	(7,838)	42,265
Total Parks and Recreation	93,985	93,985	91,893	2,092	102,936
Swimming Pool					
Personal services	41,575	41,575	35,240	6,335	33,888
Supplies	8,500	8,500	9,820	(1,320)	7,763
Other services and charges	23,800	23,800	37,180	(13,380)	22,384
Total Swimming Pool	73,875	73,875	82,240	(8,365)	64,035
Library					
Personal services	63,190	63,190	59,846	3,344	59,934
Supplies	3,700	3,700	3,716	(16)	3,664
Other services and charges	16,825	16,825	20,657	(3,832)	19,044
Total Library	83,715	83,715	84,219	(504)	82,642
Total Culture and Recreation	251,575	251,575	258,352	(6,777)	249,613
Clinic					
Supplies	500	500	91	409	159
Other services and charges	6,650	6,650	8,858	(2,208)	5,867
Total Clinic	7,150	7,150	8,949	(1,799)	6,026
Community Center					
Personal services	17,350	17,350	7,019	10,331	9,546
Supplies	2,000	2,000	1,833	167	1,746
Other services and charges	6,000	6,000	7,202	(1,202)	5,136
Total Community Center	25,350	25,350	16,054	9,296	16,428
Total Current	956,832	956,832	889,640	67,192	813,908
Capital outlay					
General government	20,000	20,000	28,774	(8,774)	-
Public safety	12,000	12,000	24,623	(12,623)	30,349
Streets and highways	30,000	30,000	62,557	(32,557)	72,006
Culture and recreation	48,000	48,000	50,711	(2,711)	30,525
Clinic	1,000	1,000	3,064	(2,064)	-
Total Capital Outlay	111,000	111,000	169,729	(58,729)	132,880
Total Disbursements	1,067,832	1,067,832	1,059,369	8,463	946,788
Other Financing Uses					
Transfers out	24,000	24,000	110,000	(86,000)	110,000
Total Disbursements and Other Financing Uses	1,091,832	1,091,832	1,169,369	(77,537)	1,056,788
Budgetary Fund Balances, December 31	\$ 988,762	\$ 988,762	\$ 1,018,845	\$ 30,083	\$ 974,324

City of Lambert, Minnesota
Special Revenue Fund
Budgetary Comparison Schedule - Regulatory Basis
Economic Development Authority Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024			2023	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 149,164	\$ 149,164	\$ 149,164	\$ -	\$ 157,396
Receipts					
Charges for services	12,590	12,590	12,418	(172)	12,418
Investment earnings	400	400	5,550	5,150	4,747
Miscellaneous					
Loan payments	5,765	5,765	5,794	29	5,793
Total Receipts	<u>18,755</u>	<u>18,755</u>	<u>23,762</u>	<u>5,007</u>	<u>22,958</u>
Other Financing Sources					
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total Receipts and Other Financing Sources	<u>58,755</u>	<u>58,755</u>	<u>63,762</u>	<u>5,007</u>	<u>62,958</u>
Amounts Available for Appropriation	<u>207,919</u>	<u>207,919</u>	<u>212,926</u>	<u>5,007</u>	<u>220,354</u>
Disbursements					
Current					
Economic development					
Personal services	17,015	17,015	16,766	249	15,848
Supplies	1,300	1,300	1,216	84	1,117
Other services and charges	13,750	13,750	29,141	(15,391)	8,771
Loans made	25,000	25,000	-	25,000	-
Total Disbursements	<u>57,065</u>	<u>57,065</u>	<u>47,123</u>	<u>9,942</u>	<u>25,736</u>
Other Financing Uses					
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,454</u>
Total Disbursements and Other Financing Uses	<u>57,065</u>	<u>57,065</u>	<u>47,123</u>	<u>9,942</u>	<u>71,190</u>
Budgetary Fund Balances, December 31	<u>\$ 150,854</u>	<u>\$ 150,854</u>	<u>\$ 165,803</u>	<u>\$ 14,949</u>	<u>\$ 149,164</u>

City of Lamberton, Minnesota
 Summary Financial Report
 Receipts and Disbursements for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2024 and 2023

	2024	2023	Percent Increase (Decrease)
Receipts			
Taxes	\$ 823,114	\$ 806,966	2.00 %
Special assessments	53,780	60,667	(11.35)
Licenses and permits	4,429	6,293	(29.62)
Intergovernmental	482,940	806,752	(40.14)
Charges for services	199,922	157,907	26.61
Fines and forfeits	556	983	(43.44)
Investment earnings	80,917	70,905	14.12
Loan payments	-	11,876	(100.00)
Miscellaneous	62,633	137,826	(54.56)
	<u>\$ 1,708,291</u>	<u>\$ 2,060,175</u>	<u>(17.08) %</u>
Total Receipts	2,190	2,621	(16.44)
Disbursements			
Current			
General government	\$ 143,116	\$ 135,360	5.73 %
Public safety	243,507	244,544	(0.42)
Streets and highways	219,662	161,937	35.65
Culture and recreation	258,352	249,613	3.50
Economic development	47,123	430,860	(89.06)
Clinic	8,949	6,026	48.51
Community Center	16,054	16,428	(2.28)
Capital outlay			
General government	28,774	-	100.00
Public safety	24,623	30,349	(18.87)
Streets and highways	62,557	613,999	(89.81)
Culture and recreation	50,711	30,525	66.13
Clinic	3,064	-	100.00
Debt service			
Principal	281,300	296,500	(5.13)
Interest and other costs	133,726	142,373	(6.07)
	<u>\$ 1,521,518</u>	<u>\$ 2,358,514</u>	<u>(35.49) %</u>
Total Disbursements	1,951	3,001	(34.99)
Total Long-term Indebtedness			
Per capita	\$ 4,393,900	\$ 4,675,200	(6.02) %
	5,633	5,948	(5.29)
General Fund Cash Balance - December 31			
Per capita	\$ 1,018,845	\$ 974,324	4.57 %
	1,306	1,240	5.37

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

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SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Lambertton, Minnesota
Schedule of Accounts Receivable - Unaudited
December 31, 2024

Fund	From	Source of Revenue and Purpose	Amount
General	Various citizens	Fire Response	\$ 21,145
	Various citizens	Mowing Services	950
	Various citizens	Ambulance Charges	1,275
	Various citizens	Black Dirt	75
	Various citizens	EMR Classes	5,390
	Southern MN EMS Education	EMT Recruitment Billboard	300
	City of Seaforth	Regional Radio Grant Reimbursement	250
	Lamberton Community Ambulance	Ambulance Charges	32,612
	Total General		<u>61,997</u>
	Economic Development	EDA Loan Recipients	EDA Loans
Highwater Ethanol, LLC		Land rent	315
Total Economic Development			<u>485,490</u>
Total Accounts Receivable			<u><u>\$ 547,487</u></u>

City of Lamberton, Minnesota
Schedule of Accounts Payable - Unaudited
December 31, 2024

Fund	Vendor Name	Item and Purpose	Amount
General	MNEnergy	Gas	\$ 1,125
	Lamberton Htg & Plbg	Repairs	367
	Aflac	Insurance	328
	Redcross Learning Center	Training	300
	Century Link	Internet and Telephone	281
	Card Member Services	Fax, Adobe, USPS	270
	City of Lamberton	Water	247
	Meadowland	Oil	228
	Glen's Auto	Equipment Filters	223
	Redwood County	Billing	151
	Campspot	Website Fees	100
	First Security	ACH Transaction Fees	79
	Redwood County	Records	46
	C&B Operations (John Deere)	Equipment filter	42
	Amazon	Office Supplies	41
	Maynards	Cleaning Supplies	36
	USAbled Life	Life Insurance	32
	Card Connect	Credit Card Fees	10
	Runnings	Battery	5
	Gopher One State	Gas	4
	Lamberton Fire Relief Association	Fire State Aid & Supplemental Aid	26,209
	Total General		<u>30,124</u>
Ambulance	Farmer's Coop	Fuel	868
	Linde	Oxygen	641
	Boundtree medical	Supplies	392
	Total Ambulance		<u>1,901</u>
	Total Accounts Payable		<u>\$ 32,025</u>

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OTHER REQUIRED REPORTS

CITY OF LAMBERTON
LAMBERTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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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, 2024, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report dated February 28, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2024-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Abdo
Mankato, Minnesota
February 28, 2025

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Lamberton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lamberton, Minnesota (the City), as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described in the accompanying schedule of findings and responses as item 2024-003.

The City's Response to Findings

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

Purpose of this Report

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



Abdo
Mankato, Minnesota
February 28, 2025



City of Lambertton
Schedule of Findings and Responses
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed internal control procedures over payroll, cash disbursements, cash receipts, utility billing and investments and found the City to have limited segregation of duties in these areas.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.

Internal Control Over Accounting Software

<i>Cause:</i>	As a result of the small number of staff, the Clerk/Treasurer and the Administrative Assistant have the same access in their accounting software, Banyon.
<i>Recommendation:</i>	We recommend setting restrictions within Banyon to provide accesses based on each users job functions.
<i>Management Response:</i>	The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to two people. The Council has addressed this circumstance by having active participation in the City's affairs.

Internal Control Over Cash Disbursements

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

City of Lambertton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

Finding

Description

2024-001

Segregation of Duties (Continued)

Internal Control Over Cash Receipts

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

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

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

Internal Control Over Utility Billing

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

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

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

City of Lambertton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Segregation of Duties (Continued)
	<u>Internal Control Over Journal Entries</u>
<i>Cause:</i>	As a result of the small number of staff, the Clerk/Treasurer in conjunction with an administrative assistant prepares and posts all journal entries to the accounting system.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend the Council review manual journal entries monthly. It is important that the Council be aware of this condition and monitors all financial information.
<i>Management Response:</i>	The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to two people. The Council has addressed this circumstance by having active participation in the City's affairs.
2024-002	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with cities of your size.
<i>Effect:</i>	<p>It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken provide you with the completed financial statements.</p> <p>The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors.</p>

City of Lambertton
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

Finding

Description

2024-002

Preparation of Financial Statements (Continued)

Recommendation:

Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. Regarding the specific situations listed above, we would offer the following specific recommendation:

- Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers.
- Agree Banyon receipt and disbursement information to the numbers reported in the financial statements plus any applicable accruals.
- It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Management Response:

For now, the City accepts the degree of risk associated with this condition but is prepared to engage the services of a qualified party in the future if its own staff needs outside help in this matter.

2024-003

Municipal Payment to Fire Relief Association

Condition:

During the audit we noted the 2024 state aid contribution to the Lambertton Fire Relief Association was not paid within 30 days.

Cause:

Minnesota statute 477B.042 Subd. 2 states the following:

“Subd. 6. Municipal payment. (a) (a) The municipality or independent nonprofit firefighting corporation and the affiliated relief association may agree to allocate fire state aid between the relief association and the public employees police and fire retirement plan by entering into an aid allocation agreement described in subdivision 3. (b) If an aid allocation agreement has been filed with the state auditor and is in effect, then within 30 days of receipt of the fire state aid the treasurer of the municipality must transmit to the relief association the amount of the fire state aid as determined in the aid allocation agreement. If a municipality receives fire state aid on behalf of an independent nonprofit firefighting corporation, the municipality must also transmit any remaining fire state aid to the independent nonprofit firefighting corporation.”

Effect:

The City is required by statute to transmit the fire state aid to the relief association within 30 days of receipt of the fire state aid. The City received the state aid on 07/01/2024 but did not transmit it until 01/13/2025.

Recommendation:

We recommend the City set up a payment to the fire relief association as soon as receipt of the fire state aid is received.

Management Response:

The City accepts the finding and will ensure timely payment to the fire relief association in future years.